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FROM

*The Author.*





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A SEARCH FOR THE BEGINNINGS  
OF STOCK SPECULATION

BY  
ANDREW McFARLAND DAVIS

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# A SEARCH FOR THE BEGINNINGS OF STOCK SPECULATION

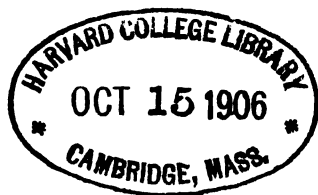
BY  
ANDREW MCFARLAND DAVIS

REPRINTED FROM  
THE PUBLICATIONS  
OF  
*The Colonial Society of Massachusetts*  
VOL. X.

CAMBRIDGE  
JOHN WILSON AND SON  
*University Press*  
1906



Econ. 5220.7



The Author.

## A SEARCH FOR THE BEGINNINGS OF STOCK SPECULATION.

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It is a long step backward to the time when one might turn for investment to the stocks of the companies which bore the suggestive titles "Virginia," "New Jersey," or "Pennsylvania." Yet in their day the securities of these companies had their attractions for capitalists, and perhaps at times for speculators, although it was impossible that dealings in these stocks in early days should have been classed under the head of "stock-jobbing," an expression which is only used with reference to trading based upon rapid fluctuations of values in an open market. For dealings of this kind, whether on time or on margin, it is essential that there should be companies having fixed capitals divided into shares of uniform value, capable of easy transfer. The limitations which at the outset the great trading companies at times imposed upon their membership, and the intricate and difficult process of transferring interests in the ventures of such companies made it impossible so long as these restraints existed, that their stocks should be the subject of this sort of speculation. At the beginning the English Company of Adventurers admitted members who were bound together by oaths in temporary association for purposes of trading, colonization or conquest, and the rights obtained by the individuals who participated in these enterprises could only be transferred by consent of the majority of the Adventurers. Then followed the limited participation of owners of stock in some particular venture of a company, and finally in the course of time the idea was evolved of organizing companies for industrial and mining purposes, each having a fixed capital divided into certificates of uniform value transferable at will. Under the latter conditions came facilities for quotations of value, for transfers of ownership, and for trading in futures; and the opportunity was then given for dealings in stocks on the part of speculators, who could thereby find vent for that craving for excitement which had hitherto sought relief in hazardous mercantile ventures, in voyages of exploration,

in preying upon Spanish commerce, or perhaps in privateering. Shakespeare puts all of Antonio's hazards on the deep:

Have all his ventures failed? What, not one hit?  
 From Tripolis, from Mexico, and England,  
 From Lisbon, Barbary, and India,  
 And not one vessel 'scape the dreadful touch  
 Of merchant-marring rocks?

The London Bassanios might have continued to comment, in similar language, on the business embarrassments of their merchant friends, until, sometime in the latter part of the seventeenth century when speculation in stocks having become pronounced, the phrase "stock-jobbing" was born. Then the ventures that failed were to be sought for on the stock-market as well as on the high seas. It is for the period which first gave birth to this phrase that we must look in order to fix the beginnings of stock speculations. We know that prior to the early part of the seventeenth century there were no stocks in which speculation was possible. The exact determination of the origin of the term "stock-jobbing" would fix within narrow limits the beginning of such dealings, but even if we should fail to ascertain that date with certainty, our search will be helpful towards settling the question under discussion.

We can approach the subject, if we choose, by starting with the foundation of the great trading ventures and working down to the times when joint-stock companies became common. Or we may begin at some era in the historic past, far enough away from the present methods of business life to encounter customs which differ essentially from those in use to-day, yet near enough to permit knowledge of most of the conditions essential for stock speculation as conducted in our own time. If by preference we adopt the latter method for our research and turn to those marvellous events in Europe which startled the business world at the beginning of the eighteenth century, we find both in France and England the conditions to furnish the starting point that we seek.

Furious dealings in stocks, and evidence of some knowledge as to time transactions characterized what was the first stock-market in Paris. The industrial and commercial opportunities were absolutely different from our own. Law's System, which then furnished in

France the stock needed for the stock-jobbers, was initiated in 1716 by the organization of the *Banque Générale*. This was twenty-two years after the incorporation of the Bank of England. The Bank of Scotland, which had furnished Law with some lessons in the use of paper money, was then just of age. Over thirty years had passed since the "Fund at Boston in New-England" had made its feeble attempt to supply the little Massachusetts village with Bank Credit as a substitute for coin,<sup>1</sup> and the Colony of the Massachusetts-Bay had for a quarter of a century depended upon a denominational paper currency issued by the government for all local business transactions. A brief review of the rise of the System and a glance at the story of its feeble imitator the South Sea Bubble, will help us to discover what was new in these proceedings, and what was inherited from the past.

The speculative upheaval in France familiarly known as Law's Mississippi Bubble culminated in the winter of 1719-1720. A foreigner, whose career had been marred by his dissolute habits; a fugitive from justice, whose life had been forfeited by English law; a writer of pamphlets on money and trade; a promulgator of schemes for banks and companies which should revive the fortunes of whatever nation should adopt them; a wanderer upon the continent of Europe seeking for some monarch who would test his plans, Law at last found a listener in the Regent of France and taught him the magic power of credit. So complete a change was wrought in the temper of the French nation by the establishment of Law's company, that the same government which but a few months before had seen its notes at seventy per cent discount, was able to flood the market with the issues of the Royal Bank and see an actual preference given them over the coin of the realm. The narrow street known as the *Rue Quincampoix*, the centre of speculation in Paris, was thronged with a motley crowd, composed of all classes and of all European nations. Here priest and soldier, noble and tradesman, mistress and maid, Parisian, provincial and foreigner, jostled each other in their eager contest for the wonderful shares which had produced this marvellous result, shares to whose upward course it seemed at one time as if no limit could be set. The seed of speculation had been sown in virgin soil. The plant,

<sup>1</sup> See Proceedings of the American Antiquarian Society, 29 April, 1903, pp. 368-384.

fostered in the earlier stages of its life by devices entirely novel in France, grew with a rank luxuriance which soon outstripped the need of helping hand. The very excess of its vitality, combined with the favorable circumstances under which it was placed, carried a threat to its own existence, nor could the pruning-hook be applied without danger to life. As in nature, the plant which grows too rapidly finds itself unable to stand erect and bear its own weight, so the mad fury of speculation increased in Paris from day to day until it was no longer able to sustain itself. Meantime, however, the French had become familiar with many of the methods which are in vogue to-day, and which have continued without interruption, in France, from that period to the present, in spite of the edicts which were promulgated against them at the time of the fall of Law's System. This furor of speculation had been accomplished through the agency of a gigantic commercial company into whose hands had been concentrated the management of the commerce and finances of the kingdom, combined with which was a bank which had unlimited capacity to issue paper money. The collapse followed closely upon the attempt to compel the conversion of the Rentes into the stock of the Company.

The Bank with which Law began his operations had a fixed capital divided into shares, but in the Company of the West — the second step taken in the development of the System — although there was a stated par value for the shares named in the original edict, there was no limitation to the capital except the needs of the business.<sup>1</sup> A few months afterwards, however, such a limit was stated. Here then, we have certain knowledge of the existence of some of the conditions which are demanded for stock-jobbing. The analogy to modern securities does not, however, stop here. As time went on and speculation developed, Law put on the market three classes of shares: *actions simples*, which participated proportionately in the profits and losses of the company; *actions rentières*,

<sup>1</sup> The following is an extract from the letters patent in the form of an edict establishing the Company of the West :

Nous voulons que les fonds de cette Compagnie soient partagés en Actions de Cinq-cens livres chacune, . . . & lorsqu' il Nous sera représenté par les Directeurs de ladite Compagnie, qu'il aura esté délivré des Actions pour faire un fonds suffisant, Nous ferons fermer les Livres de la Compagnie (Du Hautchamp, Histoire du Système, etc., 1739, v. 106).

which had a fixed guaranteed income, but did not participate in dividends; and *actions intéressés*, which had a fixed guaranteed income and also certain rights to participate in dividends. To some of these shares coupons were attached.<sup>1</sup> So that we have in the three classes given above the three types of securities which the modern corporation puts on the market: common stock; preferred stock; and the unsecured bond with fixed interest.

