



Chartering Capitalism: Organizing Markets, States, and Publics

An Ancient Scheme: The Mississippi Company, Machiavelli, and the Casa di San Giorgio (1407-1720) ^{*} ^{*}This article is part of a broader project. It was presented at seminars at Tulane University (2012), at McGill University (2013), at Duke University (2013), at the University of Utrecht (2014) and at the conference of the Economic History Society in a panel organized by Larry Neal (2014). I wish to thank the colleagues of these institutions for the invitations, the discussions, the criticisms and the support.
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AN ANCIENT SCHEME:
THE MISSISSIPPI COMPANY,
MACHIAVELLI, AND
THE CASA DI SAN GIORGIO
(1407–1720) ☆

Carlo Taviani

ABSTRACT

German legal historians of nineteenth and twentieth centuries defined the main characteristics of the corporations and believed that one renaissance institution, the Casa di San Giorgio at Genoa (1407–1805), was similar to the corporations of later centuries. This paper proposes to reverse this perspective: did the founders of early modern corporations know the financial model of the fifteenth century Casa di San Giorgio?

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The research shows the connection between the model of the Casa di San Giorgio and the Mississippi Company of John Law (1720), the famous financial scheme and bubble. The history of the Casa di San Giorgio was mainly transmitted through a passage of Machiavelli's History of Florence (VIII, 29). The paper offers new biographical evidence that Law had been to Genoa and introduces sources connecting the genesis of Law's scheme for the Mississippi Company in France with the model of the Casa di San Giorgio.

Keywords: Corporation; John Law; Mississippi Company; Casa di San Giorgio; Machiavelli

BACK TO THE MEDITERRANEAN: THE ORIGINS OF THE CORPORATIONS

There is a long tradition of research into the birth of corporations. At the end of the nineteenth century, a number of German scholars theorized that the very earliest corporations were founded in the area of the Mediterranean during the Middle Ages and Renaissance. Some of these scholars were exponents of the *Historische Rechtsschule*: Lehmann (1895), Goldschmidt (1891), Gierke (1868–1913), Fick (1861), and Sieveking (1898). A similar theory enjoyed popularity at the end of the 1960s (Mantran, 1970). Today the members of the German school are not very well known, with the exception of Max Weber. In fact, it was perhaps Weber's overwhelming shadow that obscured their fame. Their approach was characterized by an attention to legal aspects and this enabled them to define a *joint stock principle*, that is, a set of legal characteristics by which an institution is recognized as a joint stock company. These scholars identified this set of features by examining the English East India Company (1600–1874) and the Dutch East India Company (or VOC, 1602–1800). They then compared these characteristics to those found in earlier institutions. Lehman, Goldschmidt, Fick, and Gierke focused in particular on the Casa di San Giorgio (1407–1805), which had performed the functions of a central bank and holder of public debt (Gialdroni, 2011). They found a close resemblance between the Casa di San Giorgio and some of the most important financial institutions of the early modern period: the Bank of England (1694) and John Law's Mississippi Company (1720), as well as the English and Dutch East Indies companies (Fick, 1861, p. 42; Goldschmidt, 1891, p. 291; Lehmann, 1895, pp. 4–22; Sieveking, 1898). But it was

precisely because they had derived their idea of a corporation from the early seventeenth-century examples that they concluded, in spite of these resemblances, that the Casa di San Giorgio was not a joint-stock company in the strict sense of the term. This view was also shared by Heinrich Sieveking who had begun studying the Casa di San Giorgio for his doctoral dissertation under the supervision of Max Weber in 1897. Sieveking's aim was to determine whether the Casa di San Giorgio qualified as a joint-stock company and the inevitable conclusion he reached, in line with that of his teachers, was that while it resembled later institutions, the Casa di San Giorgio was not, strictly speaking, a corporation (Sieveking, 1898, p. 187).

The characteristics we use to define a corporation today have evolved out of legal history, in other words, from a set of laws that were codified over time. Today such characteristics are embodied in terms like entity shielding (Hansmann, Kraakman, & Squire, 2005, 2006), capital lock-in, and tradable shares. The legal process that has formed our contemporary notion of the corporation dates back to the nineteenth century. But what came before that concerns more than just legal history. Several recent studies have warned of the risk of using a purely legal approach. Gelderblom, de Jong, and Jonker (2014) studying the "formative years" of the Dutch East India Company came to the conclusion that the VOC had acquired its legal features only gradually over time and that this process of adaptation took place for economic reasons. VOC's organization has changed because of economic needs. "Legal form followed economic function, and not the other way around" (Gelderblom et al., 2014, p. 1073). Thus the "driving force" that mutated VOC's structure was economics not law. The VOC was not a product of a legal model.

