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[See table of contents](#)

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“Le système de John Law” and the Spectre of Modern Despotism in the Political Thought of Montesquieu

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In the early eighteenth century, Europe was rattled by a series of financial shocks, stemming from the impropriety of government and economic actors who grew increasingly interdependent as governments relied on private lenders for imperial expansion. New institutional arrangements redefined the relationship between class and power and led to original notions of political justice, inconceivable in the pre-modern economic era. Political thinkers increasingly placed emphasis on how existing notions of freedom could be squared with bringing unwieldy and chaotic economic situations under political control. Some concerned themselves with how commerce stifled the civic character, while others held a more optimistic view, suggesting commerce was a source of political stability that engendered certain forms of virtue commensurate with eighteenth-century political exigencies. Among these thinkers, Charles-Louis de Secondat, Baron de la Brède et de Montesquieu astutely observed France’s transition from an orderly but stultifying feudal order towards a progressive but often unstable commercial society, and he sought to reconcile these two positions throughout his political works.

Montesquieu observed that France’s debt crisis following the War of Spanish Succession made government actors more amenable to “financial engineering” schemes, which in turn opened new avenues for corruption in the private and public sectors. In an infamous episode simply known as “Le système” (System), John Law’s influence over the

French monarchy yielded disastrous fiscal and monetary decisions, and subsequently led to short-term financial loss and social instability throughout France. Such events reinforced Montesquieu's concern with maintaining a balance between the contribution of the "monied class" to public life and a continuing role for aristocratic government in harmonizing commercial ends with the public interest.

This article builds on the existing literature that recognizes the centrality of Law's System in Montesquieu's political thought.¹ The article traces the tangible roots of Montesquieu's reflections concerning the ambiguous relationship between commerce and liberty, and situates him among his contemporaries in debates concerning France's debt crisis following Louis XIV's death and the subsequent establishment of the System. More broadly, the article conveys Montesquieu's moderation vis-à-vis commerce, which embraces the freedom and dynamism of modern commerce, but nonetheless warns against new forms of despotism that accompany progress in the financial sector. I first reconstruct the historical and institutional context of Law's System and then examine Montesquieu's response to Law and his defenders on questions concerning political moderation and the role of the nobility in commercial society.

John Law's System: Its Antecedents and Subsequent Collapse

The War of Spanish Succession had devastating consequences on France's economic, social, and political order. It was left insolvent with unsustainable debt, leading to a series of currency devaluations and de facto bankruptcies as it struggled to meet its increasing war costs. France's public credit suffered as a result, spurring a vicious economic cycle of high rates of interest for public and private borrowing, followed by an increase in taxes on French citizens in order to support interest

1. A number of Montesquieu's interpreters recognize the central importance of John Law's System in Montesquieu's political thought. Agnès Raymond emphasizes the intentional ordering of Montesquieu's *Persian Letters* (1721), which juxtaposes John Law's System (Letter 146) with the collapse of Usbek's Seraglio (Letter 147); cited in Jonathan Walsh, "A Cultural Numismatics: the 'Chain' of Economics in Montesquieu's *Lettres persanes*," *Australian Journal of French Studies* 46.1–2 (2009): 139–54, 140; Theodore Braun, "'La Chaîne Secrète': A Decade of Interpretations," *French Studies* 42.3 (1988): 278–91 provides an overview of various perspectives concerning John Law's System in relation to Montesquieu's broader political thought.

payments on its debt load.² Moreover, the Treaty of Utrecht—which formally ended the War of Spanish Succession in 1713—ensured a number of commercial guarantees for England and Holland, giving France’s neighbours a comparative advantage in global trade.³

Broadly speaking, two principal factors exacerbated France’s financial woes: the limitless profiteering of private financiers who exploited new opportunities created by Louis XIV’s wars,⁴ and fiscal and monetary mismanagement on the part of the Crown’s ministers,⁵ whose reforms triggered a series of bankruptcies, raising the cost of short-term credit. France’s decentralized collection of revenues (tax-farming) coupled with its increasingly centralized decision-making apparatus tightened an already unhealthy partnership between the Crown and its private financiers, the latter of whom profited over a series of financial schemes that France’s ministers approved once the tax base reached its limits.

