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# RICHARD CANTILLON, FINANCIER TO AMSTERDAM, JULY TO NOVEMBER 1720<sup>1</sup>

THE success of economic historians who have attempted a complete biography of Richard Cantillon has been limited by a major obstacle, summarised by Anita Fage: “Cela prouve une fois de plus la volonté d’anonymat qui animait Richard CANTILLON.”<sup>2</sup>

Despite the work of Higgs and Hone,<sup>3</sup> based on English archival records, there are still large gaps in our knowledge about Cantillon’s life. For example, Higgs mentions that Cantillon’s signature on one of the archival letters appears to be the only autographic relic known.<sup>4</sup> No new material about Cantillon’s life has come to light since these earlier investigations.

The material presented in this article is drawn mainly from the Archives of the City of Amsterdam, so far untapped. Part of a larger potential in need of interpretation, it will fill in some of the *lacunae* in Cantillon’s life. It concerns the very short but economically important period of July to November 1720, associated in economic history with the rise and fall of “Bubble Projects.”

## I

This paper deals with Richard Cantillon’s role in the events of 1719–20. For a proper frame of reference, it will be useful to recall briefly the highlights of the period, well documented and analysed by economic historians.

The dominant economic event of the period was the rise and fall of John Law’s career in France, concurrent with the rise and decline of his Mississippi project, which was intended to restore the financial health of bankrupt France. However, the mercantilistic-feudal economy of France, strictly regulated, was in no way prepared for radical financial innovations. Law’s project created a speculative frenzy in Paris which eventually spread to

<sup>1</sup> The writer wishes to express his thanks and appreciation to Dr. Simon Hart of the Amsterdamsche Gemeente Archief for his generous support. His permission to consult the books of the Amsterdamsche Wisselbank, his expert advice and his active interest in the project have made this paper possible. A debt of gratitude is owed to Mr. de Waal, librarian of the Europa Institute, for introducing me to Dr. Hart. I also wish to thank Mr. C. H. Slechte, librarian of the Economische-Historische Seminar, University of Amsterdam, for valuable information and help on technical points, as well as making accessible rare documents of the period. Any errors in the paper are due to the shortcomings of the writer.

<sup>2</sup> Anita Fage, “La vie et l’œuvre de Richard Cantillon, (1697–1734),” in *Richard Cantillon, Essai sur la Nature du Commerce en Général* (Institut National d’Etudes Demographiques, 1952), p. xxix.

<sup>3</sup> Henry Higgs, “Life and Work of Richard Cantillon,” *ECONOMIC JOURNAL*, Vol. I, London, June, 1891, pp. 262–91; Joseph Hone, “A Note on Cantillon,” *ECONOMIC JOURNAL*, Vol. LIV, April, London, 1944, pp. 96–100.

<sup>4</sup> Higgs, *op. cit.*, p. 290.

Amsterdam and London, the major financial centres of western Europe of the time. Psychological preparation and movements of financial capital spawned similar projects in Holland and England. Their rapid failure gave to these years the well-known name "The Bubble Period."

Period documents and later research leave the question open whether the speculative fever which seized in turn Paris, London and Amsterdam, was due to excess financial capital without sufficient investment outlets, or to unfamiliarity with new credit forms which seemed capable of making everyone rich without any other effort than selling and buying paper promises on the exchanges. Whatever the reasons may have been in the minds of speculators, the Amsterdam notarial archives reveal a fantastic actuality—during August and the beginning of September 1720 literally thousands of *procuraties* (powers-of-attorney) were signed for buying of English South Sea Stock and stock in other English and Dutch companies. (See also below, p. 817.) In November, the archives contain practically nothing but bill-of-exchange protests, signifying an almost complete collapse of credit. Except for the prior "tulip craze," the 1720 speculative fever was the first major instance of an exchange bull-market in modern, pre-industrial Europe. The course of events in 1720 is quite comparable to the stock speculation of the 1920s and led to approximately similar results, a credit collapse and depression.

Amsterdam was the main continental financial centre during these years. Its reputation rested on the solidity of the *Amsterdamsche Wissel Bank* (A.W.B.), and of private banking houses of European repute, such as Andries Pels & Zoonen and George Clifford & Co. Since according to city ordinance all bills had to go through the books of the A.W.B., these books reflect at least partially the movements of capital that took place.<sup>1</sup> They reflect the influence of capital flight from Paris as well as speculation in English and Dutch ventures. However, the A.W.B. books reflect only a fraction of all transactions because a large amount of exchange speculation was done in cash, supplied by the A.W.B. through private banking houses. For example, the 1720 records show that George Clifford & Co. withdrew from the A.W.B. on September 4, 1720, f 97,042 banco and on September 5, f 660,600 banco, both in specie, altogether slightly over  $\frac{3}{4}$  million guilders in specie.<sup>2</sup> Without doubt, the cash was used in the exchange markets.