Law, therefore, furnished an outfit of securities sufficient to run a modern stock board. If to this it be added that the founder of the System bulled the stock of the Company of the West by contracts to purchase on future deliveries at an advance on current prices, we see that the added element of time contracts brings this early market in close touch with modern methods. Moreover, the ingenious privileges for subscriptions to new stock, given to existing stock-holders, added to the fury of the speculation, and gave to the several classes of stock different values, a source of much puzzle to those who did not analyze the subscription rights attaching to the specific shares.

The great change which took place in the condition of France during the progress of these events could but excite the wonder of the rest of Europe. A government which at the death of Louis XIV. found itself absolutely without credit was able in the fall of 1719 to propose the redemption of its entire debt.<sup>2</sup> Manufactures sprang up, trade revived, interest was reduced, and the nominal value of property throughout France was enormously increased. It was not unnatural that while this was going on, other nations should seek to imitate the example. If the prostrate kingdom of France could be revived in so short a time; if paper money and commercial companies could convert destitution into opulence, and actual suffering into extravagant luxury; if a treasury, bankrupt when inherited, could by these means be made solvent and put in condition to propose the redemption of a government debt which though small was burdensome, surely the experiment was worthy of being tried elsewhere. The financiers of England were already

<sup>1</sup> Recueil d'Arrests et autres pièces pour l'établissement de la Compagnie d'Occident, Amsterdam, 1720, § 14, pp. 34, 85. On the subject of coupons on shares, see also Du Hautchamp, *Histoire du Système, etc.*, v. 235, vi. 66.

<sup>2</sup> The idea that a government might bear the load of a permanent debt was not then conceived in France.

familiar with the several processes which had been used in France to accomplish these ends. In fact, the whole of Law's scheme was but an extension of a plan for the relief of the government which had been already started upon a smaller scale in London. The Bank of England had been created for the purpose of loaning its capital to the government and had issued demand notes. Its capital had been subsequently increased to enable it to make further government loans. The South Sea Company had been incorporated in order to fund certain government deficits and debts which were unprovided for. Its capital had been increased to furnish a redemption for the fund appropriated for payment of lottery tickets of 1710. There were in 1719 certain annuities, some of them covering a period of ninety years, which the government wished to redeem. The South Sea Company, stimulated by its previous successes and influenced by Law's example, offered to redeem not only these but the entire debt. In a competition with the Bank of England for this privilege, the Company finally prevailed, and in 1720 a proposition was accepted by the Government, which was substantially the same in character as that which was made with reference to the French debt, by Law's Company to the Regent of France. The debt was to be converted into shares in the South Sea Company.

The mere announcement that the proposition was accepted caused South Sea shares to rise. The infatuation which followed resembled that which had seized upon the French people. The scenes which had characterized the daily gatherings in the Rue Quincampoix at Paris were transferred to 'Change Alley, London. A cause for the speculative movement in Paris is to be found in the sudden inundation of the market with an immense amount of paper money. The infatuation in London seems to have been founded mainly upon the fact that there were large sums of money in the city seeking investment, but combined also with this was the popular belief that great gains could be made in some inexplicable manner by this process of redeeming the public debt. This mood of the public was fostered by promises of dividends, and the speculative mania thereby created survived for some months after the downfall of Law's System in Paris. In France the speculation was confined almost exclusively to the various issues of Law's Company. In England, however, the speculators were ready to deal in



anything that was offered them. The stocks of all existing companies sympathized with the movement. Old organizations which had been abandoned were revived, and shares were put upon the market. New schemes, without the advantage of incorporation, were freely dealt in. There seemed to be no necessity that the alleged purposes of the company whose stock was offered for sale should be even plausible, nor was any guarantee required as to the honesty of the promoters. It was enough that an advertisement should be issued stating that a company was about to be formed, and that shares would be offered at a given time in 'Change Alley. Subscribers were ready to put down their names and pay an instalment in response to any advertisement. The long list of companies whose prospectuses were launched upon the market during the days of the South Sea Bubble contains the titles of many, the alleged purposes of which were at the time absurd. Some of these with increased knowledge of the laws of business and of mechanics have since become feasible. Many, however, seem as preposterous to-day as they were when they were first offered to purchasers.

The perusal of these titles can only cause wonder that people credulous enough to purchase shares in the companies should have been found, even during the wildest excitement. A proposition for a "Fish Pool for bringing in fresh fish to London" is said to have commanded £160 per share before any money was called in. A company was announced to "fish for wrecks on the Irish Coast." Another "to make salt water fresh." Still another was projected, whose alleged purpose was to make "oil from poppies." Perhaps the wildest scheme of all was that "for transmuting quicksilver into a malleable and fine metal."<sup>1</sup> One project was advertised in the newspapers as follows: "For subscribing two millions to a

<sup>1</sup> See Adam Anderson, *Historical and Chronological Deduction of the Origin of Commerce*, London, 1764, ii. 292-295. Doubtless these various titles were selected on account of their apparent absurdity, yet if we examine them we can see that our cold storage systems serve the purpose of the "Fish Pool" perhaps too well. The fishers for wrecks on the Irish coast were probably after wrecks of the Armada. Divers overhauled one of them last year off the coast of Scotland. The condensation of fresh water from ocean water is not only practicable but its entire feasibility on a large scale is of great value to our ocean steamers. The production of opium from English poppies was possible even in those days. Finally, the discovery of radium has caused a renewal of the speculations as to the transmutation of metals.

certain promising or profitable design, which will hereafter be promulgated." The projector of a scheme for manufacturing sail-cloth issued permits to subscribe, which were themselves current in the market. A contemporary author says:

We can well remember one of these named *Globe-Permits*, which came to be currently sold cash for 60 Guineas and upwards in the Alley, which nevertheless was only a square Bit of a playing Card, on which was the Impression of a Seal in Wax, being the Sign of the Globe Tavern in the Neighbourhood, with the Motto or Inscription *Sail-Cloth Permits*, [without any name signed thereon] the Possessors thereof being to be hereafter permitted to subscribe to a new *Sail-Cloth Manufactory*, projected by one who was then known to be a Man of Fortune, though afterwards involved in great Calamities and Disgrace.<sup>1</sup>

It was impossible that fraudulent proceedings of this nature should not leave behind some traces of litigation. Doubtless if one knew just where to turn in the various sets of English Reports, one could find in them many items of interest concerning these companies. One case, *Colt v. Woolaston and Arnold*, which was decided in 1723,<sup>2</sup> gives practically all the details connected with the formation of one of these projects. It is so much more explicit than the general statements of the pamphleteers that no apology is needed for giving a résumé of the proceedings. Woolaston, the principal defendant, invented a project for extracting oil from radishes, and took out a patent for the sole exercise of his invention. His proposed plan included the cultivation of a farm for raising the radishes from which the oil was to be extracted. In pursuance of this plan he bought an estate for £31,800, on which a mortgage of £28,000 was left. The patent was then assigned to Arnold (who was also made a defendant in the suit) in trust for contributors to the scheme.<sup>3</sup> A company was organized June, 1720,

<sup>1</sup> Anderson, *History of Commerce*, ii. 291.

<sup>2</sup> Peere Williams's Reports, pp. 153, 157. See also Viner's Abridgment, xiii. 543. Viner thus contemptuously alludes to the transaction: "Money paid upon a bubble in the year 1720," etc.

