

Reflections from the Mirror of Folly:

The Adventures of Lord Londonderry in the Stock Markets of Paris, Amsterdam, and London in the bubbles of 1719-1720

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ABSTRACT

The experiences of Lord Londonderry, born Thomas Pitt, Jr., in 1688, during the bubble year of 1720 took him in succession through the Mississippi bubble in Paris, the South Sea bubble in London, a brief boom in Dutch West Indies stock in Amsterdam. He even initiated a bubble company of his own, the Bahamas Society in mid-1720. Although his speculations were undone time after time, in each case he managed to hedge his risks with a variety of stratagems available to him in the early capital markets of Europe. His resiliency in response to each setback provides us insights into the risk management possible in the three major securities markets of the time, with each operating under distinct political and legal regimes. In contrast to the moralizing of the *Groote Tafereel der Dwarshheid* “Great Mirror of Folly” moreover, Londonderry’s adventures demonstrate the value of animal spirits when they are combined with bourgeois virtues and perseverance.

One of the most notorious speculators who participated in all the bubbles illustrated in the *Great Mirror of Folly* was Thomas Pitt, Jr., Lord Londonderry.ⁱ His great-nephew, Lord Camelford, excoriated him for posterity by remembering him as ‘a man of no character and of parts that were calculated only for the knavery of business, in which he over-reached others, & at last himself.’ⁱⁱ True, John Law’s reputation in the *Mirror* is much worse, as he is shown variously as an instrument of the devil, a poisonous spider, a seducer, and a gambler. While John Law was certainly the prime mover of the stock bubbles of 1719-1720, Londonderry was a principal participant in all of them — Paris, London, and Amsterdam. Nevertheless, these two men at the center of the follies of 1720 began their relationship with a mutually beneficial business deal in June 1717, well before the bubbles. The deal was the sale of one of the great diamonds of the world, “le diamant du Régence”, one of the crown jewels of France on display in the museum of the Louvre.

Londonderry, born in 1688 as Thomas Pitt, Junior, the second son of Thomas “Diamond” Pitt, was the principal negotiator on behalf of his father for the sale of the Pitt diamond to the Regent of France in the years 1716-17. John Law was the principal financier for the purchase of the diamond by the Duc d’Orléans, the Regent of France, 1715-1723. With the resources of his *Banque Générale* he provided the Regent with the necessary funds for successive installments of payments for the diamond from June 1717 to July 1719. The sale secured the fortune of the Pitt family, destined to produce William Pitt the Elder and the Younger to lead Britain’s rise to power over the eighteenth century. The purchase of the diamond established

Law's financial credentials to the Regent of France, the Duke of Orléans, and helped pave the way for Law's ascent to power. So began what proved to be a continuing and intense collaboration between the two men, which lasted until the death of each in 1729 (Law in April, Londonderry in September).

Prior to the sale of the diamond, however, Thomas Pitt, Jr. was already adept in dealings within Exchange Alley. After the sale of the diamond with payments provided by Law's *Banque Générale*, he then became heavily involved in the Mississippi bubble, and was one of the first "millionaires" to emerge from the initial success of Law's system. After trying to extricate himself from the Mississippi scheme at the beginning of 1720, Londonderry then helped his family invest profitably in new shares of the Royal African Company, reluctantly provided his expertise in meeting their demands to invest in the new subscriptions to the South Sea Company, and even floated for a time his own bubble company, the Bahamas Islands Society in the middle of 1720. Through the services of one of his father's merchant correspondents in Amsterdam, he speculated in commodities and Dutch securities on the Amsterdam Beurs.ⁱⁱⁱ

Following the successive adventures of Londonderry in Exchange Alley, the rue de Quincampoix, the Amsterdam Beurs, and eventually in the Caribbean where he captured pirates and put down slave revolts, provides a personal narrative that reflects well the varied themes contained in the *Great Mirror of Folly*. Unfortunately for the moralists of the time who condemned all these activities as either sinful or stupid, Londonderry's papers demonstrate that he acted with caution and sensibly in each case. Although his ventures were undone time after time, creating huge

losses for him and his family, in each case the causes lay in events beyond his control. His resiliency in responding to each setback provides another set of moral lessons – the value of “animal spirits” combined with bourgeois virtues, especially perseverance, to overcome adversity.