France’s tenuous financial situation made its senior ministers more amenable to various paper money schemes, which had a lasting effect on its political economy in the subsequent decades. First, these schemes permitted the Crown to further consolidate its power. Indeed, France already had a systematically corrupt taxation system replete with inefficiencies, yet these inefficiencies naturally checked the Crown’s absolutism.⁶ However, the introduction of paper money created new avenues for raising public revenues, making the Crown less reliant on its tax collection system for short-term expenditures. Second, France’s paper money experiments ripened the conditions for “the Conseil de Finance”—a network of private bankers, dealers, and deputies from the provinces who advised the Crown on fiscal and monetary issues—to approve Law’s System.⁷

2. Antoin E. Murphy, *John Law: Economic Theorist and Policy-Maker* (Oxford: Clarendon Press, 1997), 5.

3. Paul Cheney, *Revolutionary Commerce: Globalization and the French Monarchy* (Cambridge: Harvard University Press, 2010), 22.

4. Guy Rowlands, *The Financial Decline of a Great Power: War, Influence, and Money in Louis XIV’s France* (Oxford: Oxford University Press, 2012), 9.

5. *Ibid.*, 13.

6. Philip T. Hoffman, “Early Modern France, 1450–1700,” in *Fiscal Crises, Liberty, and Representative Government*, ed. Philip T. Hoffman and Kathryn Norberg (Stanford: Stanford University Press, 1994), 226–52, 226.

7. Jean-François Melon, *A Political Essay upon Commerce*, trans. David Bindon (Dublin, 1739), 267.

John Law, a Scottish financier notorious for his gambling affliction,⁸ introduced his System to France as a means to modernize its economy, and more imminently, to resolve its monetary and fiscal crises. He writes, “le moyen pour remettre l’ordre et la confiance est d’établir des affaires sur de vrais principes qui doivent necessairement estre nouveau, car en matière de Crédit, la France n’a pas encore eu le Bonheur d’en avoir.”⁹ He observed that both England and Holland sustained good public credit throughout the War of Spanish Succession and that they attracted greater capital investment than France. He wanted France to model itself after England, which had previously managed its own period of economic instability when it founded the Bank of England shortly following the Revolution of 1688–89.¹⁰ The country’s newly established paper-based economy gave it greater monetary flexibility and left it in a better position overall to finance future war costs. Law successfully solicited his scheme to the French Regent—after failing to persuade officials to approve a similar project in his native Scotland—and received authorization to establish the *Banque générale* in 1716. The bank’s mission was increasingly to substitute paper money for the relatively illiquid gold standard that had persevered despite previous ministers’ experimentations with various forms of currency. Law held that this would narrow the existing gap between depositors and debtors, leading to a greater circulation of money and a fructuous rise in manufacturing and employment.¹¹ Moreover, Law planned to reduce the French kingdom’s war debt burden by lowering interest rates on government bonds commonly known as “the *rentes*,” which would in turn force debtholders to convert their holdings into public stock. Here, he faced stark opposition from France’s parlements, whose representatives had most to gain from the existing fiscal and monetary regime.

Louis XIV had weakened the French parlements when he undermined their political right of remonstrance against Crown policy

8. Thomas E. Kaiser, “Money, Despotism and Public Opinion in Early Eighteenth-Century France: John Law and the Debate on Royal Credit,” *Journal of Modern History* 63.1 (March 1991): 1–28, 12.

9. John Law, “Réponse de Law aux objections présentées à sa proposition,” in *Œuvres complètes*, vol. 2, ed. Paul Harsin (Paris: Sirey, 1934), 260.

10. *Ibid.*, 261.

11. Murphy, *John Law*, 7.

pronouncements in 1678.¹² The parlements nonetheless continued to perform indispensable state administrative functions that upheld the social order. Their noble members presided over trials, led the policing of the state, and continued to register the Crown’s policy pronouncements.¹³ Meanwhile, the Bourbon king accelerated his sale of public offices to bourgeois aspirants,¹⁴ whose kinship with merchants and traders best qualified them for reconciling private commercial ends with the public interest.¹⁵ What is more, in being the most educated among the privileged classes, the newly minted officeholders’ administrative competence made them indispensable for managing an increasingly complex modern state apparatus.

However, Louis XIV’s death in 1715 left behind a political power vacuum that France’s various intermediary bodies sought to fill. As Franklin L. Ford writes in *Robe and Sword*:

For the great lords, for the nobility in general, for the parlements, for the Gallican enemies of the late ruler’s Jesuit advisers, for the increasingly powerful business class, even for the peasantry, hopeful of a lightened tax load and fewer troops swarming over the countryside, long suppressed ambitions were at last able to emerge onto the surface of public life.¹⁶

Philippe II, the Duc D’Orléans, exploited these competing political ambitions by restoring the parlements’ right of remonstrance in exchange for their acquiescence in his claim on the Regency, which Louis XIV’s surviving will had put into dispute.¹⁷ However, the partnership forged by the Duc D’Orléans and the parlements reached an abrupt end shortly after, when the former authorized Law to initiate his System.

