
Governmental Responses to Economic Modernization in Mid-nineteenth Century France

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Historians have often noted that nineteenth-century France constitutes a case of an exceptionally wealthy and economically advanced nation modernizing her economy at a surprisingly slow pace. As a result, France's position changed from an economic leader at the beginning of the nineteenth century to a follower of several more advanced nations by the end of the century. While historians have rightly pointed to many factors which help explain this, one area that has been neglected is the ambiguous and sometimes contradictory governmental response to economic modernization.¹

In this article, I shall analyze how French governments and their officials reacted to new commercial and industrial developments during the mid-nineteenth century. I shall argue that there was a basic division of governmental responses here which persisted and is crucial for understanding the economic policies pursued by French governments. On the one hand, France's governmental officials were increasingly anxious to have France

¹ For the purposes of this article, "economic modernization" means the process by which a traditional economy is transformed by the development of certain kinds of activities. Commerce, industry, and other nonagricultural activities increase in importance compared to agriculture, and agriculture itself becomes more commercialized. Economic activities of all kinds tend to expand from the local or regional level; factories, markets, sources of capital, transportation facilities, and other economic institutions arise at the national and international plane. The relatively few simple occupations characteristic of the traditional economy are diversified and replaced by a large number of complex occupations, many of which require a much higher level of skill and investment of capital. Certain social, political, cultural, and psychological changes may accompany or result from this process, but not necessarily. See SAMUEL P. HUNTINGTON, *The Change to Change: Modernization, Development, and Politics*, «Comparative Politics», III (April, 1971), p. 288.

gain the wealth, power, and prestige that the development of certain modern economic activities seemed to include. On the other hand, a large number of officials felt that a rapid growth of these same activities would have terrible and irreversible social, ethical, and political consequences for France. Although part of this division was between officials with different class or economic interests, I shall argue that this division was more subtle and usually within the minds of a wide variety of officials. It was this division which helped to create and preserve in nineteenth-century France an ambivalent tradition of patriotism anxious to make France seem modern and proud of the ways in which she was not, of determination that the government should not do too much and that it should intervene to preserve social balance, and of commitment to economic liberalism with such awareness of its implications as to narrow the power of economic theory.

I

The basic pattern of governmental response to economic modernization was established during the July Monarchy, 1830-1848. At this time, France started to transform her traditional economy, develop steampowered means of communication, and experience urbanization.² Governmental officials understood these to be dramatic economic and social developments. The only precedent for them was England,³ whose banks, coal mines, factories, machines, foreign markets, ships, and railroads made her stand out over her rivals. Many of France's governmental officials concluded that this economic development was the main cause for England's unparalleled growth of stature during the post-Napoleonic period. This was a time of growing nationalism, something that the July Monarchy was particularly attuned to. National stature was increasingly being measured in economic terms. Officials argued that France needed to demonstrate its success in certain economic affairs to assure "its grandeur and power..., its dignity and independence".⁴ As political leaders (and often as men with something to gain personally) most French officials gradually concluded that smoke-

² See, e.g., FRANÇOIS CROUZET, *Essai de construction d'un indice annuel de la production industrielle française au XIX^e siècle*, « Annales: Economie, Sociétés, Civilisations », XXV (1970), pp. 56-101; PAUL HOHENBERG, *Change in Rural France in the Period of Industrialization, 1830-1915*, « The Journal of Economic History », XXXII (March, 1972), pp. 219-240; MAURICE LÉVY-LEBOYER, *Le processus d'industrialisation: le cas de l'Angleterre et de la France*, « Revue historique », CCXXXIX (avril-juin, 1968), pp. 788-804; JEAN MARCZEWSKI, *Le produit physique de l'économie française de 1789 à 1913*, « Cahiers de L.I.S.E.A. », AF 4, n. 163 (juillet, 1965), vii-cliv.

³ With the possible exception of Belgium.

⁴ DUCHÂTEL, speaking on an extraordinary budget for public works, 8 March 1837, Archives Parlementaires (Chambre des Députés), t. 108, p. 234.

belching railroads and ships, lengthy canals, huge machines, numerous coal mines, vast foreign markets for industrial products, an large capital-mobilizing institutions were the economic developments that counted most for France's own prestige, power, and material well-being.