Learning by Doing in Exchange Alley

While most attention by historians of Exchange Alley has rightly focused on the movements in prices of government stocks, including the shares of the Bank of England, the East India Company, and the South Sea Company, much of Londonderry’s early dealings were in Lottery tickets, the most accessible and most widely traded financial product of the time. More interesting are his regular accounts with stockbrokers in Exchange Alley – Edward Fenwick, Nathan Shepard, and George Cradock.^{iv} These were initiated with his father’s agents, first Edward Fenwick who dealt with the senior Pitt’s overseas accounts. Having returned from his post as Governor of the Madras station of the English East India Company where he had served profitably for eleven years (1696 – 1707), Governor Pitt continued to carry out extensive dealings with India. After he was appointed as Governor of Jamaica in 1716, however, both Fenwick and Pitt, Jr. became concerned increasingly with his new ventures in the Caribbean.

Most of Londonderry’s stock market accounts are with George Cradock, which began in February 1713/14, with a series of deposits over three weeks of four notes totaling over £5,000 payable to Thomas Pitt, Jr. In the same period, however, Pitt junior managed to overdraw his account by nearly £20, beginning a pattern that persisted over the next two years. One of the first withdrawals was £300 paid to

Nathaniel Shepard. The remaining accounts with Shepard only begin in late 1714 when Pitt, junior is credited with £1017:5:0, consisting of cash on £1000 of South Sea stock lent Mr. James Conan, plus one month's interest of £9:10 (implying an interest rate over 11% annually). Most of the account was paid out to Edward Fenwick, however, indicating this transaction was done on behalf of Londonderry's father, Governor Pitt. The next account with Shepard shows a large-scale transaction in lottery tickets, 504, bought at £11:7:6 each, and then sold at prices ranging from £11:8:0 to £12:9:0, which did not quite cover the 1/8 percent brokerage commission that Shepard charged the account. Nevertheless, Pitt cleared over £277 despite paying out the bulk of the proceeds from sale of the lottery tickets to George Cradock.

The final account with Shepard, settled July 13, 1714, is especially interesting in light of Pitt's later stock exchange transactions. It shows settlement of two contracts for sale of South Sea stock each for delivery May 31 in the amounts of £2000 and £1000 book value. The £2000 shares were bought at 88.00 percent of par (£1760) and sold at 88¼ percent of par (£1765), but with Shepard charging 1/8 % commission on each transaction (£2.5), the net profit of £5 was barely enough to cover the brokerage fees. The other contract for £1000 of South Sea stock was bought at 88 percent of par (£880) and sold at 88 5/8 of par (£886.25) a net gain of £6.25, which barely covered the brokerage commissions of £2.5. These small gains, however, were more than taken away by the expenses charged to Pitt by Shepard for placing two advertisements in the *Daily Courant* regarding the pocket book he had lost in Exchange Alley and then £5:7:6 paid to the "thief catcher" when the

pocket book was recovered! Small wonder that most of his further business in Exchange Alley was conducted through George Cradock.

Cradock's accounts end with a nice profit on sale of £1000 and £500 of East India stock sold at prices of 134 percent of par for £1,340 and 134 ½ percent of par for £672.5. These had been bought earlier for deliver on February 24 at substantially lower prices, working out to 93 percent of par, or a total outlay of £1,396:7:4 for the £1500 stock. Brokerage of 1/8 percent left Pitt with a net gain of £613.26. Even so, after paying Cradock £540 for Bank stock bought for his father and another £1000 toward land tax owed on the father's estates, Pitt was short nearly £500 to settle the account. While most of Pitt's accounts with Cradock deal with personal accounts of the Pitt family, reflecting the increasing trust his father was placing in him, occasional glimpses of his future adventures appear.

In the account settled on June 5, 1714, Pitt is credited with a note under the hand of Joseph Edward Gage, Esq. amounting to £537:10:0. Gage and Pitt would be involved in much more serious affairs with each other as a consequence of the Mississippi and South Sea bubbles in 1719-20. At the time, however, Gage's note simply meant that, unusually, Cradock owed Pitt for the balance and gave him a note for £268:12:5, payable on demand. More importantly for Pitt's future as an international stock jobber is that Joseph Edward Gage was clearly in France, part of the Jacobite diaspora which was educated in France and committed to the Catholic faith. This is the first sign of what would become a major part of Londonderry's career, dealing with the stock market initiatives of John Law in France. In the account settled February 21, 1714/15, payment of £107:10 to Thomas Gage, Esq.