It must be emphasised that the A.W.B. was not a bank in today's sense. It created paper deposits for the Dutch East India Company only on a very moderate scale, nor did the A.W.B. act as lender of last resort. Founded in 1609 after the pattern of the Bank of Venice (Rialto Bank) by the Amsterdam city fathers to restore monetary order, the A.W.B. acted primarily as cashier

<sup>1</sup> For global figures on deposit liabilities and reserves of the A.W.B., see Dr. J. G. van Dillen, *Bronnen tot de Geschiedenis der Wisselbanken*, 2 Vols. (s'Gravenhage, Martinus Nijhoff, 1925), pp. 964-5 and p. 968.

<sup>2</sup> Gemeente Archief, Amsterdam, *AWB, Grootboek 1720*, p. 29, and *Register 158, Part 3*, p. 2541, Account George Clifford & Co.

and clearing house to the Amsterdam financial community.<sup>1</sup> Deposits were guaranteed against seizure and theft by the city and book transfers were made free of charge till 1683. (After 1683, one stuyver was charged for account keeping, and after 1715, two stuyvers.) In 1683, the A.W.B. received the privilege of lending on specie deposits, a recognition of a long-standing practice which changed the character of the bank in no way. The new privilege merely strengthened a position the bank had already acquired during the 17th century: main trader and supplier of specie metal in the United Provinces. Now the A.W.B. became also a European centre of gold and silver trade, a position which it retained well into the 18th century.

Owing to the special position of the A.W.B. during the bubble period, the bank became a financial haven for people who distrusted paper money, for those shrewd or lucky enough to realise their profits at the top of the market and a convenient transfer vehicle for speculators who financed their operations through bill-of-exchange issues against share collateral. Large amounts of specie flowed to and through Amsterdam during this period. Specie flowed out of the bank during the first half of 1720 in response to Dutch and English bubble investment. Specie returned in a huge wave in the autumn of 1720. In 1721, the A.W.B. recorded an all-time high of 2,918 depositors, together with the highest deposit liability recorded up to that time. Clearly, the A.W.B. served as a major depository for short-term funds, "hot money" not considered safe elsewhere. The specie inventories of the bank show this movement quite clearly. A shower of (mainly) French gold and silver descended on the A.W.B. which, incidentally, did not throw such a "golden" opportunity away and bought much gold for its own account on which it realised for several years handsome profits.<sup>2</sup> Where does Richard Cantillon fit into this general picture?

## II

Cantillon mistrusted Law's project from the very beginning. At the age of 22, Cantillon clearly had an exceptionally well-developed sense for finance and credit. It must have been superior to that of his uncle of the same name who, at his death, left an insolvent bank which was reorganised by Cantillon in 1720, probably out of the profits realised from the Law speculation. Cantillon, in paying his uncle's liabilities, claimed that he wanted to save the good name of the deceased. In the light of later events it would seem to be more realistic to assume that Cantillon was mainly interested in saving the bank which would serve him as a convenient vehicle for future business.

<sup>1</sup> Cantillon had a keen appreciation of the functions of the A.W.B., see *Essai*, Third Part, Chapter VII. For a detailed discussion of this point, see W. C. Mees, *Proeve einer Geschiedenis van het Bankwezen in Nederland gedurende den Tijd der Republiek* (Rotterdam: W. Messchert, 1838), pp. 126–56.

<sup>2</sup> Dillen, *op. cit.*, pp. 888–91.

During the Paris speculative wave, Cantillon took a strong "bear" position in an artificial bull market. Although the often-cited story of Law threatening Cantillon with the Bastille may be just gossip, it may well be true that Cantillon yielded to Law's pressure when he left Paris in 1719. He returned in February 1720, formed a limited partnership with one John Hughes and left again, apparently in June 1720. His permanent residence from then on was either Amsterdam or London.<sup>1</sup>

The English records indicate that Cantillon remitted his speculative profits from Paris to Amsterdam and London. The evidence is contained in the claims of the plaintiffs against Cantillon in London, hence circumstantial. Now, further direct proof can be added from the Amsterdam archives. Two bill protests were found which bear the endorsement of Cantillon & Hughes, Paris, to George Clifford & Co. and to Andries Pels & Zoonen, Amsterdam, dated April 19, 1720, and June, respectively.<sup>2</sup> Since non-protested bills leave no notarial documentary traces, we can assume that other remittances took place which will remain beyond proof.

The extent of Cantillon's wealth remains a matter of speculation, but it is now possible to say with certainty that he must have had large funds deposited with these two very exclusive and prominent Amsterdam banking houses, or, alternatively, that he enjoyed exceptional credit. Cantillon withdrew on balance between July and November from these two banks f 172,000 more than he paid in. (See Appendix.)

On July 2, 1720, a new A.W.B. account was opened for Richard Cantillon by a transfer in banco of f 100,000 from Andries Pels & Zoonen. The account was entered at the end of the fiscal half-year of the A.W.B., apparently with some haste. The name index to the depositors' register (Klapper) shows the name of the new depositor added below the regular depositors in a different handwriting. The account was entered at the bottom of page 377 in Register 157, First Part, covering transactions from February to July 1720.

