

Dear Readers:

This is section 3.2 from my new book, *The Control and Manipulation of Money*, available for free download at <https://fremontvalleybooks.com>. This section describes the depreciation of the assignats money issued during the French Revolution, and the tyrannical means employed to force it into circulation.

Thanks,
EDD

3.2 Depreciation of the Assignats of the French Revolution

The history of the assignats, issued during the French Revolution, was documented by White [3.2-1], Dillaye [3.2-2], and von Sybel [3.2-3]. Before describing the details of the monetary fiasco of the French Revolution, it is important to have a cast of characters. They are:

Bergasse: Nicholas Bergasse, a member of the Estates-General as representing the nobility; member of the National Assembly.

Bonaparte: Napoleon Bonaparte, an army officer who became dictator of France after he seized power at the end of the Revolution. His reign consisted of twenty years of war and starvation for the French people.

Brillat-Savarin: Jean Anthelme Brillat-Savarin, a member of the Estates-General and member of the National Assembly.

de Cazales: Jacques Antoine Marie de Cazales, a member of the Constituent Assembly.

Du Pont: Pierre Samuel du Pont de Nemours, initially supported the French Revolution, President of the National Assembly; personally defended Louis XVI and was scheduled for execution but was spared by the death of Robespierre; his son founded the E. I. du Pont de Nemours Company in the U. S.

Jacobins: a political club founded by Robespierre (Society of the Jacobins, Friends of Freedom and equality), the group that instigated the Revolution and presided over the Reign of Terror.

Louis XVI: King of France (Bourbon dynasty).

Marie Antoinette: Wife of King Louis XVI, sister of Austrian Emperor Joseph I.

Marat: Jean-Paul Marat, journalist and primary propagandist for the Jacobins.

Maury: Jean-Sifrein Maury, a member of the Estates-General 1789 representing the clergy; member of the National Assembly until he fled France in Oct 1791, appointed cardinal in 1794.

Mirabeau: Honore Gabriel Riqueti, Count of Mirabeau: a member of the French aristocracy who was a leader of the Revolution in its early stages; member of the Estates-General (representing the nobility) from 5 May 1789 to 9 Jul 1789; member of the Constituent Assembly from 9 Jul 1789 to 2 Apr 1791.

Montesquieu: Charles-Louis de Secondat, Baron de la Brede et de Montesquieu, historian and political philosopher; author of *The Spirit of the Laws*.

Necker: Jacques Necker, a Swiss banker, served as Director-General of the Treasury from 29 Jun 1777 to 19 May 1781, Controller-General of the Finances from 25 Aug 1788 to 11 Jul 1789, and Chief Minister to the king from 29 Jul 1789 to 3 Sep 1790.

Robespierre: Maximilien Francois Marie Isidore de Robespierre, a leader of the Jacobin conspiracy to overthrow the French monarchy; member of the Estates-General from 6 May 1789 to 16 Jun 1789;

member of the National Assembly from 17 Jun 1789 to 9 Jul 1789; member of the National Constituent Assembly from 9 Jul 1789 to 30 Sep 1791; President of the National Constituent Assembly from 22 Aug 1793 to 7 Sep 1793 and 4 Jun 1794 to 19 Jun 1794; President of the Jacobin Club from 31 Mar 1790 to 3 Jun 1790 and 7 Aug 1793 to 28 Aug 1793; member of the Committee of Public Safety from 25 Mar 1793 to 27 Jul 1794; led the Reign of Terror; guillotined 28 Jul 1794.

Talleyrand: Charles-Maurice de Talleyrand-Perigord, a member of the Estates-General (representing the clergy) from 12 Apr 1789 to 9 Jul 1789; member of the Constituent Assembly from 9 Jul 1789 to 30 Sep 1791; fled France in Sep 1792, was later Foreign Minister under Napoleon.

