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► **To cite this version:**

Agnès Festré, Alain Raybaut. Colonial Banks, Credit, and Circulation: the example of martinique 1848-1871. 2018. hal-01931731

HAL Id: hal-01931731

<https://hal.science/hal-01931731v1>

Preprint submitted on 22 Nov 2018

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COLONIAL BANKS, CREDIT, AND CIRCULATION: THE EXAMPLE OF MARTINIQUE 1848–1871

**Documents de travail GREDEG
GREDEG Working Papers Series**

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GREDEG WP No. 2018-26

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Colonial Banks, Credit, and Circulation: The Example of Martinique 1848–1871¹

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GREDEG Working Paper No. 2018-26

Abstract: In this paper, we analyze the conditions of the establishment and functioning of the French colonial Bank of Martinique during the transition period following the decree to abolish slavery in 1848. It is particularly intended to show how the Bank was able to respond to the financial constraints posed by this transition and to deal with the circulation problems that punctuated the period. This study will be conducted in three stages. In the first section, we focus on the establishment and principal operations of the colonial banks in the old French colonies, with particular emphasis on the Bank of Martinique. The second section presents an initial assessment of the operation of the Bank. Finally, the last section is devoted to the circulation problems encountered by the Bank, highlighting the conflicts of interest that underlie the different debates around this issue.

Keywords: Slavery, Colonial banking, Money circulation.

JEL codes: B15, N2.

Introduction

As Paul Leroy-Beaulieu points out in his famous book on the history of colonial economies, setting the contours of the monetary system, “is of great importance in those countries where all production is directed for export and where the slightest fluctuations in foreign trade lead to very intense monetary crises” (From *La colonisation chez les peuples modernes*, 1882, p. 228). The example of Martinique that is the focus in this contribution

¹ We thank the participants of the roundtable “The Transition from Slavery to Other Systems, in Theory and in Practice”, 16–17 December 2004, organized by CEREGMIA (Center for Study and Research in Economics, Modeling, and Applied Computer Science) of the Université des Antilles et de la Guyane/Schoelcher Campus – Martinique, for their remarks and comments. We remain responsible for the limitations of this text. We also thank Inès Roldán de Montaud, for the invitation to participate to a workshop dedicated to colonial banking in overseas territories held in Madrid, 14-15 September 2017.

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illustrates this remark particularly well. The aim is to analyze the conditions of the establishment and functioning of the Bank of Martinique during the transition period following the decree to abolish slavery in 1848. It is particularly intended to show how the Bank was able to respond to the financing constraints posed by this transition and to deal with the circulation problems that punctuated the period. The time horizon used is that of the first extension of the issuing authority of banknotes and loans provided for in the law of 11 July 1851 constituting the colonial banks, namely some 20 years after the establishment of the Bank.

This study will be conducted in three stages. In the first section, we focus on the establishment and principal operations of the colonial banks in the old French colonies, with particular emphasis on the Bank of Martinique. The second section presents an initial assessment of the operation of the Bank. Finally, the last section is devoted to the circulation problems encountered by the Bank, highlighting the conflicts of interest that underlie the different debates around this issue.

I. Origins, statutes, and operations of the Bank of Martinique

The first French, colonial issuing banks were established at the dawn of the abolition of slavery². The decree of abolition of slavery of 27 April 1848, included the principle of compensation for the settlers who owned slaves, but the shaping of its terms and conditions was the result of multiple debates on how to make this major transition. In particular, economic thinking played a large part in these discussions, particularly with regard to the problem of the financing of working capital for colonial agricultural operations. Indeed, the consensual idea emerged from these discussion that credit is what colonies needed most. It seems, however, that the French colonial empire never considered the development of credit as a priority falling under its responsibility (E. Renaud, 1899, p. 11). As a result, the questions of the provision by mainland France of the tools and capital needed for the development of the colonies and its financing arrangements were constantly postponed³.

² With the exception, however, of occasional attempts to set up credit institutions in the old colonies, as was the case, in particular, of the Caisse d'Escompte of the Ile Bourbon (Réunion) created in May 1826, but whose issuing authority disappeared in 1831, or the creation of an issuing bank in Guadeloupe in February 1827, whose issuing authority disappeared in 1831. Cf. R. Vally, 1924, p. 9 and Oruno D. Lara, I. Fisher-Blanchet, and N. Schmidt, 1998, p. 365.

³ G. de Molinari also refers to this problem in the *Dictionnaire de l'Economie Politique (Dictionary of Political Economy)* edited by Messrs. Ch. Coquelin and Guillaumin regarding, more specifically, the so-called "agricultural colonies": "Agricultural colonization is a purely philanthropic idea. After so many vain attempts to

In practice, the financing of agricultural holdings in the tropical colonies was the prerogative of a chain of intermediaries: locally, the “commissioner” in the West Indies or the “broker” in Bourbon (Réunion) having obtained the de facto monopoly of providing capital. Due to insufficient financial means, the financing was taken over most of the time by traders of a port of mainland France, who willingly consented to loans with personal security (liability of the commissioner) and tangible collateral (mortgages on property of the planter, sending the harvest on consignment) in exchange for disbursements, that through interest, commissions, and expenses could reach 18% of the capital borrowed. The representative Léveillé reported on this credit structure, ironically termed “18% providence”⁴.

The intervention of the State in credit matters was therefore a necessity, and it would have been difficult to find a better opportunity to act than that offered by the payment to the settlers of an indemnity which was not based on the law and did not constitute a buyout of slave labor, but was simply inspired, in the words of the Government of the day, “by utility and justice.” It was from this effort of restoration and recovery that the first issuing banks emerged from the colonies, one of whose attributions was the institution of fair and inexpensive credit. To ensure the proper functioning of the colonial banks, the state legislator had foresight and worked to ensure the future of the colonial planters, especially the establishment of credit institutions in the old colonies. Also, the capital necessary for the constitution of credit institutions in the colonies was taken from the indemnities envisaged by the Assembly in the law of April 30, 1849, without consulting the beneficiaries. Article 7 of that law states:

“Of the 6 million [franc] annuity payable under article 2, *one-eighth of the portion relating to the colonies of Guadeloupe, Martinique and Reunion shall be withdrawn for the establishment of a lending and discount bank in each of these colonies.* [emphasis added]

“The annuity certificates thus withdrawn will be deposited in the banks' coffers as assurance and guarantee of the notes they are authorized to issue. (...)

“Every compensated settler shall receive shares in the colony’s lending and discount bank, up to the amount of the deduction incurred by his portion of the indemnity. (...) (Law of 30 April 1849, Article 7)

put an end to begging, it was thought that the solution to the problem had been found by giving uncultivated land to clear the beggars. It was believed that the establishment of agricultural colonies would exempt the society from the maintenance costs of the able-bodied poor, while enriching it with additional products. Unfortunately, we forgot an essential element in this nice calculation; *the capital necessary for the establishment and exploitation of these colonies was forgotten.* (G. de Molinari, 1852, p. 403, emphasis added, <http://gallica.bnf.fr/ark:/12148/bpt6k22411m/f431.image>).

⁴ *Moniteur universel*, 26 June 1851, p. 1805.

The organic law of colonial banks was passed on 11 July 1851, by the Assembly and was first promulgated in Martinique on 14 October 1851, then in Guyana, Guadeloupe, Réunion, and finally in Senegal.