Compared to studies like this, that prefer a historical approach, the work of German legal historians of late 19th century begins to look rather anachronistic. In fact, as early as the twentieth century several scholars had become aware of the inherent anachronism involved in the German legal historians' searching for the origins of the stock company. Schmitthoff (1939, p. 79) defined the attitude of his German colleagues on the origin of corporations as a "post factum conclusion." Despite their problems, the studies of the German 19th century legal historians! did have the merit of bringing northern and southern Europe close together and linking the Middle Ages and the Renaissance with the high finance of northern Europe in the seventeenth century.

This paper is part of a larger project looking at the fortune of the model of the Casa di San Giorgio on early modern corporations, such as the VOC and the Bank of England. It aims to demonstrate the value of the questions posed by the German legal historians of late 19th century, if not their final conclusions. When resemblances are perceived to exist between financial

institutions we are justified in wondering whether knowledge of the older institutions was still circulating at the time the later ones were founded.¹ I demonstrate here that the model of the Casa di San Giorgio was familiar to the founders of several financial institutions. I shall look at a single case study, the connection between the foundation of John Law's Mississippi Company (1720) and his familiarity with the model of the Casa di San Giorgio. I show that the economist John Law, author of one of the early modern period's most important plans to transform public debt, was acquainted with the history and functioning of the Casa di San Giorgio and that this information about the Casa di San Giorgio aided Law in the implementation of his own plans.

The paper is divided into two sections. The first is a brief look at the characteristics of the Casa di San Giorgio and how it attained celebrity. The second deals with the historiography on the origins of John Law's Mississippi Company; it offers new biographical evidence that Law had been to Genoa and introduces sources connecting the genesis of Law's plans for the Mississippi Company with the model of the Casa di San Giorgio.

THE CASA DI SAN GIORGIO AND THE FORTUNE OF ITS MODEL

The commune was the main political institution in Genoa. It exercised sovereign power in the city of Genoa and in the Liguria, the region that extended along the coast from northern Tuscany to Monaco (nowadays the Principality of Monaco). The Casa di San Giorgio – or simply San Giorgio – was founded in 1407 when the commune's various debts were consolidated. In Genoa at the time, different consortia of creditors existed that held claims on the city's public debts. The term used to define each of these consortia was a *compera*. Over time, nearly all the Genoese *compere* converged into San Giorgio. The creditors of the *compere* that flowed into San Giorgio became its administrators. In exchange for the money that they had provided – and continued to provide – to the commune of Genoa, they were granted the revenues from indirect taxes, the *gabelle*. In some periods (from 1408 to 1444 and from 1530 to 1805) San Giorgio also performed the function of a bank, the largest in Genoa (Assini, 1995). And between 1446 and 1562 it acquired possession of some of the city's territories. The commune yielded these lands to San Giorgio, in some cases because it lacked the money to administer these lands and in other cases to settle specific debts to San Giorgio. By 1562,

San Giorgio's territories included Corsica, some parts of Liguria and Tuscany (Ventimiglia, Pieve di Teco, Levanto, la Lunigiana), the city of Famagusta in Cyprus, and Genoa's possessions on the Black Sea. San Giorgio exercised territorial power in Kaffa (today Feodosia), Soldaia (today Sudak), and Cembalo (today Balaklava, a part of Sebastopol) in the Crimea and Samastri (Amasra, today in Turkey). Gozia, Vosporo (Kerch), Copa (Slavjanskna Kubani in Russia), Savastopoli (Sukhumi, in the Republic of Abkhazia/Georgia), Trebizond (Trabzon in Turkey), Sinope (Sinop, in Turkey), and Tana (Azov, on the Sea of Azov) were all used as trading posts by San Giorgio. Together, these were the most extensive possessions of the Genoese, vaster than those of the city itself. San Giorgio ruled over them with the maximal territorial authority (*plena iurisdictio and ius gladii*), exercising the right of life and death over its subjects. For this reason some fifteenth-century observers began to view San Giorgio as a territorial power and not just a financial one. They wrote that there were two kingdoms based in Genoa, the commune and San Giorgio (Taviani, 2011, p. 294).