To create this modern economy in France, the theoretically and politically proper policy during this period was economic liberalism.⁵ First, it fitted well with liberal political ideas, which constituted much of the justification for the July Revolution. Second, the country whose policy was identified as that most consistent with this doctrine was the very one that was most successful in modernizing her economy — England. Third, economic liberalism had come to dominate formal economic thought, theorists claiming that it revealed the surest and quickest way to expand wealth and modernize the economy. Therefore, governmental economic policy should have been characterized by *laissez-faire*, the withdrawal of the government from most economic affairs.

Yet, state intervention at all levels of economic activity was often more the rule than the exception. On reason for this was class interest, as so many historians have pointed out.⁶ Most officials found it necessary to intervene in ways which most benefited dominant social and economic groups rather than the labouring and poor classes who lacked the franchise. And among the ruling elite, those representing elements of the more traditional agricultural economy were less attracted to liberal economics. Different kinds of political considerations also played an important role here. Powerful bodies such as the Directors of the Bank of France and the *Conseil d'Etat* often controlled policies toward capital mobilizing activities according to their own perceptions and interests, while political squabbling between competing factions in the Chambers helped determine railroad policy during the 1830s.

There is, however, a neglected factor which was present in most policy considerations and which greatly helps explain the economic policies pursued by the July Monarchy. During the 1830s and 1840s, a growing number of officials felt anxious to « play the role of modernizers » by seeing to it that France displayed to the world as many railroads, banks, coal mines, and steam engines as her rivals.⁷ Sensing that France was falling behind

⁵ See, e.g., LOUIS GIRARD, *Le Libéralisme en France de 1814 à 1848: doctrine et mouvement* (Paris, 1966-1968); RENÉ GONNARD, *Histoire des doctrines économiques*, II (Paris, 1922); LÉON DUVOIR, *Recherche des tendances interventionnistes chez quelques économistes libéraux français de 1830 à 1850* (Paris, 1901).

⁶ See, e.g., JEAN LHOMME, *La grande bourgeoisie au pouvoir: 1830-1880* (Paris, 1960); CLAUDE FOHLEN, *Bourgeoisie française, liberté économique et intervention de l'état*, « Revue économique », III (mai, 1956), pp. 414-428; E. LABROUSSE, *Le Mouvement ouvrier et les théories sociales en France de 1815 à 1848* (Paris, n.d.).

⁷ REINHARD BENDIX, *Tradition and Modernity Reconsidered*, « Comparative Studies in Society and History », IX (April, 1967), p. 335.

in this international competition, most opted for state intervention to overcome what they felt were special historical, geographical, and psychological impediments to these economic changes. They felt that France had unusual difficulties in mobilizing capital for industrial investments because she suffered from such impediments as an « extreme division of capital and love of rural property ».⁸ This encouraged them to keep the government actively involved in capital mobilizing activities such as banking and the creation of joint-stock business organizations. They feared that the geographical location of her coal mines was particularly precarious, for massive flooding was becoming common in the 1830s. This led to a governmental restructuring of the coal industry in the Loire basin in 1837 and subsequent manipulation of coal mining in the 1840s. Officials complained that unlike many of her competitors, France was cursed with poor natural transportation systems, and yet, because her property owners were too backward and capital-poor, compensating roads, canals, bridges, and railroads were not being constructed. It thus made sense for the government to engage in unprecedented control and construction of transportation facilities. Officials believed that France had not yet historically evolved to the point where she had the industrial development, capital resources, convenient raw materials, and secured foreign markets to warrant opening her exceptionally large domestic market of twenty-eight million consumers to foreign rivals. A continuation of the protective tariff policies demanded by dominant economic groups was therefore easier to justify. While economic liberalism continued to provide officials with most of their answers to how economic policy *should* be conducted, these considerations told them how banks, coal mines, railroads, and steam engines *could*, in fact, be created.

The July Monarchy made many policy decisions which flowed from these perceptions: the further behind France was in a particular economic activity that officials considered importantly modern, the greater the justification for governmental action; the more that France's lag was due to some hindrance peculiar to France, the greater the reason to remove that hindrance by positive state interference.

