

"For God's Sake, Remitt me": The Adventures of George Middleton, John Law's London Goldsmith-Banker, 1712 - 1729

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London's goldsmith bankers of the seventeenth century are the storied originators of modern deposit banking. Responsible for financial innovations such as banknotes, fractional reserves, and interbank clearing before the rise of central banks and government regulation,¹ their place in business history is secure. But their role in financial innovations did not cease with the establishment of the Bank of England and national debt in 1694. Even in the turmoil created by the stock market manias associated with the Mississippi bubble of 1719 and the South Sea bubble of 1720, goldsmith bankers were at the center of financial developments. In these momentous events, the London goldsmith-banker George Middleton, then senior partner in the firm known today as Coutts and Company, was a surprisingly central figure. This paper focuses on the most dramatic episode in Middleton's relationship with John and William Law, the prime movers of the Mississippi bubble in Paris and also originally Scottish goldsmiths like Middleton. Middleton represented the Law brothers interests on the London stock market during the South Sea bubble while they were managing the financial affairs of the French nation. Over the course of the year 1720, he watched nervously the soaring price of English East India Company stock, knowing that he was responsible for paying off an incredibly large bet made by John Law that its price would plummet by the end of the summer. In the course of acting first as Law's agent in London, then as his intermediary within the complex network of

¹Richards [1924] remains the standard reference to date, but see Quinn [1994] for a quantitative and analytical appraisal of their practices.

bankers across Europe, and finally as a principal in the final stages of financial collapse that forced him temporarily out of business, Middleton observed, analyzed, and communicated accurately the events of the South Sea Bubble. While Law's schemes eventually failed spectacularly in Paris, and the South Sea Company's ambitions burst in London, Middleton recovered in due course to establish one of the premier British banks. His experience helps us appreciate the importance of the European network of goldsmith bankers in mobilizing the international flows of capital that supported and sustained the financial revolution of the eighteenth century.

John Law's Gambles

John Law, described by Hamilton as "banker, gamester, merchant, chief," by 1720 controlled the central bank, the stock exchange, the mint, the central government taxes, the overseas foreign trade, and the largest colony of the dominant economy of Europe. At the height of his power in the autumn of 1719, he began the machinations on the stock of the *Compagnie des Indes* that were to create the Mississippi Bubble in Paris. Law formed the *Compagnie des Indes* in May 1719 by merging his *Compagnie d'Occident*, which had the monopoly of trade with the West Indies, with the *Compagnie des Indes orientales* and with the *Compagnie de Chine*. To give this new *Compagnie* sufficient capital to outfit 24 ships of 500 tons each, Law proposed to issued 50,000 new shares with a nominal value of 500 livres tournois each, for a total additional capital of 25 million livres. To market these, he formed a group of associates who promised to take 1 million apiece and on their behalf contracted to purchase the entire new capital stock for them and himself. Moreover, he promised they would subscribe the new shares at 110% of par and he paid out 2.5 million livres (the 10% premium) as a guarantee, which he stood to lose if he didn't make the subsequent payments. On the basis of this wager, the Regent issued the decree authorizing the formation of the new company. Shares in the *Compagnie d'Occident* had already risen to 98% of par and the day following the publication of the decree had risen to 120% of par. By this audacious bet, Law had gained a 10% return on their money for his small group of wealthy supporters [Faure, pp. 198-199]. Of course, it

helped enormously that the Banque Royale, which he controlled as well, had issued another 270.7 million livres in banknotes the preceding week [Murphy, p. 77]. These extra funds were obviously used to bid up the price of Compagnie shares available for sale on the Paris bourse.

But the long term success of Law's Mississippi Company depended upon investors comparing the Compagnie's prospects favorably with respect to the established trading companies in other countries, especially the Dutch East India Company (Vereenigde Oost-Indische Compagnie, or VOC) and the English East India Company (EIC). So at the same time that Law introduced a variety of innovations to encourage investors from France and the rest of Europe to purchase shares in the Compagnie des Indes, he undertook financial manipulations on other markets in Europe to depress the prices of competing securities. Some of the most popular were shares in the VOC, although these were limited in number and very expensive, shares in the EIC with its much expanded capital stock since 1708, and shares in the recently formed South Sea Company in England. The success of his daring gambit in the Paris bourse to raise the price of shares in the French Compagnie des Indes must have encouraged Law to try analogous maneuvers in the Amsterdam and London stock exchanges to try to depress the stock prices of the Compagnie's competitors.

In each case, Law worked with one or more of the cosmopolitan community of foreign exchange dealers and speculators who had arisen in western Europe in the 16th century [See Neal, 1990 or van der Wee, 1963]. By the end of the summer of 1719, some of these speculators who had invested in the new stock issued by the Compagnie began to take their profits and switch their holdings elsewhere, especially to London. In the words of Earl Hamilton,

To prove his disdain of English stock, Law sold Thomas Pitt, Earl of Londonderry and uncle of William Pitt, £100,000 of East India stock, one of the bluest of all English

blue chips, short for £180,000 for delivery by August 25, 1720 [Hamilton, p. 275].²

The outcome was disastrous for Law -- the closing price for £100 of EIC stock on August 25, 1720 was £340, implying a difference of £160,000 if the bet had been settled with cash. Instead, the bet was settled by actual transfers of stock, most of which had been purchased earlier at even higher prices, a total of £372,762.10s. by Middleton's account. The reason for the failure of Law's gamble against the English competing company was the incredible rise in prices of all shares traded on the London stock exchange from mid-February to September 1720 -- the episode known as the South Sea Bubble. At the same time that Law was failing to sustain the high prices of Mississippi Company shares in Paris during the year 1720, the South Sea Company and its banking affiliate, the Sword Blade Company, were succeeding in creating an even more impressive version of Law's scheme in the London stock market.³ Moreover, the efforts of his agent in London to cover his bet with Lord Londonderry served to sustain high prices for the English East India Company's stock in particular. Ironically, Law's bet served in the end to help sustain the London bubble and complete the collapse of the Mississippi Bubble, discrediting all of his financial innovations in France for the rest of the century.

Law's agent in London for this and much of his other affairs in England was the goldsmith banker, George Middleton, senior partner in the firm that is known today as Coutts & Co., bankers for the royal family since George III in 1760. Middleton, like his predecessor John Campbell and his junior partner George Campbell, was a native Scot, born and educated in Aberdeen. John Law and his younger brother William were natives of Edinburgh, where their father, William Law

²Hamilton cites Coutts and Company, Second Show Case, on this point. The remainder of his paragraph on the episode refers to correspondence from George Middleton to William Law and George Skene in Paris from Coutts and Company, Letter Book O14. This and related letter books and accounts from the Coutts and Company Archives were microfilmed by Professor Hamilton. The executors of his estate, Mr. and Mrs. Joseph Halperin, have kindly made these available to me.

³See Neal [1990], chs. 4 and 5, for an analysis of the financial connections between the Mississippi and South Sea Bubbles.

Senior, was Dean of Goldsmiths at one time. It was the Europe-wide confraternity of goldsmiths in which Middleton and the Law brothers were full-fledged members of good standing that provided one of the networks of credit creation and means for transmitting capital movements for early modern Europe [See Neal, 1992 or van der Wee, 1977]. John Law exploited this network through the activities of his brother William Law to carry out his scheme to import into France the financial revolution already achieved in Antwerp, Amsterdam, and, most recently, London. William Law's primary intermediary in London was George Middleton. Middleton's letters and accounts to William Law and other intermediaries in Europe, as well as his occasional missives to the principals involved, John Law and Lord Londonderry, give a unique and valuable insight into the turmoil created by the Mississippi and South Sea Bubbles in the years 1719-1720.

