

NEW ORLEANS NOSTALGIA

Remembering New Orleans History, Culture and Traditions

By Ned Hémard

Duel of Law

Charles II of England (the monarch with the long wig, many mistresses and the toy spaniel named for him) had much to keep him cautious. After all, his father Charles I was charged with high treason and beheaded on a scaffold outside the Banqueting House at Whitehall January 30, 1649, at the climax of the English Civil War.

In 1658, during a bout of recurring malarial fever, Lord Protector Oliver Cromwell also died at Whitehall. But, after more than a decade of strict rule by Cromwell and the Puritans, England was eager for the restoration of the monarchy. On May 29, 1660, Charles II's 30th birthday, he was received in London to public acclaim. With the Royalists back in power, Cromwell's corpse was exhumed and hung up in chains while his severed head was displayed on a pole until 1685.

Charles II was popularly known as the *Merrie Monarch*, for his demeanor and his court's return to a lively and more hedonistic normalcy after the Protectorate. Charles II's wife, Catherine of Braganza, produced no heirs; but his highness acknowledged at least twelve illegitimate children by various mistresses. Since they were excluded from the succession, Charles' brother James was next in line. He would reign as James II, and his daughters Mary and Anne would follow him to the throne.

Barbara Villiers, one of Charles' numerous mistresses, was a first cousin of Elizabeth Villiers. Elizabeth became the mistress of William of Orange (William III of England) three years after he married James II's daughter Mary. William and Mary (as Protestants) took over the country in 1688 by overthrowing Mary's Catholic father James in what is known as the Glorious Revolution. Elizabeth Villiers, for her part, found herself at the very center of a murder trial - followed by a sentence of death for a gambling Scots playboy named John Law (1671 – 1729).

Law was to be put to death, but instead he created a financial scheme that bankrolled France's Louisiana colony and the founding of the City of New Orleans.

Published in 1707, *The Unknown Lady's Pacquet of Letters*, offered a far-fetched explanation of how the murder trial came about. John Law was arrested, tried and convicted of murder for killing Edward Wilson in a duel that took place on the morning of April 9, 1694. Wilson had earlier encountered a masked woman in Kensington Gardens, and without knowing the mysterious lady's true identity, entered into an illicit affair with her. She ordered Wilson to agree to make no effort to learn who she was and, in return, paid him off generously. But he was just too curious and set about to discover that she was in fact Elizabeth Villiers, mistress of King William III. She became irate after learning that he had broken his promise, and so she enlisted the help of John Law (who was already in an ongoing quarrel with Mr. Wilson) to avenge them both. Villiers convinced Law that, with her royal "connections", he would assuredly avoid punishment. But "condemned to death" was not the outcome he expected.

John Law was the son of a wealthy banking family from Fife with an estate at Cramond on the Firth of Forth. His father died in 1688, and the young man inherited the family's estates and wealth. Law went off to London and gambled away large sums of money in a very short period of time. In the process, however, he became a very clever gambler, using his mathematical and statistical genius to win games of chance by mentally calculating the odds. Being an expert in statistics, he originated some innovative ideas and economic theories.

But first, Law had to break out of prison and escape the gallows. Fortunately, King's Bench Prison was notoriously insecure. With a royal wink from the king (as long as he was not implicated) and a guard instructed to look the other way, John Law escaped and fled to the continent. On November 25, 1695, Elizabeth Villiers was married to Lord George Hamilton, fifth son of the 3rd Duke of Hamilton. He piled up numerous titles the following year and Elizabeth became the Countess of Orkney, serving her husband's interests with great skill. Her marriage proved happy, and Lady Orkney later served as hostess to both Kings George I and George II at her estate at Cliveden, Buckinghamshire.

In 1705, John Law (now an economist, thanks to his statistical acumen) returned to Scotland and published his book *Money and Trade considered, with a Proposal for Supplying the Nation with Money*. He believed that money was only a means of exchange that did not constitute wealth in itself, and that national wealth depended on trade. Law urged the establishment of a national bank to create and increase instruments of credit, and the issue of paper money backed by land and/or precious metals like gold or silver.

But his proposals for establishing a national bank in Scotland were rejected by the Scottish Parliament. And when the Parliament voted itself out of existence in 1707, Law was a fugitive of justice again from the powers in England over Wilson's "murder". This Union of Scotland and England, historian Simon Schama described as "one of the most astonishing transformations in European history," beginning "as a hostile merger," and ending "in a full partnership in the most powerful going concern in the world." But for John Law, it meant "back to the continent".

Law spent the next decade in France and the Netherlands becoming extremely rich by way of a number of financial schemes. In 1715, Law met Philippe, Duc d'Orléans, the Regent for the young Louis XV. The Duke and Law had much in common. They were both close in age, handsome ladies' men, athletically built and brilliant tennis players. At that time, France was emerging from a long series of wars waged by Louis XIV that left the country completely wasted economically. The resultant shortage of precious metals led to a shortage of coins in circulation, and France's annual deficit was 65 million francs. It was in this context that the Regent put John Law in charge of improving France's woeful financial condition. So, in 1716, Law set up the *Banque Générale Privée*, a private bank with three quarters of the capital in the form of government bank notes. It became the *Banque Royale* in 1718, with its notes guaranteed by the King of France.

1717 saw Law's launching of the *Compagnie de la Louisiane ou d'Occident*, which was to be backed by France's assets in North America. Paper money was printed and stock was offered in the newly formed Mississippi Company. The vast but exaggerated riches Law promised in promoting Louisiana attracted investors from all across France and the rest of Europe. Those with royal blood were allowed to get in (and out) first. It was a marvel of master marketing. New Orleans was founded in 1718, and by 1719 Law's company had taken over most of France's other overseas interests, becoming the *Compagnie des Indes*. Also, Law reached an agreement to repay the enormous French national debt, in exchange for control of national revenues for nine years, and of the French mint. In 1720 Law's colonial trading company merged with the *Banque Royale*, and Law became France's Controller General of Finances.

But in October of 1720, the bubble that was Law's "Mississippi Scheme" burst loudly. Shares in the *Compagnie de la Louisiane ou d'Occident* had risen rapidly. In 1720 the Company issued a large dividend based on forecasts of future performance and then speculators attempted *en masse* to take their profits. Panic came next when it became obvious that the inflated value of the Company (and the Bank with which it was now merged) far exceeded the available capital. Both the Bank and the Company went bankrupt overnight,

bringing about a severe financial crisis in France and across the European continent.

Everything fell apart and Philippe dismissed the miscalculating Scotsman, who then fled from France. The man who rose to control, then ruin, the economy of France subsequently moved between London and Venice. The celebrated political philosopher Montesquieu declared Law to be "more in love with his ideas than his money". Law spent a great deal of time figuring just what went wrong. Today nations continue to try to figure out why printing or spending money not actually backed by real wealth just doesn't work. The world has seen it all before.

Law contracted pneumonia and, a month before his fifty-eighth birthday, died peacefully with "great calmness and constancy". His epitaph in the *State of Europe* described him as "a gentleman who has made himself so famous in the world by the enchanted project of the Mississippi and other fatal schemes that were copied after it, that his name ... will be remembered to the end of the world."

It is in New Orleans.

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