



A. BALDWIN

**HEROES &  
VILLAINS  
OF FINANCE**

**THE 50 MOST  
COLOURFUL CHARACTERS IN  
THE HISTORY OF FINANCE**

WILEY



*"Heroes and Villains of Finance provides a fascinating and insightful guide to the personalities and developments that have transformed finance and continue to do so. Anyone trying to understand where finance is now, how it got there and where it might go should read this book."*

**Dr Stephen Davies**, Institute of Economic Affairs

*"An exciting, informative ride through the big ideas and even bigger personalities that have shaped the world of finance."*

**Sam Bowman**, The Adam Smith Institute

*"This delightful book provides a punchy reminder that, whilst we should rightly celebrate the longevity of the vision of the heroes of finance like Adam Smith, the potential downsides of financial innovation have always been with us which we are inclined to forget."*

**Professor Mike Wright**, Professor of Entrepreneurship at Imperial College London and ranked #1 worldwide for publications in academic entrepreneurship



**HEROES &  
VILLAINS OF  
FINANCE: THE 50  
MOST COLOURFUL  
CHARACTERS IN  
THE HISTORY OF  
FINANCE**

A BALDWIN

WILEY

This edition first published 2015  
© 2015 A Baldwin

*Registered office*

John Wiley & Sons Ltd, The Atrium, Southern Gate, Chichester, West Sussex, PO19 8SQ,  
United Kingdom

For details of our global editorial offices, for customer services and for information about how to apply for permission to reuse the copyright material in this book please see our website at [www.wiley.com](http://www.wiley.com).

The right of the author to be identified as the author of this work has been asserted in accordance with the Copyright, Designs and Patents Act 1988

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, except as permitted by the UK Copyright, Designs and Patents Act 1988, without the prior permission of the publisher.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit [www.wiley.com](http://www.wiley.com).

Designations used by companies to distinguish their products are often claimed as trademarks. All brand names and product names used in this book are trade names, service marks, trademarks or registered trademarks of their respective owners. The publisher is not associated with any product or vendor mentioned in this book.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with the respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. It is sold on the understanding that the publisher is not engaged in rendering professional services and neither the publisher nor the author shall be liable for damages arising herefrom. If professional advice or other expert assistance is required, the services of a competent professional should be sought.

*Library of Congress Cataloging-in-Publication Data*

Baldwin, A.,

Heroes and villains of finance : the 50 most colourful characters in the history of finance/A. Baldwin.

pages cm

Includes bibliographical references.

ISBN 978-1-119-03899-3 (paperback)

1. Finance—History. I. Title.

HG171.B36 2015

332.092'2—dc23

2015006402

A catalogue record for this book is available from the British Library.

ISBN 978-1-119-03899-3 (paperback)

ISBN 978-1-119-03901-3 (ebk)

ISBN 978-1-119-03900-6 (ebk)

ISBN 978-1-119-03902-0 (obk)

Cover design: Wiley

Cover image: © Ollyy/Shutterstock

Set in 11/14pt Myriad Pro-Regular by Aptara, New Delhi, India

Printed in Great Britain by TJ International Ltd, Padstow, Cornwall, UK

# CONTENTS

01 THALES OF MILETUS	2
02 CHANAKYA	6
03 THE KNIGHTS TEMPLAR	10
04 NICOLE ORESME	14
05 THE MEDICI FAMILY	18
06 JOHN LAW	22
07 SIR JOHN BLUNT	26
08 ADAM SMITH	30
09 CHARLES HALL	34
10 THE ROTHSCHILD FAMILY	38
11 DAVID RICARDO	42
12 KARL MARX	46
13 VILFREDO PARETO	50
14 AMADEO P. GIANNINI	54
15 CHARLES PONZI	58
16 ALVES DOS REIS	62
17 J.P. MORGAN	66
18 FRANKLIN D. ROOSEVELT	70
19 WADDILL CATCHINGS	74
20 HETTY GREEN	78