To date, however, very little attention has been paid to this material by historians either of Coutts & Company or of John Law.⁴

⁴The most recent effort by Healey devotes an entire chapter [ch. 6, "The Fiery Trial," pp. 34-57], to the episode but seeks mainly to establish the good faith and honesty of George Middleton in the affair and, by his continued correspondence with both William and John over the following decade, the integrity as well of the Law brothers. Earlier accounts of Coutts and Company have largely ignored the episode, focusing rather upon the Edinburgh origins of the bank. For example, Robinson, p. 6, has a misleading statement, "Among George Middleton's papers is his acknowledgment, dated 15 February, 1720 of the receipt of £40,000 from the Earl of London Derry in pursuance of a contract with John Law." In fact, Middleton had accepted a note that day from John Law ordering him to give Lord Londonderry notes for £30,000 [not 40,000] as deposit on account of their bargain [Coutts Letter Book O 14, p. 66]. Once accepted by Middleton, Law's note was legally binding upon Middleton and so became a negotiable bill to the benefit of Londonderry. The most recent account of the Mississippi and South Sea Bubbles which mentions the bet [Murphy, p. 117], focuses on the misadventures of Lady Mary Herbert in her dealings with both William Law and Lord Londonderry, not to mention Cantillon. Edgar Faure dismisses the episode as a fantasy of British diplomats, fearful as late as the end of April, 1720 that Law's System was succeeding in France and that he had the power to torpedo the stock market boom then occurring in London [Faure, p. 400, fn. 3]. He refers to a letter by the diplomat Pulteney of March 22, 1720 N.S. in which he says that Law has taken up an operation negotiated by Lord Londonderry with "un certain Gagès" [probably Joseph Gage] against shares of the East India Company and has bet on a fall in their price. He says the Compagnie des Indes had sent 30 million livres to Holland for this purpose and 200,000 livres in gold to its London agent Middleton. Faure rightly asks whether these remittances were not rather for the purchase of silver and ends by noting how silly it would be for Law

Yet, as the accounts and letters of Middleton make clear, the bet did occur and it was paid off, with the exact details recorded for posterity, especially those involved in both the French and English courts of law. It is also clear, however, that the association of Middleton with the Law brothers preceded the bubble years of 1719-20 and was firmly established on the basis of many shared undertakings. Moreover, the relationship continued for many years after the fateful year of 1720, with Middleton offering many services to the Laws, their wives, relatives, and servants. What remains unclear is why the bet was made in the first place. Trying to unravel this mystery, however, reveals many other interesting details about the first European-wide stock market crash and the role played in it by the network of goldsmith-bankers.

The Scottish Connection

The earliest connection with either Law to be found in the account books of George Middleton is John Law's account, opened on March 2, 1712 with a deposit of £100 from a bill drawn on Matthew Decker by Andrew Pels & Son [Coutts Ledger A, p. 314]. Seven lottery tickets were cashed in on July 4, and then starting in July 29 a series of deposits were made from the account of the Earl of Ilay, a Scottish nobleman who was brother of the 2nd Duke of Argyll, and who became himself the 3rd Duke of Argyll in 1743 upon his brother's death. Long before that, however, he was known as the King of Scotland, for Walpole gave him control over the government's patronage in Scotland. He became the first Governor of the Royal Bank of Scotland in 1727 [Healey, p. 19 and p. 58]. It is clear that even in exile from his native Scotland, John Law maintained congenial and mutually profitable contacts with the ruling class of Scotland. By 1712, Law had already gained a fortune in trading on the Amsterdam Exchange, opening an account at the Wisselbank for £100,000 in that year [Healey, p. 36]. Lord Ilay's account shows a long series of trades in which he debits his account in July, 1712 through July, 1713 for credits to a joint account held with John Law for sums amounting to nearly £8,000 [Coutts Ledger A, p.

to buy up shares at high prices and then sell them off at low prices.

203]. The joint account, in turn, is debited for payments to bills to John Law from January 24, 1714 through April 14 for about £8,500, and is closed out on June 12, 1714 [Ledger A, p. 420 and p. 422].

The significance of this set of accounts, beyond establishing the longstanding relationship of Middleton with John Law, is that it shows how effectively the informal network of goldsmiths scattered through Europe could operate to provide the means for foreign portfolio investment to take place. There is little doubt that Law was investing funds at his disposal in Amsterdam in the London stock market. His name, however, would never appear in the transfer books or ledgers of the respective companies in which he was investing. Instead, Lord Ilay's name or perhaps that of George Middleton would appear in the English transfer books and ledgers. His trades on behalf of his foreign partner would be intermingled with trades for others and for his own account. No hint of foreign trading or ownership of English securities would show up in the official records surviving. The evidence would only be found in the account books of goldsmiths, merchants engaged in long-distance trade, attorneys, and scrivenors -- any one of whom could serve as a fiduciary agent once they established their trustworthiness to their clients [See Neal, 1994].

The transactions between John Law and Lord Ilay also involved Law's brother, William Law, who had moved from Edinburgh to London and by March 28, 1713 was receiving small sums from an account apparently opened for his benefit by John Law [Coutts Ledger A, p. 187]. By August 1714, William Law's account with Middleton became much more active and was debited chiefly for payments of John Law's bills on William Law. The brother, William Law, had now replaced the noble patron, the Earl of Ilay, as Law's alter ego in the London stock market.

In January 1715, Middleton opened an account entitled "South Sea Stock," in which he recorded the purchases of stock for a group led by the Earl of Ilay, which did not, however, include either of the Law brothers, and the dispersal of the dividends and interest and shares among them. The affair was wound up on February 26, 1717 [Coutts Ledger C, pp. 683-5, 708]. By October 1716, William Law's account became extremely active, with typically small deposits of bills of exchange presumably endorsed over to Middleton and similarly small

withdrawals, usually again as bills of exchange made to the favor of various individuals. While remaining very active, his account increased markedly in the size of deposits and withdrawals. By the beginning of 1719, there were major deposits of silver (18,769 pieces of eight at 5s. 5d. apiece on January 27 for a total of £5,093) and gold (1,008 oz. 18 gr. at £3.18 per oz. on January 29 for another £3,934+), as well as endorsed bills of exchange. Due to the peculiarities of Middleton's system of bookkeeping, in which he summed up all the debits and all the credits at the bottom of each page of the ledger and transferred the total to the top of the new page in the ledger, we can easily track the volume of business carried on in each account and the extent to which it is in surplus (excess of total credits over total debits) or in deficit (deficiency of total credits compared to total debits). From being roughly in balance at the end of 1718 (£4304 debits vs. £4768 credits), William Law's account blossomed to a substantial surplus by the start of the Mississippi bubble in France in August 1719 (£67,169 accumulated debits vs. £73,400 credits) [Coutts Ledger C, p. 490]. William Law had moved to Paris and become the goldsmith-banker for his brother. The greatest adventure in the lives of these two goldsmith-bankers, and the greatest financial boom and bust in Europe for the eighteenth century, was underway.⁵

The French Connection

By November 1719, when the Mississippi bubble had crested, William Law's functions as goldsmith intermediary for John Law had become so complex that his accounts with Middleton were split into his "Account Current" and his "Particular Account." Moreover, John Law's account with Middleton became active with credits paid in by various English investors and debits to William Law's account, presumably his "Particular Account." Even Lady Katherine Law opened a small account in January 1720, paying small sums to her brother, the Earl of Banbury, based on credits from John Law.

⁵Short synopses of the Mississippi and South Sea bubbles are in Neal [1994], chs. 4 & 5, and in Murphy [1986], chs. 5, 8, and 9.

But the major breakthrough for the benefit of George Middleton's business as the French connection for London's goldsmith community came in October 1719, when he opened an account for "Directors of French India Co" [Coutts Ledger C, p. 736]. He was now the English agent for Law's fabled *Compagnie des Indes*, whose stock was the object of the Mississippi bubble on the Paris bourse, a bubble which was still expanding at the time. The account was opened with credits from Andrew Pels and Son of Amsterdam while the initial debits were paying off large sums to both John Law and William Law. This opened with a fairly substantial deficit, largely due to the payments to John and William Law, but this was gradually closed in the first few months of 1720 and finally balanced on March 5 by virtue of £15,000 drawn on Andrew Pels & Son [Coutts Ledger C, p. 740].