France had been both poor and bankrupt for some years by the late 1780's due to the irresponsibility of the government. For example, in 1787, the revenues were 351 M livres, but the expenses were 555 M; leaving a one-year deficit of 198 M livres [3.2-4]. The immediate problem was that France was in desperate financial condition early in 1789; it had a large national debt and little ability to raise taxes to cover the current budget deficit. The Catholic Church at this time was held in low regard by the leaders of the government. It owned between 25% and 35% of the land in France; the value of the lands was estimated at 2,000,000,000 livres. The Church's annual income was about 160,000,000 livres (100,000,000 in tithes, and 60,000,000 from income on the land); and paid a tax of 3,000,000 or 4,000,000 livres [3.2-5]. They were also derelict in providing for the poor, as was their alleged purpose. Necker had proposed an income tax at a 25% rate, but the measure failed.

Another cause of the Revolution was the inherent unfairness of the tax system [3.2-6]. The poor paid a large fraction of the taxes in the form of a poll tax and excise taxes on necessities. Worse than that, tyrannical means were used by the government to collect the taxes, and it was well known among the people that much of the money went to pay for frivolous expenses at the King's court.

King Louis XVI called a special session of the Estates-General (later called the National Assembly) on 5 May 1789 to discuss the nation's finances. The idea came to some of the members of the National Assembly that they could create prosperity by creating money. Since the nation was so deep in debt that it had no credit, borrowing or stealing from the Church seemed to be the only way to keep the government in operation. Talleyrand was the first to propose confiscation of the property of the Church (cf. 10 Oct 1789) and issue paper money against it in order to pay off the enormous debts that had been run up by the government [3.2-7]. Necker, the Minister of Finance, and others (such as Bergasse) who understood money opposed it. But the notion of prosperity through paper money became popular, aided by the propaganda of Marat. The National Assembly then entered into debate on how to issue paper money, to be secured by confiscating the property of the Catholic Church.

French money was denominated in *livre tournois*, commonly called a *livre*, which was defined as 75.1283 grains of silver, and thus were reckoned to be 0.194 Spanish milled dollars (using the actual amount of silver in the typical Spanish coin). No 1-livre coins were in use at this time; the actual coins were a gold coin called a *Louis d'or*, equal to 24 livres, a gold coin of 48 livres called a double Louis d'or, and a half Louis d'or worth 12 livres, and a silver coin called an *ecu*, worth 6 livres. There were also fractional *ecu*'s at valued at 3.0, 1.5, and 0.75 livres. In the following "1.0 livre = A xxx" is used to denote the number of assignats equaling the value of a livre. At this time, the livre was also called a franc, although technically the franc had not been used since 1641. I have retained the units in the references, even when francs are called out prior to 1795. The franc was formally redefined in 1795; 1 franc = 1.0125 livre.

Herewith is the sad story of the depreciation of money during the French Revolution. Keep in mind as you read this, those who led the Revolution were the "enlightened" people, the ones who had read Voltaire (Francois-Marie Arouet) and Rousseau, who knew everything there was to know about how to create a "just" society. These were the "progressives" of their era. I would encourage you to pay close attention to what they did once they gained power.

