

From the introduction of:

“Money for Nothing: The Scientists, Fraudsters, and Corrupt Politicians Who Reinvented Money, Panicked a Nation, and Made the World Rich?”

In the year 1720, every Briton with two shillings to rub together, it seemed, would hear of the South Sea Company, would buy into its promises, and would be dazzled, for a time, at the prospect of riches beyond imagining. Half of Europe would too, and for a very great many it would end in ruin.

And yet, seen with enough distance...what would happen in Exchange Alley over the next year wasn't simply the work of “a Trade founded in Fraud, born of Deceit, and nourished by Trick, Cheat, Wheedle, Forgeries, Falshoods.” [Daniel Defoe, *The Anatomy of Exchange Alley*] The South Sea Bubble—the headlong rise and the sudden collapse of London's nascent stock market—wasn't the original sin of early modern capitalism—or rather, it was never only that.

Instead, as this book argues, if we are to understand the Bubble year, wider histories must come into play, ones that reach both backward and forward in time, from Defoe's troubled days to our own. In this telling, the calamities of 1720 can be read as a watershed moment in the long, tangled process of creating the modern concept of money, and especially of money's most dynamic incarnation, credit—which makes promises expressed in numbers that connect the future to the present. The Bubble is a part of the history of finance but is not confined to it. Rather, it opens a window on the circumstances from which later financial thinking emerged: the grand shift over the preceding century in the way human beings understood their experience of the material world, an intellectual transformation better known as the scientific revolution.

The history of the scientific revolution as usually told as a sequence of discoveries, mostly in mathematics and physics. That picture leaves out a central human fact: those who solved problems of planetary motion or the flight of cannonballs did not confine themselves to natural philosophy. From the beginning, they used the same methods and habits of mind to tackle human questions, to guide the choices made by individuals and societies. In 1719, on the brink of the wild ride to come, the greatest revolutionary of them all worked just a few hundred yards to the southeast of Exchange Alley. There, in rooms built along the outer wall of the Tower of London, Sir Isaac Newton, master of the Royal Mint, produced Britain's supply of the “real” money: gold and silver bullion of precisely defined and authenticated purity, rolled and punched and stamped into disks of legally mandated weight, decorated with the head of the king. He'd been advising the crown on monetary matters since the mid-1690s, and by this time he was an experienced stock market player on his own account—which included, at this moment, a tidy sum in South Sea stock. The year to come would test him as much as anyone else—but his significance to the events of 1720 lies in the way he taught his contemporaries to think, not just about money, but about anything that could be observed, measured, and counted.

The catastrophe now known as the South Sea Bubble is on record as the first and in many ways the archetypal stock market crash and fraud. What happened then and what the British state did in response both have a direct connection to what has occurred (and may soon come again) in the financial life of the twenty-first century. In the moment, it certainly proved Defoe's point about the significant threat that arises when the motives and interests of the financial elite clash with those of national governments and the public. And certainly, pawing through the wreckage left after the Bubble burst uncovered an extraordinary catalog of corruption, a comprehensive guide to all the ways it's possible to subvert the market for private gain.

But to understand how the nation got itself into the Bubble, and to grasp what actually had occurred behind the surface of catastrophe, we must follow the story further back in time—to a garden, an orchard. There waits the young Isaac Newton, a man barely past boyhood. He can see an apple tree, laden at this midsummer moment with fruit—a variety called Flowers of Kent.

At any moment, one might fall.