Unfortunately for Middleton, two ships were under construction in English shipyards for the *Compagnie* by this time and he was responsible for paying the continuing bills. Given the confusion in the *Compagnie's* affairs in France at the time, it is understandable that he was continually playing catch-up on their account, finally halting construction of the ships until he had full satisfaction from them. By the end of 1720, over £120,000 had passed through the account, but it was nearly £19,000 in deficit. This was not made up until large shipments of gold received from William Law in April were credited to this account, probably to increase the size of Middleton's claim upon John Law [Coutts Ledger C, p. 1260]. (It is noteworthy that this shipment of specie was made between the French decrees of March and May 1720, which forbade on penalty of death the exportation of first gold and then silver as John Law attempted to eliminate the monetary use of either metal in France.) It was credited to the French Company's account rather than to any of William Law's accounts, which were also in deficit, no doubt because Middleton felt he would have a better chance of pursuing claims against William Law, due to their mutual Scottish connections, than against the French company where he would have no standing in French courts. In sum, the famous bet between Lord Londonderry and John Law had naturally to be settled through the intermediation of Law's goldsmith banker in London, George Middleton. Middleton in turn depended upon his contact in Paris, William Law, to provide the funds necessary, either on one of his two

accounts, or on the account of John Law directly, or through the account of the Directors of the French India Company.

The Wager of the Century

At the time John Law made his wager with Lord Londonderry (September 19, 1719), the price of East India Company stock was selling at about 200 per cent of par. It had been falling from the first of the year 1719 when it had been selling at over 210 per cent of par [Neal, 1990, p. 234]. It seemed clear that the expectations of the public about the renewed vitality of the French Compagnie des Indes had reacted unfavorably upon the price of stock in the English East India Company. Law's bet, therefore, was a wager that this trend would continue, driving the price of EIC stock down even further, below 180 per cent of par. This would be consistent with the price of stock in his company continuing to rise and to maintain its higher levels. In the event, of course, the price of Compagnie des Indes stock in Paris collapsed by July of 1720 while the price of East India Company stock rose to a height of 420 per cent of par at the same time in London. It had only fallen to 345 per cent of par by the time the year was up for the wager, as the collapse of the South Sea bubble did not drive the price of EIC stock below 180 until early October 1720. As Middleton put it in his letter to John Law of September 20, 1720, "I'm sorry your India Bargains had not a month longer to run, which would have saved a great part of that loss. It is now 230 & the other day under 200. I am etc..." [Coutts Letter Book, p. 376].

The first mention of the Londonderry - Law wager in Middleton's letters comes in his letter of February 15, 1720 to William Law in Paris:

Just now your brother's order on me in Lord Londonderry's favour for giving him notes for £30,000 as deposit on account of their Agreement about the £100,000 India Stock was presented me, and which have accepted, am doubtful [i.e., "I suspect"] he'll be a loser on that bargain. The South Sea has been from 172 to 187 and ended at 183 today. I'm at a loss what to advise you, and am afraid you'll suffer, the Government is certainly determined to give them all the assistance

possible to raise their credit but yet I think people mad to give such prices, and am doubtful we shall run it so high that will put it in the Forreigner's power to play on us when they please, & if they should we have not power to stem it in the manner you do in France, what to advise you I really cannot tell am apt to believe they may run it higher, & yet think it impossible but in some time there must be a great fall [Coutts Letter, p. 66].

The latter part of the letter dealing with South Sea stock refers to a similar wager made by William Law that South Sea would fall. Already in January, a month before Parliament's decision to allow the South Sea Company to take on the project of converting the entire long-term debt of the government into equity shares in its capital stock, the market was sensing the possibilities for that company. On February 4, Middleton concluded his letter to William Law with the postscript:

South Sea Stock has been today at 157 & now 154 & India 214. I'm afraid you'll suffer severely by the South Sea Stock you stand out for, I can't tell to what height they may run it, pray let me know if you would have any of it made up, or if you resolve still to stand it [Coutts, Letter, p. 51].

So now Middleton was engaged on behalf of both Law brothers for large sums, which he was suspecting would have to be paid off in due course. He had already been hurt by a similar wager he participated in himself, probably with Lord Ilay and certainly with the recommendation of Robert Arbuthnot, the South Sea Company's agent in Paris, with whom Middleton was in constant correspondence as well. In his letter of January 18, 1720 to Arbuthnot, Middleton reported:

....Wymondsold was with me so soon as he received yours but 'till I should engage to answer any difference that might happen he would not act, & upon his opinion that the Scheme would certainly go right, I bid him go the length of £25,000 & £15,000 India for my Lord's acct, & no doubt he advises you this post accordingly & of the prices, the one being 135 3/4 & the other 205 percent & now for your & my Lords Comfort, the South Sea has fallen today to 127 & up again to 129 & how to

behave I can't tell, and am doubtful here may be another ballance of £2000 more to be paid; I can't help putting you in mind of the advice you promised me here my Lord & you both would take & heartily wish you had followed it, & let me tell you it would be his Lordship's Interest yet to take it: Your secret with Wymondsold's opinion drew me in for £5000 on my own Accot: so I conclude that will cost me 3 or £400 more, my only comfort is I went no deeper, the Exchange today is at 20 1/4 and therefore hope My Lord has sent Gold before now...[Coutts Letter, pp. 42-3].

Once stung, twice shy, and we have no more evidence of Middleton selling short on the London stock exchange. On the other hand, he continued to play for small sums on the Paris bourse, relying on this sign of commitment to keep William Law assured of his confidence in his brother's System perhaps, but also to have a credit with William Law he could use to settle deficits that might arise in any of the three accounts that William Law was directing with him -- his Account Current, his Particular Account, and the account of the Directors of the French India Company.

In his letter to William Law of January 18, 1720, Middleton already showed his concern, asking for new credits to be extended for him in Holland "... & I wish the largest Credit may be on Pells, after all that I have yet drawn on Holland, I'm in advance between £60 or 70,000 on your Acct Curr. I have Credited your Particular Accot. with the Ballance due by the Company to you and charge the same with the £8333 of Crawford's bill, there will be a ballance due to me also on that Accot. the copy of which you shall have soon" [Coutts Letter, p. 13]. In light of these concerns, Middleton foreswore any further speculative ventures on his own account, remarking to William Law in his letter of February 8, "Major Skene writt me about a project that I dare not venture to lead him or any body into just now. Our South Sea Stock is got up to 175 & folks here talk of £200, how long it will keep I don't know, but as I have not ventured winning, thank God am clear of losing; it will demolish I doubt some people here" [Coutts Letter, p. 54].

From this point on, Middleton's concern became focused on apprising both William and John Law of the dangers they faced in

meeting the obligations from the wagers they had made against the rise of English stocks. On March 3, he grimly told William Law:

I'm doubtful the frequent alterations of your Species will rather frighten than encourage your own people to draw back their money, but that will now quickly appear, I delivered Mocatta for you £10,900 & DeCastra £2000 South Sea Stock & £2000 more still stands out on your proportion of the last Adventure betwixt Major Skene you & I; all this is stock I borrowed of other people & must make good the difference when called on, there's likewise £1000 more it seems you sold Mocatta for next November, on all this I'm afraid you'll suffer a very great loss, & tho' 'tis very high now yet I'm afraid the madness of our people here will on the Bills being passed run it a great way higher, on the other hand if any apprehensions of danger should happen it will run as fast back, so what to advise you I really don't know, but must leave that to your self, besides this there's the £3000 Stock you borrowed of Major Skene, for which you received the full value, shall speak to Mr. Douglas about his £1000 [Coutts Letter, p. 88].

