Pieces of a monetary history: reality and appearances in French specificities

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Abstract :
You usually have to use an implicit or explicit standard, such as a model or average of observed cases, to pinpoint specific characteristics. For money, the standard is so prevalent that it sometime flags up characteristics, that are ultimately fairly normal, as being specificities. These characteristics do however provide an unconventional view of monetary issues. Taking four examples from the rich French heritage and specificities (namely the presumed effects of the so-called “fiduciary trauma” in the 18th century, the lasting attraction of gold and silver, the persistence of outdated monetary expressions, and the French “preference” for payment by cheque), we will attempt to bring to light the ambiguities and paradoxes, and thereby the accidental nature of these specificities. And, as these accidents have lasted, they have gradually become structural characteristics.

From a purely monetary standpoint, France threw off the shackles of revolutionary chaos between 1796 and 1803 and laid the cornerstones for a new, rational, decimal and metallic monetary order. At least, this is what it says in works devoted to the Empire. But, François Crouzet points out that this legislative reform did not lead to smooth operations: the exchange-rate stabilisation in the wake of March 1796 did not alleviate the continued scarcity of cash (Crouzet, 1993). This situation was part of the rationale for creating the Banque de France in 1800: “The Banque de France was set up to foster commercial transactions by increasing the proportion of cash[1] […]”.

Moreover, as indicated by Jean Bouvier or Guy Thuillier, the revolutions draw attention away from the basic truth that, between 1726 and 1914 (the period from 1914 to 1928 was characterised by a divergence between law and facts), there was significant stability in the metallic definition of the franc – and in prices. It could therefore be said that, at the dawn of the 19th century, France’s monetary history was only distinguished by the decimalisation that it instituted. This is both true and false as this vision is very broadly grounded in a standardised and anachronistic view of money as being primarily a token of precious metal representing a unit of account, that enables payments and allows transactions to be staggered over time.

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(1) Report from Journu-Auber, *censeur*, at the general meeting of shareholders of the Banque de France, 12 October 1802, p. 17.

Until the 1920s (Mater, 1925), monetary doctrine was characterised by this deep-seated metallic substance element in the idea of money and the sources of its value. However, this doctrine, which was prevalent in Central European countries, is actually negated by many experiences, either short-lived or more longer-lasting, on the fringes of the dominant monetary model, whether these fringes related to major trading flows which had mass recourse to bills of exchange, in peripheral countries – for instance, Russia and Sweden had very strong currency circulation – or to "subordinate" social classes. Here, we (re)discover the highly diverse nature of the transaction instruments issued and circulating in European countries since the *Ancien Régime*. This plethora was mitigated during the 19th century due to the "nationalisation" of monetary systems as outlined by Eric Helleiner (2003). In light of the foregoing, it is difficult to unearth a French "specificity" and, even less an "exception". In monetary terms, all national examples are specific and, in this respect, the fact that the English monetary system has become the general model only adds to its special character!

Rather than looking for what differentiates France's monetary history from that of other countries, it is therefore more pertinent to consider how this history is broken down and then to compare the pieces with examples from other countries' histories. Two pitfalls are thus avoided: first, assessing the history of money by referring to a highly abstract and fictitious model, which does not mean – in fact, far from it – that it did not have an impact, particularly in terms of performance and, second, considering money as a consistent whole that is unaffected by social, political and economic structures and conflicts.

These pieces can be seen to represent a certain amount of heritage or specificities. For the first, in the monetary field, they reflect prior and long-standing structures, or record past experiences, whether positive or negative. For the second, they flag up situated monetary behaviour that is specific to a community, location, market area, etc., and often driven by very rational reasons, or at least reasons that are able to be rationalised.