<sup>3</sup> The Assignment of the patent evidently carried with it the equity in the land. This idea of associating solid landed security with a preposterous patent was evidently a favorite method of the day. "Aaron Hill's case" is referred to in *Colt v. Woolaston and Arnold*. Hill had a patent for extracting

with 5,000 shares of £20 each. The £100,000 was to be applied, £28,000 to the mortgage and £57,200 to Woolaston for the Patent, the balance to remain in the treasury of the Company, the title of which was the "Land Security and Oil Patent." In August, 1720, the Company failed, and this suit and another were successfully prosecuted against the projectors.

In the midst of so many chimerical schemes and absurd propositions it was a difficult task for the wits of the day to find language extravagant enough to satirize, in burlesque titles of fictitious companies, the preposterous plans devised by sharpers to draw in money from the credulous. One advertisement, however, has been handed down to us, which shows that even at that time, when the wise and the ignorant, the rich and the poor, nobles and peasants, were alike inoculated with the fever of speculation, there were some who comprehended the follies which were being perpetrated. In this advertisement it was stated that at a certain place, on a given day, "books would be opened for a subscription of two millions, for the invention of melting down sawdust and chips, and casting them into deal boards, without cracks or knobs."<sup>1</sup>

If we examine the methods made use of by the speculators of that day, we shall find that Law attracted attention to his company by purchasing "calls" at prices far above what there was any necessity for him to pay.<sup>2</sup> By means of these contracts he not only ultimately made money, but he stimulated confidence that the stock would rise, at a time when it was needed. In England it was stated by an observer that "great numbers of contracts were made [during the South Sea excitement] for taking many of the stocks at a future time; and also for Puts and Refusals of them, at very high prices."<sup>3</sup> In other words, the speculative methods in

oil out of beech which was also divided into shares, and to quote from the report: "A security agreed to be made of lands which came out to be *terra incognita* betwixt the degrees 50 and 57." The *Cale* project and the Aaron Hill project are both mentioned by Anderson, *History of Commerce*, ii. 294.

<sup>1</sup> Anderson, *History of Commerce*, ii. 291. Even this joke of the satirists of the stock-market is punctured by the industrial needs of our day — compressed sawdust having actually been made use of for some purposes.

<sup>2</sup> These contracts of Law were generally spoken of by writers upon the System as if they were invented by him.

<sup>3</sup> Anderson *History of Commerce*, ii. 296.

vogue not only covered cash transactions, but included the "puts" and "calls" of to-day. More than that, shrewd observers detected the plans of the speculators, and one of them, in a published comparison of the advantages offered the public by the proposals of the Bank and the Company, alluded to "jobbing tricks played and reports given about the Alley to raise stock," and asserted that the manipulators of the South Sea stock would, if let alone, "turn this great design into a private job, and when they have worked up their stock by management to an unnatural price will draw out and leave the public to shift for itself."<sup>1</sup>

Abundant evidence exists that the whole business of speculating in stocks was in 1718 a novelty to the French. They had to be taught the A B C of the methods. When they had learned how to speculate, they dealt only in the stocks furnished by the genius of one man. The allusion to transactions in futures in London referred to above, shows that the English were already familiar with stock speculations, with all the ramifications which follow transactions in futures, and with the manœuvres and tricks often used to secure a fictitious valuation for a stock. They were accustomed to the methods of forming joint-stock companies, of launching them on the market, and of creating a favorable public opinion. There is, I think, a decided disposition to fix upon the date when these episodes occurred as the time when stock-jobbing began. The fact is that these conspicuous transactions form an epoch during which the frenzy of the speculators so completely overshadows antecedent events that there is actual danger of overlooking facts. The general reader will, however, find enough in the field of ordinary literature to serve as a warning against this conclusion and to put him on guard, even though he lays no claim to knowledge upon technical points in the history of finance.

Readers of Sir Walter Scott's novels will recall the fascinating description of English life in the days of Charles II. portrayed in *Peveril of the Peak*. Among the features of the day of which the novelist made use was the speculative mania which at some time during the seventeenth century began to pervade society. In an interview between the Duke of Buckingham and his valet, the

<sup>1</sup> J. Trenchard, *A Comparison between the Proposals of the Bank and the South Sea Company* (1720), in *A Collection of Tracts*, by the late John Trenchard, Esq; and Thomas Gordon Esq; London, 1751, i. 221.

latter is made to recapitulate a number of schemes which had been submitted to the duke for the rehabilitation of his fortune. "Dr. Wilderhead's powder of projection," "Solicitor Drownland's plan for draining the fens," and other similar projects are rejected by the impatient duke, who urges Jerningham to post down to the Alley and buy for him £20,000 in the South Sea Fisheries.

As if conscious that a doubt might arise in the reader's mind whether this was not an anachronism, Sir Walter adds in a note, —

Stock-jobbing as it is called, that is dealing in shares of monopolies, patents, and joint stock companies of every description, was at least as common in Charles II's time as our own; and as the exercise of ingenuity in this way promised a road to wealth without the necessity of industry, it was then much pursued by dissolute courtiers.

The novelist is not, perhaps, to be held to the same rigid severity of criticism as the historian. By means of the note, however, the dialogue in the text is to a certain extent withdrawn from the land of fiction. Unfortunately, the note is not fortified by any reference. The statement is made by contemporaneous writers that the transfer of stock speculation from the Royal Exchange to 'Change Alley took place in 1698.<sup>1</sup> The South Sea Company was incorporated in 1711. In sending his order for shares in the "South Sea Fisheries" to "the Alley," the Duke of Buckingham anticipated history by a few years, but that there must have been dealings in stocks at the time which the novelist was describing seems extremely probable. There were in England at that date joint-stock and incorporated companies with shares or transferable interests, and there was money. Tulip bulbs and money had sufficed to set Holland wild a few years before, and dealings in "monopolies and patents" had become of enough importance in the early part of the seventeenth century to furnish a topic for satirical playwrights. Whether these dealings assumed the character of stock-jobbing may be doubted, but the general statement that there were stock dealings in England in the days of Charles II. is, perhaps, true. There may indeed at times have been speculative movements. That such was the case has been repeated in a vague way by some writers on finance, while others have sought to associate the birth

<sup>1</sup> Anderson, *History of Commerce*, ii. 225.

of stock speculation with the accession of William and Mary or with the Charter of the Bank of England.

Among those who have assigned the former period, is that distinguished contemporary writer Bolingbroke who, referring to the accession of William and Mary, says:

Thus the method of funding and the trade of stock-jobbing began; thus were great companies created the pretended servants, but in many respects the real masters of every administration.<sup>1</sup>

A writer in the Democratic Review, in an article on Stock-Gambling, announces the result of his investigation as follows:

This System may be said to have begun with the English Revolution in 1689;<sup>2</sup>

while in a paper published in the Banker's Magazine the following statement is made:

It is therefore from this period (the Charter of the Bank of England) that we may date the origin of that spirit of gambling which infested the City of London, at different times, and which gave birth to some of the most extraordinary frauds and delusive schemes, that were ever concocted by man in civilized society.

Recurring to the definition of stock-jobbing given by Sir Walter Scott in his note, it will be observed that he does not in express terms include time bargains. Francis, in his *Chronicles and Characters of the Stock Exchange* says:

The origin of these bargains is obvious, and may be traced to the period of six weeks in each quarter, when the Bank books were, as it was then thought, necessarily closed to prepare for the payment of the dividend.<sup>3</sup>

This statement is almost as misleading as the anachronisms in Peveril of the Peak. Francis, in the *Chronicles, etc.*, quotes freely from a pamphlet published in 1719, entitled *The Anatomy of*

<sup>1</sup> Works, London, 1754, iii. 151.

<sup>2</sup> United States Magazine and Democratic Review, 1846, xviii. 83.

<sup>3</sup> Reprinted in the Banker's Magazine, iv. 645 *et seq.*

Exchange Alley,<sup>1</sup> the opening words of which were, "The general cry against stock-jobbing has been such, and people have been so long and so justly complaining of it as a public nuisance," *etc.* It is true that the assertion that people have *long* been suffering from stock-jobbing fixes no date, but we can easily trace the use of the phrase farther back than a quarter of a century. A glance at some of the publications treating of this subject about this time will permit us to measure the means at command of the writer to avoid this error.

