

The Mississippi Bubble



BY CORA RIGBY.
WAS John Law a great financier whose ideas were in advance of his times and whose efforts were thwarted by envious officials, or was he a scheming and dishonest politician, a gambler whose position gave him unusual opportunity to fleece the public?

Both of these opinions have been strongly held and numerous books have been written to prove both propositions. If his operations had been confined solely to France there might have been a greater tendency to concede that his integrity paralleled his ambitions and that he was the victim of the chaotic condition of the French treasury at that time and of the envy and jealousy of the court. The Mississippi scheme, however, marked the apotheosis of the methods introduced by the Scotsman which sent prices skyrocketing and brought them down with such a tremendous crash that a great part of the nation was ruined.

Whatever opinion may be held of his moral quality, it is conceded that John Law was a remarkable man. He passed through the most hazardous adventures, he made and lost enormous fortunes, he was as much at home with royalty as with the riff-raff of gambling houses, he left his impress upon his time, and memorials of him have come down to our own day.

John Law, born in 1671, was the son of William Law. The latter, the year before his death, had acquired territorial dignity by purchasing the estates of Lauriston and Rindleston, near Edinburgh. William Law was a goldsmith at a time when that was both a lucrative and an honorable trade, and he was a descendant of James Law, Archbishop of Glasgow. Through his mother John Law claimed kinship with the Campbells, of whom the Duke of Argyll was the head. He was carefully educated and at an early age showed great proficiency in mathematics and delighted in economic phenomena as a pastime. He had very engaging manners and a genial disposition and was fastidious in his dress. Ladies called him "Beau" Law; gentlemen "Jessamy John." Soon after going to London he fought a duel with another man who was also known as "beau" and was a man about town. Law had made himself so popular that he was able to escape from the sentence that had been pronounced upon him after his trial for murder, but the family of the man he had killed also had great influence and conditions became so threatening that Law left the country to escape further trouble.

For several years he was a roving gambler on the Continent, residing for short periods in Geneva, Rome, Venice, Amsterdam and other cities. In spite of the danger attached to such a move, he went back to Scotland, and there proposed the establishment of a bank. This was supported by powerful interests, but a hostile party led by the Lord Chancellor defeated it. His project was to have had all the landed property of the nation held against notes, as gold reserves are today. Law was not cast down by his setback, but new schemes were rapidly approaching completion, and because of the old charge against him in England and the animosity of the Wilson family in pushing it Law decided to leave Scotland and go to France, where he introduced the excitement of the lottery to the Dutch. When these prudent people discovered, however, that the lottery's benefits accrued to Law rather than to themselves he had to flee from the country.

After a prolonged round of visits to other cities Law returned to Paris, where financial affairs were daily becoming more hopeless. Here he again became intimate with the Duc d'Orleans, this time by playing backgammon with him. Louis Stairs, the British Ambassador, was such an admirer of Law that he wrote to Stanhope of him as a man who might be useful in suggesting a method of liquidating the British national debt. Stanhope laid the matter before the King, but Law was meanwhile very much occupied with his projects in France and nothing came of the suggestion.

Louis XIV had left France with a debt of 80,000,000 livres, and the Regent, the Duc d'Orleans, could only raise 3,000,000 livres. Law undertook to make this sum pay the debt by issuing notes based on the real estate of the realm. The bank, founded in 1716 under the name of the "General Bank

of Law & Co." with a capital of 6,000,000 livres, had the royal sanction. The notes bore promises to pay in the coin of the realm and standard of the day of issue and were shortly established in the confidence of all classes. Business on credit became possible and industry experienced a tremendous expansion. The notes became the medium of exchange and soon acquired a greater value than the specie they represented. Lethargic branches of business revived and new ones were established. All the credit was given to Law, who became as popular with the masses as he was with the highest circles of society. He was admitted to the Palais Royal on terms of exceptional intimacy. Everywhere John Law, the Scotsman, an exile because of crime, was hailed as the savior of France.

His influence was manifested in the purchase of the famous Regent diamond which Pitt, the grandfather of the Earl of Chatham, offered to sell for 14,500,000. The available capital in France was only 175,000, but, nevertheless, should not this most splendid of diamonds he purchased for the monarch of France? This question was answered in the affirmative and the Regent diamond became the property of bankrupt France's boy King.