These banks were created on the model of *public limited companies*. In reality, the withdrawal of the indemnity for the abolition of slavery as the constitutive capital of the colonial banks was a de facto derogation from the very principle of a partnership agreement. Indeed, as E. Renaud pointed out, “not only were the settlers made shareholders of the banks without haven given their opinion, but even with the Company forming with the very root of the rights of the indemnity recipients, and before the individual right could be ascertained for each of them, the interested parties could not be gathered beforehand to submit draft statutes (...)” (E. Renaud, 1899, pp. 23–24). Although these aspects were raised during the second deliberation of the law, they no longer provoked any challenge at a third reading. R. Vally suggested that the settlers themselves, aware of their interest, had called for this kind of legislative “paternalism” (R. Vally, 1924, p. 12). Relying on Schoelcher's report at the podium, he added: “the rightsholders have constantly expressed the desire to see the compensation converted into a bank capital that would serve everyone,” (Ibid.). In particular, the former owners were favorable in that they saw the opportunity of a leverage effect to create large manufacturing centers.

On the other hand, the statutes of the colonial banks specified in the decrees of 24 December 1851 and 17 November 1852 were inspired by the institutions, with or without issuing authority, existing in mainland France. The statutes of the banks provided for, in particular:

- A General Assembly, being the representative body of all of the shareholders, constituted by a body of the 150 largest shareholders, possessing very extensive theoretical powers with regard to the management of the bank and whose role was, with some special provisions, comparable to that of general meetings of ordinary public limited companies.
- A Board of Directors, a small group elected by its votes, having responsibility for the most important prerogatives regarding the internal organization, operation, and management of the authorized issuing institution. Among the duties of this Board, were the fixing of the discount and interest rates.
- An elected auditor, coming from the General Assembly and having the right on its behalf to scrutinize the Bank's course of business.

In the face of these powers common to all public limited companies, the French state, which organized the institution and granted it issuing authority, provided for a whole series of bodies, some with management powers and others with a simple right of oversight:

- The Director, who was vested with his functions by decree and a representative of the French state at the outset, armed with considerable prerogatives, beyond the scope of the common law of public limited companies, having a great influence on the decisions of the Board of Directors of which he was president *ex officio* and whose deliberations were enforceable only with his signature.
- The auditor *ex officio*, a colonial official, invested by the law with the same assignments as the auditor designated by the shareholders and in charge of the local control of the issuing institution.
- The Central Agency of the Colonial Banks, an “expression of the principle of centralization” having both a “private character” and a “public character”, responsible for representing banks in mainland France and facilitating, by the centralization of information, the exercise of superior control. According to the constituting law of 1851, it was to be “one of the most important mechanisms of the colonial banks” and to limit their field of action to the rules determined by the Council of State and not to those of local, ordinary commercial agents chosen at the discretion of their administration.
- The Supervisory Commission, the supreme advisory council, which was in charge of the strict oversight of the authorized institutions and could print, through the public authorities, those directives required by their situation⁵.

Finally, it is worth mentioning the important role of the colonial administration represented by the Governor in monetary and banking matters, as illustrated by the abundance of correspondence between the Governor of Martinique and the French mainland Administration during the period of interest. In a number of cases, the Governor had to make decisions of interest to the bank, particularly to authorize the distribution of dividends.

The 1851 founding legislation of the colonial banks gave the mission to these banks, qualified as “circulation, loan, and discount banks”, the privilege⁶ of engaging in two main types of operations:

⁵ The first assessment on the colonial banks was written by this Commission and presented as a report to the Emperor in August 1855. Cf. *infra*.

⁶ This privilege was foreseen as temporary, initially given for a period of twenty years, which expired on 11 July 1871; circumstances prevented dealing with this question, and the Government was obliged to prolong the privilege provisionally by successive decrees until it could be submitted to the National Assembly. As soon as this body had been asked, it renewed the privilege for another twenty years in a law of 24 June 1874. Although this goes beyond the scope of our study, this question was never subsequently resolved definitively, and the

- the issuance of bearer notes;
- loans on pending harvests.

The privilege of issuing indirectly allowed the colonial banks to borrow for free from the public and thus allowed them, under the aegis of the French state, to mobilize credit, by returning to circulation the previously accumulated savings in the form of hoarded currencies, so as to finance, through a paper money issue, the country's production power.

However, the legislature of 1851 believed it advisable to limit the creation of money by introducing, on the one hand, a reimbursement clause limited to three times the precious metal reserves⁷, and by limiting, on the other hand, the total of debts owed (banknotes in circulation, current accounts in credit, and other demand liabilities) to three times the bank's share capital⁸.

Inspired by the cautiousness of mainland France, which was worried about ensuring the constant convertibility of banknotes having the status of legal tender, these provisions were particularly unsuitable for the colonial banks because France equated them with mere issuing institutions, whereas they combined the functions of an issuing institution, agricultural and industrial bank, commercial bank, deposit bank, and pawnbroker.

Indeed, one of the most important tools of the law of July 1851, was the "loan on pending harvests". From 1851, Horace Say reminded the Council of State that one should not lose sight of the origin of the capital assigned to the banks: "The indemnity represents the value of blacks, who were bound to plantations and worked as farmhands, and the banks' funds were in reality furnished by colonial agriculture; at the same time, it [the bank] has the goal of increasing agricultural work," (cited by E. Renaud 1899, p. 121). By virtue of the law of 1851, the colonial bank had to deliver two, important services to agriculture.

First of all, "the bank allows our planters in Bourbon, Martinique, and Guadeloupe to commit their sugar intended for export without being required to sell it sometimes at an inopportune moment," (First Lévillé Report 1897, p. 1427). The collateral of the harvests paid part of the production costs of sugar and at times allowed one to wait for more lucrative prices for the

privilege was renewed by successive decrees until 1945 (cf. Oruno D. Lara, I.Fisher-Blanchet et N. Schmidt, 1998, p. 365).

⁷ Afterwards, the colonial banks were authorized to include the "cash vouchers" as part of their precious metal reserves. The introduction of cash vouchers allowed the banks to deal with the cash deficit ensuing from the decree of 23 April 1855, putting an end to the double circulation of French and foreign currencies. Cf. *infra*.

⁸ The Bank of Martinique's initial capital, partially comprised of the indemnity for the abolition of slavery, was 3 million francs.

sale of the harvests. Furthermore, “the colonial bank already promotes farming, since it [the bank] often exempts it from having to sell at a price which is too low,” (ibid.).

But, the bank provides a second service to agriculture: advances backed by pending harvests. This type of loan constituted a true legal innovation at the time because it consisted of a loan coupled with the collateral of the harvest at the lending bank without divestment of the owner. However, its initial reception was somewhat mixed by the parliamentary commission charged with examining it on behalf of the Assembly in 1851. The objection was two-fold: on the one hand, the principle of a loan backed by pending and future harvests did not provide sufficient guarantees for the lending bank; on the other hand, it presented a legal void regarding the reconciliation of the rights of the lending bank and those of other authorized creditors, and in particular those of agricultural laborers.