Defoe, between the years 1697 and 1705, wrote several pamphlets in which he feelingly describes the frauds perpetrated upon the credulous.

There are, and that too many, fair pretences of fine discoveries, new inventions, engines, and I know not what; which being advanced in notion, and talked up to great things to be performed when such sums of money shall be advanced, and such and such engines are made, have raised the fancies of credulous people to such height, that merely on the shadow of expectation, they have formed companies, chose committees, appointed officers, shares and books, raised up great stocks, and cried up an empty notion to that degree, that people have been betrayed to part with their money for shares in a new-nothing. . . .

I might go on upon this subject, to expose the frauds and tricks of stock-jobbers, engineers, patentees, committees, with those exchange mountebanks we very properly call brokers, but I have not gall enough for such a work; <sup>2</sup> . . .

In his Essay upon Loans, the same author says :

Here together with the innumerable tallies which upon the deficiency of former taxes as aforesaid, went about the town upon discount, and the great obstruction of running cash, by calling in the old coin, was the first rise given the art and mystery of stock-jobbing, *etc.*

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<sup>1</sup> Reprinted in the Banker's Magazine, v. 151 *et seq.* A correspondent of Notes and Queries quotes from Anatomy of Exchange Alley (1719), and says those who buy Exchange Alley bargains are styled "buyers of Bear-Skins" (Fifth Series, vi. 118). He infers that the present expression "Bears," for one who depresses stocks, is here foreshadowed. The word "bear," however, is found as early as 1709. See the Oxford Dictionary.

<sup>2</sup> Introduction to Essays upon Several Projects.



If by this he means the re-coinage of 1696, it is not consistent with what he had already published in his *Essay upon Projects*, where he says:

I shall trace the original of the projecting humour that now reigns no farther back than the year 1680, dating its birth as a monster then, though by times it had indeed a something of life in the time of the late civil war. . . . But about the year 1680 began the art of projecting to creep into the world. . . .

Awhile before this several people under the patronage of some great persons had engaged in planting of foreign colonies, as William Pen, the Lord Shaftesbury, Dr. Cox, and others, in Pennsylvania, Carolina, East and West Jersey, and the like places, which I do not call projects because it was only prosecuting what had been formerly begun. But here began the forming of public joint-stocks, which together with the East India, Africa and Hudson's Bay Companies before established begot a new trade, which we call by a new name stock-jobbing, which was at first only the simple occasional transferring of interest and shares from one to another, as persons alienated their estates, but by the industry of the exchange brokers, who got the business into their hands it became a trade, and one perhaps managed with the greatest intrigue, artifice and trick that ever anything that appeared with a face of honesty could be handled with, for while the brokers held the box they made the whole exchange the gamesters, and raised and lowered the prices of stocks as they pleased, and always had both buyers and sellers who stood ready innocently to commit their money to the mercy of their mercenary tongues.

In *The Consolidator: A Memoir of Sundry Transactions from the World in the Moon*, 1705, Defoe adds a description of the manner in which the bears of those days depressed a stock and when they had gained their object captured the control of the company in whose stock they were operating:

They concerted matters and all at once fell to selling off their stock, giving out reports that they would be no longer concerned. . . . By this artifice, they daily offering to sale, and yet in all their discourse discouraging the thing they were to sell, no body could be found to buy. . . . All this while the Crolians employed their emissaries to buy up privately all the interest or shares in these things that any of the Solonarian Party would sell.

John Asgill, a writer on finance, published in 1696 a tract entitled *Several Assertions proved in order to create another species of Money than Gold and Silver*, in which he says "this kingdom stands stock-jobbed, by being obliged to deliver what they have not." He speaks of "the splitting of shares in joint-stocks, to multiply them in the hands of those whose they then are, that, before the fallacy is found out they may sell them (by number) to others, who come to the right understanding of it by the fall of them in their own hands." It would seem as if Asgill must have known something about "corners" when he speaks of "being obliged to deliver what they have not," and "the splitting of shares" and then selling them "by number" is suggestive of what we should to-day denominate "watering stock." But before Asgill wrote what has just been quoted, an anonymous writer had already published a pamphlet in which he devoted himself largely to a merciless attack upon those who by fraudulent means and tricky ways were engaged in the process of making money by bulling stocks.

The pamphlet in question was published in London in 1695, and was entitled *Angliæ Tutamen, or The Safety of England = Being an Account of the Banks, Lotteries, Diving, Draining, Metallic, Salt, Linen, and Lifting and sundry other Engines, and many other pernicious Projects now on Foot, tending to the Destruction of Trade and Commerce, and the impoverishing of this Realm*.<sup>1</sup> The author of the pamphlet has no patience with stock-jobbing, and attributes the failure of many of the projects to the fact that they were taken out of the management of a few hands and converted into stock-jobbing schemes. He describes the methods of sharpers as follows:

The projectors of many of these made a great noise in the town, for drawing in people to join with them, making use of various tricks and stratagems. As, first, they pretend a mighty vein of gold, silver or copper, to have been discovered in a piece of ground of their knowledge: then they agree with the lord or patentee for a small yearly rent, or a part reserved to him, to grant them a lease of twenty-one years to dig

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<sup>1</sup> This publication was of service to Macaulay in the compilation of a list of Companies (*History of England*, Boston, 1856, iv. 258). Anderson gives an abridgment of the pamphlet in his *History of Commerce*, ii. 209.

that ground, which they immediately fall to, and give out it is a very rich mine. Next, they settle a company, divide it usually into four hundred shares, and pretend to carry on the work for the benefit of all the proprietors; who, at the beginning, purchase shares at a low rate, viz, ten or twenty shillings, etc. Then, all on a sudden, they run up the shares to three pounds, five pounds, ten pounds, and fifteen pounds per share. Then they fall to stock-jobbing, which infallibly ruins all projects; when those originally concerned, sell out their interest, and by this, and other underhand dealings, trickings, and sharpening, on one another, the whole falls to the ground, and is abandoned by everybody.

The references already given have carried us back to a time when the Bank of England was only a year old, a brief space for the growth of a novel method of trading, inaugurated, according to Francis, solely in consequence of the annual closing of the books of the Bank for a short period; but if we go back still another year, we shall find that even then stock-jobbing had reached such a height as to furnish a dramatist with a subject for a satirical play, and time bargains were already so common that forms for "Puts and Refusals" had been published in a serial publication of the day.

The last play written by Thomas Shadwell was entitled, *The Volunteers or the Stock-Jobbers*.<sup>1</sup> It was not performed until 1693, some months after the death of the author, which occurred in 1692. In the Epilogue which was written for the posthumous bringing out of the play, and was "spoken by one in deep mourning," the author is described as:

SHADWELL *the great Support* oth' Comick Stage,  
Born to expose the Follies of the Age.

This estimate of Shadwell's work is much more just than opinions expressed upon such occasions ordinarily are. A glance at the notes in *Peveril of the Peak* and in *Macaulay's History of England* will show how much the novelist and the historian were benefited by the discrimination of the play-writer. His selection from the manners and customs of the day of what was suitable for

<sup>1</sup> *The Volunteers or the Stock-Jobbers* — as it is acted by their Majesties Servants at the Theatre Royal. Written by Tho. Shadwell, Esq. late Poet Laureate and Historiographer Royal. Being his last play. London, 1693.

satire upon the stage, was precisely what Scott and Macaulay were in search of. An analysis of Shadwell's plays reveals many peculiarities of life at that time which are entirely overlooked by ordinary writers. The title of the play already referred to shows, not only that the mania for stock speculation had fastened itself upon the English public in 1692, but that the familiar name of stock-jobbing had even then become a cant phrase. Without undertaking to expose the plot of the stock-jobbers, a few extracts from the dialogue will illustrate the material which the stock-market then furnished for dramatic purposes.

