

Going bust!

In the decades following the Glorious Revolution, overseas wars put a financial strain on the public purse. Innovations, such as the founding of the Bank of England in 1694, helped to make funds available but by the early 1700s the national debt of Britain stood at £50 million. The War of the Spanish Succession dragged on until 1713, steadily increasing the problem.

Politicians were keen to reduce, if not eradicate, this burden. Robert Harley, as Lord High Treasurer, and others came up with an ingenious piece of financial engineering, whereby they created a trading company which would take on part of the national debt, paying the government a small dividend each year.

This South Sea Company controlled all trade between Britain and South America in an official monopoly, including a lucrative trade in slaves. Many investors were convinced by the promise of big returns. As shares were keenly sought, the price rose and a financial bubble began to rapidly inflate.

After the company successfully persuaded (and bribed) MPs and Peers, Parliament passed a Refunding Act in 1720, transferring almost the entire national debt to the South Sea Company. Investment now had a veneer of respectability and many parliamentarians themselves bought shares. The company was almost too big to fail.

In January 1720 shares were trading at £120 per share; by August they had risen to around £1000. When the bubble inevitably burst, as the Company's overvaluation became clear, the Directors were arrested and their estates forfeited.

Some 112 peers and 462 MPs had purchased shares. Henry Bentinck, first Duke of Portland was one of many who were financially ruined in the collapse. Bentinck himself was forced to take up employment as Governor of Jamaica, where he died in 1726.



Inscribed by W. Hogarth.

*See here of Causes why in London,
So many Men are made & undone.
That Arts & honest Trading drop.
So Swarm about of Devils Shop. (A)
Who cuts out (B) Fortunes Golden Throats.*

*Trapping their Souls with Lottis & Chances,
Sharing in from Blue Garters down
To all Blue Aprons in the Town.
Here all Religions flock together,
Like Game & Wild Fowl of a Feather.*

*Leaving their strife Religious bustle,
Kneel down to play at pitch & Shuffles.
Thus when the Shepherds are at play,
Their flocks must surely go Astray,
The woeful Cause of in these Times.*

*(E) Honour, & (D) honesty, are Crimes,
That publicly are punished by
(G) Self-Interest, and (F) Vilany;
So much for monies magick power,
Guess at the Rest you find out more.*

An emblematic print on the SOUTH SEA.

