all of it run by any unshaved humanitarian in any basement beer joint. . . .

"John found the way," D'Anconia said of Galt. "He stepped to the window and pointed at the skyscrapers of the city. He said that we had to extinguish the lights of the world, and when we would see the lights of New York go out, we would know that our job was done." Galt told D'Anconia that he would have to destroy his father's company. Without copper for wire, the world economy would fall apart. "Just think of the railroads," said another of their conspirators. "They'll reach the stage where no day will pass without a major wreck, and the same will be happening in every other industry, where ever machines are used—the machines which they thought could replace our minds. Plane crashes, oil tank explosions, blast-furnace break-outs, high-tension wire electrocutions, subway cave-ins. . . . When the rails are cut, the city of New York will starve in two days. . . . Their factories will stop, then their furnaces and their radios."

Galt simply quits and sets up a secret alternate economy in a Colorado valley, but D'Anconia explains, years later, why he had to stay at the helm of his Chilean corporation and pretend to be a leader of industry. "The Taggert Transcontinental railroad system was a precision machine, which could not function without you or the presence of a few like you," he told his former fiancée Dagney Taggert. "If you quit, the looters would not be able to run it. But D'Anconia Copper was a simple extraction process which they could have run and looted for many years without me." D'Anconia explained

Famous financial bubbles of the past

Speculative financial bubbles are not sociological or economic phenomena, as their history shows. They have been created by powerful financial shysters, who often themselves reap the profits, while the suckers who have bought into the speculative orgy for the sake of "an easy, quick buck" have often lost everything they had, and often so have nations as a whole.

We shall deal here with three of the most (in)famous: the Tulip Bubble, the South Sea Bubble, and the Mississippi Bubble.

The Tulip Bubble

The first famous bubble of this sort dates from the early 17th century in Holland, and was called the Tulip Bubble. Tulips, which arrived in the Netherlands from Turkey in 1593, became a craze among aristocrats within a few years, and soon an object of speculation. Individuals kept bidding up the price of the bulbs, which, in fact, were never even seen by their purchasers. Buying and selling contracts for tulip bulbs in itself became a major business.

The rate of increase in the price dwarfs that of today's stocks for companies that have never made a profit, or even a product. In 1623, a single Semper August bulb (the most valued variety) sold for $525; by 1625, the price was up to $1,575; by 1633, it hit $2,900; in 1637, three such bulbs sold for $16,000. These prices compared to the average annual Dutch income of $79.

By February 1637, the collapse was on. Thousands of investors were bankrupted, many of them members of the middle class, who lost their life savings.

The Mississippi Bubble

Less than a century later, a similar process took place in both England and France, this time linking the finances of the governments into the speculative bubble, and leading to the devastating collapse of the finances of the entire nation.

The infamous John Law, a Scottish gambler with strong Venetian connections, was the author of the Mississippi Bubble, which succeeded in ruining France in 1720. Law established his Mississippi Company in 1717, after having gained permission to establish a French state bank. The Mississippi Company sold shares to the public on the strength of its representation that the Louisiana territories (along the Mississippi) were on the verge of bringing great wealth to the French nation. A massive publicity campaign painted a picture of Louisiana as a land full of mountains of pure gold, silver, copper, and other riches, and peopled by Indians who were willing to hand over these riches to the French at minimal cost.

No wealth ever appeared in France to validate this publicity, of course, because such riches did not exist. However, the Mississippi Company generated a brisk sale of shares, and kept expanding both their number, and the promises for profit. In order to meet the demand for trade in shares alone, Law sought to, and succeeded in, expanding his access to French revenue flows, including a monopoly over the entire foreign trade of France. The price of shares continued to zoom.

In December 1719, the original share price, which had been 500 livres, had skyrocketted up to 40 times that value, or 20,000 livres. Foreigners streamed into Paris to buy and trade shares, and the wealthy nobility, especially Law's patrons, made millions. Many of them, however, realized that he left Dagney and became a drunken playboy, gambling away millions on every continent, in order to systematically destroy the copper company's global operations in person. Being a playboy "was a part that I had to play, in order not to let them suspect me—while I was destroying D'Anconia Copper in plain sight of the whole world." His final act, after bankrupting the company with his jet-set antics, is to dynamite every copper mine on the planet.