By mid-March, Middleton was strongly urging that he be supplied with a shipment of specie, given that money could only be borrowed at 30 per cent and even then only with a delay [Coutts Letter, p. 111]. And the real mania of the South Sea Bubble in London, according to all accounts, did not begin until April! Lord Londonderry informed Middleton on March 21 that given the rise in all stocks (East India shares had risen to 280), he wanted another note for £70,000. Middleton added:

Now as we are all mortal, and that being so very large a sum far above my foundation I must beg he or you will order me a Fond for answering it which may be done by your sending gold or further credit on Amsterdam to the value of your ballance....None of my clerks being in the way when I wrote, I hope your brother nor you will take it amiss what I mention as

above of Lord Londonderry for I'm entirely easy that I run no manner of risque while either of you live, but in case of death & you being hurried with other business, any accident of that would effectually ruin me [Coutts Letter, p. 115-6].

On the 24th March, Middleton again urged William Law to do something decisive about his South Sea bargain as the price of that stock had risen above 300. As proof that it was expected to rise further, he noted,

they give premiums of 20 or 30 Guineas per Cent for the refusal in a month at 500 and some say 10 for the refusal in 6 mos at 1000. I own I think 'tis all madness, but if the humour still prevail I can't tell what to say were I never so much convinced of its rising, 'tis not in my power to save you for this loss by buying it now for want of money & you stand the risque of a great deal, for God's sake think of this in time that some course may be taken [Coutts Letter, p. 122].

By the end of March, Middleton mentioned interest being paid of 10 per cent a month in anticipation of further rises in the value of South Sea stock. In a note to his correspondent in Paris, Major George Skene on March 31, he noted that William Law had contracted to deliver £3000 of South Sea stock to Skene at a price of 115, "and now that you have settled with him I doubt you repent that," especially as it was then about 310. Moreover, he found that William Law had also contracted to deliver £1000 to Mocatta and £3000 to Medina, Sephardic Jews operating on behalf of Dutch investors [Coutts Letter, p. 130 and p. 138]. Fortunately for Middleton, William Law came through in the crisis, delivering 22,000 Louis d'or and half a million livres in French banknotes. But this just covered the deficits accumulated in the various accounts; it did not begin to meet the amounts coming due on the various contracts with other speculators on South Sea and East India stock. Apparently on his own volition, Middleton began to buy up the necessary shares of South Sea stock to settle the upcoming bargains struck, unwisely and against his advice, by William Law.

Inclosed you have Mocatta's account of the dates & prices of the South Sea Stock & £1000 India he sold for

you. the South Sea I borrowed & delivered him for you is the first £10,900, besides which there was the £2000 I delivered Bulteel by Castros in which you write Mr. Douglas was concerned, the other £2000 I charged on you, was betwixt you Maj. Skene & me, but I was wrong in charging the whole and must deduct £666.13.4 at the price I charged it for my own proportion. Geo. Skene wrote me some time ago you was to take his share on you. I have been disappointed by every body who promised me some share in the New Subscription, so that have not been able to procure any part that way, & have been very ill used by some, from whom I might have justly expected better treatment who some time or other may expect to hear of it again, this induced me to buy in last Wednesday £5000 of your stock £3000 of which at 330, £1000 at 333 & £1000 at 335. The price has been ever since from 345 to 352 and is tonight about 349 [Coutts Letter, p. 163].

Not hearing anything from William Law about these purchases, which now committed him firmly to bear the huge losses he had feared, Middleton continued to buy up the necessary number of shares -- another £3000 on April 28 at 335 and 340, another £2000 on May 2 at 337 to reach a total of £10,000. At this point he stopped, not having heard anything from Law for two full weeks and having exhausted the proceeds of the gold, which, after 'all, was properly credited to the French India Company's account [Coutts Letter, p. 163 and p. 173]. On May 5, he acknowledged gratefully the letter from William Law saying he could draw upon William Law's account with Mouchard at Amsterdam for £25,000, although that would still only cover part of the £33,420 laid out on his behalf by Middleton. He took the opportunity to warn William of the danger faced now by his brother on the India bargain:

Mr. Lock was with me today & tells me privately there's a design amongst some people in Change Alley to play upon your Brother's India affair, and am doubtful 'tis too true the price is got up to 242 and am very apprehensive they will carry it further, there has been a good deal of

pains taken to pump Lock about the time & the sums, which I believe he has been honest enough not to tell, he prest me much to write you earnestly about this, for he fancies your Brother does not remember well the time those contracts expire which he tells me is £45,000 the 9th & £50,000 the 20th June Our Style, Now that draws so nigh, 'tis high time order or directions should be very soon given about it, & at same time provision made for the money I find there's £150,000 more for the 14 August & £25,000 for the 19th November [Coutts Letter, p. 177].

The large bet made with Londonderry appears to have been increased in the interim or to have been added on to previous bets. A staggering total of £270,000 of East India Stock was committed by John Law to be delivered over the next few months. Its market value at the time was £665,500 -- an incredible sum and one which kept increasing as the due dates approached. Small wonder that Middleton was concerned about his own safety in advancing sums of his own or others in fulfillment of these contracts. On May 23 (at a time when John Law was under house arrest in Paris), Middleton again laid out the situation as clearly as he could to William Law:

now that the India Stock has got up to £300 my engagement to Lord LondonDerry lies heavy on me for computing now the value of the Silver I have & likewise the balance of the gold in my hands of the Company (which will not be much above £20,000) and from that deducting what I'm in advance for your Curr: & Particular Accot: the difference of the S Sea Stock & £16,000 bills of your brothers I have accepted, there twill be little above £20,000 remaining to answer my obligation to Londonderry, the difference of which at the present price will amount to above £120,000. And this is over and above the contract of Mr. Gages with the other people who are very pressing to have theirs adjusted. Now I must beg you'll fall on some methods of making this affair easy & when you send orders for settling with these folks for next month for God's sake

remitt me that I may be enabled...[Coutts Letter, pp. 193-4].

Middleton's desperation mounted as June approached, which we now know marked the peak of the South Sea bubble. At the end of May he wrote William Law again noting that the price of his South Sea obligation was now up to 550 and expected to rise further, while over £5,000 of the stock remained to be acquired by the 6th and 9th of June [Coutts Letter, p. 204]. His constant pleas, sent by each post twice a week to Paris, were supplemented at the end of May by a special trip to Paris by his brother, Sany. This brought on the 6th of June deposits of various bills of exchange from W. Law to the sum of another £27,000. Upon the receipt of this, Middleton immediately bought up the remaining £35,000 of East India stock at prices ranging from 300 to 335, although this required putting in another £20,000 plus of his own funds. He had barely managed to honor the first of the bargains on the East India stock, but another was due on June 20th for an even larger amount. In the meantime, work commissioned by the French India Company on building several ships was underway which had to be paid for. Contracts for two ships were canceled, but work was too far advanced on the first two ships to get out of that contract easily. Nevertheless, the second contract for June 20th was also honored:

Last Monday being the 20th there was £50,000 of the India Stock made up at 332 1/2 which was a small matter under the current price of that day, & I do assure you Lord London Derry was very active in betting down the price, and had it not been for his assistance, 'tis very probable they might have carried it above 40. You sent me word that Mr. Gage was to take care of this difference himself in order to ease me of the load which was very acceptable. I understand he has remitted £20,000 of it & believe the persons concerned will draw on him for the remainder, so that nothing of this comes into my Accot. In the meantime I'm very glad this was adjusted for they run up that stock to 390 to day when the Books shut up. I think there's no more now depending before August & hope your Brother will by that time take proper methods, for I'm confident if he

can fall on a way of having 20 or £30,000 real stock to be put on them the day the first falls due, and nobody to know of it before hand, it could not miss to make a very great alleviation in the price, the present rise as I hinted before is owing to a new projected trade which in my opinion must come to nothing [Coutts Letter, pp. 238-9].