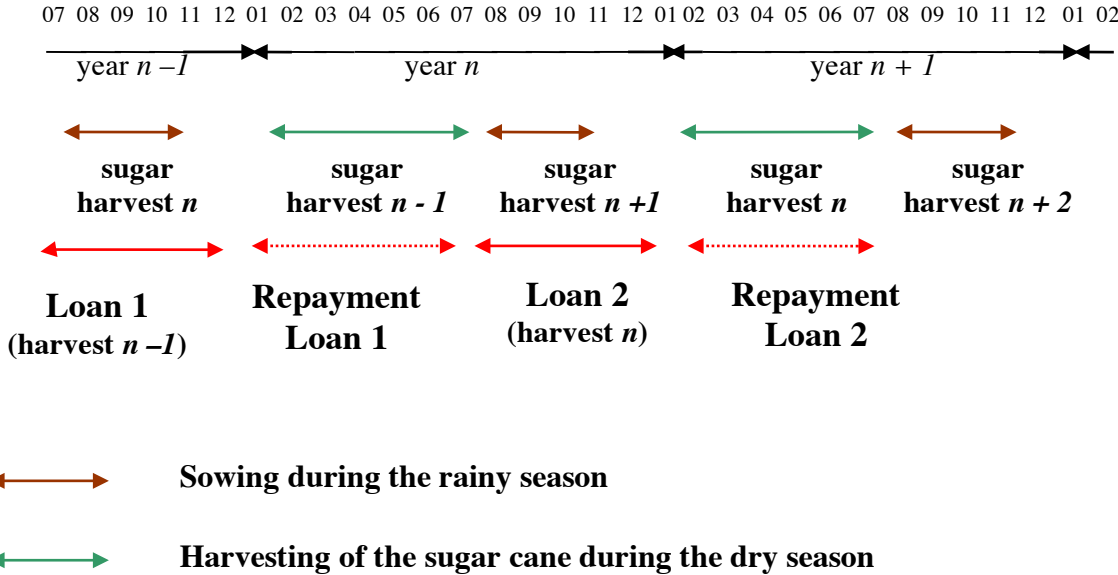
Several concessions were mainly made regarding the protection of other creditors, but the principle of lending backed by pending harvests was maintained, at the cost of several legal contortions. In the first place, the designation of the contract was changed for the benefit of the “pending harvest sale” to suggest the existence of a true material divestment on the part of the debtor. In reality, this change was completely artificial and did not offer any additional guarantee since, if there were a sell-off, the bank would become owner of the harvest. The money it had issued the planter was not a loan but the price of the sale, and the bank could therefore not have authority over the planter’s own affairs. This also implies that the risk related to production fell to the bank. In fact, the contract really remained a collateral-backed loan even if the immovable asset character of pending harvests did not square well with the label of an essentially movable security. Given the random nature of the harvests, the concerns regarding risk taken by the bank were justified, but caused one to forget the fact that from the beginning, the project had foreseen that loans should only be for 1/3 of the value of the harvest and that an extremely intense crisis would therefore be required to overdraw the bank.

The question of guarantees of creditors other than the bank also presented a difficulty, but it was overcome by authorizing the planters to renounce their privilege as creditors for the benefit of every other farmer creditor, lessor, or any other person having usufruct.

Thus, as A. Girault mentioned in 1895 about the creation of a guarantee, “It was 40 years ago, beyond the seas, that a reform [appeared], the surety without divestment, which a number of people in France still regard as imprudent and who still await its realization,” (A. Giraud, 1895, p. 583). The interest of this reform was also due to the particular constraints imposed by the cultivation of sugar cane. These constraints reinforced the context of the abolition of

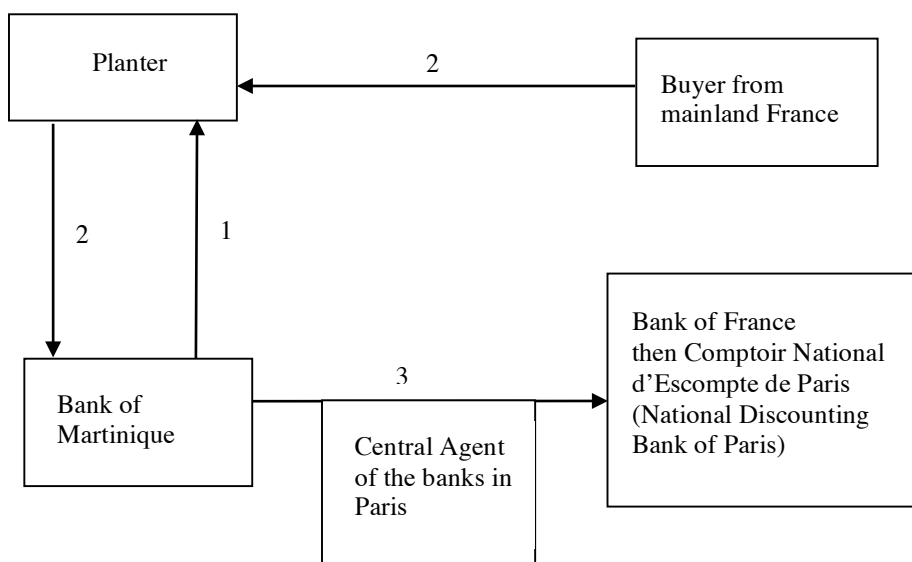
slavery. Indeed, now added to the traditional need of funds for the maintenance of a plantation, purchase of fertilizer, and planting of new sugar cane for a period of eight months⁹, was the payment of the salaries of workers employed at the plantation. The temporal constraints imposed by the planting of sugar cane, which introduced a significant lag between receipts and costs, are summarized in the following figure:

A time lag



In addition to the service the colonial banks provided to agriculture by maintaining the plantation economy, loans backed by pending harvests allowed the banks to accumulate a reserve in Paris for the payment, by warrant or check, of colonial imports as indicated in the diagram below:

⁹ The law of 1851 required that the granting of a loan be done in the four months preceding the harvest, based on an appraisal of the pending harvest. Yet, this provision was not respected and could not be in reality. Indeed, with the period of gestation of the sugar cane harvest being 18 months, credit was granted in July, on the basis of an appraisal of the sugar cane at seven to nine months, for the coming harvest in December–January. Furthermore, during this same period, new sugar cane was planted (around September) for the next harvest, so that, in reality, the loan amount served not only to finance the appraised harvest but also the work in progress for the next harvest until the end of the year.



1: Loan consisting of cash advances.

2: Drafts drawn on a buyer in mainland France accompanied by bills of lading¹⁰.

3: Submission of the drafts for collection, through Central Agent of the banks in Paris.

These drafts thus constituted a reserve in Paris to finance Martinique's imports by warrant or check.

Hence, next to their functions of an "industrial and agricultural" bank, the colonial banks gave discount loans both on items guaranteed by two signatures as well as on obligations guaranteed by collateral, and thus, by credit opportunities, allowed local traders to sell their merchandise¹¹. In what follows, we will return to the importance of this business activity of the bank and its implications.

II. The operation of the Bank: An initial appraisal

A review of the Bank's operations during the first years following its establishment was prepared in a report issued in August 1855, to the Emperor by the Supervisory Commission of Colonial Banks (First official Report on the colonial banks of September 1855).

First and foremost, this report stressed the success of the institution regarding financial intermediation and the distribution of credit. Note that, in effect, one of the first objectives of

¹⁰ The bill of lading is a certificate verifying the receipt on board a vessel of merchandise from a transporter, which the shipper has entrusted to him, as well as an obligation for the transporter to transport and deliver the merchandise to the destination to the legitimate title holder.

¹¹ Finally, they also granted loans on retirement certificates and gold to non-industrial or non-commercial customers.

the Bank was to allow old agricultural businesses to relaunch their activities, which were, “weakened by the social transformation which had just occurred,” (Report of the Supervisory Commission of Colonial Banks, 1855, p. 360). Another aim was to improve the direct lending practices in force in these colonies and to encourage the development of organized, regulated, “honest, and inexpensive” credit.

The rate decrease for money induced by the creation of the banks was indeed very clear. The famous and often-mocked “providence at 18%” was substituted by an average rate of 6% adopted for credit given by the bank. The First Report on the colonial banks stressed that this rate, “wielded a prompt and useful influence on matters. (...) It became like a regulating level to which all honest transactions have had to submit” (First Report...op. cit. p. 366).