In the early sixteenth century, Niccolò Machiavelli wrote a memorable passage in his *Istorie fiorentine* in which he discussed San Giorgio. This passage increased the visibility of San Giorgio model for centuries. Though the passage is well known, its meaning has never been made entirely clear. Here I will only discuss those portions that influenced later tradition and were used in the context of John Law's financial schemes.

Machiavelli explains that San Giorgio was founded because the commune of Genoa needed money and did not know how it would pay its creditors. Those who had lent the commune money united together and formed San Giorgio, which in the space of a few years acquired control over Genoa's customs revenues and, subsequently, several territories that the commune had pledged as security. Machiavelli considered this acquisition of territory as the high point in San Giorgio's power. Machiavelli maintained that San Giorgio had gained control over most of Genoa's lands and subject cities, that it defended them and ruled over them, sending out its own rectors every year so that the city didn't have to bother about them. This situation led to a shift in the citizens' affections away from the commune of Genoa itself to San Giorgio "on account of the tyranny of the former, and the excellent regulations adopted by the latter." Machiavelli also added that this brought with it changes to the commune which often found itself under the control of a particular faction, the Adorno or the Fregoso, or foreign domination by the Milanese or the French. It wasn't San Giorgio that kept changing its government, but the commune. In Machiavelli's view this was,

An example truly rare, never found by the philosophers in all the republics they have imagined and seen; to see within the same circle, among the same citizens, liberty and tyranny, civil life and corrupt life, justice and license. (1988, p. 352)

The positive terms (liberty, civil life, and justice) pertained to San Giorgio; the negative terms (tyranny, corruption, and license) to the commune. Machiavelli closes the passage by expressing the hope that San Giorgio would one day conquer all of Genoa, at which point the city would surpass even Venice. Machiavelli's text enjoyed enormous success in Genoa and was much discussed between the sixteenth and seventeenth centuries (Savelli, 1984). What most interested Genoese intellectuals was the fact that he had discerned a division between the two sovereign powers in Genoa, the commune and San Giorgio. This state of affairs threatened to weaken political power and, above all, led to the perception that Genoa was a weak power because it was divided. The fate of Machiavelli's text outside Genoa has never been studied. As I show, a connecting thread links Machiavelli's Genoa to the eighteenth-century schemes of John Law.

THE ORIGINS OF JOHN LAW'S SCHEME

Scotsman John Law is one of the most controversial figures in the history of modern finance. A gambler, theoretical economist, and inventor of financial schemes, he has been hard to pin down by scholars. Indeed, some of his fame is due to the aura of mystery that surrounds his life. In exile from England after having been condemned for murder and escaping prison, Law wandered around many countries. After settling in France in 1714 he came up with one of the most complex schemes in the history of finance that gave rise to one of history's most important and earliest economic bubbles, the Mississippi Bubble. Fleeing to Venice after the bubble burst, Law spent his final years in poverty hiding from his creditors. He died in Venice in 1729. The least known parts of his life revolve around his stay in Genoa between 1708 and 1712 (where his daughter, Marie Catharine, was born in 1710) shortly before Law returned to France. Neal (2012, pp. 33–34) hypothesized that Law helped to finance Scottish-British forces in Spain while he was in Genoa.² Nothing else is known about this period.

In France, Law's financial schemes – for which he is remembered – were implemented in three stages. Between 1716 and 1718 he founded a bank that issued credit notes sold on the market; during the second stage (1717–1719) he founded the Mississippi Company, initially modeled on the

East India Company, and issued shares. In the final phase, the Mississippi Company absorbed the bank's public debt and united the two models (Murphy, 1997, p. 111; Velde, 2014, p. 10). This transfer was the most significant part of the scheme and much about it remains obscured. In particular, it has been unclear whether Law hatched the idea in the years leading up to the scheme or at the very moment it was being put into action.

There is *prima facie* reason to believe that Law may have been influenced by San Giorgio of Genoa. In their essential features, both institutions performed the functions of a bank, both held state debt and both morphed into a financial organization with territorial powers. While the Mississippi Company didn't last long enough to exercise the same kind of power over territories as San Giorgio, its operations were more than just commercial but territorial and administrative. Above all, both institutions transformed public resources into private resources. In Genoa this occurred through a gradual process of handing over the State's (the city of Genoa's) taxes, privileges, and territories to the *corporation* (San Giorgio); in France this occurred through a *debt equity* operation, through converting state credit notes into shares of the Mississippi Company.