On the following day the account was debited with f 10 for credit to the *Nieuwe Kerk* (New Church), a usual entry for new accounts, and a transfer of f 90,000 to George Clifford & Co., leaving an end balance of f 9,990. For the following discussion it is important to know that third-party transactions were rarely indicated on the A.W.B. registers. The book-keepers recorded solely the name, page and amount of the transferor's order, stating only in exceptional cases, probably at the request of the transferor, on whose behalf the payment was made. In other words, a credit to Cantillon's account from Andries Pels & Zoonen may represent the payment of a third party settling a bill-of-exchange. Therefore, account debits and credits

<sup>1</sup> Fage, *op. cit.*, p. xxxii.

<sup>2</sup> Gemeente Archief, Amsterdam, Notarial Archives, No. 7987, pp. 245, 247. Attempts were made to locate the private bankers' books covering this period. No trace of the Pels' books could be found, even though Mr. Slechte tried to locate them at The Hague and elsewhere. The Clifford archives contain no records dated earlier than 1740, due to war damage.

cannot be keyed. Only three entries concerning Cantillon were found which indicated third party orders.

The A.W.B. closed during the semi-annual reconciliation period (end of July and February, respectively). The book-keepers made up a *Balance Book*, taking the balances by page from the Registers. Depositors were required to bring to the bank a statement of their account balance. The officers of the bank compared the amounts. If the entered balances agreed with the records of the depositors, each balance was initialed and marked “*accoord.*” Only then could a depositor dispose of his balance in the next book-keeping period.

Cantillon’s balance is marked “*accoord*” in the Balance Book for the period ending July 1720. Since the reconciliation involved a personal action by the depositor, it may be inferred that Cantillon already lived in Amsterdam, or had employees who were taking care of his affairs.

A.W.B. book-keepers usually assigned to depositors the same book page at the opening of a new Register. However, Cantillon’s account appears in the next Register 158, covering August 1720 to February 1721, on page 39, at the bottom of the page. Only a small space was given to the account, probably based on previous activity. However, the account became so active during the period that the book-keepers first transferred the debits to the credit side, and then transferred the account to page 571 on September 13, 1720, where it remained alone for the remainder of the period. The book-keeper headed the new account page 571 Richard *Chantillon*, scratching out the “h” afterwards. Higgs mentions several times that there existed apparently some confusion about the proper spelling of the name. Two more instances were found of mis-spelling “Cantillon,” although there can be no doubt that the same person was meant, Richard Cantillon.

The question whether the A.W.B. account really belonged to the author of the *Essai*, or some other person of the same name, cannot be settled by referring to the account itself. More conclusive proof requires other evidence, for example a document which ties Cantillon directly to Amsterdam and the account. Fortunately, the *Amsterdamsche Gemeente Archief* contains in its extensive records several documents which support the assumption that the A.W.B. depositor and the author of the *Essai* are indeed the same person.

Given the contractual customs of the Low Countries, it can be assumed that Cantillon, if in Amsterdam and engaged in business, must have at least once signed a contract or similar document before a notary. Indeed, the notarial archives contain a *procuratie* (power-of-attorney), dated September 14, 1720, which bears Cantillon’s signature.<sup>1</sup> Since the document states

<sup>1</sup> Gemeente Archief, Amsterdam, Notarial Archives, No. 7990, p. 335. The signature was compared with the reproduction of Cantillon’s signature which appears in Higgs’ original article. There is complete correspondence.

that Richard Cantillon appeared personally before the notary, Cantillon's presence in Amsterdam at that date is proven conclusively.

The power-of-attorney authorises a Henry Warren (instead of a Thomas Hill, whose name is struck out), to go to Utrecht and subscribe in Cantillon's name f 15,000 worth of shares in the Utrecht Company of Commerce.<sup>1</sup> The document is remarkable not only for providing us with another specimen of Cantillon's signature, but also for its content. Most Amsterdam notaries had working arrangements with specialised agents who acted for share buyers in London or elsewhere. For example, for South Sea Co. subscriptions the names of Sir John Lambert and George Bolwerk appear frequently. One Pieter Smit acted as agent for dozens of Amsterdam investors in the above-named Utrecht company; Jean Pierre Ricard acted for a similar company in Hoorn. Cantillon's *procuratie* authorises a person who is not one of the regular agents. A further unusual feature of the document is the insertion of an additional sentence, committing Cantillon to furnish the stipulated sum at the dates set for paying the share instalments. Since the effect of the sentence was full assumption of responsibility for payment by Cantillon, it must be assumed that the person empowered to act for him was one of his employees.

