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Review of Daniel Menning, *Politik, Ökonomie und Aktienspekulation: 'South Sea Bubble und Co.' 1720*

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DANIEL MENNING, *Politik, Ökonomie und Aktienspekulation: 'South Sea Bubble und Co.' 1720* (Berlin: De Gruyter Oldenbourg, 2020), x + 458 pp. ISBN 978 3 110 42614 4 (hardback), £86.50; ISBN 978 3 110 77672 0 (paperback), £24.00

Daniel Menning's book was published, appropriately enough, in 2020, on the 300th anniversary of the South Sea Bubble, a crucial phenomenon in early modern European economic and cultural history. In 1720 the British South Sea Company, and the similarly constituted French Mississippi Company set up by John Law, monopolized the capitalization of state debt by certain chartered trade companies and introduced investing in stocks to a broader public in France and Britain. After a brief stock trade mania, the share prices of both companies plummeted later that year, subjecting Britain and France to the gruelling experience of a large-scale crash in domestic financial markets. This disaster, along with the widespread metaphor of the bubble, has become part and parcel of collective European memory and is almost invariably cited as a historical point of reference for stock market crashes up to the most recent financial crises of the early twenty-first century.

The author's aim is to write a new economic, cultural, and institutional history of the 1720 stock euphoria that goes beyond the more conventional and often narrower approaches to the subject in two respects. First, he expands the dominant Anglo-French perspective centred on the South Sea and Mississippi companies to include a multitude of lesser-known joint-stock companies in Western and Central Europe, and to a lesser extent in the Atlantic world, that were modelled on the well-known 'big players' in Britain and France. Menning analyses the 1720 joint-stock company boom as a pan-European, partially even global phenomenon and looks at the financial and economic interdependencies that accompanied a veritable wave of newly founded or planned companies. Second, the general approach differs from many previous accounts of the 1720 stock market boom which focus on economic history or the history of finance and stock-trading in a narrow sense, the cultural history of the bubble and learned or popular perceptions of it, or on case studies of European offshoot companies, taking a rather limited local or regional history perspective. Menning, by contrast, outlines an interconnected history centred around one of the key features of what has been called (shunning more restrictive or slightly outdated terminology such as 'mercantilism') an early modern 'economic reason of state'[1]—that is, the commercial rivalry between states, the so-called 'jealousy of trade' which, as John Shovlin has pointed out, had grown into a veritable 'jealousy of credit' by 1720.[2] This saw commercial rivals constantly observing, imitating, and improving on economic ideas, institutions, and achievements in the hope of eventually surpassing them. Menning identifies this dynamic of mutual emulation as the key practical driving force behind the rapid emergence of joint-stock companies in various places in Western and Central Europe. Yet the scope of the study is not limited to mere mutual perceptions. Menning presents a *histoire croisée* of the 1720 bubble which considers transfers of knowledge and the individuals promoting company projects in particular to be factors that enabled the transnational spread of joint-stock companies.

In order to underline the interconnectedness and the dynamism of this very dense and rapid, almost revolutionary transformation of trade and finance in 1720–1, Menning arranges the chapters of his study in a chronological narrative that focuses on the eighteen months or so that the stock mania and its immediate economic and political aftermath lasted. The author is therefore only briefly concerned with what are traditionally seen as the more immediate origins of the events of 1720—that is, the establishment of the first joint-stock insurance company in London, and the more general interest in new trade companies in various parts of Europe. These initially remained mere plans, and earlier proposals for a monopoly on converting state debt into South Sea Company stocks were rejected. But in France, John Law was charged with restructuring and eliminating much of the royal debt by means of a super joint-stock company to exploit new colonial riches in Louisiana. The initial success of his Mississippi company and the ensuing British fear of being overtaken by an arch-rival, as well

[1] See e.g. Philipp R. Rössner (ed.), *Economic Growth and the Origins of Modern Political Economy: Economic Reasons of State, 1500–2000* (Abingdon, 2016).
[2] John Shovlin, 'Jealousy of Credit: John Law's "System" and the Geopolitics of Financial Revolution', *Journal of Modern History*, 88/2 (2016), 275–305.

as noticeable capital flight to the Continent, eventually enabled the similarly functioning South Sea Company to be set up. Its meteoric rise stimulated a multitude of projects within the British world, adapting the South Sea Company's business model to other long-distance trading companies and to different economic sectors such as construction or even fishing, and eventually triggering limitations on this model through a legal framework: the Bubble Act (1720). As Menning points out, this legislation was less an attempt to effectively limit or suppress the spread of the joint-stock company model and its potential risks than to rein in the speculation of stock-jobbers and restore parliamentary control over public credit.

In the meantime, the temporary success of the two major joint-stock companies in Western Europe inspired many attempts at emulation all over Western and Central Europe. In the Habsburg monarchy, for example, a rival West Indies company operating from the Austrian Netherlands attracted intense scrutiny from the worried British. These plans and projects can be placed in the context of transfers of economic knowledge promoted by highly active projectors who were (often self-appointed) experts in this type of business model. They were combined with ambitious schemes in other economic sectors, such as banking or textile manufacturing. This was the case, for example, with the banking project presented by the English promoter Ebenezer Corr in the Duchy of Brunswick, and the Harburg Company in the neighbouring Electorate of Hanover. Nevertheless, these companies and their business models, along with the very concept of stocks as an economic instrument, had to be shaped to specific local institutional environments and expectations. This was the case in the German states, where they were adapted to the interests and priorities formulated by contemporary cameralist discourse. The establishment of such companies was also often accompanied by judicial and institutional conflict between various actors, especially in polities where authority was divided between a plurality of political players, as in many territories of the Holy Roman Empire and the Dutch Republic.