The first mention I have found in the scholarly literature regarding the similarities between the Genoese model and Law's scheme was written in 1862 by legal scholar Heinrich Fick, professor in Zurich. Fick referred to John Law as a "student" of William Paterson, the founder of the Bank of England. He claimed that Law had introduced a note-issuing bank in France based on the example of Genoa, that is, Casa di San Giorgio. He goes on to show how through a series of transformations, between 1716 and 1720, Law's schemes had replicated San Giorgio.

Law's replica of the Bank of Saint George was first started in the modest vest of an *Accomandita*-joint stock company with the title Law & Company; only on 4 December 1718 it became a corporation under the name Banque Royale; and finally, on 22 February 1720, it was merged with the ominous Mississippi company. (Fick, 1861, p. 42)³

To my knowledge, Fick was the first among his colleagues to discern a link not only between San Giorgio and Law's schemes but also between San Giorgio and some of the leading financial institutions of the early modern period, such as the Bank of England. In the twentieth century other scholars saw a connection between the Genoese model and Law's schemes, though it is likely they hadn't read the works of the German legal historians, not to mention those of Fick. Antoin Murphy, author of one of Law's most recent and extensive biographies, writes that Law had taken as his inspiration the model of San Giorgio (Murphy, 1997, p. 43).

Unfortunately, this assertion is no more than speculation and we have no reference backing the claim. I submit that Murphy may have based his hypothesis on the notes of scholar Earl Hamilton, preserved in a private archive that Murphy was able to consult (Earl Hamilton, private archives, uncatalogued). Earl Hamilton had researched the price revolution in sixteenth-century Spain and later devoted many decades around the mid-twentieth century to the study of John Law and his schemes. Financed by several wealthy financial institutions in the United States, such as the Rockefeller Foundation, Hamilton conducted research himself or employed others to research for him in numerous European archives. During the years following the war, when Europe was being reconstructed, several professional archivists like Madeleine Jurgens, employee in Paris at the Minutier Central, were busily engaged in doing research for Hamilton. Madeleine Jurgens went so far as to block a research project begun by Ernest Labrousse and Fernand Braudel on John Law. Madeleine Jurgens defended Hamilton's right of *premier consultant* against the French scholars (Earl Hamilton, private archives, uncatalogued).⁴ Hamilton had planned to write a six-volume biography of Law, but after decades of work, he did not publish them. Among the papers Antoine Murphy was able to consult, which are today preserved in a private archive, there is a note that connects Law's scheme with the model of San Giorgio:

Law ... was powerfully influenced by the Compere of Saint George and their Bank of Saint George at Genoa. He had lived, traded and grown up in Genoa in 1708–1712 and had kept a substantial account in the Bank of Saint George ... he was thoroughly familiar with the advances by the Bank to the city of Genoa, the huge indebtedness of the city to the bank, to the farming of taxes by the compere (Earl Hamilton, private archives, uncatalogued)⁵

Hamilton hadn't just theorized about a connection between the Mississippi Company and San Giorgio, he also attempted to track down material in Genoa. Indeed, among Hamilton's papers there are many signs of these attempts as well as some finds he made (Genova, Archivio di Stato di Genova (=ASG), Banco di San Giorgio, Banco secondo di numerato, 4100).⁶ From Hamilton's note, quoted above, we know that John Law had an account at the Bank of San Giorgio (Earl Hamilton papers, private archives, uncatalogued). Most of Law's operations were conducted between 1710 and 1712 and, after he left the city, through Genoese intermediaries between 1716 and 1719. During these three years when he was director of the Banque de Paris, he had commercial dealings with the Durazzo family in Genoa. Previously unknown documents in