(Joseph Edward's older brother) is recorded. Another £215 was paid to Mr. Gage on March 11, 1714/15, presumably Thomas again. But the main transactions consisted of purchase of additional Bank stock and sale of three South Sea bonds and £450 of South Sea shares, selling then at 98 $\frac{1}{4}$ percent of par.

The next account, settled at the end of July 1715, credits Pitt with £37:10:0 based on the difference of £2000 South Sea stock, bought at 100 $\frac{5}{8}$ and sold at 102 $\frac{1}{2}$. A £2000 share of the £10,000 Bank stock bought earlier at par is sold at 131 $\frac{3}{4}$, netting a substantial profit in addition. October 14, 1715, Londonderry received £75:0:0 on a note on John Mead (goldsmith) sent by M. Law, the first evidence of contact with John Law, then recently arrived in Paris. In the same account, Pitt sells off £1000 each of South Sea stock and of Bank of England stock, South Sea not yet at par (96 $\frac{3}{4}$) and Bank falling from its previous high to 124 $\frac{7}{8}$. In the account settled May 15, 1716, he is credited with a note from George Middleton, already the London agent for the stock market affairs conducted by John Law from Paris. A note for £200 on May 31, 1716 was paid to Richard Cantillon and another note for £200 was paid to M. John Law on October 11, 1716. In the same account, Pitt was credited with £2000 by a note on George Middleton, Law's agent and banker in London.^v

Dealing with Mississippi Stock and John Law's System

The young Pitt's increasing dealings with France were a natural outgrowth of his brother-in-law's role as Secretary of State under George I in charge of Southern affairs. In 1716, Pitt received an enthusiastic endorsement of John Law's recently opened *Banque Générale* in Paris from the British resident in Paris, Thomas Crawford:

In the last letter I had the honour of from you, you desire me to let you know what Mr. Law's bank is a doing. All I can tell you in that matter, is that every body here thinks it will do well. The Credit of it is established and they do a vast deal of business every day. It has ruined all the Banquiers here for it discounts bills and gives and takes bills upon every foreign place at one per cent cheaper than any of them and by the force of their money and the privileges it has, is already master of the Exchange with every country till trade force a change in that matter.

Letter to Londonderry from Thomas Crawford, Paris, 16 September 1716.
C108/418/10.

There is little evidence that Londonderry took up Crawford's recommendation to invest in Law's schemes at that time, but it is clear that Crawford's enthusiasm for Law's financial innovations in Paris persuaded Londonderry and his father, Thomas Pitt, to rely on Law's good reputation to pay the exorbitant price they agreed on for the Pitt/Regent diamond in 1717. Payment of 2 million livres tournois was arranged in several installments from June 1717 through June 1719. At the time, this amounted to over £130,000, and the later payments all bore 5% annual interest as well. Londonderry clearly invested part of his commission in Law's newly formed *Compagnie des Indes*, and made a substantial gain over the next two years, reputedly becoming one of the new "millionaires" created by the Mississippi bubble.

Just before the final surge of the price of Mississippi stock in late August 1719, Law and Londonderry entered into a huge forward contract in which Law promised to deliver a year hence £100,000 of English East India Company stock to Londonderry at 10 percent under its current price, namely at 180 percent of par.

The details of this incredible contract require a separate paper, but the point to be made here is that both Law and Londonderry deposited the equivalent of £30,000 as earnest money. Law appointed his agent in London, George Middleton, to make this sum available to Londonderry in London while Londonderry deposited his earnest money in Law's bank in Paris.

Londonderry Tries to Exit Paris

In January 1720, as the price of Mississippi stock was clearly going to fall, Londonderry made a hurried trip to Paris and entered into contracts with a number of speculators in Paris, mostly British expatriates, to sell his holdings at the end of May 1720. In buying both shares and options on new subscriptions in the Mississippi Company, Londonderry relied on the firm of E. Burgess and David Lyon. These were evidently experienced stockjobbers from London. Their commissions were regularly charged at 1/8 percent, the same as Londonderry paid to his stockbrokers in London. Shortly after Londonderry's visit to Paris, however, Law carried his next maneuver to preserve his System. In February, he merged the *Compagnie des Indes* and the *Banque Royale* while requiring all stock dealings to be done through accounts in the bank. With one stroke of the pen, Law thereby eliminated all professional stock traders from business. Burgess and Lyons ceased business altogether and Lyons left Paris to seek employment in Germany while Burgess pleaded with Londonderry for a position in Ireland.

