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 How It Came, What It Brought, and How It Ended

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\*\*\* START OF THIS PROJECT GUTENBERG EBOOK FIAT MONEY INFLATION IN FRANCE \*\*\*

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FIAT MONEY INFLATION IN FRANCE

How It Came, What It Brought, and How It Ended

by Andrew Dickson White, LL.D., Ph.D., D.C.L.

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United States Minister to Russia and Ambassador to Germany; Author of "A

History of the Warfare of Science with Theology," etc.

INTRODUCTION

As far back as just before our Civil War I made, in France and

elsewhere, a large collection of documents which had appeared during the

French Revolution, including newspapers, reports, speeches, pamphlets,

illustrative material of every sort, and, especially, specimens of

nearly all the Revolutionary issues of paper money,--from notes of ten

thousand \_livres\_ to those of one \_sou\_.

Upon this material, mainly, was based a course of lectures then given

to my students, first at the University of Michigan and later at Cornell

University, and among these lectures, one on "Paper Money Inflation in

France."

This was given simply because it showed one important line of facts in

that great struggle; and I recall, as if it were yesterday, my feeling

of regret at being obliged to bestow so much care and labor upon a

subject to all appearance so utterly devoid of practical value. I

am sure that it never occurred, either to my Michigan students or to

myself, that it could ever have any bearing on our own country. It

certainly never entered into our minds that any such folly as that

exhibited in those French documents of the eighteenth century could ever

find supporters in the United States of the nineteenth.

Some years later, when there began to be demands for large issues of

paper money in the United States, I wrought some of the facts thus

collected into a speech in the Senate of the State of New York, showing

the need of especial care in such dealings with financial necessities.

In 1876, during the "greenback craze," General Garfield and Mr. S. B.

Crittenden, both members of the House of Representatives at that time,

asked me to read a paper on the same general subject before an audience

of Senators and Representatives of both parties in Washington. This I

did, and also gave it later before an assemblage of men of business at

the Union League Club in New York.

Various editions of the paper were afterward published, among them, two

or three for campaign purposes, in the hope that they might be of use

in showing to what folly, cruelty, wrong and rain the passion for "fiat

money" may lead.

Other editions were issued at a later period, in view of the principle

involved in the proposed unlimited coinage of silver in the United

States, which was, at bottom, the idea which led to that fearful wreck

of public and private prosperity in France.

For these editions there was an added reason in the fact that the

utterances of sundry politicians at that time pointed clearly to issues

of paper money practically unlimited. These men were logical enough

to see that it would be inconsistent to stop at the unlimited issue

of silver dollars which cost really something when they could issue

unlimited paper dollars which virtually cost nothing.

In thus exhibiting facts which Bishop Butler would have recognized as

confirming his theory of "The Possible Insanity of States," it is but

just to acknowledge that the French proposal was vastly more sane than

that made in our own country. Those French issues of paper rested not

merely "on the will of a free people," but on one-third of the entire

landed property of France; on the very choicest of real property in city

and country--the confiscated estates of the Church and of the fugitive

aristocracy--and on the power to use the paper thus issued in purchasing

this real property at very low prices.

I have taken all pains to be exact, revising the whole paper in the

light of the most recent publications and giving my authority for every

important statement, and now leave the whole matter with my readers.

At the request of a Canadian friend, who has expressed a strong wish

that this work be brought down to date, I have again restudied the

subject in the light of various works which have appeared since

my earlier research,--especially Levasseur's "Histoire des classes

ouvrières et de l'industrie en France,"--one of the really great books

of the twentieth century;--Dewarmin's superb "Cent Ans de numismatique

Française" and sundry special treatises. The result has been that

large additions have been made regarding some important topics, and

that various other parts of my earlier work have been made more clear by

better arrangement and supplementary information.

ANDREW D. WHITE. Cornell University, September, 1912.

FOREWORD BY MR. JOHN MACKAY

I am greatly indebted to the generosity of Mr. Andrew D. White, the

distinguished American scholar, author and diplomatist, for permission

to print and to circulate privately a small edition of his exceedingly

valuable account of the great currency-making experiment of the French

Revolutionary Government. The work has been revised and considerably

enlarged by Mr. White for the purpose of the present issue.

The story of "Fiat Money Inflation in France" is one of great interest

to legislators, to economic students, and to all business and thinking

men. It records the most gigantic attempt ever made in the history of

the world by a government to create an inconvertible paper currency, and

to maintain its circulation at various levels of value. It also records

what is perhaps the greatest of all governmental efforts--with the

possible exception of Diocletian's--to enact and enforce a legal limit

of commodity prices. Every fetter that could hinder the will or thwart

the wisdom of democracy had been shattered, and in consequence every

device and expedient that untrammelled power and unrepressed optimism

could conceive were brought to bear. But the attempts failed. They left

behind them a legacy of moral and material desolation and woe, from

which one of the most intellectual and spirited races of Europe has

suffered for a century and a quarter, and will continue to suffer until

the end of time. There are limitations to the powers of governments and

of peoples that inhere in the constitution of things, and that neither

despotisms nor democracies can overcome.

Legislatures are as powerless to abrogate moral and economic laws as

they are to abrogate physical laws. They cannot convert wrong into right

nor divorce effect from cause, either by parliamentary majorities, or

by unity of supporting public opinion. The penalties of such

legislative folly will always be exacted by inexorable time. While these

propositions may be regarded as mere commonplaces, and while they are

acknowledged in a general way, they are in effect denied by many of

the legislative experiments and the tendencies of public opinion of the

present day. The story, therefore, of the colossal folly of France in

the closing part Of the eighteenth century and its terrible fruits, is

full of instruction for all men who think upon the problems of our own

time.

From among an almost infinite variety, there are four great and

fundamental facts that clearly emerge, namely,--

(1) Notwithstanding the fact that the paper currency issued was the

direct obligation of the State, that much of it was interest bearing,

and that all of it was secured upon the finest real estate in France,

and that penalties in the way of fines, imprisonments and death were

enacted from time to time to maintain its circulation at fixed values,

there was a steady depreciation in value until it reached zero point and

culminated in repudiation. The aggregate of the issues amounted to no

less than the enormous and unthinkable sum of $9,500,000,000, and in

the middle of 1797 when public repudiation took place, there was no

less than $4,200,000,000 in face value of \_assignats\_ and \_mandats\_

outstanding; the loss, as always, falling mostly upon the poor and the

ignorant.

(2) In the attempt to maintain fixed values for the paper currency the

Government became involved in an equally futile attempt to maintain a

tariff of legal prices for commodities. Here again penalties of fines,

of imprisonments and of death were powerless to accomplish the end in

view.

(3) An wholesale demoralisation of society took place under which

thrift, integrity, humanity, and every principle of morality were thrown

into the welter of seething chaos and cruelty.

(4) The real estate upon which the paper currency was secured

represented confiscations by the State of the lands of the Church and

of the Emigrant Noblemen. These lands were appraised, according to Mr.

White's narrative and other authorities, at $1,000,000,000. Here was

a straight addition to the State's resources of $1,000,000,000. It is

ominously significant that within one hundred years under the "Peace of

Frankfort" signed on the 10th May, 1871, the French nation agreed to pay

a war indemnity to victorious Germany of exactly the same sum, namely,

$1,000,000,000 in addition to the surrender of the province of Alsace

and a considerable part of Lorraine. The great addition to the national

wealth, therefore, effected by the immoral confiscation of the lands in

question disappeared with compound territorial interest added under the

visitation of relentless retribution.

Public opinion in our own country is so far sound on the question

of currency, but signs are not lacking in some lay quarters of

an inclination to sanction dangerous experiments. The doctrine of

governmental regulation of prices, has, however, made its appearance in

embryo. Class dissatisfaction is also on the increase. The confiscation

of property rights under legal forms and processes is apt to be condoned

when directed against unpopular interests and when limited to amounts

that do not revolt the conscience. The wild and terrible expression

given to these insidious principles in the havoc of the Revolution

should be remembered by all. Nor should the fact be overlooked that, as

Mr. White points out on Page 6, the National Assembly of France which

originated and supported these measures contained in its membership the

ablest Frenchmen of the day.

JOHN MACKAY. Toronto General Trusts Building, Toronto, 31st March, 1914.

FIAT MONEY INFLATION IN FRANCE

How It Came, What It Brought, and How It Ended [1]

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. [2]

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 ability: he had a

deep feeling of patriotism and a high sense of personal honor. The

difficulties in his way were great, but he steadily endeavored to

keep France faithful to those principles in monetary affairs which the

general experience of modern times had found the only path to national

safety. As difficulties arose the National Assembly drew away from him,

and soon came among the members renewed suggestions of paper money:

orators in public meetings, at the clubs and in the Assembly, proclaimed

it a panacea--a way of "securing resources without paying interest."

Journalists caught it up and displayed its beauties, among these men,

Marat, who, in his newspaper, "The Friend of the People," also joined

the cries against Necker, picturing him--a man of sterling honesty, who

gave up health and fortune for the sake of France--as a wretch seeking

only to enrich himself from the public purse.

Against this tendency toward the issue of irredeemable paper Necker

contended as best he might. He knew well to what it always had led,

even when surrounded by the most skillful guarantees. Among those who

struggled to support ideas similar to his was Bergasse, a deputy from

Lyons, whose pamphlets, then and later, against such issues exerted a

wider influence, perhaps, than any others: parts of them seem fairly

inspired. Any one to-day reading his prophecies of the evils sure to

follow such a currency would certainly ascribe to him a miraculous

foresight, were it not so clear that his prophetic power was due simply

to a knowledge of natural laws revealed by history. But this current in

favor of paper money became so strong that an effort was made to breast

it by a compromise: and during the last months of 1789 and the first

months of 1790 came discussions in the National Assembly looking to

issues of notes based upon the landed property of the Church,--which was

to be confiscated for that purpose. But care was to be taken; the issue

was to be largely in the shape of notes of 1,000, 300 and 200 \_livres\_,

too large to be used as ordinary currency, but of convenient size to

be used in purchasing the Church lands; besides this, they were to bear

interest and this would tempt holders to hoard them. The Assembly thus

held back from issuing smaller obligations.

Remembrances of the ruin which had come from the great issues of smaller

currency at an earlier day were still vivid. Yet the pressure toward

a popular currency for universal use grew stronger and stronger. The

finance committee of the Assembly reported that "the people demand a new

circulating medium"; that "the circulation of paper money is the best of

operations"; that "it is the most free because it reposes on the will

of the people"; that "it will bind the interest of the citizens to the

public good."

The report appealed to the patriotism of the French people with the

following exhortation: "Let us show to Europe that we understand our

own resources; let us immediately take the broad road to our liberation

instead of dragging ourselves along the tortuous and obscure paths of

fragmentary loans." It concluded by recommending an issue of paper money

carefully guarded, to the full amount of four hundred million \_livres\_,

and the argument was pursued until the objection to smaller notes faded

from view. Typical in the debate on the whole subject, in its various

phases, were the declarations of M. Matrineau. He was loud and long for

paper money, his only fear being that the Committee had not authorized

enough of it; he declared that business was stagnant, and that the sole

cause was a want of more of the circulating medium; that paper money

ought to be made a legal tender; that the Assembly should rise above

prejudices which the failures of John Law's paper money had caused,

several decades before. Like every supporter of irredeemable paper money

then or since, he seemed to think that the laws of Nature had changed

since previous disastrous issues. He said: "Paper money under

a despotism is dangerous; it favors corruption; but in a nation

constitutionally governed, which itself takes care in the emission of

its notes, which determines their number and use, that danger no longer

exists." He insisted that John Law's notes at first restored prosperity,

but that the wretchedness and ruin they caused resulted from their

overissue, and that such an overissue is possible only under a

despotism. [3]

M. de la Rochefoucauld gave his opinion that "the \_assignats\_ will draw

specie out of the coffers where it is now hoarded. [4]

On the other hand Cazalès and Maury showed that the result could only

be disastrous. Never, perhaps, did a political prophecy meet with more

exact fulfillment in every line than the terrible picture drawn in one

of Cazalès' speeches in this debate. Still the current ran stronger and

stronger; Petion made a brilliant oration in favor of the report, and

Necker's influence and experience were gradually worn away.

Mingled with the financial argument was a strong political plea. The

National Assembly had determined to confiscate the vast real property

of the French Church,--the pious accumulations of fifteen hundred

years. There were princely estates in the country, bishops' palaces and

conventual buildings in the towns; these formed between one-fourth and

one-third of the entire real property of France, and amounted in value

to at least two thousand million \_livres\_. By a few sweeping strokes

all this became the property of the nation. Never, apparently, did a

government secure a more solid basis for a great financial future. [5]

There were two special reasons why French statesmen desired speedily to

sell these lands. First, a financial reason,--to obtain money to

relieve the government. Secondly, a political reason,--to get this land

distributed among the thrifty middle-classes, and so commit them to the

Revolution and to the government which gave their title.

It was urged, then, that the issue of four hundred millions of paper,

(not in the shape of interest-bearing bonds, as had at first been

proposed, but in notes small as well as large), would give the treasury

something to pay out immediately, and relieve the national necessities;

that, having been put into circulation, this paper money would stimulate

business; that it would give to all capitalists, large or small, the

means for buying from the nation the ecclesiastical real estate, and

that from the proceeds of this real estate the nation would pay its

debts and also obtain new funds for new necessities: never was theory

more seductive both to financiers and statesmen.

It would be a great mistake to suppose that the statesmen of France, or

the French people, were ignorant of the dangers in issuing irredeemable

paper money. No matter how skillfully the bright side of such a currency

was exhibited, all thoughtful men in France remembered its dark side.

They knew too well, from that ruinous experience, seventy years before,

in John Law's time, the difficulties and dangers of a currency not well

based and controlled. They had then learned how easy it is to issue it;

how difficult it is to check its overissue; how seductively it leads to

the absorption of the means of the workingmen and men of small fortunes;

how heavily it falls on all those living on fixed incomes, salaries or

wages; how securely it creates on the ruins of the prosperity of all

men of meagre means a class of debauched speculators, the most

injurious class that a nation can harbor,--more injurious, indeed, than

professional criminals whom the law recognizes and can throttle; how

it stimulates overproduction at first and leaves every industry flaccid

afterward; how it breaks down thrift and develops political and social

immorality. All this France had been thoroughly taught by experience.

Many then living had felt the result of such an experiment--the issues

of paper money under John Law, a man who to this day is acknowledged

one of the most ingenious financiers the world has ever known; and there

were then sitting in the National Assembly of France many who owed the

poverty of their families to those issues of paper. Hardly a man in the

country who had not heard those who issued it cursed as the authors of

the most frightful catastrophe France had then experienced. [6]

It was no mere attempt at theatrical display, but a natural impulse,

which led a thoughtful statesman, during the debate, to hold up a piece

of that old paper money and to declare that it was stained with the

blood and tears of their fathers.

And it would also be a mistake to suppose that the National Assembly,

which discussed this matter, was composed of mere wild revolutionists;

no inference could be more wide of the fact. Whatever may have been the

character of the men who legislated for France afterward, no thoughtful

student of history can deny, despite all the arguments and sneers

of reactionary statesmen and historians, that few more keen-sighted

legislative bodies have ever met than this first French Constitutional

Assembly. In it were such men as Sieyès, Bailly, Necker, Mirabeau,

Talleyrand, DuPont de Nemours and a multitude of others who, in various

sciences and in the political world, had already shown and were destined

afterward to show themselves among the strongest and shrewdest men that

Europe has yet seen.