Genoa's Archivio Durazzo-Giustiniani provide evidence of their relationship, including original letters of John Law, the Durazzo family's letter-books and account books (Archivio Durazzo-Giustiniani, *archivio Durazzo*, 213, 214, 215, 216).⁷ The relationship was begun by Law and Marcello Durazzo. Upon the death of Marcello in 1717, his sons and heirs, Giacomo, Filippo, and Giuseppe continued the project which involved clearing some woods near Cisterna, an area of the Agro Pontino, south of Rome. The wood deriving from the operation was acquired by a Pisan merchant, Diego Vercassoni, and was supposed to be sent to France and used to build ships for the French navy. The correspondence preserved in Genoa suggests that Law's relations with Durazzo's sons were quite a bit cooler than they had been with the father (Archivio Durazzo-Giustiniani, *Archivio Durazzo*, 215). The letters also clearly indicate that while he was doing business with them in wood, Law was also using intermediaries to make pressure on the Durazzos so that they acquire shares of the Mississippi Company. The Durazzo's regarded this project with suspicion (Archivio Durazzo-Giustiniani, *Archivio Durazzo*, 215). In their dealings with Law the Durazzo brothers employed a network of agents: Cambiaso and Ferrari and Massone and Rapallo in Paris. They were also in touch with Philibert in Lyon, Andrew Pels in Amsterdam, and William Law, John's brother, in London (Archivio Durazzo Giustiniani, *archivio Durazzo*, 137). Another name that recurs in the letters is Benjamin Barband & Sons, owner of a bank in Genoa (Archivio Durazzo-Giustiniani, *archivio Durazzo*, 214).

On November 15, 1711, John Law was in Milan where he conferred power of attorney on the British consul George Henshaw for all his legal affairs in Genoa. From this document we can deduce that Law was living in Milan, at least on that date. Thus, we have information not only about the end of Law's stay in Genoa but also about a second and brief residence. He was living in the parish of *San Giorgio al Pozzo bianco*, near the *Porta Venezia* in Milan. Among the witnesses present at the signing of the proxy were Ippolito de Mari and his brother Gio Battista (ASG, Banco di San Giorgio, Banco secondo di numerato, 4100; new archival reference: 17,14100).⁸ Ippolito de' Mari was Law's agent in Genoa, and his name recurs various times in Law's biography (Neal, 2012). New information about the period leading up to Law's departure from Genoa sheds light on what he knew about San Giorgio. At some point in 1711, Law was in Turin at the court of Vittorio Amedeo II where he sought permission to found a bank (Murphy, 1991; Perrero, 1874). From Milan, Law continued to promote the project through 1712, but the duke ultimately decided not

to approve it (Perrero, 1874, p. 37).⁹ We know, however, that among the records that the ministers of the house of Savoia consulted in those days were two seventeenth-century texts providing detailed descriptions of San Giorgio (*L'Informazione*, 1637; Earl Hamilton, private archives, uncatalogued). These two reports are preserved together in the same area of the archives – not far from Law's schemes. This evidence, combined with his business affairs, accounts at the bank and access to detailed reports on San Giorgio, suggest that Law had a direct knowledge of the financial model provided by San Giorgio.

USING MACHIAVELLI

In addition to the Genoese bank documents and some scholars' hunches (Heinrich Fick first and later Earl Hamilton and Antoine Murphy), there is documentary evidence from literary sources linking Law's schemes with San Giorgio. From 1715 it is possible to show that the model of San Giorgio began to be associated with Law's schemes on the basis of Machiavelli's passage in the *Istorie fiorentine*, reproduced above. The first reference to that text may be found in Law's writings. At the time, Law was submitting his plans to the regent Philip II of Orléans; he produced a series of economic writings on his scheme.¹⁰ The second of these writings, entitled *Premier Mémoire sur les Banques*, listed a series of banks and made special reference to the Banco di San Giorgio of Genoa as being the best bank. For Law the principal characteristic of the San Giorgio was that "la banque [...] est indépendante de l'État, et fait comme une espèce de république séparée" (Law, 1790, p. 199). As we saw, Machiavelli's entire passage was a sort of conceptual construct on the separateness of the two powers, the city and San Giorgio, and Law's expression "fait comme une espèce de république séparée" alluded to this separateness with the difference here that Law was using the vocabulary of the modern period, "république" and not the term *commune* current in Genoa at the time of Machiavelli until 1528.¹¹ We can speculate that Law knew Machiavelli's passage directly or indirectly through other sources. Some years later there appeared another much more explicit reference to Machiavelli, written this time not by Law himself but by someone intending to defend his actions.