Overall, Law’s System was a scourge to France’s intermediary political bodies, since it threatened to overturn the existing fiscal and

12. Franklin L. Ford, *Robe and Sword: the Regrouping of the French Aristocracy after Louis XIV* (Cambridge: Harvard University Press, 1962), 6.

13. *Ibid.*, 23.

14. John Brewer, *The Sinews of Power: War, Money, and the English State* (London; Boston: Unwin Hyman, 1989), 16.

15. Régine Pernoud, *Histoire de la bourgeoisie en France: Les temps modernes* (Paris: Seuil, 1962) explains that the common austere dress attire among the bourgeoisie and the “noblesse de robe” reflected their close kinship prior to the social transformations that resulted from the expansion of France’s luxury economy (17).

16. Ford, *Robe and Sword*, 6.

17. Murphy, *John Law*, 126.

monetary regime that guaranteed their economic well-being; but the System nonetheless provided the Parlement de Paris with an opportunity to demonstrate its newly restored political right of remonstrance.¹⁸ During the System's early inception, the Parlement protested against the issuance of paper money and targeted Law directly in its request to limit foreigners' powers in the administration of French finances.¹⁹ The remonstrances, moreover, argue that a country's "real" wealth had to be based on agriculture, manufacturing, and population, rather than fictitious mobile capital.²⁰

The Regent perceived the Parlement's attempts to circumscribe Law's mandate as a threat to France's overall creditworthiness and a personal affront to his already tenuous political authority.²¹ This suspicion prompted him to order the nation's first *lit de justice* in over a century; he issued a series of edicts that diluted the intermediary body's power of remonstrance against issues concerning finances and prohibited it from interfering with France's fiscal administration, while finally giving the Crown unchecked authority to override *any* further remonstrances.²²

The new measures permitted Law to advance his scheme with minimal opposition. He formed a public joint-stock company by merging The Mississippi Company—a state owned conglomerate in the Americas—with what came to be called the *Banque Royale*. The merger nudged bondholders to exchange their debt holdings for newly available and more lucrative public shares. The conversion scheme incrementally eliminated France's more than two billion livres debt, enabling the Crown to afford its bloated administrative costs. In the short-term Law's System helped improve France's economic situation. Lower interest rates assuaged private debt burdens, employment steadily increased, new colonies developed as commerce in Asia expanded, and domestic manufacturing grew steadily.²³

Notwithstanding these achievements, the exuberance associated with the Mississippi Company's fortunes compelled the Bank to con-

18. Ford, *Robe and Sword*, 84.

19. Murphy, *John Law*, 252.

20. Law, "Idée générale du nouveau Système des finances," in *Œuvres*, 77.

21. Murphy, *John Law*, 180.

22. *Ibid.*, 182 (emphasis added).

23. Law, "Idée générale du nouveau Système des finances," in *Œuvres*, 96.

tinue issuing liquid paper stock at a rate that surpassed the real wealth of France’s economy. In his post-mortem following the System’s collapse, Du Tot wrote, “c’étoient autant de valeurs réelle que le credit & la confiance avoient fait naître au profit de l’État...dont la circulation étoit augmentée, independamment de l’Espece qui étoit en France.”²⁴ Despite the System’s success, paper money value needed to correspond with specie value. Du Tot explains that Law’s System had successfully achieved this balance when share value reached its zenith by March 1720, trading at 50 times its original worth.²⁵

Unlike his most ardent defenders, who remained wedded to a two-currency regime, Law wanted to eliminate specie currency in its entirety. On March 5, 1720, the date Du Tot marks as the moment France transformed from a real-wealth into an imaginary-wealth-based economy, the Regency issued an *arrêt*, whose dictates accelerated the monetary conversion that Law initiated a couple of years earlier.²⁶ The *arrêt* argued that as long as specie currency existed in the economy, individuals would hoard their money, and particular interests would continue to trump the public interest.²⁷ The *arrêt* resulted in greater speculative exuberance, which inflated the Mississippi Company shares at an alarming rate. Realizing that the previous *arrêt* overheated the market, Law’s ministry followed with an unpopular *arrêt* on May 21, 1720, which reduced the share value. The bad optics of this latest *arrêt* undermined France’s creditworthiness.²⁸ From an investor’s perspective, the Regency tacitly acknowledged that the stock price was overvalued. The admission triggered an abrupt sell-off after two consecutive years of uninterrupted growth. Incensed, the public called for a reversal of the unpopular May 21 *arrêt*, and the Regency conceded. However, the Crown’s capitulation only worsened the crisis as the sudden course reversal further shook public confidence in the state’s creditworthiness. The price of the Mississippi stock collapsed and