The presumed effects of the so-called "fiduciary trauma" in the 18th century

At the start of the 19th century, according to monetary literature in the following decades, political questioning and also a significant proportion of historiography, the main legacy from the previous century was citizens' extreme wariness of the bank note. Indeed, four successive attempts to issue currency had failed: the Banque Générale (which later became the Banque Royale) established by John Law (1716-1720); the Caisse d'escompte, misused then liquidated by the government (1776-1793); *assignats*,monetary instruments used during the time of the French Revolution and the French Revolutionary Wars (1790-1796); and *mandats territoriaux*, paper bank notes issued as currency by the French Directory (1796-1797). It is alleged that "traumatised" French citizens developed a lasting aversion to paper money.

But, as early as 1795, the first central banks emerged following the general liquidation of 1793 (Jacoud, 1996). Although the Banque de France's first years were characterised by repeated crises, these were more due to the political history of the Consulate and the Empire than to nascent distrust of the Banque as such. Fernand Braudel had already advised against this slightly psychoanalytical interpretation of monetary history: "We paid too much attention to rumours and the great spectacles of the rue Quincampoix [where Law's bank was based] […], and we now realise that Law's system did not really shake up French life to such a huge extent" (Braudel, 1986).

Although it may be somewhat paradoxical, whenever necessary, French citizens accepted paper money with little reluctance. This was the case in 1848, 1870, 1914 and throughout the 20th century. Not only was there never a mass rejection of the bank note but it even began to be hoarded, thus demonstrating relative trust in notes compared to other value storage instruments such as bank accounts or savings books. Moreover, what is often forgotten is that the relationship between the government and paper money was reversed as from 1848. Whereas, since 1720, government debt crises had led to the collapse of the monetary instruments used (Lutfalla, 2017), in 1848, government expenditure and guarantees bailed out paper money by suspending convertibility and by coordinating the issuing of bank notes in mainland France.

This led to the paradox, which is still hard to explain today, where, at the end of the 19th century, bank notes (especially small denominations) were very popular. This situation even began to worry the Banque de France which looked to foster the circulation of gold and silver coins at a time when France was accumulating huge volumes of precious metals.

The lasting attraction of gold and silver

The second legacy from the 18th century concerns the importance achieved by gold and silver. Since gold *écus* had been minted in small quantities by Saint Louis, the kingdom of France, like other European principalities, used two precious metals, gold and silver, at the same time. The unstable market ratio between the two metals contributed to the trend devaluation of the European currencies having originated from the Carolingian Reform. Furthermore, depending on international flows – as yields from France's gold and silver mines were low – and local customs, a "gold France" and a "silver France" emerged (Dermigny, 1955), and persisted until the 1860s (Flandreau, 1995). The rationale for having two precious metals at the same time could have been that they both played a separate role: major international trade for gold and domestic transactions and the payment of salaries for silver. However, a look into the archives refutes this simplistic assumption (Morineau, 1984): until the late 19th century, silver was still widely used for international transactions as borne out by the large number of *écus* (25-gram silver coins, representing five francs) in circulation as part of the Latin Monetary Union established in 1865 (Gillard, 2017).

Over and above regional preferences reflecting metal supply circuits, it should be accepted that gold and silver circulated in a more complicated and intricate manner: Poissy cattle merchants and, it is often said, horse traders, generally preferred gold. Silver was used equally to pay salaries and for savings (Nadaud, 1895) and was subject to recurrent speculation in the 19th century, whether this involved extracting the traces of gold from the French *écus* minted prior to 1840, taking advantage of the gap in gold/silver parity between the Western world and Japan in the 1850s, or benefitting from the difference in foreign exchange using money and foreign exchange using bills of exchange in Italy post-1867.

