ect. In his thousand expedients to amass capital, Law had sold parcels of land in Mississippi, at the rate of three thousand livres for a league square. Many capitalists had purchased estates large enough to constitute almost a principality; the only evil was, Law had sold a property which he could not deliver. . . .

With all these props and stays, the system continued to totter. How could it be otherwise, under a despotic government that could alter the value of property at every moment? The very compulsory measures that were adopted to establish the credit of the bank hastened its fall, plainly showing there was a want of solid security. Law caused pamphlets to be published, setting forth, in eloquent language, the vast profits that must accrue to holders of the stock, and the impossibility of the king's ever doing it any harm. On the very back of these assertions came forth an edict of the king, dated the 22d of May, wherein, under pretence of having reduced the value of his coin, it was declared necessary to reduce the value of his bank-notes one half, and of the India shares from nine thousand to five thousand livres!

This decree came like a clap of thunder upon shareholders. They found one half of the pretended value of the paper in their hands annihilated in an instant; and what certainty had they with respect to the other half? The rich considered themselves ruined; those in humbler circumstances looked forward to abject beggary.

The parliament seized the occasion to stand forth as the protector of the public, and refused to register the decree. It gained the credit of compelling the Regent to retrace his step, though it is more probable he yielded to the universal burst of public astonishment and reprobation. On the 27th of May the edict was revoked, and bank-bills were restored to their previous value. But the fatal blow had been struck; the delusion was at an end. Government itself had lost all public confidence equally with the bank it had engendered, and which its own arbitrary acts had brought into discredit. . . .

A general confusion now took place in the financial world. Families who had lived in opulence found themselves suddenly reduced to indigence. Schemers who had been revelling in the delusion of princely fortunes found their estates vanishing into thin air. Those who had any property remaining sought to secure it against reverses. Cautious persons found there was no safety for property in a country where the coin was continually shifting in value, and where a despotism was exercised over public securities, and even over the private purses of individuals. They began to send their effects into other countries; when lo! on the 20th of June, a royal edict commanded them to bring back their effects, under penalty of forfeiting twice their value, and forbade them, under like penalty, from investing their money in foreign stocks. This was soon followed by another decree, forbidding any one to retain precious stones in his possession, or to sell them to foreigners;

The South Sea Bubble

One of the defining moments of the implementation of the Anglo-Dutch Liberal system was what was later known as the "South Sea Bubble." It was a scheme based on the insane discovery of the Bank of England (1694) and the British East India Company (1696) that speculation in government debt to fund wars was one of the so-called great advances made by the 1688 "Glorious Revolution." This is the origin of central banking in the modern era. It was modeled on the earlier Bank of Amsterdam (1609), which was in fact modeled on the Venetian banking system.

As Washington Irving points out in his "The Great Mississippi Bubble," the South Sea bubble was modeled on the Mississippi bubble of John Law. It is very suggestive that Law was in Venice before he returned to France and got the funding scheme through, and he died in Venice. However, the South Sea Chartered Company developed a scheme that took a certain portion of the government debt and issued stock against it. The English government paid 5-6% interest to the company, and the company got the monopoly for issuing stock to holders of this debt, and also lending the government monies at interest. The reason a holder of government debt would take stock for it is based upon the massive up-valuation of the stock. So the government debt was literally "securitized."

On April 14, 1720, the stock was sold at £300 per share. On April 29, it was £400. On June 17, it was sold at 1,000, and again on Aug. 24 it was £1,000 per share.

By October 1720, the stock had crashed to £230.

As fast as bubbles go up, they come down faster and harder. The entire British monarchy was involved in the scheme; most of the Parliament, and thousands of small investors were wiped out. Estimates are that 30,000 people—one quarter of the population of London—were bankrupted.

It was not just merely a swindle; it was in fact the actual theory behind the Anglo-Dutch system, a system based on looting—in this case the public treasury. It doesn't work and always collapses. Bubbles are always the result of these Venetian systems, which, in every case, are played out to their conclusions, leading to the destruction of both the country that uses it, and dark ages for mankind.

—Gerald Rose