

3. France.

Turning now to our most important ally, we find an impression, among some observers at least, that of the three belligerents hitherto foremost in financial prestige, France has given in the first year of war the greatest indication of weakened financial and economic power. The grounds for this impression we shall have later to consider. Certain it is that however strong France seemed to be in the Boer and Russo-Japanese Wars, yet in the few months preceding the outbreak of the present conflict there were unmistakable signs of weakness in her financial system. Indeed owing to the enormous absorption of French capital in the Balkan Wars, the heavy losses of French capital in second-rate South American investments, the rapid changes of Government, the postponment of the public loan, the apprehension of the income-tax, and the heavy burden of public expenditure involved in the new Army Law, something of the nature of a domestic crisis was experienced during the summer of 1914. Naturally therefore, when war broke out, the Lombard Street difficulties were repeated, in the already weakened and panicky Paris money market, in an aggravated form,—the rush of sellers to turn securities into cash, the crumbling away of values, the closing of the Bourse and the postponment of the settlement, the hoarding of gold, the dearth of currency, and the general suspension of industrial and economic life.

The remedial measures taken by the Government were four in number. (1) the issue of legal tender 20 franc and 5 franc notes, to fill up the gap in circulation (2) the limitation of withdrawals of bank deposits to 5% of the surplus above 250 francs in any individual account, and of savings bank deposits to 50 francs per fortnight for each depositor. (3) The Bank of France was authorized to suspend specie payments, that is to cease redeeming its notes in gold, for in spite of the large gold reserve of nearly \$800,000,000 which the Bank of France held on July 23, it had already expanded its note circulation to \$1,146,000,000, somewhat near the legal limit, and moreover it was desired to maintain this stock of gold as the basis for direct loans by the Bank to the Government. (4) Finally the Treasury came to the assistance of the traders and speculators, by declaring a temporary moratorium for Bourse and Coullisse transactions entered into before August 1st, and postponing the settlement until August 30th. This temporary moratorium of August 6th was revised on the 9th, and on the 10th made more general, prescribing a suspension during the period of hostilities of all "civil, commercial, and administrative prescriptions and pre-emptions." It is impossible to follow the long series of later moratorium decrees or