But the current toward paper money had become irresistible. It was

constantly urged, and with a great show of force, that if any nation

could safely issue it, France was now that nation; that she was fully

warned by her severe experience under John Law; that she was now a

constitutional government, controlled by an enlightened, patriotic

people,--not, as in the days of the former issues of paper money, an

absolute monarchy controlled by politicians and adventurers; that

she was able to secure every \_livre\_ of her paper money by a virtual

mortgage on a landed domain vastly greater in value than the entire

issue; that, with men like Bailly, Mirabeau and Necker at her head, she

could not commit the financial mistakes and crimes from which France had

suffered under John Law, the Regent Duke of Orleans and Cardinal Dubois.

Oratory prevailed over science and experience. In April, 1790, came the

final decree to issue four hundred millions of \_livres\_ in paper money,

based upon confiscated property of the Church for its security. The

deliberations on this first decree and on the bill carrying it into

effect were most interesting; prominent in the debate being Necker, Du

Pont de Nemours, Maury, Cazalès, Petion, Bailly and many others hardly

inferior. The discussions were certainly very able; no person can read

them at length in the "Moniteur," nor even in the summaries of the

parliamentary history, without feeling that various modern historians

have done wretched injustice to those men who were then endeavoring to

stand between France and ruin.

This sum--four hundred millions, so vast in those days, was issued in

\_assignats\_, which were notes secured by a pledge of productive

real estate and bearing interest to the holder at three per cent. No

irredeemable currency has ever claimed a more scientific and practical

guarantee for its goodness and for its proper action on public finances.

On the one hand, it had what the world recognized as a most practical

security,--a mortgage an productive real estate of vastly greater value

than the issue. On the other hand, as the notes bore interest, there

seemed cogent reason for their being withdrawn from circulation whenever

they became redundant. [7]

As speedily as possible the notes were put into circulation. Unlike

those issued in John Law's time, they were engraved in the best style

of the art. To stimulate loyalty, the portrait of the king was placed

in the center; to arouse public spirit, patriotic legends and emblems

surrounded it; to stimulate public cupidity, the amount of interest

which the note would yield each day to the holder was printed in the

margin; and the whole was duly garnished with stamps and signatures to

show that it was carefully registered and controlled. [8]

To crown its work the National Assembly, to explain the advantages

of this new currency, issued an address to the French people. In this

address it spoke of the nation as "delivered by this grand means from

all uncertainty and from all ruinous results of the credit system." It

foretold that this issue "would bring back into the public treasury,

into commerce and into all branches of industry strength, abundance and

prosperity." [9]

Some of the arguments in this address are worth recalling, and, among

them, the following:--"Paper money is without inherent value unless

it represents some special property. Without representing some special

property it is inadmissible in trade to compete with a metallic

currency, which has a value real and independent of the public action;

therefore it is that the paper money which has only the public authority

as its basis has always caused ruin where it has been established; that

is the reason why the bank notes of 1720, issued by John Law, after

having caused terrible evils, have left only frightful memories.

Therefore it is that the National Assembly has not wished to expose

you to this danger, but has given this new paper money not only a value

derived from the national authority but a value real and immutable, a

value which permits it to sustain advantageously a competition with the

precious metals themselves." [10]

But the final declaration was, perhaps, the most interesting. It was as

follows:--

"These \_assignats\_, bearing interest as they do, will soon be considered

better than the coin now hoarded, and will bring it out again into

circulation." The king was also induced to issue a proclamation

recommending that his people receive this new money without objection.

All this caused great joy. Among the various utterances of this feeling

was the letter of M. Sarot, directed to the editor of the Journal of the

National Assembly, and scattered through France. M. Sarot is hardly able

to contain himself as he anticipates the prosperity and glory that this

issue of paper is to bring to his country. One thing only vexes him, and

that is the pamphlet of M. Bergasse against the \_assignats\_; therefore

it is after a long series of arguments and protestations, in order to

give a final proof of his confidence in the paper money and his entire

skepticism as to the evils predicted by Bergasse and others, M. Sarot

solemnly lays his house, garden and furniture upon the altar of his

country and offers to sell them for paper money alone.

There were, indeed, some gainsayers. These especially appeared among the

clergy, who, naturally, abhorred the confiscation of Church property.

Various ecclesiastics made speeches, some of them full of pithy and

weighty arguments, against the proposed issue of paper, and there is

preserved a sermon from one priest threatening all persons handling the

new money with eternal damnation. But the great majority of the French

people, who had suffered ecclesiastical oppression so long, regarded

these utterances as the wriggling of a fish on the hook, and enjoyed the

sport all the better. [11]

The first result of this issue was apparently all that the most sanguine

could desire: the treasury was at once greatly relieved; a portion of

the public debt was paid; creditors were encouraged; credit revived;

ordinary expenses were met, and, a considerable part of this paper

money having thus been passed from the government into the hands of

the people, trade increased and all difficulties seemed to vanish. The

anxieties of Necker, the prophecies of Maury and Cazalès seemed proven

utterly futile. And, indeed, it is quite possible that, if the national

authorities had stopped with this issue, few of the financial evils

which afterwards arose would have been severely felt; the four hundred

millions of paper money then issued would have simply discharged the

function of a similar amount of specie. But soon there came another

result: times grew less easy; by the end of September, within five

months after the issue of the four hundred millions in \_assignats\_, the

government had spent them and was again in distress. [12]

The old remedy immediately and naturally recurred to the minds of

men. Throughout the country began a cry for another issue of paper;

thoughtful men then began to recall what their fathers had told them

about the seductive path of paper-money issues in John Law's time, and

to remember the prophecies that they themselves had heard in the debate

on the first issue of \_assignats\_ less than six months before.

At that time the opponents of paper had prophesied that, once on the

downward path of inflation, the nation could not be restrained and that

more issues would follow. The supporters of the first issue had asserted

that this was a calumny; that the people were now in control and that

they could and would check these issues whenever they desired.

The condition of opinion in the Assembly was, therefore, chaotic: a few

schemers and dreamers were loud and outspoken for paper money; many

of the more shallow and easy-going were inclined to yield; the more

thoughtful endeavored to breast the current.

One man there was who could have withstood the pressure: Mirabeau. He

was the popular idol,--the great orator of the Assembly and much more

than a great orator,--he had carried the nation through some of its

worst dangers by a boldness almost godlike; in the various conflicts he

had shown not only oratorical boldness, but amazing foresight. As to his

real opinion on an irredeemable currency there can be no doubt. It was

the opinion which all true statesmen have held, before his time and

since,--in his own country, in England, in America, in every modern

civilized nation. In his letter to Cerutti, written in January, 1789,

hardly six months before, he had spoken of paper money as "A nursery of

tyranny, corruption and delusion; a veritable debauch of authority in

delirium." In one of his early speeches in the National Assembly he had

called such money, when Anson covertly suggested its issue, "a loan

to an armed robber," and said of it: "that infamous word, paper money,

ought to be banished from our language." In his private letters written

at this very time, which were revealed at a later period, he showed that

he was fully aware of the dangers of inflation. But he yielded to the

pressure: partly because he thought it important to sell the government

lands rapidly to the people, and so develop speedily a large class of

small landholders pledged to stand by the government which gave them

their titles; partly, doubtless, from a love of immediate rather than

of remote applause; and, generally, in a vague hope that the severe,

inexorable laws of finance which had brought heavy punishments upon

governments emitting an irredeemable currency in other lands, at other

times, might in some way at this time, be warded off from France. [13]

The question was brought up by Montesquieu's report on the 27th

of August, 1790. This report favored, with evident reluctance, an

additional issue of paper. It went on to declare that the original issue

of four hundred millions, though opposed at the beginning, had proved

successful; that \_assignats\_ were economical, though they had dangers;

and, as a climax, came the declaration: "We must save the country." [14]

Upon this report Mirabeau then made one of his most powerful speeches.

He confessed that he had at first feared the issue of \_assignats\_, but

that he now dared urge it; that experience had shown the issue of

paper money most serviceable; that the report proved the first issue

of \_assignats\_ a success; that public affairs had come out of distress;

that ruin had been averted and credit established. He then argued that

there was a difference between paper money of the recent issue and

that from which the nation had suffered so much in John Law's time; he

declared that the French nation had now become enlightened and he added,

"Deceptive subtleties can no longer mislead patriots and men of sense in

this matter." He then went on to say: "We must accomplish that which

we have begun," and declared that there must be one more large issue

of paper, guaranteed by the national lands and by the good faith of the

French nation. To show how practical the system was he insisted that

just as soon as paper money should become too abundant it would be

absorbed in rapid purchases of national lands; and he made a very

striking comparison between this self-adjusting, self-converting system

and the rains descending in showers upon the earth, then in swelling

rivers discharged into the sea, then drawn up in vapor and finally

scattered over the earth again in rapidly fertilizing showers. He

predicted that the members would be surprised at the astonishing success

of this paper money and that there would be none too much of it.

His theory grew by what it fed upon,--as the paper-money theory has

generally done. Toward the close, in a burst of eloquence, he suggested

that \_assignats\_ be created to an amount sufficient to cover the

national debt, and that all the national lands be exposed for sale

immediately, predicting that thus prosperity would return to the nation

and that an classes would find this additional issue of paper money a

blessing. [15]

This speech was frequently interrupted by applause; a unanimous vote

ordered it printed, and copies were spread throughout France. The

impulse given by it permeated all subsequent discussion; Gouy arose

and proposed to liquidate the national debt of twenty-four hundred

millions,--to use his own words--"by one single operation, grand,

simple, magnificent." [16] This "operation" was to be the emission of

twenty-four hundred millions in legal tender notes, and a law that

specie should not be accepted in purchasing national lands. His demagogy

bloomed forth magnificently. He advocated an appeal to the people, who,

to use his flattering expression, "ought alone to give the law in a

matter so interesting." The newspapers of the period, in reporting his

speech, noted it with the very significant remark, "This discourse was

loudly applauded."

To him replied Brillat-Savarin. He called attention to the depreciation

of \_assignats\_ already felt. He tried to make the Assembly see that

natural laws work as inexorably in France as elsewhere; he predicted

that if this new issue were made there would come a depreciation of

thirty per cent. Singular, that the man who so fearlessly stood against

this tide of unreason has left to the world simply a reputation as

the most brilliant cook that ever existed! He was followed by the Abbe

Goutes, who declared,--what seems grotesque to those who have read

the history of an irredeemable paper currency in any country--that

new issues of paper money "will supply a circulating medium which will

protect public morals from corruption." [17]

Into this debate was brought a report by Necker. He was not, indeed,

the great statesman whom France especially needed at this time, of all

times. He did not recognize the fact that the nation was entering a

great revolution, but he could and did see that, come what might,

there were simple principles of finance which must be adhered to. Most

earnestly, therefore, he endeavored to dissuade the Assembly from

the proposed issue; suggesting that other means could be found for

accomplishing the result, and he predicted terrible evils. But the

current was running too fast. The only result was that Necker was

spurned as a man of the past; he sent in his resignation and left

France forever. [18] The paper-money demagogues shouted for joy at his

departure; their chorus rang through the journalism of the time. No

words could express their contempt for a man who was unable to see the

advantages of filling the treasury with the issues of a printing press.

Marat, Hébert, Camille Desmoulins and the whole mass of demagogues so

soon to follow them to the guillotine were especially jubilant. [19]

Continuing the debate, Rewbell attacked Necker, saying that the

\_assignats\_ were not at par because there were not yet enough of them;

he insisted that payments for public lands be received in \_assignats\_

alone; and suggested that the church bells of the kingdom be melted down

into small money. Le Brun attacked the whole scheme in the Assembly, as

he had done in the Committee, declaring that the proposal, instead

of relieving the nation, would wreck it. The papers of the time very

significantly say that at this there arose many murmurs. Chabroud came

to the rescue. He said that the issue of \_assignats\_ would relieve the

distress of the people and he presented very neatly the new theory of

paper money and its basis in the following words: "The earth is the

source of value; you cannot distribute the earth in a circulating value,

but this paper becomes representative of that value and it is evident

that the creditors of the nation will not be injured by taking it." On

the other hand, appeared in the leading paper, the "Moniteur," a very

thoughtful article against paper money, which sums up all by saying,

"It is, then, evident that all paper which cannot, at the will of the

bearer, be converted into specie cannot discharge the functions of

money." This article goes on to cite Mirabeau's former opinion in his

letter to Cerutti, published in 1789,--the famous opinion of paper money

as "a nursery of tyranny, corruption and delusion; a veritable debauch

of authority in delirium." Lablache, in the Assembly, quoted a saying

that "paper money is the emetic of great states." [20]

Boutidoux, resorting to phrasemaking, called the \_assignats\_ \_"un papier

terre,"\_ or "land converted into paper." Boislandry answered vigorously

and foretold evil results. Pamphlets continued to be issued,--among

them, one so pungent that it was brought into the Assembly and read

there,--the truth which it presented with great clearness being simply

that doubling the quantity of money or substitutes for money in a nation

simply increases prices, disturbs values, alarms capital, diminishes

legitimate enterprise, and so decreases the demand both for products

and for labor; that the only persons to be helped by it are the rich

who have large debts to pay. This pamphlet was signed "A Friend of the

People," and was received with great applause by the thoughtful minority

in the Assembly. Du Pont de Nemours, who had stood by Necker in the

debate on the first issue of \_assignats\_, arose, avowed the pamphlet to

be his, and said sturdily that he had always voted against the emission

of irredeemable paper and always would. [21]

Far more important than any other argument against inflation was the

speech of Talleyrand. He had been among the boldest and most radical

French statesmen. He it was,--a former bishop,--who, more than any

other, had carried the extreme measure of taking into the possession of

the nation the great landed estates of the Church, and he had supported

the first issue of four hundred millions. But he now adopted a judicial

tone--attempted to show to the Assembly the very simple truth that the

effect of a second issue of \_assignats\_ may be different from that of

the first; that the first was evidently needed; that the second may be

as injurious as the first was useful. He exhibited various weak points

in the inflation fallacies and presented forcibly the trite truth that

no laws and no decrees can keep large issues of irredeemable paper at

par with specie.

In his speech occur these words: "You can, indeed, arrange it so that

the people shall be forced to take a thousand \_livres\_ in paper for a

thousand \_livres\_ in specie; but you can never arrange it so that a man

shall be obliged to give a thousand \_livres\_ in specie for a thousand

\_livres\_ in paper,--in that fact is embedded the entire question; and on

account of that fact the whole system fails." [22]

The nation at large now began to take part in the debate; thoughtful

men saw that here was the turning Point between good and evil, that the

nation stood at the parting of the ways. Most of the great commercial

cities bestirred themselves and sent up remonstrances against the new

emission,--twenty-five being opposed and seven in favor of it.

But eloquent theorists arose to glorify paper and among these, Royer,

who on September 14, 1790, put forth a pamphlet entitled "Reflections of

a patriotic Citizen on the issue of \_Assignats\_," in which he gave many

specious reasons of the why the \_assignats\_ could not be depressed, and

spoke of the argument against them as "vile clamors of people bribed

to affect public opinion." He said to the National Assembly, "If it

is necessary to create five thousand millions, and more, of the paper,

decree such a creation gladly." He, too, predicted, as many others had

done, a time when gold was to lose all its value, since all exchanges

would be made with this admirable, guaranteed paper, and therefore that

coin would come out from the places where it was hoarded. He foretold

prosperous times to France in case these great issues of paper were

continued and declared these "the only means to insure happiness, glory

and liberty to the French nation." Speeches like this gave courage to

a new swarm of theorists,--it began to be especially noted that men who

had never shown any ability to make or increase fortunes for themselves

abounded in brilliant plans for creating and increasing wealth for the

country at large.