I learning your Ldsp is at the head of a Project for circulating Exchequer Bills in Ireland, the honour I had to be employed in your Lordship's business here encourages me to offer my service to your Ldsp if you

think I can be of any use in the office which I suppose will be erected for that purpose.

The present Regulation which affairs here are brought under has made Mr. Lyon and me discontinue our office, it being not worth our while to go on with it, so Mr. Lyon is gone into Germany with a friend. I beg pardon for his freedom, and leave to congratulate your Lordship on your success in the South Sea.

Source: Letter to Londonderry from E. Burgess in Paris, April 24, 1720, N.S., C108/418/1,

Londonderry made another trip to Paris in March and entered into a new round of private forward contracts to dispose of his holdings of Mississippi stock. No fewer than 25 separate contracts were copied out later for the benefit of his lawyers because none of the private forward contracts made by Londonderry to cover his risks in Paris were completed. The failures of his contracts in Paris went beyond issues of idiosyncratic risk with his various counterparties. Although some of the counterparties were notorious for their brazen speculations such as Joseph Gage and Lady Mary Herbert, others were serious merchants and officials, including none other than Lord Stair, the British ambassador to France. Thanks to the bankruptcy of the *Banque Royale* in July, the subsequent recapitalization of the *Compagnie des Indes*, and the destruction of all documentation of the Visa when it was completed in 1723, there was no possibility left for Londonderry to salvage the remains of his French fortune. Ultimately, he cashed out in 1726, realizing only 5% of his original holdings.

Success in Amsterdam

While assessing the situation in Paris in March 1720, Londonderry sent his cousin, George Morton Pitt, to Amsterdam in the hope that he could cover his Paris contracts with willing Dutch investors. The initial report from G. M. Pitt was not encouraging, to say the least.

We have been talking upon the subject of the Commission I have from your Lordship and find that the notion we had in England of the operation here in our stocks has but little foundation it being impossible to execute what your orders to me are. The dealers in this affair are a few Scrub jews of little credit who are abundantly fonder of taking premiums than giving. Neither do they transact for the merchants here it being a business the men of credit cannot engage in without irretrievably loosing their reputation & the manner the Jews practice is upon honour for time which they may always forfeit there being a law subsisting that makes all those engagements void & an instance of that kind has lately happened. Besides were there substantial men to be found yet the price and time will by no means suit your Lordship for they will do business upon no account but on the 1st days of May, August, November and January. Mr. Van der Grift as he has wrote you would be answerable for a smaller sum but cannot for anything considerable for it is impossible to get anybody to make a deposit. My Lord you can't imagine how little & insecure their dealing is, ten thousand pound would fall the stock at least 10 pct. Your Lordship sees the difficulty & hazard to execute your orders how vastly uneasy you would be to rely on such men who in case the stock rose must have the profit & are not responsible if it falls. As for the taking refusals on India I sent your Lordship an account how very low they are and was there people found to give, it cannot be but for the times I have before mentioned.

Expecting to do nothing before I have an answer from your Lordship

how you design to dispose of me I shall apply myself to get the best intelligence what negotiation Mr. Law is carrying on here. I don't yet find he has anything in India but South Sea in abundance bought in at about 200 & a prodigious sum in this Bank to what design I have not yet been informed. He has bought great quantities of silver insomuch as to raise the price ten pct. but it is since fallen to its usual price. Mr. Vandergrift says it is impossible Mr. Law could buy here anything considerable in our India stock but it must presently be known however some emissaries are set to work to be certain in this affair.

Source: National Archives. C108/418/17. Letter by G, Morton Pitt to Londonderry, April 23, 1720, N.S.