Hackwell, an old Cromwellian Colonel, has been led by his young wife to speculate in stocks. He is interviewed by Welford, whom the Colonel evidently mistakes for a dealer in stocks.

*Hackwell, Sen.* Who are you, sir? Have you ought with me?

*Welford.* I have, if you be Colonel Hackwell, somewhat which concerns you.

*Hack. Sen.* Men are wont to call me so; Is it about the Linen manufacture?

*Welf.* Ha! This godly old fellow is of the honest vocation of stock-jobbing. (Aside) — No, it is not.

By means of the dialogue the glass, the copper, the tin and paper manufactures are then in turn introduced. A trial is made of "the Divers" and of "The Dippers who will make the Sarcenet keep out the rain like Drap de Berry," after which the dramatist, having made effective use of the titles of companies, permits Welford to state the purpose of his visit, and the action of the play moves along.

In another scene two stock-jobbers present their schemes. The dramatist makes use of them to present the extravagances of the stock-market through the contest which ensues between the stock-jobbers in offering for Hackwell's consideration a number of absurd schemes, the enumeration of which was calculated to amuse an audience. In the course of this contest the second stock-jobber announces that "There is likewise a Patent moved for of bringing some Chinese rope-dancers over, the most exquisite in the world. Considerable men," he adds, "have shares in it, but verily I question whether this be lawful or not." This furnishes an opportunity for setting forth the morals of stock-jobbing in an obnoxious light,

and the instrument selected for the purpose is the old Cromwellian Colonel, who develops the same in the following speech :

Look thee, brother, if it be to a good end, and that we ourselves have no share in the vanity or wicked diversion thereof by beholding of it, but only use it, whereby we may turn the penny, and employ it for edification, always considered that it is like to take, and the said shares will sell well, and then we shall not care, whether the aforesaid dancers come over or no.

The interview with the brokers is ended by Hackwell in the following words :

Look ye, brethren, hye ye into the city, and learn what ye can; we are to have a consultation at my house at four, to settle matters as to lowering and heightening of shares.

If the date of this play were concealed, one might imagine that it was intended to satirize the period of the South Sea Bubble. The play was, however, produced twenty-seven years before the excitement which has been named after the South Sea Company. It is evident not only that Shadwell was himself familiar with the processes which he introduced into his dialogue, but that he expected a London audience to enjoy the satire.

About this time a set of forms for stock transactions was published in a serial edited by a certain John Houghton.<sup>1</sup> The topics treated in the weekly papers covered a wide range. Recipes were furnished housewives; advice as to the rotation of crops was given farmers; discussions of scientific subjects were laid before those

<sup>1</sup> The papers were afterwards collected and published under the following title: *Husbandry and Trade Improved, etc.*, by John Houghton, F.R.S. Now revised, corrected and published with a preface and useful Indexes by Richard Bradley, F.R.S. and Professor of Botany in the University of Cambridge. In three Volumes. London, 1727. I find among my notes the following memorandum in the handwriting of the late Professor Charles F. Dunbar :

The passage cited by Macaulay from Houghton's Collection for Husbandry and Trade occurs in vol. ii. no. 33, for Mar. 17, 1692-93, in the original folio edition in the British Museum.

November, 1691, Houghton issued his prospectus, with a testimonial signed (*inter alia*) by John Evelin, Samuel Pepys, Hans Sloane, Hugh Chamberlen, Richard Waller, Edm. Halley.

One of his objects stated to be to give "an account of the value of the Actions of the East India" and other companies.

who were interested in such matters; statistics and facts relating to commerce and trade were published for the benefit of merchants and traders. In the ninety-eighth number of this serial, issued 15 June, 1694, Houghton fixes the period when activity in stocks began in the English market as follows:

A great many stocks have arisen since this war with France; for trade being obstructed at sea, few that had money were willing it should lie idle, and a great many that wanted employments studied how to dispose of their money, that they might be able to command it whensoever they had occasion, which they could more easily do in joint stocks than in laying out the same in lands, houses or commodities, these being more easily shifted from hand to hand: this put them upon contrivances, whereby some were encouraged to buy, others to sell, and this is it that is called Stock jobbing.

Under date of 6 April, 1692, he says:

Altho they that live at London, may, every noon and night on working days, go to Garraway's Coffee House, and see what prices the Actions<sup>1</sup> bear of most companies trading in joint Stocks;

and, under date of 3 March, 1692-93:

At this time when companies of men are so eager to enter into joint stocks for improvement of anything that appears reasonable; witness our linen and copper companies; and the company that lately subscribed for the lead mines in Wales, to which to my knowledge, a subscription was made in one day of 2,500£. And I am well assured they might easily have raised four times as much, and I presume they still may do so, if occasion requires it.

The series of papers specially devoted to joint stocks, or as he says, to "the various dealings therein, commonly called *stock-jobbing*," came out in 1694. Houghton was acquainted with many worthy persons who dealt in stocks, and he considered it a great

<sup>1</sup> The word "Action" as used by Houghton evidently corresponds in meaning with the same word in French. Burnet used the word in a similar way when in 1688 he speaks of "Actions of the Company" (*History of His Own Times*, Oxford, 1833, iii. 208), but in another place he speaks of buying and selling, in Cromwell's time, "of the Actions of money so advanced." In this latter case "the Actions of money" must be the evidence of the debt whether simply a tally or a written obligation.

hardship that such gentlemen should "undergo the censures of mankind, who inveigh against all traders and trading in stock, tho' at the same time they know little or nothing of it." For this reason he proposed "to give an account of the original and necessity of joint-stocks, the lawfulness and usefulness of trading therein, and the abuses that are so much complained of and charged upon the traders in them." He proceeds to give a few historical facts about joint-stock companies, describes the method of their organization and adds an account of "the manner of managing the trade" and "the manner of refuse:"

The manner of managing the trade is this: the monied man goes among the brokers (which are chiefly upon the Exchange and at Jonathan's Coffee-House, sometimes at Garraway's, and at some other Coffee-Houses<sup>1</sup>) and asks how stocks go. And upon such information, bids the broker buy or sell so many shares of such and such stocks if he can, at such and such prices. Then he tries what he can do among those that have stocks, or power to sell them, and if he can, makes a bargain.

Another time he asks what they will have for refuse of so many shares; that is how many guineas a share he shall give for his liberty to accept or refuse such shares, at such a price, at any time within six months, or other time they shall agree for.

Having thus shown what a "refuse" of shares is, he proceeds to give a form of the contract, and to demonstrate "the conveniency of giving money for a refuse." He then describes "the manner of putting stock," argues in favor of its "conveniencies" and gives "the contract for security." Perhaps the most astonishing revelation in this series of letters or papers is the description of the modern corner under the title of "The great mystery of buying more than all."<sup>2</sup> The whole subject is finally disposed of in a paper headed "The advantages of stocks particularized." In this paper the author discloses the condition of a number of trades, ventures and companies, leaving it to be inferred that their stock was for sale on the market. From this list Macaulay, who is authority for the statement that the word stock-jobber was first heard in London

<sup>1</sup> For some graphic contemporary descriptions of these coffee-houses, see Publications of this Society, vii. 120, 121.

<sup>2</sup> Husbandry and Trade Improved, No. 102, 13 July, 1694.



about the year 1688,<sup>1</sup> derived the names and descriptions of many of the companies which he enumerates in his account of the speculations of this period. Two, however, which are mentioned by Houghton find no place in the historian's list, and these two bring before us more conspicuously perhaps than all the rest the marvellous changes wrought during the two centuries which have intervened. "New Jersey," said Houghton, "will improve without question; as Pennsylvania by the like means already has."

The foregoing quotations from Shadwell and from Houghton show that in 1692 dealings in stocks occupied a great share of public attention in London. Already many of the devices of purchasing and selling on time had become common, and rogues had learned that beneath specious promises and under cover of high sounding titles companies could be organized with transferable stock which could be disposed of to the unwary upon the open market. Popular prejudice was already aroused against all stock-dealings. The sins of a part were visited upon the heads of all. It is evident that when Houghton calmly discussed the situation and pointed out the benefits to be derived from these companies and from time transactions in their stocks, he undertook a task which required moral courage.