Another notarial document of a later date furnishes further proof of Cantillon's residence in Amsterdam during September 1720. This is a declaration, dated September 4, 1722, in which a Louis Felix describes a meeting on September 24, 1720, between Richard Cantillon [*sic*], himself acting as agent for a Pierre Huguetau, and the broker Daniel Dias de Pas at the not further specified apartment of Cantillon to finalise a stock buying contract for South Sea Co. shares. The meeting was stormy, Cantillon throwing the draft contract at the feet of his visitors, who had to leave without accomplishing their mission.<sup>2</sup>

Additional proof of Cantillon's presence and activities in Amsterdam was found in the voluminous bill protests which fill the notarial archives for November 1720. Five protests were found that bear the endorsements of Cantillon & Hughes, Richard Cantillon, and Philip Cantillon, the nephew of Richard Cantillon.

Taking the protests in dated order, on October 22 the notary de Marolles protests on behalf of Andries Pels & Zoonen a London bill drawn on Henry Reinhardt, Amsterdam. The bill was endorsed by Richard Cantillon to Andries Pels & Zoonen. On November 8 the same notary, acting again

<sup>1</sup> The Utrecht lists of stock subscribers do not contain either Cantillon's or Warren's name. Mr. Slechte was kind enough to contact the Utrecht archives and ascertain this fact. It is the opinion of Mr. Slechte, based on his extensive expertise in this field, that the Utrecht lists were over-subscribed and Cantillon's bid was probably rejected.

<sup>2</sup> This document was brought to my attention by Dr. Simon Hart, who had found it during his own researches into the 1720 crisis. The declaration has the archival number 8085, p. 182, Notarial Archives, Gemeente Archief, Amsterdam. The content of the declaration provides a good example of the manner in which stock speculation was carried on at the time, but a full explanation of the circumstances would lead beyond the scope of this paper.

for Pels, protested two bills drawn in Paris on the Amsterdam merchant William Pease. These bills bear endorsements by François Loftus (a former partner of Cantillon) to Richard Cantillon, the latter endorsing “*sans garantie!*” (William Pease was a heavy bubble speculator who went bankrupt in 1723.)<sup>1</sup>

On the same day, November 8, the notary Adrian Baars, acting on behalf of Richard Cantillon, protested a London bill drawn on the Amsterdam firm of Isaac and William Kops. The bill was endorsed to Cantillon by the Amsterdam banking house of Isaac Clifford & Carel C. van der Putte. On November 14 the same notary, acting again for Cantillon, protested a Paris bill drawn on the Amsterdam firm of van de Walle en van Alphen. This bill is endorsed to Richard Cantillon by Cantillon & Hughes.<sup>2</sup> Since the archives contain only copies of the actual bills, it is impossible to decide in this case whether Cantillon acted on behalf of his firm. This protest is important because the drawee appears as payor on Cantillon's A.W.B. account, thus establishing a factual link between the account and Richard Cantillon.

Another protest was found, drawn by de Marolles for Pels against William Pease, which bears the endorsement of Philip Cantillon. This would suggest that Cantillon's nephew resided also in Amsterdam and participated in his uncle's business.<sup>3</sup>

Additionally, two protested Lille bills on Jean Tourton, Amsterdam carry the endorsement of Cantillon & Hughes, dated August 2, 1720, to the order of George Clifford & Co.<sup>4</sup>

The evidence from the notarial archives supports fully the original assumption that the A.W.B. account belonged to Richard Cantillon, author of the *Essai*. The evidence establishes further that Cantillon had regular financial connections to the main banking houses in Amsterdam, who were recipients of funds remitted from Paris. Cantillon's physical presence is firmly established for September 1720. It may be assumed tentatively that Cantillon had left Amsterdam by November 1720, judging by the bill protests of notary Baars. No firm date for Cantillon's arrival in Amsterdam could be established, although the original July A.W.B. transfer would suggest an arrival date of late July.

### III

An analysis of Cantillon's financial activities is complicated by two facts, already alluded to above: first, a mere reading and presentation of the A.W.B. account provides very few answers as to the underlying nature of the transactions; second, Cantillon transacted business in cash.

<sup>1</sup> Gemeente Archief, Amsterdam, Notarial Archives, No. 7990, pp. 240 and 371.

<sup>2</sup> Gemeente Archief, Amsterdam, Notarial Archives, No. 8795, no page no.

<sup>3</sup> *Ibid.*, No. 7990, p. 282.

<sup>4</sup> *Ibid.*, No. 7990, p. 386.



For the purpose of establishing some pattern of activity the account was re-written to reflect monthly entries and balances. However, this listing of names and figures would not be sufficient to explain what kind of transactions Cantillon financed, either directly or indirectly. Therefore, it became necessary to determine as far as possible the identity and business of as many of the names which appear in the A.W.B. account as available sources would permit.

The monthly analysis (see Appendix) shows a rather remarkable pattern of receipts and expenditures for the half-year July–November 1720. The following discussion will show that the account entries reflect quite faithfully the rise and decline of the Amsterdam bull market, even though many entries in the account suggest that Cantillon did not concentrate his transactions exclusively in stock speculation.