Law asked, "Why not centralize the wealth of France and establish upon it a huge currency of notes?" Dominated by this spirit, all kinds of wild schemes grew up, based on easy money. A new enterprise, the Mississippi Company, was established in 1717 to develop the limitless resources of the great Mississippi Valley, which had been begun by Crozat, but had proved too much for him. The scheme appealed to the imagination of the French people, as well as to their cupidity. The great valley was to become populous and a profitable commerce was to be built up between the two countries, to insure to the superior advantage of the mother country. There were to be great opportunities, too, for trade with Spanish South America. No enterprise was complete at that time without the addition of gold and silver mines, and these the projectors of the Mississippi Company assured the public would be found richer than any that had ever dazzled the eyes of explorers. The Spaniards had already found gold and this would be added to the toll that was to be taken in the rich new country. The profitable trade in furs which had been founded some time before was to be greatly enlarged. All of these enterprises were to benefit Law's bank.

To educate the people as to the possibilities of the great Mississippi Valley and to arouse their enthusiasm for the scheme, pamphlets were published containing such remarkable information as: "The river is so rich in gold that the precious metal can be profitably taken from its deposit in great quantities. Bars alleged to have been made from this precious dust were displayed in the shop windows of Paris. The liquid found in the cup of a certain flower in Louisiana turned to diamonds in a single night and diamonds said to be from this miraculous flower were also displayed."

When the books were opened for subscription prominent men fought for places in the line. The company's ships, too, were besieged by men eager to go to this rich country across the sea and pick up its abundant gold and silver. What a different condition awaited them in the desolate new country to which they journeyed with such radiant hopes! Many of them sent back bitter reports of their hardships, so that others were deterred from seeking the false El Dorado.

Then the company, under license, resorted to press gangs to fill the necessary quota. "These gangs," as one writer has said, "swept the beggars from the streets, the tramps from the highways and the vile from the houses of correction."

In the following June three ships brought out colonists, convicts and troops, and, later, just before the collapse of the project, some Germans, who could and would work, came out to the new country and settled what is still known as the German coast.

The French Company rivaled the

JOHN LAW

East India Company, and the French Parliament, seeing its success, became jealous of such a concession having been granted to a foreigner, and efforts were made to discredit Law. It was even said that he was to be tried and would be likely to get a heavy sentence. But Law had the strongest support that was to be had at that time. The Regent transformed the Banque Generale into the Banque Royale and made its entire capital of 100,000,000 livres payable in state notes, guaranteed by the King. Law was made director-general of the new bank, but even he could not prevent the Regent from increasing the issue of paper money to cover his own extravagances. The King's accountants could not go behind the King's receipts in those days.

An effort was made to transfer a twentieth part of the national debt from state to private individuals and on the other hand to advance the number of the nation's creditors by several thousand. In a letter Law had written: "The bank is not only the grandest of my ideas, but I will produce a work which will supplant Europe by the changes it will effect in favor of France, more powerful than were those produced by the discovery of the Indies or the introduction of credit."

In the Fall of 1718 there began a series of privileges for this favored company which, scattered over several months, gradually stimulated public interest until all France plunged into a wild delirium of excited speculation. All the roads leading into Paris were crowded with persons eager to buy shares and tearing lest they might be too late to avail themselves of the privilege. Dealing in futures was introduced to meet a popular demand. Already there had been secured for the company the management of the Louisiana company, a monopoly of its trade, the beaver trade in Canada and tobacco farming. The privileges of the company in Senegal and Africa were added.

My shares which on Monday I bought were worth millions, I thought, so on Wednesday I chose my abode. In my carriage on Thursday I rode to the ballroom on Friday I went. To the workhouse next day I was sent."

This was an epitome of the way things were moving in Paris at that time, although the climax was not reached so speedily in most cases.

An attempt to defeat Law by a run on the bank for coin was foiled by the skill and courage of Law, entrenched in the powerful protection of the Regent. There was a greater demand than ever for the notes after the edict was issued reducing the value of money, and those who had withdrawn made haste to exchange it for notes.