So strong was the feeling aroused by the many frauds perpetrated by stock-jobbers that in the spring of 1693-94 a bill was introduced in the House of Commons for the purpose of "preventing frauds and abuses in buying and selling of parts and shares in joint-stocks." A petition of several merchants in behalf of themselves and divers other merchants and tradesmen in and about the city of London and elsewhere, was presented to the House, and read. It set forth that a bill was depending in the House for preventing abuses in selling interests in joint-stocks, that if it should pass as worded it would be of dangerous consequence and a means of ruin to trade, and the petitioners prayed that they might be heard by counsel to offer their reasons against the passage of said bill. The petition was rejected but the bill failed to pass.

On 27 March, 1696, leave to bring in a bill to prevent stock-jobbing was granted and a committee was appointed to prepare one. This committee reported a bill which was read twice and

<sup>1</sup> History of England, iv. 256.

then committed. On the first of April, 1697, it was ordered that leave be given to bring in a bill to restrain the number and ill-practices of brokers and stock-jobbers, and that Mr. Chancellor of the Exchequer, Sir Rowland Gwyn and Sir Joseph Tiley do prepare and bring in the bill. A committee was also appointed to inquire into the ill-practices of brokers and stock-jobbers and report the same, with their opinions thereupon to the House.<sup>1</sup> This time the bill passed and according to the *Monthly Mercury*, the royal assent was given to it on the 16th of April and it then became a law.<sup>2</sup>

We can trace every step of the rapid growth of stock-jobbing in France. In England, however, except for the vague statements of Defoe, when we first hear of the subject it has already reached such proportions that the drama is invoked to satirize it, pamphleteers ventilate the wrongs perpetrated on the public in its name, and Parliament is called upon to check the abuses which follow in its train. Nevertheless, it is evident that in England it was a growth, perhaps a rapid growth, but not a creation, certainly not, as in France, the creation of one man.

If we step back of the well-defined craze of stock-jobbing of which we have just been treating, we find that in 1688 there was enough of a market for East India shares to permit a diplomat to

<sup>1</sup> Journals of the House of Commons, xi. 123, 128, 132, 535, 541, 765.

<sup>2</sup> The legislation on this subject from the time of Sir John Barnard's "Act to prevent the infamous practice of Stock-Jobbing" which was passed in 1734, down to the present time, is fully discussed in *A Treatise on Contracts for Future Delivery and Commercial Wagers*, by T. Henry Dewey, New York, 1886. The author does not go behind the Act of 1734. For the purposes of his treatise there was perhaps no necessity for him to go back of Sir John Barnard's Act and trace the legislation from 1697 to 1734. It is evident from *An Essay on the Practice of Stock-Jobbing, etc.*, by Thomas Gordon, 1724 (A Collection of Tracts by the late John Trenchard, Esq. and Thomas Gordon, Esq., London, 1751, ii. 83 *et seq.*), that legislation on this subject during this period was of no avail. The author after speaking of the "*Modern practice of stock-jobbing*," defines his meaning to be "those guileful Acts and unjust attempts which are used to raise and sink the public stocks of this nation," then alludes to "the making of fictitious contracts and bargains," and afterward says such laws "as heretofore have been enacted by our ancestors to rectify the irregular use of money . . . are either disused as exceedingly old and out of date, or being temporary and limited to a particular time are now expired."

speculate in them on the basis of his political knowledge. Burnet says <sup>1</sup> that Abbeville before going over to The Hague in 1688 sent over a threatening Memorial. This was printed at Amsterdam before it was delivered to the States. "The chief effect this had was that the Actions of the company did sink for some days. But they soon rose again; and by this it was said that Abbeville himself made the greatest gain." The inference is plain here that the shares in which Abbeville made his gains were transferable at will.

In those days goldsmiths received deposits and were of course on the lookout for temporary investments in which they could place their surplus funds. Anderson, referring for authority to a pamphlet entitled "The Mystery of the new fashioned Goldsmiths or Bankers discovered," <sup>2</sup> says that in 1665 all public demands fell short of employing the cash which was deposited with them. "This made them run into the way of lending money on private pawns at high interest; or discounting bills of exchange, or lending money on personal security to heirs in expectancy, etc." It is evident from this, that in 1665 the shares of joint-stock companies, notwithstanding the fact that Macaulay gives a quotation of East India stock in 1664 <sup>3</sup> and regardless of what Defoe says of the several companies which he enumerates, did not furnish a conspicuous avenue for the investment of surplus funds.

If the inference which may naturally be drawn from what this pamphlet states be true, we might at this point abandon our search for the beginnings of stock speculation. We have passed through a well defined period of stock-jobbing. We have seen the British public familiar, in the latter part of the seventeenth century, with the methods of organization of stock-companies, and ready to avail themselves of this knowledge upon any pretence for speculative purposes, and we find that but a few years back of this a writer upon finance makes no mention of joint-stock companies when enumerating the avenues in which surplus wealth could be invested. The reason why the securities of the trading companies, which were

<sup>1</sup> History of His Own Times, iii. 208.

<sup>2</sup> History of Commerce, ii. 77, 78. The date of the publication is given as 1676. It was reprinted by Professor Charles F. Dunbar in the Quarterly Journal of Economics, ii. 251-262.

<sup>3</sup> Macaulay has collated (History of England, iv. 108) a number of quotations of East India stock, the oldest being 1661.

then from time to time offered for sale, should not have commanded the support of those who wished to make temporary investments of their surplus money, is probably to be found in the fact that the restrictions surrounding the memberships of some of the companies and the difficulties attendant upon a transfer of the stock which have been referred to, had not been removed. Besides, their charters were originally granted for limited periods, and even as late as 1693 only a portion of them had been converted from "regulated" companies in which the risks of the commercial ventures were assumed by individual members<sup>1</sup> into joint-stock companies in which all participated proportionately to their stock in the profits and losses in which the stock was interested. At each renewal of the privilege of the company there was a contest in which the rights of the invested capital were by no means sure of recognition and protection.

From Evelyn we get a view of the relations of the Adventurers to the East India Company in 1657. He gives a description in his diary of a meeting of this company as follows :

I went to London, to a Court of y<sup>e</sup> East India Company upon its new union in Merchant Taylors Hall where was much disorder by reason of the Anabaptists, who would have the Adventurers oblig'd only by an engagement; without swearing, that they still might pursue their private trade; but it was carried against them. Wednesday was fix'd on for a general court for election of Officers, after a sermon and prayers for good successe. The Stock resolv'd on was 800,000£.

27. I tooke ye oath at the E. India House subscribing 500£.<sup>2</sup>

Although there are references to the rise and fall of East India stock back of this date, it is difficult to conceive of them in the sense of an ordinary stock quotation. The necessity of binding the shareholders by oath to prevent them from private trading introduced a personal element between the Adventurers which must necessarily have hampered transactions in shares. Considerable power was given in the acts of incorporation of the company to levy assessments. If these powers were exercised in accordance with the resolutions passed by the company, this fact must have

<sup>1</sup> Anderson, *History of Commerce*, ii. 199. Regulated Companies are defined by Anderson, i. 420.