Many of the resulting economic policies did not make good economic sense to the economist of either the early nineteenth or middle twentieth centuries. Instead of allowing capitalists to create railroads, canals, and coal mines according to the dictates of the open market, the government controlled who could engage in such activities and how they could act. Instead of waiting until French companies could establish steamship lines with a reasonable chance of success, the government forged ahead itself, at great cost subsidizing lines and supporting facilities of questionable economic value. Instead of emphasizing trade in wine, liquor, silk, luxury goods, and various manufactured products of high quality — items France excelled in —

⁸ H. PASSY, *Aristocracy* (London, 1848), pp. 37-50.

officials pushed for the creation of markets for textiles and metal products - items more efficiently produced by others. Instead of making an increase in the standard of living the purpose of economic policy, they made national prestige its principal goal. Instead of making rapid growth of economic activities chosen by directly benefiting economic groups the dominating determinant of economic strategy, they made the rapid growth of newer activities which less directly benefited powerful economic groups a primary generator of economic policy.⁹

Yet it would be a great mistake to conclude that the July Monarchy enthusiastically enacted and executed policies consistently favourable to the creation of railroads, steam engines, coal mines, foreign markets for industrial products, and capital-mobilizing institutions. Surprisingly often, the government chose not to pursue these policies and at times it even acted to hinder their development. While there are a number of reasons for this, one of the most important was that many officials were seriously questioning exactly how desirable economic modernization in general was. In fact, much of the evidence indicates that there was considerable disillusionment among French officials with the effects of economic modernization at the very time that its momentum was picking up in Europe and the United States.

Both consciously and unconsciously, a large number of July Monarchy officials attached undesirable social, ethical, and political connotations to many economic activities, particularly those they thought of as modern. This is not to say that the typical governmental officials had the insights of Tocqueville, who recognized how industrialization was systematically changing France's traditional society. Few were this perceptive. Yet these officials were, on varying levels, much more aware of relationships between new kinds of economic developments and noneconomic consequences of those developments than most historians have assumed. Officials of differing background and position, such as Duchâtel, an aristocrat and an economic liberal who supported Guizot and held high ministerial positions, Cunin-Gridaine, a former factory worker who became the Minister of Commerce during the 1840s, Aubernon, a prefect in a rural area, Argout, a conservative aristocrat and governor of the Bank of France, Duvergier de Hauranne, a leader of the dynastic left, and Vincens, a career bureaucrat, saw a whole series of developments stemming from economic change. Some, such as Duchâtel or H. Passy, could unify these perceptions in a organized way, while most were like Cunin-Gridaine, making connections between economic and non-economic developments only as specific issues arose.

To these officials, the non-economic costs of economically modernizing France seemed extremely heavy. In their minds, the more a country became dominated by industry, the more its social and ethical conditions worsened.

⁹ See ALEXANDER ECKSTEIN, *Individualism and the Role of the State in Economic Growth*, «Economic Development and Cultural Change», VI (January, 1958), p. 82.

Officials assumed that good, healthy, moral populations were being lured from agricultural occupations by promises of high salaries in the cities.¹⁰ Once there, officials lamented, these people soon lost their old skills and habits, becoming trapped.¹¹ They soon experienced moral degeneration, their family ties weakened, their emotions enflamed, their sense of right conduct perverted by the seductiveness of vice; debauchery, intemperance, and avarice dominated their new style of life.¹² The centre of these evils was life in mining and manufacturing establishments, for « in the midst of these large gatherings of people of all ages and sex, examples of vice, excessive lewdness, and debauchery have progressively infected even the strongest people, igniting their passions and altering their temperaments ». ¹³ It was in these establishments that children were turned into exploited labourers by avaricious adults and young prostitutes by misery.¹⁴ Officials increasingly envisaged these industrial-urban areas as breeding grounds for poverty, class division, crime, and associated evils.

In officials' minds, the most direct way to attack these evils was by trying to instil bourgeois habits in working-class people. Officials passed legislation in the 1830s to create savings banks, hoping that savings banks would "prevent misery, create the taste for work, encourage good habits, tighten the familial ties, form good citizens attached to their duties, and create the friends of order and peace".¹⁵ At the same time, they abolished lotteries, for just as savings banks created good habits, lotteries fed "destructive habits, noxious to morals as well as to industry, creative of miseries and crimes, and detrimental to the existence of families as well as to the most precious interests of society".¹⁶ With similar reasoning, the government passed child labour legislation in 1841, hoping that official recognition of these social and ethical wrongs would make up for lack of effective compliance procedures in the new law.