Greatest force of all, on September 27, 1790, came Mirabeau's final

speech. The most sober and conservative of his modern opponents speaks

of its eloquence as "prodigious." In this the great orator dwelt first

on the political necessity involved, declaring that the most pressing

need was to get the government lands into the hands of the people, and

so to commit to the nation and against the old privileged classes the

class of landholders thus created.

Through the whole course of his arguments there is one leading point

enforced with all his eloquence and ingenuity--the excellence of the

proposed currency, its stability and its security. He declares that,

being based on the pledge of public lands and convertible into them, the

notes are better secured than if redeemable in specie; that the precious

metals are only employed in the secondary arts, while the French paper

money represents the first and most real of all property, the source of

all production, the land; that while other nations have been obliged to

emit paper money, none have ever been so fortunate as the French nation,

for the reason that none had ever before been able to give this landed

security; that whoever takes French paper money has practically a

mortgage to secure it,--and on landed property which can easily be sold

to satisfy his claims, while other nations have been able only to give a

vague claim on the entire nation. "And," he ones, "I would rather have a

mortgage on a garden than on a kingdom!"

Other arguments of his are more demagogical. He declares that the only

interests affected will be those of bankers and capitalists, but

that manufacturers will see prosperity restored to them. Some of his

arguments seem almost puerile, as when he says, "If gold has been

hoarded through timidity or malignity, the issue of paper will show that

gold is not necessary, and it will then come forth." But, as a whole,

the speech was brilliant; it was often interrupted by applause; it

settled the question. People did not stop to consider that it was the

dashing speech of an orator and not the matured judgment of a financial

expert; they did not see that calling Mirabeau or Talleyrand to advise

upon a monetary policy, because they had shown boldness in danger and

strength in conflict, was like summoning a prize-fighter to mend a

watch.

In vain did Maury show that, while the first issues of John Law's paper

had brought prosperity, those that followed brought misery; in vain did

he quote from a book published in John Law's time, showing that Law was

at first considered a patriot and friend of humanity; in vain did he

hold up to the Assembly one of Law's bills and appeal to their memories

of the wretchedness brought upon France by them; in vain did Du Pont

present a simple and really wise plan of substituting notes in the

payment of the floating debt which should not form a part of the

ordinary circulating medium; nothing could resist the eloquence of

Mirabeau. Barnave, following, insisted that "Law's paper was based

upon the phantoms of the Mississippi; ours, upon the solid basis of

ecclesiastical lands," and he proved that the \_assignats\_ could not

depreciate further. Prudhomme's newspaper poured contempt over gold as

security for the currency, extolled real estate as the only true basis

and was fervent in praise of the convertibility and self-adjusting

features of the proposed scheme. In spite of all this plausibility and

eloquence, a large minority stood firm to their earlier principles; but

on the 29th of September, 1790, by a vote of 508 to 423, the deed was

done; a bill was passed authorizing the issue of eight hundred millions

of new \_assignats\_, but solemnly declaring that in no case should the

entire amount put in circulation exceed twelve hundred millions. To make

assurance doubly sure, it also provided that as fast as the \_assignats\_

were paid into the treasury for land they should be burned, and thus a

healthful contraction be constantly maintained. Unlike the first issue,

these new notes were to bear no interest. [23]

Great were the plaudits of the nation at this relief. Among the

multitudes of pamphlets expressing this joy which have come down to us

the "Friend of the Revolution" is the most interesting. It begins as

follows: "Citizens, the deed is done. The \_assignats\_ are the keystone

of the arch. It has just been happily put in position. Now I can

announce to you that the Revolution is finished and there only remain

one or two important questions. All the rest is but a matter of detail

which cannot deprive us any longer of the pleasure of admiring this

important work in its entirety. The provinces and the commercial cities

which were at first alarmed at the proposal to issue so much paper money

now send expressions of their thanks; specie is coming out to be joined

with paper money. Foreigners come to us from all parts of Europe to seek

their happiness under laws which they admire; and soon France, enriched

by her new property and by the national industry which is preparing for

fruitfulness, will demand still another creation of paper money."

France was now fully committed to a policy of inflation; and, if there

had been any question of this before, all doubts were removed now by

various acts very significant as showing the exceeding difficulty of

stopping a nation once in the full tide of a depreciating currency. The

National Assembly had from the first shown an amazing liberality to all

sorts of enterprises, wise or foolish, which were urged "for the good of

the people." As a result of these and other largesses the old cry of the

"lack of a circulating medium" broke forth again; and especially loud

were the clamors for more small bills. The cheaper currency had largely

driven out the dearer; paper had caused small silver and copper money

mainly to disappear; all sorts of notes of hand, circulating under the

name of "confidence bills," flooded France--sixty-three kinds in Paris

alone. This unguaranteed currency caused endless confusion and fraud.

Different districts of France began to issue their own \_assignats\_ in

small denominations, and this action stirred the National Assembly to

evade the solemn pledge that the circulation should not go above twelve

hundred millions and that all \_assignats\_ returned to the treasury for

lands should immediately be burned. [24] Within a short time there had

been received into the treasury for lands one hundred and sixty million

\_livres\_ in paper. By the terms of the previous acts this amount of

paper ought to have been retired. Instead of this, under the plea of

necessity, the greater part of it was reissued in the form of small

notes.

There was, indeed, much excuse for new issues of small notes, for, under

the theory that an issue of smaller notes would drive silver out of

circulation, the smallest authorized \_assignat\_ was for fifty \_livres\_.

To supply silver and copper and hold it in circulation everything was

tried. Citizens had been spurred on by law to send their silverware and

jewels to the mint. Even the king sent his silver and gold plate, and

the churches and convents were required by law to send to the government

melting pot all silver and gold vessels not absolutely necessary for

public worship. For copper money the church bells were melted down. But

silver and even copper continued to become more and more scarce. In the

midst of all this, various juggleries were tried, and in November, 1790,

the Assembly decreed a single standard of coinage, the chosen metal

being silver, and the ratio between the two precious metals was

changed from 15 1/2 to 1, to 14 1/2 to 1--but all in vain. It was found

necessary to issue the dreaded small paper, and a beginning was made by

issuing one hundred millions in notes of five \_francs\_, and, ere long,

obedient to the universal clamor, there were issued parchment notes for

various small amounts down to a single \_sou\_. [25]

Yet each of these issues, great or small, was but as a drop of cold

water to a parched throat. Although there was already a rise in prices

which showed that the amount needed for circulation had been exceeded,

the cry for "more circulating medium" was continued. The pressure for

new issues became stronger and stronger. The Parisian populace and the

Jacobin Club were especially loud in their demands for them; and, a few

months later, on June 19, 1791, with few speeches, in a silence very

ominous, a new issue was made of six hundred millions more;--less than

nine months after the former great issue, with its solemn pledges

to keep down the amount in circulation. With the exception of a few

thoughtful men, the whole nation again sang paeans. [26]

In this comparative ease of new issues is seen the action of a law

in finance as certain as the working of a similar law in natural

philosophy. If a material body fall from a height its velocity is

accelerated, by a well-known law, in a constantly increasing ratio: so

in issues of irredeemable currency, in obedience to the theories of a

legislative body or of the people at large, there is a natural law of

rapidly increasing emission and depreciation. The first inflation bills

were passed with great difficulty, after very sturdy resistance and by

a majority of a few score out of nearly a thousand votes; but we observe

now that new inflation measures were passed more and more easily and

we shall have occasion to see the working of this same law in a more

striking degree as this history develops itself.

During the various stages of this debate there cropped up a doctrine

old and ominous. It was the same which appeared toward the end of the

nineteenth century in the United States during what became known as the

"greenback craze" and the free "silver craze." In France it had

been refuted, a generation before the Revolution, by Turgot, just as

brilliantly as it was met a hundred years later in the United States

by James A. Garfield and his compeers. This was the doctrine that all

currency, whether gold, paper, leather or any other material, derives

its efficiency from the official stamp it bears, and that, this being

the case, a government may relieve itself of its debts and make itself

rich and prosperous simply by means of a printing press:--fundamentally

the theory which underlay the later American doctrine of "fiat money."

There came mutterings and finally speeches in the Jacobin Club, in the

Assembly and in newspaper articles and pamphlets throughout the country,

taking this doctrine for granted. These could hardly affect thinking

men who bore in mind the calamities brought upon the whole people,

and especially upon the poorer classes, by this same theory as put in

practice by John Law, or as refuted by Turgot, but it served to swell

the popular chorus in favor of the issue of more \_assignats\_ and plenty

of them. [27]

The great majority of Frenchmen now became desperate optimists,

declaring that inflation is prosperity. Throughout France there came

temporary good feeling. The nation was becoming inebriated with paper

money. The good feeling was that of a drunkard just after his draught;

and it is to be noted as a simple historical fact, corresponding to a

physiological fact, that, as draughts of paper money came faster the

successive periods of good feeling grew shorter.

Various bad signs began to appear. Immediately after each new issue came

a marked depreciation; curious it is to note the general reluctance to

assign the right reason. The decline in the purchasing power of paper

money was in obedience to the simplest laws in economics, but France had

now gone beyond her thoughtful statesmen and taken refuge in unwavering

optimism, giving any explanation of the new difficulties rather than the

right one. A leading member of the Assembly insisted, in an elaborate

speech, that the cause of depreciation was simply the want of knowledge

and of confidence among the rural population and he suggested means of

enlightening them. La Rochefoucauld proposed to issue an address to

the people showing the goodness of the currency and the absurdity of

preferring coin. The address was unanimously voted. As well might they

have attempted to show that a beverage made by mixing a quart of wine

and two quarts of water would possess all the exhilarating quality of

the original, undiluted liquid.

Attention was aroused by another menacing fact;--specie disappeared

more and more. The explanations of this fact also displayed wonderful

ingenuity in finding false reasons and in evading the true one. A

very common explanation was indicated in Prudhomme's newspaper, "Les

Révolutions de Paris," of January 17, 1791, which declared that coin

"will keep rising until the people shall have hanged a broker." Another

popular theory was that the Bourbon family were, in some mysterious way,

drawing off all solid money to the chief centers of their intrigues in

Germany. Comic and, at the same time, pathetic, were evidences of the

wide-spread idea that if only a goodly number of people engaged in trade

were hanged, the par value of the \_assignats\_ would be restored.

Still another favorite idea was that British emissaries were in the

midst of the people, instilling notions hostile to paper. Great efforts

were made to find these emissaries and more than one innocent person

experienced the popular wrath under the supposition that he was engaged

in raising gold and depressing paper. Even Talleyrand, shrewd as he was,

insisted that the cause was simply that the imports were too great and

the exports too little. [28] As well might he explain that fact that,

when oil is mingled with water, water sinks to the bottom, by saying

that this is because the oil rises to the top. This disappearance of

specie was the result of a natural law as simple and as sure in its

action as gravitation; the superior currency had been withdrawn because

an inferior currency could be used. [29] Some efforts were made to remedy

this. In the municipality of Quilleboeuf a considerable amount in specie

having been found in the possession of a citizen, the money was seized

and sent to the Assembly. The people of that town treated this hoarded

gold as the result of unpatriotic wickedness or madness, instead of

seeing that it was but the sure result of a law working in every land

and time, when certain causes are present. Marat followed out this

theory by asserting that death was the proper penalty for persons who

thus hid their money.

Still another troublesome fact began now to appear. Though paper money

had increased in amount, prosperity had steadily diminished. In spite of

all the paper issues, commercial activity grew more and more spasmodic.

Enterprise was chilled and business became more and more stagnant.

Mirabeau, in his speech which decided the second great issue of paper,

had insisted that, though bankers might suffer, this issue would be of

great service to manufacturers and restore prosperity to them and their

workmen. The latter were for a time deluded, but were at last rudely

awakened from this delusion. The plenty of currency had at first

stimulated production and created a great activity in manufactures, but

soon the markets were glutted and the demand was diminished. In spite of

the wretched financial policy of years gone by, and especially in spite

of the Revocation of the Edict of Nantes, by which religious bigotry

had driven out of the kingdom thousands of its most skillful Protestant

workmen, the manufactures of France had before the Revolution come into

full bloom. In the finer woolen goods, in silk and satin fabrics of all

sorts, in choice pottery and porcelain, in manufactures of iron, steel,

and copper, they had again taken their old leading place upon the

Continent. All the previous changes had, at the worst, done no more

than to inflict a momentary check on this highly developed system of

manufactures. But what the bigotry of Louis XIV and the shiftlessness

of Louis XV could not do in nearly a century, was accomplished by this

tampering with the currency in a few months. One manufactory after

another stopped. At one town, Lodève, five thousand workmen were

discharged from the cloth manufactories. Every cause except the right

one was assigned for this. Heavy duties were put upon foreign goods;

everything that tariffs and custom-houses could do was done. Still the

great manufactories of Normandy were closed, those of the rest of the

kingdom speedily followed, and vast numbers of workmen in all parts of

the country were thrown out of employment. [30] Nor was this the case

with the home demand alone. The foreign demand, which at first had been

stimulated, soon fell off. In no way can this be better stated than by

one of the most thoughtful historians of modern times, who says, "It is

true that at first the \_assignats\_ gave the same impulse to business

in the city as in the country, but the apparent improvement had no firm

foundation, even in the towns. Whenever a great quantity of paper money

is suddenly issued we invariably see a rapid increase of trade. The

great quantity of the circulating medium sets in motion all the energies

of commerce and manufactures; capital for investment is more easily

found than usual and trade perpetually receives fresh nutriment. If this

paper represents real credit, founded upon order and legal security,

from which it can derive a firm and lasting value, such a movement may

be the starting point of a great and widely-extended prosperity, as, for

instance, a splendid improvement in English agriculture was undoubtedly

owing to the emancipation of the country bankers. If on the contrary,

the new paper is of precarious value, as was clearly seen to be the case

with the French \_assignats\_ as early as February, 1791, it can confer no

lasting benefits. For the moment, perhaps, business receives an impulse,

all the more violent because every one endeavors to invest his doubtful

paper in buildings, machines and goods, which, under all circumstances,

retain some intrinsic value. Such a movement was witnessed in France

in 1791, and from every quarter there came satisfactory reports of the

activity of manufactures."

"But, for the moment, the French manufacturers derived great advantage

from this state of things. As their products could be so cheaply paid

for, orders poured in from foreign countries to such a degree that it

was often difficult for the manufacturers to satisfy their customers.

It is easy to see that prosperity of this kind must very soon find

its limit.... When a further fall in the \_assignats\_ took place this

prosperity would necessarily collapse, and be succeeded by a crisis

all the more destructive the more deeply men had engaged in speculation

under the influence of the first favorable prospects." [31]

Thus came a collapse in manufacturing and commerce, just as it had come

previously in France: just as it came at various periods in Austria,

Russia, America, and in all countries where men have tried to build up

prosperity on irredeemable paper. [32]

All this breaking down of the manufactures and commerce of the nation

made fearful inroads on the greater fortunes; but upon the lesser, and

upon the little properties of the masses of the nation who relied upon

their labor, it pressed with intense severity. The capitalist could put

his surplus paper money into the government lands and await results; but

the men who needed their money from day to day suffered the worst of

the misery. Still another difficulty appeared. There had come a complete

uncertainty as to the future. Long before the close of 1791 no one knew

whether a piece of paper money representing a hundred \_livres\_ would,

a month later, have a purchasing power of ninety or eighty or sixty

\_livres\_. The result was that capitalists feared to embark their means

in business. Enterprise received a mortal blow. Demand for labor was

still further diminished; and here came a new cause of calamity: for

this uncertainty withered all far-reaching undertakings. The business

of France dwindled into a mere living from hand to mouth. This state of

things, too, while it bore heavily upon the moneyed classes, was

still more ruinous to those in moderate and, most of all, to those in

straitened circumstances. With the masses of the people, the purchase of

every article of supply became a speculation--a speculation in which

the professional speculator had an immense advantage over the ordinary

buyer. Says the most brilliant of apologists for French revolutionary

statesmanship, "Commerce was dead; betting took its place." [33]

Nor was there any compensating advantage to the mercantile classes. The

merchant was forced to add to his ordinary profit a sum sufficient to

cover probable or possible fluctuations in value, and while prices of

products thus went higher, the wages of labor, owing to the number of

workmen who were thrown out of employment, went lower.