24. Nicolas Dutot, *Réflexions Politiques sur les Finances, et le Commerce*, vol. 2 (La Haye: Frères V. & N. Prevost, 1754), 353.

25. Antoin E. Murphy, “Introduction,” in *Du Tot: Histoire Du Système de John Law (1716–20)* (Paris: Institut national d’études démographiques, 2000), xi–lxxviii, lxvi.

26. Murphy, “Introduction,” lxvi.

27. *Ibid.*, lxxviii.

28. Jean-François Melon, *Essai sur le commerce*, préface de Francine Markovits (Caen: Presses universitaires de Caen, 2014), 317.

dragged the value of the new currency down with it. It reached its nadir by November 1720, when the stocks became worthless, leaving specie as the only remaining financial instrument of real value.²⁹

Montesquieu's Response to Law's System: A New Mode of Despotism

Early contemporaries of Montesquieu, such as Law, Du Tot, and Melon, eagerly committed themselves to entirely monetizing Europe's domestic economies. Yet Montesquieu remained sceptical about the merits of Law's System, which prioritized economic efficiency over delicate social and political considerations. The System produced a new form of despotism akin to that of Louis XIV's,³⁰ and its failure shone a spotlight over the incompetence of the Crown and made citizens even more irreverent towards public authority. Both the public's perception of elite corruption and the government's fiscal and monetary mismanagement left France in economic, social, and political turmoil.³¹

According to Céline Spector, debates that emerged between Montesquieu and the parlements on the one side, and Law and his supporters on the other, reflected two competing visions of society.³² Law and his followers promoted a system that centralized power and increased the rights of the sovereign, while forging conditions of equality among citizens. Montesquieu and the parlements' most vociferous critics of the System favoured social inequalities and hierarchical stratifications over an equal but *enervated* citizenry. More specifically, they preferred that sovereign power remain diffuse and reliant on the mediating powers of the parlements.³³ Yet, both Law and Montesquieu held that their competing political and economic visions promoted a spirit of political moderation, although their bases differed, as the following discussion explains.

In *The Spirit of the Laws*, Montesquieu writes:

29. *Ibid.*, 383.

30. Cheney, *Revolutionary Commerce*, 54.

31. *Ibid.*, 2.

32. Quoted in Walsh, "A Cultural Numismatics," 147.

33. *Ibid.*, 147.

Mr. Law, equally ignorant of the republican and of the monarchical constitutions, was one of the greatest promoters of despotism that had until then been seen in Europe. Besides the changes he made, which were so abrupt, so unusual, and so unheard of, he wanted to remove the intermediate ranks and abolish the political bodies; he was dissolving the monarchy by his chimerical repayments and seemed to want to buy back the constitution itself.³⁴

Montesquieu describes Law’s despotism with greater rhetorical flourish in letter 142 of the *Persian Letters*, where he recounts the myth of the Son of Aeolus. Trained by his father in the art of capturing wind, Aeolus’s son (Law) headed for Betica, (France), where “gold glittered everywhere,” to persuade its citizens to exchange their gold and silver for his invisible commodity. He advises them to “rise, and if [they] have creditors, go and pay them with this imaginary treasure, then bid them imagine in their turn.”³⁵ When the people hesitate and choose to hoard their gold instead, he says to them, “I swear by my sacred buckets, that if [you] do not bring it to me, I will punish [you] severely.”³⁶ In fact, state authorities prosecuted Law’s dissenters, and threatened shopkeepers who refused to keep pace with the higher rate of inflation that resulted from the forced conversion. Law deemed any citizen who subverted his currency conversion scheme an enemy of the state.³⁷ He thus justified the state’s despotic power, arguing that it suppressed particular interests that subverted the public interest.³⁸ Moreover, Law held that Court capitalism produced a spirit of moderation in the prince that counterbalanced his despotic power. By contrast, in a decentralized system, where power is dispersed between the Crown, parlements, and private bankers, particular interests pull the state in different directions. He explained that in the French context the parlements were too weak to moderate “la puissance suprême” of the prince,

34. Montesquieu, *The Spirit of the Laws*, trans. and ed. Anne M. Cohler, Basia Carolyn Miller, and Harold Samuel Stone (Cambridge; New York: Cambridge University Press, 1989), 19.