July records merely one major transaction, a transfer of funds between the two banks in which Cantillon clearly was a depositor. The payment to George Clifford & Co. may represent a remittance to London, it may also represent a deliberate addition to working funds to meet the anticipated demands during August. The August transactions support the latter assumption.

After this initial entry, the account remains inactive till the middle of August. On the 14th, the fairly respectable sum of f 250,000 is transferred in banco from George Clifford & Co., the only credit for the month. Against a total credit balance of f 259,990 are entered debits totalling f 181,420:2. (The two stuyvers represent the book-keeping charge of the A.W.B.)

The August debits are divided among nine recipients. Three amounts attract immediate attention because they are very similar. They are: f 21,360 to Elias Gabay Henriques, f 21,300 to Robert & John Jackson, and f 21,300 to Le Comte Flohr. As Groeneveld shows, subscriptions to the company in Hoorn were made in initial amounts of f 20,000.<sup>1</sup> Although in Groeneveld's partial list of subscribers these three names do not appear, the recipients of Cantillon's funds were known as "actionists," *i.e.*, heavy speculators in bubble shares. Their names appear as substantial creditors on share sales in the bankruptcy proceedings against Thomas Perrin,<sup>2</sup> and they are also prominent in the notarial documents as *procuratie* signers for share subscriptions.

The library of the Economische-Historische Seminar of the University of Amsterdam contains a scrapbook, apparently made up by a private person since the title page *Actienhandel in den Jaare 1720* was calligraphed. On pages 33–43 appear two petitions to the City of Amsterdam, asking permission for the foundation of an insurance company similar to the Royal Assurance Company of London. Both petitions are dated July 10, 1720. One is

<sup>1</sup> F. Ph. Groeneveld, *De Economische Crisis van het Jaar 1720*, Ph.D. Dissertation (Groningen-Batavia: P. Nordhoff N.V., 1940), Appendix.

<sup>2</sup> *Op. cit.*, pp. 220–32.

handwritten, apparently a draft of the other, which is printed as a kind of prospectus. The petitions carry the signature of the "foremost merchants of this City," headed by Andries Pels & Zoonen and George Clifford & Co. These other names appear: Robert & John Jacqson [*sic*], Muylman & Meulenaar, Eelbo & Charron, Isaac Boullenger, Andrioly & Co., Mynaert Troyen, William Pease, Jean Fiseaux. An inspection of Cantillon's account shows that all these names appear in his account, either as creditors or debtors.<sup>1</sup> In Groeneveld's above-mentioned list appear Andreoli & Co.: f 20,000; Johann Eelbo: f 20,000; John Archer: f 20,000.

The Amsterdam city fathers had to think of the established interests of the Dutch East and West India Companies and turned this project down. Not all towns in Holland were similarly inhibited. M. J. F. Smith compiled from a contemporary source all the proposals and actual foundings of similar projects in the United Provinces. Altogether 33 projects are listed, including the Amsterdam proposal, of which 30 came to prospectus stage, of which in turn 27 received actual share subscriptions.<sup>2</sup> The first project was a Rotterdam Company with a first subscription during June 1720. All the other companies followed throughout July and August with a share subscription peak around September 5. All projects were patterned after the South Sea Co. and designed to stop the outflow of Dutch capital to England (as was alleged on the above-mentioned Amsterdam prospectus).

Taking into account Cantillon's known aversion to bubble speculation, the three similar debits suggest that Cantillon lent, with interest included in the face amount, funds to other speculators, *i.e.*, continued the business that had proved quite profitable in Paris. Unfortunately, there is no trace of repayment in the account. If Cantillon received repayment, it must have gone to his bankers. This assumption is also supported by the bill protests during November.

Six other August entries remain to be identified. Taking the debits in dated order, the payment to Jan de Bruyn falls apparently into the category of non-speculative investment. According to the catalogue of Amsterdam merchants, the firm of Jan & Jacob de Bruyn was the largest dyestuffs brokerage house in the city.<sup>3</sup> In the *Amsterdamsche Courant* of July 2, 1720, appeared a notice that the firm would sell on the following day 100,000 lbs. of Campechiewood. Although the difference between merchant-broker and speculator became very blurred during the height of the speculative wave, it is not unreasonable to assume that this amount involved Cantillon's participation in a commercial transaction.

The firm Gumpertz & Rytelinger belonged to the Ashkenasic community of Amsterdam, having its main connections with Frankfurt and Vienna.

<sup>1</sup> I am greatly indebted to Mr. Slechte for bringing this important source to my attention.

<sup>2</sup> M. J. F. Smith, *Tijd Affaires in Effecten aan de Amsterdamsche Beurs* (s'Gravenhage: Martinus Nyhoff, 1919), p. 112.

<sup>3</sup> Johan E. Elias, *De Vroedschap van Amsterdam 1578-1795* (Haarlem: Vincent Loosjes, 1903).

The debit of f 34,000 may represent the direct financing of an import transaction, or the discounting of a bill.

