

The Ghost of John Law in New Orleans?

By Adrian Douglas

The tragedy that has beset New Orleans is now well known to all. What may not be so well known is the history of this once great city, which was founded by the infamous John Law. The way that current events are eerily connected to past history of almost three hundred years ago are so uncanny it makes one wonder if the ghost of John Law does not still haunt this territory.

John Law was born in Scotland in 1671, the son of a very wealthy Goldsmith. John inherited the family fortune at age 12. He very quickly became a playboy with his new found wealth. He womanized and gambled heavily at the casinos in London. He was tall and handsome and by all accounts was very charming. He was also an expert fencer which served him well. He lost almost all of his inheritance at the tables. He was bailed out of his debts by his mother. This was a wake up call for the young John Law and at that point he realized he had to use his brains if he were to be successful. He had a love of mathematics and applied newly proposed theories on probability to his gaming activities. He became quite successful and regained his wealth. His gambling addiction meant that he associated with elements of society that were less than desirable. He was involved in many brawls that were often resolved in sword duels. In one such brawl in 1694 he killed his opponent and was jailed for murder. By a set of strange circumstances and help from friends he managed to escape from prison.

He settled in Amsterdam. At the time the Bank of Amsterdam was a deposit for precious metal coins. The Bank of Amsterdam issued a paper certificate against the deposits which many people were able to trade as "money" in lieu of the actual metal. This revolutionary idea made a big impression on John Law.

He fell in love with the wife of a very rich banker and eloped with her to Switzerland. Her name will be revealed later in this article.

Law and his wife moved to France. Law quickly made connections and started moving in circles of the rich and noble and gambled with them. Law returned briefly to Scotland and his fascination with economics grew and culminated in a 120 page book called "Money and Trade Considered with a Proposal for Supplying the Nation with Money". The book laid out how a national Bank should be created that could issue paper currency backed by Scottish Land as collateral very much along the lines as what he had seen with gold in Amsterdam years before. Law returned to Paris a few years later and managed to associate himself with Philippe, Duc d'Orléans, the French regent after the death of Louis XIV in 1715.

Law convinced the French Regent that the French economy was in the doldrums due to the fact that a shortage of gold restrained latent economic growth

potential. He suggested that a paper money linked to real assets could solve this problem and stimulate the economy.

The Regent allowed John Law to implement his scheme. The first ever national Bank of France was set up as well as a trading company called Company of the West. Shares were issued in the Company and paper money was printed backed by the shares. Just like the South Sea bubble that inflated in neighboring England during the same era the Mississippi project caused a speculation mania. The promise of huge diamond and gold finds in the new colony of Louisiana drove the stock to giddy heights allowing John Law to print more and more money. John Law sold the National Bank to the crown and was appointed Treasury Secretary. For a while France seemed very prosperous and things went very well. The French coined the term "Millionaire" for the people who had become excessively rich. John Law was the very first "Millionaire" in history.

Under the direct orders of John Law a new settlement was established in Louisiana called La Nouvelle Orleans (New Orleans) in reverence to his friend and benefactor the Duc D'Orleans.

Just like all other fiat money systems in history John Law's system eventually crashed. Smart investors started to sell the over-inflated stock in the trading company and caused a selling panic. In 1720 the stock went into free fall as did the paper money it was backing.

John Law eventually had to flee the country to save his life as many were looking to lynch him. He was captured at the French border with a coach loaded with gold and silver. He had to abandon his treasure to effect his escape to avoid being killed.

He not only abandoned his gold and silver but he also abandoned his wife and children in Paris in order to escape quickly. His wife's name was Catherine Knowles Seigneur....his wife bore the French version of the name "**Katrina**"!

John Law founded the city of New Orleans. It was ravaged by a storm that was named as his wife was named whom he shamelessly abandoned. The casinos, just like those that were frequented by John Law in his time, on the shores of the Gulf were utterly devastated by this storm.

The Dow Jones sits close to an all time high driven up by a speculative mania during the 1990's. The US has printed gobs of money that has been under the pretexts of a booming economy largely supported by the speculative mania of the stock investing public.

Andrew Jackson led the American forces that defeated a British attack on New Orleans in the War of 1812. Andrew Jackson went on to be the 7th President of the USA. He abolished the Second Bank of the United States by not renewing its charter. He believed that a National Bank was unconstitutional, and concentrated

too much financial power in the hands of the elite who were closely allied to the British.

On Thursday, September 15, 2005 President Bush made a speech that promised to rebuild New Orleans. He promised the biggest re-construction effort in US history. No mention was made of where the money would come from, but he was talking about a City founded by John Law. By omitting to mention where the money would come from it was clear that in a John Law tradition the Federal Reserve was going to print the money for him. He made this speech in Jackson Square, New Orleans in the shadows of the statue of Andrew Jackson. The man who abolished the predecessor of the Federal Reserve. The speech promised to make Louisiana even better than its former self and eliminate the poverty that has characterized the racial divide of the past. One can't help drawing a parallel to the promises of John Law and his Mississippi project of the 1700's.

On Friday, September 16, 2005 gold reached a 17 year high. Clearly the irony of these events is not lost on some investors.

The City founded by John Law was devastated by a hurricane bearing the same name as his wife. The illogical rise of the US Stock markets since Katrina is reminiscent of the investment mania of the Company of the West stock of John Law that promised to benefit greatly from exploitation of the resources of Louisiana.

The pledged re-construction of New Orleans will undoubtedly lead to new and vast money and debt creation. Is the ghost of John Law in New Orleans, will the new Louisiana Project to re-build his city be the demise of the current fiat money system?

"History doesn't repeat itself - at best it sometimes rhymes" a quote from the famous Mark Twain.

Here is a discussion of the activities of the Army Corps of Engineers in New Orleans:

"The military engineers of the Commission have taken upon their shoulders the job of making the Mississippi over again -- a job transcended in size by only the original job of creating it.

They are building wing-dams here and there, to deflect the current; and dikes to confine it in narrower bounds; and other dikes to make it stay there; and for unnumbered miles along the Mississippi, they are felling the timber-front for fifty

yards back, with the purpose of shaving the bank down to low-water mark with the slant of a house roof, and ballasting it with stones; and in many places they have protected the wasting shores with rows of piles.

One who knows the Mississippi will promptly aver -- not aloud, but to himself -- that ten thousand River Commissions, with the mines of the world at their back, cannot tame that lawless stream, cannot curb it or confine it, cannot say to it, Go here, or Go there, and make it obey; cannot save a shore which it has sentenced; cannot bar its path with an obstruction which it will not tear down, dance over, and laugh at"

That extract is not from CNN it comes from Mark Twain's "Life on the Mississippi" written in 1883. Of course Twain was talking about the levee system holding back the Mississippi, not Lake Pontchartrain, but the relevance is clear.

One thing we can learn from history is that no one ever learns anything from history! Humans have to make the same mistakes again. But for anyone wishing to see some signs that history is about to repeat itself there are some disturbing throw backs to our past.

For anyone who is superstitious and holding a lot of fiat currency they should be at least a little concerned that there may be a ghost of John Law lurking in the ruins of the city he created.

Even John Law knew that he needed gold and silver when he tried to escape the consequences of his misdeeds.

Got gold?

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