In this case the paradox concerned maintaining silver's prestige whereas, after 1873, its monetary value was resolutely buoyed up by the government and the Banque de France (1873-1914). As bank notes were convertible into gold and silver, this meant that the Banque agreed, at least in part, to buy back silver at its legal rate, and not its market rate which was 50% less as from the end of the 1890s. Examples of these measures to maintain prestige include the many attempts by the public authorities to mint coins in precious metal following the gradual and unwilling abandoning of the gold standard between 1914 and 1936. The idea was not only to gain political leverage but also to rekindle an idealised vision of monetary history. The new "Louis", a 100 franc gold coin (called the "Bazor" franc) was never put into circulation (Manas, 2015). However, new silver *écus* were issued in 1960. As regards purity (silver content of 835/1,000ths), this five franc silver coin complied with the Latin Monetary Union standard for coins (the 19th century silver *écu* had purity of 900/1,000ths), and was almost immediately widely collected by consumers and traders, who hoarded it and thus hampered its circulation showing that the love affair with metal was alive and well!

The persistence of outdated monetary expressions

Another more cultural or terminological French specificity concerns monetary vocabulary. Until the 1970s, expressions related to "*sous*" were still characterised by their duodecimal origins. Although, today, the word "*sou*" is a statement of value without content ("*as-tu des sous ?*"), around 40 years ago, coins representing 1 *sou* (5 centimes), 20 *sous* (1 franc) or 100 *sous* (5 francs) referred to real and decimal money. More specifically, this was based on a duodecimal register connecting the *sou* to the *livre* via the *denier* (1 *livre* = 12 *deniers* = 240 *sous*).

Ultimately, this inertia is totally understandable. The *sou* dates back to the 3rd century and the European duodecimal system was introduced under Charlemagne, making these expressions part of our monetary habits down the centuries. Other monetary expressions, which have been devoid of real content for many years, such as "*mailles*" or "*liards*", have entered figurative language and slang. It is important to establish whether this persistent terminological use points to archaism ("practices reflect vocabulary", Eugen Weber's implicit theory, 1976) or whether this vocabulary fosters the adoption of modern practices by "naturalising" them through use of familiar meanings.

An initial explanation can be gleaned from the transition from the old franc to the new franc. French citizens (especially the young) switched over quite rapidly for day-to-day transactions and assessing value for business purposes. However, the value of capital goods (property, cars, jewellery, etc.) continued to be expressed in old francs for a longer period of time, and, at the other end of the scale, this also held true for popular expressions such as "*t'as pas cent balles ?*" or a "*brique*", meaning 10,000 francs (i.e. 1 million old francs). There was a fairly similar situation in the 19th century when the word "*livre*" was replaced by "*franc*" but the former continued to be mainly used in literature and in relation to private assets, especially when referring to the income from these assets. The franc was nevertheless rapidly adopted for minor transactions and in professional discourse, whereas political rhetoric contained a strange combination of the two.

As a result, not too much should be read into terminological archaism. At least to the same extent as problems encountered in adopting a new metrological system, it bears witness to a negotiated adjustment to the new as it encompasses the discontinuity instigated by new monetary instruments.

The French "preference" for payment by cheque

Whereas the above-mentioned specificities, which are still present today, can be convincingly put down to legacies, other idiosyncrasies derive from one or several political decisions. However, their origin may be unclear as the rationale for the decisions may be based on uncertain rhetoric and be compounded by chaotic current events which increase the seemingly irrational nature of the reasoning put forward for these standards and behaviour. This may be to the extent of elevating them to the rank of embodied national tendencies. The use of the cheque is a prime example of this.

When the first Act on cheques was passed in 1865, France was clearly lagging behind the UK and one of the goals of the Act was to enable it to catch up. This situation was not due to a lack of legislation as cheques had existed for many years in France but they were only specifically regulated by commercial law and private agreements between banks and their clients. The cheque was given the names "payment order" (Article 1 of the Act of 23 May 1865) and "receipt" and was a payment option offered by the majority of banks.

In fact, the Act's main objective was to remove the cheque from commercial law in the strictest sense and, more specifically from exchange rules, by providing a temporary incentive of a 10-year exemption from stamp duty which had applied to all bills of exchange since 1842 (Nouguier, 1865).

