



Short Communication

'The Bubble' of the South Sea Company in Literature

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Abstract

In this paper an attempt is being made to represent the 'financial crisis' that took place in 1720 in the South Sea House which was mentioned in the literature of those days, and additionally how this crisis set precedence to the use of the term 'Bubble' for any financial crisis thereafter.

Keywords: Bubble, Financial Crisis, South Sea House, and Wealth

Introduction

It may sound farfetched but on deep reflection one may notice that the literature produced in the extinct and extant languages of the world represents the theme of money and wealth almost equal in frequency to those of other themes such as love, justice, kindness, mercy, equality; or enmity, injustice, cruelty, envy, inequality and so on. In fact, one may be encouraged to decipher the theme of money underlying most of the works passed as literary. The themes of the works may be from romance to disability, the objectives of the works may be to inform or to entertain, the intent behind the works may be to earn praise or inflict damage, and the result of the works may be to punish or pardon, the intervention of money and wealth in some way or other at some point of narration and action in most works in literature can be easily spotted. It may be obviously referred to in the work or implied, but it is there. Exaggeration apart, if we cast a cursory glance at the genres of literature, we might find that hardly any genre is bereft with the theme of wealth: be it drama, poetry, fiction, non-fiction or narrative of any type.

Here, an attempt is made to present, out of myriads of causes of financial ruination, a cause known as avarice, and a consequence known as 'financial bubble'. The accumulation of wealth is the compulsion for some, main occupation for some, and pastime for some. Wealth accumulated to meet the ends of life, is not the wealth in the true sense. Rather it is an obligation of existence and a duty of survival and exertion for human continuity. Wealth accumulated to have access to luxury or status or power is the wealth acquired as main occupation. Those who try to acquire such wealth are men of ambition: the inheritors of avarice, though there are exceptions. Wealth acquired just as pastime is the wealth of superfluity. The lure of luxury often ensnares men to make investments in the ventures which promise quick money and riches. The world of stock market has such men as its large clientele, whose explicit desire

is to turn the superfluous money into the unending source of wealth. However, there are some who do not possess anything, and just to meet their ends comfortably they make investments, and it is these people who suffer most when any company or commercial scheme in which they invest meets any trouble in anyway whatsoever.

'The Bubble' in Literature

One of the earliest financial crises or ruinations recorded in literary pieces because of investments in companies or stock markets in today's terminology was the financial crisis of South Sea House which occurred in the early 18th Century.

The poem of Jonathan Swift's 'The Bubble' which was published around 1720, versifies the pain of the people who bought the shares of the South Sea Company whose stock prices collapsed, which ruined them.

Swift delineates this event in the poem entitled 'Bubble'. He opens the poem with the stanza: Ye wise Philosophers explain, What magick makes our Money rise, When dropt into the Southern Main, Or do these Juglers cheat our Eyes?

The poem has 220 verses couched in stanzas. It ends with the stanza: The Nation too too late will find, Computing all their Cost and Trouble, Directors Promises but Wind, South-Sea at best a mighty BUBBLE¹.

Down to this day whenever any financial crisis takes place, and if it might be smelt of some manoeuvre, reference is often made to the incident of the South Sea Bubble.

The term bubble is used when an unprecedented increase takes place in the value of any asset. The term is used figuratively in finance and economics for financial or economic crisis, in a sense that the prices of stocks are like the air in the bubble,

when bubble is inflated too much it can burst at any time. Today the term has become a sophisticated theory in economics.

About the event of the South Sea Bubble, John O'Brien observes, 'The South Sea Bubble is one of the most famous and striking occurrences of eighteenth century Britain, and, as we have seen, it continues to resonate as a precedent for every financial bubble ever since'².

The South Sea Bubble received unprecedented attention in literature as is obvious from the poem of Swift. However, it became major theme of other literary genres also, as O'Brien writes, 'The interpretations of South Sea Bubble that construe it as a form of national madness reached print as soon as the mid-1720s. Eliza Heywood's *Memoirs of a Certain Island, Adjacent to the Kingdom of Utopia*, published in two volumes in 1725-1726, explains the Bubble as a consequence of national infatuation with money that had displayed the desire for romantic love'².