Yet many officials felt that these moralistic programmes attacked only

¹⁰ CONSEIL GÉNÉRAL DU COMMERCE, *Session de 1845-1846, question du crédit agricole*, p. 9; Argout, speaking on child labour, 18 February 1848, *Moniteur Universel* (Chambre des Pairs), p. 426; Les Archives Nationales de la France, BB181407, Procureur Général at Rouen to Minister of Justice, 8 October 1842.

¹¹ DIETRICH, speaking on child labor, 22 December 1840, *Moniteur* (CD), pp. 2488-2489.

¹² CONSEIL GÉNÉRAL DU COMMERCE, *Session de 1845-1846, question du crédit agricole*, p. 9.

¹³ BILLAUDEL, reporter of a commission on a petition on child labor, 15 June 1839, AP (CD), t. 125, p. 693.

¹⁴ AN, F124704, circular 29, Minister of Commerce to the Consultative Chambers and the Chambers of Commerce, 31 July 1837; AN, F124705, letter, Prefect of the Meuse to Minister of Commerce, 9 December 1837.

¹⁵ BENJAMIN DELESSERT, speaking on savings banks, 13 December 1834, AP (CD), t. 91, p. 232.

¹⁶ SAUZET, speaking on lotteries, 6 May 1836, AP (CD), t. 103, p. 260.

part of the problem. They believed that social and ethical evils permeated the whole process of modernizing the economy. Officials from rural areas most strongly condemned commerce and industry for offering artificially inflated profits, thereby seducing people into sordid actions for economic gains.¹⁷ But these sentiments were not limited to one group of officials. Even those with industrial interests of their own, such as Jaubert, complained that as commerce and manufacturing spread, "we are being motivated by expanded self-interest and a sense of comfort" rather than better motivations such as religious faith, political justice, the prestige of power, or principles of morality.¹⁸ Many officials simply sensed that when so many of men's actions were determined by material self-interest, something was ethically wrong.

To meet these kinds of problems, officials acted more directly to affect the process of economic modernization itself. Such actions often were contrary to stated goals. At the same time that officials were bemoaning France's lack of capital resources, they deterred the ability of various corporate business forms to mobilize capital for commercial and industrial purposes. They felt that the *société en commandite par actions*¹⁹ and the *société anonyme*²⁰ were becoming subject to fraud, overspeculation and immoral get-rich-quick plans.²¹ While recognizing that such business organizations were manifestations of the spirit of association, which "must be supported, because association is and becomes each day more indispensable for the development of industry", officials reasoned that they were too conducive to fraudulent use of capital by unscrupulous entrepreneurs and financiers.²² Officials reacted by enacting various restrictions on their activities, making approval of the most potent corporate form, the *société anonyme*, extremely

¹⁷ AUBERNON, *Discours sur l'agriculture* (Versailles, 1831), p. 7; DEMARCY, speaking at the *Conseil Réunie d'Agriculture, Commerce, et Manufacturiers*, 14 October 1837, AN, F122495c.

¹⁸ JAUBERT, speaking on tariffs, 13 April 1836, AP (CD), t. 102, p. 722.

¹⁹ The *société en commandite par actions* was a partnership with a split between those partners classified as active and inactive. The inactive partners enjoyed limited liability, the active partners were liable without limit for the debts of the firm. Shares in the partnership could be bought and sold.

²⁰ The *société anonyme* was a corporation in the modern sense, all investors enjoying limited liability and the firm having a legal existence apart from any individuals.

²¹ JACQUES LEFEBVRE, reporter of a commission on a proposition by Dupin l'Aîné on publicity of stock companies, 1 April 1832, AP (CD), t. 77; ISAMBERT, reporter of a commission on publicity of stock companies, 2 March 1833, AP (CD), t. 80, p. 537.

