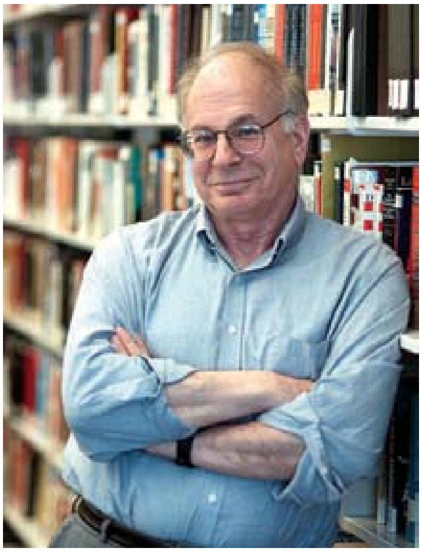

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*The origins of behaviorist economics can be traced to two Israeli behavioral psychologists, Daniel Kahneman and Amos Tverski. In 1979, the pair published the fundamental work of the new "science,"* Prospect Theory, Analysis of Decisions Under Risk.

"science," *Prospect Theory, Analysis of Decisions Under Risk,* by Kahnemann and Tversky. Later, the two published works along with Thaler and others, notably the British Columbia-based behavioral economist Jack Knetsch.

In 1982, the grouping was "institutionalized," one might say, by Eric Wanner, who was then the vice president of the Sloan Foundation, and who proposed funding an integration of behavioral psychology and economics. A year later, when Wanner became president of the Russell Sage Foundation, he brought the psychos along with him, and began to fund the project, which continues today. The first step was to send Thaler to the University of British Columbia, where Kahneman was teaching, to work with him for a year. At this time, Jack Knetsch would have also been at UBC.

It was at Sage that Kahneman, Tversky, and Knetsch produced a work in which they tried to give their "Prospect Theory" historical grounding, citing four works of theoretical "heritage," one of which is the work of John von Neumann and Oskar Morgenstern. The result was "Fairness and the Assumptions of Economics," published in a special issue of *The Journal of Business*. Kahneman received half a Nobel Prize in 2002, for "having integrated insights from psychological research into economic science, especially concerning human judgment and decision making under uncertainty." He is today at Princeton. Tversky died in 1996.

In 1995, Thaler, who continues as a director at the Russell Sage Foundation, came to the University of Chicago. At Chicago, Thaler made a quick convert and lifetime associate of Cass Sunstein, a professor of law, who quickly spread the ideas to the legal profession, causing a minor revolution in teaching methods, which continues today. Sunstein became a close associate of Barack Obama, who was also resident at the University of Chicago at that time, and led Thaler to him at a 2004 Illinois Senate campaign event. Thaler's response at the time was, "You know, he seems like the real deal."

Thaler, in addition to being an economics professor at the University of Chicago, is still on the board of the Russell Sage Foundation, which also houses the vaunted Consortium of 29, the Behaviorist Economics Roundtable, founded in 1992.

## Paolo Sarpi

# The Venetian Roots of 'Behavioral Economics'

### by Jeffrey Steinberg

April 10—While *Time* magazine's (April 13, 2009) exposé of the "behavioral economists" surrounding President Barack Obama has put an important spotlight on a dangerous disease, infecting the economic decision-making at the Oval Office, the author of the exposé only scratched the surface of the actual evil underlying this hedonistic madness.

The bestial notion of man as an irrational creature, driven by overwhelming impulses to seek pleasure and avoid pain, which is at the heart of the so-called "behavioral economics" dogma, came directly from Venice, the wellspring of all modern financier oligarchism. The author of this schema, which ruthlessly rejects actual human creativity, was Paolo Sarpi (1552-1623).

*Paolo Sarpi*

A Servite monk who rose to be the leading theological and juridical authority for the Venetian doge, Sarpi waged a war against the Catholic Church, and, despite his nominal status as a leading theologian, argued against the existence of God. In correspondence with Francis Bacon, mediated through the English ambassador to Venice, Henry Wotten, Sarpi argued that man can only know the world through his senses. Thus, Sarpi was the author of the radical, anti-cognitive empiricist doctrine, later codified by successive generations of English utilitarians, from John Locke, to Bernard de Mandeville, to Adam Smith, to Jeremy Bentham.

Sarpi took a leading role in the Venetian faction known as the Giovani (Youth), who argued that Venice could not retain its financial and political power over Europe through its base in the Venetian lagoon. Sarpi and the Giovani not only promoted the Protestant break with Rome, they redeployed Venetian power into northern Europe, through the successive takeover of the Netherlands and England, via the creation of Venetian-controlled trading companies, including the Venice, Turkey, Levant, and, eventually, the Dutch and British East India companies. It was this financier-oligarchy, that took over England and, at the same time, promoted the radical empiricist dogma that has been the key to oligarchical power ever since.

It is from Sarpi's descendants, particularly the radical hedonist Jeremy Bentham (1748-1832), that all of the essentials of behavioral economics derive. Indeed, a 2004 paper, published by the British Fabian Society's London School of Economics, titled "Utility Theory from Jeremy Bentham to Daniel Kahneman," makes the case explicitly.

Essentially plagiarizing Sarpi, Bentham, in his infamous *An Introduction to the Principles of Morals and Legislation* (1780) wrote, "Nature has placed mankind under the governance of two sovereign masters, pain and pleasure. It is for them alone to point out what we ought to do, as well as to determine what we shall do.... Every effort we make to throw off our subjection, will serve but to demonstrate and confirm it. The principle of utility—the greatest happiness or greatest felicity principle—recognizes this subjection, and assumes it for the foundation.... Systems which attempt to question it deal ... in caprice instead of reason, in darkness instead of light."

Bentham was not only the chief philosopher for the British East India Company, during the tenure of its Secret Committee chairman, Lord Shelburne. During Shelburne's brief tenures as Foreign Secretary and Prime Minister, Bentham founded modern British intelligence.

Bentham first caught the attention of the Venetian-minded Shelburne for his diatribe against the American Declaration of Independence. In October 1776, Bentham wrote: "This, they 'hold to be' a 'truth self-evident.' At the same time, to secure these rights they are satisfied that government should be instituted. They see not ... that nothing that was ever called government ever was or ever could be exercised but at the expense of one or another of those rights, that ... some one or other of those pretended unalienable rights is alienated.... In these tenets they have outdone the extravagance of all former fanatics."

Bentham's hatred of the American Revolution and the principles of republican government were totally consistent with his Sarpian belief that man is a beast, pure and simple. That Sarpi and Bentham are the intellectual architects of the perverse doctrine of hedonistic behavioral economics ought to wake up some patriotic stirrings among some in and around the Obama White House.