<sup>2</sup> *Memoirs*, London, 1819, i. 257.

held back investors. For instance, at a meeting of the company 11 January, 1601-02, an assessment was laid for the voyage of discovery to the North West Passage, to which this clause was attached :

Provided always that if any brother of this fellowship shall deny to bring in his said contribution at the rate of twelve pence the pound of his former adventure, or do not bring in the same at or before the days and times before limited that then he or they shall satisfy and pay for a fine by way of deduction out of his stock adventure in the last voyage five times the value of the contribution by him payable by virtue of this Act.<sup>1</sup>

Whether under pressure of assessments or by virtue of sales, there were occasional transfers of interest in these ventures. They required, however, the approval of the company, which was obtained in the manner indicated in the following entry made at a meeting held 6 July, 1601 :

At this Court Francis Dent one of the Adventurers of this fellowship whose name is contained in the patent did present to this Assembly one George Bennett and prayed that he might be admitted in his place being willing to assign unto him both his freedom and his adventure which is Two hundred and forty pounds in his Adventure set down and supplies. Which this Court assented unto and in place of the said Francis Dent have received the said George Bennett and admitted him to this freedom as freely as if he had been nominated in the Patent.<sup>2</sup>

It is also to be noted that when the Common Seal was adopted in 1601, one of the alleged purposes was that "Every contributor might have a bill of Adventure of his Contribution under the common seal of the Company."<sup>3</sup> In April of the same year, in levying an assessment the interests of the Adventurers are spoken of as stock. Even at the very beginning of the Company we find stock and a certificate of ownership under seal of the Company,<sup>4</sup> although ownership was accompanied with various personal agreements and obligations, and transfers were only possible by consent of the Company.

<sup>1</sup> The Dawn of British Trade to the East Indies, London, 1886, p. 111.

<sup>2</sup> *Ibid.* p. 177.

<sup>3</sup> *Ibid.* p. 113.

<sup>4</sup> *Ibid.* p. 161. See also p. 220.

The Virginia Company also furnishes a few hints of the methods of these Adventurers. Subscribers to the funds of the company were by the terms of the second Charter in 1609 to be enrolled in the books of record of the Company, and were to be held and reputed Adventurers of the Colony, being capable of enjoying grants as if named in the letters patent.<sup>1</sup> In 1613, the Company brought suit in equity against some of the delinquent subscribers. In their petition to the Lord Chancellor, it is stated that upon receipt from subscribers of money, the Company "delivered their bills of receipt and enfranchisement sealed with the common seal of the Company."<sup>2</sup>

That the Company was regarded as a "joint stock Company" would appear from the memorandum in the Court Minutes of the East India Company 26 February, 1614, to the effect that permission was given Sir Thomas Dale, now employed in Virginia, to adventure £100 in the joint-stock at the request of Sir William Throgmorton.<sup>3</sup> Thus we have in the Virginia Company in 1613-14, a joint-stock company which issues evidences of ownership to shareholders under seal of the Company. What they expected in the way of dividends appears in 1616, when they declare that —

they intend, God willing, to begin a present division by lot to every man that hath already adventured his money or person, for every single share of twelve pounds ten shillings, fifty acres of land, till further opportunitie will afford to divide the rest, which we doubt not will bring at least two hundred acres to every single share.<sup>4</sup>

It was not, perhaps, necessary to show by these extracts that these incorporated trading companies were not at this early period the possible subjects of stock speculation. Contemporary allusions are met with which indicate knowledge of the work which the Companies were accomplishing, but these do not in any way connect their stocks with speculation.<sup>5</sup> Yet we must not overlook the fact that occasional rare quotations of East India stock are to be met with during this century; and that Houghton refers to New Jersey

<sup>1</sup> A. Brown's *Genesis of the United States*, i. 236.

<sup>2</sup> *Ibid.* ii. 627.

<sup>3</sup> *Ibid.* ii. 680.

<sup>4</sup> *Ibid.* ii. 777.

<sup>5</sup> The well known reference to "the still-vex'd Bermoothes" in the *Tempest* and the mention of Mexico as one of Antonio's ventures associate Shakespeare's name with these explorations. Jounson's reference to "Pukahontas"

and Pennsylvania as though they were on the market in 1694, and that Defoe associates the East India, Africa, and Hudson's Bay Companies with what he calls "public joint-stocks."

The companies which furnished the speculators with the means for "lowering and heightening" their stocks towards the end of the century were not, however, as a rule corporations. Behind the epoch of speculative activity which has rendered 'Change Alley immortal and has added to the interest which attaches to the names of Jonathan's and of Garraway's, there stretches a period when speculative dealings were apparently confined to patents and monopolies, the former word having, prior to the Statute of Monopolies, a much broader sense than it has to-day; a sense, indeed, which we have seen repeated by Shadwell in the reference to the patent for bringing over some Chinese dancers, as late as 1692.<sup>1</sup>

Hume gives us a long list of the patents and monopolies granted by Elizabeth to her courtiers.<sup>2</sup> These grants were continued by James the First in such profusion that in 1624 the Statute of Monopolies was passed, which prevented thereafter such grants being made except under the guise of inventions. Scattered through Anderson we find the titles of many patents, and turning to the dramatists of the day, we discover that they were somehow made use of for speculative purposes.

in the *Staple of News* brings him in touch with Smith's *Generall Historie of Virginia*. Jonson's name is also associated with those of Marston and Chapman in the authorship of *Eastward Ho!* a play in which Virginia figures extensively. A reference to Pocahontas by Richard Brathwaite occurs in some verses prefixed to Capt. John Smith's *True Travels, Adventures, and Observations* (1630).

<sup>1</sup> It will be noted, however, that Shadwell says his patent was divided into "shares," thus making it conform to the conditions of the market. Moreover the traditional value of the "patent" for speculative purposes is shown in the suits referred to in which the projections were based upon patents.

<sup>2</sup> *History of England*, Boston, 1854, iii. 174. Hume cites D'Ewes as the source of his information. The list which he quotes is to be found in *The Journals of all the Parliaments during the reign of Elizabeth*, collected by Sir Simonds d'Ewes, Revised and published by Paul Bowes, London, 1682, p. 648. A list of monopolies or grants reported by a Parliamentary Committee will be found at p. 650. In a speech by Secretary Cecil, promising the revocation or suspension of the grants, they are reviewed by title, pp. 652, 653. These grants seem to be in the character of monopolies and scarcely the subjects of speculation.



If we were put upon our guard as to the speculative epoch prior to the South Sea Bubble by Scott's *Peveril of the Peak* we may, perhaps, find in the allusions of historians and dramatists to the similar state of affairs in the beginning of the century, a warning that to this period we must turn before we can safely say that we have got behind stock speculation. It is obvious that there were then speculative dealings in these grants. The question to be solved is, were there at that time any joint-stock companies?

Richard Brome, at one time a servant of Ben Jonson and later a writer of comedies, was one of those who joined in the attack upon this conspicuous abuse of the period. Brome died in 1652. In the *Court Beggar*, which was published in 1653, he introduces among the dramatis personæ "Three poore projectors," and in Scene 1 of Act I. he refers to "The Monopoly of making all the Perrukes, male and female through Court and Kingdome." This, obviously, is quite within the range of possible or even probable monopolies, but in the *Antipodes*, Act IV., Scene 9, he brings ridicule to bear upon the "projects" of the day, in a long speech, the character of which will be seen from the following extract:

As for yours,  
For putting down the infinite use of jacks,  
Whereby the education of young children,  
In turning spits, is greatly hindered,  
It may be looked into: and against yours  
The multiplicity of pocket-watches.  
Whereby much neighborly familiarity,  
By asking "What d'ye guess it is o'clock?"  
Is lost, when every puny clerk can carry  
The time o' the day in 's breeches.

In 1632 Shackerley Marmion published a play called *Hollands League*. In the fifth Scene of the first Act, a boy announces that five or six are without and would speak with the principal character in the scene. He recognizes them as his "Gibeonites," his "old projectors," and adds:

One of them  
Will undertake the making of Bay-Salt,  
For a penny a bushel, to serve the State,  
Another dreames of building water-workes;  
Drying of Fennes and Marshes, like the Dutchman.

Again in the second Scene of the third Act, the same speaker says:

You'll put a period to my undertakings  
And save all my labor of projecting.

'T will hinder to the gaine of Courtiers  
Put on by me, to begge Monopolies.

It will be noticed that this play was published eight years after the passage of the Statute of Monopolies. Yet the author makes the projector base his hopes upon monopolies to be begged by courtiers.