35. Montesquieu, *Persian Letters: The Complete Works of M. De Montesquieu*, vol. 3 (London, 1777), 455, 456.

36. *Ibid.*, 457.

37. As Law writes in “Idée générale du nouveau Système des finances,” “tout homme qui ... empesche le gain qui proviendroit de leur circulation est un mauvais citoyen, et qu’en ces cas, un souverain peut les obliger d’en donner l’usage à l’État” (John Law, *Œuvres*, 92).

38. Kaiser, *Money*, 17.

even with their fully restored right of remonstrance,³⁹ whereas if politics and commerce were combined, the Crown's interests would converge with the people's interests.⁴⁰ In sum, for Law, Court capitalism unites all individual interests with the interests of the prince and produces a tempered, friendly despotism over the people.

Jean-François Melon's *Political Essay upon Commerce* (1734) offers a qualified defence of Law's System. Melon states that although the System destroyed "annuitant families" and disturbed the social and political order, it nonetheless increased French commerce dramatically.⁴¹ Law's scheme re-established public credit and eliminated usury. Money circulated to provinces that suffered most during Louis XIV's reign, and French merchant ships sailing to the Americas doubled.⁴² He writes, "[w]e may also see, that as a Bank under prudent Regulations and Management, is a great means of multiplying the common Measure of Commerce, it is of great Use to have one established in every trading Country."⁴³ Melon held that in the first half of his mandate, Law managed the state finances with moderation and skill, in contrast to previous administrators, whose immoderation and incompetence led France through a series of bankruptcies and destroyed its public credit. According to Melon, the Crown turned despotic at the same time Law nationalized the Banque Générale, changing its name to the "Banque Royale" in 1718.⁴⁴

Melon holds that to maintain free moderate government the legislator must accept some of the people's prejudices. He states, "[a] proper Deference ought to be paid to the general Opinion and Clamours of Persons, who are best acquainted with the Grievances they complain of, or apprehend; for too great a Neglect in such a Case, may introduce Panicks, and Mischiefs which no subsequent Care, may be able to

39. John Law, "Idée générale du nouveau Système des finances," in *Œuvres*, 86.

40. "Quand il n'y a qu'un seul intérêt, un seul crédit, une seule puissance dans un Royaume étendu, fécond, bien situé et bien peuplé, tout marche par le mesme ressort; l'intérêt commun devient l'intérêt de chacun en particulier; l'intérêt du chef est inséparable de celui des membres et l'un ne peut subsister sans l'autre" (*ibid.*, 80).

41. Melon, *Political Essay*, 112. It should be noted that the India Company would later compensate most families for their financial losses resulting from the stock market crash.

42. *Ibid.*, 112.

43. *Ibid.*, 274.

44. *Ibid.*, 273.

remove, or remedy.”⁴⁵ While Montesquieu shares Melon’s conviction that moderation is premised on the legislator’s ability to distinguish between governing by law and by custom, the former expresses reservations about whether this temper would prevail without proper institutional checks on his power.⁴⁶ He writes, “[b]y a misfortune attached to the human condition, *great men who are moderate are rare*; and, as it is always easier to follow one’s strength than to check it, perhaps in the class of superior people, it is easier to find extremely virtuous people than extremely wise men.”⁴⁷ Montesquieu had the opportunity to meet Law in Venice seven years following the System’s collapse. He observed that despite Law’s captious nature, the Scottish gambler loved his ideas more than money.⁴⁸ It was not Law’s self-interested love of gain, but his unchecked authority that tempted him to immoderately impose his vision on France, riding roughshod over its customary institutions and practices.

Moreover, Montesquieu held that Law’s assault on the existing social and institutional order in place nudged France towards forms of equality that threatened its political liberty. In *The Spirit of the Laws*, he explains that even republics, animated by the principle of equality, needed hierarchical stratifications, and he praises both Solon and Tullius, whose reforms injected a spirit of aristocracy in Athens and Rome—the two paragons of classical republican government. He writes, “[i]n the popular state, the people are divided into certain classes. Great legislators have distinguished themselves by the way they have made this division, *and upon it the duration and prosperity of democracies have always depended*.”⁴⁹ Montesquieu is less concerned with socioeconomic equality than with preserving a spirit of equality where citizens accept being ruled and judged by their peers. He feared that in the absence of intermediary bodies, a spirit of irreverence would grow among citizens, who would refuse to accept the rule of superiors holding public offices and would prefer to rule for themselves in all

45. *Ibid.*, 30–31.