- 5 May 1789: Louis XVI called the Estates-General into session to discuss the terrible financial condition of France. It consisted of 1145 members: 270 of the nobility, 291 representing the clergy, and 584 representing the people (also called the Third Estate) [3.2-8]. In the months that followed, the Third Estate argued against the privileges of the nobility, that the remainder of the feudal system in France should be abolished, and established a National Constituent Assembly. Eventually the nobility and clergy joined with them.
- 9 Jul 1789: The National Constituent Assembly convened.
- 14 Jul 1789: Riots in Paris and storming of the Bastille that began the French Revolution. It was a civil war begun by socialist revolutionaries who sought to destroy the old order and bring "justice and equality" to France. This was the beginning of the immigration of the nobility and wealthy people out of France [3.2-9].
- 27 Aug 1789: The National Assembly adopted The Declaration of the Rights of Man [3.2-10], having been debated since 4 Aug 1790.
- 12 Oct 1789: Talleyrand proposed issuing a new paper currency to be secured by a mortgage on lands owned by the Catholic Church [3.2-11]. Issuing a new paper currency was the only means available for the National Assembly to fund the Revolution. The idea was that they would be issued to those who had loaned the government money, and they would use them to buy the Church land if they desired, and if not, to use them as bonds, to pay taxes, and to use as circulating money [3.2-12, 3.2-13].
- 2 Nov 1789: The lands of the Catholic Church were confiscated [3.2-14]. The Church had accumulated the land over the previous 1500 years; it consisted of between 25 and 33% of all the land in France, and was valued at about 2,000,000,000 livres. The goal was to issue paper money (assignats) so that middle-class people could buy the land; thus gaining their support for the Revolution. White [3.2-15] described the objectives:
- "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 necessity; 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."
- 19 Dec 1789: The National Assembly finalized the plan for issuing the paper money, called assignats, and authorized 400,000,000 to be issued [3.2-16].
- 17 Apr 1790: The National Assembly issued 400,000,000 livres in assignats. They were to be used to purchase the church lands, but also to be used as circulating currency [3.2-17, 3.2-18], and the portion received for the land was to pay the current expenses of the government. The circulating portion was secured by the confiscated land formerly owned by the Catholic Church, and bore interest at 3%. The basic claim was that the assignats had the same virtue as metal money, in that it represented something tangible, namely the land, and therefore, the paper assignats would not suffer the same fate as the paper issues of John Law in the 1720's. The assignats thus were proclaimed to have true value, competitive with gold and silver. Louis XVI encouraged the public to begin using it. A few of the clergy opposed it, mostly on the basis of the theft of the Church lands, and some in the National Assembly opposed it, especially Necker, Maury, Cazales, and Bergasse.
- 27 Aug 1790: By this time, the assignats received by the government had already been spent, and the national finances were as bad as ever [3.2-19]. A report by Montesquieu recommended an additional issue of assignats. He recognized the risks, but thought it was necessary to save France.

Early Sep 1790: The government now needed money again. Mirabeau knew the dangers of paper money, but went along with it, believing it was the best way to get the people to buy the Church lands, and noting that the first issue had served to improve credit [3.2-20]. He advocated in the National Assembly for one additional issue of assignats, enough to cover the entire national debt (at that time was 2,400,000,000 livres). Brilat-Savarin and du Pont de Nemours correctly noted the inconsistencies in Mirabeau's argument, but they were disregarded. Necker opposed it, but was unsuccessful; he resigned and left France. Talleyrand gave a speech opposing the new issue; it ended with [3.2-21]:

"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 [i.e., specie he had lent to the government]; but you can never arrange it so that a man shall be obliged to give a thousand livres in specie [i.e., in his possession] for a thousand livres in paper -- in that fact is embedded the entire question; and on account of that fact the whole system fails."

29 Sep 1790: The National Assembly issued 800,000,000 livres in assignats; total = 1,200,000,000 livres. The law also specified that no more than 1,200,000,000 should ever be issued, and when assignats were paid into the treasury for purchase of land, they were to be burned [3.2-22]. But when 160,000,000 livres were received in payment for the former Church lands, they were not burned; they were re-issued. Also, this limitation was ignored when the government found it convenient (cf. 19 Jun 1791). At the same time the National Assembly started funding various "public works projects" that increased the national debt.

~15 Nov 1790: The National Assembly passed a law specifying a coinage standard; the standard money was silver, and the ratio of silver to gold was changed from 15.5:1 to 14.5:1 [3.2-23]. But the public decided to keep the silver coins, and it became necessary to issue another 100,000,000 assignats in small denominations that could be used for small transactions or change.

27 Nov 1790: The National Assembly passed a law requiring every member of the clergy to swear an oath to the Revolution; failure to do so would result in a loss of their position and their income. Most of them refused on the date called for, 4 Jan 1791 [3.2-24].

Jan 1791: Coin became very scarce, as people begin to recognize the depreciation of the assignats [3.2-25]. The propaganda of the day was to claim that the value of metal coins was rising, instead of the true cause, which was that the assignats were declining in value. This was nothing more than Gresham's Law in action: an inferior currency, when accepted, drives the superior one out of circulation.