Two interesting sub-themes emerge in this letter, which reappeared when the August contracts came due. The first is the anomalous role of Lord Londonderry in keeping the price of the East India Company stock, which was to be delivered to him at an incredibly favorable price, from rising even further under the pressure of the large purchases being made by Middleton through various agents. It is never stated explicitly in this correspondence, but it is implicit in the accounts kept by Lord Londonderry with Middleton that Londonderry had laid off his part of the bargain, perhaps by engaging to deliver at a low price but higher than 180, thereby locking in a sure profit while forgoing the chance of even larger gains. If this were the case, he would lose only if Middleton could not actually deliver the stock and, given the lack of funds provided by Law for this purpose, the danger of this was very real. Londonderry's actions, which do not seem to have been questioned by either Law brother, would then make sense as those of a self-interested stock speculator trying to ensure that a very profitable deal from his point of view was actually consummated.

The second interesting aspect is the notion that Law might still have possession of large amounts of India stock acquired through other agents, presumably in Amsterdam where he had been so successful prior to moving to Paris, and that these could be used most advantageously by being sold all at once, driving down the current market price at which Middleton was buying up the shares needed to meet the contract with Londonderry. Neither assumption seems very plausible, although Dutch investors in South Sea stock were moving large sums in to London whenever calls were due on the new issues, and some of the payments may have been financed by sales of East India Company and Bank of England stock [Neal (1990), ch. 4]. A third possibility comes to mind: Middleton was always afraid that his correspondence with either Law was being read by spies in the post service, so this suggestion may have

been designed to mislead them into thinking they should sell now before Law sold large amounts. Such rumors were reported by English diplomats based in Paris [Faure, p 400], and perhaps Middleton was just trying to keep them alive, based on instructions carried back from Law by his brother Sany who had returned from Paris in mid-June. Contrary to these hopes, however, it appears that speculators, aware of the need of Law, whether through Middleton or other agents, to buy huge amounts of the stock to make good his bargain with Londonderry, simply held on to their stock to keep the price near to its peak right up to the final date.

Middleton and Londonderry continued to act in concert to help Law meet his August contract, Middleton drawing large sums on William Law for this purpose and Londonderry advising how to disburse them most shrewdly.

Now you'll give me leave to complain further that your orders for the India was very indistinct for you neither tell me what Sum I should take in nor to what price I should go, however I have at a venture bought £15,000 today for the opening & will take in £5000 more if I can at the same price by next post which is 395 Pct. I'll then stop 'till I have your more particular directions, Lord LondonDerry assisted me in this & I think 'tis well bought, for there's still some project in hand about that Company that will influence the price to a rise, & no doubt your Brother's bargains likewise keeps it up, & therefore if we can be possessed of a good part of the stock to be offering it before this time comes on 'tis very probable it will frighten some of the persons concerned so as to give a good opportunity of making the Bulk up at an easier Loss. I shall be obliged next post drawing on your Brother to enable me to take this stock the end of this month, when the books open [Coutts Letter, pp. 257-8].

Problems arose during the months of July and August, more on the Paris side than on the London side of the transaction. The Banque Royale went bankrupt on the 6th of July (O.S.) and Middleton was rightly concerned for the physical safety of both Law brothers, as well

as for the honoring of the bills he had drawn on them. He then encountered difficulties in selling bills he would draw on William Law in Paris, unless they were specified to be paid in bank notes, and not in transferable bank money, as was the intent of the Banque Royale with its system of accounts modeled after those of the Amsterdam Wisselbank. But affairs in London were slow during the summer because everyone was waiting for the re-opening of the South Sea's transfer books in late August. In response to the difficulties with the Paris exchange, John Law, through the intermediation of Lord Londonderry himself, advised Middleton to draw on Amsterdam, Hamburg, and Genoa, which he proceeded to do, although with some (justified) trepidation.

As the month of August wore on, Middleton received distressing rebuffs from the correspondents in Amsterdam, Hamburg, and Genoa who refused to honor more than a small amount of the bills he had drawn on them at the direction of William and John Law. He was now buying up large parcels of the stock at prices ranging from 375 to nearly 400 and sending William Law French bank notes that were now being called in by the administrators of the defunct Banque Royale. In the event, the full £100,000 was made up on schedule and it seems only right to let George Middleton describe how it was done and the details that remained to be dealt with in his own words:

I wrote you last post since have none of yours, I am now to advise you last Tuesday we made up 29,000 India at 370 for the 25th Curr: which compleats the whole 100,000. I stand engaged for so that the difference is now fixt to a certain Sum, but as I wrote you before my Lord Londonderry will not deliver me up my obligation 'till such time as the whole sum is paid & made up here, so as he may be cleared of the Partys he sold to at the same time I am clear of him; however I must own he has been very obliging & civil in assisting me as far as I could expect and believe as far as he could, not only by advancing Money but likewise being jointly engaged with me for such part of the difference as we could not possibly raise money to discharge immediately. By next post shall send you a Particular Account of the

difference of this £100,000 and of the £45,000 formerly made up with Lock & Colebrooke and wait your orders how to charge it. Next Week I'm to pay as far as I can possibly raise money for this Accot: which will drain me to the last Extremity & will heartily long for the Exchange mending so as the whole Sum may be once discharged, so as I may have up my Note which has given me so much uneasiness, 'tis some save in the mean time that the price is once fixed, for I know 'tis more than a probable chance, that Stock will advance pretty considerably in its price on its project uniting with the South Sea, & which I as well as Lord London Derry was very apprehensive might have happened before now, & was the chief thing gave us so much uneasiness, especially since the Court by the best Accot we have responses that Union and which I really believe will happen.

I understand there's £50,000 more of the same Stock that your Brother stands engaged for with Mr Gage for the same time which I hope may be made up at an easier price for we have I think taken off the persons who were engaged in these bargains that could have most influenced the price for a Rise which appears a little already, being today a little under 360. And 'tis probable after the 25th it will fall something more, there being a very considerable Sum that day to be delivered, which the people here are yet ignorant of, but rather believe the difference is to be paid. The Stock in the mean time is lodged in different names, & will be all transferred to London Derry the day before the 25th, which he resolves to put upon One person particularly who chagreened him & I think acted very ungenerously in the affair by constantly refusing to make it up & there's reason to believe the Duke of Chandos is principally concerned in that person's Contract. Upon delivering the Same, My Lord will give it out that the Stock was ordered to him by your Brother from

Amsterdam which be for the Credit of both, there's I find £25,000 more for November next, & in my humble opinion it would be of service to order its being taken in at Amsterdam as soon as you can, for I'm confident they will raise that Fund. My Lord London Derry told me he would by degrees take in the £50,000 for the 25th as he could and I must own he has been very serviceable & friendly in all this affair by decrying & suppressing the Stock as much as possible tho' at same time I know, there was strong application made to him by Directors and others to come into other measures, & which 'tis not impossible he may when once this Load is over, so as before hinted & should think it right judged to order the £25,000 for November to be taken in at Amsterdam [Coutts Letter, pp. 327-9].

In the next dispatch, Middleton summarized just how he had made up the £100,000 with the help of Londonderry, while advising that Londonderry had already acquired £14,000 at 355 and another £14,000 at 330 toward the £50,000 owed to Mr. Joseph Gage at the same time.

Table 1. Middleton's Account of India Shares Bought on Behalf of John Law in 1720.