In addition, for investors, the establishment of this rate resulted in the movement of part of the capital supply from daily investments to those in favor of land ownership, “which has recovered from the depreciation it has experienced since 1848,” (First Report...op. cit. p. 366). Leroy-Beaulieu adds that, if one consults the colonial newspapers about the situation of residences, one will note an increase in their market or rental values. This is why, “it is not rash to conclude that the circumstances of property have improved since emancipation, not just in Réunion, but also in Antilles” (Leroy-Beaulieu, 1882, op. cit. p. 235). This certainly represented an indication for him of a return of prosperity.

Regarding the pending crops, Leroy-Beaulieu¹² mentions the positive effects on the recovery of sugar production in the old plantation colonies which followed the significant drop arising from the shock of abolition. The rebound, especially in Réunion and Martinique¹³, was due to two, main factors: the recourse to immigration and the organization of production techniques. Yet, according to him, the role played by the Bank in accompanying this change was decisive: “The interest on money, one cannot deny, had dropped; the banks are flourishing; the loans have brought a considerable easing to properties. The production equipment has been improved and, as a result, invested capital has increased significantly,” (Leroy-Beaulieu, 1882, op. cit. p.235)¹⁴. So, he continued, “thanks to the colonial banks, which operate and provide profits, our colonies will overcome the crisis which they suffer again” (ibid. p. 248).

¹² He refers directly to Augustin Cochin.

¹³ “While Guadeloupe is still suffering”, and Guyana has almost abandoned sugar production to become a penal colony. (Leroy-Beaulieu, 1882, p. 235)

¹⁴ During the second half of the 19th century, one imagined central factories, which “increase profits while decreasing costs”. (Leroy-Beaulieu, 1882 op. cit. p 26)

If one now considers the operation of the Bank from the perspective of its directors and the shareholders, the Report stresses that the profit and loss statement for the first two years of operation, “thus far meets what one could legitimately expect of institutions administered with caution and strictly maintained within the scope of their statutes” (First Report... op. cit. p. 365).

On the one hand, the Report stresses that it is remarkable, taking account of the diversity of the territories and, above all, the disparities in terms of the level of prosperity between Martinique, Guadeloupe, and Réunion, that, “not one debtor of the banks has defaulted,” (op. cit. p. 665) during this initial period.

It is interesting to note that for the Supervisory Commission, this result was explained because the effect of the implementation of these institutions, “was, so to speak, instantaneous on the commercial practices of the colonies,” (ibid. p. 664). The behavior of debtors was now modified because, “the rigor of the conditions ordinarily applying to borrowers had caused many of them to lose the wise habits of regularity in the execution of their engagements,” (op. cit. p. 664). Yet, the reduction of the interest rate and, “the required and systematic inflexibility of the banks on this point [the discipline and reliability of the borrowers], had promptly disarmed all claims well below expectations” (ibid.). Finally, the Commission noted that the result was not unrelated to the preferences provided for the Bank by the law for certain credit operations. In addition, the rate decrease and the absence of defaults simultaneously resulted from the implementation of rational decision-making rules by the banks and the adoption of new behavior by borrowers¹⁵. On the other hand, from the perspective of the shareholders, during this period, the banks’ activities generated an annual dividend for every share of 500 francs, yielding for a value of 100 francs¹⁶:

In Martinique	7francs 35 cents
In Guadeloupe	6francs 20cents
In Réunion	6francs 73cents

(Source: First Report of the Supervisory Commission of Colonial Bank 1855)

¹⁵ Based on prudence, the statutes would be further amended to forbid the colonial banks from paying interest on deposits due to the fear of significantly increasing bank debt; this would induce them to increase their loans too much, thereby putting them in a precarious position.

¹⁶ Without deduction of the statutory reserve of 0.5% of the nominal capital.

In this context, at the time of the establishment of banks, indemnity certificates were negotiated with a potential loss of 30% and perhaps 50% for the bearer. These certificates were converted into shares and rose rapidly to reach or surpass their par value. The Report indicated that during the first half of 1855, “the shares of the banks of Martinique and Guadeloupe were traded at 515 and 520 francs and those of Réunion at par,” (op. cit. 364). Furthermore, as the Supervisory Commission stressed, the observed return on capital: 1. was able to make one “promptly forget” that by its authoritarian character, there could have been something wrong with the obligatory subscription to capitalize the banks from the settlers’ indemnity for the abolition of slavery and 2. had “largely compensated for this sacrifice,” (op. cit. p. 366)¹⁷.

By comparing these results with the very short period of existence of, “this institution which does not shine very brightly but which contributes so strongly to the well-being of the countries in which it was established¹⁸,” (op. cit. p. 367), the Report concludes that the colonial banks responded to, “that which the populations could expect and that a genuine interest was connected to their existence from then on,” (ibid.). The optimism of the Supervisory Commission, however, should have been tempered¹⁹.

A first limitation regards the volume of the bank’s loan operations and, especially for pending crops.

The First Report of the Supervisory Commission soberly notes that the Bank of Martinique and Bank of Réunion, “until now, had only made incomplete and inconclusive attempts to make progress on crops,”²⁰ (First Report... op. city p. 362). Likewise, in his report to the Council of State, Horace Say mentioned the weak appeal to planters of loans on pending harvests in the colonies, with the exception of Martinique²¹, which should have comprised one of the main activities of the colonial banks. Indeed, from the end of 1850, the speech of the

¹⁷ It is naturally neither in the objectives nor scope of this article to specifically deal with the question of compensation. For a detailed analysis, see I. Fisher-Blanchet, « L’indemnisation des propriétaires d’esclaves dans les colonies françaises des Amériques, 1848-55 », HESS, Paris.

¹⁸ Recalling that their effective creation and operation occurred during the initial period of the Second Empire, this Report quite naturally ends by emphasizing that the rapid progress of these institutions, “was due to the strong hand which, having henceforth prohibited all unrest, extended over all distant and dedicated regions, still moved by their recent ordeals, and which allowed them to take part in beneficial creations of the imperial era,” (op. cit. p. 367).

¹⁹ We limit ourselves here to the first years of operation of the banks. It is clear that the net income, profitability, and return on capital in the form of paid dividends would greatly fluctuate during the century as a result of the price drop of sugar during the big sugar crises.

²⁰ More operations of this type were noted in Guadeloupe due to the fact, according to the Report, “that its agriculture had recently suffered more,” (op. cit. p. 362).

²¹ One of the explanations rests on the fact that the options available resulting from the indemnity from the abolition of slavery allowed the settlers, for a time, not to resort to the banks for their business capital (Cf. R. Vally, 1924, p. 19).

Minister of the Navy and the Colonies during the presentation to the National Assembly of the draft bill establishing the banks was especially explicit on this point. He affirmed that the process of loans to the planters based on the guaranty of future crops, “is, so to speak, the whole colonial bank. If the process does not come to fruition, this institution will not only have a dangerous super-liquidity, people will again say to the settler that it is an iniquity,” (*Moniteur Universel*, December 1850, p. 3446). Indeed, the ministerial doctrine started from the principle according to which, “it is the planter’s capital and not that of the trader which founded the bank,” (ibid.). Furthermore, the Bank relied on the confirmed observation that the interest of the colonial producer is, “too often at odds with that of the trader,” (ibid.)²². The possibility offered to planters to carry out credit operations without the assistance of business signatures then arose directly.

The little success of this type of operation was explained in the Supervisory Commission’s Report by the complex nature of the operation, especially the guaranties and precautions provided by the legislature to regulate this type of procedure. Furthermore, loans based on pending harvests posed a chronic problem cash flow at the Bank because, as we have already explained, it loaned money for eight months, while to the contrary, their borrowings in the form of banknotes to a bearer as well as deposits were all payable on demand and therefore always due. There was a lack of correspondence, or, to quote the representative Lèveillé, a, “lack of agreement between the banks’ passive and active due dates,” which definitely limited the development of lending operations on pending harvests²³.