~Feb 1791: The beginning of the decline in industry and manufacturing, since the businessmen could not calculate accurately with the depreciating assignats; this led to a general decline in the prospects for labor, and businessmen added to their prices to compensate for ambiguity about the value of the assignat. Also the markets were now saturated because the initial issue had over-stimulated business. Meanwhile, many wealthy and powerful people were making large profits from speculation, betting on the value of assignats, instead of investing. At this point 1.0 livre was between A 1.06 and A 1.11 [3.2-26, 3.2-27], but the discount on foreign exchange was closer to 1.0 livre = A 1.30. High tariffs on imports did not affect the state of industry in France; it continued to decline. White explains [3.2-28]:

"But what the bigotry of Louis XIV [in revoking the Edict of Nantes] 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."

Early Jun 1791: The 1,200,000,00 of assignats had been spent by the government: 108,000,000 to pay down the debt, 416,000,000 to pay overdue interest, and 476,000,000 to pay the current expenses [3.2-29].

- 19 Jun 1791: The National Assembly issued 600,000,000 livres in assignats, total = 1,800,000,000 livres [3.2-30, 3.2-31]. There was virtually no opposition to it in the National Assembly, as France had now adopted a scheme of permanent inflation by paper money; it was widely believed among the government leadership that officially-issued fiat money led automatically to prosperity.
- ~ Aug 1791: Growth of corruption among the legislators, being influenced and bribed by speculators in the national debt instruments [3.2-32] and debtors who had a vested interest in seeing the assignats depreciate. The speculators could sell at a profit in nominal terms, and the debtors could repay in amounts far less than they had borrowed.
- 3 Sep 1791: The New Constitution was adopted.
- 30 Sep 1791: The Constituent Assembly was abolished and replaced by the National Legislative Assembly.
- ~ Oct 1791: The assignat had depreciated about 20%: 1.0 livre ~ A 1.2 [3.2-33].
- 17 Dec 1791: The 800,000,000 assignats issued in Jun 1791 were all spent: 472,000,000 toward the pre-existing debt, and 128,000,000 for administration, but the Constituent Assembly had also run up another 800,000,000 in new debt [3.2-34]. The Legislative Assembly issued 300,000,000 in assignats, total = 2,100,000,000 livres.
- 1 Jan 1792: The assignat had depreciated about 32%: 1.0 livre ~ A 1.32 [3.2-35, 3.2-36].
- 1 Feb 1792: 1.0 livre ~ A 1.66 [3.2-37].
- 1 Mar 1792: 1.0 livre ~ A 1.88 [3.2-38].
- ~1 Apr - 1 Sep 1792: The other nations of Europe begin preparations to invade France, to prevent the spread of the Revolution.
- 20 Apr 1792: France declared war on Prussia and Austria.
- 30 Apr 1792: The Legislative Assembly issued 300,000,000 in assignats, total = 2,400,000,000 livres [3.2-39]. White explains the economic condition of the working people at this point [3.2-40]:
- "This [the new issue of assignats] 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."
- Jun-Aug 1792: There were food riots in Paris; the king and royal family were imprisoned; and the Revolutionary Commune took power.
- 31 Jul 1792: A finance report from the Assembly stated that 2,400,000,000 assignats had been issued, and that the worth of the national lands exceeded that value. The government then decided to issue another 300,000,000; total = 2,700,000,000 livres [3.2-41].
- 20 Sep 1792: The French were defeated at Valmy.
- 21 Sep 1792: The National Convention replaced the Legislative Assembly; the monarchy is abolished.
- Oct 1792: Beginning of forgeries of the assignats by other nations in Europe, especially, Belgium, Switzerland, and England [3.2-42], then exported to France. Some of them were so good that only an expert could tell the real ones from the fake ones.
- ~ 1 Nov 1792: 1.0 livre ~ A 1.75 [3.2-43].
- 7 Nov 1792: The National Convention recommended that Louis XVI be tried before the Convention for treason.
- 14 Dec 1792: By this time, 600,000,000 assignats had been destroyed, but 7,000,000,000 replaced them; total = 2,800,000,000 livres [3.2-44].