<b>21 F.A. HAYEK</b>	<b>82</b>
<b>22 JOHN VON NEUMANN</b>	<b>86</b>
<b>23 JOSEPH SCHUMPETER</b>	<b>90</b>
<b>24 LUDWIG VON MISES</b>	<b>94</b>
<b>25 JOHN MAYNARD KEYNES</b>	<b>98</b>
<b>26 HARRY DEXTER WHITE</b>	<b>102</b>
<b>27 SIDNEY WEINBERG</b>	<b>106</b>
<b>28 GEORGES DORiot</b>	<b>110</b>
<b>29 BENJAMIN GRAHAM</b>	<b>114</b>
<b>30 ALFRED WINSLOW JONES</b>	<b>118</b>
<b>31 DENG XIAOPING</b>	<b>122</b>
<b>32 PETER DRUCKER</b>	<b>126</b>
<b>33 RONALD REAGAN</b>	<b>130</b>
<b>34 BERNARD CORNFELD</b>	<b>134</b>
<b>35 ROBERT VESCO</b>	<b>138</b>
<b>36 HYMAN MINSKY</b>	<b>142</b>
<b>37 HENRY KRAVIS</b>	<b>146</b>
<b>38 MICHAEL MILKEN</b>	<b>150</b>
<b>39 MURRAY ROTHBARD</b>	<b>154</b>
<b>40 EUGENE FAMA</b>	<b>158</b>
<b>41 MILTON FRIEDMAN</b>	<b>162</b>
<b>42 HARRY MARKOWITZ</b>	<b>166</b>



<b>43 MUHAMMAD YUNUS</b>	<b>170</b>
<b>44 NICK LEESON</b>	<b>174</b>
<b>45 KEN LAY</b>	<b>178</b>
<b>46 BERNARD MADOFF</b>	<b>182</b>
<b>47 WARREN BUFFETT</b>	<b>186</b>
<b>48 GEORGE SOROS</b>	<b>190</b>
<b>49 NASSIM NICHOLAS TALEB</b>	<b>194</b>
<b>50 DICK FULD</b>	<b>198</b>
<b>GLOSSARY</b>	<b>202</b>
<b>REFERENCES</b>	<b>205</b>



**“I AM WORRIED ABOUT OUR  
TENDENCY TO OVER INVEST  
IN THINGS AND UNDER  
INVEST IN PEOPLE.”**

*ECONOMIST JOHN KENNETH GALBRAITH, 1908-2006*

# **01** THALES OF MILETUS

**C.624—546 BC**

Bertrand Russell once famously said that “Western philosophy begins with Thales”. Does Western finance also? Although more renowned for his philosophy and mathematics, the pre-Socratic Greek philosopher Thales was an active figure in business in his town of Miletus. Known as one of the seven sages of Greece Thales of Miletus provides us with the earliest known example of what we now know as options trading ...

... One autumn, Thales predicted that favourable weather the following year would result in an above average harvest and so during the winter he negotiated with local olive press owners for the option to exercise the right to use a number of olive presses in Miletus the following year. When spring arrived, his weather forecast proved correct, upon which he exercised his ‘options’ before proceeding to rent out the olive presses at a much higher price than what he paid.

With this, the ‘option’ was born.

Whilst today, the ‘option’ industry has developed into a vast, complex market, its underlying reasoning remains the same as it was when Thales conceived it: an instrument that grants the holder the right (but not the obligation) to engage in a specific transaction, at a specific time, for a specific price.

**“...FOR THEY SAY THAT HE [THALES],  
PERCEIVING BY HIS SKILL IN ASTROLOGY  
THAT THERE WOULD BE GREAT PLENTY  
OF OLIVES THAT YEAR, WHILE IT WAS YET  
WINTER, HAVING GOT A LITTLE MONEY, HE  
GAVE EARNEST FOR ALL THE OIL WORKS  
THAT WERE IN MILETUS AND CHIOS,  
WHICH HE HIRED AT A LOW PRICE, THERE  
BEING NO ONE TO BID AGAINST HIM...**

...BUT WHEN THE SEASON CAME FOR MAKING OIL, MANY PERSONS WANTING THEM, HE ALL AT ONCE LET THEM UPON WHAT TERMS HE PLEASED; AND RAISING A LARGE SUM OF MONEY BY THAT MEANS, CONVINCED THEM THAT IT WAS EASY FOR PHILOSOPHERS TO BE RICH IF THEY CHOSE IT.”

*ARISTOTLE ON THALES, FROM THE POLITICS OF ARISTOTLE*

## 02 CHANAKYA

C.370—283 BC



As the 'pioneer economist of India', Chanakya was one of the earliest and greatest contributors ever to the development of economics and political science. Living c. 370–283 BC, Chanakya was a professor of political science at the Takshashila University, and was later to become the chief architect of the Mauryan empire.