Several press articles questioned the banks’ behavior by accusing them of seeking, above all, their own interest, and thereby inducing the reader to qualify the optimistic conclusions of the Supervisory Commission. To illustrate this assertion in Martinique, we mention, in particular, an article from *La France d’Outre Mer* from 3 June 1856²⁴, claiming that, “the country is too small so that a bank with a capital of 3 million could be prosperous without being a public utility.” As to whether the Bank had actually fulfilled its mission, the article responded negatively: “It should have helped agriculture. The Bank harmed it by putting it in a position of relative inferiority. The capital flows to trade and deserts agriculture, which is lacking it.” In this regard, the weakness of mortgages as well as loans backed by pending

²² We will return to this divergence of interests which noticeably appeared while reading the press and the various reports of the Governor of Martinique during the investigation of the problems of circulation in the colonies.

²³ One of the remedies, already proposed by one the speakers on the law of 1851, would have allowed the bank to issue medium-term vouchers producing interest and payable at a term of one to three months. But, this solution was never considered.

²⁴ Article signed “K.”

harvests explains why the Bank would have forgotten its initial agricultural mission in favor of an essentially commercial activity, which the article states, “is not Martinique’s asset.”

This contrast between often-divergent interests of business and speculation, on the one hand, and agriculture, on the other, is precisely at the heart of the second problem unleashed by the operation of the financial system established by the law of 1851. This refers directly to the other main function granted to the colonial banks, namely the right to issue money. One thus quickly confronts the question of circulation in the old colonies, which, during the whole period considered, constitutes a never-resolved structural problem. The following section aims to specifically deal with this question taking the example of Martinique.

III. The Bank and the circulation crises

The initial problem: a surfeit of the doubloon and a scarcity of the franc

In a series of letters and reports addressed to the minister of the colonies, the governor²⁵ described well the difficulties encountered by the monetary system of the island in the years following the creation of the bank. In effect, in Martinique there were “two currencies with the same name, but they have very different values: the French franc and the creole franc.” (Letter to the Minister from 11 November 1853). The French franc was silver, while the creole franc was gold. This mainly concerns Spanish and Mexican doubloons²⁶, whose use as legal tender had been authorized to compensate for the lack of circulation during the period of expansion under the Restoration²⁷.

A note written at the beginning of 1854 by Alex Campbell, the United States Consul to Martinique, to the governor informs us about the intrinsic and comparative value of the doubloon in Paris, London, the English colonies, and the United States... (Une note rédigée début 1854 par Alex Campbell Consul des Etats Unis à la Martinique à l’attention du gouverneur nous renseigne sur la valeur intrinsèque et comparative du doublon à Paris, Londres, dans les colonies anglaises et aux Etats Unis des différentes monnaies en circulation

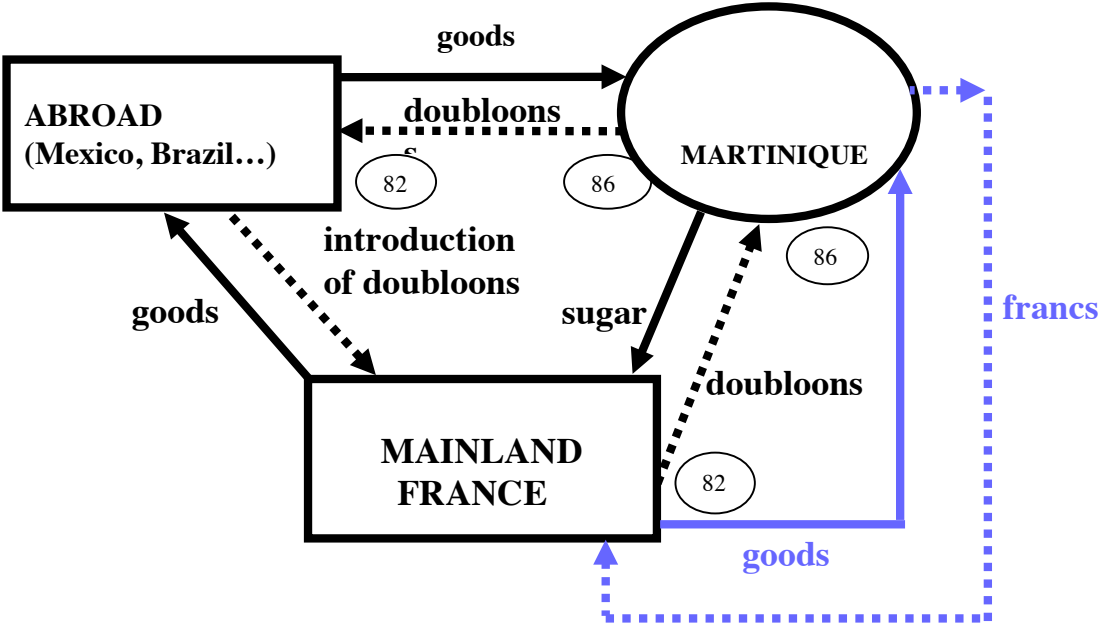
²⁵ From June 1853, to September 1856, this was Count Louis Henri de Gueydon. A consultation of the archives indicates that his analyses were read with interest at the ministry. The letter report of 11 November 1853, “on the subject of monetary circulation in the colony” bears the annotation “to be studied with care,” for example, from the staff or from the minister. Called to other functions in the navy, de Gueydon became vice-president of the colonial advisory council between 1868 and 1870.

²⁶ In addition, there were some American Eagle coins.

²⁷ For more on this period, cf. e.g., Leroy-Beaulieu (1882), op. cit.

à cette époque sur l'île): according to this report, it seems that the intrinsic value of the doubloon was 82 francs and 15 cents, while the legal exchange rate on the island was 86 francs and 40 cents, which is an increase of 4% relative to the foreign value. The path of the introduction and circulation of doubloons is shown in the following figure:

The circulation of doubloons



Since 1826, the custom had been in place that all debtors pay in creole francs, i.e. in gold, whereby “all **contracts** occur under the provision that they are paid in this currency. This resulted in substantial **charges**: those who have French currency are forced to change it to earn the bonus and those who buy it, not paying the currency’s real value, make a profit by exporting it” (letter to the Minister, op. cit.). The problem was not a lack of money, since doubloons abounded, but a lack of silver francs in circulation. Sustained speculation as well

as difficulties ensued, especially the payment of workers' and civil servants' salaries in this currency²⁸.

A first interpretation is to simply see a manifestation of the phenomenon of "Gresham's Law", knowing that, as pointed out by the United States Consul to Martinique (1854, op. cit.), as a result of the quantities of gold shipped from California and Australia, the relative value of gold to silver was shifted in favor of silver during this period²⁹. A more detailed investigation of the often-divergent interests of the different groups of agents allows this first interpretation to be refined.