²² AN, BB30278, *Procès verbaux de la commission charge de préparer les bases d'une projet sur les sociétés en commandite par actions*, 25 January 1838. This included the Minister of Finance, Minister of Justice, Teste, Freville, Gautier, Vivien, Vincens, Legentil, Vandermarcq, and Aigout.

difficult,²³ and trying to outlaw the *société en commandite par actions* altogether.²⁴

This, in turn, had concrete effects in some of the most important areas of economic modernization. In railroad policy, for example, these attitudes played an important role in deterring the more rapid granting of concessions. Officials expressed great concern that "the public's good faith be not deceived by approval given too lightly to projects motivated by speculative self-interest".²⁵ Officials tended to assume that railroad companies were subject to dubious practices, and hence "when the government authorizes a company to form, it assumes, up to a certain point, the moral responsibility for the realization of the promises that are made to glitter under the eyes of the shareholders...".²⁶ Although they expressly recognized that heavily capitalized corporate forms such as the *société anonyme* were absolutely necessary for the construction of railway lines, officials often argued that it was "stock-jobbing and monopoly" that were "two dangers that discourage us from granting major railroad lines to private enterprises".²⁷

Finally, there remains something that more concretely magnified these social and ethical perceptions and which led to new, more frightening consequences than anything else: economic crises. During the 1830s and 1840s, a growing number of officials began viewing what they termed "commercial-industrial crises" as predictable phenomena accompanying modernization of the economy. Many considered social and ethical ills to be an integral part of crises: misery and disorder naturally grew as did unscrupulous and immoral practices. Worse, however, were political threats which officials connected with commercial-industrial crises. Though they were quick to blame the actions of Republicans, Anarchists, and similar groups for working class disorders, they were not blinded to the economic bases of these disorders. To them, it was the combination of working class coalitions and political instigators that so often turned industrial malaise into political malaise, but the reality of industrial malaise as the basic cause remained clear.²⁸

²³ See AN, F148229, 8232, 8233, 8234, 8235, and C. FREEDEMAN, *Joint Stock Business Organization in France, 1807-1867*, « Business History Review », XXXIX (1965), pp. 189-200.

²⁴ Report to the Chamber of Deputies by Barthe, Minister of Justice, 15 February 1838, AP (CD), t. 115, pp. 471-477.

²⁵ AROUX, 12 April 1836, AP (CD), t. 101, p. 679.

²⁶ *Ibid.*

²⁷ DUFAURE, reporter of a commission on a proposed railroad line from Lyon to Marseille, 5 June 1837, AP (CD), t. 112, p. 301.

²⁸ See, e.g., J. TULARD, *La Préfecture de Police sous la monarchie de Juillet* (Paris, 1964); H. GISQUET, *Mémoires*, t. 3 (Paris, 1840), pp. 240-260, 403-404; AN, BB181407, letter, Minister of Justice to Minister of Commerce, 9 November 1842; C. RAMBUTEAU, *Mémoires* (Paris, 1869), pp. 358-359; ROGER DU NORD, speaking on tariffs, 15 February 1841, *Moniteur* (CD), p. 374.

The political dangers that officials perceived as inherent in the chain of events caused by crises demanded direct governmental action. Officials saw these as times "where the cessation of work could cause great disorder in the society and where it is the duty of the government to take measures to prevent the discharge of a large number of workers from the factories".²⁹ They felt that "there is reason to fear that the suffering which the working class must go through will leave them open to evil influences, and in this state of things, it is important to prevent any insurrectional movement, above all in cities which are large fabricating centres".³⁰ Aid was "based not only on humanitarian motives", but on a desire to preserve public order during a crisis, for then "enemy factions of the government have some influence and would not hesitate to profit from the misery of the workers by pushing them into seditious demonstrations".³¹ Governmental action took the form of support for charity workhouses, encouragements to private industry to deter increasing unemployment, and above all, public works to occupy idle workers.

Officials' perceptions that unwanted social, ethical, and political conditions multiplied during commercial-industrial crises led them to pursue other policies that were contrary both to economic liberalism and economic modernization. For example, interference with banking and credit practices made sense to them because capital was so instrumental in both causing and curing a commercial crisis. Thus to pull the country out of a crisis in 1830, it was legitimate for the government to guarantee up to 30 million francs worth of loans and advances to commerce and industry.³² But to liberalize credit policies or expand banking institutions on any long-term basis was too dangerous: this might result in numerous relapses of confidence, banks being carried away by the profit motive, soon resulting in the kind of crises so common in the United States and England where credit and banking policies were more liberal.³³ To them, the more a country mobilized its capital, the more it extended its markets for industrial products, the more it mechanized, the more it multiplied its manufacturing establishments, the greater the chances were for deeper economic crises to occur with greater frequency.