<u>Date</u>	<u>Amount</u>	<u>Price Paid</u>	<u>Price at close</u>
July			
4	£15,000	395	395
7	3,000	395	375
	2,000	390	375
21	10,000	360	365
28	5,000	370	370
August			
2	6,500	362 1/2	365
4	9,500	350	350
9	1,000	390	390
10	3,000	375	375
11	5,000	385	370
12	3,000	375	363
	3,000	370	363
15	5,000	370	370
16	29,000	370	360
Total	£100,000	£372,762.5	£368,305

Source: Coutts & Co. Archives, Letter Book O14, f. 335.

By the post of September 8, Middleton had managed to cast up his accounts on all his part of the affair and found that the balance due him on John Law's account came to over £250,000, while William Law owed him only a bit more than £7000 in each of his accounts. He then suggested various stratagems by which this total might be reduced, mainly by selling off the silver which had been sent over on the account of the French India Company in April [Coutts Letter, p. 360].

Checking Up on Middleton's Account

While Middleton's accounts are clear and detailed, the suspicion naturally arises that perhaps some of the accounts are self-serving, especially as purchases on said days at the posted closing prices would have cost some £4,000 less for Law. The helpfulness of Lord Londonderry on the one hand, by lending funds to Middleton and crying down the value of the stock, contrasts with the insistence that the entire amount of the stock actually be delivered, rather than the difference being settled by cash or credits, as would normally be the case. Was the Duke of Chandos really behind this insistence on delivery in kind, or was Middleton trying to appeal to Law's paranoia? Fortunately, the stock ledgers of the East India Company are available for exactly this period and all the transfers of stock that actually took place are recorded there. (EIC Ledger) With this evidence we can reconstruct in part the tangled web woven by Law and Londonderry as they made daring speculative bets with each other and with others and then laid off these bets with other speculators. Beyond reconstructing the pattern of risk-bearing created by these major players during the excitement of the South Sea Bubble, moreover, we can use the accounts of Middleton on the actual trades he made to determine the relationship of the transfers recorded by the EIC officials to the actual trades made in general in their stock.

Table 2 shows the full account of George Middleton in East India Company stock. He opened his account with the purchase of £6000 from five different individuals on April 21, 1719 -- about the same time Law's scheme began to unfold in France with the rival French company. In early May, he bought another £12,000 from assorted individuals,

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Table 2. George Middleton's Transfers of East India Stock, Sales, Pro Account (Sold To)

Date	Name of Counterparty		Folio Number	Amount of Stock
	First	Last		
11-May-19	Alexander	Strahan	598	10000
26-May-19	Thomas	Hamilton	315	1000
31-Jul-19	John	Mead	470	3000
31-Jul-19	Robert	Knight	402	1000
05-Aug-19	John	Mead	470	2000
07-Aug-19	John	Mead	470	1000
25-Aug-19	Elias	Turner	675	1000
25-Aug-19	Conelius	Backer	79	1000
25-Aug-19	Elisabeth	Tiellens	661	2000
25-Aug-19	James	Martin	451	1000
06-Nov-19	Elias	Turner	676	4000
09-Nov-19	William	Lock	442	1000
12-Nov-19	Elias	Turner	676	2000
16-Nov-19	Abraham	Edlin	219	3000
16-Nov-19	Edward	Crull	167	4000
20-Nov-19	Nathaniel	Brassey	79	1000
20-Nov-19	Elias	Turner	676	3000
27-Nov-19	Elias	Turner	676	1000
02-Dec-19	Moses	Hart	306	2000
21-Jan-20	Elias	Turner	676	1000
21-Jan-20	Charles	Le Bas	431	1000
21-Jan-20	Joseph	DaCosta	179	1000
22-Jan-20	Lewis&Alvaro	Mendes	424	1000
22-Jan-20	Anthony	Mendez	425	1000
22-Jan-20	Cap. Patrick	Trehoe	654	1000
22-Jan-20	Elias	Turner	676	1000
23-Jan-20	Elias	Turner	676	3000
27-Jan-20	Moses	Hart	306	2500
05-Feb-20	Thomas	Martin	450	500
08-Feb-20	John	Longley	441	1000
11-Feb-20	William	Bowles	80	1000
11-Feb-20	Georg Tobias	Guiguar	296	2000
15-Feb-20	Edward	Harrison	317	1000
15-Feb-20	Abraham	Atkins	13	1000
16-Feb-20	James	Edmundson	226	1000
17-Feb-20	Thomas	Martin	450	500
23-Feb-20	Daniel	Nathaus	507	2000
23-Feb-20	George Tobias	Guiguar	296	1000
23-Feb-20	Sarah	Tiellens	661	1000
03-Mar-20	Walter	Sansert	624	1000
03-Mar-20	Daniel	Nathaus	507	2000
03-Mar-20	Abraqaham	Mocatta	496	2000
14-Mar-20	Benjamin	Issac	380	1000
09-Jun-20	William	Lock	442	1000
05-Aug-20	Solomon d'M	Ferreira	543	3500
05-Aug-20	Mark	Hill	344	1000
16-Aug-20	John	Hiccocks	345	1600
22-Aug-20	Lord	Londonderry	442	17500
23-Aug-20	Lord	Londonberry	442	6000
29-Aug-20	John	Herring	334	1000
30-Aug-20	John	Hiccocks	345	600
01-Sep-20	Oliver	Marton	461	300
05-Sep-20	David	Lacour	413	1000
05-Sep-20	Jacob H	Ferreria	237	500
05-Sep-20	Nathaniel	Brassey	29	500
24-Sep-20	Edward	Fenwick	238	5000
19-Oct-20	John	Lambert	408	3000
09-Nov-20	Martin	Harrold	484	500

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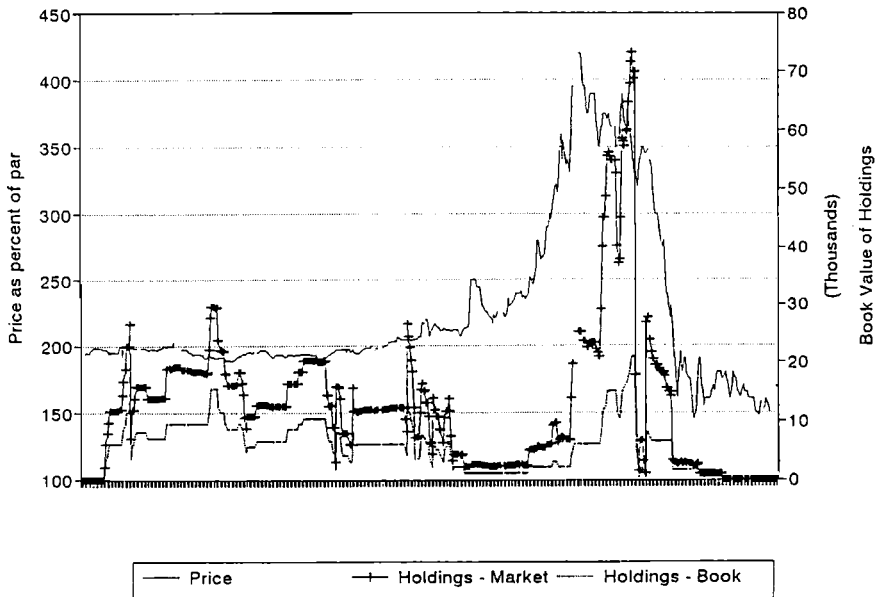
Table 2: (con't) Purchases, Contra Account (Bought from)