Commerce, Bank, and agriculture: divergent interests

For the planters, the depreciation of gold relative to silver was an additional motive to take measures against the premium (*surhausse* in French) enjoyed by the doubloon. This point of view was defended in a series of newspaper articles. One of them, by the Lamentin Agricultural Committee, appeared in *La France d'Outre Mer* of 8 April 1854, and provided a good summary of the agricultural world's arguments³⁰. The doubloons were introduced to the island by French traders, who "trade in Brazil, Peru, Mexico, and in the countries of Central America," and bring the doubloons to mainland France, where they are delivered to shippers bound for Martinique and Guadeloupe, where they are used to buy sugar or by local speculators, "who export locally-produced or previously imported goods abroad" (Lamentin Agricultural Committee, *La France d'Outre Mer* of 8 April 1854). Taking account of the difference between its legal exchange rate, intrinsic value, and even nominal value, the doubloon "drives away all the other currencies" and, "this reason is entirely behind the profit which the traders find there," (ibid.) because after transportation costs, insurance, and interest, these traders make a profit on the order of 4 francs per quadruple pistole (or double doubloon). The Agricultural Committee then issued the opinion, "that there is no advantage for the *settlers* to maintain the doubloon's *nominal value* at a higher rate than its *intrinsic value*," (ibid.) despite the traders' objection addressed to them, according to which the settlers did not lose in the transaction since they received the doubloon at its legal exchange rate and thus, it was foreigners and not the settlers who paid for the profit realized by the sugar buyer or by the exporter of colonial or French goods. The Agricultural Committee refuted this

²⁸ Thus, for example, approximately 2/3 of the annual tax, yielding 1.8 to 2 million francs, was collected in foreign currencies.

²⁹ On this point, see, in particular, B. Nogaro (1948).

³⁰ Article signed by Messrs. Marchet, H. Dumas, Marcelin Thaly, and Latuilerie.

thesis, believing that being given a disparity in terms of the exchange between the value of imports of foreign products to Martinique by all vessels, which amounted to more than 4 million francs, and the total value of exports, amounting to 14 million francs, the share of any profit accruing to them would be very small relative to that of the traders and that: “only four million doubloons would pass from the settlers’ hands to those of the *foreigners*,” thereby leaving a significant surplus of doubloons in circulation in the colony. It is this surplus of doubloons in the colony which was, according to the settlers, a “true embarrassment” (ibid.) since, on the one hand, the imports from France could not be paid in doubloons, except by tolerating a loss of about 4% per doubloon given the exchange rate, and, on the other hand, the payment of agricultural worker’s salaries had to be in silver francs. Under these conditions, the owners felt doubly aggrieved since, if the traders could proportionally pass on the cost of converting doubloons into francs (which was 3 or 4% given the scarcity of silver francs) onto the price of goods sold in Martinique, the settlers had to bear this extra cost by paying for more expensive consumer goods and were not able to pass it on to their day laborers. Ultimately, only the traders could adjust to the situation by passing the cost on to the settlers and consumers. Although, the traders defended themselves by asserting that they were paying the settlers more for sugar than they would have without this circumstance, “the introduction [of doubloons] voluntarily *waives* this profit for the benefit of the settler” (ibid.). The settlers, to the contrary, noted that the profit was illusory since it was completely eaten up in their purchases of consumer goods. On the other hand, there was an asymmetry between the two contracting parties: “the settler *is not free* to not take the doubloon at 86.40, since the exchange rate is forced, while the sugar buyer *is free* to only offer the price which guarantees a profit. Yet, with such a contract, it is difficult to say that the party which is not free is favored over that which is; the trader can discuss the price of the commodity, but the settler cannot discuss the price of the doubloon,” (ibid.). Eventually, for these producers, there was no problem of finding an outlet for their sugar. In effect, they affirm that, “as long as the colony has products to sell, it will find speculators to buy them (...) and like every trading act, is the exchange of one value for another; if one does not pay for colonial sugar in quadruples, it will be necessary to pay in another currency,” (ibid.) The doubloon would indeed be replaced and “our sugar will not remain *unsold*” (ibid.). Thus, what is the practical solution to adopt to retain a sufficient quantity of francs for their daily transactions? A premium on the French currency was ruled out since for the Committee and, according to the teachings of the

economists³¹, it would cause a nominal increase in the price of all commodities. Thus, “one would go from a real situation to a false situation, and instead of trades being made with *completely real* values, they would only occur with *partially fictitious* values,” (ibid.). Furthermore, for the Committee, this solution would help boost the disappearance of French silver currency given the relative scarcity of silver relative to gold. The Committee then formulated two, complementary solutions. The first temporary solution was to simply inject a significant quantity of 5 and 10 franc pieces in gold, whose face value was not greater than that of the quadruple. The second solution consisted of authorizing the bank to convert part of its money issuances from francs³² to a *local currency* which could not be exported. This currency would fill, “the gaps left by the interruptions of colonial production every year,” (ibid.). It would actually play the role of, “a supreme regulator of the circulation by constantly maintaining the mass of circulating values according to the needs of commerce and industry,” (ibid.).

The planter’s point of view took shape around a complementary argument in a note about the colonial monetary system written by “Mr Bally, a landowner,” who instead of resorting to the press, preferred to address himself directly to the governor (Mr. Bally, note to the governor, 7 March 1854). For Bally, a real crisis was imminent “because the countryside is full of doubloons, and they can no longer be exchanged for silver currency essential for the salary of our workers. It will not be long for the work to suffer a lot.”

His main argument was that the premium enjoyed by the doubloon could distort the price of sugar upward relative to that of the French mainland market, “the only true price regulator of our colonial market.” So that the exporters never suffered a loss and bought doubloons at a profit, they could be led to buy the most expensive sugars. Yet, “far from seeing a benefit, I see an ill,” because it was crucial to preserve foreign markets for sugar production. In fact, he continued, “the doubloons only seek our sugar only when this commodity sells well in France, and speculation would not be less if we just accepted the doubloon at its real value. Only then, we would be sent French currency,” (ibid.).

Finally, the depreciation of gold relative to silver is an additional motive to eliminate the premium on the doubloon. Any solution consisting of increasing the franc to keep silver currency would be illusory because, “it would not get at...the root of the problem; one would replace one evil with another” (ibid.). It is worth noting that the shortage or excess of silver

³¹ The only explicit reference here is made to Marie Augier.

³² 1/10 of the issuances was in 5 franc coins.

money was indeed not new in Martinique and that the monetary regime was often restructured without success to remedy it. M. Bally remembers that, “every time one kind of currency was increased by leaving others with their real values, these promptly disappeared and the excess of the increased currency became an embarrassment,” (ibid.)³³. The ideal solution would have been to demonetize the doubloon. But, given the lack of cash, this solution could not be adopted in the field. It should therefore be a transitional measure, “to not grant the increase to only one currency in competition with the others (...) of the sort that there will no longer be any attraction for the import or export of one of our currencies,” and that they enter or leave the whole colony according to the balance of trade³⁴.

For the Governor, the conflict of interest between the Saint-Pierre traders and the countryside was of critical importance. In his eyes, the opinion, “that generally prevails amongst the inhabitants of the countryside is rational,” (letter to the Minister from 11 March 1854), and the arguments presented by the inhabitants seemed perfectly fair. To defend this assertion to the Minister, he did not hesitate, for example, to attach a copy of the previously mentioned note by, “Mr. Bally, an important inhabitant of the commune of La Trinité, relating to the monetary system in the colony,” (op. cit.) which convincingly argued for the abolition of the premium enjoyed by the doubloon.

Finally, we emphasize the ambiguous role played by the bank. Looking out for its interests, the bank also took advantage of the premium on the doubloon by trading promissory notes at par value for creole francs. This operation was particularly lucrative for promissory notes of the French state, so that, the Governor noted, “the bank’s agents overwhelm your Excellency with solicitations to grant this institution, to the exclusion of all the others, the promissory notes of the French state for which there is a second profit to be made,” (letter to the Minister of 11 November 1853). The Governor could not comprehend a bank whose, “interest comes first,” (ibid.) and which had accumulated the highest-valued currency in its coffers. Yet, the bank had been founded with French values and, “if it rushed to convert its cash in hand into creole francs, that could only be carried out immediately and not bring a considerable profit to any service,” (ibid.). It follows that in this context, it would be “utterly unjust” (ibid.) to give the promissory notes to the bank in exchange for its banknotes, which are redeemable only in

³³ The author refers to this point in several articles published in the *Journal Officiel de la Martinique* in 1835.

