

Jealousy of Credit: John Law’s “System” and the Geopolitics of Financial Revolution*

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Two great watersheds divided the history of modern geopolitics, John Law told the French Regent, Philippe d’Orléans: “the discovery of the Indies” and the “introduction of credit.” Both developments unsettled the balance of power. Before the conquest of America, noted the monetary theorist, silver had been rare in Europe. While the subsequent expansion of trade enlarged the money supply of all countries, “the commercial states benefited more than the rest, and by this means significantly augmented their power.” The second great upheaval, “not less considerable than the first,” was the adoption of modern institutions of public credit in Great Britain—what historians call the financial revolution.¹ Credit catapulted Britain into the first rank of European states. It enhanced British ability to pay for armies in the field and to keep fleets at sea during the protracted conflicts of the age, the Nine Years’ War (1688–97) and the War of the Spanish Succession (1701–13). Indeed, public credit had aggrandized the English more, Law declared, than if they had conquered Spanish America.²

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¹ See P. G. M. Dickson, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688–1756* (London, 1967); Bruce G. Carruthers, *City of Capital: Politics and Markets in the English Financial Revolution* (Princeton, NJ, 1996); and Carl Wennerlind, *Casualties of Credit: The English Financial Revolution, 1620–1720* (Cambridge, MA, 2011).

² John Law to Philippe d’Orléans, Dec. 1715, in John Law, *Œuvres complètes*, ed. Paul Harsin, 3 vols. (Paris, 1934), 2:262–68. All translations are my own unless otherwise indicated. Britain’s Julian calendar ran eleven days behind the Gregorian system used in France. Moreover, in Britain, the start of the year was sometimes dated from March 25. I have cited all dates as they appear in original sources, but to avoid confusion I alter the year, where necessary, to conform to the Gregorian style.

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Facing a British rival invigorated by credit, Law argued, France had little option but to take the same path. If the Regent rejected the new finance, France would be overmatched in the struggle for power and security; if he embraced it, the French monarchy would dominate Europe. Law's arguments eventually persuaded Orléans. With his backing, the Scot founded a bank in 1716 to issue paper money and, in 1717, a joint-stock enterprise on the model of Britain's South Sea Company to recolonize Louisiana and absorb part of the unfunded public debt. Two years later Law went further. Joining his first ventures with the *Compagnie des Indes*, a huge conglomerate he established to exploit all colonial trade (and to manage the royal mint and the tax system), he moved to consolidate the entire public debt by converting it into equity in the company.³

The founding of Law's "System," as it came to be known, is universally regarded as a landmark in the history of finance—but it should also be seen as a decisive moment in international history. Law said repeatedly that his reforms would transform relations between European states. While historians of the System acknowledge these statements, they are rarely viewed as critical for understanding Law's actions or his thinking.⁴ Yet unless we take Law's geopolitical pronouncements seriously, we will never grasp the stakes for which he was playing. Nor was it only his language that reflected an engagement with international order: throughout his sojourn in Paris, Law contrived to shape French foreign policy. This too has long been recognized, though diplomatic historians tend to trivialize the financier's interference in foreign affairs, eliding the structural significance of the System—the challenge it mounted, and was seen to mount, to the existing international order.⁵

³ The best general work on the System is Antoin E. Murphy, *John Law: Economic Theorist and Policy-Maker* (Oxford, 1997). See also Edgar Faure, *La banqueroute de Law, 17 juillet 1720* (Paris, 1977); Larry Neal, *The Rise of Financial Capitalism: International Capital Markets in the Age of Reason* (Cambridge, 1990), 62–88; and Peter M. Garber, *Famous First Bubbles: The Fundamentals of Early Manias* (Cambridge, MA, 2000), 91–107.

⁴ Most historians of the System are sensitive to aspects of Law's international agenda, but only one sets international politics at the center of the story. Claude Frédéric Lévy's *Capitalistes et pouvoir au siècle des lumières*, 3 vols. (Paris, 1969–80) is well researched but insufficiently critical in its handling of sources, often failing to distinguish rumor and misinformation from verified or probable fact.

⁵ The foundational diplomatic histories of this period are now quite dated. See Louis Wiesener, *Le régent, l'abbé Dubois et les Anglais*, 3 vols. (Paris, 1890–99); Émile Bourgeois, *Le secret de Dubois: Cardinal et premier ministre* (Paris, 1910); Basil Williams, *Stanhope: A Study in Eighteenth-Century War and Diplomacy* (Oxford, 1932). For more recent syntheses, see Jeremy Black, *Natural and Necessary Enemies: Anglo-French Relations in the Eighteenth Century* (Athens, GA, 1986), 1–35; Brendan Simms, *Three Victories and a Defeat: The Rise and Fall of the First British Empire, 1714–1783* (London, 2007), 112–15, 135–43; Marco Cesa, *Allies yet Rivals: International Politics in 18th Century Europe*, trans. Patrick John Barr (Stanford, CA, 2010), 119–46.

To renegotiate the place of France in the European system of states—this was the purpose of Law's System. The last wars of Louis XIV's reign had revealed more clearly than ever that wealth sustained power. The world that emerged from the 1713 Treaty of Utrecht was one in which France seemed structurally disadvantaged vis-à-vis its British rival. Indeed, the gains the British secured at Utrecht—colonies in America, naval stations in the Mediterranean, and above all commercial concessions in the Spanish Empire—promised that this disparity would only increase. To tilt the balance of wealth back in favor of France, Law proposed to initiate a financial revolution. But he did not intend merely to address the crisis in French public credit. He believed that Britain's new public credit machinery had augmented its money supply and thereby vitalized its economy. He promised to assure the same advantages to France and to unleash thereby the kingdom's enormous economic potential.

The full extent of Law's ambitions is open to question. Was his goal only to enhance the French ability to compete within the existing Utrecht order, or did he aspire to transform the very structure of the international system? Deciding the issue requires that we grapple with ambiguities in the Scot's thinking and with tensions between his ideas and his actions. Law presented his financial revolution as a means to establish French preponderance in Europe. This would seem to be self-evidently a scheme for the overthrow of the Utrecht order—a framework built to check the French drive to hegemony. In an apparent reversal, however, Law supported a Franco-British diplomatic partnership to preserve the Utrecht settlement and to manage its conflicts. Further ambiguity surrounds the financier's oft repeated claims that his innovations would usher in a pacific age. Had it lasted, he assured one admirer, his System "would have conserved the peace of Europe."⁶ Such statements align Law with critics of the existing international order, such as the abbé de Saint-Pierre and Archbishop François Fénelon, who aspired to create a more peaceful world. But seemingly out of step with such commitments, indeed more consistent with the agonistic norms of contemporary power politics, Law treated trade and finance as weapons in the struggle between nations and wielded these arms in the cause of France. He was certainly no evangelist of *doux commerce*.⁷ When we turn to his views on foreign trade and colonies, a final set of ambiguities emerges. A logical implication of Law's ideas on money was to downgrade the importance of international commerce and empire. Spanish America in particular, he argued, would cease to be strategically vital once the silver it produced was replaced by a credit-based money. Law nevertheless founded two great colonial trading companies and talked of reviv-

⁶ Bibliothèque Méjanes (BM), Aix-en-Provence, MS 614 (355), John Law to M. de Rosemberg, May 15, 1722.

⁷ On *doux commerce*, see Albert O. Hirschman, *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph* (Princeton, NJ, 1977).

ing French foreign trade. Making sense of these apparent contradictions will be the task of the following section.

Moving beyond Law's thinking, the two succeeding subsections analyze the financier's role as an international actor. His interference in foreign policy seems baffling on its face: he formed a partnership with the abbé Dubois, the architect of the Regent's foreign policy, but later sought to have him disgraced; he aligned himself against the Spanish party at the French court but subsequently wooed Spain; he fostered French alliance with England yet afterward threatened to wreck Anglo-French cooperation—even to fund a Jacobite invasion of Britain. I will show that Law's interventions in international politics, as erratic as they seem, were consistently motivated by the needs of his System, especially by his desire to contain the new threat that emerged in 1720, when a scheme was launched to convert much of the British public debt into stock in the South Sea Company. This project Law interpreted as an assault on his System. His ensuing duel with the South Sea Company was an extraordinary moment in European international affairs when financial actors, practices, and logics invaded the realm of great power competition, while diplomacy was bent to the exigencies of public credit.

Law's actions and his thinking were predicated on an attitude I shall call "jealousy of credit"—an anxious watchfulness directed toward the public credit of rival states, a posture that could prompt emulation of a competitor's financial success or attacks on its credit (be these verbal, military, or financial). With his System, Law sought to imitate the British public credit model. His informal diplomacy should be understood initially as an effort to ward off British attacks on his own System, and later as a sustained attempt to undermine the South Sea debt consolidation scheme. The perception underpinning jealousy of credit was that a state enjoyed good credit at the expense of its rivals—either directly, because all had to compete for the same pool of international capital, or obliquely, because the financial advancement of one undermined the relative power of the others.⁸

Though Law was swept from office in 1720, jealousy of credit persisted in the Anglo-French relationship. The last section of the article explores the afterlife of Law's System, the ways it shaped strategic thought and foreign policy making in the seven decades following the financier's disgrace. One of the legacies of the Law episode was a perception that the English system of public credit was vulnerable to attack from abroad—a vulnerability the French would seek to exploit and Britons feared. Law's geopolitical ideas continued to exert a powerful appeal. In France, the dream endured of a financial revolution to

⁸ Similar agonistic perceptions underpinned "jealousy of trade," its better-known cousin. See Istvan Hont, *Jealousy of Trade: International Competition and the Nation-State in Historical Perspective* (Cambridge, MA, 2005).

aggrandize the French monarchy—a dream often linked to aspirations for a more peaceful Europe and a softening of imperial rivalry. Echoes of 1720 also reverberated in Franco-British competition for international capital, which culminated in the 1780s with a campaign by Louis XVI's government to attract Dutch money away from London and into the French public debt.

LAW'S GEOPOLITICAL VISION AND ITS CONTRADICTIONS

Law's equivocal claims about the geopolitical future his System would usher in, and the tensions between his statements and his actions, make it challenging to pin down exactly what the financier believed. Yet some of the apparent contradictions dissolve on closer inspection, and others follow from tactical imperatives of building and sustaining a coalition in support of his reforms, or forging political alliances to protect his System from attack. When all the evidence is weighed, a strong case emerges that Law foresaw a transformation of international order arising from the financial revolution he aspired to make—at least in the long run. But the Utrecht order would not be swept away overnight. Accommodation to prevailing realities would be necessary in the meantime to advance the development of the System, and such compromises explain much of what seems erratic in Law's words and actions. The stable core around which his geopolitical vision turned was his understanding of money and his aspiration to transform the French monetary system.

Law believed that without an adequate money supply, economic resources would lie idle and labor would be unemployed. To increase the size of the monetary stock in such depressed conditions would drive down interest rates and set in motion underutilized capital and labor, stimulating prosperity.⁹ Properly managed, international trade fostered economic growth by increasing the money stock of successful trading states. But beginning with the English financial revolution, credit currencies emerged as an alternative means to supplement the money supply. Law argued that England's monetary stock was expanded both by the notes the Bank of England issued and by the shares it and other chartered companies sold to the public. Shares functioned as an adjunct to the money supply, serving both as a means to settle debts and as a store of value. Effectively, Britain had monetized its public debts, and the expansion of the money stock had buoyed the British economy. Indeed, Law argued, were Britain to fall back on specie currency alone, "manufactures and trade would diminish by more than half."¹⁰

⁹ Murphy, *John Law*, 78–80, 88. Similar assumptions underpinned many of the schemes to establish a credit currency in England, culminating in the foundation of the Bank of England in 1694. See Wennerlind, *Casualties of Credit*, 95–122.