Despite the negative impression of his cousin, Londonderry found that he had an able agent with one of his father's merchant correspondents in Amsterdam, Bernard VanderGrift. Eventually, Londonderry was able to sell part of his East India Company stock to various Dutch and English investors lined up by VanderGrift at a substantial profit over the 180 percent of par promised by Law. In addition, Londonderry made a substantial gain on stock in the Dutch West Indies Company, although the sums involved in both transactions were small compared to his dealings in Paris and London. More interesting is that Londonderry was able to use vanderGrift as an agent for disposing of shipments of various goods he had consigned to vanderGrift in Amsterdam. These were clearly actions taken to realize some of the gains from his dealings in Mississippi stock, but by transferring the terms of his stock contracts into settlement by taking up delivery of various goods, including cascarilla from the Bahamas and tobacco from Virginia.

VanderGrift was a capable agent for all Londonderry's dealings in Amsterdam, although his commission was $\frac{1}{4}$ percent on the stock deals, rather than

the 1/8 percent Londonderry was accustomed to paying in both London and Paris. (At the final liquidation in Paris, however, his then French agent levied a full one percent commission, adding insult to injury.)

Bubbles in Exchange Alley (IPOs?)

While John Law had been an early investor in the South Sea Company, joining with his kinsman, Lord Islay (Archibald Campbell) in a joint account kept by George Middleton in London in 1712, and apparently buying shares in the Amsterdam market in 1720, Londonderry was always very cautious about that company. One reason was his father's distaste for anything Tory and his own affiliation with the Whig party. The only examples of his dealings in South Sea, mentioned above, were short term forward contracts on which he gained, or lost, but little on the differences in prices of £1000 lots of that company's stock. But at the beginning of 1720, a new issue of capital stock in the Royal African Company proved very profitable for Londonderry and the Pitt family who entrusted him with their money to invest.

The expanded operations of the South Sea Company in providing slaves to the Spanish empire in America were thought to bring renewed business to the slave trade of the Royal African Company. Londonderry took up large amounts of the subscriptions in the new stock, all at £9 per share. As the existing shares of the Royal African Company rose in common with the fortunes of the South Sea Company, so did the market value of the subscriptions in the new capital stock. Within a few months, Londonderry was able to cash out with substantial profits shared among members of his family: his father, Governor Thomas Pitt; his older

brother, Robert Pitt; his younger brother, John Pitt, and his sister, Lucy Pitt Stanhope, wife of Lord James Stanhope.

Perhaps it was this success, or the apparent fortune that Londonderry had made from his early investments in John Law's *Compagnie des Indes*, that prompted his father, older brother, and sister to urge him to invest on their behalf in the Third Subscription of new capital stock for the South Sea Company, issued in June, 1720, while the transfer books for the company were closed. Caution persuaded him to sell both his father's and his sister's subscriptions forward at a lower price than prevailed in August 1720, much as he had already done with his shares in the *Compagnie des Indes* while in Paris in late January and February 1720. In both cases, unfortunately for Londonderry and his family, his counterparties failed to take up the shares as promised. All of these misfortunes transpired after the collapse of the South Sea stock price in October 1720. Until the series of defaults by his counterparties in Paris and London, however, Londonderry was widely admired for his sagacity in his stock dealings and his generosity in sharing his good fortune. In May 1720, he even launched his own bubble company, the Bahama Islands.

The Bahama Islands bubble

An announcement in the *Daily Courant* of June 9, 1720 read:

To be published in a short Time, and sold by the Booksellers of London,
An account of the Bahama Islands and the real Advantage People may
expect from laying out their money on that stock.

Within less than two weeks, a competing paper, *Post Man and the Historical Account*, published a much longer announcement, to the effect that "the Legal Rights

and Property in and under the said Charter of King Charles the Second, as also in and to all the said Bahama Islands thereby Granted, does of Right belong to the Right Honourable William Lord Craven, and that no other Person or Persons can legally hold and enjoy any Lands in any of the said Islands...” For the next two months, London papers inserted occasional snippets about the ongoing legal dispute between Lords Londonderry and Craven, with hearings held in which it appears that Londonderry won his case on grounds that Craven had done nothing of value to improve the islands since the charter of Charles the Second. Indeed, the Bahamas had been made a Crown colony in 1718 and Woode Rogers had been appointed as Governor of the colony.