- 21 Jan 1793: Louis XVI was executed.
- 9 Feb 1793: The National Assembly issued a decree that the estates of those who had fled France were to be confiscated [3.2-45, 3.2-46]. This was used, in the same way as the Church lands, to justify further issues of assignats. New issues of assignats were subsequently made in most months of 1792.
- 31 Jan 1793: The National Convention issued 2,000,000,000 assignats; total = 3,000,000,000 livres [3.2-47].
- 28 Feb 1793: Prices had become so high that even people who could find employment could not afford to live. Marat suggested that the problem could be solved by robbing the stores [3.2-48, 3.2-49]. So, a large number of people in Paris began rioting and looting about 200 shops on 28 Feb 1793. The mob was paid off with a bribe of 7,000,000 francs.
- Feb 1793: The Reign of Terror began, led by the Committee on Public Safety. There were riots in Paris over high prices, and many executions, including those who refused to accept the assignats.
- 11 Apr 1793: The National Convention passed a law prohibiting the purchase of silver or gold under penalty of six years imprisonment [3.2-50].
- 3 May 1793: The Assembly enacted price controls on grains; but the prices set were too low, and the farmers could not afford to sell. So they held back their crops, producing a food shortage [3.2-51].
- 22 Jun 1793: The National Convention passed the Forced Loan decree [3.2-52], which amounted to a progressive income tax. It was levied on all married men with incomes above 10,000 francs, and all unmarried men with incomes above 6,000 francs. It was estimated to bring in 1,000,000,000 francs, but only brought in 200,000,000 francs; so later the National Convention extended it down to people with incomes of 1,000 francs. It was fixed at 10% for incomes of 1,000 francs, and at 50% for those with incomes above 9,000 francs.
- 31 Jul 1793: The National Convention authorized another issue of 2,000,000,000 assignats [3.2-53].
- 1 Aug 1793: Legislation was passed prohibiting trading in coin. Those caught selling silver or gold, or pricing in assignats and specie differently, received six years in prison; for refusing to accept assignats as legal tender, was fined 3,000 francs for a first offense and for a second offense to pay 6,000 francs and be imprisoned for 20 years [3.2-54].
- 10 Aug - 7 Sep 1793: General robbery of the people by the government [3.2-55]. On 29 Aug alone, about 3,000 wealthy people's homes were searched and robbed by the Committee of Surveillance (the Revolutionary secret police), and about 2,000 of these were subsequently arrested and executed. The government, led by Robespierre, organized a conspiracy to murder a large number of people who were in prison on political charges; about 15,000 were murdered. 1 livre = 1.66 [3.2-56].
- 8 Sep 1793: The penalties for violating the 1 Aug 1793 currency law were increased to death and confiscation of property. Also, informers were given rewards for turning in violators, thus France became a nation of spies and informers [3.2-57].
- ~15 Sep 1793: 1.0 livre ~ A 3.35 [3.2-58].
- 29 Sep 1793: The National Convention passed the Law of the Maximum, which imposed price controls on all food. The price was calculated as the sum of four components [3.2-59]: a) the basic price to be set at 1.33 of its price in 1790; b) an allowance for transportation; c) wholesale profit fixed at 5%; and d) retail profit fixed at 10%. This amounted to less than the cost of production, so naturally they were either evaded, or farmers didn't bother to bring items to markets, which led to severe shortages. The government found it necessary to issue ration papers that would allow people to buy at the official price, if there was any to be had. Farmers could not afford to sell at the official prices, and to relieve the food shortages, the government sent out the military to confiscate entire crops. The law proved to be difficult to enforce. Nonetheless, many businesses were ruined by losses, and the ones

that stayed in business charged high prices for risking their lives: the penalty for violating the Law of the Maximum was death. The enforcement mechanism depended on a network of spies. Sometimes violators were let off with the destruction of their homes.