¹⁰ John Law, "Proposition pour une banque à Turin" (1712) reprinted (ed. Antoin E. Murphy) in *Economies et Sociétés* 25, no. 5 (1991): 13–29, citing 25.

Law's proposed solution to France's problems involved the establishment of a bank issuing paper currency to supplement the money supply and joint-stock companies whose shares would serve the same purpose. But France faced deeper problems that required a more radical solution. The bulk of the Crown's borrowings were frozen in the form of relatively illiquid annuities (*rentes*), a system that had laid the foundation of a rentier culture deleterious to investment and trade. This was a relatively new development, the volume of *rentes* having increased more than eightfold during the War of the Spanish Succession. France was also burdened by millions of livres of unfunded war debt, trading at a steep discount, which made further royal borrowing almost impossible. Botched efforts to reduce debt through a *Chambre de justice* in 1716 had produced a credit crisis and exacerbated an already deep recession. Following the example set by Britain's South Sea Company, established in 1711, Law founded his *Compagnie d'Occident* in 1717 to absorb 100 million livres of this unsecured debt by converting it into shares. His far more ambitious operation of 1719–20 was intended to substitute shares in the newly established *Compagnie des Indes* for the *rentes*, replacing the dead capital locked up in annuities with relatively liquid equity capital that would function as a money substitute.¹¹

The logic of Law's thinking on money was to downgrade the importance of international commerce. Public credit offered a more powerful means to augment the money supply than a positive balance of trade. In the War of the Spanish Succession, the Bank of England sustained Britain "without the trade of the Indies, and . . . the trade of the Indies without a bank was not able to sustain France."¹² The introduction of new forms of paper credit in France, Law argued, "would augment the quantity of money more in a year than an advantageous commerce could in ten."¹³

Yet when the financier spoke of the prosperous France he hoped to create, he emphasized the renewal of French foreign trade. An abundance of money, he claimed, "would put France in a position to do all the trade of Europe, and would render this great kingdom cultivated like Holland, full of towns, villages, and people; it would renew navigation and the navy. . . . The lands of France would be brought to produce double what they do at present. This product would be manufactured in the country and transported abroad on French vessels."¹⁴ This

¹¹ Murphy, *John Law*, 194–96.

¹² Law to Orléans, in *Œuvres complètes*, 2:263–64. Law constantly reiterated this claim. See "Effets que le Système de M. Law a produit sur les espèces dans plusieurs Etats de l'Europe," in *Œuvres complètes*, 3:170; and "Mémoire pour démontrer 1° qu'il est nécessaire d'établir le crédit; 2° qu'il est praticable de l'établir en France quoique cet établissement aye déjà été entreprise et qu'il aye manqué," in *Œuvres complètes*, 3:184.

¹³ Law, "Mémoire sur les banques," in *Œuvres complètes*, 2:305.

¹⁴ *Ibid.*, 307–8.

was a vision of ousting the Dutch from the French carrying trade—long an aspiration of the French merchant community—and even of replacing them as the carriers for Europe. Law imagined French manufacturers competing vigorously in world markets. Such statements seem calculated to appeal to the mercantile interests whom he engaged as investors and collaborators in his bank and his two great companies.¹⁵

That Law was making a tactical appeal here seems all the more likely when we consider his theory of wealth. His claims challenged the arguments of English political arithmeticians William Petty and Charles Davenant, who asserted that France was incapable of matching Britain and Holland economically. Petty held that a small country such as the Dutch Republic could, by its situation, trade, and economic policy, balance the wealth and strength of a larger people living on a greater territory.¹⁶ Davenant concurred, arguing that “neither the genius of the [French] nation, their site nor ports will allow them the same success . . . as has attended the English and the Dutch, more skilful [*sic*] in trade and in sea-matters.”¹⁷ Law by contrast argued that the French kingdom had an intrinsic advantage in the struggle for wealth and power in its abundance of land and population. This was to shift the emphasis away from foreign trade and navigation as sources of wealth and onto natural resources and labor. Leveraged by an adequate money supply, and with better economic management, Law argued, there was no reason why France should not be “cultivated like Holland”; and, if it was, it would reduce Holland and England to the second rank of states.

This emphasis on demographic and territorial scale was already implicit in Law's 1705 *Money and Trade Considered*, the seminal statement of his monetary theory. There he explained that the natural proportion in wealth between Scotland and England, “the Quantity and Quality of the Lands, and the Numbers of People consider'd,” was as one is to six, but that the relative dearth of money in Scotland reduced this to a proportion of one to twenty-eight. By supplementing the money supply, Law claimed, he could return Scotland to its original proportion with England—but he did not argue that the smaller country could surpass its southern neighbor.¹⁸ Size mattered, which is why France had a natural advantage in the

¹⁵ On his relations with port interests, see Herbert Lüthy, *La banque protestante en France de la révocation de l'Edit de Nantes à la Révolution*, 2 vols. (Paris, 1959–61), 1:296–99; and Jacob M. Price, *France and the Chesapeake: A History of the French Tobacco Monopoly, 1674–1791*, 2 vols. (Ann Arbor, MI, 1973), 1:216.

¹⁶ Sir William Petty, *Political Arithmetick* (London, 1690).

¹⁷ Charles Davenant, “Discourses on the Publick Revenues, and on the Trade of England, Part II,” in *Political and Commercial Works of that Celebrated Writer Charles D'avenant*, ed. Charles Whitworth, 5 vols. (London, 1771), 1:116.

¹⁸ John Law, *Money and Trade Considered, with a Proposal for Supplying the Nation with Money* (Edinburgh, 1705), 106.

struggle for wealth and power. With three times the population and land area of England, the French kingdom had the potential to be an economic colossus.¹⁹

Law's thinking about population and natural resources would seem to straddle a debate between labor- and land-based political economies, the former predicated on the Lockean insight that wealth is infinitely expandable because it is based on human productivity, the latter holding that wealth is limited because it is ultimately founded on the finite resource of land.²⁰ Law's vision of a thriving French economy built on a more productive agriculture, together with vibrant manufacturing, leans more toward the Lockean view. Indeed, Law banked personally on the prospects of manufacturing in France, establishing woolen and steel-making operations on his estate at Tankerville in Normandy and attracting skilled workers from England and Germany.²¹ Yet he recognized limits imposed by the ceiling of land and population which, in the medium term at least, determined geopolitical potential. Thus Scotland could not hope to have more than a sixth of the wealth of England, nor England more than a third of the wealth of France, within the existing limits of population and natural resources, assuming all three were economically well managed and had an adequate money supply.

It follows that to maintain its lead in land and population France would eventually have to expand imperially, or prevent others from doing so. Otherwise plantation colonies might artificially extend the exploitable land available to a rival, while slavery might forcibly recruit for it a larger laboring population. The corollary of Law's political economy might thus seem to be the foundation of the *Compagnie d'Occident* in 1717, which set out to develop Louisiana as a plantation colony.

But Law himself made no claims for the long-term importance of colonies. When he proposed the creation of the company, he said little about Louisiana's commercial or agricultural prospects, focusing instead on the capacity of the new enterprise to absorb unfunded public debt in the manner of Britain's South Sea Company.²² The initiative to revivify Louisiana came not from Law but from French financial and commercial circles. The Scot only entered these discussions

¹⁹ Law reiterated such arguments during and after his period of influence in France. See Law to Orléans, in *Œuvres complètes*, 2:262; and Cholmondeley (Houghton) Papers, Cambridge University Library, 82/1/16, John Law, memorandum comparing the Mississippi and the South Sea Companies.

²⁰ Steven Pincus, "Rethinking Mercantilism: Political Economy, the British Empire, and the Atlantic World in the Seventeenth and Eighteenth Centuries," *William and Mary Quarterly*, 3rd ser., 69 (2012): 3–34.

²¹ National Archives, Kew (TNA) SP 78/166 fol. 99, Daniel Pulteney to James Craggs, Jan. 9, 1720.

²² John Law, "Mémoire sur l'établissement d'une compagnie d'occident après la remise du privilège du Sr. Crozat," Archives du Ministère des Affaires Etrangères (AAE), La Courneuve, Mémoires et Documents (MD), Amérique 1, fols. 301–4.

at the eleventh hour, and it was his ambitious claims for the venture's potential to absorb unfunded debt—not any vision of colonial development—that won him leadership of the coalition that established the so-called Mississippi Company.²³ Law had little to say about colonies, or even international trade.²⁴ During his period of influence in France, naval budgets were slashed—a telling fact in a period when navies were viewed as critical to protecting commerce and colonies.²⁵ It was not empire but public credit that was at the heart of Law's vision of French prosperity and power.

Where Law wrote explicitly about the extra-European world—in his remarks on Spanish America—it was to suggest that it was superfluous to the future of the French monarchy as a great power. The problem of who would control Spain's empire had dominated Louis XIV's reign and issued in a general war from 1701 to 1713. But contrary to the principal strategic tradition of the previous reign, and to the claims of the "Spanish party" in Regency France, Law argued that Spain and its possessions were irrelevant to France's power-political future. "By my work," he promised, "I will render the Indies superfluous, and France will no longer need other powers."²⁶ While the kingdom could hardly do without Spanish American silver entirely, it would be far less dependent once Law's innovations had expanded the money supply. A strategically devalued Spanish America offered significantly better prospects for peace between France and the Maritime Powers. The decentering of empire and international trade that followed from Law's ideas on money was a key element of his vision for a more pacific Europe.

The second impetus for peace would come from the sheer economic superiority of France once it had been transformed by the System. When the vast latent wealth of the French economy was realized, Law argued, it would be incomparably the greatest power—"the arbiter of Europe without having to use force."²⁷ This would not be Louis XIV's universal monarchy by another name, Law insisted; France would "command other nations without dominating them and give them the law without usurping anything of their rights, . . . qualities . . . much more glorious than the vain title of a universal monarchy that, having grown

²³ Price, *France and the Chesapeake*, 1:197–212. The official name of Law's first company was the *Compagnie d'Occident* (Company of the West), but it was informally known as the "Mississippi Company"—a nickname later transferred to Law's *Compagnie des Indes*, which embraced all French colonial commerce.

²⁴ The view that Law had an expansive vision of empire and international trade rests on the misattribution to him of the "Restablisement du commerce," a memorandum reprinted in the *Œuvres complètes*. See Murphy, *John Law*, 8–9.

²⁵ Jean-Frédéric Phélypeaux, comte de Maurepas, "Memoire sur l'Etat de la Marine" (c. 1732), Maurepas Collection, Cornell University Library, 8/39.

²⁶ Law to Orléans, in *Œuvres complètes*, 2:266–67.

