

# THE ALCHEMIST

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Throughout the middle ages, one of the driving zeals of mankind's awakening intellect was that of Alchemy.



The science of chemistry had a long and painful birth, emerging eventually from its alchemist roots.

The two driving forces of Alchemy were the primordial desires to prolong life and to reduce toil and labour by creating instant wealth in unlimited quantities.

The Alchemist sought:

- 1) The "**elixir vitae**" or the water of life - the key to eternal life or to prolong life to centuries rather than decades.
- 2) **The philosophers stone** - which would enable them to turn all metals, (eg lead) into **GOLD**

Alchemists were believed by millions of people for more than a thousand years.

For example the Greek ecclesiastics in Constantinople in the 4th century believed that all metals were composed of 2 substances; the one metallic earth; and the other a red inflammable matter they called sulphur. The pure union of these substances formed gold, but other metals were contaminated with foreign substances. The object of the philosopher's stone was to dissolve out these ingredients by which iron, lead, copper, and all metals would be turned into gold.

In 1404 in England an act of parliament was passed declaring the making of gold and silver illegal. Great alarm was felt lest an Alchemist should succeed, and ruin the state by providing boundless wealth to some designing tyrant, who would make use of it to enslave his country.

This law soon subsided and future kings issued patents and commissions to try and find the Philosopher's stone.

In the sixteenth century the possession of the stone and elixir was thought to be the

solution to all the problems of science.

Some Alchemists made fortunes from sponsorship, while others dissipated their wealth in the pursuit of turning other metals into gold.

Some were scoundrels, while others were able and intelligent men.

George Agricola 1494-1555 for example, wrote "de Re Metallica" which survives in text and sketches, as the best archive record of mines, mining practices and metallurgy of his period.

Digressing for a moment here, there are 2 theories of history:

- a) the coincidence theory.
- b) the conspiracy theory.

It is a part of b) that a) is taught in all western schools and universities.

This is evidenced in Economics by the fact that the Keynes/Milton Friedmann school of economics dominate the Austrian school, Von Mises/Rothbard, almost to the total exclusion of the latter.

However there is one exception -- the internet, where von Mises has many supporters.

Keynesian economics favours deficit spending.

The Austrian school prefer the discipline enforced by a Gold Standard to balance budgets.

Returning to the theme of Gold and Alchemey in 2004, we find an interesting similarity.

*This time it is not, as so often claimed in antiquity, lead that is being turned into gold, but **paper**.*

The new paradigm depends upon modern media, (the press, TV, films etc), to convince the public, that the world's fiat monetary system, based on the Federal Reserve Note, (also known as the US \$), is as good as, (or better than) GOLD, in terms of a store of value.

In medieval times the Alchemists depended on conjurer's slight of hand, or the spreading of rumours to convince the superstitious public of their success in turning base metals into Gold.

In 2004 gold is the Keynesian barbaric relic, not lead or other base metals.

Paper money is the only real store of ultimate wealth, not gold.

Not only that, but thanks to a wonderful invention known as a printing machine, we can have unlimited quantities of paper money at almost zero cost, as outlined in a famous speech by the Fed. Reserve's Bernanke in a speech entitled; "[Deflation: Making Sure "It" Doesn't Happen Here.](#)"

My reflection here is that paper money would have been impossible without the discovery of the printing press, and the introduction of other security technologies to prevent forgery.

We scoff at the duped medieval serfs and many of the intelligensia as well who believed

in Alchemy, but now 99% of the current western population today probably do believe that gold is a barbaric relic, and that fiat money is more valuable, because of media propaganda to this effect and lack of access to the alternative viewpoints.

The new paradigm according to the Fed.Reserve Chairman is evidenced in this quote:

"I have been quite surprised, and I must say, pleased by the fact that central bankers have been able to effectively simulate many of the characteristics of the gold standard by constraining the degree of finance in a manner which effectively has brought down the general price levels."

(**Alan Greenspan**, To Rep. Ron Paul before the Congressional Committee, 02/11/03).

So the "science" of Alchemy may have been brought up to date. The paper system by simulating the gold standard is now as good as gold?

The interesting question remains however. All previous attempts at Fiat money systems (paper not linked to gold) throughout history from John Law in France to the Reichsmark in Germany, to name only a few well known landmarks, have eventually failed and the value of the currencies has returned to the value of the paper it was printed on, ie approaching zero.

If only those ancient Alchemists had discovered they were investigating the wrong materials in metals, and they should have been experimenting with paper. Or perhaps looking at this from another angle and with the hindsight of history, the Alchemists were the unwitting predecessors of the Keynesian movement in the days before the invention of the printing press.

## **Astrologers**

No one can foresee the future, except of course if we accept the claims of the Astrologers, who were incidentally the third part of the trilogy on the wish list of the ancients, along with the Alchemists search for eternal life and immense wealth.

Nowadays we have [Mahendra](#) with a remarkable recent track record in predicting some future events, and liaising closely on the gold markets with [Bill Murphy](#).

Some vestiges of superstition remain today in even the most eminent scientists, but there is another element that influences markets.

For example, I prefer Fundamental analysis to Technical analysis of any market including the precious metals. However there comes a time when an Astrologer or a Technical Analyst can achieve Guru status. At this point the tail can begin to wag the dog, and a market prediction becomes self fulfilling through the number of followers of the guru buying or selling some item on the guru's recommendation.

Mahendra could be approaching this status now with some links to hedge funds and other institutions, and therefore becoming a market mover, whether one believes the underlying astrology or not.

## **Conclusions**

This essay has attempted to connect the dots from the Alchemists of the past to the modern day new paradigm that fiat paper money, (not linked to gold), is the new better store of value compared to (barbaric relic) gold.

The jury is out on the judgement of this new paradigm, but history has always rhymed in the past, and every other fiat money system finally collapsed.

What will happen this time? I don't pretend to know, but I will certainly be following the ongoing story with interest, and perhaps commenting from time to time as events unfold.

**Take another very close look at the Emperor!**

**Is he really clothed, in gold foil, or in paper, or is he really naked?**

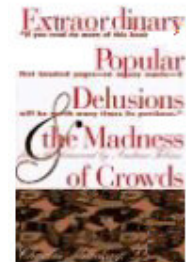
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The Alchemists

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