In 1720 Daniel Defoe, author of *Robinson Crusoe*, published *Chimera* (1720b), a pamphlet criticizing John Law's system. Defoe's argument is one of the strongest criticisms ever made against public debt, which he defined

as immaterial and virtual. But Defoe's position on British financial systems was not altogether unequivocal. In *Fair Payment No Spunge* (1717), Defoe also described the English public debt system as a chimera. In *The South-Sea Scheme Examin'd* (1720a), he expressed rather more cautious views with regard to the South Sea Company, which had many features in common with Law's schemes and was ultimately subject to a similar speculative bubble. Some scholars have accounted for Defoe's position by the fact that he had himself invested in shares of the South Sea Company (Sherman, 1996, p. 190).¹²

In 1720, just before John Law's speculative bubble burst, another pamphlet appeared entitled: *Some Considerations on the French Settling Colonies on the Mississippi*.¹³ The author argued that Law's schemes were not as some had accused: "Novelties, Dreams, and Chimaera's [sic]." Rather, they asserted the schemes were founded on solid principles, exemplified by past commercial successes, specifically the English East India Company and the Dutch East India Company (Gentleman of America, 1720, p. 8). Though the former were trading corporations, they had been granted special powers by their respective sovereigns. Their putative resemblance to the Mississippi Company had, for example, led the German legal historians of late 19th century to link the three into one historical lineage of the modern corporation. The 1720 pamphlet, however, also made the point that the Indies companies had been modeled on an older project: "It was first set on foot many years since, in the state of Genoa, for the same reasons, and with the same success that is now established in France ... as Machiavel in his history of Florence inform us" (Gentleman of America, 1720, p. 8). The reference is to San Giorgio, in particular to Book VIII, chapter 29 of Machiavelli's *Istorie fiorentine*. Indeed the same paragraph quoted above was translated, in a slightly different form, in its entirety:

A most excellent and rare Thing, says the Historian [*Machiavelli*], never found out by any of the old Philosophers in their imaginary Forms of Government, that in the same state and same People, one might see at once both liberty and Tyranny, justice and Oppression.

The author of the pamphlet used Book VIII, chapter 29 of the *Istorie fiorentine* as a rebuttal to the accusation of the virtual and inconsistent character of credit. In its reference to San Giorgio, Machiavelli's authoritative text provided a historical and therefore empirical foundation against Defoe's accusation that Law's scheme was only virtual. The reference was all the stronger because Machiavelli had written that San Giorgio was

unique and original and that not even the philosophers in their “imagined republics” had been able to conceive of such a form. In the pamphlet, the expression “imagined republics” was rendered more freely into “imaginary forms of Government” and alluded to Defoe’s Chimera. Here Machiavelli in his treatment of San Giorgio became a cogent refutation of the idea that Law’s schemes were irresponsible fancies by showing instead their historical basis. Law had been particularly angered by the accusation that the Mississippi Company was a “chimera” (National Archives, UK, SP 78/165/172, ff. 484–485).¹⁴ Perhaps, he was even involved in the publication of this pamphlet.

The third reference connecting John Law’s schemes with Machiavelli may be found in the most detailed contemporary biography of his life: *The Memoirs, Life and Character of the Great Mr. Law and his brother at Paris* (1720) by W. Gray. Little is known about the biographer. It is possible that W. Gray was a pseudonym since he doesn’t appear in any biographical index, nor is he mentioned anywhere else. However, it is certain that biography contains very specific information and shows a detailed knowledge of John Law’s life. The text was published in 1720, soon before the financial catastrophe of the Mississippi Company and when John Law was still alive. The biography contains a minute description of Law’s schemes and how he set about presenting them at court before Philip II d’Orléans. And yet, where the reader might well expect a report of the dialogue between Law and the Regent on Law’s scheme, we get a detailed paraphrase of the *Istorie Fiorentine* Book VIII, 29.

Machiavell tells you, in his History of Florence, that the Republick of Genoa, after a long and tedious War with the Venetians, finding themselves unable to pay the large Sums of Money they had borrowed of their Subjects, thought it the best and honestest Way to set up a Bank to receive the Revenues of the Government, in which every subject was to have the Government, in which every Subject was to have a Stock to the Value of his particular debt, and a quarterly Dividend in Proportion, of the Gain accruing by that Bank, and this Bank was called the Bank of St. George. (Gray, 1721, p. 20)

The description is very close to complete and goes on to list the characteristics of the San Giorgio asserting that the commune (called “Commonwealth”) was dependent on the bank. Again, the same passage in which Machiavelli compares the city and San Giorgio that appears in *Some Considerations on the French Settling Colonies on the Mississippi* makes an appearance. Indeed the author concludes this section of the book with the quote.