But these evils, though great, were small compared to those far more

deep-seated signs of disease which now showed themselves throughout the

country. One of these was the \_obliteration of thrift\_ from the minds

of the French people. The French are naturally thrifty; but, with such

masses of money and with such uncertainty as to its future value, the

ordinary motives for saving and care diminished, And a loose luxury

spread throughout the country. A still worse outgrowth was the increase

of speculation and gambling. With the plethora of paper currency in

1791 appeared the first evidences of that cancerous disease which

always follows large issues of irredeemable currency,--a disease more

permanently injurious to a nation than war, pestilence or famine. For

at the great metropolitan centers grew a luxurious, speculative,

stock-gambling body, which, like a malignant tumor, absorbed into itself

the strength of the nation and sent out its cancerous fibres to the

remotest hamlets. At these city centers abundant wealth seemed to be

piled up: in the country at, large there grew a dislike of steady labor

and a contempt for moderate gains and simple living. In a pamphlet

published in May, 1791, we see how, in regard to this also, public

opinion was blinded. The author calls attention to the increase of

gambling in values of all sorts in these words: "What shall I say of the

stock-jobbing, as frightful as it is scandalous, which goes on in Paris

under the very eyes of our legislators,--a most terrible evil, yet,

under the present circumstances,--necessary?" The author also speaks

of these stock-gamblers as using the most insidious means to influence

public opinion in favor of their measures; and then proposes, seriously,

a change in various matters of detail, thinking that this would prove a

sufficient remedy for an evil which had its roots far down in the whole

system of irredeemable currency. As well might a physician prescribe a

pimple wash for a diseased liver. [34]

Now began to be seen more plainly some of the many ways in which an

inflation policy robs the working class. As these knots of plotting

schemers at the city centers were becoming bloated with sudden wealth,

the producing classes of the country, though having in their possession

more and more currency, grew lean. In the schemes and speculations put

forth by stock-jobbers and stimulated by the printing of more currency,

multitudes of small fortunes were absorbed and lost while a few swollen

fortunes were rapidly aggregated in the larger cities. This crippled a

large class in the country districts, which had employed a great number

of workmen.

In the leading French cities now arose a luxury and license which was

a greater evil even than the plundering which ministered to it. In

the country the gambling spirit spread more and more. Says the same

thoughtful historian whom I have already quoted: "What a prospect for

a country when its rural population was changed into a great band of

gamblers!" [35]

Nor was this reckless and corrupt spirit confined to business men; it

began to break out in official circles, and public men who, a few

years before, had been thought above all possibility of taint, became

luxurious, reckless, cynical and finally corrupt. Mirabeau, himself,

who, not many months previous, had risked imprisonment and even death

to establish constitutional government, was now--at this very

time--secretly receiving heavy bribes. When, at the downfall of the

monarchy a few years later, the famous iron chest of the Tuileries was

opened, there were found evidences that, in this carnival of inflation

and corruption, he had been a regularly paid servant of the Royal

court. [36] The artful plundering of the people at large was bad enough,

but worse still was this growing corruption in official and legislative

circles. Out of the speculating and gambling of the inflation period

grew luxury, and, out of this, corruption. It grew as naturally as a

fungus on a muck heap. It was first felt in business operations,

but soon began to be seen in the legislative body and in journalism.

Mirabeau was, by no means, the only example. Such members of the

legislative body as Jullien of Toulouse, Delaunay of Angers, Fabre

d'Eglantine and their disciples, were among the most noxious of those

conspiring by legislative action to raise and depress securities for

stock-jobbing purposes. Bribery of legislators followed as a matter of

course, Delaunay, Jullien and Chabot accepted a bribe of five hundred

thousand \_livres\_ for aiding legislation calculated to promote the

purposes of certain stock-jobbers. It is some comfort to know that

nearly all concerned were guillotined for it. [37]

It is true that the number of these corrupt legislators was small, far

less than alarmists led the nation to suppose, but there were enough to

cause wide-spread distrust, cynicism and want of faith in any patriotism

or any virtue.

II.

Even worse than this was the breaking down of the morals of the country

at large, resulting from the sudden building up of ostentatious wealth

in a few large cities, and from the gambling, speculative spirit

spreading from these to the small towns and rural districts. From this

was developed an even more disgraceful result,--the decay of a true

sense of national good faith. The patriotism which the fear of the

absolute monarchy, the machinations of the court party, the menaces of

the army and the threats of all monarchical Europe had been unable

to shake was gradually disintegrated by this same speculative,

stock-jobbing habit fostered by the superabundant currency. At the

outset, in the discussions preliminary to the first issue of paper

money, Mirabeau and others who had favored it had insisted that

patriotism as well as an enlightened self-interest, would lead the

people to keep up the value of paper money. The very opposite of this

was now revealed, for there appeared, as another outgrowth of this

disease, what has always been seen under similar circumstances. It is

a result of previous, and a cause of future evils. This outgrowth was a

vast debtor class in the nation, directly interested in the depreciation

of the currency in which they were to pay their debts. The nucleus of

this class was formed by those who had purchased the church lands from

the government. Only small payments down had been required and the

remainder was to be paid in deferred installments: an indebtedness of a

multitude of people had thus been created to the amount of hundreds of

millions. This body of debtors soon saw, of course, that their interest

was to depreciate the currency in which their debts were to be paid;

and these were speedily joined by a far more influential class;--by that

class whose speculative tendencies had been stimulated by the abundance

of paper money, and who had gone largely into debt, looking for a rise

in nominal values. Soon demagogues of the viler sort in the political

clubs began to pander to it; a little later important persons in this

debtor class were to be found intriguing in the Assembly--first in its

seats and later in more conspicuous places of public trust. Before long,

the debtor class became a powerful body extending through all ranks of

society. From the stock-gambler who sat in the Assembly to the small

land speculator in the rural districts; from the sleek inventor of

\_canards\_ on the Paris Exchange to the lying stock-jobber in the

market town, all pressed vigorously for new issues of paper; all were

apparently able to demonstrate to the people that in new issues of paper

lay the only chance for national prosperity.

This great debtor class, relying on the multitude who could be

approached by superficial arguments, soon gained control. Strange as it

might seem to those who have not watched the same causes at work at a

previous period in France and at various times in other countries, while

every issue of paper money really made matters worse, a superstition

gained ground among the people at large that, if only \_enough\_ paper

money were issued and were more cunningly handled the poor would be made

rich. Henceforth, all opposition was futile. In December, 1791, a report

was made in the Legislative Assembly in favor of yet another great issue

of three hundred millions more of paper money. In regard to this report

Cambon said that more money was needed but asked, "Will you, in a moment

when stock-jobbing is carried on with such fury, give it new power by

adding so much more to the circulation?" But such high considerations

were now little regarded. Dorisy declared, "There is not enough money

yet in circulation; if there were more the sales of national lands would

be more rapid." And the official report of his speech states that these

words were applauded.

Dorisy then went on to insist that the government lands were worth at

least thirty-five hundred million \_livres\_ and said: "Why should members

ascend the tribunal and disquiet France? Fear nothing; your currency

reposes upon a sound mortgage." Then followed a glorification of the

patriotism of the French people, which, he asserted, would carry the

nation through all its difficulties.

Becquet, speaking next, declared that "The circulation is becoming more

rare every day."

On December 17, 1791, a new issue was ordered, making in all twenty-one

hundred millions authorized. Coupled with this was the declaration that

the total amount in actual circulation should never reach more than

sixteen hundred millions. Before this issue the value of the 100

\_livres\_ note had fallen at Paris to about 80 \_livres\_; [38] immediately

afterward it fell to about 68 \_livres\_. What limitations of the currency

were worth may be judged from the fact that not only had the declaration

made hardly a year before, limiting the amount in circulation to twelve

hundred millions, been violated, but the declaration, made hardly a

month previous, in which the Assembly had as solemnly limited the amount

of circulation to fourteen hundred millions, had also been repudiated.

The evils which we have already seen arising from the earlier issues

were now aggravated; but the most curious thing evolved out of all this

chaos was a \_new system of political economy\_. In speeches, newspapers

and pamphlets about this time, we begin to find it declared that, after

all, a depreciated currency is a blessing; that gold and silver form an

unsatisfactory standard for measuring values: that it is a good thing to

have a currency that will not go out of the kingdom and which separates

France from other nations: that thus shall manufacturers be encouraged;

that commerce with other nations may be a curse, and hindrance thereto

may be a blessing; that the laws of political economy however applicable

in other times, are not applicable to this particular period, and,

however operative in other nations, are not now so in France; that the

ordinary rules of political economy are perhaps suited to the minions of

despotism but not to the free and enlightened inhabitants of France at

the close of the eighteenth century; that the whole state of present

things, so far from being an evil is a blessing. All these ideas, and

others quite as striking, were brought to the surface in the debates on

the various new issues. [39]

Within four months came another report to the Assembly as ingenious as

those preceding. It declared: "Your committee are thoroughly persuaded

that the amount of the circulating medium before the Revolution was

greater than that of the \_assignats\_ today: but at that time the money

circulated slowly and now it passes rapidly so that one thousand million

\_assignats\_ do the work of two thousand millions of specie." The report

foretells further increase in prices, but by some curious jugglery

reaches a conclusion favorable to further inflation. Despite these

encouragements the \_assignats\_ nominally worth 100 \_livres\_ had fallen,

at the beginning of February, 1792, to about 60 \_livres\_, and during

that month fell to 53 \_livres\_. [40]

In March, Clavière became minister of finance. He was especially proud

of his share in the invention and advocacy of the \_assignats\_, and now

pressed their creation more vigorously than ever, and on April 30th, of

the same year, came the fifth great issue of paper money, amounting to

three hundred millions: at about the same time Cambon sneered ominously

at public creditors as "rich people, old financiers and bankers."

Soon payment was suspended on dues to public creditors for all amounts

exceeding ten thousand \_francs\_.

This was hailed by many as a measure in the interests of the poorer

classes of people, but the result was that it injured them most of all.

Henceforward, until the end of this history, capital was quietly taken

from labor and locked up in all the ways that financial ingenuity could

devise. All that saved thousands of laborers in France from starvation

was that they were drafted off into the army and sent to be killed on

foreign battlefields.

On the last day of July, 1792, came another brilliant report from

Fouquet, showing that the total amount of currency already issued was

about twenty-four hundred millions, but claiming that the national lands

were worth a little more than this sum. A decree was now passed issuing

three hundred millions more. By this the prices of everything were again

enhanced save one thing, and that one thing was labor. Strange as it may

at first appear, while the depreciation of the currency had raised all

products enormously in price, the stoppage of so many manufactories and

the withdrawal of capital caused wages in the summer of 1792, after all

the inflation, to be as small as they had been four years before--viz.,

fifteen \_sous\_ per day. No more striking example can be seen of the

truth uttered by Daniel Webster, that "of all the contrivances for

cheating the laboring classes of mankind, none has been more effective

than that which deludes them with paper-money." [41]

Issue after issue followed at intervals of a few months, until, on

December 14, 1792, we have an official statement to the effect that

thirty-five hundred millions had been put forth, of which six hundred

millions had been burned, leaving in circulation twenty-eight hundred

millions.

When it is remembered that there was little business to do and that

the purchasing power of the \_livre\_ or franc, when judged by the staple

products of the country, was equal to about half the present purchasing

power of our own dollar, it will be seen into what evils France had

drifted. As the mania for paper money ran its course, even the \_sous\_,

obtained by melting down the church bells, were more and more driven out

of circulation and more and more parchment notes from twenty \_four\_ to

five were issued, and at last pieces of one \_sou\_, of half a \_sou\_ and

even of one-quarter of a \_sou\_ were put in circulation. [42]

But now another source of wealth was opened to the nation. There came a

confiscation of the large estates of landed proprietors who had fled

the country. An estimate in 1793 made the value of these estates three

billions of \_francs\_. As a consequence, the issues of paper money

were continued in increased amounts, on the old theory that they were

guaranteed by the solemn pledge of these lands belonging to the state.

Under the Legislative Assembly through the year 1792 new issues were

made virtually every month, so that at the end of January, 1793, it

was more and more realized that the paper money actually in circulation

amounted close upon three thousand millions of \_francs\_. All this had

been issued publicly, in open sessions of the National and Legislative

Assemblies; but now under the National Convention, the two Committees

of Public Safety and of Finance began to decree new issues privately, in

secret session.

As a result, the issues became larger still, and four hundred workmen

were added to those previously engaged in furnishing this paper money,

and these were so pressed with work from six o'clock in the morning

until eight in the evening that they struck for higher wages and were

successful. [43]

The consequences of these overissues now began to be more painfully

evident to the people at large. Articles of common consumption became

enormously dear and prices were constantly rising. Orators in the

Legislative Assembly, clubs, local meetings and elsewhere now endeavored

to enlighten people by assigning every reason for this depreciation save

the true one. They declaimed against the corruption of the ministry, the

want of patriotism among the Moderates, the intrigues of the emigrant

nobles, the hard-heartedness of the rich, the monopolizing spirit of the

merchants, the perversity of the shopkeepers,---each and all of these as

causes of the difficulty. [44]

This decline in the government paper was at first somewhat masked by

fluctuations. For at various times the value of the currency \_rose\_. The

victory of Jemappes and the general success of the French army against

the invaders, with the additional security offered by new confiscations

of land, caused, in November, 1792, an appreciation in the value of the

currency; the franc had stood at 57 and it rose to about 69; but

the downward tendency was soon resumed and in September, 1793,

the \_assignats\_ had sunk below 30. Then sundry new victories and

coruscations of oratory gave momentary confidence so that in December,

1793, they rose above 50. But despite these fluctuations the downward

tendency soon became more rapid than ever. [45]

The washerwomen of Paris, finding soap so dear that they could hardly

purchase it, insisted that all the merchants who were endeavoring to

save something of their little property by refusing to sell their goods

for the wretched currency with which France was flooded, should be

punished with death; the women of the markets and the hangers-on of the

Jacobin Club called loudly for a law "to equalize the value of paper

money and silver coin." It was also demanded that a tax be laid

especially on the rich, to the amount of four hundred million \_francs\_,

to buy bread. Marat declared loudly that the people, by hanging

shopkeepers and plundering stores, could easily remove the trouble. The

result was that on the 28th of February, 1793, at eight o'clock in the

evening, a mob of men and women in disguise began plundering the

stores and shops of Paris. At first they demanded only bread; soon they

insisted on coffee and rice and sugar; at last they seized everything

on which they could lay their hands--cloth, clothing, groceries and

luxuries of every kind. Two hundred such places were plundered. This was

endured for six hours and finally order was restored only by a grant of

seven million \_francs\_ to buy off the mob. The new political economy was

beginning to bear, its fruits luxuriantly. A gaudy growth of it appeared

at the City Hall of Paris when, in response to the complaints of the

plundered merchants, Roux declared, in the midst of great applause, that

"shopkeepers were only giving back to the people what they had hitherto

robbed them of."

The mob having thus been bought off by concessions and appeased by

oratory, the government gained time to think, and now came a series of

amazing expedients,--and yet all perfectly logical.

Three of these have gained in French history an evil pre-eminence, and

first of the three was the Forced Loan.