Henry Icard could not be identified. Willem Clermond jansz. was a registered broker for the Dutch West India Co. The payment to him and the Dutch West India Co. apparently form one transaction. The transfer to Pels, although of an amount similar to that of the speculators, cannot be classified with certainty since a payment to Cantillon's banker may be for any purpose.

Cantillon carries into September a credit balance of f 78,569:8. It would seem that he had expected a much larger demand on his resources. However, on September 4, Cantillon makes a large payment (f 69,600) to Isaac Franco Mendes, according to Bloom<sup>1</sup> the largest tobacco dealer in Amsterdam at that time. It can be reasonably assumed that Cantillon anticipated the payment, since contracts of that size were subject to negotiation. This payment and the later one to Alvaro Samuel da Costa, a Surinam sugar dealer, suggest that Cantillon invested in commodity transactions. The payment to Jean Fiseaux, a representative of a Lyons bank, may represent a bill discount.

The September transactions raise some questions which remain unanswered. There are the payments from Patrick Darcy, of which the payment for f 700 is reversed by the debit to Eelbo & Charron, as noted in that account to have been made for P. Darcy. On the other hand, Patrick Darcy paid on August 30 to George Clifford & Co. f 32,800 for Richard Cantillon. Altogether, these payments amount to f 61,850, Patrick Darcy being a net creditor for that amount to Cantillon. A power-of-attorney in the notarial archives suggests that Patrick and his brother James Darcy were bankers.<sup>2</sup>

The most puzzling entry in the Cantillon account is represented by the payment to John Archer, for f 20,000. On the first of October, Archer pays the identical sum back, only to receive again the same sum at the end of October, remaining a net debtor on the account for that amount. John Archer was a local merchant who got involved in bubble speculation and finally went bankrupt in 1735. The amount suggests a subscription payment to a Dutch company, but since no interest appears in the transaction on the account, the question remains just what financial transaction was involved here.

In October the payment pattern shifts. Aside from the already mentioned payments to Archer and one to William Pease for f 10,000, all October transactions are bank transfers. It is interesting to note that Cantillon received from Pels f 200,000 in two instalments (f 118,000 + 82,000) within five days, only to repay within the immediately following ten days f 195,896. The payment pattern suggests that the peak of speculative activity had

<sup>1</sup> Herbert I. Bloom, *The Economic Activities of the Jews of Amsterdam in the Seventeenth and Eighteenth Century* (Williamspport, Pa.: The Bayard Press, 1937), p. 62.

<sup>2</sup> Gemeente Archief, Amsterdam, Notarial Archives, No. 8795, no page no.

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passed. The monthly end-balance is the lowest for the whole period. Looked at in the light of the November pattern, the October payments suggest that Cantillon began to collect on outstanding debts and may have already left Amsterdam by the end of October. This conclusion is strongly suggested by the internal evidence of the account and what else we know of Cantillon's business habits. He liked to supervise personally his financial transactions, especially the lending of funds. Since November is one long list of collections, it is reasonable to assume that Cantillon had left for London with orders to collect. This assumption would also be supported by the evidence of the bill protests of the notary Baars.

The November payments pattern can be called a reversal of the August pattern. The extensive credits suggest payments on notes and bills with interest. Names of speculators are frequent: Pereira and Peixotto represented London South Sea Co. interests; Pierre Balguerie is listed by Groeneveld<sup>1</sup> as agent for His Royal Majesty of Sweden. Like the Comte Flohr, who was ambassador of the Duke of Holstein to The Hague,<sup>2</sup> he was a heavy bubble speculator.

Total receipts for the month are f 126,745:19, of which f 72,125 are transferred to Andries Pels & Zoonen, and f 24,000 to George Clifford & Co., a total of f 96,125. The remaining f 24,120 are accounted for by two payments: f 5,820 to Pieter van Schooten, not further identified, and f 18,300 to the firm Jacob Jenes Osorio Weduwe, representing most probably another sugar investment.

Till May 19, 1722, the account remains inactive, except for a penalty of f 25 and a book-keeping charge of 2 stuyvers. On that day, the remaining balance of f 7,951:9 was transferred to George Clifford & Co. and the account closed. The half-yearly balance books covering this period show no "accoord" notation, this being probably the reason for the penalty. (The City Ordinance provided that anyone trying to dispose of his balance without such a notation was subject to a fine of f 25.) It must be concluded that Cantillon had no agent in Amsterdam to effect a reconciliation.

If the net cash flow of the account is considered, some interesting facts emerge. In approximately five months about three-quarters of a million guilders flowed through the account (f 758,391:12 on the debit side, f 766,370:19 on the credit side.). Undoubtedly, cash transactions occurred also, bringing the possible total of all transactions to more than a million guilders for the period, a large sum for the time. The account analysis shows also that Cantillon was a careful manager of resources: the monthly end-balances average out to about f 20,000 with continuously adequate funds in the account. For a short-term visitor to Amsterdam, the financial

<sup>1</sup> *Op. cit.*, p. 67, note 2.