A most excellent and rare thing, says Machiorvel [sic], never found out by any of the Ancients in their several forms of Government, that in the fame State and same people one might see at once both liberty and tyranny, justice and oppression. (Gray, 1721, p. 22)¹⁵

The translation of the quote differs from that in *Some Considerations on the French Settling Colonies on the Mississippi*. However, both texts mention only two of the three pairs of contraries Machiavelli used to describe the opposition between city and San Giorgio: “liberty and tyranny, justice and oppression.” “Civil life and corrupt life” are left out. Perhaps both were copied from the same version.

CONCLUSION

John Law had a direct knowledge of how San Giorgio functioned since he had an account with the Banco di San Giorgio and had business dealings with Genoese citizens through the bank. In 1711, when he was at the court of Amedeo di Savoia proposing to set up a bank some memoranda about San Giorgio were circulating in the court. These documents make it possible to establish a connection between San Giorgio and Law’s schemes on the basis of financial practices. The case of Law resembles that of other financial agents in the early modern period who collected and disseminated practical knowledge. Increasingly numerous studies have shown how commercial and financial knowledge circulated through networks, also thanks to the practical know-how of merchants and bankers (Muchembled, 2007).¹⁶ Goods, financial, literary, and economic models moved together along pathways and it is this diverse set of information we need to look at without trying to classify it into overly narrow categories. Thus, the practical knowledge Law had probably acquired in his business dealings in Genoa was accompanied by a familiarity with Machiavelli’s text, acquired either directly or via other sources. In the writings Law produced during the period he was developing his schemes there is an echo of Machiavelli’s passage about San Giorgio. The passage is also present in the most important contemporary biography of Law signed by the mysterious Gray (1721) as well as in an anonymous pamphlet *Some Considerations in the French Settling Colonies*, which was published in defense of Law’s schemes. Knowledge of San Giorgio’s accounting mechanisms and knowledge of its history, as

transmitted through Machiavelli's passage, both must have contributed to forming John Law's view of San Giorgio.

As we saw, in his writings Law does not quote directly the entire passage of the *Istorie fiorentine* Book VIII, 29, but he summarizes it. In this case, he seems to be attempting to avoid basing his ideas on the authority of Machiavelli. The appearance of the very same passage in a contemporary biography of Law (by Gray) and in the pamphlet (*Some Considerations on the French Settling Colonies on the Mississippi*) serves a different purpose. We do not know the authors of these texts. It is possible that Law was involved in the writing and in the publication of at least one of the two. In contrast to the work publicly authored by Law, they did intend to draw upon the authority of Machiavelli in order to defend Law's schemes. They were — perhaps — a sort of propaganda. In these texts the *Istorie Fiorentine*, Book VIII, chapter 29 is neither cited nor paraphrased in its entirety. Machiavelli had explained that the opposition between the city and San Giorgio was the result of the power of the latter, especially its territorial power. Since the corporation had become like a state, the power of the city of Genoa was split into two parts. Machiavelli resolved this dichotomy by predicting that San Giorgio would one day end up acquiring all of the city's power. This amounts to saying that the division of power was a negative element. It is this concept that is missing from the texts defending John Law. They avoid portraying the Mississippi Company as a second state (the words Law used to describe San Giorgio).

We don't know whether the passage from Machiavelli played a decisive role in the conception of John Law's schemes. Its reemergence at the time of the Mississippi Company's foundation and later when the financial bubble burst, however, suggests that a tradition regarding this specific passage was present in early modern Europe. Whether Machiavelli was the only authority used to defend various financial schemes, or his passage was just an example to follow when founding a company, remains to be determined.

The history of the fortune of San Giorgio's model mediated by Machiavelli suggests that the history of corporations did not just begin from the VOC and the EIC. More than a history of legal patterns established from early seventeenth century, we could study corporations from the point of view of the cultural influences. It seems probable that a legal model of corporation in itself did not exist *ab antiquo*. It was a product of Law's scholars of nineteenth century. A productive avenue of research could be to look at how the knowledge of medieval and renaissance financial institutions influenced later institutions (VOC, EIC, and Bank of England).

NOTES

1. This approach is not too different from that of the New Institutional History, which stresses the importance of traditions and path dependence for development and innovation in the field of economic and financial institutions. See David (1994).