Lee Morrissey in 'The Restoration and Eighteenth Century 1660-1780' presents the entire incident of South Sea Bubble in a very succinct way. He writes: The south sea bubble takes its name from the 1720 collapse of the South Sea Company, which had been created in 1711 to trade in the South Seas, largely to the ports of Spanish Colonies in the New World.... Some of the Company's revenues were to be used to pay down the national debt. The presumption was that England would have success in the war of Spanish Succession, and the South Sea Company would have a monopoly advantage on the Spanish *Asiento* [The permission given by Spanish crown or government to other countries or other people to sell Africans as Slaves to the Spanish Colonies from 16th century to mid-18th century; see Encyclopaedia Britannica] giving it access to slave-trading in Spanish ports. However the war dragged on and the Treaty of Utrecht was not signed until 1713 delaying the Company's operations. In anticipation of future profits, the Company raised money by taking on Government Bonds in exchange for Company stock. Unfortunately, though, the future profits did not materialise.... Convinced that the Company would soon turn the corner, investors lined up to purchase its shares.... Between January and June 1720, the value of South Sea Company stock rose from £ 128 to more than £ 1000. Eventually some started to believe that the Company's future performance could not justify such a valuation, and a few sold. A broad sell-off began, the price collapsed and the bankruptcies followed³.

Financial Ruination

The South Sea Bubble ruined so many lives in England that it received unprecedented attention in the literature of the day. The famous essays that came out in those days known as *Cato's Letters* penned by John Trenchard and Thomas Gordon manifested the resentment of the people who became wretched to the rags from the comforts of contentment. The letter no. 2, Volume 1, entitled 'The fatal Effects of the South-Sea Scheme

and the Necessity of punishing the Directors' and letter no. 3 Volume 1, entitled 'The pestilent Conduct of the South-Sea Directors, with the reasonable Prospects of publick Justice' particularly put forth the proposition, argument and justification of rendering punishment to the directors and stock jobbers of the South Sea House. Therefore, Thomas Gordon in the letter no. 2, Volume 1, advocates the following: 'I would therefore have my countrymen take advantage of the humour that they are in, and make a virtue of their present anger. Let them rouse the bold spirit of a free nation; and shew by all lawful and loyal means, that they who always scorned to be the property of tyrants, will not be the prey of stock-jobbers'⁴.

Despite the entire financial crisis and the destruction that the South Sea Company brought to the people, it survived. Charles Lamb, who was born almost 55 years after that notorious incident of South Sea Bubble had worked in the South Sea House, and wrote an essay on the South Sea House which was published in his celebrated work known as *The Essays of Elia*.

Lamb describes South Sea House in the words, 'This was once a house of trade—a centre of busy interests. The throng of merchants was here—the quick pulse of gain—and here some forms of business are still kept up, though the soul be long since fled. Here are still to be seen stately porticoes; imposing staircases, offices roomy as the state apartments in palaces—deserted, or thinly peopled with a few straggling clerks.... Lamb also refers to the South Sea Bubble as 'that famous BUBBLE'⁵.

Conclusion

The representation of wealth and financial crisis in literature could be found in almost all the literatures of the world from the inception of conscious or unwitting attempts of writings made by story-tellers or poets or chroniclers of legends to the present. However the representation of the stock market in literature must have begun with the South Sea Bubble, at least in English literature. The term 'Bubble' itself became widespread for economic and financial crisis after the incident of the South Sea Bubble. However, there were few other incidents that were recorded in history as financial or economic crisis before the South Sea Bubble took place. One such financial crisis which shocked people was known as 'Tulipmania' which took place in 1637 in Netherlands, wherein the prices of tulip bulbs became extremely high, then these prices suddenly collapsed.

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