These kinds of attitudes came most clearly into focus when officials compared France and England, as they commonly did throughout the nineteenth century. Initially, most officials looked at England's economic

²⁹ DELESSERT, speaking on a guaranteed loan to industry and commerce, 8 October 1830, AP (CD), t. 65, p. 120.

³⁰ AN, F124476A, letter, Minister of Interior to Minister of Commerce, 1 May 1837.

³¹ *Ibid.*

³² See, e.g., GUIZOT, speaking on a proposed governmental guarantee of loans to commerce and industry, 16 October 1830, AP (CD), t. 64, p. 205; ARGOUT, *Exposé de la situation du commerce et de l'industrie* (Paris, 1832), p. 2; AN, F122713, letter, Prefect of the Haute Vienne to the President of the Superior Council of Commerce and Colonies, 29 May 1831.

situation with unmitigated envy, often using English economic policies as a standard to judge those of France. During the 1830s and 1840s, however, this pattern started to change. Officials began to argue that England's economy suffered from such things as an imbalance between industry and agriculture,³⁴ overextension of foreign markets for industrial goods,³⁵ too much investment of capital,³⁶ and over rapid mechanization.³⁷

They blamed these developments — which they considered to be integral components of England's industrialization process — for causing economic crises and a variety of social, ethical, and political problems. As a result, England seemed to suffer from higher crime rates, greater pauperization, worse calamities, more child labour, and a generally poorer quality of life than France. While admitting that England had industrially advanced much more rapidly than France, officials argued " ... who would want the prosperity of Liverpool and Manchester in France... beside these base miseries offered by manufacturing establishments".³⁸

Worse yet were the political consequences that many French officials foresaw for England. Epitomizing this were the observations of a French Consul stationed in Newcastle, England.³⁹ Reflecting on the commercial-industrial crisis which had recently struck England, he warned that English society was approaching a precarious position. As a result of her industrialization, her society was split into two main groups, one a very small group controlling most of the wealth of the country, the other "a numerous class of poor, discontented people". The crises which so commonly struck England created extreme states of tension. During these times, the revolutionary threat was greatest; the poor became particularly "ready to be

³³ LEGENTIL, speaking on the privilege of the Bank of Rouen, 3 March 1842, *Moniteur* (CD), p. 425; CHEGARAY, reporter on the organization of departmental banks, 19 April 1840, *Moniteur* (CD), p. 742.

³⁴ GUIZOT, speaking on a commercial treaty with Belgium, 2 April 1846, *Moniteur* (CD), pp. 831-832; GAULTIER DE RUMILLY, speaking on tariffs, 28 March 1845, *Moniteur* (CD), p. 737.

³⁵ AUBERON, *Discours*, pp. 12-13; JAUBERT, speaking on tariffs, 13 April 1836, AP (CD), t. 101, p. 723; H. PASSY, *Des Systèmes de culture et de leur influence sur l'économie sociale* (Paris, 1846), p. 138.

³⁶ GAUTIER, *Des Banques et des institutions de crédit en Amérique et en Europe*, (Paris, 1839); Les Archives du Ministère des Affaires Etrangères: Correspondance Commerciale, London, t. 27, letter, Durant St. André to Minister of Foreign Affairs, 12 June 1837; LEGENTIL, speaking on the privilege of the Bank of Rouen, 3 March 1842, *Moniteur* (CD), p. 125.

³⁷ AN, F126625, letter, Minister of Commerce to Minister of Foreign Affairs, 30 October 1847; AMAE, Newcastle, t. 1, Dillon to the Minister of Foreign Affairs, 24 June 1843.

³⁸ AMAE, Edinburgh, t. 4, letter, Dufour to Minister of Foreign Affairs, 22 January 1847.

³⁹ AMAE, Newcastle, t. 1, letter, Dillon to the Minister of Foreign Affairs, 5 June 1844.

influenced by the most extravagant systems". In such situations, "it would only take a single miner, capable and resolved, to lead this class in a drive for power", and "sooner or later someone will rise to the occasion". Moreover, such crises were likely to repeat themselves numerous times, for "the causes that give birth to... agitation are ever-present and even are increasing". England had modernized too quickly, her progress was getting out of control, and in the end, her constitutional government "would be struck a fatal blow".