Governor Pitt, the father of Londonderry, still carried the title of Governor as he had been appointed Governor of Jamaica in 1716. In preparation for assuming the post, he had launched a number of enterprises for trade in the Caribbean, using extended family members as his agents, and entrusting Lord Londonderry with general oversight over his commercial affairs. So the motivation of Londonderry to raise money for settling the islands with a colonists eager to establish sugar plantations and provide a market for cheap Indian textiles was as much a factor leading him to start his own bubble company as was his heady experiences with the boom in prices of the *Compagnie des Indes*, based on settling Louisiana territory, and the windfall gains from the new capital issues of the Royal African Company, based on an expected increase in the slave trade.

From Londonderry’s papers, moreover, it appears that he and his father had helped to finance Rogers in his campaign to make the Bahamas a colony and remove

the pirates from it as early as 1718. After Rogers arrived in the Bahamas, however, he lost all interest in pursuing the commercial interests of the Pitt family. Governor Pitt's letter of May 27, 1719 to Woode Rogers in the Bahamas expresses his concerns:

What I prophesied is come to pass as soon as I was out of sight, I should be out of your memory. You may remember you borrowed of me when you went away, fifty pounds to pay sixty for a twelve month for your life so hope you'll return it for ye time is now expired.

I have seen several of your letters to my Son etc. who ye King has lately created Lord Londonderry you promised great things therein for futurity, but they want a little of your present performance. I wish the Spaniards may not drive you off those Islands ye sooner you pay me the securer I reckon my money to be pray if ever you do write me a letter let me know how ye little boy does that you carried out with you Mr. Cardinall. I doubt not but you hear is dead. I wish you all health & happiness & good success in all your undertakings & am...

Source: National Archives, C108/424/9

In the letters to Londonderry, Rogers had claimed that the merchant ships sent out with cargoes of cloths for the slave plantations in the Caribbean had all been lost at sea. Letters from Londonderry's agents in South Carolina and Jamaica, however, told a different story of how Rogers had seized the ships and cargoes for himself. An angry letter by Londonderry to Rogers in January 1719 shows increasing displeasure by the Pitt family with the performances of Rogers as newly appointed governor of the Bahama colony.

I received the favour of yours of the 1st and 31st of October last dated from Nassau. I have perused most of the papers sent the copartners, particularly the letter sent us signed by the Counsell. Concerning Mr.

Salter, our general letter will be a full answer and direction to you for everything so this serves to give you my private thoughts and remarks on your conduct as your friend, that you may make your own use of it. I think you did very wrong in removing Mr. Salter from being president of the Counsell, and putting Mr. Beauchamp in his place, without first advising us of it, for our opinion thereon, because you know twas our direction that Mr. Salter should be in it. We may very well think by it, you have not the regard & respect for us at a distance, as when you are with us, but you must know you are not out of our power. We wonder at your keeping the Samuel so long at Providence after she was loaded, and when she came away, not to send us an acct. of the things that were sold, lost, and remained.

I must take notice that every body here had an acct. of your arrival at Providence 4 mos. before the copartners which certainly must be a neglect in you, and those with you, and I observe by an expression in a letter concerning Mr. Salter, at which I take a good deal of umbrage. Tis this, that twas thought much of that he should send any letter to England without showing it you, for that you shewd all yours to him, that looks as if you was aiming to bring matters to that pass, that none of us was to know, but what you would think fit to let us, but I do assure you for my own part nothing would give me so ill an idea, and so great a mistrust as to know that anybody's letters were either stopped or opened, which I think very likely by some means or other have been done hitherto. In general I find your conduct for our advantage hitherto is not much approved of, and I must be so sincere to tell you I think there is great reason to find fault and be dissatisfied, tho' I do what I can to palliate, alleging the hurry you must necessary at your first arrival be in, and the mortality of your people as well as your own illness. Therefore I hope for the future you'll make us amends for what is passed, which if we don't find, twill be natural for us to seek our remedy and you know you can't think of remaining Governor no longer than we are your friends. I

conclude in wishing you an happy New Year, that you may have your health & prosper.”