It is, however, to Ben Jonson's *The Devil is an Ass* that we must turn if we would learn what a "projector" was in 1616 and how the projector proposed to make money for his client, or perhaps it would be better to say, what the delusions were by means of which he intended to rob his client. In Act I., Scene 3, of this play, the projector is thus defined:

Why, one sir, that projects ways to enrich men or to make them great, by suits, by marriages, by undertakings; according as he sees they humour it.

The relations of the client to the project are set forth in Act II., Scene 1:

He shall but be an undertaker with me  
In a most feasible business. It shall cost him  
Nothing . . .  
. . . . . He shall not draw  
A string of 's purse. I'll drive his patent for him.  
We'll take in citizens, commoners and aldermen,  
To bear the charge, and throw them off again  
Like so many dead flies, when it is carried.  
The thing is for the recovery of drowned land.

A follower brings in a "black bag of papers" from which the projector extracts numerous manuscripts. Project four is a method of dressing dog's skins. Another is for "Bottle-Ale:"

I will save in cork  
In my mere stop'ling, above three thousand pound.

A third is "Making Wine from Raisins," which would greatly reduce the price of all wines :

But how, sir, if you raise the price of the other Commodity,  
Raisins?

Why, then, I'll make it out of blackberries.

The particular project with which Fitzdottrell, the gull, is to be worked is the redemption of the fens, and this he himself describes in the same scene in the following words :

He has his winged ploughs, that go with sails,  
Will plough you forty acres at once! and mills  
Will spout you water ten miles off! All Crowland  
Is ours wife; and the fens, from us, in Norfolk  
To the utmost bounds of Lincolnshire!

Even more seductive than this was the promise of the title "Duke of the Drowned Lands, or Drownland." And here we see how Sir Walter Scott's memory played him false and linked the speculations of two centuries together in *Peveril of the Peak*. The draining of the fens, until it was actually accomplished, was a favorite field of the projectors. Randolph in the *Muses' Looking Glass*, Act III., Scene 1, puts in the mouth of one of his speakers, the following :

I have a rare device . . .  
to drain the fens.

The title of Jonson's play, to which reference has been made and its plot, the purpose of which is to show that a devil fresh from hell was unable to compete at that time with the iniquities of English society, would seem to demand from the author his highest efforts in satire when he comes to the enumeration of the projects to be offered to the gull. Yet the titles of those mentioned do not represent improbable schemes to us, however they may have seemed to contemporaries, nor is the picturesque language used by Fitzdottrel in describing them much different from that used in actual patents granted at this time to Court followers and inventors. In 1618 King James granted an exclusive patent to John Gilbert for the sole making and vending of what was clearly a dredger but which he called a "Water-plough," and for an engine "for the raising of Waters in greater quantity than

heretofore.”<sup>1</sup> To David Ramsey and Thomas Wildgosse he granted the sole use and benefit of certain discoveries and inventions, one of which was “For ploughing of Land without Horses or Oxen.”<sup>2</sup> Another was for making “Boats for the carriage of burdens and passengers to run upon the water as swift in calms, and more fast in storms, then Boats full sailed in great winds.”<sup>3</sup> Can one doubt that Jonson had actual knowledge of Gilbert’s inventions — I will not say the patent, for that was not granted till two years afterward — when he wrote the speech concerning the winged ploughs and the water spouted ten miles off, which has been quoted? Is it not probable that he thought that the keenest satire at his command was the list of patents actually granted?

<sup>1</sup> Anderson, *History of Commerce*, i. 498. See also Rymer’s *Fœdera*, xvii. 102, to which Anderson refers.

<sup>2</sup> Anderson, *History of Commerce*, i. 499; Rymer’s *Fœdera*, xvii. 121.

<sup>3</sup> Anderson relied almost exclusively upon Rymer for information as to the grants of this period. His descriptions of the patents are couched in the language of the originals as far as was possible. If we turn to the *Fœdera* we can see the documents in full. Some of these patents may perhaps suggest the use of steam as a power, though they lack details on this point. On 6 April, 1627, a patent was granted to William Brouncker and others “to put in use an Instrument or device for earing and Plowing of land without either Horses or Oxen” (*Fœdera*, xviii. 992). On 26 December, 1627, William Parham and others were granted a patent for an engine “that shall inforce all Manner of Mills of what Nature or Kind soever to grind and perform their wonted Labour without help of either Horse, Wind or Water” (*Ibid.* xviii. 992). In 1630 David Ramsey turns up again as a patentee. This time he secures a patent for raising “water from low pits by fire;” for making “any sort of Mills to go on standing waters by continual motion, without the help of wind, height or horse;” for making tapestry “without any weaving Loom or Wail ever yet in use in this Kingdome;” for making “Boats, Ships and Barges to go against strong wind & tide;” for raising “water from low mines & Coal pits by a way never yet in use” (*Ibid.* xix. 239–242). In 1632 Thomas Grent, a doctor in physick, was granted a patent for “An Instrument” which he said could be called the *Wind-Mate* which was “very profitable when common winds do fail for a more speedie passage of calmed Shippes or other Vessels upon the Sea or Great Rivers” (*Ibid.* xix. 371). In 1632 a patent was granted for a “*Fishe-call*, or a Looking-glasse for *Fishes* in the sea, very usefull for Fishermen to call all kinds of Fish to their netts or Hookes;” for a “*Water-Bowl* for the more speedy Preservation of Houses on Land or Ships at Sea from Fire;” and for a “*Building Mould* or *Stone Press*, very requisite for the building of Churches or great houses . . . without hewing, cutting, sawing, carving or engraving” (*Ibid.* xix. 371).

What concerns us most, however, in connection with these plays is, not so much the character of the patents and monopolies in which people speculated at this date, as the form of the speculation itself. Have we any signs in these quotations of the existence of the conditions which would permit stock speculations?

When Meercraft says —

He shall but be an undertaker with me  
 In a most feasible business . . .  
 We'll take in citizens, commoners and aldermen,  
 To bear the charge, and throw them off again  
 Like so many dead flies when it is carried,

he gives us an intimation that some sort of an organization was to be effected by means of which outsiders were to be drawn in, but there is no reference in all this to dealings in stocks. The projector of the day having discovered the "humour" of his victim, worked him either through "suits," "marriages," or "undertakings." In the latter event other gulls were to be sought for, but there is no hint of the intervention of the joint-stock company.

So far as the authorities referred to in this paper furnish any clue to the period when stock-jobbing began in England, they would seem to corroborate the assertion of Bolingbroke which associates it with the accession of William and Mary. The activity in dealings in joint-stocks, which in 1694 attracted the attention of Parliament, had been stimulated by the interference with ordinary avenues of investment, through the war which followed the change of monarchs. During the period of infancy stock-dealings did not attract attention. It was only when the dealers lost their heads and outsiders joined the market, that their transactions became matters of public interest. If this date be accepted as that of the probable origin of those dealings, the rapidity with which all the methods of modern times were developed will seem almost incredible. It may be that Macaulay is correct in his assertion that the word was coined in 1688 and Defoe may be correct when he asserts that the craze which begot stock-jobbing sprang up in 1680. But, what we can certainly say is that just after 1690 dealings in stocks had reached such a magnitude as to be condemned by hostile legislation, were characterized with such absurdities as to be

satirized by a playwright, and had developed such intricate bargains as to require explanatory essays at the hands of a serial publication.

If these represent the only positive conclusions to be drawn from our research, we may still claim that the negative results to be derived from our examination of the dramatists at the beginning of the seventeenth century will be helpful in keeping the reader from that condition of confusion which seems to have prevailed in the mind of Sir Walter Scott when he wrote *Peveril of the Peak*.













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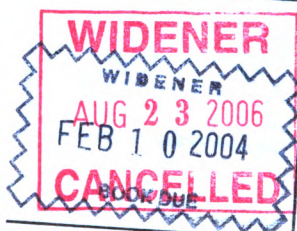


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