England, then, came to represent a picture of what economic modernization — both economically and noneconomically — was and might mean for France. To some extent, officials were looking for faults in England's modernizing society to compensate for their own sense of disappointment in France's economic performance. In part they also were projecting their own fears and perceptions about what was happening in France on England, thereby making their own problems someone else's. Similarly, some officials used criticism of England's social conditions to rationalize policies, such as protective tariffs, they supported for mainly other reasons. But even where officials were being defensive about conditions in France or policies followed by the government, they selected arguments and justifications which they assumed would ring true and thus be convincing to their fellow officials. In doing this, they revealed a common set of assumptions about economic modernization: the more a society industrialized, the worse became its social, ethical, and political conditions. To French officials, England was often the most convenient vehicle through which to express these attitudes.

Many officials thus made connections between elements of economic modernization and numerous new, disturbing developments, such as the undermining of the social and moral benefits of the agricultural way of life, economic crises, unscrupulous pursuit of profit, miseries of the urban poor, and political threats posed by the working class. Some officials saw these kinds of evils as phenomena of the transition from the traditional agricultural society to a new social order which was adapted to the needs of an industrial economy. For many more, such evils were worse: they evidenced a permanent social disintegration which was inherent in the new industrial system.⁴⁰

Officials argued that all this was already too evident in England, and in this sense it was fortunate that France was not yet as economically modernized. Certainly part of this was a rationalization for similar developments occurring within France and a reaction of proud, nationalistic governmental officials who were anxious to reject as unworthy activities in which France could not achieve preeminence.⁴¹ Here they were also reacting in a way

⁴⁰ See WOLFRAM FISCHER, *Social Tensions at Early Stages of Industrialization*, « Comparative Studies in Society and History », IX (October, 1966), pp. 72-75.

⁴¹ DAVID LANDES, *The Unbound Prometheus: Technological Change and Industrial Development in Western Europe from 1750 to Present* (Cambridge, 1969), p. 551.

⁴² REINHARD BENDIX, *Tradition and Modernity Reconsidered*, « Comparative Studies in Society and History », IX (April, 1967), p. 344.

that would become common in follower countries: among themselves and in their own minds, officials were divided in a desire for economic progress by imitation of more advanced countries and in a desire to denounce this as evil and contrary to their own national and cultural character.⁴² But for most, one conclusion was clear: the modernization of France's economy could most efficiently be brought about only at the cost of altering France's historic character.

These were frustrating and often frightening perceptions, causing the July Monarchy to act in ways actually to deter the rate of economic modernization at the same time that it was trying to promote it. Restrictive governmental manipulation of financial institutions, tariffs, railroads, and coal mines were a logical result. These were policies which predictably hindered France from modernizing her economy as rapidly or rationally as she might have, but this seemed justified by an understanding that France would therefore suffer fewer social maladies, ethical evils, and political threats inevitably caused by rapid economic modernization.

II

With the establishment of the Second Empire in 1851, there came striking changes in governmental responses to economic modernization. Most of these changes would prove to be only temporary, for after some twenty years the patterns established by July Monarchy officials resurfaced and remained strong through the nineteenth century and into the twentieth century.⁴³ But by contrasting the atypical Second Empire with the July Monarchy, the significance of these patterns becomes clearer.

The greatest changes came in capital mobilizing activities.⁴⁴ A bolder brand of financier, often coming from the Saint-Simonian school of thought, found Napoleon III more sympathetic to their views. With the blessings of the government, they were soon able to effect dramatic changes in France's capital mobilizing institutions and policies. Institutions such as the *Crédit Foncier de France* were organized, pumping large amounts of capital into urban reconstruction. The *Crédit Mobilier* was the most important of a number of institutions formed to provide capital for industry; through the daring use of liberalized governmental attitudes toward investment financing,

⁴³ After World War II, French economic policy was sharply changed. The nature of these changes, the results they had, and the attitudes of officials enacting them have many important similarities to those of the Second Empire.