²⁷ *Ibid.* His bank, Law argued, "must render the King and the Kingdom of France master of all the powers of Europe." See John Law, "Projet d'une nouvelle forme d'asseoir les revenus du Roy (Apr. 1718)," in *Œuvres complètes*, 3:31.

beyond its just limits, collapses finally of its own weight.”²⁸ The financier envisioned a future stabilization of European politics based on such benign French hegemony.

The distinctiveness of Law’s ideas on securing the peace of Europe become clearer when set in dialogue with the views of his near contemporaries Fénelon and the abbé de Saint-Pierre. Fénelon argued that while territorial expansionism ought to be avoided, power could be amassed by the proper management of economic resources.²⁹ In his utopian epic *Telemachus*, the archbishop offered a radical vision of an economy based mostly on land, devoid of luxury, and pursuing a limited and strictly reciprocal foreign trade.³⁰ A world of such nations would be a world at peace. There are echoes of this in Law, but the differences ultimately outweigh any similarities. Once fully supplied with credit money, Law implied, France would not need to compete so fiercely in international trade and colonial competition. It could be richer and more powerful than its rivals, and live in peace with them, by tapping its own vast territorial and demographic resources. But Law’s promotion of manufacturing and his endorsement of consumption distinguish his political economy sharply from Fénelon’s. Moreover, the archbishop repudiated hegemony in any form; a healthy system of European states could only be premised on a balance of power.³¹ Law’s disavowal of balance and embrace of economic modernity align him more closely with the abbé de Saint-Pierre, whose *Projet pour rendre la paix perpétuelle en Europe* was published in 1713. Saint-Pierre had no faith that a stable international order could be founded on the balance of power, which in his view produced endless wars. But his solution to the problem—European confederation—was formally very different from Law’s.³² Moreover, Saint-Pierre had a rather different attitude to war than Law. The champion of perpetual peace regarded it as an inefficiency in the

²⁸ John Law, “Idée générale du nouveau système des finances,” in *Œuvres complètes*, 3:89n.

²⁹ François de Salignac de la Mothe Fénelon, “Examen de conscience sur les devoirs de la royauté: Supplément,” in *Œuvres*, ed. Jacques Le Brun, 2 vols. (Paris, 1983–97), 2:1009. Probably composed between 1708 and 1711, this work was first published as “Sentiments of the Ballance of Europe,” in *Two Essays on the Ballance of Europe* (London, 1720). On Fénelon’s international vision, see Lionel Rothkrug, *The Opposition to Louis XIV: The Political and Social Origins of the French Enlightenment* (Princeton, NJ, 1965), 270–71, 279–80, 423–33.

³⁰ François de Salignac de la Mothe Fénelon, *Les Aventures de Télémaque*, ed. Jacques Le Brun (1699; repr., Paris, 1995).

³¹ Fénelon, “Examen de conscience: Supplément,” 1003–4. See also Michael Sonnenscher, *Before the Deluge: Public Debt, Inequality, and the Intellectual Origins of the French Revolution* (Princeton, NJ, 2007), 109–12.

³² Charles Irenée Castel de Saint-Pierre, *Projet pour rendre la paix perpétuelle en Europe* (Utrecht, 1713). On the climate of ideas concerned with establishing peace in this period, see Lucien Bély, *Espions et ambassadeurs au temps de Louis XIV* (Paris, 1990), 696–740; and Ragnhild Hatton, *War and Peace, 1680–1720* (London, 1969).

organization of political power, but also as a scourge in human terms. Law expressed little concern about suffering, regarding war, rather, as an ineffective means to pursue security or domination given its feedback effects on the foundations of power. Even when pursued successfully, he argued, war weakened the state: "The title of unjust conqueror is not only odious in itself but ruinous for a State," he claimed. "Everything conspires to ruin a prince who wishes to extend his empire against the right of peoples and nations; agriculture, the arts, and commerce are neglected while he occupies his subjects in war; the fatherland is exhausted of men and money." Commerce, not conquest, was the true multiplier of power: "A fertile, extensive, well-peopled, and well-situated kingdom has surer means of augmenting its power in cultivating manufactures, land, and trade; it finds by this multiplication of riches an increase of power deterring its neighbors from daring to attack it."³³

Was Law's System an effort to transform the Utrecht order or merely an attempt to position France more advantageously within it? Did he believe that a different international system would emerge once his reforms reached maturity, or just a richer, stronger France? The balance of the evidence suggests that he envisioned the emergence of a new kind of international order, one in which empire and international trade would count for less, where reserves of labor and land, leveraged by a credit-based money supply, would underpin a new distribution of wealth and power. This would be a more peaceful order than Utrecht, one based on the benign supremacy of a state invulnerable to attack yet with no interest in conquering its neighbors. In the short and medium term, however, Law accepted the priorities of the mercantile interests he sought to enlist and placed himself at the head of a project to revive French foreign trade, navigation, and colonies. This was to take the Utrecht order as it stood, at least provisionally. He would do so again, as we shall see in the next section, when he aligned himself with the diplomatic project of the abbé Dubois and the Regent, not to overturn the status quo but to manage it as a Franco-British cartel.

SECURING THE SYSTEM: LAW AS INTERNATIONAL ACTOR

Given Law's ambitions for his System, he did not expect Louis XV's rivals to permit him to establish it unmolested. If one dimension of his jealousy of credit was emulation of England's superior financial institutions, another was his anxiety that the English would not stand by and see their head start eroded. Law feared foreign intervention to sink the reviving credit of the French monarchy, and this fear pushed him into supporting the alliance with Great Britain being negotiated by the abbé Dubois. Law's support would prove provisional, however—contingent on the alliance serving the needs of his System.

³³ Law, "Idée générale du nouveau système," in *Œuvres complètes*, 3:88n, 88–89.

Law's fears that the British or the Dutch might take measures to stymie him were founded on experience. One prominent victim of English jealousy of credit, familiar to Law, was the Darien Company founded in 1696 to establish a Scottish colony in Panama. The Darien venture was hobbled by the actions of the Westminster Parliament, which, at the urging of the East India Company, closed its access to London capital markets.³⁴ More recently, during the War of the Spanish Succession, the English government had taken steps to disrupt French financial networks in Europe involved in remitting funds to Louis XIV's armies.³⁵ Law believed his System was similarly vulnerable. In the early days of his bank, he claimed that the "ministers of England and the English bankers appear to be leagued against the bank of France and make efforts to destroy it and discredit it."³⁶ But a solution to this problem might be at hand in the alliance negotiated by Dubois and James Stanhope, the orchestrator of George I's European strategy.

Stanhope and Dubois were working to achieve a Franco-British entente that would stabilize the European order in ways beneficial to the Regent and George I. The British monarch needed support against the competing claims to the throne of the exiled James Stuart, while the alliance guaranteed Orléans's succession to the French crown should Louis XV die. The Regent had to contend with the competing pretensions of the king's uncle, Philip V of Spain, who was forced to renounce his stronger title at Utrecht—but stood ready to revive it. The alliance, created in 1716, was also intended to resolve international problems by concerted diplomatic action among the European powers. The initial goal was to mediate the two main ongoing sources of political instability: in the Baltic, French and British diplomats worked to end the Great Northern War, while in the Mediterranean, where Philip V had launched a campaign to recover Spain's Italian empire, British naval forces and a French army pressed him to accept a compromise peace.³⁷

³⁴ Half its capital was supposed to be raised in London. The company ultimately collapsed following Spanish attacks on the Darien settlement. See Douglas Watt, *The Price of Scotland: Darien, Union and the Wealth of the Nations* (Edinburgh, 2006), 36–45, 91–92, 96–102. On the broader significance of the Darien scheme, see David Armitage, "The Scottish Vision of Empire: Intellectual Origins of the Darien Venture," in *A Union for Empire: Political Thought and the British Union of 1707*, ed. John Robertson (Cambridge, 1995).

³⁵ Guy Rowlands, *Dangerous and Dishonest Men: The International Bankers of Louis XIV's France* (Basingstoke, 2015), 75, 142–43.

³⁶ John Law, "Observations sur l'utilité de la Banque générale," in *Œuvres complètes*, 3:10.

³⁷ Mark A. Thomson, "Self-Determination and Collective Security as Factors in English and French Foreign Policy, 1689–1718," *William III and Louis XIV: Essays 1680–1720 by and for Mark A. Thomson*, ed. Ragnhild Hatton and J. S. Bromley (Liverpool, 1968), 274–77, 284; Cesa, *Allies yet Rivals*, 119–46.

The alliance could serve another purpose for Law—as a means to shelter his System from potential British hostility. French political cooperation in Europe, especially against Spain, could incentivize the British to allow the System to develop in peace. Law became a key partner of the abbé Dubois and Stanhope in sustaining the alliance with Britain against the opposition of the “old court,” which leaned toward the Jacobites and aimed to restore French partnership with Spain. “I know how much he was concerned in the treaty that was to affirm our union,” Stanhope later remarked to Dubois, “and that he regarded the union of the two crowns as the foundation of his schemes.”³⁸ According to a Jacobite source, Law was “in strict union and a fast friend to *Dubois*,” while the British ambassador, Lord Stair, and Law were “very often shut up with *the Regent* for whole hours. . . . These two with *Dubois* govern all *foreign affairs*, and especially such as regard *England*.”³⁹

The British government was not initially alarmed by Law's financial projects. An insolvent France being of little use to Britain, Law's System might serve British ends. Stair complained in 1718 that the “derangement of the finances” ensured that the Regent would “never dare take a vigorous step, and those who serve him will ever go a trembling.” Stanhope viewed Law's bank as a remedy for this financial sclerosis and, at his behest, Stair worked to bring Law and Dubois into closer collaboration.⁴⁰ Indeed, Law quickly made himself useful by taking over international remitting for the French monarchy. His bank arranged subsidy payments to Sweden as early as 1716, and from 1717 it paid the appointments of diplomats abroad. By 1719, he was arranging transfers of 200,000 florins a month to the emperor.⁴¹

Law consolidated his position as a broker of Franco-British relations by establishing financial ties with British officials—an extension to international affairs of a technique vital to his operations in France. He tried to draw in ambassador Stair and embassy secretary Thomas Crawford. The latter received both advice and credit from Law, creating lasting goodwill.⁴² Stair complained that Law tried to recruit him as an investor, but that “I did not think it became the King's

³⁸ AAE, Correspondance politique (CP), Angleterre (Ang) 327, fols. 209–10, James Stanhope to Guillaume Dubois, Dec. 18/29, 1719.

³⁹ Historical Manuscripts Commission, *Calendar of the Stuart Papers Belonging to His Majesty the King*, 7 vols. (London, 1902–23), 6:205, Lt. Gen. Dillon to the Earl of Mar, Mar. 17, 1718.

⁴⁰ Wiesener, *Le régent, l'abbé Dubois et les Anglais*, 2:296–97, citing a letter from John Dalrymple, Earl of Stair, to Stanhope, Oct. 24, 1718.

⁴¹ Regionaal Historisch Centrum Limburg, Maastricht (Law Papers) 16.0673, nos. 6, 21–25. See also Faure, *Banqueroute de Law*, 169.

⁴² On Crawford's investments and Law's role in facilitating these, see TNA C108/417/1, Thomas Crawford to Thomas Pitt, Oct. 19, 1718, and Nov. 15, 1717. On Crawford's positive disposition toward Law, see TNA SP 78/168, fol. 147–50, Crawford to [Stanhope], July 16, 1720.

