

Topic Page: [Law, John \(1671 - 1729\)](#)

Summary Article: **Law, John**

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1671–1729, Scottish financier in France, b. Edinburgh. After killing a man in a duel (1694) he fled to Amsterdam, where he studied banking. Returning to Scotland (1700), he proposed to Parliament plans for trade and revenue reforms and published *Money and Trade Considered* (1705). His ideas and a proposal for a national bank were rejected, and Law went to France. The finances of France were in critical condition at the death of King Louis XIV, and Law succeeded in winning the support of the regent, Philippe II, duc d'Orléans, for a scheme that promised to reduce the public debt and stimulate French trade and industry. Law believed that credit and paper money, by encouraging investment, would regenerate the French economy. In 1716 the regent chartered Law's private Banque générale and authorized it to issue paper currency. In 1717, Law acquired the monopoly of commercial privileges in the French colony of Louisiana and organized the Compagnie d'Occident, or Mississippi Company, which was consolidated (1719) with the French East India Company and other organizations as the Compagnie des Indes.

The Banque générale was made the royal bank in 1718, and its issues of notes were guaranteed by the state. Finally (1720), Law, made controller general of finances, merged the huge stock company with the royal bank and took over most of the public debt and the administration of revenue. A rash of speculation swept France. Numerous small investors bought stock, which soared to heights far beyond what could be expected in returns from the exploitation of the colonies (see Mississippi Scheme) and from trade with Asia. The bubble burst suddenly. Well-informed speculators sold their stock at huge profits, setting off a frenzy of selling that ruined thousands of investors. The system collapsed (1720), and Law fled France in disgrace. He died in Venice, where he had supported himself by gambling.

The dizzy speculation caused by Law's system greatly helped to discredit the regency and the idea of a national bank. Although the immediate results of Law's schemes were disastrous, colonial enterprise received a lasting stimulus. His monetary theories have found defenders among later economists.

See biographies by H. M. Hyde (rev. ed. 1969) and J. Gleeson (2000).

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