<sup>2</sup> Gemeente Archief, Amsterdam, Notarial Archives No. 6128, p. 104. Le Comte Flohr lived in the Auberge *Tot de erste Bible*, Amsterdam. The bill protest, one of many, shows the Comte as being out of town when a bill was presented.

transactions total must be considered to be extremely substantial, indicating that Cantillon was an important member of the financial community with extensive and well-informed connections.

Did Cantillon act as a “bear” in Amsterdam, as he had done previously in Paris? His involvement with speculation is undoubted, as shown by the account and the several notarial documents referred to above. Groeneveld,<sup>1</sup> in his detailed analysis of the bankruptcy of Thomas Perrin, shows that George Clifford & Co. received f 10,000 for Cantillon [*sic*] in settlement of a speculative debt of f 100,000. However, the available evidence supports the conclusion that Cantillon in Amsterdam was cautious and kept a cool head among the frenzy of speculation. Although there may be more bill protests in the Amsterdam notarial archives which show a direct involvement of Cantillon with bad bills, the total number of examined documents makes this at least doubtful. In order to extract the information given here, about 500 notarial protests were examined on a sample basis, eliminating in the process several hundred additional documents from archives that were clearly not related to speculation and bill-of-exchange transactions. It would seem reasonable to say that Cantillon dealt only in prime paper. Again, this excludes any cash transactions which may have led to losses and never found a documentary expression in notarial files.

#### IV

Cantillon's Paris and Amsterdam experiences during the two years 1719–20 had a decisive influence on the development of his economic theories. Clearly, the young banker had brought with him to Paris a deep distrust of Law's scheme and a keen appreciation of the relations between credit and real production. His immersion in a wave of speculation can only have confirmed and solidified his theoretical preconceptions about the true nature of production and wealth. The first sentence in the *Essai* makes this quite clear. Restating Petty, Cantillon starts his analysis of economic relationships with a clear and simple statement on the basic sources of wealth: “La terre est le source ou la matière d'où l'on tire la richesse; le travail de l'homme est la forme que la produit.”<sup>2</sup> From this simple statement, Cantillon develops a cost-of-production theory which incorporates as an integral part the Malthusian population theory.<sup>3</sup> Yet, despite the clear theoretical bias towards a more developed analysis of production, the first part of the *Essai* does not depart greatly from mercantilistic thinking and remains especially close to that of Petty. The fundamental brilliance of the *Essai* is contained in the second and third part, primarily the latter, in which Cantillon analyses with all the experience and acumen of a banker

<sup>1</sup> *Op. cit.*, p. 228.

<sup>2</sup> *Op. cit.*, p. 1.

<sup>3</sup> See Joseph J. Spengler, “Cantillon, L'Économiste et le Démographe,” *op. cit.*, pp. 1–1xi.

the relation between money and real production. The first chapter of the second part starts with a long and rather involuted paragraph about the relation between production and the necessity to find a *non-corruptible* means of valuation to set all production in motion and distribution. As the reader goes through these two parts of the *Essai* he finds again and again allusions to Cantillon's experiences in France, Holland and England. For example, Cantillon makes a sharp distinction between *argent comptant* (specie) and credit. Also he is quite firm in stating in the second chapter of the second part that the total money necessary for a state to drive its commerce is a determinable quantity which depends on the sum total of transactions and the velocity of the monetary flow. The basic quantity theory of money was quite well known before Cantillon, but in the light of Cantillon's experiences, the statement acquires a deeper meaning. If the money supply is expanded beyond the needs of national production (as happened during the bubble period), the only result will be a readjustment of the balance of payments through the mechanism of rising prices and higher production costs.

As one reads these pages on foreign trade, keeping in mind the life experience of the author, one cannot help but be reminded of another economist whose foreign trade theory became the corner stone of classical economics: David Ricardo.

Without doubt, Cantillon's ideas deeply influenced through various channels the theories of classical economics.<sup>1</sup> However, even after discounting the influence of Cantillon on later theorists, a comparison of Cantillon's and Ricardo's lives must lead to the conclusion that their very similar life experience decisively conditioned their theories. It is probably no accident that the most important contributions of both writers are in the fields of monetary theory and foreign trade. Ricardo established his reputation with a pamphlet on the high price of bullion, showing conclusively that the large issue of paper money by the Bank of England raised the price of specie and thereby was the immediate cause of inflation. Cantillon's most important ideas reside in the monetary and foreign trade part of the *Essai*.

Although, by all accounts, Cantillon was a man of the world, well read and at home with the nobility from which he came, being in many respects that which Ricardo was not, a comparison of their lives reveals so many parallels that one is tempted to speak of reincarnation. Both acquired their wealth at an early age through exchange speculation. Both started their career in adverse circumstances. Both took advantage of politically unsettled circumstances to overcome the initial handicap. Both were successful at an early age, retired early from their financial pursuits after having secured their monetary gains in "real wealth," estates and land. Both dealt during their business career on a day-to-day basis with the uncertainty of excessive credit expansion and witnessed the consequences. Finally, it is

<sup>1</sup> Spengler, *op. cit.*, p. xlvii.

worth noting that both were in opposition to governmental or quasi-governmental policies.