Ambassador to give countenance to such a thing.” Such claims to selflessness may have been disingenuous, but whatever investments he had in France did not ultimately incline Stair in his fellow Scot’s favor.⁴³

Law was more successful with Stanhope, albeit by indirection. He cultivated financial ties with the minister’s wealthy in-laws, the Pitts, and especially with Stanhope’s brother-in-law, Thomas Pitt (from 1719, Lord Londonderry). By September 1718, the younger Pitt owned 200,000 livres worth of shares in the *Compagnie d’Occident*, likely bought on credit from Law.⁴⁴ The relationship began in 1717 when Law set up a deal to buy a 140-carat diamond from Thomas Pitt Sr., who had acquired it as governor of Madras but had been unable to sell it. The value of the gem exceeded the resources of any buyer but a monarch, and George I had declined to purchase it. Law proposed that his bank finance the acquisition for the French Crown of what would come to be known as the Regent Diamond, and a bargain was struck in June 1717 at a price of two million livres (£125,000).⁴⁵ The first installment allowed the Pitts to finance Stanhope’s acquisition of a 3,000-acre estate in Kent.⁴⁶

LAW’S BATTLE WITH THE SOUTH SEA COMPANY

In August 1719, Law’s *Compagnie des Indes* offered to lend the French monarchy 1.2 billion livres to consolidate the public debt by selling company shares, an operation that would have converted most of the debt into equity in the company. Investors were to be attracted with a guaranteed return of 3 percent paid by the Crown, supplemented by dividends based on the profits of the company, and the prospect of rising share values. In September and October 1719, 324,000 new

⁴³ Stair to [Stanhope], Sept. 18, 1719, in *Miscellaneous State Papers, from 1501 to 1726*, 2 vols. (London, 1778), 2:589. There is evidence that Stair speculated in French stocks: *Annals and Correspondence of the Viscount and First and Second Earls of Stair*, ed. John Murray Graham, 2 vols. (Edinburgh, 1875), 2:151–56; TNA C108/419/1, Crawford to Londonderry, Oct. 25, 1719; François de Neufville, duc de Villeroy, to Stair, Apr. 7, 1722, Osborn MS 24, Beinecke Library, Yale University.

⁴⁴ Pitt calculated the value of the investment at £6,000; he concurrently owed Law £4,000. See TNA C108/419/13. The future Lord Londonderry would later have even larger sums tied up in Law’s enterprises. See TNA C108/423/9, “Bordereau des Effets,” May 22, 1721. Londonderry’s father ventured £5,000 in Law’s company. See C108/415/5, Thomas Pitt Sr. to Londonderry, Sept. 17, 1720.

⁴⁵ See TNA, C108/419/13. Also, Larry Neal, “*I Am Not Master of Events*”: *The Speculations of John Law and Lord Londonderry in the Mississippi and South Sea Bubbles* (New Haven, CT, 2012), 40–54.

⁴⁶ Centre for Kentish Studies, Maidstone (CKS), U1590/A94. On Aug. 23, 1717, Thomas Pitt Sr. paid Stanhope £5,000 “for my Daughter’s fortune” and transferred a further £8,000 to his daughter to help finance the purchase. On the same date, the younger Pitt loaned Stanhope £2,000. Stanhope’s personal fortune was modest. See Williams, *Stanhope*, 269–70.

shares were issued. Fostered by credit from Law's bank and installment purchase on easy terms, these were quickly subscribed.⁴⁷ The apparent success of Law's efforts to deal with the French debt aroused Stair's alarm. "By the success of Mr. Law's project the public debts of France are paid off at a stroke," he fretted, "and the French king remains master of an immense revenue and credit without bounds." Britain had to undertake a similar scheme at once, he warned, or suffer a sharp decline in relative power.⁴⁸

Stair did not have long to wait for a British counterstroke, though it was to come not from the government but from the South Sea Company. In a scheme presented to parliament early in 1720, the company proposed to issue new shares to exchange with holders of up to £31 million worth of public debt—a design Law interpreted as a direct attack on his System.⁴⁹ What ensued was a struggle between Law and the managers of the South Sea scheme that exemplified the international politics of jealousy of credit. The Compagnie des Indes and the South Sea Company competed to attract a pool of mobile investment capital—the "hot money" of the eighteenth century—that could move readily from one financial center to another through a network of bankers and correspondents. In effect this struggle pitted the French and British public credit systems against one another in a rivalry to consolidate debt.

Financial politics and international relations interpenetrated: Law once again tried to manipulate diplomatic ties to serve the ends of his System. Adapting his diplomatic strategy to the new challenge, he threatened to wreck the Franco-British alliance if George I's ministers did not reign in his financial competition. Law's London rivals used techniques of financial warfare against him, and Law moved to respond in kind once it was clear that his diplomatic strategy had failed.

The South Sea scheme threatened Law's System because it promised to draw capital out of competing financial markets, including Paris, depriving Law's company of the oxygen it needed to survive. The financier had fostered a rise in the value of shares in the summer and autumn of 1719, first in order to finance his takeover of other chartered trading companies and the royal mint, then to raise capital to absorb the public debt.⁵⁰ Part of what had sustained the sharp uptick in

⁴⁷ Murphy, *John Law*, 194–96, 201.

⁴⁸ TNA SP 78/165, fol. 343, Stair to Stanhope, Oct. 20, 1719. Stair was not the only Briton dismayed by Law's success. Stanhope told Dubois that Lord Peterborough was "alarmed by the prodigious arrangement of your finances, [and] came here only to incite us to thwart it and to propose to us divers schemes to effect this." AAE CP Ang 326, fols. 84–85, Stanhope to Dubois, Oct. 8, 1719. See also CKS U1590/O145/ 18, Charles Mordaunt, Earl of Peterborough to Stanhope, Nov. 20, 1719.

⁴⁹ BM MS 614 (355), Law to Londonderry, June 27, 1721. For an outline of the South Sea proposal, see John Carswell, *The South Sea Bubble*, rev. ed. (Dover, NH, 1993), 85–90; Garber, *Famous First Bubbles*, 109–13.

⁵⁰ Murphy, *John Law*, 205–9.

the value of Mississippi stock was Law's success in drawing upon capital from London, Amsterdam, Geneva, and other financial centers. Dubois was told in mid-November that the company was causing a stir in London by the great fortunes that were being made in it, "which engages a large number of rich persons of this Nation to send their money to Paris."⁵¹ Similar reports appeared in the London press.⁵² It is clear that a number of major British speculators were in Paris in this period.⁵³ But an investor need not be physically present to participate. Most transactions were handled by correspondents—men like John Drummond, James Colebrooke, or Richard Cantillon, who bought, sold, and held stocks on behalf of others.

The emergence of great new speculative opportunities in London threatened to reverse this flow of capital, to draw British funds back across the Channel and pull Dutch, Swiss, Genoese, and French money in its wake. The first great exodus of speculative money from Law's System occurred in December 1719. For a couple of weeks, sterling appreciated sharply against the livre, only to fall back to normal levels—the signature of a scramble to convert assets valued in the French currency into sterling and of a surge of capital from France to Britain.⁵⁴ The exchange rate fluctuation coincided with a drop of nearly 25 percent in the value of Mississippi shares between December 2 and December 19 before the price recovered.⁵⁵ With investors in the huge recent share issues paying on installment, it was vital that prices remain buoyant—a tall order in the face of profit taking by international investors and the transfer of huge sums out of France. Funds continued to move in January from Paris to London, where one of the great bull markets of the century was now under way.⁵⁶ Law would eventually expel the South Sea director Sir John Lambert, who was active in Paris raising

⁵¹ AAE CP Ang 327, fols. 35–36, London news, Nov. 2/13, 1719.

⁵² *Mercurius Politicus*, Aug. 1719, 520; *Orphan Reviv'd or Powell's Weekly Journal*, Oct. 17, 1719; *Daily Courant*, Nov. 18, 1719; *Post Boy*, Nov. 26, 1719.

⁵³ These speculators included Lord Belhaven (probably acting for the Prince of Wales), William Chetwynd, Henry Furnese, Lord Islay, Sir John Lambert, and William Sloper. See AAE CP Ang 328, fol. 448, Craggs to Dubois, Nov. 17, 1719; TNA C 108/419/1; Antoin E. Murphy, *Richard Cantillon: Entrepreneur and Economist* (Oxford, 1986), 142–43; Archibald Campbell, Earl of Islay, to Henrietta Howard, Sept. 1719 and Jan. 16, 1720 in *Letters to and from Henrietta, afterwards Countess of Suffolk*, ed. J. W. Croker, 2 vols. (London, 1824), 1:42, 45; Carswell, *South Sea Bubble*, 71, 85; TNA C 108/418/17, Stair to Londonderry, April 29, 1720.

⁵⁴ Neal, *Rise of Financial Capitalism*, 68. It was reported from London on December 11 that the exchange rate had shifted suddenly in English favor. See AAE CP Ang 327, fol. 115. The same occurred with the exchange rate to Geneva. AAE CP Genève 34, fol. 120, Pierre Cadiot de La Closure to Dubois, Dec. 19, 1719.

⁵⁵ Murphy, *John Law*, 207–9.

⁵⁶ AAE CP Ang 330, fols. 39–40, London news, January 7/18, 1720.

South Sea subscriptions and whom Law accused of remitting 20 million livres out of the country.⁵⁷

The capital transfer beginning in December coincided with a crisis for Law's bank, which he interpreted as a concerted British attack aimed at wrecking his System. In that month, he accused Stair of orchestrating a run on the bank, claiming the ambassador had done so at the behest of his own government.⁵⁸ According to a Jacobite source, "the publick stocks here fell mightily of a sudden and there was a great run upon the Bank, it was believ'd here that it proceeded from a combination chiefly in England with some people in Holland and some here." It was said that "the two Mr. L—s [Law and his brother] were convinced it was so, and that England had a main hand in it, and even that Ld. S—rs had concurr'd a good dale in it."⁵⁹ Other commentators also reported a run on the bank, which they believed had been arranged from abroad with the connivance of local financial interests opposed to Law.⁶⁰ Such attacks were a feature of the London financial scene and the same tactics could readily have been deployed across borders.⁶¹

Law was primed to see his troubles as the result of a British conspiracy both by the antagonism toward the Mississippi Company so evident in British mercantile, financial, and colonial circles and by a London press campaign orchestrated against him late in 1719. Dubois was told that the striking success of the French finances inspired "an incredible jealousy in this country" and that the East India Company planned to petition parliament to prevent Britons from investing in its French rival. In November, the embassy secretary in London claimed that some Britons called for war to arrest the progress of so dangerous a competitor.⁶²

⁵⁷ *The Case of Sir John Lambert, Bart. One of the Late Directors of the South Sea Company* (n.p., n.d.). Thanks to Simon Macdonald for bringing this to my attention.

⁵⁸ Stair to [Craggs], Dec. 11, 1719, *Miscellaneous State Papers*, 2:600–601; Lévy, *Capitalistes et pouvoir*, 3:224.

⁵⁹ Stuart Papers 45/120, Dec. 17, 1719, included in 45/119, Mar to James Stuart, Dec. 29, 1719.

⁶⁰ TNA SP 78/166, fol. 87, Pulteney to [Craggs], Dec. 9, 1719; TNA SP 78/165, fol. 499, Crawford to Abraham Stanyan, Dec. 6, 1719; TNA C108/419/1, Crawford to Londonderry, Dec. 9, 1719.