³⁴ By subsidizing, for example, the holders of doubloons of legal value, “which they had received on the basis of public authority.”

creole francs, “since the bank only has over-valued cash on hand to pay the state’s civil servants (...). In short, this would impose a reduction of 6% on the civil servants for the bank to freely benefit from this reduction,” (ibid.). This is the reason why he argues that the Treasury promissory notes, “should only be given to those who would provide French currency in exchange. If the bank wants to accept these conditions, it will be favored,” (ibid.). This is not an issue of trying to impose a constraint on the bank which may call its existence into question nor to harm its proper interests, but, “a question of justice and equity”³⁵.

With this in mind and to prevent these abuses connected to speculation as well as to put a stop to the accusations made against the administration of speculating on foreign exchange, starting in 1853, the Governor advocated for progressively, “working without delay nor fear on the demonetization of foreign gold,” (letter to the Minister from 11 November 1853, op. cit.). It was not a matter of acting harshly, but of limiting the introduction of foreign gold and to work on, “discrediting it with moderation until this currency becomes so rare so as to be able to demonetize it without causing strong losses for the colonial Treasury and disturbances in the bank’s interests,” (ibid.). Then in 1855, the repeal of the decree of 1826 and the effective demonetization of the doubloon and foreign currencies were achieved.

The demonetization of the doubloon and the shortage of cash

However, it seemed that when this demonetization occurred, the doubloon had already disappeared in the face of the banknotes. The paper notes had replaced the coins in trades, since the necessity to make remittances in France had absorbed the little currency remaining in circulation. In effect, for the Governor, only the impossibility of exporting the numéraire was able to stop this dynamic. This did not seem possible to him, “giving money in circulation an intrinsic value of zero, namely making it out of paper (...). This would be the real, reclaimed, local currency,” mentioned previously (letter to the Minister of 12 October 1855). The difficulty stemmed from the bank’s statutes, especially the threefold rule mentioned in Section I. The Governor was convinced of the necessity to distinguish between the spirit and letter of the statutes and to make the bank’s precious metal reserves a simple cash reserve. For circulation and especially to pay salaries, he persuaded the director of the

³⁵ The threat seemed credible for the Governor, because in the opposite case, where the bank would refuse, “one would find it very easy to place our promissory notes because, I cannot repeat enough, that the premium enjoyed by our paper, independent of the money in which we pay, is sufficient to ensure its placement,” (ibid.).

bank to create paper money at a forced exchange rate whose corresponding amount in cash was registered at the Treasury³⁶.

This decision generated reactions which revived complaints put forward during the Bank's establishment: "created in an era of effervescence and illegality, the Bank was founded against the rights and wishes of its original owners, but, it should be said, for a goal which could excuse this illegality. This goal, which was for the benefit of the country and consumers, was not met, since the opposite occurred: the Bank is useless," (G. Basiège, *La France d'Outre-Mer* of 15 September 1858). The principal argument is that the Bank was created with the advantage of a fully repayable banknote. From then on, with this new banknote at a forced exchange rate, the Bank should "either reimburse or stop" (ibid.) if it does not have the capacity. For its critics, the Bank had become insolvent and should cease its activities. "The law does not permit an insolvent company to continue its operations," (ibid.). In addition, with this insolvency, "it puts trade at the mercy of those who ransom it and then impose the charge of this ransom on the country," (ibid.)³⁷.

The role played by the trade balance in the triggering of the crisis was thoroughly analyzed by certain commentators, namely, G. de Gentile (*La France d'Outre-Mer* of 16 September 1858), who advocated that, "every economic question, every monetary question, every Bank question is there," i.e., in the cash balance of the balance of trade. Contrary to the theories of Jean-Baptiste Say and then the liberals on the balance of trade especially spread in the *Dictionnaire de l'Economie Politique (Dictionary of Political Economy)* by Coquelin and Guillaumin³⁸, the wealth of the colony should be seen from the external balance. Thus, "depending on whether the balance is active or passive, it enriches or depletes the colony, so there you have the whole economic question," (G. de Gentile, *La France d'Outre-Mer* of 16 September 1858, op. cit.). One therefore understands the author's introductory remark according to which: "I regret that none of our major economists in mainland France have not written for the colonies after having carried out a special study of them (...), and we are reduced to adjusting somehow, the theories adopted as principle in old Europe to the needs of our little country. Yet, in this small country, which is economically, commercially, and

³⁶ A petition of 285 signatures came from the traders of Saint-Pierre who endorsed this project.

³⁷ The banknotes issued by the Bank, which were only reimbursed with cash vouchers, had depreciated by more than 16%.

³⁸ Cf. the entry "Balance du Commerce" (Balance of Trade) written by Ambroise Clément and Charles Coquelin (Vol 1, pp. 101–106, Paris: Guillaumin 1852), which is highly critical of mercantilist theory and questions the relevance of the very notion of the balance of trade.

politically special, the adjustment I am talking about is still so difficult that I am sometimes tempted to regard these theories as embarrassing baggage and to wipe the slate clean, since one should recognize that with everything, or almost everything, the exception is the rule. So, a nice book on the *colonial* political economy should be written,” (ibid.). While waiting for this work, he added that, “observation of local facts and circumstances constitutes my sole guide for the question I’m interested in – Trade balance and the Bank,” (ibid.).

Since 1848, this cash balance was structurally negative. This was mainly due to the decrease in the value of exports, despite an upturn in production: “A revenue which declines, and an expense which increases without anything stopping the decrease of one and the growth of the other, this is what explains the hardships and crises well,” (ibid.). Yet, depending on whether or not the doubloon is legal tender, “the outstanding balance is paid in doubloons or French currency, but it is paid in *cash*, and therein is the monetary question,” (ibid.). At the same time, the issuance of banknotes was exaggerated or not according to whether the balance was passive or active. That is the author’s question about the bank.

The difficulty can be attributed to the specialization of the island. Martinique does not have mines and, “has *none* of those industries which re-export after processing, and it is not here that one will ever see the importation of two cents of iron to transform it, for re-exportation, into a watch movement (...). It does not have travelers who come to visit and leave their money; one usually does not come for that,” (ibid.). Only agricultural exports remained largely competitive, while imports from mainland France or abroad were necessary to supply the country. Furthermore, local commerce, and, “to summarize, the Bank fulfill the function of an intermediary between this export and this import” (ibid.). It is therefore in the interest of foreign trade, but above all of local trade, and in the interest of the bank to promote the agricultural industry. Indeed, it would be pointless to wait for a slowdown of imports. Only agricultural exports should be developed to promote the recovery of a favorable trade balance.

Contrary to the thesis advanced by certain critics of the Bank, it is clear that it could not reimburse on demand despite its statutes and that its viability depended on it: “Let us say its statutes are constituted in France, and like in France, the Bank of Martinique exists (...) only on the condition that it does not reimburse, or under the condition to never put itself in the position of receiving requests for reimbursement” (ibid.), since its issuances greatly exceeded its cash in hand. What could then be blamed on the bank’s policy? Simply to have received reimbursement claims for having too much discounted to the benefit of importers, and thus “to have always pushed on the side where the balance always tilted and will tilt” (ibid.). The

Bank should therefore use the trade balance “as its compass”. With this in mind, despite the obstacles of its statutes, the Bank’s precious metal reserves, “can in no way be its requirement,” (ibid.). To the contrary, for the Bank to, “increase its turnover, that of local trade, and the well-being of the colony,” (ibid.) it should encourage the growth of agricultural production, which constitutes, “real cash” (ibid.). The cash in the Bank’s coffers would only be “cash reserves, and I dare say, for show” (ibid.) if the Bank were to really become just as agricultural as commercial.