It can therefore be considered hardly remarkable that both economists stress in their theories the "real" aspect of wealth. Spengler reduces Cantillon's model to seven major propositions,<sup>1</sup> showing at the end of his discussion that Ricardo re-introduced into economic thought, by a somewhat similar analysis, Cantillon's theories. It should be added that Cantillon, earlier in time and therefore closer to the practical approach of mercantilistic pamphleteering, was one of the most abstract authors of his day despite the fact that he casts his analysis in practical terms. Ricardo is, of course, well-known as perhaps the most abstract economist of the classical school. The economic biographer can only speculate whether the financier turned theoretician is pre-disposed to abstraction by the formal requirements of contract, the peculiar nature of the universal commodity which buys almost everything, but seems to have no value itself, or whether the writer-banker who deals in the intangibles of future expectations needs to look behind the paper for the reality of production.

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<sup>1</sup> Spengler, *op. cit.*, pp. xlix, lxii.

*Monthly Analysis of Balances, Account Richard Cantillon 1720*

July–November

Date.	Name.	Debit.	Credit.
1720			(guilders)
July 2	Andries Pels & Zoonen		100,000
3	Nieuwe Kerk	10	
	G. Clifford & Co.	90,000	
	Total for month	90,010	100,000
	Balance	9,990	
August	Balance		9,990
	Bookkeeping charge	2	
14	G. Clifford & Co.		250,000
17	Jan de Bruyn	42,840	
	Elias Gabay Henriques	21,360	
	Robert & John Jackson	21,300	
20	Gumpertz & Rytelinger	34,800	
21	Le Comte Flohr	21,300	
24	A. Pels & Zoonen	23,220	10
	Henry Icard	3,900	
29	W. Clermond jansz.	10,200	
	Generale West Indische Co.	2,500	
	Total for month	181,420	259,990
	Balance	78,569	8
September	Balance		78,569
4	Isaac Franco Mendes	69,600	
5	A. Pels & Zoonen		9,875
6	Patrick Darcy		22,600
7	Jean Fiseaux	11,530	
9	Patrick Darcy		6,450
10	Eelbo & Charron	700	for P. Darcy
	John Archer	20,000	
13	Patrick Darcy		700
17	Alvaro Samuel da Costa	1,800	
18	Van Leuven & Tongerlo	1,350	
	Isaac Le Boullenger	840	
	Total for month	105,820	118,194
	Balance	12,374	8
October	Balance		12,374
1	John Archer		20,000
9	A. Pels & Zoonen		118,000
12	William Pease		10,000
14	A. Pels & Zoonen		82,000
15	" " " "	100,000	
16	" " " "	62,771	
18	" " " "	13,125	
19	G. Clifford & Co.	45,000	
23	A. Pels & Zoonen	20,000	
28	G. Clifford & Co.		20,000
29	John Archer	20,000	
	Total for month	260,896	262,374
	Balance	1,478	8

Note: On August 30 Patrick Darcy paid to Clifford & Co. f 32,800 for Cantillon.



*Monthly Analysis of Balances, Account Richard Cantillon 1720 (contd.)*

Date.	Name.	Debit.	Credit.
November	Balance		1,478 8
1	Andreoli & Co.		7,125
	van de Walle & van Alphen		7,208 7
	Mynaert Troyen		1,041 13
	Pierre Balguerie		3,500
	A. Pels & Zoonen		12,838 8
2	Andreoli & Co.		3,000
	Joseph Mesplel		2,500
5	A. Pels & Zoonen		12,838 8
	Jac. Langlois Wed.		1,000
	A. Pels & Zoonen		9,050
	A. Pels & Zoonen		8,391 13
7	Jan de Bryun jansz.		10,400
8	Eelbo & Charron		5,200
	van de Walle & van Alphen		3,000
9	Godefroy Wed. & Godefroy Broeders		225
14	A. Pels & Zoonen	38,800	
15	Abraham de Sam. Pereira		6,000
	Dirk Trip		6,000
16	Pieter van Schooten	5,820	
	Eybendinsel & Zoon		410
	for J. & J. Blond		
18	Jacob Jenes Osorio Wed.	18,300	
19	A. Pels & Zoonen	13,325	
	Muylman & Meulenaar		3,675
	Benoit & Mestre for Nicolaus Mestre		775
20	Abraham de Samuel Pereira		6,900
	Joseph Peixotto		1,087 10
	Pieter P. van Beek		7,080
21	Gerard Prouwels		7,200
22	G. Clifford & Co.	24,000	
	A. Pels & Zoonen	20,000	
28	Joseph Jac. Belmont		300
	Total for month	120,245	128,224 7
	Balance as per A.W.B.	7,979 7	