46. Montesquieu writes, the “spirit of moderation should be that of the legislator” (*Spirit*, 602).

47. *Ibid.*, 595 (emphasis added).

48. Montesquieu, *Œuvres complètes*, ed. Roger Caillois (Paris: Gallimard, 1949–51), 1007.

49. Montesquieu, *Spirit*, 12 (emphasis added).

matters. Under such conditions, civic institutions lose their gravitas, and the people become corrupt once “the restraint of commanding will be as tiresome as that of obeying had been.”⁵⁰ As people lose their appetite for self-rule and their liberty becomes too burdensome, “[a] single tyrant rises up,” and restores order through his despotic rule.⁵¹ Indeed, France was not a republic, but its perceived financial mismanagement and administrative incompetence produced a spirit of *extreme* equality among its subjects, which further ripened the conditions for despotism.

Law’s System equally threatened to produce a spirit of *base* equality among citizens, grounded on the unmitigated pursuit of luxury. Here, Montesquieu warns that political liberty depended on greater passions than those that motivate distinction through ornamentation alone. In Letter 89 of *The Persian Letters* Montesquieu writes, “[a] thirst after glory is not different from instinct, which every creature hath for its own preservation.”⁵² It could be moulded in myriad ways, since “imagination and education mould it a thousand ways.”⁵³ This malleability provides the basis for Montesquieu’s qualified defence of the nobility in his later writings. The institution maintained a higher sense of honour that motivated leading citizens to courageously challenge sovereign authority and sacrifice themselves for the common good, while concomitantly inspiring a spirit of moderation in commercial society, where laws alone cannot produce an innate sense of self-restraint. He points to the noblesse de robe whose bourgeois roots, education, and civic honour,⁵⁴ made it best equipped to prevent France’s political liberty from being sacrificed for the sake of economic expediency. Yet, Louis XIV’s consolidation of power, and later John Law’s System, weakened the parlements and existentially threatened the intermediary bodies requisite for preserving liberty. Montesquieu was under no illusions. Clearly, power had already been centralized, and France’s intermediary political bodies lost much of their influence while retaining a number of their privileges. He observed that modern finance, which predated Law’s System, opened new avenues for the

50. *Ibid.*, 112.

51. *Ibid.*, 113.

52. Montesquieu, *Persian Letters*, 355.

53. *Ibid.*

54. *Ibid.*, 5.

Crown to circumvent the natural restraints of intermediary powers in monarchical government, thus nudging France towards a spirit of base equality that corresponded more with despotic than republican regimes.

The Case of England and the South Sea Bubble

It may seem curious to Montesquieu’s interpreters that on one hand he lauds England’s monetary regime and conspicuously demurs from engaging in polarizing debates over England’s South Sea crisis, while on the other he labels John Law “the greatest promoter of despotism” for importing an idealized version of English finance to France.⁵⁵ Considering Montesquieu’s anxieties over the fate of England’s intermediary bodies, one would presume greater concern about its existing commercial and monetary regime.⁵⁶ The following historical and textual considerations may help explain this meaningful ambiguity in his political writings.

The South Sea Bubble generated a great deal of scathing satire and propaganda throughout England that continued well after it burst. However, the subsequent financial crisis had a negligible impact on England’s economy. Overseas trade persisted as usual, the excise tax—a principal source of English revenue—remained unchanged throughout the crisis, individual bankruptcy rates held steady, and social mobility remained constant after the South Sea shares plummeted.⁵⁷ By contrast, across the Channel Law’s policies directly undermined the economic lifeline of France’s aristocracy, whose wealth historically relied on consistent interest-bearing government debt-

55. Montesquieu, *Spirit*, 19. After witnessing Law’s early success, France’s European neighbours established their own equivalent joint-stock companies. As Mississippi shares began to decline, investors quickly moved their capital to other countries that offered similar investment products. England’s South Sea company was one of the short-term beneficiaries. However, its stock bubble burst almost immediately after the Mississippi’s collapse. Cf. Murphy, *John Law*, 265.

56. “In order to favor liberty, the English have removed all the intermediary powers that formed their monarchy. They are quite right to preserve that liberty; if they were to lose it, they would be one of the most enslaved people on earth” (Montesquieu, *Spirit*, 18–19).

