

THE SOUTH SEA BUBBLE

THE PROBLEM



Raise taxes

Couldn't pass bills in HoC

Print money

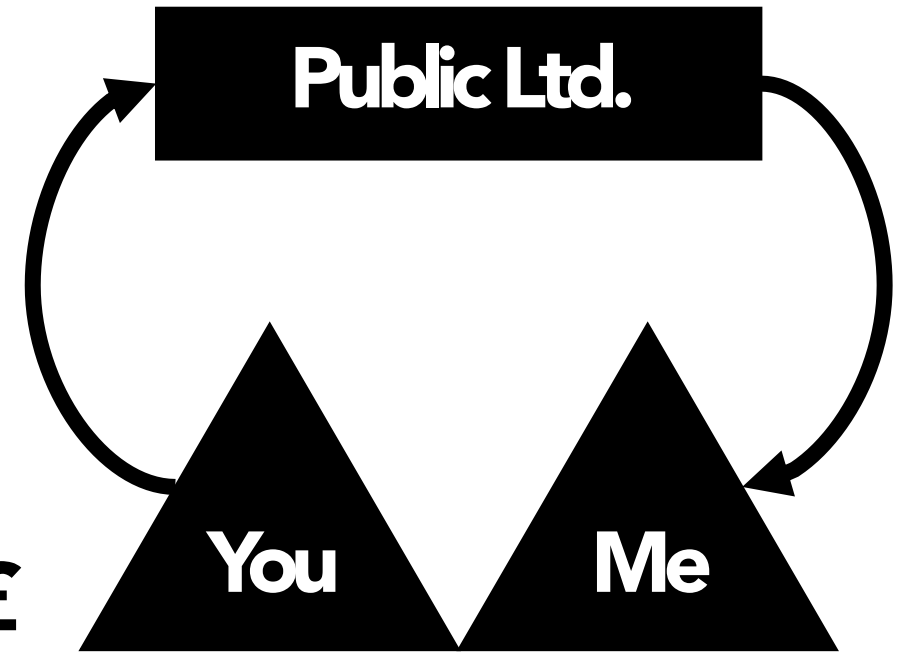
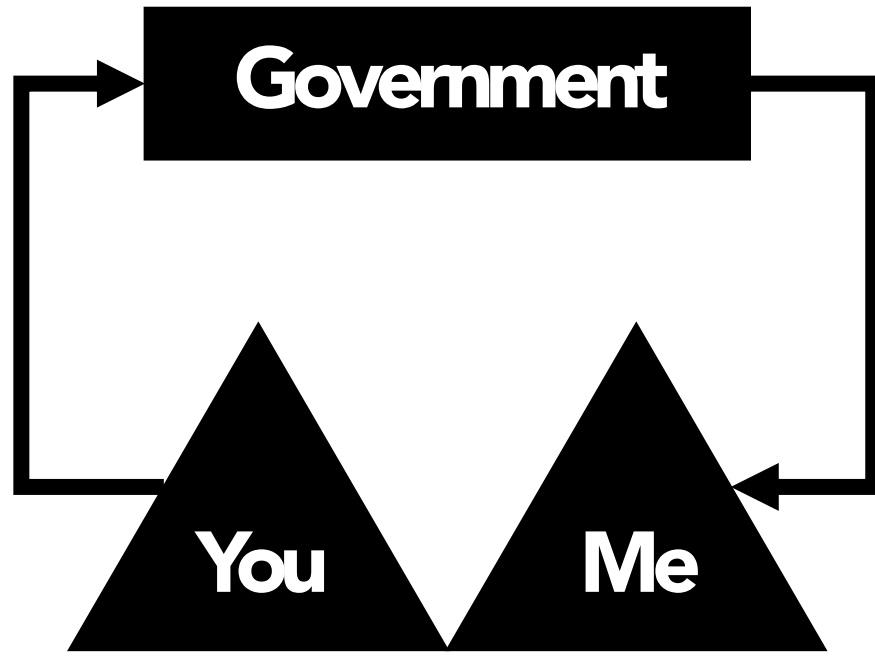
BoE was Whig controlled