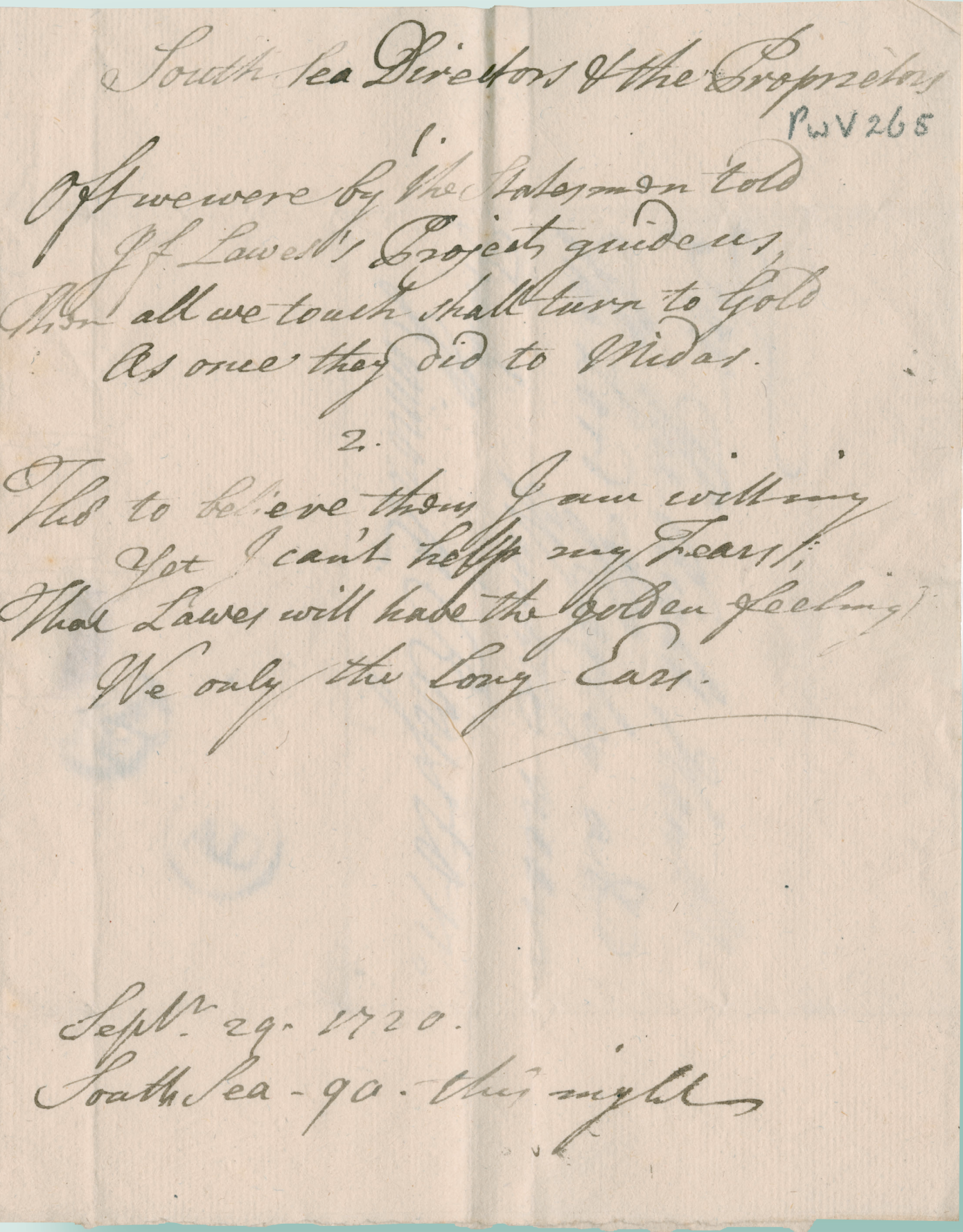
William Hogarth, *The South Sea Scheme*, c.1721. This work is one of the first published by William Hogarth. The scene is London where St Paul's Cathedral can be seen in the background. In the centre of the print a financial wheel of fortune is ridden by a panoply of figures including a clergyman, a whore, and a Scotsman, beneath a goat with the sign 'Who'll ride?'. To the left, an allegory of Fortune is hung from the Guildhall by her hair. On the right, Honesty is broken on a wheel by Self-Interest and Honour is scourged by Villainy. The chaotic scene is supposed to resemble the financial whirlwind of London in 1720. Special Collection Over:XX ND497.H6



Image of South Sea House, Threadneedle Street, London. From Thomas H. Shepherd, *Metropolitan Improvements, or, London in the nineteenth century* (London, 1827) Special Collection Oversize NA970 SHE

11000	John Lawell	£100,000
3300	Ed. Burt Esq	36,300
3300	Ed. Burt Esq	30,000
3300	John Mearns	22,000
3300	W. Boulton	22,000
3000	John Edmon Esq	17,600
1100	W. Mearns	7,300
1100	W. Mearns	7,200
24200		£ 262,400
11400	John Mearns Esq	6,100
45600		268,500
100	John Mearns Esq	
45700		

List of South Sea stock bought by the Duke of Portland in 1720. Henry Bentinck, first duke of Portland, was ruined by over investment in the South Sea Company. This account shows he owed £268,500 - equivalent to £22,755,375 in today's money. Portland (London) Collection Pl F2/6/310



Poem, *South Sea Directors and the Proprietors*, 29 September 1720. In ancient myth, Midas turned everything he touched to gold and was punished in later life by being given the ears of an ass. This anonymous poet mocks the claims of wealth that would be brought by investment in the South Sea Company, believing that ordinary people would be left looking foolish. 'Lawes' referred to is probably John Law, an enthusiastic proponent of such financial dealing. Portland Literary Collection Pw V 265

Oft we were by the Statesmen told
If Lawes's projects guide us
Then all we touch shall turn to Gold
As once they did to Midas

Tho' to believe them I am willing
Yet I can't help my Fears
That Lawes will have the golden feeling
We only the long Ears.