

Sex, Lies, and Economics:
The Amazing Story of Economics and Economists Before Adam Smith

"The past is never dead. It's not even past." William Faulkner

Why in the world would anybody care about 17th century economists? The answer is easy. They led extraordinarily lives and their writings remain relevant to this day. Consider this scene:

In 1649, the dawn of modern economics began with a young woman, recently hung for murdering her stillborn child. Shortly after her execution, she lay in her coffin. A young doctor had the responsibility of performing a dissection to discover tell-tale signs criminality. Perhaps, she had a hairy heart, thought to be a symptom of criminality, which led her to commit such a horrid crime.

Before the doctor had a chance to slice into her body, he noticed a slight trembling. In spite of his primitive measures, the poor woman came back to "life."

The doctor, William Petty, wrote to a friend, "Here hath happened lately a very miracle." Realizing an opportunity, the doctor opened his laboratory to the public, who paid to gawk at the resurrected miscreant. According to the letter, "Thousands of people come from all parts to admire the great and powerfull hand of God." Petty, of course, was less interested spreading in God's glory than his own.

Indeed, Petty became famous overnight as a person responsible for this miracle. He added to the excitement by publishing a pamphlet, "History of the Magdalen." One of Petty's close friends recorded in his diary that Petty's fame for the miraculous resurrection continued decades after the event.

The autopsy might not have discovered the physiological roots of her criminality. In fact, she was a young servant girl, impregnated by her master's grandson. She produced a malformed fetus, which was stillborn. Her crime was nothing more than sex out of wedlock. In reality, she performed a great service for economics by launching the career of the first major economist.

Besides having the distinction of being the first economist on record to have raised someone from the dead, Petty went on to become one of the dozen founders of the Royal Society, as well as a naval engineer, professor of music, scientist, inventor, assistant to Thomas Hobbes, cartographer, pioneer in public health and demography,

member of Parliament, leader in the conquest of Ireland, an adviser to the King, and a notorious land pirate who accumulated hundreds of thousands of acres of confiscated Irish land. Finally, Petty was the inspiration for Jonathan Swift's Modest Proposal, as well as the founder of modern economics.

After Petty, comes John Law, a murderer who escaped from jail and became the richest man in the world. Here is the first paragraph of Law's chapter:

Our story now turns to John Law (1671-1729), a most improbable economist. After wasting his youth as a dandy and an impecunious gambler, Law was sentenced to hang as a convicted murder. Within a short period of time, he reinvented himself as a financier. Not only did he become the richest man in the world, he had the responsibility for running the economy of France, as well as much of what later became the Continental United States. Finally, Law ended in disgrace for ruining the entire economy of France. In the process, he became one of the great pioneers of economics.

Richard Cantillon, whose family lands were partially taken over by William Petty, comes next. Cantillon was an unscrupulous war profiteer and financier who faked his own death and then disappeared in French Guiana. Here is the first paragraph of his chapter.

The dates of Richard Cantillon's life are unknown. He was born sometime between 1680 and 1690 in North Kerry, the very same Irish county where Petty had made much of his land grab. The date of Cantillon's death is shrouded in a great mystery, around which swirled financial swindles, accusations of murder, as well as many lesser crimes.

All modern schools of economics build on the work Petty, Law and Cantillon.

Next comes Charles Davenant, who worked alongside Cantillon as a war profiteer. Davenant was also a playwright, son of the poet laureate of England, and almost universally believed at the time to be the illegitimate grandson of William Shakespeare. Although Davenant was not a major economic theorist, following Petty, he pioneered the development and use of government data.

A short chapter will cover Bernard Mandeville, author of "An Essay upon Whoring: A Modest Defence of Publick Stews," which made the case for state-run brothels. He congratulated the city fathers of Amsterdam for

tolerating "Houses in which Women are hired as publickly as Horses at a Livery Stable." Mandeville's simultaneous celebration of both free markets and licentious behavior posed a problem for Adam Smith's generation, which had to find a way to respond to Mandeville in making their case for markets on ethical grounds. Mandeville reappears centuries later in Keynes' General Theory, in making his case for the need to stimulate demand.

Finally, the book turns to Isaac Newton, who besides his pathbreaking scientific work, did influential analysis in economics during a severe monetary crisis. Newton also ran the Mint, oversaw the transformation of Britain's currency, and did undercover work to capture and execute counterfeiters.

The interactions of these economists with each other, as well as with people in high places, including royalty and leading figures in science and the arts, make an engaging story. Even the person responsible for carrying out the unsuccessful execution in the first chapter will reappear later in a surprising fashion.

This book is unique. It covers an earlier period than *The Worldly Philosophers* in a much more comprehensive style. The works of Antoin Murphy and Tony Aspromourgos treat some of same authors with great skill, but their work aimed at specialists in the history of economic thought. In some ways, the closest book I can find is Uglow's *Gambling Man*, a study of a short period of life of Charles II. In her short discussions about William Petty and the Royal Society, I was pleased to learn that she tended to highlight some of the same matters as I did.

Several people responded to my description of the book by saying that it has the potential to be the basis of a popular movie script. I am no judge of such matters, but I am certain that the personal histories of these pioneers in economics are entertaining.

I am also attempting to appeal to people with an interest in history. A colleague in the history department was surprised about my command of this history, but, of course, I am more concerned about turning the material into compelling reading.

The theoretical work of these economists also has a contemporary relevance. They were grappling the same economic problems that plague the world to this day: the economic cost of foreign military adventures, unwieldy financial structures, which spin out of control, and the challenge of lifting people out of poverty.

Not only are these problems still with us, these early economists often seem to make more sense than

economists today. By exploring extraordinary lives of these economists working in unfamiliar historical conditions, I hope to be able to throw light on contemporary conditions, without being didactic.