In view of the fact that the well-to-do citizens were thought to be

lukewarm in their support of the politicians controlling the country,

various demagogues in the National Convention, which had now succeeded

the National, Constituent and Legislative Assemblies, found ample matter

for denunciations long and loud. The result outside the Convention

was increased activity of the guillotine; the results inside were new

measures against all who had money, and on June 22, 1793, the

Convention determined that there should be a Forced Loan, secured on the

confiscated lands of the emigrants and levied upon all married men

with incomes of ten thousand \_francs\_, and upon all unmarried men with

incomes of six thousand \_francs\_. It was calculated that these

would bring into the treasury a thousand millions of \_francs\_. But a

difficulty was found. So many of the rich had lied or had concealed

their wealth that only a fifth of the sum required could be raised, and

therefore a law was soon passed which levied forced loans upon incomes

as low as one thousand, \_francs\_,--or, say, two hundred dollars

of American money. This tax was made progressive. On the smaller

proprietors it was fixed at one-tenth and on the larger, that is, on all

incomes above nine thousand \_francs\_, it was made one-half of the entire

income. Little if any provision was made for the repayment of this loan

but the certificates might be used for purchasing the confiscated real

estate of the church and of the nobility. [46]

But if this first expedient shows how naturally a "fiat" money system

runs into despotism, the next is no less instructive in showing how

easily it becomes repudiation and dishonor.

As we have seen, the first issue of the \_assignats\_,--made by the

National Assembly, bore a portrait of the king; but on the various

issues after the establishment of a republic this emblem had been

discarded. This change led to a difference in value between the earlier

and the later paper money. The wild follies of fanatics and demagogues

had led to an increasing belief that the existing state of things could

not last; that the Bourbons must ere long return; that in such case,

while a new monarch would repudiate all the vast mass of the later paper

issued by the Republic, he would recognize that first issue bearing the

face and therefore the guarantee of the king. So it was that this first

issue came to bear a higher value than those of later date. To meet this

condition of things it was now proposed to repudiate an that earlier

issue. In vain did sundry more thoughtful members of the Convention

plead that this paper money, amounting to five hundred and fifty-eight

millions of \_francs\_, bore the solemn guarantee of the nation, as well

as of the king; the current was irresistible. All that Cambon, the great

leader of finance at that time, could secure was a clause claiming to

protect the poor, to the effect that this demonetization should not

extend to notes below a hundred \_francs\_ in value; and it was also

agreed that any of the notes, large or small, might be received in

payment of taxes and for the confiscated property of the clergy and

nobility. To all the arguments advanced against this breach of the

national faith Danton, then at the height of his power, simply declared

that only aristocrats could favor notes bearing the royal portrait, and

gave forth his famous utterance: "Imitate Nature, which watches over the

preservation of the race but has no regard for individuals." The decree

was passed on the 31st of July, 1793, yet its futility was apparent in

less than two months, when the Convention decreed that there should be

issued two thousand millions of \_francs\_ more in \_assignats\_ between the

values of ten \_sous\_ and four hundred \_francs\_, and when, before the end

of the year, five hundred millions more were authorized. [47]

The third outgrowth of the vast issue of fiat money was the \_Maximum\_.

As far back as November, 1792, the Terrorist associate of Robespierre,

St. Just, in view of the steady rise in prices of the necessaries of

life, had proposed a scheme by which these prices should be established

by law, at a rate proportionate to the wages of the working classes.

This plan lingered in men's minds, taking shape in various resolutions

and decrees until the whole culminated on September 29, 1793, in the Law

of the \_Maximum\_.

While all this legislation was high-handed, it was not careless. Even

statesmen of the greatest strength, having once been drawn into this

flood, were borne on into excesses which, a little earlier, would have

appalled them. Committees of experts were appointed to study the whole

subject of prices, and at last there were adopted the great "four rules"

which seemed to statesmen of that time a masterly solution of the whole

difficulty. [48]

\_First\_, the price of each article of necessity was to be fixed at one

and one-third its price in 1790. \_Secondly\_, all transportation was to

be added at a fixed rate per league. \_Thirdly\_, five per cent was to be

added for the profit of the wholesaler. \_Fourthly\_, ten per cent was

to be added for the profit of the retailer. Nothing could look more

reasonable. Great was the jubilation. The report was presented and

supported by Barrère,--"the tiger monkey,"--then in all the glory

of his great orations: now best known from his portrait by Macaulay.

Nothing could withstand Barrère's eloquence. He insisted that France

had been suffering from a "\_Monarchical\_ commerce which only sought

wealth," while what she needed and what she was now to receive was a

"\_Republican\_ commerce--a commerce of moderate profits and virtuous." He

exulted in the fact that "France alone enjoys such a commerce,--that it

exists in no other nation." He poured contempt over political economy as

"that science which quacks have corrupted, which pedants have obscured

and which academicians have depreciated." France, he said, has something

better, and he declared in conclusion, "The needs of the people will

no longer be spied upon in order that the commercial classes may

arbitrarily take advantage." [49]

The first result of the \_Maximum\_ was that every means was taken to

evade the fixed price imposed, and the farmers brought in as little

produce as they possibly could. This increased the scarcity, and the

people of the large cities were put on an allowance. Tickets were issued

authorizing the bearer to obtain at the official prices a certain

amount of bread or sugar or soap or wood or coal to cover immediate

necessities. [50]

But it was found that the \_Maximum\_, with its divinely revealed four

rules, could not be made to work well--even by the shrewdest devices. In

the greater part of France it could not be enforced. As to merchandise

of foreign origin or merchandise into which any foreign product entered,

the war had raised it far above the price allowed under the first rule,

namely, the price of 1790, with an addition of one-third. Shopkeepers

therefore could not sell such goods without ruin. The result was that

very many went out of business and the remainder forced buyers to pay

enormous charges under the very natural excuse that the seller risked

his life in trading at all. That this excuse was valid is easily seen

by the daily lists of those condemned to the guillotine, in which

not infrequently figure the names of men charged with violating the

\_Maximum\_ laws. Manufactures were very generally crippled and frequently

destroyed, and agriculture was fearfully depressed. To detect goods

concealed by farmers and shopkeepers, a spy system was established

with a reward to the informer of one-third of the value of the goods

discovered. To spread terror, the Criminal Tribunal at Strassburg was

ordered to destroy the dwelling of any one found guilty of selling goods

above the price set by law. The farmer often found that he could not

raise his products at anything like the price required by the new law,

and when he tried to hold back his crops or cattle, alleging that he

could not afford to sell them at the prices fixed by law, they were

frequently taken from him by force and he was fortunate if paid even

in the depreciated fiat money--fortunate, indeed, if he finally escaped

with his life. [51]

Involved in all these perplexities, the Convention tried to cut the

Gordian knot. It decreed that any person selling gold or silver coin,

or making any difference in any transaction between paper and specie,

should be imprisoned in irons for six years:--that any one who refused

to accept a payment in \_assignats\_, or accepted \_assignats\_ at a

discount, should pay a fine of three thousand \_francs\_; and that any one

committing this crime a second time should pay a fine of six thousand

\_francs\_ and suffer imprisonment twenty years in irons. Later, on the

8th of September, 1793, the penalty for such offences was made death,

with confiscation of the criminal's property, and so reward was offered

to any person informing the authorities regarding any such criminal

transaction. To reach the climax of ferocity, the Convention decreed,

in May, 1794, that the death penalty should be inflicted on any person

convicted of "having asked, before a bargain was concluded, in what

money payment was to be made." Nor was this all. The great finance

minister, Cambon, soon saw that the worst enemies of his policy were

gold and silver. Therefore it was that, under his lead, the Convention

closed the Exchange and finally, on November 13, 1793, under terrifying

penalties, suppressed all commerce in the precious metals. About a year

later came the abolition of the Maximum itself. [52]

It is easily seen that these \_Maximum\_ laws were perfectly logical.

Whenever any nation intrusts to its legislators the issue of a currency

not based on the idea of redemption in standard coin recognized in the

commerce of civilized nations, it intrusts to them the power to raise or

depress the value of every article in the possession of every citizen.

Louis XIV had claimed that all property in Prance was his own, and that

what private persons held was as much his as if it were in his coffers.

But even this assumption is exceeded by the confiscating power exercised

in a country, where, instead of leaving values to be measured by a

standard common to the whole world, they are left to be depressed or

raised at the whim, caprice or interest of a body of legislators. When

this power is given, the power of prices is inevitably included in

it. [53]

It may be said that these measures were made necessary by the war then

going on. Nothing could be more baseless than such an objection. In this

war the French soon became generally successful. It was quickly pushed

mainly upon foreign soil. Numerous contributions were levied upon the

subjugated countries to support the French armies. The war was one of

those in which the loss, falling apparently on future generations, first

stimulates, in a sad way, trade and production. The main cause of these

evils was tampering with the circulating medium of an entire nation;

keeping all values in fluctuation; discouraging enterprise; paralyzing

energy; undermining sobriety; obliterating thrift; promoting

extravagance and exciting riot by the issue of an irredeemable currency.

The true business way of meeting the enormous demands on France during

the first years of the Revolution had been stated by a true statesman

and sound financier, Du Pont de Nemours, at the very beginning. He had

shown that using the same paper as a circulating medium and as a means

for selling the national real estate was like using the same implement

for an oyster knife and a razor. [54]

It has been argued that the \_assignats\_ sank in value because they were

not well secured,--that securing them on government real estate was as

futile as if the United States had, in the financial troubles of its

early days, secured notes on its real estate. This objection is utterly

fallacious. The government lands of our country were remote from the

centers of capital and difficult to examine; the French national real

estate was near these centers--even \_in\_ them--and easy to examine.

Our national real estate was unimproved and unproductive; theirs

was improved and productive--its average productiveness in market in

ordinary times being from four to five per cent. [55]

It has also been objected that the attempt to secure the \_assignats\_ on

government real estate failed because of the general want of confidence

in the title derived by the purchasers from the new government. Every

thorough student of that period must know that this is a misleading

statement. Everything shows that the vast majority of the French people

had a fanatical confidence in the stability of the new government during

the greater part of the Revolution. There were disbelievers in the

security of the \_assignats\_ just as there were disbelievers in the

paper money of the United States throughout our Civil War; but they were

usually a small minority. Even granting that there was a doubt as to

investment in French lands, the French people certainly had as much

confidence in the secure possession of government lands as any people

can ever have in large issues of government bonds: indeed, it is certain

that they had far more confidence in their lands as a security than

modern nations can usually have in large issues of bonds obtained by

payments of irredeemable paper. One simple fact, as stated by John

Stuart Mill, which made \_assignats\_ difficult to convert into real

estate was that the vast majority of people could not afford to make

investments outside their business; and this fact is no less fatal

to any attempt to contract large issues of irredeemable paper--save,

perhaps, a bold, statesmanlike attempt, which seizes the best time and

presses every advantage, eschewing all juggling devices and sacrificing

everything to maintain a sound currency based on standards common to the

entire financial world.

And now was seen, taking possession of the nation, that idea which

developed so easily out of the fiat money system;--the idea that the

ordinary needs of government may be legitimately met wholly by the means

of paper currency;--that taxes may be dispensed with. As a result, it

was found that the \_assignat\_ printing press was the one resource left

to the government, and the increase in the volume of paper money became

every day more appalling.

It will doubtless surprise many to learn that, in spite of these evident

results of too much currency, the old cry of a "scarcity of circulating

medium" was not stilled; it appeared not long after each issue, no

matter how large.

But every thoughtful student of financial history knows that this cry

always comes after such issues--nay, that it \_must\_ come,--because

in obedience to a natural law, the former scarcity, or rather

\_insufficiency\_ of currency recurs just as soon as prices become

adjusted to the new volume, and there comes some little revival of

business with the usual increase of credit. [56]

In August, 1793, appeared a new report by Cambon. No one can read it

without being struck by its mingled ability and folly. His final plan

of dealing with the public debt has outlasted all revolutions since,

but his disposition of the inflated currency came to a wretched failure.

Against Du Pont, who showed conclusively that the wild increase of paper

money was leading straight to, ruin, Cambon carried the majority in

the great assemblies and clubs by sheer audacity--the audacity of

desperation. Zeal in supporting the \_assignats\_ became his religion. The

National Convention which succeeded the Legislative Assembly, issued in

1793 over three thousand millions of \_assignats\_, and, of these, over

twelve hundred millions were poured into the circulation. And yet Cambon

steadily insisted that the security for the \_assignat\_ currency was

perfect. The climax of his zeal was reached when he counted as assets

in the national treasury the indemnities which, he declared, France

was sure to receive after future victories over the allied nations

with which she was then waging a desperate war. As patriotism, it was

sublime; as finance it was deadly. [57]

Everything was tried. Very elaborately he devised a funding scheme

which, taken in connection with his system of issues, was in effect

what in these days would be called an "\_interconvertibility scheme\_" By

various degrees of persuasion or force,--the guillotine looming up in

the background,--holders of \_assignats\_ were urged to convert them into

evidence of national debt, bearing interest at five per cent, with the

understanding that if more paper were afterward needed more would be

issued. All in vain. The official tables of depreciation show that the

\_assignats\_ continued to fall. A forced loan, calling in a billion

of these, checked this fall, but only for a moment. The

"\_interconvertibility scheme\_" between currency and bonds failed as

dismally as the "\_interconvertibility scheme\_" between currency and land

had failed. [58]

A more effective expedient was a law confiscating the property of all

Frenchmen who left France after July 14, 1789, and who had not returned.

This gave new land to be mortgaged for the security of paper money.

All this vast chapter in financial folly is sometimes referred to as if

it resulted from the direct action of men utterly unskilled in finance.

This is a grave error. That wild schemers and dreamers took a leading

part in setting the fiat money system going is true; that speculation

and interested financiers made it worse is also true: but the men who

had charge of French finance during the Reign of Terror and who made

these experiments, which seem to us so monstrous, in order to rescue

themselves and their country from the flood which was sweeping

everything to financial ruin were universally recognized as among the

most skillful and honest financiers in Europe. Cambon, especially,

ranked then and ranks now as among the most expert in any period. The

disastrous results of all his courage and ability in the attempt to

stand against the deluge of paper money show how powerless are the most

skillful masters of finance to stem the tide of fiat money calamity

when once it is fairly under headway; and how useless are all enactments

which they can devise against the underlying laws of nature.

Month after month, year after year new issues went on. Meanwhile

everything possible was done to keep up the value of paper. The city

authorities of Metz took a solemn oath that the \_assignats\_ should bear

the same price whether in paper or specie,--and whether in buying

or selling, and various other official bodies throughout the nation

followed this example. In obedience to those who believed with the

market women of Paris, as stated in their famous petition, that "laws

should be passed making paper money as good as gold," Couthon, in

August, 1793, had proposed and carried a law punishing any person

who should sell \_assignats\_ at less than their nominal value with

imprisonment for twenty years in chains, and later carried a law making

investments in foreign countries by Frenchmen punishable with death. [59]

But to the surprise of the great majority of the French people, the

value of the \_assignats\_ was found, after the momentary spasm of fear

had passed, not to have been permanently increased by these measures: on

the contrary, this "fiat" paper persisted in obeying the natural laws of

finance and, as new issues increased, their value decreased. Nor did the

most lavish aid of nature avail. The paper money of the nation seemed to

possess a magic power to transmute prosperity into adversity and plenty

into famine. The year 1794 was exceptionally fruitful: and yet with the

autumn came scarcity of provisions and with the winter came distress.