⁶¹ Carruthers, *City of Capital*, 137–59. The Ostend Company would later be targeted by cross-border attacks aimed at undermining confidence in its stock. See Michel Huisman, *La Belgique commerciale sous l'empereur Charles VI: La Compagnie d'Ostende* (Brussels, 1902), 240, 357.

⁶² AAE CP Ang 327, fols. 165–67, Philippe Néricault Destouches to Dubois, Dec. 18, 1719; AAE CP Ang 326, fols. 73–74, London news, Sept. 24/Oct. 5, 1719; AAE CP Ang 327, fols. 55–56, Chammorel to Dubois, Nov. 23, 1719. See also AAE CP Ang 326, fols. 54–55, Chammorel to Dubois, Sept. 1719; AAE CP Ang 326, fol. 43, unidentified to [Dubois], Sept. 10/21, 1719; AAE CP Ang 330, fols. 48–49, Chammorel to Dubois, Jan. 25, 1720; AAE CP Ang 330, fols. 39–40, unnamed to Dubois, Jan. 7/18, 1720. Even

Late in 1719 Law's System was subjected to a wave of attacks in the London press. In November, he complained to Craggs about an English newspaper that had represented his company as "Chimerical"; Law claimed it was published with the connivance of the ministry.⁶³ In January Daniel Defoe criticized Law's System in *The Chimera, or The French Way of Paying National Debts Laid Open*. Almost certainly written on behalf of the financiers who promoted the South Sea scheme, the brochure aimed to alarm investors about the prospects of Law's company and prophesied its imminent collapse.⁶⁴ Law shot back with *A Full and Impartial Account of the Company of Mississippi*, which gave an optimistic account of his System's prospects.⁶⁵ He remained sensitive to criticisms in the foreign press. In response to another pamphlet published in London, he complained that such efforts to discredit the System were "attacking him and this nation in the most tender part, and that they could not be worse used by an enemy."⁶⁶

Though his strategy of using diplomatic means to contain British jealousy of credit had apparently failed, Law did not abandon it. Rather, he sought to show the British government that he could impose high political costs—including even a rupturing of the alliance—if the South Sea scheme were allowed to proceed. His first move in this direction was to sabotage negotiations intended to resolve Franco-British boundary disputes in America. Sent to discuss boundary issues in Paris by the Board of Trade, Daniel Pulteney reported late in 1719 that Law and his brother were claiming that "the Commission about the Limits in America was at an end, the French having no mind to proceed any farther in it."⁶⁷ Law gave Pulteney to understand that he had an aggressive agenda for colonial expansion, that he wished "to improve as much as possible the French sugar Plantations, & to beat us entirely out of the sugar trade."⁶⁸ In February 1720 Law further raised

in Ireland there was alarm at Law's success. See Public Record Office of Northern Ireland T3315/1, fols. 15–16, Lord Abercorn to Lord Perceval, Feb. 18, 1720.

⁶³ TNA SP 78/165 fols. 483–84, Craggs to Law, Nov. 29, 1719.

⁶⁴ Daniel Defoe, *The Chimera, or The French Way of Paying National Debts Laid Open: Being an Impartial Account of the Proceedings in France for Raising a Paper Credit and Settling the Mississippi Stock* (London, 1720). For the date of publication, see *Post Boy*, Jan. 2, 1720. Defoe would go on to defend the South Sea Co. even after the collapse of the bubble. See Paula R. Backscheider, *Daniel Defoe: His Life* (Baltimore, 1989), 454–57; and P. N. Furbank and W. R. Owens, *A Political Biography of Daniel Defoe* (London, 2006), 183–85.

⁶⁵ John Law, *A Full and Impartial Account of the Company of Mississippi; or of the French-India Company, Projected and Settled by Mr. Law* (London, 1720). It was published toward the end of January 1720. See *Post Boy*, Jan. 23, 1720.

⁶⁶ TNA SP 78/166, fol. 186, Pulteney to [Craggs], Mar. 26, 1720.

⁶⁷ On William Law's statements, see TNA SP 78/166, fol. 90, Pulteney to Craggs, Dec. 20, 1719; on John Law's remarks, TNA SP 78/166, fol. 98, Pulteney to [Craggs], Jan. 6, 1720.

⁶⁸ Pulteney also worried that Law sought to usurp the trading privileges Britain had won in Spanish America as part of the Peace of Utrecht. TNA SP 78/166, fol. 94, Pulteney

the stakes. Exploiting Anglo-French tensions over the future of Gibraltar, he tried to force the ouster of Stanhope's trusted diplomatic partner Dubois.⁶⁹

Another element in the financier's strategy to intimidate the British in the spring of 1720 was his plotting with Jacobites. Law was not a Jacobite by sentiment or conviction. In the spectrum of British politics, he was most closely linked to Whigs such as Archibald Campbell, Earl of Islay, and his brother the Duke of Argyll, who helped push through the Act of Union and suppress the 1715 Jacobite rebellion. These political and personal associations long preceded, and would long outlive, his flirtation with the Stuarts. Law had performed only minor financial services for the Stuart court in exile before the end of 1719, when he began to offer much more substantial support to Jacobite causes.⁷⁰ By May he was promising to fund a hypothetical Russian-backed attempt at a Stuart restoration, and James Stuart was convinced that his best prospects lay in Law's influence with the Regent.⁷¹ Conspiring with Jacobites served to squeeze the British government further, while also functioning as an overture to the Spanish party at the French court.⁷² Stair intimated that Law had switched sides—that he was promoting a pro-Spanish, pro-Jacobite, and anti-British foreign policy.⁷³ As tensions developed with Law, Stanhope belatedly embraced the logic of jealousy of credit,

to [Craggs], Dec. 24, 1719. Stair echoed these complaints: Stair to Craggs, Jan. 3, 1720, *Annals and Correspondence*, 2:140; and New York Public Library (NYPL), Hardwicke Papers, vol. 50, Stair to [Craggs], Jan. 7, 1720.

⁶⁹ AAE CP Ang 330, fols. 98–99, Dubois to Stanhope, Feb. 17, 1720; Stair to [Craggs], Feb. 28, 1720; Stair to [Craggs], Apr. 30, 1720, in *Miscellaneous State Papers*, 2:608, 618; AAE CP Ang 330, fol. 116, Dubois to Destouches, Feb. 24, 1720. On other efforts by Law to create friction over Gibraltar, see TNA SP 78/166 fols. 191–92, Pulteney to Craggs, Apr. 10, 1720.

⁷⁰ On his financial courtesies to the Stuart court, see HMC, *Calendar of the Stuart Papers*, 7:140, Mar to General Hamilton, Aug. 12, 1718; 7:505, Dillon to Mar, Nov. 8, 1718; 7:509, Mar to Hamilton, Dec. 4, 1718; Stuart Papers 45/2–4, James Stuart to Dillon, Sept. 24, 1719; 45/90, William Dicconson to James Stuart, Nov. 13, 1719.

⁷¹ Stuart Papers 45/115, Dillon to James Stuart, Dec. 19, 1719; 47/4, Dillon to James Stuart, May 20, 1720; 47/78, Dillon to James Stuart, June 13, 1720; 46/129, James Stuart to James Butler, Duke of Ormonde, May 12, 1720.

⁷² Law asked that Sir Patrick Lawless, Spain's ambassador in Paris and a Jacobite, be informed of his assistance to the cause. (Stuart Papers 45/141, Dillon to James Stuart, Jan. 16, 1720; 47/28, Dillon to James Stuart, May 27, 1720.) Moreover, in May 1720 he offered 150,000 livres to the Duke of Ormonde, the Jacobite closest to the Spanish king. Stuart Papers 47/9, Dillon to James Stuart, May 21, 1720. The British government was well aware of Law's flirtation with the Jacobites. See CKS U1590/O145/34, Étienne Caillaud to Stanhope, Dec. 26, 1719; TNA SP 78/165, fol. 537, Stair to Craggs, Dec. 20, 1719; fols. 553–56, Stair to Stanhope, Dec. 27, 1719; TNA SP 78/167, fols. 129–35, Stair to Craggs, Feb. 28, 1720; TNA SP 78/166, fol. 179, Pulteney to [Craggs], Mar. 17, 1720.

⁷³ TNA SP 78/165, fol. 537, Stair to Craggs, Dec. 20, 1719; fols. 553–56, Stair to Stanhope, Dec. 27, 1719; fols. 583–84, Stair to Craggs, Jan. 6, 1720; fol. 582, Stair to Craggs, Jan. 6, 1720.

realizing that a successful financial revolution in France would vitiate the coalition warfare that contained Louis XIV. He observed of Law's System that "if it came to be established and to take root . . . the Emperor, England, and Holland united will not be in a position to oppose France."⁷⁴

But Law's room for maneuver was limited. The end of the alliance would likely entail unacceptable costs for his System. A rupture of the Franco-British accord and a French diplomatic realignment toward Spain might have triggered a collapse of the South Sea Company's stock, as the company depended for its commercial operations on good relations with the Spanish. But a break with Britain might also have triggered a crash in Paris. It is a risk Law is unlikely to have taken. George I was skeptical that the financier could favor anything other than peace and alliance: "It seems to me that it is he who ought most to hope for a perfect union," he told Dubois's emissary, Phillipe Néricault Destouches. "Does he think that peace does not suit his System?"⁷⁵ Indeed, Law's flirtation with the forces opposed to the alliance proved short lived. By the summer of 1720 he had abandoned efforts to threaten diplomatic cooperation. To Crawford he declared that "his intention never was to advise a rupture with Great Britain, nor would he ever do it."⁷⁶ He made similar overtures to Stair's replacement, Sir Robert Sutton, who had "cause to be satisfy'd with the Conversations I have had with him, in which with the greatest air of Sincerity he hath professed all the Respect and Veneration imaginable for His Majesty's Person, & his extreme Desire to be well in the opinion of His Majesty & His Ministers."⁷⁷

In fact, by late spring Law had shifted tactics. Stair and Pulteney became convinced that he planned to mount a raid on London capital markets calculated to sink the value of English stocks.⁷⁸ Pulteney reported that Law and his circle had amassed vast quantities of English equities and planned to "make such a strong and sudden push on our stocks as we may not be able to stand."⁷⁹ According to Stair, Law claimed that he and other French investors had huge sums invested in the South Sea Company and, by withdrawing them suddenly, could spark panic selling. Indeed, rumors were rife in the spring of 1720 that Law and his circle had

⁷⁴ TNA SP 78/167, fol. 247, Stanhope to François-Louis de Pesme de Saint-Saphorin, Apr. 1, 1720.

⁷⁵ AAE CP Ang 331, fol. 36, Destouches to Dubois, Apr. 22, 1720.

⁷⁶ TNA SP 78/168, fol. 148, Crawford to [Stanhope], July 16, 1720.

⁷⁷ TNA SP 78/168 fols. 159–60, Sir Robert Sutton to Craggs, July 16, 1720. Law reached out to Craggs also, sending him "two mighty civil Letters." TNA SP 78/168 fols. 392–93, Craggs to Sutton, Aug. 25, 1720.