This point of view is corroborated in another article (*La France d’Outre-Mer* from 23 September 1858, by an anonymous “subscriber from Guadeloupe”). The difficulty lies first in, “the ease with which the creation of the colonial banks has allowed all traders to do much more business that does not involve his real capital,” (ibid.). Secondly, the problem is the exhaustion of resources and the trade deficit. Henceforth, “when one attributes this situation to a scarcity of money, I’m afraid that one confuses the effect with the cause,” (ibid.). It would thus be in vain to put numéraire in circulation, to create a local currency, or re-monetize foreign gold as long as the produced value does not pay for imports. He concludes that foodstuffs and goods for export should be produced, “in greater quantities than we consume, and all our efforts should aim at this (...) If we exceed the goal, we will see money reappear and return to its place next to the paper of our banks,” (ibid.).

However, the crisis persisted and grew, which was reflected by an increased issuance of banknotes and cash vouchers, which put the Bank in a precarious position. A commission of enquiry on the origins of this crisis and the measures to put a stop to it was established in September 1859, by the Governor at the time³⁹. From the beginning of its report, the commission affirmed that the situation in which the Bank found itself of being unable to reimburse banknotes, was one of the causes of the crisis. The issuance of treasury bills was another, “by providing the Bank with paper at a forced exchange rate which allowed it to not make cash reimbursements.” Finally, the commission concluded that the demonetization of the doubloon was a triggering factor, while the surplus of imports relative to exports would not have affected the solvency of the colony. Therefore, to remedy the crisis, it recommended the restoration of the doubloon and other foreign currencies as legal tender. At the same time, the cash vouchers should be eliminated within six months and replaced by an issuance of two

³⁹ This was the new governor, since Count Louis Henry de Gueydon had relinquished his function in 1856. This commission included, among others, Messrs. de Gentile, Basiège, Reboul, Le Pelletier Saint Remy, Vallé, and Bellamy, director of the Bank.

million banknotes with a guaranteed reimbursement in metal coins and, in addition, the Bank's statutes revised. These conclusions, however, were not unanimous with its members. It seemed, in fact, as stressed by the Governor in his report to the Minister, that those members of the commission, "who were not traders, together with the Director of the Interior and the Colonial Controller, supported that the remonetization of the doubloon would constitute a most serious measure regarding principles and be insignificant in terms of its possible results," (Letter to the Minister from 21 September 1859). For the administration, it was not a question of following the commission on this point. On the other hand, the replacement of cash vouchers by banknotes would be accepted, "as long as they feature the same guarantee, namely the deposit in cash in the Treasury of their total value," (ibid.). Yet, it rapidly emerged that the Bank's director could not accept this solution. In his view, the Bank could only exist with a forced exchange rate of its banknotes in effect. This hardly surprised the Governor, who noted, "I never had any illusions about the results of the commission's investigation," (ibid.). In his opinion, the only sure remedy was the decrease by the Bank of its discount rates. However, he added that, "it would always find excellent reasons to fight it," (ibid.). Indeed, the Bank of France modified its interest rate, "once it noticed that the equilibrium between its circulating currencies was disrupted. It is this infallible barometer which allows it to operate with certainty," (ibid.). Yet in Martinique, this indicator is almost broken, "never having anything to reimburse, the institution has an interest in providing as much credit as possible since the interest rate provides its dividends," (ibid.).

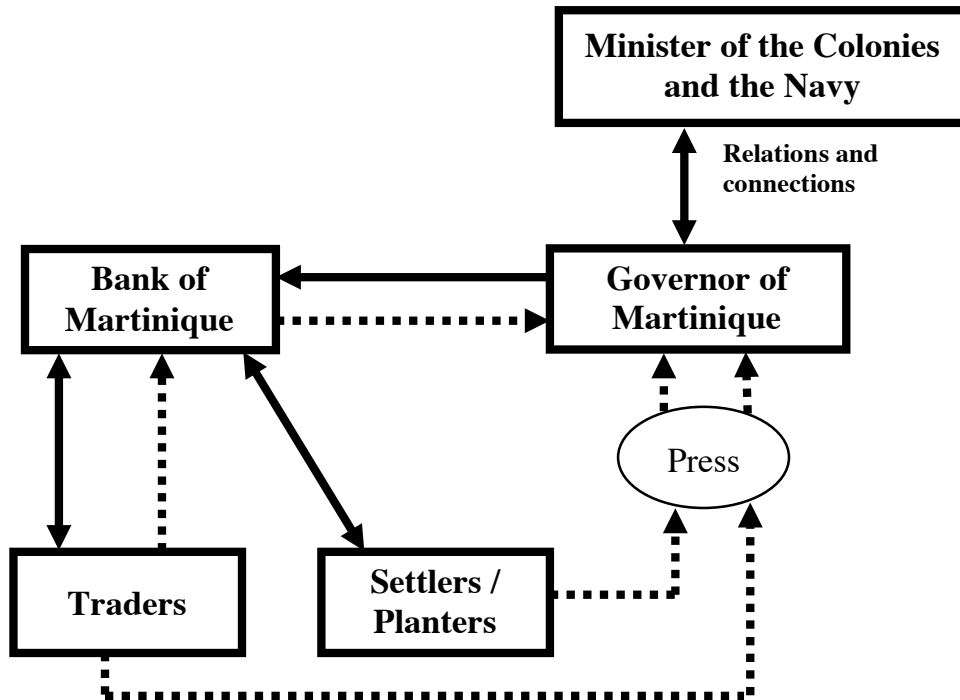
The commission's conclusions would not be heeded. The situation would gradually improve^o so that in 1864, the Governor could report to the Minister about, "the good situation Martinique has attained today regarding the Treasury's reserves as well as monetary circulation," (Letter to the Minister from 9 May 1864). The Bank, "thanks to the good attitude of its Director, who, with persistence, prevailed upon his Board the intentions of your Department and my councils" (op. cit.) and emerged from the difficulties which threatened its existence. The expedient represented by the cash vouchers had thus lost its usefulness. As a result of the recovery in production and the trade balance, gold and French silver money circulated again in sufficient quantity for the needs of circulation and flowed to the Treasury's coffers for the payment of taxes.

^o One could consider that the abolition in 1861 of the exclusive trading policy between France and Martinique contributed to this improvement.

Despite this gradual return to normality, the decision taken in 1855 to withdraw foreign currencies from circulation, which had caused many complaints, especially on the part of business and the Bank⁴, continued to be subject to debate. Consider the resolution voted by the Departmental Council of Martinique in June 1871, which was based on the principle of freedom of trade and held that, “currencies should be treated as other goods” calling for the repeal of the decree of April 1855. The Ministry replied that this request could only have been made, “as a result of an error of judgment (...) [because] it is certain that today, the colony has less need than ever to circulate foreign currency to facilitate either internal or external transactions,” (Cabinet of the Minister of the Colonies to the Governor of Martinique, 21 October 1871). Due to the recovery of production and the trade balance, French currency and the Bank’s notes circulated in sufficient quantity for the needs of internal circulation, while for external transactions, the Bank provided credit for businesses or gave them doubloons at the current rate of exchange. Furthermore, the adoption of this measure would risk unleashing again a new process of expulsion of French currency. The Ministry clearly called for the Governor and his Council to reject this request of the local elected representatives and not return to a system, “which experience has definitely condemned,” (ibid.).

⁴ The Bank had also created problems and, “sought to make the reform ineffective.” (Note of the Governor of Martinique’s Privy Council, June 1871)

Summary of analyzed relations and influences



Hierarchical and contractual relationships in solid lines. Relations of influence in dotted lines.

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