The reason is perfectly simple. The sequences in that whole history are

absolutely logical. First, the Assembly had inflated the currency and

raised prices enormously. Next, it had been forced to establish an

arbitrary maximum price for produce. But this price, large as it

seemed, soon fell below the real value of produce; many of the farmers,

therefore, raised less produce or refrained from bringing what they had

to market. [60] But, as is usual in such cases, the trouble was ascribed

to everything rather than the real cause, and the most severe measures

were established in all parts of the country to force farmers to bring

produce to market, millers to grind and shopkeepers to sell it. [61] The

issues of paper money continued. Toward the end of 1794 seven thousand

millions in \_assignats\_ were in circulation. [62] By the end of May,

1795, the circulation was increased to ten thousand millions, at the

end of July, to fourteen thousand millions; and the value of one hundred

\_francs\_ in paper fell steadily, first to four \_francs\_ in gold, then to

three, then to two and one-half. [63] But, curiously enough, while this

depreciation was rapidly going on, as at various other periods when

depreciation was rapid, there came an apparent revival of business. The

hopes of many were revived by the fact that in spite of the decline of

paper there was an exceedingly brisk trade in all kinds of permanent

property. Whatever articles of permanent value certain needy people were

willing to sell certain cunning people were willing to buy and to pay

good prices for in \_assignats\_. At this, hope revived for a time in

certain quarters. But ere long it was discovered that this was one of

the most distressing results of a natural law which is sure to come into

play under such circumstances. It was simply a feverish activity caused

by the intense desire of a large number of the shrewder class to convert

their paper money into anything and everything which they could hold and

hoard until the collapse which they foresaw should take place. This very

activity in business simply indicated the disease. It was simply legal

robbery of the more enthusiastic and trusting by the more cold-hearted

and keen. It was, the "unloading" of the \_assignats\_ upon the mass of

the people. [64]

Interesting is it to note in the midst of all this the steady action

of another simple law in finance. Prisons, guillotines, enactments

inflicting twenty years' imprisonment in chains upon persons twice

convicted of buying or selling paper money at less than its nominal

value, and death upon investors in foreign securities, were powerless.

The National Convention, fighting a world in arms and with an armed

revolt on its own soil, showed titanic power, but in its struggle to

circumvent one simple law of nature its weakness was pitiable. The

\_louis d'or\_ stood in the market as a monitor, noting each day, with

unerring fidelity, the decline in value of the \_assignat\_; a monitor not

to be bribed, not to be scared. As well might the National Convention

try to bribe or scare away the polarity of the mariner's compass. On

August 1, 1795, this gold \_louis\_ of 25 \_francs\_ was worth in paper,

920 \_francs\_; on September 1st, 1,200 \_francs\_; on November 1st, 2,600

\_francs\_; on December 1st, 3,050 \_francs\_. In February, 1796, it was

worth 7,200 \_francs\_ or one franc in gold was worth 288 \_francs\_ in

paper. Prices of all commodities went up nearly in proportion. [65]

The writings of this period give curious details. Thibaudeau, in his

Memoirs, speaks of sugar as 500 \_francs\_ a pound, soap, 230 \_francs\_,

candles, 140 \_francs\_. Mercier, in his lifelike pictures of the French

metropolis at that period, mentions 600 \_francs\_ as carriage hire for a

single drive, and 6,000 for an entire day. Examples from other sources

are such as the following:--a measure of flour advanced from two

\_francs\_ in 1790, to 225 \_francs\_ in 1795; a pair of shoes, from

five \_francs\_ to 200; a hat, from 14 \_francs\_ to 500; butter, to,

560 \_francs\_ a pound; a turkey, to 900 \_francs\_. [66] Everything

was enormously inflated in price \_except the wages of labor\_. As

manufacturers had closed, wages had fallen, until all that kept them up

seemed to be the fact that so many laborers were drafted off into the

army. From this state of things came grievous wrong and gross fraud.

Men who had foreseen these results and had gone into debt were of course

jubilant. He who in 1790 had borrowed 10,000 \_francs\_ could pay his

debts in 1796 for about 35 \_francs\_. Laws were made to meet these

abuses. As far back as 1794 a plan was devised for publishing official

"tables of depreciation" to be used in making equitable settlements of

debts, but all such machinery proved futile. On the 18th of May, 1796, a

young man complained to the National Convention that his elder brother,

who had been acting as administrator of his deceased father's estate,

had paid the heirs in \_assignats\_, and that he had received scarcely one

three-hundredth part of the real value of his share. [67] To meet cases

like this, a law was passed establishing a "scale of proportion." Taking

as a standard the value of the \_assignat\_ when there were two billions

in circulation, this law declared that, in payment of debts, one-quarter

should be added to the amount originally borrowed for every five hundred

millions added to the circulation. In obedience to this law a man

who borrowed two thousand \_francs\_ when there were two billions in

circulation would have to pay his creditors twenty-five hundred

\_francs\_ when half a billion more were added to the currency, and over

thirty-five thousand \_francs\_ before the emissions of paper reached

their final amount. This brought new evils, worse, if possible, than the

old. [68]

The question will naturally be asked, \_On whom did this vast

depreciation mainly fall at last\_? When this currency had sunk to

about one three-hundredth part of its nominal value and, after that,

to nothing, in whose hands was the bulk of it? The answer is simple. I

shall give it in the exact words of that thoughtful historian from whom

I have already quoted: "Before the end of the year 1795 the paper money

was almost exclusively in the hands of the working classes, employees

and men of small means, whose property was not large enough to invest in

stores of goods or national lands. [69] Financiers and men of large means

were shrewd enough to put as much of their property as possible into

objects of permanent value. The working classes had no such foresight

or skill or means. On them finally came the great crushing weight of the

loss. After the first collapse came up the cries of the starving. Roads

and bridges were neglected; many manufactures were given up in utter

helplessness." To continue, in the words of the historian already cited:

"None felt any confidence in the future in any respect; few dared to

make a business investment for any length of time and it was accounted a

folly to curtail the pleasures of the moment, to accumulate or save for

so uncertain a future." [70]

This system in finance was accompanied by a system in politics no less

startling, and each system tended to aggravate the other. The wild

radicals, having sent to the guillotine first all the Royalists and

next all the leading Republicans they could entrap, the various

factions began sending each other to the same destination:--Hébertists,

Dantonists, with various other factions and groups, and, finally, the

Robespierrists, followed each other in rapid succession. After these

declaimers and phrase-mongers had thus disappeared there came to power,

in October, 1795, a new government,--mainly a survival of the more

scoundrelly,--the Directory. It found the country utterly impoverished

and its only resource at first was to print more paper and to issue even

while wet from the press. These new issues were made at last by the two

great committees, with or without warrant of law, and in greater sums

than ever. Complaints were made that the array of engravers and printers

at the mint could not meet the demand for \_assignats\_--that they

could produce only from sixty to seventy millions per day and that

the government was spending daily from eighty to ninety millions. Four

thousand millions of \_francs\_ were issued during one month, a little

later three thousand millions, a little later four thousand millions,

until there had been put forth over thirty-five thousand millions. The

purchasing power of this paper having now become almost nothing, it was

decreed, on the 22nd of December, 1795, that the whole amount issued

should be limited to forty thousand millions, including all that had

previously been put forth and that when this had been done the copper

plates should be broken. Even in spite of this, additional issues

were made amounting to about ten thousand millions. But on the 18th of

February, 1796, at nine o'clock in the morning, in the presence of a

great crowd, the machinery, plates and paper for printing \_assignats\_

were brought to the Place Vendome and there, on the spot where the

Napoleon Column now stands, these were solemnly broken and burned.

Shortly afterward a report by Camus was made to the Assembly that

the entire amount of paper money issued in less than six years by the

Revolutionary Government of France had been over forty-five thousand

millions of \_francs\_--that over six thousand millions had been annulled

and burned and that at the final catastrophe there were in circulation

close upon forty thousand millions. It will be readily seen that it

was fully time to put an end to the system, for the gold "\_louis\_" of

twenty-five \_francs\_ in specie had, in February, 1796, as we have seen,

become worth 7,200 \_francs\_, and, at the latest quotation of all, no

less than 15,000 \_francs\_ in paper money--that is, one franc in gold was

nominally worth 600 \_francs\_ in paper.

Such were the results of allowing dreamers, schemers, phrase-mongers,

declaimers and strong men subservient to these to control a

government. [71]

III.

The first new expedient of the Directory was to secure a forced loan of

six hundred million \_francs\_ from the wealthier classes; but this was

found fruitless. Ominous it was when persons compelled to take this

loan found for an \_assignat\_ of one hundred \_francs\_ only one franc was

allowed. Next a National Bank was proposed; but capitalists were loath

to embark in banking while the howls of the mob against all who had

anything especially to do with money resounded in every city. At last

the Directory bethought themselves of another expedient. This was by no

means new. It had been fully tried on our continent twice before that

time: and once, since--first, in our colonial period; next, during

our Confederation; lastly, by the "Southern Confederacy" and here,

as elsewhere, always in vain. But experience yielded to theory--plain

business sense to financial metaphysics. It was determined to issue a

new paper which should be "fully secured" and "as good as gold."

Pursuant to this decision it was decreed that a new paper money "fully

secured and as good as gold" be issued under the name of "\_mandats\_." In

order that these new notes should be "fully secured," choice public real

estate was set apart to an amount fully equal to the nominal value of

the issue, and any one offering any amount of the \_mandats\_ could at

once take possession of government lands; the price of the lands to be

determined by two experts, one named by the government and one by the

buyer, and without the formalities and delays previously established in

regard to the purchase of lands with \_assignats\_.

Perhaps the most whimsical thing in the whole situation was the

fact that the government, pressed as it was by demands of all sorts,

continued to issue the old \_assignats\_ at the same time that it was

discrediting them by issuing the new \_mandats\_. And yet in order to make

the \_mandats\_ "as good as gold" it was planned by forced loans and other

means to reduce the quantity of \_assignats\_ in circulation, so that the

value of each \_assignat\_ should be raised to one-thirtieth of the value

of gold, then to make \_mandats\_ legal tender and to substitute them for

\_assignats\_ at the rate of one for thirty. Never were great expectations

more cruelly disappointed. Even before the \_mandats\_ could be issued

from the press they fell to thirty-five per cent of their nominal value;

from this they speedily fell to fifteen, and soon after to five per

cent, and finally, in August, 1796, six months from their first issue,

to three per cent. This plan failed--just as it failed in New England in

1737; just as it failed under our own Confederation in 1781; just as it

failed under the Southern Confederacy during our Civil War. [72]

To sustain this new currency the government resorted to every method

that ingenuity could devise. Pamphlets suited to people of every

capacity were published explaining its advantages. Never was there more

skillful puffing. A pamphlet signed "Marchant" and dedicated to "People

of Good Faith" was widely circulated, in which Marchant took pains

to show the great advantage of the \_mandats\_ as compared with

\_assignats\_,--how land could be more easily acquired with them; how

their security was better than with \_assignats\_; how they could not, by

any possibility, sink in values as the \_assignats\_ had done. But even

before the pamphlet was dry from the press the depreciation of the

\_mandats\_ had refuted his entire argument. [73]

The old plan of penal measures was again pressed. Monot led off by

proposing penalties against those who shall speak publicly against

the \_mandats\_; Talot thought the penalties ought to be made especially

severe; and finally it was enacted that any persons "who by their

discourse or writing shall decry the \_mandats\_ shall be condemned to a

fine of not less than one thousand \_francs\_ or more than ten thousand;

and in case of a repetition of the offence, to four years in irons." It

was also decreed that those who refused to receive the \_mandats\_ should

be fined,--the first time, the exact sum which they refuse; the second

time, ten times as much; and the third time, punished with two years in

prison. But here, too, came in the action of those natural laws which

are alike inexorable in all countries. This attempt proved futile in

France just as it had proved futile less than twenty years before in

America. No enactments could stop the downward tendency of this new

paper "fully secured," "as good as gold"; the laws that finally govern

finance are not made in conventions or congresses. [74]

From time to time various new financial juggles were tried, some of them

ingenious, most of them drastic. It was decreed that all \_assignats\_

above the value of one hundred \_francs\_ should cease to circulate after

the beginning of June, 1796. But this only served to destroy the

last vestige of, confidence in government notes of any kind. Another

expedient was seen in the decree that paper money should be made to

accord with a natural and immutable standard of value and that one franc

in paper should thenceforth be worth ten pounds of wheat. This also

failed. On July 16th another decree seemed to show that the authorities

despaired of regulating the existing currency and it was decreed that

all paper, whether \_mandats\_ or \_assignats\_, should be taken at its

real value, and that bargains might be made in whatever currency people

chose. The real value of the \_mandats\_ speedily sank to about two per

cent of their nominal value and the only effect of this legislation

seemed to be that both \_assignats\_ and \_mandats\_ went still lower. Then

from February 4 to February 14, 1797, came decrees and orders that the

engraving apparatus for the \_mandats\_ should be destroyed as that for

the \_assignats\_ had been, that neither \_assignats\_ nor \_mandats\_ should

longer be a legal tender and that old debts to the state might be paid

for a time with government paper at the rate of one per cent of their

face value. [75] Then, less than three months later, it was decreed that

the twenty-one billions of \_assignats\_ still in circulation should be

annulled. Finally, on September 30, 1797, as the culmination of these

and various other experiments and expedients, came an order of the

Directory that the national debts should be paid two-thirds in bonds

which might be used in purchasing confiscated real estate, and the

remaining "Consolidated Third," as it was called, was to be placed on

the "Great Book" of the national debt to be paid thenceforth as the

government should think best.

As to the bonds which the creditors of the nation were thus forced to

take, they sank rapidly, as the \_assignats\_ and \_mandats\_ had done, even

to three per cent of their value. As to the "Consolidated Third," that

was largely paid, until the coming of Bonaparte, in paper money which

sank gradually to about six per cent of its face value. Since May, 1797,

both \_assignats\_ and \_mandats\_ had been virtually worth nothing.

So ended the reign of paper money in France. The twenty-five hundred

millions of \_mandats\_ went into the common heap of refuse with the

previous forty-five thousand millions of \_assignats\_: the nation in

general, rich and poor alike, was plunged into financial ruin from one

end to the other.

On the prices charged for articles of ordinary use light is thrown by

extracts from a table published in 1795, reduced to American coinage.

 1790 1795

 For a bushel of flour 40 cents 45 dollars

 For a bushel of oats 18 cents 10 dollars

 For a cartload of wood 4 dollars 500 dollars

 For a bushel of coal 7 cents 2 dollars

 For a pound of sugar 18 cents 12 1/2 dollars

 For a pound of soap 18 cents 8 dollars

 For a pound of candles 18 cents 8 dollars

 For one cabbage 8 cents 5 1/2 dollars

 For a pair of shoes 1 dollar 40 dollars

 For twenty-five eggs 24 cents 5 dollars

But these prices about the middle of 1795 were moderate compared with

those which were reached before the close of that year and during the

year following. Perfectly authentic examples were such as the following:

 A pound of bread 9 dollars

 A bushel of potatoes 40 dollars

 A pound of candles 40 dollars

 A cartload of wood 250 dollars

So much for the poorer people. Typical of those esteemed wealthy may be

mentioned a manufacturer of hardware who, having retired from business

in 1790 with 321,000 \_livres\_, found his property in 1796 worth 14,000

\_francs\_. [76]

For this general distress arising from the development and collapse of

"fiat" money in France, there was, indeed, one exception. In Paris and

a few of the other great cities, men like Tallien, of the heartless,

debauched, luxurious, speculator, contractor and stock-gambler class,

had risen above the ruins of the multitudes of smaller fortunes.

Tallien, one of the worst demagogue "reformers," and a certain number

of men like him, had been skillful enough to become millionaires, while

their dupes, who had clamored for issues of paper money, had become

paupers.

The luxury and extravagance of the currency gamblers and their families

form one of the most significant features in any picture of the social

condition of that period. [77]

A few years before this the leading women in French society showed a

nobility of character and a simplicity in dress worthy of Roman matrons.