57. Julian Hoppit, “The Myths of the South Sea Bubble,” *Transactions of the Royal Historical Society*, sixth series, vol. 12 (Cambridge: Cambridge University Press, 2002): 141–65, 153.

holdings and tax-farming operations. For Montesquieu, such concerns would not have factored into his considerations on England, because from his perspective, its aristocracy had already been economically and politically undermined well before the financial revolution.

Interestingly, Montesquieu's letter to William Domville, a year following the publication of *The Spirit of the Laws*, articulates Montesquieu's overall confidence in England's prospects, in spite of its weakened nobility. He writes, "[t]here could not be middling people, as with you, nor a spirit of liberty, as with you."⁵⁸ England's virtue lies with its lower bodies, which are least corrupted. The people "have more virtue than those who represent them."⁵⁹ It is not only England's representative government that ensures its freedom, since its boroughs and frequent elections are often mired in widespread corruption. Rather, Montesquieu held that England's *commercial spirit* was a principal source of its strength. As Donald Desserud explains, for Montesquieu, commercial self-interest "produces citizens who consider and deliberate...over matters" in which they have a "passionate concern."⁶⁰ In a sense, commercial self-interest inadvertently confers civic learning. It fuels an already existing internal dissension among a vigilant but educated class, which had gradually supplanted the titled nobility's role as the main bulwark against despotism. As Montesquieu writes, England "does not cease to be encumbered because [its commerce has made it] difficult to put a veil over it."⁶¹ These "middling people" can sniff out any machinations immediately. England is therefore unique insofar as political and economic crises reinvigorate rather than weaken the principles that animate its commercially-infused civic body. The politics of the South Sea Bubble exemplify England's civic culture. The conversion scheme invited parliamentary resistance from the outset,⁶² and following the stock's failure, England's vigilant and relatively free press successfully called for vengeance

58. Montesquieu, *My Thoughts (Mes Pensées)*, ed. and trans. Henry C. Clark (Indianapolis: Liberty Fund, 2012), 595.

59. *Ibid.*, 593.

60. Donald A. Desserud, "Virtue, Commerce and Moderation in the 'Tale of the Troglodytes': Montesquieu's *Persian Letters*," *History of Political Thought* 12.4 (Winter 1991): 605–26, 624.

61. Montesquieu, *Pensées*, 594.

62. For instance, Member of Parliament Archibald Hutcheson consistently opposed the South Sea Company's attempts to emulate Law's debt conversion

against corrupt stockjobbers and company directors,⁶³ both of whom were deemed responsible for precipitating the crisis.

In Book 14.12 of *The Spirit of the Laws* Montesquieu discusses geographical factors that shaped his view of England’s unique political culture. He states that the island nation’s miserable climate made its people “carry the repugnance for all things to include that of life.”⁶⁴ Under such conditions, a government that promotes individualism and independence is most appropriate, since one “could not be allowed to blame any one person for causing their sorrows.”⁶⁵ England’s harsh climate produces an impatience among its citizens and a fickleness, “which makes one undertake things without purpose and abandon them likewise.”⁶⁶ It is this restlessness that helps preserve English liberty, because it makes people vigilant, naturally more resistant to power, and thus “apt to frustrate the projects of tyranny.”⁶⁷ The existing political and civil laws in England accommodate a temper made intelligible by its climate. Therefore, its intermediary bodies do not require the same degree of gravitas as they do in more temperate climates such as France, where one finds less impatient and fickle inhabitants. In Montesquieu’s view, such conditions demand *both* commercial and non-commercial sources of civic restraint.

Finally, Montesquieu’s economic pluralism may explain his diverging positions on England and France. Catherine Larrère recently argued that his famous distinction between “economic commerce” and “commerce of luxury” in Book Twenty of *The Spirit of the Laws* directly responds to those proponents of Law’s System who presumed that commerce could be theorized independently of political considerations.⁶⁸

scheme between 1717–20. See, Archibald Hutcheson, *A Collection of Treatises Relating to the National Debts & Funds* (London, 1721).

63. Most famously, Trenchard and Gordon published a series of essays in the *London Journal* calling for vengeance against the stockjobbers and company directors responsible for the South Sea Bubble. Thomas Gordon and John Trenchard, *Cato’s Letters or Essays on Liberty, Civil and Religious, and Other Important Subjects*, vol. 1. ed. Ronald Hamowy (Indianapolis: Liberty Fund, 1995), see letters 1–7.