2. The Duke of Argyll (Campbell, 1678–1743) commanded English army in Scotland. He arrived in Genoa May 9, 1711, while Law was probably still there (Earl J. Hamilton Papers, Box 32). They knew each other. I could not find any documents in Genoese archives about possible contacts between Law and Argyll at that time. Perhaps further explorations could confirm this hypothesis. On Argyll, see Murphy (1997, p. 68).

3. “Law’s nachbildung der Bank des Heiligen Georg trat zuerst unter dem bescheidenen gewande einer kommanditen-aktiengesellschaft, unter der firma Law u. Comp. auf, erst am 4 Dec. 1718 wurde sie unter dem titel Banque Royale zur Korporation, um schliesslich am 22 Febr. 1720 mit der verhängnisvollen Mississippi Gesellschaft verschmolzen zu werden,” my translation.

4. Madeleine Jurgens wrote to Hamilton: “... je vous annonce tout de suite que M. Labrousse persiste dans son idée de faire faire des dépouillements et une thèse sur les répercussions économiques du système Law sur la bourgeoisie Parisienne. Il a chargé M. Braudel de vous écrire à ce sujet. Je ne sais encore qui fera la thèse, mais j’ai appris ce matin que les dépouillements avaient commencé, parce que la personne chargée de ces dépouillements avait des difficultés avec la paléographie de 1715. M. Labrousse a obtenu de la Recherche Scientifique des crédits pour faire faire des recherches au Minutier, M. Furet le jeune professeur dont je vous ai déjà parlé et qui fait une thèse sur la bourgeoisie avant la Révolution avait orienté les premiers dépouillements sur les années 1780 et suivantes; or subitement M. Labrousse vient de donner l’ordre de dépouiller les années 1715 et suivantes” (Earl Hamilton, private archives, uncatalogued). It is difficult to know whether Francois Furet was also involved in the project.

5. The italics for the term “compere” are mine. Compere is used as the name of the Casa di San Giorgio, also called La Casa delle Compere di San Giorgio, referring to the acquisition of public debt. See also Rubenstein, Rare Book & Manuscript Library, Duke University, Earl J. Hamilton Papers, Box 32: there is an entire section titled “Law at Genoa” and many cards on the relationships between Law and the Bank of San Giorgio.

6. In the papers of the Banco di San Giorgio in Genoa, a trace remains of Hamilton’s study in a note of his in some of the Bank’s ledgers. See at least ASG, Banco di San Giorgio, Moneta Corrente, Banco II, 1710, C. II (10946), f 253.

7. The original letters of Law are in 136 and 137.

8. The document was discovered by Davide Gambino, who worked with me on a research project on John Law in Genoa funded by the University of Trent (Italy).

9. Law wrote from Milan to the Duke of Savoia on March 12, 1712.

10. Paul Harsin collected in three volumes Law’s oeuvres: see Law (1934). The authorship of some of the memoirs published in volume 3 was contested by Murphy. There is no complete study on Law’s writings. On this subject, see Murphy (1997, pp. 899–13). On Law’s writings of July 1715, see Murphy (1997, p. 124).

11. In 1528 there was an important political reform in Genoa; see Pacini (1990). Until 1528 Genoese sources refer to the main political institution as “commune.” From 1528 we found “repubblica.”

12. Much has been written about Defoe’s position on financial systems and, given Defoe’s importance in the development of the novel; some scholars have even gone so far as to suggest that the virtual character of finance went hand in hand with the birth of the novel. In the view of some scholars, narrative fiction and economic fiction emerged during the same period. It might however be countered that the virtual character of finance was nothing unique to the seventeenth or eighteenth century but was actually more characteristic of Renaissance finance. But here we are concerned with Defoe’s *Chimera* because of the reaction it provoked.

13. Originally attributed to James Smith, its authorship was questioned in the preface to the 1928 edition.

14. Crawford to Craggs, November 29, 1719, p. 484. I wish to thank Stefano Condorelli who found this paper. Crawford wrote that Law was very angry because a journal called the Mississippi Company a Chimera. Craggs added that Law not only wanted to know the title of the libel, but that wanted also to react. Craggs suggested Law not to start a “paper war” (p. 485).

15. Earl Hamilton knew this passage. He took a note in one of his cards (David M. Rubenstein Rare Book & Manuscript Library, Duke University, Earl J. Hamilton Papers, Box 32). He did not evaluate the impact of Machiavelli’s passage on Law’s scheme neither was aware of its propagandistic use.

16. There is a vast bibliography on this subject.

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