Of these were Madame Boland and Madame Desmoulins; but now all was

changed. At the head of society stood Madame Tallien and others like

her, wild in extravagance, daily seeking new refinements in luxury, and

demanding of their husbands and lovers vast sums to array them and to

feed their whims. If such sums could not be obtained honestly they must

be had dishonestly. The more closely one examines that period, the more

clearly he sees that the pictures, given by Thibaudeau and Challamel and

De Goncourt are not at all exaggerated. [78]

The contrast between these gay creatures of the Directory period and the

people at large was striking. Indeed much as the vast majority of the

wealthy classes suffered from impoverishment, the laboring classes,

salaried employees of all sorts, and people of fixed income and of small

means, especially in the cities, underwent yet greater distress. These

were found, as a rule, to subsist mainly on daily government rations of

bread at the rate of one pound per person. This was frequently unfit

for food and was distributed to long lines of people, men, women and

children, who were at times obliged to wait their turn even from dawn

to dusk. The very rich could, by various means, especially by bribery,

obtain better bread, but only at enormous cost. In May, 1796, the market

price of good bread was, in paper, 80 \_francs\_ (16 dollars) per pound

and a little later provisions could not be bought for paper money at any

price. [79]

And here it may be worth mentioning that there was another financial

trouble especially vexatious. While, as we have seen, such enormous

sums, rising from twenty to forty thousand millions of \_francs\_ in

paper, were put in circulation by the successive governments of the

Revolution, enormous sums had been set afloat in counterfeits by

criminals and by the enemies of France. These came not only from

various parts of the French Republic but from nearly all the surrounding

nations, the main source being London. Thence it was that Count Joseph

de Puisaye sent off cargoes of false paper, excellently engraved and

printed, through ports in Brittany and other disaffected parts of

France. One seizure by General Hoche was declared by him to exceed in

nominal value ten thousand millions of \_francs\_. With the exception of

a few of these issues, detection was exceedingly difficult, even for

experts; for the vast majority of the people it was impossible.

Nor was this all. At various times the insurgent royalists in La Vendee

and elsewhere put \_their\_ presses also in operation, issuing notes

bearing the Bourbon arms,--the \_fleur-de-lis\_, the portrait of the

Dauphin (as Louis XVII) with the magic legend "\_De Par le Roi\_," and

large bodies of the population in the insurgent districts were \_forced\_

to take these. Even as late as 1799 these notes continued to appear. [80]

The financial agony was prolonged somewhat by attempts to secure funds

by still another "forced loan," and other discredited measures, but

when all was over with paper money, specie began to reappear--first in

sufficient sums to do the small amount of business which remained after

the collapse. Then as the business demand increased, the amount of

specie flowed in from the world at large to meet it and the nation

gradually recovered from that long paper-money debauch.

Thibaudeau, a very thoughtful observer, tells us in his Memoirs that

great fears were felt as to a want of circulating medium between the

time when paper should go out and coin should come in; but that no

such want was severely felt--that coin came in gradually as it was

wanted. [81]

Nothing could better exemplify the saying of one of the most shrewd of

modern statesmen that "There will always be money." [82]

But though there soon came a degree of prosperity--as compared with the

distress during the paper-money orgy, convalescence was slow. The acute

suffering from the wreck and rain brought by \_assignats\_, \_mandats\_ and

other paper currency in process of repudiation lasted nearly ten years,

but the period of recovery lasted longer than the generation which

followed. It required fully forty years to bring capital, industry,

commerce and credit up to their condition when the Revolution began, and

demanded a "man on horseback," who established monarchy on the ruins of

the Republic and thew away millions of lives for the Empire, to be added

to the millions which had been sacrificed by the Revolution. [83]

Such, briefly sketched in its leading features, is the history of the

most skillful, vigorous and persistent attempt ever made to substitute

for natural laws in finance the ability of legislative bodies, and, for

a standard of value recognized throughout the world, a national standard

devised by theorists and manipulated by schemers. Every other attempt

of the same kind in human history, under whatever circumstances, has

reached similar results in kind if not in degree; all of them show the

existence of financial laws as real in their operation as those which

hold the planets in their courses. [84]

I have now presented this history in its chronological order--the order

of events: let me, in conclusion, sum it up, briefly, in its \_logical\_

order,--the order of cause and effect.

And, first, in the economic department. From the early reluctant and

careful issues of paper we saw, as an immediate result, improvement and

activity in business. Then arose the clamor for more paper money. At

first, new issues were made with great difficulty; but, the dyke once

broken, the current of irredeemable currency poured through; and, the

breach thus enlarging, this currency was soon swollen beyond control.

It was urged on by speculators for a rise in values; by demagogues who

persuaded the mob that a nation, by its simple fiat, could stamp real

value to any amount upon valueless objects. As a natural consequence a

great debtor class grew rapidly, and this class gave its influence to

depreciate more and more the currency in which its debts were to be

paid. [85]

The government now began, and continued by spasms to grind out still

more paper; commerce was at first stimulated by the difference in

exchange; but this cause soon ceased to operate, and commerce, having

been stimulated unhealthfully, wasted away.

Manufactures at first received a great impulse; but, ere long, this

overproduction and overstimulus proved as fatal to them as to commerce.

From time to time there was a revival of hope caused by an apparent

revival of business; but this revival of business was at last seen to

be caused more and more by the desire of far-seeing and cunning men of

affairs to exchange paper money for objects of permanent value. As

to the people at large, the classes living on fixed incomes and small

salaries felt the pressure first, as soon as the purchasing power of

their fixed incomes was reduced. Soon the great class living on wages

felt it even more sadly.

Prices of the necessities of life increased: merchants were obliged to

increase them, not only to cover depreciation of their merchandise, but

also to cover their risk of loss from fluctuation; and, while the prices

of products thus rose, wages, which had at first gone up, under

the general stimulus, lagged behind. Under the universal doubt and

discouragement, commerce and manufactures were checked or destroyed.

As a consequence the demand for labor was diminished; laboring men were

thrown out of employment, and, under the operation of the simplest

law of supply and demand, the price of labor--the daily wages of the

laboring class--went down until, at a time when prices of food, clothing

and various articles of consumption were enormous, wages were nearly as

low as at the time preceding the first issue of irredeemable currency.

The mercantile classes at first thought themselves exempt from the

general misfortune. They were delighted at the apparent advance in the

value of the goods upon their shelves. But they soon found that, as they

increased prices to cover the inflation of currency and the risk

from fluctuation and uncertainty, purchases became less in amount

and payments less sure; a feeling of insecurity spread throughout the

country; enterprise was deadened and stagnation followed.

New issues of paper were then clamored for as more drams are demanded by

a drunkard. New issues only increased the evil; capitalists were all the

more reluctant to embark their money on such a sea of doubt. Workmen of

all sorts were more and more thrown out of employment. Issue after issue

of currency came; but no relief resulted save a momentary stimulus,

which aggravated the disease. The most ingenious evasions of natural

laws in finance which the most subtle theorists could contrive were

tried--all in vain; the most brilliant substitutes for those laws were

tried; "self-regulating" schemes, "interconverting" schemes--all

equally vain. [86] All thoughtful men had lost confidence. All men were

\_waiting\_; stagnation became worse and worse. At last came the collapse

and then a return, by a fearful shock, to a state of things which

presented something like certainty of remuneration to capital and labor.

Then, and not till then, came the beginning of a new era of prosperity.

Just as dependent on the law of cause and effect was the \_moral\_

development. Out of the inflation of prices grew a speculating class;

and, in the complete uncertainty as to the future, all business became

a game of chance, and all business men, gamblers. In city centers came a

quick growth of stock-jobbers and speculators; and these set a debasing

fashion in business which spread to the remotest parts of the country.

Instead of satisfaction with legitimate profits, came a passion for

inordinate gains. Then, too, as values became more and more uncertain,

there was no longer any motive for care or economy, but every motive for

immediate expenditure and present enjoyment. So came upon the nation

the \_obliteration of thrift\_. In this mania for yielding to present

enjoyment rather than providing for future comfort were the seeds of

new growths of wretchedness: luxury, senseless and extravagant, set in:

this, too, spread as a fashion. To feed it, there came cheatery in

the nation at large and corruption among officials and persons holding

trusts. While men set such fashions in private and official business,

women set fashions of extravagance in dress and living that added to the

incentives to corruption. Faith in moral considerations, or even in

good impulses, yielded to general distrust. National honor was thought

a fiction cherished only by hypocrites. Patriotism was eaten out by

cynicism.

Thus was the history of France logically developed in obedience to

natural laws; such has, to a greater or less degree, always been the

result of irredeemable paper, created according to the whim or interest

of legislative assemblies rather than based upon standards of value

permanent in their nature and agreed upon throughout the entire world.

Such, we may fairly expect, will always be the result of them until

the fiat of the Almighty shall evolve laws in the universe radically

different from those which at present obtain. [87]

And, finally, as to the general development of the theory and practice

which all this history records: my subject has been Fiat Money in

France; How it came; What it brought; and How it ended.

It came by seeking a remedy for a comparatively small evil in an evil

infinitely more dangerous. To cure a disease temporary in its character,

a corrosive poison was administered, which ate out the vitals of French

prosperity.

It progressed according to a law in social physics which we may call

the "\_law of accelerating issue and depreciation.\_" It was comparatively

easy to refrain from the first issue; it was exceedingly difficult to

refrain from the second; to refrain from the third and those following

was practically impossible.

It brought, as we have seen, commerce and manufactures, the mercantile

interest, the agricultural interest, to ruin. It brought on these the

same destruction which would come to a Hollander opening the dykes of

the sea to irrigate his garden in a dry summer.

It ended in the complete financial, moral and political prostration of

France-a prostration from which only a Napoleon could raise it.

But this history would be incomplete without a brief sequel, showing how

that great genius profited by all his experience. When Bonaparte took

the consulship the condition of fiscal affairs was appalling. The

government was bankrupt; an immense debt was unpaid. The further

collection of taxes seemed impossible; the assessments were in hopeless

confusion. War was going on in the East, on the Rhine, and in Italy, and

civil war, in La Vendée. All the armies had long been unpaid, and the

largest loan that could for the moment be effected was for a sum hardly

meeting the expenses of the government for a single day. At the first

cabinet council Bonaparte was asked what he intended to do. He replied,

"I will pay cash or pay nothing." From this time he conducted all his

operations on this basis. He arranged the assessments, funded the debt,

and made payments in cash; and from this time--during all the campaigns

of Marengo, Austerlitz, Jena, Eylau, Friedland, down to the Peace of

Tilsit in 1807--there was but one suspension of specie payment, and this

only for a few days. When the first great European coalition was formed

against the Empire, Napoleon was hard pressed financially, and it was

proposed to resort to paper money; but he wrote to his minister, "While

I live I will never resort to irredeemable paper." He never did, and

France, under this determination, commanded all the gold she needed.

When Waterloo came, with the invasion of the Allies, with war on her

own soil, with a change of dynasty, and with heavy expenses for war and

indemnities, France, on a specie basis, experienced no severe financial

distress.

If we glance at the financial history of France during the

Franco-Prussian War and the Communist struggle, in which a far more

serious pressure was brought upon French finances than our own recent

Civil War put upon American finance, and yet with no national stagnation

or distress, but with a steady progress in prosperity, we shall see

still more clearly the advantage of meeting a financial crisis in an

honest and straightforward way, and by methods sanctioned by the world's

most costly experience, rather than by yielding to dreamers, theorists,

phrase-mongers, declaimers, schemers, speculators or to that sort of,

"Reform" which is "the last refuge of a scoundrel." [88]

There is a lesson in all this which it behooves every thinking man to

ponder.

NOTES

Note: The White Collection at the Cornell University library mentioned

in many of the following notes is described here:

http://rmc.library.cornell.edu/collections/subjects/frrev.html

THE BANK OF NEW YORK, established in 1784, was the only Bank in

existence in the city of New York at the time of the French experiment

with fiat money.

THE BANK OF NEW YORK AND TRUST COMPANY, which celebrates its one-hundred

and fiftieth anniversary in March, 1934, considers it a privilege to

be able to distribute some copies of this scholarly article of the late

Andrew D. White. The article emphasizes the fact that the use of fiat

money in France was in its beginning a sincere effort on the part of

intelligent members of the National Assembly to stem the tide of misery

and wretchedness which had brought about the Revolution in 1789. But the

article also shows clearly that once started on a small scale, it became

utterly impossible to control the currency inflation and that after some

slight indications of improvement in conditions, the situation went from

bad to worse. In the long run, those most injured were the people whom

it was most desired to help--the laborer, the wage earner and those

whose incomes from previous savings were smallest.

ANDREW D. WHITE had a long and distinguished career as educator,

historian, economist and diplomat; his description of the events

in France that followed the experiment with fiat money is intensely

interesting and well Worth the attention of every thinking person in the

United States of 1933.

FOOTNOTES:

[Footnote 1: 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.]

[Footnote 2: For proof that the financial situation of France at that

time was by no means hopeless, see Storch, "Economie Politique," vol.

iv, p. 159.]

[Footnote 3: See Moniteur, sitting of April 10, 1790.]

[Footnote 4: Ibid., sitting of April 15, 1790.]

[Footnote 5: For details of this struggle, see Buchez and Roux,

"Histoire Parlementaire de la Révolution Française," vol. iii, pp.

364, 365, 404. For the wild utterances of Marat throughout this whole

history, see the full set of his "L'ami du peuple" in the President

White Collection of the Cornell University. For Bergasse's pamphlet and

a mass of similar publications, see the same collection. For the effect

produced by them, see Challamel, "Les Français sous la Révolution";

also De Goncourt, "La Société Française pendant la Révolution," &c.]

For the Report referred to, see Levasseur, "Histoire des classes

ouvriès et de l'industrie en France de 1789 à 1870," Paris, 1903, vol.

i., chap. 6. Levasseur (vol. 1, p. 120), a very strong conservative in

such estimates, sets the total value of church property at two thousand

millions; other authorities put it as high as twice that sum. See

especially Taine, liv. ii, ch. I., who gives the valuation as "about

four milliards." Sybel, "Gesch. der Revolutionszeit," gives it as two

milliards and Briand, "La séparation" &c., agrees with him. See also De

Nerve, "Finances Françaises," vol. ii, pp. 236-240; also Alison,

"History of Europe," vol. i.]

[Footnote 6: For striking pictures of this feeling among the younger

generation of Frenchmen, see Challamel, "Sur la Révolution," p. 305.

For general history of John Law's paper money, see Henri Martin,

"Histoire de France"; also Blanqui, "Histoire de l'économie politique,"

vol. ii, pp. 65-87; also Senior on "Paper Money," sec. iii, Pt. I, also

Thiers, "Histoire de Law"; also Levasseur, op. cit. Liv. i., chap. VI.

Several specimens of John Law's paper currency are to be found in the

White Collection in the Library of Cornell University,--some, numbered

with enormous figures.]

[Footnote 7: See Buchez and Roux, "Histoire Parlementaire," vol. v, p.

321, et seq. For an argument to prove that the \_assignats\_ were, after

all, not so well secured as John Law's money, see Storch, "Economie

Politique," vol. iv, p. 160.]

[Footnote 8: For specimens of this first issue and of nearly every other

issue during the French Revolution, see the extensive collection of

originals in the Cornell University Library. For a virtually complete

collection of photographic copies, see Dewamin, "Cent ans de

numismatique française," vol. i, passim.]

[Footnote 9: See "Addresse de l'Assemblée nationals sur lea emissions

\_d'assignats\_ monnaies," p. 5.]

[Footnote 10: Ibid., p. 10.]