Date	Name of Counterparty		Folio Number	Amount of Stock
	First	Last		
21-Apr-19	Thomas	Watson	711	1000
21-Apr-19	Joseph	Massip	456	2000
21-Apr-19	Abraham	Edlin	219	1000
21-Apr-19	Jacob	Sawbridge	597	1000
21-Apr-19	James	Jemblin	383	1000
04-May-19	Issac F	Nunes	519	1500
05-May-19	Robert	Holder	363	1000
05-May-19	Elias	Turner	675	1000
06-May-19	Elias	Turner	675	2000
09-May-19	Elias	Turner	675	2000
12-May-19	Moses	Medina	471	2500
15-May-19	Daniel	Hays	303	1000
15-May-19	Moses	Hart	306	1000
12-Jun-19	Matthew	Wymonde	725	2500
23-Jul-19	Robert	Mann	452	2000
23-Jul-19	John	More	491	3000
24-Jul-19	John	Hopkins	349	1000
18-Aug-19	Elias	Turner	675	1000
26-Aug-19	Gregory	Page	528	1000
03-Sep-19	Rene	Rane	572	1000
01-Oct-19	James	Martin	451	2000
12-Oct-19	A.	Mocatta	484	1000
16-Oct-19	Thomas	Green	271	1000
06-Nov-19	James	Cotebrook	143	1000
16-Nov-19	Alexander	Strahan	598	10500
01-Dec-19	Robert	Dalzell	182	5000
03-Feb-20	Thomas	Green	271	2000
21-Jan-20	Alexander	Strahan	598	10000
03-Feb-20	Thomas	Green	271	2000
03-Feb-20	Issac F.	Nunes	518	2000
15-Feb-20	Robert	Jacomb	382	5500
20-Feb-20	Thomas	Martin	450	1000
22-Feb-20	Lames	Lucas	445	1000
26-Feb-20	Abraham	Mocatta	496	2000
26-Feb-20	Thomas	Martin	450	500
29-Feb-20	Elias	Turner	678	1000
04-Mar-20	Robert	Jacomb	382	500
13-May-20	James	Ruck	593	1000
04-Jun-20	Richard	Nicolis	512	1000
22-Jun-20	Moses	Medina	471	2000
23-Jun-20	Patrick	Campbell	113	1000
23-Jun-20	Edward	Owen	521	1000
22-Jul-20	Edward	Harrison	317	2000
22-Jul-20	Elias	Turner	679	3000
22-Jul-20	Elias	Turner	679	1000
26-Jul-20	William	Perkins	539	1000
26-Jul-20	Elias	Turner	679	2000
09-Aug-20	Isaac	Franks	231	1500
09-Aug-20	Moses	Hart	306	3000
10-Aug-20	Solomon D.	Ferreira	543	500
12-Aug-20	Justus	Beck	49	1000
17-Aug-20	John	Killett	404	1000
17-Aug-20	Issac	Franks	231	3000
17-Aug-20	James	Testard	655	1000
18-Aug-20	Gerard	Bolwerk	74	1000
22-Aug-20	James	Campbell	126	2000
23-Aug-20	Georg	Wanley	696	1000
25-Aug-20	Earl of	Ilay	380	1500
31-Aug-20	Joseph	Mssaphia	504	7500
01-Sep-20	Abraham	Frank	732	500
01-Sep-20	Bulstrode	Peachy	541	500
19-Oct-20	Edward	Fenwick	238	2000

Source: East India Company Stock Alphabet and Ledger, A-Z, 25 march 1719-25 March 1723, f.484

mainly dealers in East India Company stock. The major sale of the accumulated shares occurred on May 11 -- £10,000 to Alexander Strahan. A check on Strahan's account shows that his dealings with George Middleton in the last half of 1719 were his only contact with East India Company stock, as he sold the last of his accumulated holdings to Middleton in November 1719 [EIC Ledger, f. 598]. Another venture into EIC stock appears in July 1719, a total of £15,500 held during the last week of that month, half of which was sold off in the first week of August when the price of a £100 share held steady around £190. (See Figure 1.) Another major purchase of £10,000 of stock was made by Middleton on January 21, 1720 from Alexander Strahan, but this was laid off as quickly as possible to a variety of buyers, all of them major dealers in East India shares, while the price per share remained steady around £205.

Figure 1. George Middleton's Holdings of East India Company Stock, 1719 - 1720



At that time, the EIC as one of the great state chartered monopoly companies could have benefited from refunding the government's remaining debt through an expansion of its equity. A sharp rise in price of EIC stock on the London market appeared at the end of the first week of February 1720. At that time, however, Middleton got out and stayed out until the peak in EIC (and South Sea and Bank of England) shares had passed and the South Sea bubble was wavering, about to collapse. He bought fitfully and only under duress, as his correspondence with William Law during the month of July 1720 clearly shows. His purchases seem to have kept the stock from falling as quickly or as steeply as it was destined to do once he transferred John Law's stock to Lord Londonderry and Londonderry's entourage and creditors in the last week of August, 1720.

Lord Londonderry, by contrast, had no interest in East India Company stock, at least none that appears as direct holding in the EIC stock ledger, until he received the shares from Middleton. These he quickly disposed of, selling all £50,000 he owned to Richard Lockwood on August 25 -- i.e., as quickly as possible. Middleton's letter of 18 August, reproduced in full above, had indicated that Londonderry's wish was to embarrass as much as possible "one person particularly who chagreened him," namely the Duke of Chandos.

This nemesis of Londonderry's was already known as an adversary of John Law's, primarily through his activities in concert with Richard Cantillon.⁶ Unfortunately, his role, if any, in the Law-Middleton-Londonderry affair cannot be determined from either Middleton's correspondence and accounts or from the EIC's stock ledger. The Duke of Chandos does not appear at all in the alphabet to the ledger, not even under his earlier title as Lord Carnarvon or under his actual name as James Brydges. It may be that his holdings were recorded under the names of his bankers or other agents, a not uncommon practice among East India Company directors throughout

⁶The following section relies on Murphy's [1986] discussion in ch. 3, especially pp. 29-33.

the eighteenth century.⁷ This could account for the losses he reported in his letters to Cantillon in September 1720, where he reported holding £141,000 stock from August 29 to September 28 when the price fell from £350 to £150 -- a paper loss of £282,000 [Murphy, pp. 180-1, esp. Table 11].

Who were his agents in this case? Murphy tells us that the Duke of Chandos initiated Cantillon's entry into the world of London high finance by writing letters of introduction for him to two of his bankers -- Sir Matthew Decker in London and Andrew Pels in Amsterdam. In Lockwood's stock account, £30,000 was transferred to Sir Matthew Decker the very same day, August 25, as he received the £50,000 from Lord Londonderry [EIC ledger, f. 443]. While Lockwood's involvement with EIC stock started earlier and last longer than Londonderry's, it too was mainly confined to this single transaction on behalf of two of the greatest moneyed adversaries of the time. His account opened only on April 16, 1720, at the height of the bubble mania sweeping the London stock exchange and was closed out on September 19, 1722 [EIC ledger, f. 441 and f. 443.].

Decker could have been the principal in his own right. He was one of the great shareholders of the EIC and its principal Director from 1719 until his resignation in disgust in 1732 over the furor caused among the stockholders by the decision of the Court of Directors to lower the dividend from 8 to 6 per cent [Chaudhuri, p. 101]. Decker, a naturalized Dutchman, was well-recognized as representing the Dutch interests in the affairs of the English company. His stock account is by far the most voluminous of the players identified so far. But even his large holdings were visibly disturbed by the effects of this large transfer of stock to his account. Rather quickly, he offloaded the £30,000 to two influential individuals -- Joseph Mussaphia (£11,500 on August 31) and the Honorable James Craggs, Esquire (£20,000 on September 15). Decker made another large purchase of £20,000 on September 27 from George Tobias Guiguer, which may have been part also of the Law-

⁷Every holder of £1000 of stock was entitled to vote annually on the election of Directors to the Court of Directors, but each holder was entitled to only one vote. Major shareholders, then, would parcel out their holdings to family members, friends, and employees in order to maximize the number of votes they controlled.

Middleton-Londonderry affair. A total of £36,500 was then transferred by Decker to Walter Senserf, a leading Rotterdam banker and major shareholder in the EIC, John Hanbury, and Cornelius Backer, well-known as a London agent for many Dutch shareholders in the British funds [EIC ledger, f. 188].

