

"FIAT MONEY" IN FRANCE

HOW IT CAME, WHAT IT BROUGHT AND HOW IT ENDED *

I.

EARLY in the year 1789 the French nation found itself in deep financial embarrassment: there was a heavy debt and a serious deficit.

The vast reforms of that period, though a lasting blessing politically, were a temporary evil financially. There was a general want of confidence in business circles; capital had shown its proverbial timidity by retiring out of sight as far as possible; throughout the land was stagnation.

Statesmanlike measures, careful watching and wise management would, doubtless, have ere long led to a return of confidence, a reappearance of money and a resumption of business; but these involved patience and self-denial, and, thus far in human history, these are the rarest products of political wisdom. Few nations have ever been able to exercise these virtues; and France was not then one of these few.†

There was a general search for some short road to prosperity: ere long the idea was set afloat that the great want of the country was more of the circulating medium; and this was speedily followed by calls for an issue of paper money. The Minister of Finance at this period was Necker. In financial ability he was acknowledged as among the great bankers of Europe, but his was something more than financial abil-

* A paper read before a meeting of Senators and Members of the House of Representatives of both political parties, at Washington, April 12th, and before the Union League Club, at New York, April 13th, 1876, and now (1914) revised and extended.

† For proof that the financial situation of France at that time was by no means hopeless, see Storch, "Economie Politique," vol. iv, p. 159.