Rand and the British gold standard

The parallel between the 1950s world industry's dependence upon copper wire, and its dependence today upon the money-market operations of the Federal Reserve Bank of the United States, should not go unnoticed. While Greenspan had met Richard Nixon in 1968, as a Randian, he refused to enter government service until 1974, when his former economics professor, then-Fed Chairman Arthur Burns, demanded that Greenspan come to Washington. After Nixon removed the dollar from gold in 1971, inflation was raging out of control, and "in Rand's Saturday evening sessions, inflation was as great a threat to freedom as alcohol was to virginity," as Lewis neatly summarized it. Inflation, as Robert Reich had Greenspan explain in their imaginary dialogue, "hurts bond traders and bank lenders" and is therefore to be expunged even if this creates "high unemployment . . . slow growth and stagnant wages . . . and drastic cuts in federal programs that help working and poor people."

Every dollar in Rand's new world must be backed by gold, as it was in the 19th-century British gold standard, because no man or government is to be trusted to create any paper credit whatsoever. Gold, the Objectivists believe, as a real object ("A is A") in the physical world, is the only true store of value—not the creative mental powers of a human being. Since no Randian does anything except for his own self-interest, every action by an individual must be paid for, if not in gold, then in a currency backed one-to-one by gold. That way, there can be no inflation, and the few geniuses who have really earned their money, will never see the value of their money, with which they equate the value of their selves, reduced by inflation. In the last sentence of *Atlas Shrugged,* the hero Galt, instead of the sign of the cross, traces in the air the sign of a gold-backed dollar.

In Ayn Rand's *Capitalism: The Unknown Ideal* (New York: Signet Paperback Books, 1967), Greenspan was the author of Chapter 6, "Gold and Economic Freedom." "An almost hysterical antagonism toward the gold standard is one issue which unites statists of all persuasions," he wrote, in a detailed praise of the 19th-century British gold standard. "They seem to sense that gold and economic freedom are inseparable, that the gold standard is an instrument of laissez-faire and that each implies and requires the other. . . . The abandonment of the gold standard made it possible for the welfare statists to use the banking system as a means to an unlimited expansion of credit.

"In the absence of the gold standard, there is no way to protect savings from confiscation through inflation. There is no safe store of value," Greenspan concluded. "This is the shabby secret of the welfare statists' tirades against gold. Deficit spending is simply a scheme for the 'hidden' confiscation of wealth. Gold stands in the way of this insidious process, as a protector of property rights." Greenspan agreed to Burns's plea to begin a long journey back to the gold standard. "Arthur not only asked him to go," Judy Mackey, one of the four to whom Greenspan entrusted his economic consulting business, told Lewis. "He told him that it was his duty to go—that it was their last chance to fight inflation." On the morning of Nixon's resignation, Greenspan became Chairman of President Ford's new Council of Economic Advisers. Subse-

that the game would have to come to an end, and they began to cash in their shares for gold. A massive contraction began, and Law, then the Comptroller of France, had to devalue the currency. By the spring of 1720, Law had been forced to flee the country, and the majority of the speculators and the country were bankrupt.

The South Sea Bubble

A very similar process took place in England, at almost the same time. There, a South Sea Company had been formed in 1711 by Tory party chief Robert Harley, as a means of relieving the government of unsecured public debt, through the profits that would be gained via control of England's trade with Spanish colonies in the West Indies and South America. But, by the end of the decade, the company had been transformed into a center of enormous speculation, and had actually taken over £50 million of debt, the nation's debt, a fivefold increase from the time of the company's founding.

Run by John Blunt, the chief director, the South Sea Company just kept issuing stock in order to increase the flow of funds. Rumors of expanded trade in slaves, as a means of getting wealth for the company, brought in new speculators, and the price of shares skyrocketted in the early 1720s. From £128 apiece in January 1720, to £1,100 apiece in August 1720, the shares continued to rise. The phenomenal profits being made in the trade led to the creation of additional companies which had absolutely no basis for creating wealth, but which shared in the speculative mania.

On Aug. 18, 1720, the bubble burst, and by the end of September, it hit bottom. Not only were major fortunes lost, but Britain itself was plunged into economic ruin, as well as its colonies, while the perpetrators of the bubble itself were given control of the nation's finances.

—*Nancy Spannaus*