The public confidence in Law grew apace. His rival company lost its privilege of farming the revenues, this

being given to the Compagnie des Indes for nine years in return for a payment of 52,000,000 livres. He proposed to take over the national debt of 1,500,000,000 livres, the government paying 3 per cent for the loan. The issue of shares was pounced upon by the greedy public, although they sold at a high premium. Law had more than a regal power; the exiled Stuarts paid him court, and the proudest of European aristocracy bowed before him, while his liberality made him immensely popular with the masses. It was said that French nobles who would have resented being kept waiting 30 minutes by royalty waited patiently for hours to see this commoner. Even ladies had to wait, although he was notorious for his weakness in that direction. One lady of rank had her carriage overturned in front of his windows to compel his attention.

So much business was transacted in the Rue Quincampx, the mart for the traffic in Law's enterprises, that the rents for houses and rooms reached the most exorbitant figures and every inch of outdoor space was accounted precious. It was said that a humpbacked man in the course of a few days made 150,000 livres by letting out his hump to brokers.

Law, whose offers had been refused by Louis XIV because he was a Protestant, became a Catholic before being promoted to the position of Controller General of Finance, and the bank, in name as well as in reality, was united to the company. Everybody was getting richer and none poorer. That condition could not continue.

The 1,677,500,000 francs from the four issues of shares to the number of 400,000 had risen to 2,000,000,000 francs. Persons began to sell their shares and

buy houses, lands, coin, anything with an intrinsic value. There was a rapid fall in the shares and a rapid rise in property, also a rapid depreciation of paper money.

Efforts were made to stop this tendency by successive edicts. Notes were to bear a premium over specie; coin was to be used only in small payments, and only small amounts were to be kept by private parties; the use of diamonds and of gold and silver plate was forbidden. By ingenious, though fallacious, pamphlets Law strove to restore confidence, but still the shares continued to fall.

At last on March 20, 1720, an edict fixed the price of the shares at 5000 livres and ordered the bank to buy and sell at that price. The fall was now transferred to the notes, of which there were about 2,600,000,000 in circulation. Prices rose enormously and there was widespread distress and financial confusion. Law was as wildly denounced as he had been lauded before.

He wrote a letter in which he said that all value is a matter of opinion—only one thing necessary to sustain it, not to sell—but men were in a panic and selling was the only thing they thought of as they had thought only of buying before.

The reduction of the nominal value of shares and bank notes, which helped on the panic, was blamed on Law, although d'Argenson, who had been recalled, was really responsible for it. As soon as it was perceived how much damage this act was doing it was revoked, but credit was not restored. Law was removed from office, but although the regent publicly blamed him, he privately received him and gave him a guard to protect himself and his house. This was very necessary, for so thor-

oughly had the populace turned against the one-time idol that his carriage was demolished as he was driving through the streets. When this was reported in the Parliament it was asked eagerly if Law had been killed, too. Bets were made that he would be hanged.

The French ministers sought to purge themselves of the blame which the enraged investors attached to them, and in doing so did not hesitate to bring the kingdom to the brink of destruction.

Finally the banks would pay no more than ten franc notes, and in the rush to get the money of these before the privilege was withdrawn three persons were suffocated. Their bodies were carried to the Palais Royal and vengeance demanded. The city was in an uproar. Shares that had sold for 18,000 livres in 1719 were worth only 200 lives in 1720.

Law got away secretly through the connivance of the Duc d'Orleans and the Duc de Bourbon, who had been enriched by him. He repaired to Brussels, where he was received with great honors, and he even ventured back to England, where he was received cordially by the King and members of the nobility, but so much opposition to his presence in that country developed that he left for the Continent and died in obscurity and poverty in Venice in 1723.

The bank that he had established with such prestige in Paris was abolished, and the ambitious Mississippi Company, deprived of almost all of its privileges, continued to exist under the names of the Indies Company. Thus perished the great financial structure erected by John Law.

(Next week's article will tell about the "South Sea and Minor Bubbles," wherein members of England's Cabinet and Parliament were involved in enterprises to get rid of the national debt.)

Diplomacy and Cables

(Continued from Page 5.)

wished to inform the Ambassador, early in London, that the actions of a certain American official abroad were not meeting with the approval of the Secretary of State, it is altogether probable that either the blue or red codes would serve the purpose.