⁷⁸ Stair implied such a possibility as early as September 1719. Pulteney voiced the same fear in January. TNA SP 78/166, fol. 98, Pulteney to [Craggs], Jan. 6, 1720. But it was in April 1720 that this became a principal concern.

⁷⁹ TNA SP 78/166, fols. 191–92, Pulteney to Craggs, Apr. 10, 1720. See also Stair to Stanhope, Apr. 12, 1720, *Annals and Correspondence*, 2:419–22.

acquired large holdings of South Sea stock.⁸⁰ The scenario Stair envisaged also drew on more general feelings of vulnerability that foreigners might sell off and remit their profits, triggering a panic.⁸¹ Stair believed that through such actions Law hoped to shore up his own insecure position in France, and he asked that London financiers be consulted "to prevent ourselves being destroyed by our enemies with our own arms."⁸² Pulteney, by contrast, thought Law's putative attack on British stocks was intended to draw capital away from London and back into his own System: "Mr. Law certainly intends to make a run on our Funds, and. . . he will at the same time declare a higher dividend on his stocks to engage those whom He can frighten out of our stocks to place their money here."⁸³

Did Law actually envision, much less carry out such an attack? He certainly talked in such terms. In a memorandum dating to the spring of 1720, he denied that "the jealousy of neighboring nations" would be able to destroy his System. If they tried to do so, France could "ruin their credit" by inducing French share-

⁸⁰ The *nouvelles à la main* reported in April that the Compagnie des Indes had already made 100 million livres on British stocks. TNA SP 78/167, fol. 295, Stair to Craggs, Apr. 17, 1720. Also TNA SP 78/166, fol. 196, Pulteney to [Craggs], Apr. 23, 1720. The chevalier de Piossens, writing that same month, stated that Law had purchased £800,000 worth of shares in the South Sea Company at prices between 150 and 160 percent of par (implying the purchases were made in February 1720). Piossens, *Mémoires de la régence de S.A.R. Mgr. le duc d'Orléans, durant la minorité de Louis XV*, 3 vols. (The Hague, 1730), 2:396–97. Londonderry believed Law had made vast gains buying South Sea stock. TNA C108/418/24, Londonderry to William Law, June 23, 1720; Londonderry to Joseph Gage, June 23, 1720. By the summer, there were rumors that Law had made 600 million livres for the French king's account on such speculations. TNA SP 78/166, fol. 257, Pulteney to Craggs, July 6, 1720.

⁸¹ AAE CP Ang 331, fols. 22–23, London news, Mar. 28/Apr. 8, 1720. The banker George Middleton was concerned that the high prices paid for stocks in London "will put it in the Forreigner's power to play on us when they please." Quoted in Larry Neal, "'For God's Sake, Remitt Me: The Adventures of George Middleton, John Law's London Goldsmith-Banker, 1712–1729,'" *Business and Economic History* 23, no. 2 (1994): 37. From Amsterdam, Louis Renard, an agent of Stanhope's, warned that "usurers of all nations assemble at the moment like hungry birds their mouths open to swallow the seed being spread in the [form of the] stocks of the South Sea Company, and then to fly away to other countries." British Library (hereafter BL), Add. MS 61547, fols. 253–55, Renard to [Stanhope], Apr. 12, 1720. Thomas Crawford wrote that "I am heartily sorry to see that people are so mad in England in puffing up the stocks to so extravagant a price whereby strangers have an opportunity of running away with the substance of the Nation." TNA C108/419/1, Crawford to Londonderry, Apr. 13, 1720. Francis Atterbury told the Pretender that the French "have great sums of money in our stocks which they can draw out at once & sink them if only they please." Stuart Papers 46/110, Francis Atterbury, bishop of Rochester to James Stuart, May 6, 1720.

⁸² TNA SP 78/167, fols. 271–72, Stair to Craggs, Apr. 12, 1720. Stair expressed similar fears privately. See TNA C108/418/17, Stair to Londonderry, Apr. 29, 1720.

⁸³ TNA SP 78/166, fol. 198, Pulteney to Craggs, Apr. 29, 1720.

holders to withdraw their funds.⁸⁴ There is evidence that Law attempted to follow through on these threats. On June 11, Pulteney reported that “something will soon be done to oblige all French subjects to withdraw their effects out of foreign funds.”⁸⁵ An ordinance with this object was printed, dated June 20: French subjects with funds invested in foreign companies were to bring their money back to France within two months or face stiff penalties.⁸⁶ But three days later, Pulteney claimed, this edict had still not been published.⁸⁷ With the transfer books of the South Sea Company about to close to calculate the summer dividend, it was not a propitious moment to stampede the markets. Moreover, facing inflation and a sharp decline in the price of *Compagnie des Indes* stock, Law may have lacked the political influence to enforce the decree. There were rumors of a second effort to induce French subjects to repatriate their capital in July, but no evidence exists that such a measure was actually enacted.⁸⁸ The South Sea scheme would collapse soon thereafter in the early autumn of 1720, seemingly the victim of its own jealousy of credit rather than of any attack from abroad.⁸⁹

Law’s System was in free fall too by this time, and in December the financier was exiled from France. The decisive factor in Law’s failure was not competition from the South Sea bubble; more significant were his own mistakes and the power of his enemies in France.⁹⁰ Law was nonetheless right to see the South Sea scheme as a major threat. The run on his bank may or may not have had South Sea involvement. But it is likely that the South Sea projectors were behind a press campaign directed at destroying confidence in the System and repatriating British capital. The huge capital transfers from Paris to London, lured by prospects

⁸⁴ Law, “Idée générale du nouveau système,” in *Œuvres complètes*, 3:90n.

⁸⁵ TNA SP 78/166, fols. 234–35, Pulteney to Craggs, June 11, 1720.

⁸⁶ *Ordonnance du Roy, portant que les sujets de Sa Majesté qui ont envoyé des fonds en pays étrangers, seront tenus de les faire revenir dans le royaume dans le temps & sous les peines y marquées, à Paris le 20 juin 1720*. A printed copy can be found at TNA SP 78/168, fol. 109.

⁸⁷ TNA SP 78/166, fol. 245, Pulteney to Craggs, June 23, 1720.

⁸⁸ Pulteney reported, “I am told the Regent at Mr. Law’s desire sent to Crozat and Bernard and prayed them to withdraw their effects from England, and that Bernard has said He promised the Regent to bring from thence in a month’s time 100 millions of livres in gold; it is given out here that he has gained m/1700 L. st [£1.7 million] in the South Sea & that this was discovered by an intercepted letter.” TNA SP 78/166, fols. 286–87, Pulteney to Craggs, July 31, 1720.

⁸⁹ A liquidity crisis in London was sparked by the enforcement of the so-called Bubble Act, passed at the South Sea Company’s insistence to suppress the plethora of joint-stock companies competing for the same pool of speculative capital. Shareholders in the bubble companies who had bought stock on margin were forced to dump their holdings, including South Sea shares, in a scramble to meet their obligations, which triggered a collapse in all stock values. Neal, *Rise of Financial Capitalism*, 109–10; Garber, *Famous First Bubbles*, 118–20.

⁹⁰ See Murphy, *John Law*, passim.

of South Sea gains, imposed dangerous stresses on Law's own debt consolidation scheme. It is against this background that we have to interpret the financier's behavior. The long dreaded emergence of a financial challenge from London pushed him to shake the Franco-British alliance he had helped to build. But ultimately he was forced back onto the same tactics as his London rivals and had to contemplate a financial assault on the South Sea Company of the sort he believed his own System had already suffered.

JEALOUSY OF CREDIT AFTER LAW

The struggle between Law and the South Sea Company was a singular event in the sense that the dueling debt-consolidation schemes of 1720 would not be repeated. Great joint stock companies never again occupied such a dominant position in European public finance. Yet echoes of Law's ideas and practices, and those of his financial rivals, reverberated long after the demise of the System. In Great Britain, successive governments kept a watchful eye on French credit; there was periodic concern that English and Dutch capital might flow into French funds, and officials worried that public credit was vulnerable to attack from abroad. In France, jealousy of credit persisted in the guise of schemes to emulate British public credit, as well as in proposals to attack and undermine it. Such projects were commonplace in the 1720s and 1730s and again during the Seven Years' War, when they began to influence policy for the first time since Law. Jealousy of credit reached another peak of influence in France during the American War, culminating in a struggle to drive the British into bankruptcy by drawing Dutch capital away from London and into the French public debt. Yet despite the agonistic perspective it entailed, jealousy of credit should be seen as a pacific strain in French political thought. The economic might that was to come via financial modernization was mostly envisioned as a substitute for war, as a way to hasten peace, or as a path to a more stable international system, not as a means to facilitate military expansion. Moreover, the emissaries of jealousy of credit typically played down the geopolitical importance of empire—a recipe for better relations with the British.

There is a perception that Law's ideas were anathema in France for two generations following the collapse of the System in 1720, but this is only partially true. The financier's ideas continued to exert a powerful pull for some. As early as 1723, Law himself attempted to stage a comeback and, had Orléans lived, he might have returned to France and revived the System on a more modest scale.⁹¹ He promised to come as a friend of the Franco-British alliance but to rebalance

⁹¹ *Ibid.*, 320–21. A draft decree authorizing the Compagnie des Indes to create 150 million livres worth of credit instruments circulated in 1723. See Bibliothèque de l'Arsenal, Paris, MS 3857, fols. 312–20.

the relationship in favor of France. Without an adequate French system of public credit, he argued, England would always be the dominant partner.⁹² Even without Law, calls for financial modernization reemerged in the face of deflation and economic recession in the 1720s. Projectors urged the establishment of banks or paper monies to reanimate circulation and stimulate the economy. There were revived calls to consolidate the debts of the state as stock in the *Compagnie des Indes*. The company was an important institutional site where Law's financial and geopolitical ideas survived. After its founder's disgrace, it was taken over, reorganized, and partially liquidated by his rivals, yet a circle of major shareholders, many of whom had profited under the System, long constituted a node of sympathy for Law's ideas.⁹³

In the early 1730s, we see a second wave of paper money proposals, bank schemes, and debt consolidation projects. Many of these were addressed to the minister of foreign affairs, Germain-Louis Chauvelin, who was viewed as open to financial innovation and who seemed set to take over the reins of power from the aging Cardinal Fleury. A further stimulus to such projects was the problem of financing the War of the Polish Succession.⁹⁴ Running through much of this ma-

⁹² Bibliothèque Nationale de France (BNF), MS français 21750, Law to Orléans, undated, fols. 4–5. Law assured Dubois he would work for Anglo-French friendship, and he made similar representations to the marquis de Lassay. BM MS 614 (355), Law to Dubois, Aug. 2, 1721; Law to Armand-Léon de Madaillan de Lesparre, marquis de Lassay, Mar. 12, 1722.