In short, even Decker did not hold onto the large amounts of EIC stock that came into his possession as a result of the LML affair. This gives further credence to Middleton's inference that it was the Duke of Chandos and his inveterate speculation with state funds (initially gathered into his tender hands while he was Paymaster General of Marlborough's forces during the War of the Spanish Succession) who determined the way the Law-Londonderry bet was laid off [Murphy, pp. 29-33 *passim*].

The trail of the reputed £100,000 of EIC stock that the goldsmith-banker George Middleton acquired during the fateful summer of 1720 on behalf of his fellow Scottish goldsmith, John Law is worth pursuing further, no doubt, within the vast records of the East India Company. But the trail even at one or two removes from the principals has become problematic without confirming evidence from other sources. Enough of it has been discerned, however, to make a more important, more general point, namely, that the estimates to date of the share of foreign holdings of stock in the English funded debt, represented by the capital stock of the chartered companies of the Bank of England, the South Sea Company, and the East India Company, are all underestimates. Under the unwritten rules of the game played by the confraternity of European goldsmiths, just for one very important example, even a convicted murderer who had escaped from a London prison to live a life of exile abroad (Law) could make huge, if ephemeral, investments in the British stocks, without a trace showing up in the ledger accounts. Likewise, the most outrageous pillager of public funds of the day (James Brydges) could maintain staggering shares at his disposal without any evidence in the official records.

The Evils of Gambling

The collapse of the South Sea scheme, however, culminating with the failure of the Sword Blade Company, which had served as the

bank of issue for the South Sea Company, and the credit crunch exacerbated by the actions of the Bank of England, meant that Middleton was caught in the financial stringencies now afflicting both France and England. At each post he wrote to both William and John Law imploring them to do something on his behalf, describing the difficulties in the London money market in the strongest terms he could muster. Starting in his letters to each Law brother on September 20, when he announced the failure of four London goldsmiths, each succeeding letter took care to mention yet another one to five goldsmiths failing. Ultimately, nearly one-third of the goldsmith bankers failed in the aftermath of the South Sea bubble [Joslin, p. 171]. During this period, there was a great profusion of stopped bills, delays in payments, mutual recriminations, urgent pleas "in God's name" by Middleton to each of the Law brothers for devising some means of payment to aid him after the efforts he had made on their behalf. As the situation worsened, Lord Londonderry himself went to France in order, it appears, to assert that the largest claim outstanding among the many now appearing against John Law was that of himself and George Middleton. But barely a week after Londonderry had left on this mission, Middleton had to write to him, and to all his other correspondents to announce that he had had to stop payment on December 13, 1720.

From this point on, Middleton was surprised and grateful that his creditors did not bring bankruptcy proceedings against him, in part no doubt due to the general confusion created by the systemic shock that had struck the entire financial community, in part due to the probity with which Middleton set about casting up his accounts to make them as clear and precise as possible, and probably in the largest part because all realized that he was owed enormous sums by the most influential financier of Europe, who had every reason to pay them off once he regained some degree of official favor. Now we know, of course, that the lawsuits engaged against Law in France by his creditors managed to extend for more than 50 years afterwards, leaving a grand total of some 35,000 livres to be shared by his nephews, the two sons of William [Faure, p. 597].

Certainly, Middleton did all he could to maintain cordial relationships with both Law brothers. This was a bit difficult while John

Law was moving to Brussels, to Augsburg, to Venice but much easier when he returned to England in October 1721, with George Middleton as his banker. It proved more difficult with William Law, who was imprisoned from May 8, 1721 until June 17, 1722. Nevertheless, when William had regained his freedom, Middleton resumed his correspondence.

Moreover, with Lady Katherine dealing with the private creditors in Paris and William Law back in circulation, and with the failing health of Cardinal duBois, head of government in France, it appeared that John Law's chances for regaining power, this time as prime minister replacing duBois, were not negligible by the year 1723. However, fate intervened, first to encourage hope of his comeback when Cardinal duBois died in August 1723. Law seemed the logical successor, highly favored by the duc d'Orleans, no longer Regent but still the most influential peer of the realm. His influence, however, proved short-lived as well when he died in turn at the beginning of December 1723 [Faure, pp. 600-603]. Law remained resident in England for nearly two more years, evidently gaining favor with the Walpoles and maintaining his cordial relations with Lord Ilay, and, of course, his banking with George Middleton.

In August 1725, however, he left England permanently and Middleton's letters pursued him across Europe -- Aix-la-Chapelle, Amsterdam, Cologne, Augsburg, Munich (for most of 1726), and then Venice from mid-December 1726 until news of his death there reached Middleton in spring 1729. Each letter referred to small housekeeping details with respect to purchases of small gifts, sale of paintings consigned to Middleton by Law, management of his house, first rented out then put up for sale, and expressions of hope that something, some day, may come of his affairs in France. Moreover, each assured Law that the letters enclosed in the packet to Middleton had been delivered to the high personages addressed. One patron in particular was constantly referred to as one who could set Law's affairs right if only his attention could be gained at the right moment. Due to his high station, he is never named, but circumstantial evidence leads one to believe it was probably Lord Ilay. Middleton was obviously encouraged to believe that these importunings by Law might some day bear some fruit, for he took it upon himself in July 1727 to bear all of Law's outstanding

debts in England, and foreswore bringing any suit of his own against Law for at least a year.

As for the bills to Rodrigues, I have retired them all discharged, So that no person has any claim on you for that matter, but me for the ballance of your Accot; in which these bills are charged. You may remember I told you I had given Dr. Mendes my note for the interest of those bills payable when I shall recover such a part of the Ballance due me by you. Now tho' this is properly your debt, yet they can demand of nobody but me. I believe you are under no apprehensions of my giving you unnecessary trouble, for I'm convinced of your honour and integrity and that you'll do me justice as soon as possibly you can but to make you easy in that point and in case of mortality, I hereby promise not to affect or any ways molest your person for the space of one year from the date of this, on Accot. of the debt you owe to me. If you desire to have this in any stronger form it shall be done when you please [Coutts Letter O17, pp. 14-15].

Nevertheless, when news of Law's final illness reached Middleton in March 1729 in a letter from William Law, the son of John Law who was with his father in Venice throughout, Middleton's concern for the debt owing him dominated his letter of response, and in his letter of condolence to the son he could not refrain from asking if there was a will so that he might address his claim to the executor of the estate. There followed some recriminatory correspondence with William Law, the brother of John Law, who was now vying with Lady Katherine Law as rightful heir to the estates (and debts) left by the great financier.

The extensive correspondence with William Law through the remainder of the year 1729 touched primarily on incidents relating to an ongoing law suit between William Law and Richard Cantillon. This bizarre affair, in which each accused the other of hiring a thug to kill him, is described by Antoin E. Murphy, who speculates that the ongoing rigors of endless law suits in the courts of both England and France eventually led Cantillon to fake his own death while burning down his

town house in London and escape from it all in the jungles of South America [Murphy, ch. 14].

Similar tedium and frustration are reflected in the letters of Middleton to William Law and the related foreign exchange dealers in Paris from 1724 through 1729. No sign of a successful outcome in any of the various suits being pursued in each country ever emerges. But in contrast to Cantillon's acts of frustration, Middleton, upon notice of John Law's death in Venice and his rebuff at the hands of son and brother, simply went to his ledger books and closed out the accounts of each on April 23, 1729. A deficit of £201. 13s. was assumed by Middleton on William Law's account to close it out, while on John Law's account he absorbed a loss of £1512. 4s. 6d. The final several years of debits had been essentially postage charges on the many letters sent pleading for some restitution. Meanwhile, the account of Lord Londonderry increased in amount and activity, largely due to Londonderry assuming command of a regiment and making Middleton his paymaster. Middleton's travail was over, the storm had passed, and he was afloat once more.

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