All code messages or cable messages of any kind are addressed to "Secstate, Washington," the department's cable address, and are signed simply with the last name of the Ambassador or other diplomatic or consular agent sending the message.

The work of decoding or coding cable messages is in itself a big task. The

ordinary work of this kind is left to the confidential clerks in the index bureau, under the supervision of Dr. Buck, but when there comes a communication of the utmost importance, or when a communication of a strictly important and confidential nature needs to be put in code, it is usually Ben G. Davis, chief clerk of the Department of State and Secretary Bryan's right-hand man, who does the work.

It is not uncommon, however, to send a cable message "plain"—that is, without putting it into code. Such things as political and diplomatic conditions, however, are entirely confidential.

Next in importance to communication by cable is the mail system of the department. This system pertains more particularly to the consular service, the activities of which are not so closely connected with confidential matters. The relief of destitute Americans abroad, the settlement of American estates abroad, the certification of ship cargoes and the like are all matters which can be handled in the mails.

With a few exceptions, such as Cairo, Egypt, and other points, the mail comes in special Department of State leather pouches, sealed in the foreign country and not opened until they reach Washington.

There is a generally understood arrangement between all countries in time of peace to take exceptional care of one another's diplomatic and consular mail, and while it goes through the regular machinery of foreign and interoceanic postal services, there is, undoubtedly, special care exercised to prevent such mail coming to harm.

In most countries the mail of the various consulates and consular agencies is first forwarded to the embassy or legation of the United States in the capital of the country. Here the mail from all Consuls is gathered together, placed in a pouch with the embassy mail and sent to the United States without further delay.

These pouches are sent at regular intervals, or oftener if the volume of mail warrants. Some of the communications received at the consular bureau, not only from abroad but also from people in the United States, is more weird than any of the official correspondence. This mail is handled by H. C. Hengstler, chief of the consular bureau, who is the right-hand man of Wilbur J. Carr, director of the consular service.

Hengstler often receives shipments from abroad of butterflies, locusts and birds, sent by patriotic Americans to the National Museum. One queer-looking box of ashes that awaited him one day turned out to be the ashes of a deceased American who had died abroad, been cremated and whose ashes were being sent to the consular bureau for forwarding to his relatives in this country.

One man wrote to the bureau not long ago, asking Mr. Hengstler to inform him where he could purchase the best Bronx cocktail in Paris, and a letter came in recently from a consul who reported that a drunken but affable American had awakened him in the middle of the night to learn if the word "bombshell" was pronounced "bom-shell" or "bum-shell."

The entrance of Italy into the European war has rather tangled the cable situation for the State Department. Our note to Germany on the Lusitania and kindred matters was sent via Rome and telegraphed to Berlin, but since Italy has entered the war, cables to Berlin of an important nature must be sent by wireless or by cable through Copenhagen.

Both London and Paris have direct cables, and in almost any event these two capitals will furnish the department the least trouble in communicating with their Ambassadors. Petrograd, however, often presents a situation of much difficulty, as the telegraph system between Copenhagen and Petrograd has a habit of falling at important times.

No time, however, has the communication system of the department been put to the test as occurred at the outbreak of the European war, when thousands of Americans abroad were destitute and were appealing to the American Consuls and Ambassadors for funds.

An enormous fund was expended in cable tolls at that time, sending money to these refugees, but much of this money was reimbursable, as the department charged the cost of the cable tolls against the assisted ones when they returned home.

In nearly all cases the Government gets a reduced cable and telegraph rate, which is about two-thirds of the regular commercial rate, but despite this reduction the monthly bill charged by the various cable and telegraph companies to the department accounts would pay the salaries of any number of Consuls.

The Present Meets the Past.

World's Work.

In the Dardanelles the Fast shakes hands with the Present, face to face; for just round the corner from Kule Kaleh, Homer's River Scamander, under another name, still flows into the Hellespont. Along the beach at its mouth Agamemnon hauled up his "black ships" 3000 years ago. Its waters now, as the Dardanelles, flow on Mount Ida and drain the "windy plains of Troy," but in all these ages they have brought down a lot of classic mud out of the Troad and with it filled up the crescent bay used by the Greeks long ago. When landing parties went ashore in March from the French and British ships to take possession of the Sigeum promontory, they hauled up their cutters on the soil of "many-towered Ilum."