However, the conditions laid down for this exemption (cheque payable on sight, specific amount set aside when the cheque was drawn, maximum validity of eight days) were such that the rise of the cheque seemed to be more hampered than aided by the Act at a time when the major modern custodian banks were being set up (Comptoir d'Escompte de Paris (1848-1853), Crédit industriel et commercial (1859), Crédit lyonnais (1863) and Société générale (1864)). In practice, these banks would continue to issue more "receipts" than cheques (Le Mercier, 1874). However, the lack of a clearing house constituted the major stumbling block for the development of cheques. The first of these houses was only created in 1872, on the back of events which, following the defeat of Sedan and the Paris Commune, led to a fall of the amount of cash in circulation. In addition, the previous year, cheques had been made subject to stamp duty a full four years ahead of the date laid down in the Act of 1865, and this levy increased sharply in 1874…

Alternative bank instruments, the Banque de France's "gold policy" (Vignat, 2001), legal constraints and taxation rates all logically led to the cheque being a relative failure in France by the eve of the First World War. As a result, just before 1910, when the National Monetary Commission questioned the English banker Felix Schuster on banking systems in Europe, he stated that "*In the Bank of France you have this huge gold reserve and the whole trade of the country is carried on with bank notes. There is practically no banking system in our sense of the word in France […] The check has not taken the place of coin or bank notes on the Continent, but here we have practically no bank-note circulation at all*". But, this failure masked the predominant use of bills of exchange and other payment orders, of which the cheque is, ultimately, simply another payment option.

However, a major change was heralded by the fact that, during the 20th century, France became a "cheque" country alongside the UK and the US. There is no doubt that this was not due to a "national characteristic" but to the manner in which the 20th century's crises were experienced and handled. In France, there are three explanations for the changeover from metallic to book money: the long-lasting inflation in the 20th century, which began in 1914; the government's use of metallic monetary resources as part of war efforts; and the fight against tax evasion and the black market. It is nevertheless difficult to take account of these explanations without mentioning two positive factors: trust (albeit paradoxical) in the government as the protector of savings – in the form of the Banque de France, the Caisse nationale d'Épargne and, gradually, especially post-1945, the banking system as a whole (i.e. including Crédit agricole and the Caisses d'Épargne) – and the major (and growing) statutory privileges afforded to cheques after 1914.

The government was responsible for directly promoting cheques, inter alia, by introducing giro cheques with the Act of 10 January 1918. Although they are not exactly bank cheques (and this is still the case today), giro cheques are substantively similar and cover the same transactions whilst offering individuals broader transfer and collection options. Giro cheques were rapidly adopted owing to the scale of population movements and the fact that they could be made out for exact amounts. Moreover, the majority of government benefits after the war were paid out by cheque or cheque equivalent: pensions for veterans, widows, the war-wounded, and compensation for war damage. There were two reasons for this. On one hand, inflation was associated with increasing numbers of bank notes but it was not thought that the prevalence of book money represented the same dangers – a convenient illusion!

On the other, by using book money, the government was able to arrange for a “circuit” for its payments and levies which broadly concealed its actual commitments. These remained buried in the Caisse des Dépôts’s balance sheet and in the giro cheque current account at the Banque de France – another convenient illusion!

These measures were bolstered by new rules which, by limiting cash payments (including bank notes as from 1914), were geared towards thwarting tax evasion and the black market. For instance, the Act of 1 February 1943 eliminated the charges attached to issuing cheques. As, from a different angle, the term of validity of cheques was extended to one year and issuing cheques with insufficient funds gradually became a criminal offence (1917, 1926), this instrument quickly gained in popularity after the Liberation, before the run on the banks in the 1960s further boosted the trend, as borne out by the bank brochures and promotional films targeting individuals. Lastly, in the late 1980s, use of cheques peaked and its role in payments began its slow decline (Lucas, Merieux, Marchand, 1995). The cheque’s historic window of opportunity had closed as the banking system was fully in place, inflation had been reined in and new and cheaper means of payment were now available.

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