C108/418/24, Londonderry's Out Letters. *Letter to Woode Rogers at Nassau, January 3, 1719.*

Despite the legal disputes with Lord Craven, and at a distance, Governor Woode Rogers, Londonderry's bubble company was initially very successful. His notes show a total of 589 shares subscribed at £1000 each, mainly from family members and his father's business partners. But investors included the Duke of Chandos, reputedly the wealthiest man in England at the time, Robert Arbuthnot, a leading tobacco merchant, Matthew Decker, Governor of the East India Company, Edward Harrison, who had succeeded Thomas Pitt, Sr. as Governor of the Madras station of the East India Company. James Oglethorpe, future governor of the Georgia colony and his wife, as well as George Middleton, the London agent of John Law's Compagnie des Indes, and Middleton's brother, all of whom subscribed for multiple shares. Subscriptions by Moses Hart, licensed stockbroker and a leader of the Ashkenazi Jewish community in London, and David Dalrymple, son of Lord Stair, the previous British Ambassador to France, demonstrate as well that Londonderry's reputation was well-established among the leading figures of the merchant community in London, as well as among leading Whig politicians.

Letters to Londonderry from his friends and business partners in Paris, John Drummond (South Sea Company agent) and Thomas Crawford (Secretary to Lord Stair) asked him to put them in as well for up to £5000 each. In response, Londonderry wrote to Drummond, June 16, 1720: “Had I known the Bahamas subscription would have answered so well, I certainly had interested you in it, but

being dubious of the turn it would take, made me resolve not to be instrumental of bringing in my friends, where if it not succeeded, I must have borne all the blame, but if you approve of it, if there should be a further subscription you shall be concerned what you please." (C108/418/24; Letter to John Drummond, June 16, 1720.)

The legal disputes that concerned Londonderry required him to call upon the favor of his brother-in-law, James Stanhope, the Secretary of State for George I dealing with his Continental affairs. From Hanover, where he was with the king, Stanhope replied on September 14, 1720:

I have received the favour of yr letter of the 2d instant with the two papers included relating to the Bahama Islands. You will easily imagine that I wish well to the undertaking and should be glad if I could make any use here of the papers for your service but that matter must be considered and settled by the council in England. I doubt not but that you will act with all possible caution and good advice for tis natural to believe that you will meet with great opposition. When I am in England as far as my vote can go either in council or Parliament I shall certainly be for doing justice and giving encouragement to an undertaking which I did and do still think a very useful and advantageous to the public. I am ever with great truth my good Lord your most affectionate brother and humble servant.

[PS] Pray consider whether you had not best make as good a bargain as you can with the South Sea Company and resign your interest to them; the great opposition you will meet with will probably come from that quarter and you are as well as I able to judge whether you can grapple with them. This is a thought of my own and perhaps a very idle one but I have reason to believe the SSea will

endeavour by some means or other to get that thing into their hands.

C108/418/15

With the collapse of the South Sea bubble and the consequent scramble for liquidity in the London money market, all the bubble companies, including that of Londonderry's Bahama Islands, fell into disrepute. To his credit however, Londonderry bought out most of the speculators who had actually paid in money on the original subscriptions and maintained his interest in the Bahamas until April 10, 1728 when he signed over his interest in the Bahamas to new lessees. Far from the grandiose plans initially envisioned of a capital stock of £589,000, the total capital of the scheme when it was reorganized gradually over the years 1724 until 1728 amounted to only £5,000 (500 shares at £10 each). The value of the leases turned over to the Bahamas Society amounted to only £3,091 and 3 shillings. And nearly half was made up by a personal note of Londonderry himself in the amount of £1,367:1sh.:3 ½ d. ^{vi}

All this was done in haste to allow Londonderry free rein in assuming the Governorship of the Leeward Islands, where he hoped to recoup his fortunes (and those of his family). Part of Walpole's ingenuity in restoring both financial and political stability to England after the collapse of the South Sea scheme, and the discredit of John Law's system in France, was to offer sanctuary from creditors to loyal Whigs who had lost badly in the preceding speculative fervor. The Duke of Portland won the Governorship of Jamaica over the candidacy of the Duke of Chandos. Woode Rogers was restored to the Governorship of the Bahamas after recall to London in 1721. Thanks to his continued loyalty to the Whig party even

under the leadership of Robert Walpole, Londonderry was granted the governorship of the Leeward Islands in June 1727.