Often referred to as the 'Indian Machiavelli', Chanakya compiled many of his economic and political ideas into his book *Arthashastra*, which due to its harsh political pragmatism is widely considered a precursor to Machiavelli's *The Prince*. Standing as arguably the first systematic book on economics, the *Arthashastra* discusses numerous theories, such as monetary and fiscal policies, welfare and ethics, economic management, international relations and war strategies. Many of the topics that Chanakya introduced in the book are still prevalent in modern economics.

Chanakya believed in the power of an autocracy for effective management of an economy, with a solid legal system needing to be observed in order for an economy to thrive.

Perhaps the first person to visualize the concept of a 'nation', Chanakya's teachings offer a bureaucratic framework for the management of a society. Chanakya taught that '*artha*' (sound economies) has paramount importance for the duties and obligations of a king.

**“HENCE THE KING SHALL BE EVER ACTIVE IN THE MANAGEMENT OF THE ECONOMY. THE ROOT OF WEALTH IS [ECONOMIC] ACTIVITY AND LACK OF IT [BRINGS] MATERIAL DISTRESS. IN THE ABSENCE OF [FRUITFUL ECONOMIC] ACTIVITY, BOTH CURRENT PROSPERITY AND FUTURE GROWTH WILL BE DESTROYED.”**

**CHANAKYA FROM THE ARTHASHASTRA**

Legend has it that one night whilst working Chanakya was visited by a Chinese traveller. Chanakya immediately extinguished the oil lantern that he was working with and lit another. When the Chinese traveller asked if it was an Indian custom to do so, Chanakya is said to have responded "No my dear friend. There is no such custom. Actually, when you entered, I was working. It was an official work, pertaining to my empire, my nation. The oil filled in that lamp has been bought from the money from the National Treasury. Now, I am talking to you. This is a personal and friendly conversation, not related to my nation; so I cannot use the lamp now, as it will lead to wastage of the money of the National Treasury. Hence, I extinguished that lamp and lit this other lamp, since the oil in this lamp has been bought from my personal money."

**“TAXATION SHOULD NOT BE A PAINFUL PROCESS FOR THE PEOPLE. THERE SHOULD BE LENIENCY AND CAUTION WHILE DECIDING THE TAX STRUCTURE. IDEALLY, GOVERNMENTS SHOULD COLLECT TAXES LIKE A HONEYBEE, WHICH SUCKS JUST THE RIGHT AMOUNT OF HONEY FROM THE FLOWER SO THAT BOTH CAN SURVIVE. TAXES SHOULD BE COLLECTED IN SMALL AND NOT IN LARGE PROPORTIONS.”**

***CHANAKYA FROM THE ARTHASHASTRA***

## **03** THE KNIGHTS TEMPLAR

C.1119—1314

The Knights Templar were a medieval Christian military organization, officially endorsed by the Catholic Church to provide a pivotal role in protecting pilgrims on their journey to visit the Holy Lands.

Despite the traditional imagery of the Knights Templar, the military face of the organization was actually relatively small; the vast majority of the organization existed to support the knights and to manage the financial infrastructure of the network.

Whilst the Templars themselves were sworn to poverty, due to their extensive sponsors (comprised of nobility and royalty across Europe), within the organization they controlled vast amounts of money throughout Europe.

However, what most people don't realize, aside from the images of swords, horses and crusades, is that the Knights Templar were actually the pioneers of multinational banking.

Many aristocratic figures wishing to participate in the Crusades would entrust the Templars with their wealth whilst they were away. In return, the Templars would issue a 'letter of credit' for the pilgrims. The vast network of Templars stretching across Europe and to the Holy Lands allowed the system to function efficiently. The pilgrims would deposit their valuables with a local Templar before departure, receiving a document indicating the value of their deposit, which they would then use upon arrival in the Holy Lands to retrieve their funds. In addition, by not carrying their wealth on their person whilst travelling, the Pilgrims were less susceptible to being robbed. Essentially, this was an early form of banking, and was quite possibly the first formal system to support the use of cheques.

As a result, the vast network of Templars was able to acquire large holdings of land across Europe and the Middle East, build churches and castles, and engage in various import and export activities. With up to 20,000 members at its peak, they even had their own fleet of ships. The network they developed, and the way in which they operated, is widely regarded to be the first example of a multinational banking corporation.

**AT ONE POINT, THE  
KNIGHTS TEMPLAR  
OWNED THE ENTIRE  
ISLAND OF CYPRUS**