- 16 Oct 1793: Marie Antoinette was executed; by this time, another 3,000,000,000 assignats had been issued, although only 1,200,000,000 entered into circulation; total = 4,200,000,000 livres [3.2-60].
- 13 Nov 1793: All transactions in silver and gold were prohibited under penalty of death [3.2-61].
- ~15 Dec 1793: 1.0 livre ~ A 2.0 [3.2-62]. This temporary increase in value was promoted by optimism due to French victories.
- 1 Jan 1794: The number of assignats in circulation was 5,536,000,000 livres; the value of lands confiscated from the nobility and the church, held as security for them, was estimated at 15,000,000,000 livres [3.2-63].
- 15 May 1794: The National Convention passed a law specifying the death penalty upon anyone who inquired before a transaction was to be made as to what form of money was to be used [3.2-64].
- 4 Jun 1794: Robespierre was elected a President of the National Convention, and afterwards thousands were executed by the decree of the Revolutionary Tribunal.
- 28 Jul 1794: Robespierre was executed, which ended the Reign of Terror
- 8 Dec 1794: The law that had expelled the nobility and clergy was repealed, and their lands were to be restored [3.2-65]. They returned to France in the early part of 1795, hoping to restore a limited monarchy.
- 23 Dec 1794: The Law of the Maximum was repealed [3.2-66].
- 31 Dec 1794: The total number of assignats in circulation = 7,000,000,000 livres [3.2-67].
- 1 Apr 1795: 1.0 livre = A 9.9 [3.2-68].
- 1 May 1795: Approximately 12,000,000,000 counterfeit assignats were in circulation [3.2-69]; 1.0 livre = A 12.4 [3.2-70].
- 31 May 1795: An additional 3,000,000,000 assignats were issued, total = 10,000,000,000 livres [3.2-71]; 1.0 livre ~ A 14.2 [3.2-73]; see 1 May 1795 for amount of counterfeits.
- ~ 1 Jun 1795: 1.0 livre ~ A 18.29 to A 20.85 [3.2-73, 3.2-74].
- 1 Jul 1795: 1.0 livre = A 33.66 [3.2-75].
- 31 Jul 1795: An additional 4,000,000,000 assignats were issued, total = 14,000,000,000 [3.2-76]. Throughout the next 18 months, prices went up at the same rate as the depreciation, but wages remained stagnant. Wages actually had fallen since so many businesses had closed up due to the difficulty of dealing in paper money, and the laws necessary to enforce them. There was now a large labor surplus available to be drafted into the army [3.2-77].
- 1 Aug 1795: 1.0 livre ~ A 33.33 to A 36.8 [3.2-78, 3.2-79, 3.2-80].
- 15 Aug 1795: The franc was defined as a coin of 5 grams of silver at 90% pure, which is 4.5 grams = 69.44 grains pure silver.
- 22 Aug 1795: A Constitutional Convention adopted a constitution for a new government, to be run by a body called The Directory. By this time another 21,000,000,000 assignats had been issued; the total is now 35,000,000,000 in circulation [3.2-81].
- 1 Sep 1795: 1.0 livre ~ A 40.0 to A 48.0 [3.2-82, 3.2-83].
- 13 Sep 1795: Napoleon massacred the royalists in a street battle in Paris, and took power as dictator [3.2-84].
- 1 Oct 1795: 1.0 livre = A 50.2 [3.2-85].

1 Nov 1795: 1.0 livre = A 104.0 to A 107.8 [3.2-86, 3.2-87].

2 Nov 1795: Beginning of the Directory. The first item of business was to print more assignats. The problem was that the printers could only make 60 to 70 million per day, while the government was spending 80 to 90 million per day [3.2-88]. The second item of business was to exact a forced loan from the remaining wealthy citizens; it didn't work, since the assignat was now valued at less than 1/100th of a livre [3.2-89].