While this meant giving up his Scottish regiment that he had been granted through the intervention of Lord Islay and his brother, the Duke of Argyll, the possibilities of Caribbean commerce appealed greatly. It took nearly a year before Londonderry could set sail for Antigua in H.M.S. Pearl, and even then repeated bad weather forced a series of delays in the voyage, culminating when the ship had to withstand a hurricane just as it approached the port of St. Johns. Once ashore in September 1728, he quickly established himself as Governor-General over the scattered islands of Antigua, St. Kitts, and Barbuda. He convinced the settlers to grant him an annual stipend of £500 and began purchases of several likely plantations. Alas for his future reputation and fortune, he succumbed to tropical disease and died in St. Kitts in September 1729.

Final Contact with John Law

While his widow gathered up their possessions scattered across three islands and the warship HMS Pearl prepared for its return voyage, a letter arrived for Londonderry from the British Resident in Venice, Elizeus Burgess. In it, Burgess, who had been keeping tabs on John Law at the behest of Londonderry during his years of exile in Venice, reported the earlier death of John Law in April 1729. Assessing the man who had swept Londonderry up with him in the stock bubbles of 1719-1721, Burgess wrote in a letter dated October 21, 1729, N. S.:

John Law “had certainly won a good deal of money here: some of which he spent and he laid out a great part of the rest in pictures, some of which

he sent to England before he died and the rest are still here. I think it is generally agreed he bought his pictures very ill and was horribly imposed on in every bargain he made. However he thought otherwise himself and relied so much upon his own judgment that he advised with nobody and fared accordingly; for no man alive believes that his Pictures when they come to be sold, will bring half the money they cost him. He had, before he died, recommended his son and his interests to the French ambassador here, and the young man never communicated any of his affairs to me since his Father's death, but threw himself entirely into the hands of the French consul, in whose house he lived 'till he went away, which was about two months ago. He rather seemed shy of me, for reasons I fancy, you will easily guess at. His Father often desired me to assist him in every thing I could, which would readily have done, if he had thought fit to apply to me....”

“Mr. Law, two days before he died, made a deed of Gift to Lady Katherine of all he had, or had any right to in any part of the world, but called her Lady Katherine Knowles, sister to the Earl of Banbury, living in such a house in such a street in Paris, and nowhere mentions her as his wife, or takes any notice of her children. was looked upon as done with a design to defraud his creditors, if they should at any time discover any of his effects..... as soon as Will. Law got notice of it, he commenced a suit with Lady Katherine, as next heir to his brother, declaring she was not his wife, and that her children are bastards.”

Source; NA, C108/417/5.

So ended the career and life of John Law, the Scottish financier who transformed the finances of France in 1718-1720. By contrast, the continued efforts of Londonderry to restore his fortunes in new ventures after sustaining his huge gains and then losses at the hands of John Law are refreshing evidence of human resiliency. John Law is the central feature in several of the plates illustrating human

folly in the *Great Mirror of Folly*. The site of feverish speculation in the new securities created by Law, the rue de Quincampoix in Paris, is depicted a number of times. Occasionally, the South Sea bubble in London appears in various forms. Dutch reactions and scenes appear surprisingly often, given the relative mildness of stock speculation that occurred within the Netherlands at the time. Londonderry does not appear, save perhaps as one of the sharp-eyed speculators selling worthless paper to honest peasants and artisans. He may be more representative, however, of the cosmopolitan bourgeoisie that historians of the period have shown that Europe already possessed at the time in addition to interrelated aristocracies and emergent dynasties. These well-informed and reasonably prosperous individuals formed the customer base for the new financial products that appeared throughout Europe in the wake of the expensive wars that preceded the bubble years. Lord Londonderry with his Bahama Islands bubble was one of the entrepreneurs whose efforts to make his fortune continued unabated after the collapse of the bubbles. So it was with so many others who survived, persevered, and eventually thrived.

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ⁱ Carswell, p. 172, fn. refers to “the notorious speculator, Lord Londonderry.”

ⁱⁱ Lord Camelford, *Family Characters and Anecdotes*, 1781, cited in Londonderry’s entry in *Oxford Dictionary of National Biography*.

ⁱⁱⁱ Londonderry’s tutelage in the Amsterdam Beurs by Bernard VanderGrift is described in Neal and Quinn (2001).

^{iv} Londonderry’s stock market accounts are found in the National Archives, C108/416/14.

^{vi} C108/415/2, Bahamas Account signed with new lessees.