[Footnote 11: For Sarot, see "Lettre de M. Sarot," Paris, April 19,

1790. As to the sermon referred to see Levasseur as above, vol. i, p.

136.]

[Footnote 12: Von Sybel, "History of the French Revolution," vol. i, p.

252; also Levasseur, as above, pp. 137 and following.]

[Footnote 13: For Mirabeau's real opinion on irredeemable paper, see his

letter to Cerutti, in a leading article of the "Moniteur"; also

"Mèmoires do Mirabeau," vol. vii, pp. 23, 24 and elsewhere. For his

pungent remarks above quoted, see Levasseur, ibid., vol. i, p. 118.]

[Footnote 14: See "Moniteur," August 27, 1790.]

[Footnote 15: "Moniteur," August 28, 1790; also Levasseur, as above, pp.

139 \_et seq\_.]

[Footnote 16: "Par une seule opération, grande, simple, magnifique."

See "Moniteur." The whole sounds curiously like the proposals of the

"Greenbackers," regarding the American debt, some years since.]

[Footnote 17: "Moniteur," August 29, 1790.]

[Footnote 18: See Lacretelle, "18me Siécle," vol. viii, pp. 84-87; also

Thiers and Mignet.]

[Footnote 19: See Hatin, Histoire de la Presse en France, vols. v and

vi.]

[Footnote 20: See "Moniteur," Sept. 5, 6 and 20, 1790.]

[Footnote 21: See Levasseur, vol. i, p. 142.]

[Footnote 22: See speech in "Moniteur"; also in Appendix to Thiers'

"History of the French Revolution."]

[Footnote 23: See Levassear, "Classes ouvrières," etc., vol. i, p.

149.]

[Footnote 24: See Levasseur, pp. 151 et seq. Various examples of these

"confidence bills" are to be seen in the Library of Cornell University.]

[Footnote 25: See Levasseur, vol. i, pp. 155-156.]

[Footnote 26: See Von Sybel, "History of the Revolution," vol. i, p.

265; also Levasseur, as above, vol. i, pp. 152-160.]

[Footnote 27: For Turgot's argument against "fiat money" theory, see A.

D. White, "Seven Great Statesmen in the Warfare of Humanity with

Unreason," article on Turgot, pp. 169, et seq.]

[Footnote 28: See De Goncourt, "Société française," for other

explanations; "Les Révolutions de Paris," vol. ii, p. 216; Challamel,

"Les Français sous la Révolution"; Senior, "On Some Effects of Paper

Money," p. 82; Buchez and Roux, "Histoire Parlementaire," etc., vol. x,

p. 216; Aulard, "Paris pendant la Révolution thermidorienne," \_passim\_,

and especially "Rapport du bureau de surveillance," vol. ii, pp. 562, et

seq. (Dec. 4-24, 1795.)]

[Footnote 29: For statements and illustration of the general action of

this law, see Sumner, "History of American Currency," pp. 157, 158; also

Jevons, on "Money," p. 80.]

[Footnote 30: See De Goncourt, "Société Française," p. 214.]

[Footnote 31: See Von Sybel, History of the French Revolution, vol. 1,

pp. 281, 283.]

[Footnote 32: For proofs that issues of irredeemable paper at first

stimulated manufactures and commerce in Austria and afterward ruined

them, see Storch's "Economie politique," vol. iv, p. 223, note; and for

the same effect produced by the same causes in Russia, see ibid., end of

vol. iv. For the same effects in America, see Sumner's "History of

American Currency." For general statement of effect of inconvertible

issues on foreign exchanges see McLeod on "Banking," p. 186.]

[Footnote 33: See Louis Blanc, "Histoire de la Révolution," tome xii,

p. 113.]

[Footnote 34: See "Extrait du registre des délibérations de la section

de la bibliothèque," May 3, 1791, pp. 4, 5.]

[Footnote 35: Von Sybel, vol. i, p. 273.]

[Footnote 36: For general account, see Thiers' "Révolution," chap. xiv;

also Lacretelle, vol. viii, p. 109; also "Memoirs of Mallet du Pan." For

a good account of the intrigues between the court and Mirabeau and of

the prices paid him, see Reeve, "Democracy and Monarchy in France," vol.

i, pp. 213-220. For a very striking caricature published after the iron

chest in the Tuileries was opened and the evidences of bribery of

Mirabeau fully revealed, see Challamel, "Musée," etc. Vol. i, p. 341,

is represented as a skeleton sitting on a pile of letters, holding the

French crown in one hand and a purse of gold in the other.]

[Footnote 37: Thiers, chap. ix.]

[Footnote 38: For this and other evidences of steady decline in the

purchasing power of the \_assignats\_, see Caron, "Tableaux de

Dépréciation du papier-monnaie," Paris, 1909, p. 386.]

[Footnote 39: See especially "Discours de Fabre d'Eglantine," in

"Moniteur" for August 11, 1793; also debate in "Moniteur" of September

15, 1793; also Prudhomme's "Révolutions de Paris." For arguments of

much the same tenor, see vast numbers of pamphlets, newspaper articles

and speeches during the "Greenback Craze,"--and the craze for unlimited

coinage of silver,--in the United States.]

[Footnote 40: See Caron, "Tableaux de Dépréciation," as above, p.

386.]

[Footnote 41: Von Sybel, vol. i, pp. 509, 510, 515; also Villeneuve

Bargemont, "Histoire de l'Economie Politique," vol. ii, p. 213.]

[Footnote 42: As to the purchasing power of money at that time, see

Arthur Young, "Travels in France during the Years 1787, 1788 and 1789."

For notices of the small currency with examples of satirical verses

written regarding it, see Challamel, "Les français sous la

Révolution," pp. 307, 308. See also Mercier, "Le Nouveau Paris,"

edition of 1800, chapter ccv., entitled "Parchemin Monnaie." A series of

these petty notes will be found in the White collection of the Cornell

University Library. They are very dirty and much worn, but being printed

on parchment, remain perfectly legible. For issue of quarter-"\_sou\_"

pieces see Levasseur, p. 180.]

[Footnote 43: See Levasseur, vol. i, p. 176.]

[Footnote 44: For Chaumette's brilliant display of fictitious reasons

for the decline see Thiers, Shoberl's translation, published by Bentley,

vol. iii, p. 248.]

[Footnote 45: For these fluctuations, see Caron, as above, p. 387.]

[Footnote 46: One of the Forced Loan certificates will be found in the

White Collection in the Library of Cornell University.]

[Footnote 47: For details of these transactions, see Levasseur, as

above, vol. i, chap. 6, pp. 181, et seq. Original specimens of these

notes, bearing the portrait of Louis XVI will be found in the Cornell

University Library (White Collection) and for the whole series perfectly

photographed in the same collection, Dewarmin, "Cent ans de numismatique

française," vol. i, pp. 143-165.]

[Footnote 48: For statements showing the distress and disorder that

forced the Convention to establish the "\_Maximum\_" see Levasseur, vol.

i, pp. 188-193.]

[Footnote 49: See Levasseur, as above, vol. i, pp. 195-225.]

[Footnote 50: See specimens of these tickets in the White Collection in

the Cornell Library.]

[Footnote 51: For these condemnations to the guillotine see the

officially published trials and also the lists of the condemned, in the

White Collection, also the lists given daily in the "Moniteur." For the

spy system, see Levasseur, vol. i, p. 194.]

[Footnote 52: See Levasseur, as above, vol. i, p. 186. For an argument

to show that the Convention was led into this Draconian legislation, not

by necessity, but by its despotic tendencies, see Von Sybel's "History

of the French Revolution," vol. iii, pp. 11, 12. For general statements

of theories underlying the "\_Maximum\_," see Thiers; for a very

interesting picture, by an eye-witness, of the absurdities and miseries

it caused, see Mercier, "Nouveau Paris," edition of 1800, chapter XLIV.]

[Footnote 53: For a summary of the report of the Committee, with list of

articles embraced under it, and for various interesting details, see

Villeneuve Bargemont, "Histoire de l'Economie Politique," vol. ii, pp.

213-239; also Levasseur, as above. For curious examples of severe

penalties for very slight infringements on the law on the subject, see

Louis Blanc, "Histoire de la Révolution française," tome x, p. 144.

For Louis XIVth's claim see "Memoirs of Louis XIV for the Instruction of

the Dauphin."]

For a simple exposition of the way in which the exercise of this power

became simply confiscation of all private property in France, see Mallet

Du Pan's "Memoirs," London, 1852, vol. ii, p. 14.]

[Footnote 54: See Du Pont's arguments, as given by Levasseur.]

[Footnote 55: Louis Blanc calls attention to this very fact in showing

the superiority of the French \_assignats\_ to the old American

Continental currency, See his "Histoire de la Révolution française,"

tome xii, p. 98.]

[Footnote 56: See Sumner, as above, p. 220.]

[Footnote 57: See Levasseur, as above, vol. i, p. 178.]

[Footnote 58: See Cambon's "Report," Aug. 15, 1793, pp. 49-60; also,

"Decree of Aug. 24, 1793," sec. 31, chapters XCVI-CIII. Also, "Tableaux

de la dépréciation de papier monnaie dans le department de la Seine."]

[Footnote 59: For the example of Metz and other authorities, see

Levasseur, as above, vol. i, p. 180.]

[Footnote 60: See Von Sybel, vol. iii, p. 173.]

[Footnote 61: See Thiers; also, for curious details of measures taken to

compel farmers and merchants, see Senior, Lectures on "Results of Paper

Money," pp. 86, 87.]

[Footnote 62: See Von Sybel, vol. iv, p. 231.]

[Footnote 63: See Von Sybel, vol. iv, p. 330; also tables of

depreciation in "Moniteur"; also official reports in the White

Collection; also Caron's "Tables," etc.]

[Footnote 64: For a lifelike sketch of the way in which these exchanges

of \_assignats\_ for valuable property went on at periods of the rapid

depreciation of paper, see Challamel, "Les français sous la

Révolution," p. 309; also Say, "Economic Politique."]

[Footnote 65: For a very complete table of the depreciation from day to

day, see "Supplement to the Moniteur" of October 2, 1797; also Caron, as

above. For the market prices of the \_louis d'or\_ at the first of every

month, as the collapse approached, see Montgaillard. See also "Official

Lists" in the White Collection. For a table showing the steady rise of

the franc in gold during a single week, from 251 to 280 \_francs\_, see

Dewarmin, as above, vol. i, p. 136.]

[Footnote 66: See "Mèmoires de Thibaudeau," vol. ii, p. 26, also

Mercier, "Lo Nouveau Paris," vol. ii, p. 90; for curious example of the

scales of depreciation see the White Collection. See also extended table

of comparative values in 1790 and 1795. See Levasseur, as above, vol. i,

pp. 223-4.]

[Footnote 67: For a striking similar case in our own country, see

Sumner, "History of American Currency," p. 47.]

[Footnote 68: See Villeneuve Bargemont, "Histoire de l'économie

politique," vol. ii, p. 229.]

[Footnote 69: See Von Sybel, vol. iv, pp. 337, 338. See also for

confirmation Challamel, "Histoire Musée," vol. ii, p. 179. For a

thoughtful statement of the reasons why such paper was not invested in

lands by men of moderate means, and workingmen, see Mill, "Political

Economy," vol. ii, pp. 81, 82.]

[Footnote 70: See Von Sybel, vol. iv, p. 222.]

[Footnote 71: See especially Levasseur, "Histoire des classes

ouvrières," etc. vol. i, pp. 219, 230 and elsewhere; also De Nervo,

"Finance française," p. 280; also Stourm, as already cited. The exact

amount of \_assignats\_ in circulation at the final suppression is given

by Dowarmin, (vol. i, p. 189), as 39,999,945,428 \_livres\_ or \_francs\_.]

[Footnote 72: For details of the mandat system very thoroughly given,

see Thiers' "History of the French Revolution," Bentley's edition, vol.

iv, pp. 410-412. For the issue of \_assignats\_ and \_mandats\_ at the same

time, see Dewarmin, vol. i, p. 136; also Levasseur, vol. i, pp. 230-257.

For an account of "new tenor bills" in America and their failure in

1737, see Summer, pp. 27-31; for their failure in 1781, see Morse, "Life

of Alexander Hamilton," vol. i, pp. 86, 87. For similar failure in

Austria, see Summer, p. 314.]

[Footnote 73: See Marchant, "Lettre aux gens de bonne foi."]

[Footnote 74: See Summer, p. 44; also De Nervo, "Finances françaises,"

p. 282.]

[Footnote 75: See De Nervo, "Finances françaises," p. 282; also

Levasseur, vol. i, p. 236 et seq.]

[Footnote 76: See Table from "Gazette de France" and extracts from other

sources in Levasseur, vol. i, pp. 223-4.]

[Footnote 77: Among the many striking accounts of the debasing effects

of "inflation" upon France under the Directory perhaps the best is that

of Lacretelle, vol. xiii, pp. 32-36. For similar effect, produced by the

same cause in our own country in 1819, see statement from Niles'

"Register," in Sumner, p. 80. For the jumble of families reduced to

beggary with families lifted into sudden wealth and for the mass of

folly and misery thus mingled, see Levassour, vol. i, p. 237.]

[Footnote 78: For Madame Tallien and luxury of the stock-gambler

classes, see Challamel, "Les français sous la Révolution," pp. 30, 33;

also De Goncourt, "Les français sous le Directoire." Regarding the

outburst of vice in Paris and the demoralization of the police, see

Levasseur, as above.]

[Footnote 79: See Levasseur, Vol. i, p. 237, et seq.]

[Footnote 80: For specimens of counterfeit \_assignats\_, see the White

Collection in the Cornell University Library, but for the great series

of various issues of them in fac-simile, also for detective warnings and

attempted descriptions of many varieties of them, and for the history of

their Issue, see especially Dewarmin, vol. i, pp. 152-161. For

photographic copies of Royalist \_assignats\_, etc., see also Dewarmin,

ibid., pp. 192-197, etc. For a photograph of probably the last of the

Royalist notes ever issued, bearing the words "Pro Deo, pro Rege, pro

Patria" and "Armée Catholique et Royale" with the date 1799, and for

the sum of 100 \_livres\_, see Dewarmin, vol. i, p. 204.]

[Footnote 81: For similar expectation of a "shock," which did not occur,

at the resumption of specie payments in Massachusetts, see Sumner,

"History of American Currency," p. 34.]

[Footnote 82: See Thiers.]

[Footnote 83: See Levasseur, vol. i, p. 246.]

[Footnote 84: For examples of similar effects in Russia, Austria and

Denmark, see Storch, "Economie Politique," vol. iv; for similar effects

in the United States, see Gouge, "Paper Money and Banking in the United

States," also Summer, "History of American Currency." For working out of

the same principles in England, depicted in a masterly way, see

Macaulay, "History of England," chap. xxi; and for curious exhibition of

the same causes producing same results in ancient Greece, see a curious

quotation by Macaulay in same chapter.]

[Footnote 85: For parallel cases in the early history of our own

country, see Sumner, p. 21, and elsewhere.]

[Footnote 86: For a review of some of these attempts, with eloquent

statement of their evil results, see "Mémoires de Durand de Maillane,"

pp. 166-169.]

[Footnote 87: For similar effect of inflated currency in enervating and

undermining trade, husbandry, manufactures and morals in our own

country, see Daniel Webster, cited in Sumner, pp. 45-50. For similar

effects in other countries, see Senior, Storch, Macaulay and others

already cited.]

[Footnote 88: For facts regarding French finance under Napoleon I am

indebted to Hon. David A. Wells. For more recent triumphs of financial

commonsense in France, see Bonnet's articles, translated by the late

George Walker, Esq. For general subject, see Levasseur.]

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