Foreign credit

GB was at war with everyone

£5,000

BONDS AND SHARES

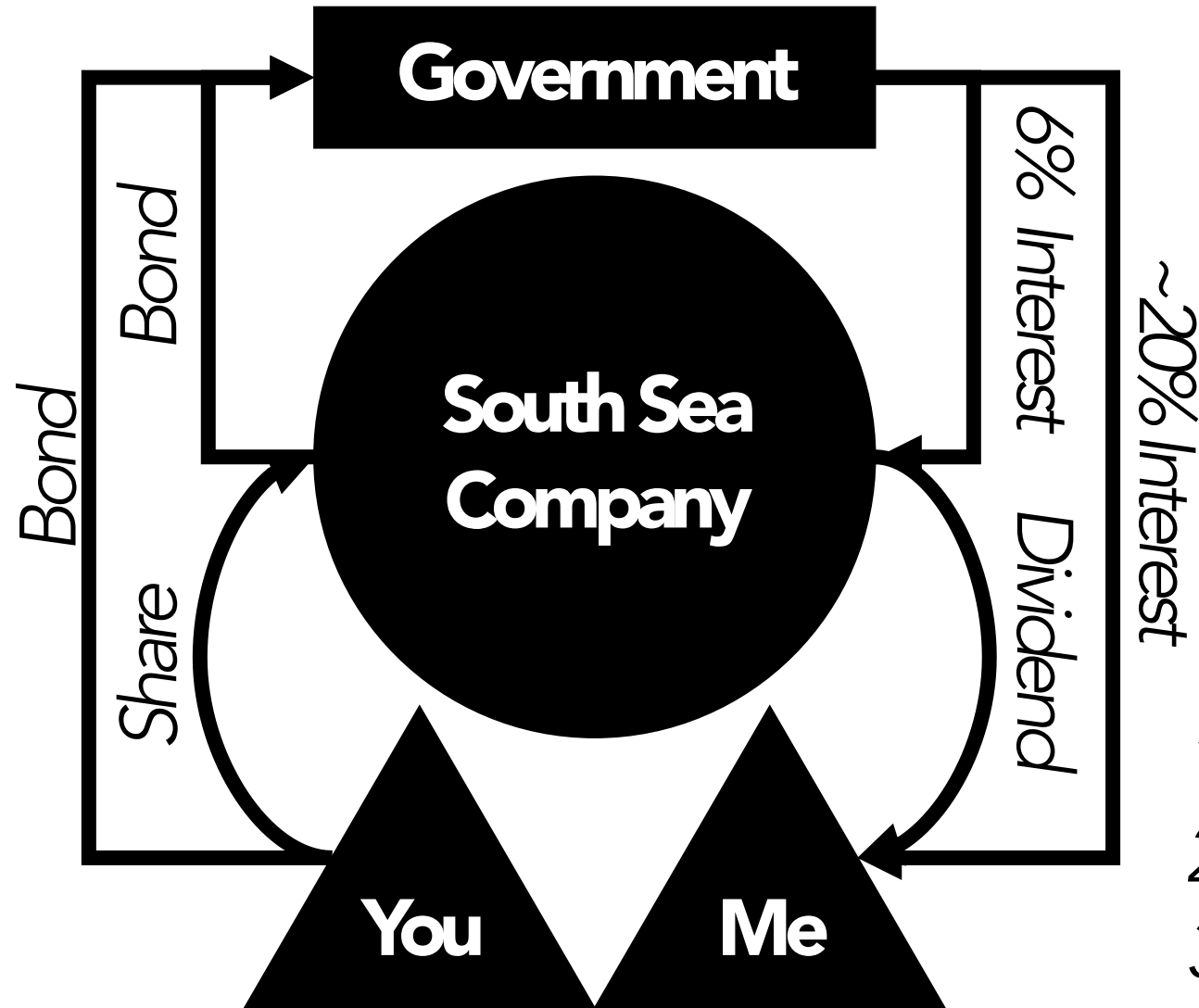


Profit £££

1. You & Me loan Gov. money
2. Gov. pays us regular interest
3. Gov. repays original amount

1. You & Me buy shares in PLC
2. PLC pays us regular dividend
3. We can sell our stake on market

THE SOLUTION



**Value of SSC shares =
Gov. debt collected**

- 😊 Gov. pays lower interest
- 😊 SSC. gets 'free' money
- 😞 You & Me lose out

- 1. You & Me buy Gov. bonds*
- 2. We exchange bonds for SSC shares*
- 3. Gov. pays lower interest to SSC,
which is used to pay dividends*

GB

Spain

Prussia

Austria

Portugal

Dutch

Hungary

France

Bavaria

SSC got a monopoly over the South Sea
SSC hyped up the riches of C&S America
Imprisoned war heroes like Walpole
Flooded HoL with Tory cronies
Made peace under very unfavorable terms
SSC had the right to send one ship a year

1718

George I became governor