64. Montesquieu, *Spirit*, 242.

65. *Ibid.*

66. *Ibid.*, 242.

67. *Ibid.*, 243.

68. Catherine Larrère, “Montesquieu économiste? Une lecture paradoxale,” in *Montesquieu en 2005: Studies on Voltaire and the Eighteenth Century*, ed. Catherine Volpilhac-Auger (Oxford: Voltaire Foundation, 2005), 243–66, 260.

Here, Montesquieu states that monarchies are better suited for engaging in luxury-based commerce, because their “principal object is to procure for the nation engaging in it all that serves its arrogance, its delights and its fancies.”⁶⁹ He nonetheless warns monarchies against forming “great commercial enterprises.”⁷⁰ In “government by one alone” such institutions could become a source of despotic power, as Law’s System demonstrates. Therefore, in monarchical France, commercial and political interests must always remain separate, even with the parlements’ political powers fully restored.⁷¹ In England, power is diffused among many, where a vigilant representative parliamentary body checks the affairs of government and economic actors. Its constitution—which he famously describes as a republic that “hides under the form of monarchy”⁷²—in fact favours large enterprises like the South Sea Company.

To recap, Montesquieu’s responsiveness to England and France’s distinct political cultures reflects his divergent views on questions concerning new modes of finance and the role of the nobility in commercial society. More broadly, he shows that multiple constitutional mixtures could successfully harmonize political and commercial ends. Interestingly, their shortcomings may oftentimes be sources of strength if examined within their own unique political circumstances.

Concluding Remarks

In *The Old Regime and the Revolution*, Alexis de Tocqueville writes, “Let it be borne in mind that France was the only country in which the feudal system had preserved its injurious and irritating characteristics, while it had lost all those which were beneficial or useful.”⁷³ The Crown’s assault on the nobility since the early days of the Ancien Régime, and its failed economic policies that culminated in John Law’s levelling scheme, systematically debased the nobility socially and politically. By the turn of the eighteenth century, commoners associ-

69. Montesquieu, *Spirit*, 340.

70. *Ibid.*, 340.

71. *Ibid.*, 340.

72. *Ibid.*, 70.

73. Alexis de Tocqueville, *The Old Regime and the Revolution*, trans. and ed. John Bonner (New York: Harper & Brothers, 1856), 246.

ated France’s political and economic elites with poor fiscal and monetary management, special privileges, and tax exemptions, while they shouldered most of France’s economic burdens. The nobility’s diminished role no longer justified the special status it continued to enjoy throughout the seventeenth and eighteenth centuries. By contrast, although England underwent similar transformations during this period, Tocqueville held that a harmonious spirit of inequality persisted as commoners there recognized the social, economic, and political utility of the upper classes, and they therefore tolerated the nobility’s special privileges. Whereas English commoners still believed their relationship with the nobility corresponded with a natural order of things, France found itself situated on the tip of providence’s arrow of history, where increasingly its people believed that all human beings were equal in a moral sense. Tocqueville nonetheless held that democratization affected all nations, distinguished only by the manner in which they jettisoned their feudal structures. He writes, “[h]ad [the French Revolution] never taken place, the old edifice would nonetheless have fallen, though it would have given way piecemeal instead of breaking down with a crash.”⁷⁴

Montesquieu’s acerbic reaction to Law’s System reveals his overall awareness that France was following a trajectory of equality and centralization that dangerously headed towards a crash. Yet his attempt to reconcile France’s feudal vestiges with the exigencies of modern commerce shows that he would have opposed the Tocquevillian arc of history. Instead he suggests the possibility of an alternative direction, accompanied by a genuine form of liberty that retains the salutary effects of commerce—that is, only if legislators rein in the elements of modern commerce that undermine political justice. Here, Montesquieu separates himself from French Enlightenment counterparts, such as Melon, Du Tot, and Voltaire, who reconcile their respective notions of economic and literary liberty with a friendlier form of political despotism.⁷⁵ More specifically, Montesquieu’s political vision imagines the possibility of moderate government that on one hand steers clear of a friendly despotism reliant on positive law to maintain order and on the other safeguards against pathological

74. *Ibid.*, 36.

75. *Ibid.*, 192.

forms of equality characteristic of modern commercial society. John Law's policies may have resolved France's economic challenges in the short-term, but in Montesquieu's view, they threatened its political and individual liberty. Correspondingly, he sought to preserve France's delicate social and institutional arrangements, to safeguard against the excesses associated with new forms of high finance.