1 Dec 1795: 1.0 livre = A 122.0 to A 149.0 [3.2-90, 3.2-91].

1 Feb 1796: 1.0 livre = A 222.4 to A 288.0 [3.2-92, 3.2-93]. At this point, the assignat was virtually worthless, but most of it was in the hands of the working people. Those who could afford to had previously invested their money in real estate and other objects of tangible lasting value. Von Sybel [3.2-94] tells us:

"Commerce had sunk to mere usurious gambling, since everyone had before his eyes the daily fall in the value of the assignats, and thus the consequent rise in the price of wares; even those, therefore, who had no thought of gain, but only wished to avoid loss, bought up as large stores of every kind of goods as they could in any way obtain. As ready money had been rendered very rare by the Emigration, the requisitions, and the unfavorable balance of trade ever since 1789; and as the rate of interest had risen in the wealthiest Departments to 12 per cent and in Paris to 30 percent -- there was virtually no banking business at all. The dealers in old stores had taken the place of money dealers, and advanced, not ready money, as formerly, upon pledges, but vice versa, exchanged the falling assignats for furniture, clothes, watches, rings, books, and provisions, at, of course, their own usurious prices. It is easy to understand the difficulty under such circumstances of providing for the people, in the midst of scarcity, when every possessor of property was endeavoring to invest his capital in stores of goods, and thereby withdrawing the latter for a long time from circulation. Before the end of the year [1796] the paper money was in the hands of the proletarians [workers], the officials, and the small rentiers [small farmers], whose property was not large enough to invest in stores of goods or national lands."

18 Feb 1796: The assignats were now valued at 1.0 livre = A 600 [3.2-95]. They were exchanged for a new paper currency called the mandat, claimed to be "as good as gold", at 30 assignats for one mandat. The plates and paper for printing the assignats were destroyed. White [3.2-96] cites 40,000,000,000 in assignats had been in circulation; now exchanged for 1,333,000,000 mandats.

~ Mar 1796: 1 livre = M 2.85 = A 85.5 [3.2-97].

~ May 1796: 1 livre ~ M 6.66 = A 199.8 [3.2-98].

16 Jul 1796: The Directory issued a decree stating that all the paper money, assignats and mandats, should be accepted at their real value compared to silver or gold, and that trade could commence in whatever currency the parties agreed to [3.2-99]. This was the practical end of the legal tender status of both paper issues; the mandats depreciated further to 1 livre = M 50.0 = A 1500.0

~ Aug 1796: 1 livre ~ M 50.0 = A 1500.0; about 2,500,000,000 mandats were in circulation [3.2-100].

14 Feb 1797: The Directory formally decreed that assignats and mandats were no longer legal tender, the plates and paper for printing mandats were to be destroyed as were the assignat machines previously, and that taxes could be temporarily paid to the government in both paper currencies at 100:1 [3.2-101].

May 1797: The assignats and mandats still in circulation are both are worthless; the Directory formally proclaimed that the 21,000,000,000 of assignats are of no value and should be discarded [3.2-102].

30 Sep 1797: The Directory ordered that two-thirds of the national debt was to be paid in bonds that could be used to buy the confiscated Church lands, and the remaining third was to remain on the books to be paid in some future unknown way. These bonds soon depreciated to 3% of their face value, same as the assignats and mandats had [3.2-103]. This was the end of the paper money experiment, and it

took forty years to recover from it. Metal money came out of the hoards, and came in from foreign nations in the course of trade as it was required.

1798: Arbitrary government by the Directory, etc.

10 Nov 1799: Napoleon assumed power "to save the Republic". Of course, that is patently false. There was no working "republic" to save; all Napoleon did impose a personal dictatorship to replace the dictatorship run by socialist crusaders that had replaced an irresponsible aristocratic oligarchy. Whereupon France pursued the same moronic policies as Louis XIV had done: useless wars, poverty, and the ruin of France.

So ends the story of the assignats and mandats, paper money supposedly "secured" by the real estate confiscated from the Church. The 'assignats' were doomed at the start. Such a system of "backing" by land, or redemption, was a pure fantasy: if one was in possession of a certain amount of assignats, how exactly would he cash them in for land? The paper notes did not each describe a section of land, nor was any of the land marked out as being assigned to a particular note. There was no practical way for a person to actually obtain the land that supposedly backed the paper, and the entire system was sold to the public with propaganda. It turned out to be a particularly viscous fiction; the assignats depreciated greatly, and the promises of rainbows and unicorns soon turned into the reality of prisons and the guillotine as the government attempted to maintain the value of the assignats by force.