⁹³ Arsenal MS 4500, fols. 137–64, [Jean-François Melon], “Mémoire fait en May 1724,” and fols. 269–97, “Mémoire pour examiner quels sont les contradicteurs de la Compagnie des Indes, pourquoi ils en demandent la suppression, et de quelle utilité cette Compagnie est à l’Etat”; AAE MD France 1258, fol. 28, Chammorel, “Idée d’un moyen pour rétablir la confiance”; AAE MD France 1268, fols. 133–44, Arnaud de Silhouette, “Mémoire Pour le Rétablissement de la Confiance,” Jan. 1, 1734; Charles-Irénée de Castel, abbé de Saint-Pierre, “Mémoire de l’abbé de Saint-Pierre pour l’établissement de banques provinciales,” reproduced in *L’abbé de Saint-Pierre, économiste d’après de nouveaux documents inédit*, ed. Paul Harsin (Paris, 1932), 19–33; Archives départementales du Gard 1E 1762 [Pierre Faventines], “Memoire pour prouver l’utilité d’un credit public, et la maniere dont il peut etre etably”; François Barbier, “Abregé du Système ou du Plan Général de Finance et de Commerce,” Nov. 7, 1726; Archives Nationales, Paris (AN), G7 728–735, “A Monseigneur Dodun Controlleur general des finances.”

⁹⁴ AAE MD France 1275, fols. 166–71, “Mémoire du 3 May 1732 pour l’accelleration du rétablissement de la Confiance”; MD France 1284, fols. 386–87, “Réflexions sur la confiance et circulation de l’Espece,” Aug. 13, 1733; MD France 1298, fols. 130–33, “Moyen pour retablir la confiance dans le Royaume”; MD France 1303, fols. 323–31, Roux Cressy du Laus, “Observations sur la Dette Publique,” Sept. 27, 1736; fols. 332–51, “Projet de Crédit” (1734); MD France 2019, fols. 105–8, “Sur le defaut de la circulation de l’espece dans le Royaume, sur les causes de ce defaut, et sur les moyens de la rétablir”; fols. 109–38, d’Hernainville to Chauvelin, Mar. 12, 1731; fols. 178–80, Étienne Portier, “Memoire concernant le bien de l’Etat et l’avantage du commerce.” It is clear that Chauvelin considered projects for making use of the *Compagnie des Indes* to finance the

terial is a streak of jealousy of credit. In the words of a 1734 proposal to recapitalize the Compagnie des Indes and give it banking privileges: "It is clear that this public credit will give us a superiority over our neighbors that will make them tremble."⁹⁵ Yet in another echo of the System, we can also find traces in such schemes of the peaceful aspirations that marked Law's thinking.

The Scot's vision of a powerful France in a peaceful Europe was revived and developed by Jean-François Melon, one of his former lieutenants in the Compagnie des Indes and author of the most influential work of political economy published in French during the 1730s. Melon saw a modernized public credit as a key to the renewal of French power. He offered a blueprint for a benign French hegemony based on the development of agriculture and a manufacturing economy oriented to domestic demand, while playing down the importance of colonies and foreign trade.⁹⁶ This "commerce not conquest" theme was echoed by another of Law's former employees in the Compagnie des Indes, Nicolas Dutot, albeit in a different key. Dutot held that international trade and navigation were the keys to expanding wealth and that Law had established his bank and companies with a view to their revival. This was the version of his geopolitics Law had earlier deployed to woo French mercantile interests. Dutot insisted, however, as had Melon, that France should aggrandize itself peacefully, avoiding the wars that had served only to weaken the kingdom under Louis XIV.⁹⁷

Calls for emulating British public credit—or attacking it—fell into abeyance in the 1740s, but the Seven Years' War brought a flurry of new proposals in this vein.⁹⁸ A project to establish a French equivalent of the Bank of England, attributed to François Véron de Forbonnais, was sent in 1755 to *contrôleur général* Jean Moreau de Séchelles. It was conceived as a means to smash the foundations

war. See René-Louis de Voyer de Paulmy, marquis d'Argenson, *Journal et mémoires du marquis d'Argenson*, ed. E. J. B. Rathery, 9 vols. (Paris, 1859–67), 1:162.

⁹⁵ Arnaud de Silhouette, "Mémoire pour le rétablissement de la confiance," AAE MD France 1268, fols. 133–44 (cover letter, dated Jan. 1, 1734, at AAE MD France 1289, fol. 7). See also AAE MD France 516, fols. 281–86.

⁹⁶ Jean-François Melon, *Essai politique sur le commerce* (n.p., 1734). See also Istvan Hont, "The 'Rich Country–Poor Country' Debate Revisited: The Irish Origins and French Reception of the Hume Paradox," in *David Hume's Political Economy*, ed. Margaret Schabas and Carl Wennerlind (London, 2008), 263.

⁹⁷ Nicolas Dutot, *Reflexions politiques sur les finances, et le commerce*, 2 vols. (The Hague, 1738).

⁹⁸ Such schemes did not dry up entirely, however. Naval minister Jean-Frédéric Phélypeaux, comte de Maurepas, received at least one paper money proposal and at least one plan to undermine British public credit: Maurepas Collection, 15/26, Fournier, "Mémoire sur les Moyens de trouver des fonds pour rétablir la Marine du Roy"; and 15/17, [O'Heguerty], "Projet pour renouveler le gouvernement de la Grande Bretagne." A version of the latter proposal was also sent to Marc-Pierre de Voyer, comte d'Argenson, minister of war. See Bibliothèque Universitaire de Poitiers, Fonds d'Argenson, P60/10.

of British credit and to make France preponderant in Europe.⁹⁹ Once the war began, finance ministers were fairly bombarded with projects for the reform of credit.¹⁰⁰ Indeed, there seemed to be some openness to financial innovation in the highest reaches of the state.¹⁰¹ The abbé de Bernis, minister for foreign affairs, told the king that a system of public finance modeled on England's was indispensable if the war was not to be lost.¹⁰² When Étienne de Silhouette was appointed *contrôleur général* in 1759, rumors abounded that he would renovate public credit—so much so that he had to disavow any intention of reviving Law's System.¹⁰³

No financial revolution materialized, however, because Silhouette was deeply skeptical of the British model—a perspective shaped by contacts with figures in the opposition to Walpole in England, where he had lived for an extended period in the 1730s. With many of Walpole's critics it was an article of faith that the national debt was a strategic vulnerability.¹⁰⁴ The taxes that funded the debt made Britain uncompetitive economically, they charged; much of the interest was paid to foreigners; and the whole system of public credit seemed exposed to collapse by shocks to public confidence and the prospect of capital flight. Though he kept a close eye on French public finances, these were concerns Walpole did not share.¹⁰⁵ He had not participated directly in the struggle with Law, unlike several

⁹⁹ Arsenal MS 4591, fols. 1–210, “Abrégé des mémoires pour l'établissement du crédit public”; also BNF nouvelle acquisitions française 4295, fols. 1–177.

¹⁰⁰ Scores of public credit proposals sent to *contrôleur général* Boullongne in 1757 and 1758 are summarized in BNF MS fr 14097, “Projets de finances, présentés dans l'année 1757 à 1758 & observations par M. D. F***.” Some of these propose schemes in the mold of Law. See particularly nos. 1, 32, 41, 77, 86, and 99.

¹⁰¹ See, e.g., AAE CP Ang, supplement 11, fols. 276–79, “Etats des revenues et des dettes de la Grande Bretagne”; BNF MS fr 11150, fols. 1–327 “Mémoire sur les finances”; AAE MD, France 1351, fols. 73–80, “Finances”; BNF Joly de Fleury 319, fols. 242–44, “Mémoire”; AN H 713, Caumartin to Silhouette, Aug. 27 and 31, 1759. See also Joël Félix, “Comprendre l'opposition parlementaire: Le parlement de Paris face aux réformes de Silhouette (1759),” *Parlement(s), Revue d'Histoire Politique* 15 (2011): 31–43.

¹⁰² Bernis to Louis XV, June 4, 1758, in *Mémoires et lettres de François-Joachim de Pierre, cardinal de Bernis (1715–1758)*, ed. F. Masson, 2 vols. (Paris, 1903), 2:429.

¹⁰³ Étienne de Silhouette, *Réponse de M. le Contrôleur général à M. le Premier Président de la Chambre des Comptes, lorsqu'il y est venu prêter serment* (n.p., n.d. [1759]). On the rumors, see Jean-Edmond Barbier, *Chronique de la régence et du règne de Louis XV (1718–1763)*, 8 vols. (Paris, 1866), 7:140. On Silhouette's ministry, see Arnaud Orain, “Soutenir la guerre et réformer la fiscalité: Silhouette et Forbonnais au Contrôle général des finances (1759),” *French Historical Studies* 36, no. 3 (2013): 417–47.

¹⁰⁴ See, e.g., Beinecke Library, Osborn MS 24, Sarah Churchill, duchess of Marlborough, to Stair, June 6, 1737.

¹⁰⁵ On Walpole's surveillance of French public finance, see CUL Ch(H) papers 26/81, “State of the Revenues of France” May 11/22, 1735; papers 26/119, “M^r Bu—y's Paper about the Revenues”; papers 26/134, “Etat des Revenues de la Couronne de France en divers temps.” Walpole may have had concerns about an attack on the British funds

leading opposition Whigs—Stair, Daniel Pulteney, and Stanhope's one-time secretary Luke Schaub.

The British system of public credit was acutely insecure, Silhouette had argued since the 1730s.¹⁰⁶ He claimed on the eve of the Seven Years' War that a panic in London capital markets could be produced by a military feint on the English coast.¹⁰⁷ Such thinking haunted the denizens of Whitehall too. "I cannot help thinking," wrote Lord Hardwicke, "that even such an attempt, made in a formidable manner, by the effect it would have on our Funds and public Credit, would do more towards disabling England from carrying on the War, than all the Interruptions such a Plan can give to our Trade."¹⁰⁸ The French scheme to invade Britain in 1759, which Silhouette was involved in planning, was chiefly aimed at scuttling English public credit, and every subsequent French plan to land an army in England had the same goal.¹⁰⁹ The prevalence of such views may help explain the persistent ambivalence of the French monarchy toward the prospect of financial revolution. The British model was clearly more effective at raising and funding debt in the short run, but it also seemed peculiarly sensitive to external shocks and exposed to the threat of capital flight.

launched by domestic political enemies. See Ch(H) papers 51/107, Scheme to bring down the ministry by a trial of public credit.

¹⁰⁶ AAE CP Ang. 383, fols. 5–10, Étienne de Silhouette to Louis-Germain de Chauvelin, Dec. 21/Jan. 1, 1733/34; CP Ang 412, fol. 193, [Silhouette to Jean-Jacques Amelot de Chaillou], July 10, 1741.

¹⁰⁷ AN Marine B4 82, fols. 4–10. "Extrait concernant une Invasion en Angleterre tiré d'un mémoire fait au mois de 9^{bre} 1755."

¹⁰⁸ BL Add MS 32861, fol. 493, Philip Yorke, Earl of Hardwicke to Thomas Pelham-Holles, Duke of Newcastle, Dec. 29, 1755. William Pitt evoked the prospect that, following a French landing, "the noble, artificial, yet vulnerable fabric of public credit should crumble in their hands." Cited in Richard Pares, "American versus Continental Warfare, 1739–63," *English Historical Review* 51, no. 203 (1936): 441. The mere threat of invasion, the Duke of Newcastle feared, would make it impossible to float new loans in 1759. BL Add MS 32895, fol. 246, Newcastle to Joseph Yorke, Sept. 2, 1759. Newcastle's financial advisor, John Page, warned that "we stand in Danger of being seized with a General Pannick, no less Destructive to Public Credit than to an Army." BL Add MS 32890, fol. 217, Page to Newcastle, Apr. 20, 1759.