The eventual downfall of both the Mississippi Company and the South Sea Company and the ensuing domestic financial and political fallout, however, did not discourage emulation in other parts of Europe.

Menning argues that this cannot be easily attributed to informational asymmetries between the centres and peripheries of early modern finance economies. After the disastrous failures in Britain and France, some projectors, would-be entrepreneurs, and their sponsors attempted to redirect the flow of investment capital in Europe in their favour. They also nimbly modified their plans to account for the consequences of recent financial disasters—for example, by attempting to restrict trade in their companies' stocks to foreign markets to prevent domestic hyperspeculation, or by incorporating lotteries into their business model in order to attract wider circles of investors. After a sometimes breathless account of this entangled history of an extraordinarily eventful and dynamic eighteen months, a synopsis concisely summarizes the role of key economic concepts, transfers of entrepreneurial knowledge in Europe, and the adaptability of the notion of stocks to various institutional contexts.

Menning offers an engaging and insightful account of the 1720 stock market boom as a shared and intertwined experience of European societies and economies (including various overseas entanglements) and presents a fascinating case study of the stunning acceleration in economic development produced by early modern capitalism. Introducing broader European and global perspectives, tracing the circulation of economic knowledge, and locating the phenomenon in a transnational space of mutual perceptions by various actors and institutions, the author not only focuses attention on the histories of lesser-known companies and projects that have until recently been largely neglected. He also convincingly demonstrates that joint-stock companies which entered the game very late, after the crashes in Britain and France, did so not despite operating in an intertwined space of communication, but because of this. Menning also addresses the importance of early modern projects and projecting. By contextualizing this phenomenon with reference to contemporary cultures of economic expertise and entrepreneurship, he goes beyond historiographical clichés of abject failure and fraud perpetrated by disreputable 'adventurers'; yet he does not fully explore this aspect. From a larger cultural point of view, the events of 1720–1 also shaped very different visions for the future of society and the economy. Novel company projects and the initial experience of accelerated financial and economic development surrounding the stock market euphoria encouraged contemporary ideas and visions of open socio-economic futures shared by projectors, entrepreneurs, government officials, and other observers, well before the fundamental transformation of socio-political mindsets during the last third of the century. By contrast, the disappointments and negative consequences of the English experience inspired more 'regressive' concepts of economic order and traditionalist notions of trade, production, and craftsmanship.

Menning's adherence to the timeline of simultaneous and interrelated events in many respects highlights the underlying dynamic of 'jealousy' and 'emulation' in 1720–1, a time bristling with new, quickly evolving business models and economic ideas, along with new ways of raising capital. Nevertheless, presenting so many chronological case studies on the heels of intertwined developments also disperses the threads of these stories throughout the book. The chapters often require the hasty introduction of many institutional, political, judicial, and economic contexts, particularly as the book's opening 'Overture' (pp. 19–50) is somewhat sketchy and does not completely introduce the relevant contexts, actors, institutions, and economic discourses. The relatively short synopsis at the end is also burdened by having to redraw connections and point out most of the typological and comparative aspects of the themes presented. The author admits that this approach, with its shifting contexts, is 'highly demanding to the reader' (p. 17), and indeed, difficulties in following this vast, rhizomatic structure should not be exclusively blamed on the reader's attention span or lack of persistence. Perhaps an outline less strictly wedded to the chronology of events, along with a more stringent exploration of fewer carefully selected case studies and their wider ramifications and relations of 'emulation', would have helped reader and author alike to navigate the narrative. The book's important insights might have benefited from this without its entangled history approach being affected. It could also have highlighted the methodological advantages of examining an economic and social phenomenon through case studies—namely, the close analysis of how certain entrepreneurial concepts and contemporary economic discourses and practices were enacted in precise social and institutional contexts, as Menning himself points out in the introduction (p. 16).

The focus on 1720–1 also seems to cut short any analysis of the aftermath of the events and their long-term significance for British economic history in the eighteenth century. The impact of the Bubble Act on investment in early industrial manufacturing deserves more elaboration, as does Menning's own engaging assumption that despite the immediate backlash, the South Sea Bubble helped to prepare for the Industrial Revolution by enabling new horizons of expectation for future economic progress and development. Moreover, a more thorough treatment of the contemporary media, the communication infrastructure, or the conditions under which news and economic information travelled might have further shown how '1720', as a synchronized event in an interconnected European (and global) space of communication, was at all possible in practical terms. Such critiques, however, do not diminish the indisputably great merits and the enormous scope of this impressive synoptic and entangled history of a key event in early modern economic and cultural history. It would be truly beneficial if the book were soon to be made accessible to an English-speaking readership.[3]

[3] For related English-language publications by the same author, see e.g. Daniel Menning, 'The Economic Effect of the South Sea Bubble on the Baltic Sea Trade', in id. and Stefano Condorelli (eds.), *Boom, Bust, and Beyond: New Perspectives on the 1720 Stock Market Bubble* (Berlin, 2019), 161–78.

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