We should not relegate this episode to obscurity as the work of fanatics. It is instructive to us because it indicates what happens when governments get desperate. It is easy to see the tyrannical acts perpetuated under the guise of "liberty, equality, and fraternity" (the slogan of the French Revolution). First was the outright confiscation of the property of the Church that had been accumulated over the previous 1500 years. It is true that the Church had become corrupt and had deviated from its true mission, but if the Church lands were to be secularized, surely a more equitable method could have been used. Second was the persecution of the old aristocracy and the Church officials simply because they did not agree with the Revolution. But the persecutions did not stop with the nobility; how can it, if the goal is power? The paper assignats were issued as a means to gain public support for the Revolution; the claim that they were issued against and secured by the confiscated Church lands was some combination of fantasy, ignorance, or knowing and deliberate lying. There was no way to redeem them; they were no better than the paper issued by John Law only 70 years earlier. Once the assignats began to fail, the lies and persecutions began: a) wage and price controls that led to shortages; b) false claim that gold and silver were becoming more valuable, when in fact it was the paper that was depreciating; c) collapse of business since the depreciation had destroyed the principle of accurate accounting; d) prohibitions on trading in gold and silver, or even asking what form of money was to be used in a transactions; e) riots out of desperation due to shortages, high prices, and stagnant wages; f) open robbery of the people by the government; g) capital punishment for minor (but necessary) offenses; h) confiscation of property owned even by the poor and middle class; and finally, i) collapse of the system followed by 20 years of starvation and warfare under a new dictator. France has still not fully recovered from this fiasco.

It is worse than that. This entire episode was led by the foremost modern thinkers of their time. Our modern "progressives" have adapted the Jacobin slogan of "liberty, equality, and fraternity" to "liberal, equity, and united"; but make no mistake, they will pursue the same basic tactics. It won't be necessary to break out the guillotine because the progressives will pursue a gentler, kinder brand of tyranny: they will be content with "mandatory re-education" and bankrupting their opponents with legal bills.

The continuing issue of the assignats violated a basic principle of paper money, as pointed out by von Sybel [3.2-104]:

"Wherever 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 moment may be the starting point of a great and widely extended prosperity; as for instance, the most splendid improvements in English agriculture were undoubtedly owing to the emancipation of the country banks. 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 have no lastingly beneficial fruits. For the moment, perhaps, business receives an impulse all; the more violent, because everyone 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. The commercial excitement, and, in an equal degree, the commercial danger, were enhanced by one particular circumstance. The exchange with foreign countries had been for some years unfavorable to France. Since the year 1783 the country imported more than it exported; then came Necker's wholesale purchases of corn, and lastly the utter derangement of commercial relations by the Revolution, which every where prostrated the home production, and rendered it necessary to give orders in foreign countries. France had, therefore, to make more payments than it received, and consequently to bear the expenses of those payments, and to lose in the exchange. The loss in the spring of 1791 was from 9 to 11 percent. Here too the assignats exercised an influence; for as, at this period, they stood at 4 to 6 percent discount, and the foreign merchant had to be paid in silver, the total loss to the French exchange was 15 percent."

Dillaye gave several false reasons as to why the assignats depreciated so quickly (opposition by the clergy and counterfeiting), but he was correct on two points, first, the excessive amount, and secondly [3.2-105]:

"Want of title to the land dedicated as security for the redemption of the assignat; it having been confiscated from clergy and nobility, without any forms of law, by a government purely revolutionary, and before that government had acquired any single element of that stability and permanence essential to sovereignty."

Or, to put it simply, illegitimate is as illegitimate does, which is the collectivist way.

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- [3.2-3] Heinrich von Sybel, *History of the French Revolution*, London: John Murray, 1867
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