of the company

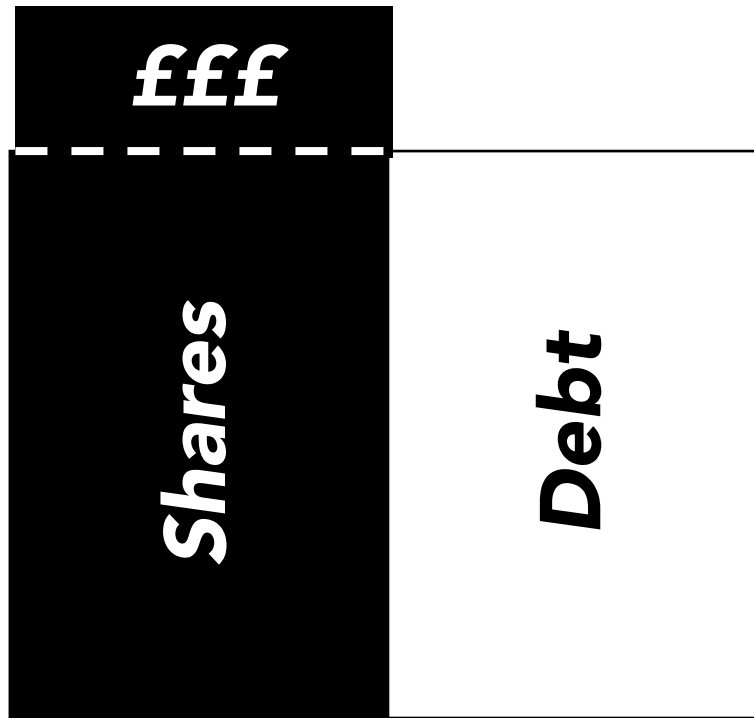
Blunt kicks out Harley as Whigs
retake control of Parliament

Share Price: £100

1719

Jacobite rising defeated and
SSC fuels jubilation

Shares significantly rise for the
first time



Share Price: £114

*Gov. contracts SSC to collect £10,000
worth of bond debt*



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graph TD; A[Gov. contracts SSC to collect £10,000 worth of bond debt] --> B[At the time a SSC share was worth £10. Therefore 1,000 new shares are issued]; B --> C[Afterwards SSC shares rise to £20]; C --> D[Now SSC has to only sell 500 shares to collect the £10,000 of debt]; D --> E[The remaining shares can be sold at a pure profit];
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Therefore 1,000 new shares are issued*

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*Now SSC has to only sell 500 shares to
collect the £10,000 of debt*