¹⁰⁹ AAE MD Ang 54, fols. 59–61, "Mémoire sur l'utilité et la possibilité d'une descente en Angleterre," Jan. 1759; fols. 93–98, "Projet de descente en Angleterre," May 16, 1759; AN Marine B4 82, fols. 20–24, "Mémoire sur l'invasion projetée en France contre la grande Bretagne, et sur les moyens que l'on suppose aux Anglois pour l'empêcher," Aug. 14, 1759. The duc de Choiseul, architect of French geostrategy in the 1760s, was fascinated with this notion. See, e.g., BL Add MS 36798, fols. 83–87, Hans Stanley to William Pitt, June 23, 1761. The plan for a Franco-Spanish invasion of England in 1779 was essentially geared to destroying British public credit. See A. Temple Patterson, *The Other Armada: The Franco-Spanish Attempt to Invade Britain in 1779* (Manchester, 1960), 5–6, 11, 14.

Jealousy of credit persisted in the Franco-British relationship, in part, because of continuing competition for international capital. In the 1730s and 1740s, 15–20 percent of Britain’s debt was held by foreigners, as was 10–12 percent of French debt.¹¹⁰ Though France experienced no financial revolution, competitive pressures forced it to adopt some of the techniques that made Britain a more credible borrower. Following the establishment of a sinking fund in the late 1740s, Paris became a more attractive destination for foreign capital. “The bare creation of a sinking fund,” according to Isaac de Pinto, “subdued the old prejudices, by which credit had been destroyed.”¹¹¹ Indeed, the yield on French government debt fell rapidly in the early 1750s.¹¹² Well-informed observers believed that the reduction of interest on the British debt in 1749 had led to a flow of Dutch and English money into French loans.¹¹³ Concomitantly, the collapse of French credit in 1759 was a boon to the British funds. Sir James Steuart remarked on the “amazing sums” it was subsequently possible for Britain to borrow.¹¹⁴

The 1759 crisis, followed by a partial bankruptcy in the early 1770s, temporarily eliminated Paris from the competition for international capital. The French

¹¹⁰ Elise S. Brezis, “Foreign Capital Flows in the Century of Britain’s Industrial Revolution: New Estimates, Controlled Conjectures,” *Economic History Review*, n.s., 48, no. 1 (1995): 46–67; Philip T. Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal, *Priceless Markets: The Political Economy of Credit in Paris, 1660–1870* (Chicago, 2000), 169.

¹¹¹ Isaac de Pinto, *An Essay on Circulation and Credit, in Four Parts; and A Letter on the Jealousy of Commerce*, trans. S. Baggs (London, 1774), 75–76.

¹¹² David Stasavage, *Public Debt and the Birth of the Democratic State: France and Great Britain, 1688–1789* (Cambridge, 2003), 96.

¹¹³ Page told Newcastle that “many both Dutch and English, being dissatisfied with the then late reduction of their Interest, had been drawing their Money out of ours to Invest it in the French Funds.” See NYPL Hardwicke Papers, vol. 75, unfoliated, Page to Newcastle, Sept. 10, 1754. In the samples of French state loans analyzed by Hoffman, Rosenthal, and Postel-Vinay, the 1750–69 decades represent the nadir for foreign investment, with just 1 percent of funds loaned to the state coming from abroad, as against 12 percent in the 1730–49 period and 18 percent between 1770 and 1789 (*Priceless Markets*, 169). But this periodization may not capture the critical turning points in the flow of foreign capital into French funds. Much anecdotal evidence suggests that French debt was attractive to foreigners in the early 1750s. See Lüthy, *Banque protestante*, 2:218–19. In 1752 William Mildmay reported from Paris that “this Government by the great Interest they offer allure over vast sums of money to be lent in support of their Exigency: . . . such considerable Remittances have of late been made from England as to occasion the Exchange to rise here from 31½ to 32½ which is 3 pr Ct. more against us than it was 12 months ago.” BL Egerton MS 3456, fol. 287, Mildmay to Robert Darcy, Earl of Holderness, Nov. 8, 1752. Such investment continued even after the start of the Seven Years’ War. See TNA PRO 30/8/85, fols. 40–47, Thellusson, Necker & Co. to Gerard and Joshua Van Neck, Dec. 2, 1757; Ann Lambert and Sons to Frederick St. John, Viscount Bolingbroke, Dec. 1, 1757; fol. 47, Benzett to Joshua Van Neck, Dec. 2, 1757.

¹¹⁴ James Steuart, *An Inquiry into the Principles of Political Oeconomy*, 2 vols. (London, 1767), 2:399.

Crown hoped, however, that closer diplomatic relations with The Hague would facilitate access to Dutch money, and Joseph-Marie Terray, *contrôleur général* in the early 1770s, experimented with floating a French loan in Amsterdam.¹¹⁵ It was not until later in the decade, however, under Jacques Necker's management, that the monarchy reemerged as a serious competitor for international capital—a fact grasped by British officials.¹¹⁶ Under Necker, Swiss money poured into Paris, while as much as half of the massive loans raised in the 1780s by his successors—Joly de Fleury, Lefebvre d'Ormesson, and Calonne—emanated from the Dutch Republic. Indeed, by the eve of the French Revolution, Paris had replaced London as the dominant destination for new Dutch investment in foreign public debt.¹¹⁷

It was in this period that the strategic tradition that began with Law achieved a second peak of influence. The project of aggrandizing France through peaceful economic competition combined with financial revolution was pursued in the late 1770s and 1780s by rival reform factions. Necker saw it as irrational to pursue superiority by military means when it could better be attained by the proper management of economic resources. He regarded wars for commercial or colonial gain as especially absurd: any advantage realized could not compare to the losses entailed by higher interest rates and taxation.¹¹⁸ He lamented French involvement in the American War and engaged in back-channel negotiations with a view to ending the conflict.¹¹⁹ Necker's vision of financial revolution entailed selective publicity in public accounts to create confidence and measures to attract international capital into the French funds.¹²⁰ He saw paper money as an adjunct to specie and cautiously allowed the note issue of the *caisse d'escompte* to expand.

Established in 1776 to discount commercial paper, the *caisse* was the creation of the competing reform faction. Set up under Turgot's brief ministry, it was the brainchild of Isaac Panchaud, a theorist and speculator who envisioned it as the basis for a financial revolution on the model of Law's. With an adequate note

¹¹⁵ P. Coquelle, *L'alliance franco-hollandaise contre l'Angleterre 1735–1788* (Paris, 1902), 43, 254; James C. Riley, *International Government Finance and the Amsterdam Capital Market, 1740–1815* (Cambridge, 1980), 174–75.

¹¹⁶ See, e.g., BL Add MS 36802, fols. 18–19, John Stuart, Lord Mountstuart to Lord Hillsborough, Dec. 18, 1779.

¹¹⁷ Lüthy, *Banque protestante*, 2:464–519; J. C. Riley, "Dutch Investment in France, 1781–1787," *Journal of Economic History* 33 (1973): 732–60; Riley, *International Government Finance*, 95, 107, 174–75.

¹¹⁸ Jacques Necker, *De l'administration des finances de la France*, 3 vols. (n.p., 1784), vol. 3, chap. 34.

¹¹⁹ Richard B. Morris, *The Peacemakers: The Great Powers and American Independence* (New York, 1965), 94.

¹²⁰ Jacques Necker, *Compte rendu au roi, par M. Necker, directeur général des Finances* (Paris, 1781); Lüthy, *Banque protestante*, 2:369–70; Riley, *International Government Finance*, 175.

issue, acceptable in tax payments, the notes of the *caisse* would become a true paper money and push down interest rates, unleashing agricultural and commercial growth. Together with the establishment of a new sinking fund, the *caisse* would place French credit on a firmer foundation than Britain's, driving the latter into bankruptcy. As an advisor to *contrôleur général* Joly de Fleury, Panchaud guided a French strategy of directing Dutch capital away from investment in the British public debt, a design that would continue under Calonne.¹²¹ The *caisse d'escompte* was to be given the privileges of a national bank under the reform package Calonne presented to the Assembly of Notables.¹²² France appeared once again to be on the verge of financial revolution.

The revolution that transpired was not the one planned by the minister, of course. He was ousted in 1787, and with him went the prospects of the *caisse*. A different monetary experiment unfolded during the 1790s: the *assignats*. The revolutionary paper currency carried with it some of the aspirations invested in earlier projects for monetary expansion. The new money would animate circulation, push down interest rates, and stimulate economic expansion. It would transform sterile royal debt obligations into circulating currency, not by monetizing the debt directly but by turning into money the national lands designated to reimburse it. France would be converted into a pacific power that would abandon the predatory quest for mercantile empire—this at least was the dream of Étienne Clavière, the Genevan financier who conceived the *assignats*.¹²³ Predictably, also, concerns arose of foreign attacks aimed at wrecking the nation's new monetary system. British forgers would flood France with counterfeit money and destabilize its finances, patriots feared.¹²⁴ These echoes aside, however, the *assignats* represent rupture rather than continuity. Involving neither banks, nor sinking funds, nor debt consolidations, they were not an effort to emulate British public finance. France would embrace a version of the British financial model again only with the Restoration, and by that point a new geopolitical watershed was emerging in the form of the industrial revolution.

In its eighteenth-century golden age, jealousy of credit was a symptom of the imbalance at the core of the Utrecht order—an imbalance of wealth and the

¹²¹ BNF Joly de Fleury 1434, fols. 131–38, “Discours d’un actionnaire à la première assemblée générale des intéressés à la Caisse d’escompte, le 26 juin 1776”; [Isaac Panchaud], *Réflexions sur l’état actuel du crédit public de l’Angleterre et de la France* (n.p., 1781); BNF Joly de Fleury 1436, fol. 123, “Traitement du Sr. Panchaut”; fol. 124, Jean-François Joly de Fleury to Panchaud, Jan. 7, 1782.

¹²² John Hardman, *Overture to Revolution: The 1787 Assembly of Notables and the Crisis of France’s Old Regime* (Oxford, 2010), 26.

¹²³ Richard Whatmore, *Against War and Empire: Geneva, Britain and France in the Eighteenth Century* (New Haven, CT, 2012).

¹²⁴ Rebecca L. Spang, *Stuff and Money in the Time of the French Revolution* (Cambridge, MA, 2015).

capacity to mobilize it. Europeans came to terms with the rise of Great Britain in part by focusing on the most distinctive institutional advantage the British appeared to enjoy: their public credit. The consequences of jealousy of credit for international relations were limited but substantive. It weighed most heavily during the Mississippi and South Sea bubbles, when it reinforced Anglo-French unity at first, and later tipped the alliance toward collapse. It reemerged later as a secondary influence on foreign policy—often as a shadow strategy conducted from finance ministries. In Britain it was an element in a discourse of political economic vulnerability. In France the call for financial revolution was one among several competing prescriptions to restore the wealth and power of the kingdom without direct military confrontation with Britain. Jealousy of credit likely conduced to a more stable international system: it gave Britons further reasons to dread war, while to the French it offered a strategy to balance British power without wars for colonies and trade. The pacific implications of such an agonistic perspective may seem surprising to us, accustomed as we are to thinking of the eighteenth-century financial revolution as a facilitator of war. Yet the equation of peace and public credit would have seemed quite unremarkable to that foremost champion of the new finance, John Law.