*The remaining shares can be sold at a
pure profit*

1720 - January

SSC competes with BoE for the right to consolidate £31m Gov. debt

MPs are bribed with shares

Walpole wanted Gov. to fix a price at which debt could be exchanged

Share Price: £126

1720 - March

SSC proposal is approved by
both chambers

Share Price: **£330**

1720 - April

SSC shares dip for the first time

Blunt offers to sell stock at 20% off face value, with bi-monthly payments to make up the remainder

Share Price: **£310**

1720 - May

SSC proposal is given royal assent



Share Price: **£550**

1720 - June

SSC shares dip again to £480

Blunt decides to use SSC profit to finance loans for people to afford shares

Bubbles Act is passed and most joint ventures are outlawed

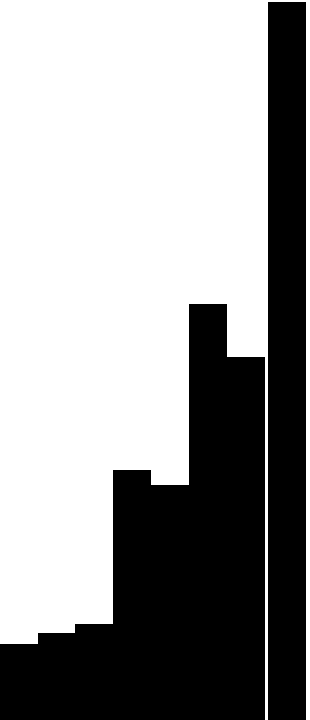


Share Price: £480

1720 - July

Blunt is made a Baron

But... cash reserves where drying up
demand was starting to settle



Share Price: **£950**

1720 - August

Grand sale of shares at £1,000
for only 10% up front and no
regular payments for a year

Blunt held another round of
issuing, offering 30% dividends,
rising to 50% after a year

Share Price: £1000

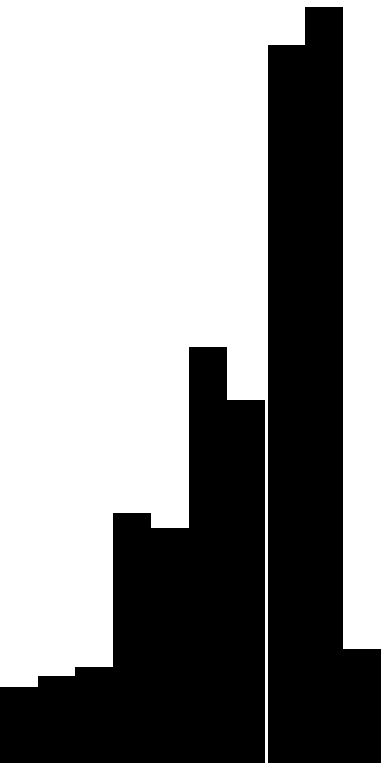
1720 - September

Share price plummeted by 85%
in just three weeks

Bankruptcies and
suicides rose rapidly

Royal family and the
Government where ruined

Share Price: £150



Walpole's To Do List

- Win favor with the public
- Rescue the Royal Family's finances
- Destroy the party leadership
- Save the Whig government

The issue of **Knight**

- Robert Knight had a ledger of all the people the SSC bribed
- Gov. called an inquiry, which left Knight with three choices
- Fled to Brussels, which was controlled by the Austrians.
- Knight was put into custody in Antwerp
- Walpole sent a letter asking for Knight to be handed over
- The Gov. formally demanded the Austrians extradite him
- MPs offered Knight a royal pardon
- MPs went to Antwerp to visit Knight personally
- Knight was moved to an unknown prison
- Eventually Knight was secretly released

Conclusion

- Blunt was the only person who remembered who was bribed
- In exchange for Blunt remained a Baron and was given £5,000
- With his opponents gone Walpole grabbed power
- Knight escaped to France and became a very successful banker
- SSC was bailed out for £4m