⁴⁴ See PIERRE DUPONT-FERRIER, *Le marché financier de Paris sous le second empire* (Paris, 1925); RONDO CAMERON, *Banking in the Early Stages of Industrialization* (New York, 1967); BERTRAND GILLE, *La banque et le crédit en France de 1815 à 1848* (Paris, 1959); MAURICE LÉVY-LEBOYER, *Les banques européennes et l'industrialization internationale dans la première moitié du XIX^e siècle* (Paris, 1964).

it operated as an investment bank that dealt aggressively in industrial ventures and the creation of other companies. The government acted numerous times in the 1850s and 1860s to force banks to liberalize their credit policies, as in its authorizing the conservative Bank of France to accept large quantities of stocks and bonds in railroad companies as collateral for loans.⁴⁵

What most distinguished the financial institutions of this period from the July Monarchy was the increased degree of industrial investment and the atmosphere of security in making those investments. Most of the same financiers who were leading the financial world in granting credit to industry during the Second Empire were active during the July Monarchy, but under that régime the norm of credit encouraged by the state was conservative. The government discouraged the already established, rather contented banking houses from giving long-term credit, and at the same time actively deterred the bolder financiers who were attempting to pursue the same type of policies that they were to follow later under the Second Empire.

When the change of regimes came and the bolder financiers were encouraged by the state to pursue policies which gave increased aid to industry, the conservative financiers were also swept forward — through envy and competition — to more liberal credit policies. Under the leadership of the Pereires, the *Crédit Mobilier* was also supported by members of *La Haute Banque* of the 1840s such as Benoît Fould, Charles Mallet, and Ernest André. Other financiers of the July Monarchy jealously formed competing institutions in open hostility to the *Crédit Mobilier*.

A similar, though less sudden, change of policy toward joint-stock business organizations took place during the Second Empire.⁴⁶ After a temporary reversal of a trend toward easing creation of these business forms in 1856, the government passed the law of May 23, 1863, removing many of the barriers to the development of the modern corporation. This law created a new business form, the *société à responsabilité limitée*, which was tantamount to the *société anonyme* but with the advantage of not needing authorization of the government for its creation and with the disadvantages of being limited to a maximum capital of 20,000,000 francs. The Report of the *Commission du Corps Législatif* made it apparent that the government was self-consciously attempting to attract capital into industrial investment.⁴⁷ Four years later, the law of July 24, 1867 completed the liberation of joint-stock business organizations in France. In effect, this law provided for the easy formation

⁴⁵ The laws of 3 March 1852 and 28 March 1852.

⁴⁶ See, e.g., CHARLES FREEDEMAN, *Joint-Stock Business Organization in France, 1807-1867*, « Business History Review », XXXIX (1965), pp. 184-204; CLAUDE FOHLEN, *Sociétés anonymes et développement capitaliste sous le Second Empire*, « Histoire des entreprises », n. 8 (novembre, 1961), pp. 65-77; C. LESCOEUR, *Essai historique et critique sur la législation des sociétés commerciales en France et à l'étranger* (Paris, 1877).

⁴⁷ J. B. DUVERGIER, ed., *Collection Complète des Lois, Décrets, Ordonnances, Règlements, et Avis du Conseil d'Etat, 1863*, note 1, pp. 352-353.

of a *société anonyme* — a modern, limited liability corporate form. This same business form had been a relative rarity during the July Monarchy, hampered by restrictive authorization procedures which were administered by usually hostile governmental officials. Second Empire officials, however, concluded that France could no longer afford to be hampered by difficulties in mobilizing capital for commerce and industry: "only by association can all the weak elements of the economy be grouped to result in a strong force".⁴⁸ The *société anonyme*, in terms of capital per company and sheer numbers, quickly replaced the *société en commandite* as France's most important business form involving the combination of capital through sale of shares.⁴⁹

Thus, there were significant changes in policies toward banks, financial institutions, and business forms during the Second Empire. They all evidenced a supportive commitment to capital mobilization and modernizing investments in commerce and industry which was in character and effect in contrast to that of the July Monarchy.

With railroad policy, there was a parallel change of attitudes and policy under the government of the Second Empire.⁵⁰ Just eight days after the coup d'état, a decree was issued prescribing the construction of a central railroad. No longer was competition for concessions required. In the first year alone, the government propagated eleven separate decrees conceding railway lines to private companies. The financing of the railroads was facilitated by a decree on 3 March 1852 authorizing the Bank of France, for the first time, to make loans on the shares and bonds of French railroads. The governmentally-favoured *Crédit Mobilier* was heavily engaged in the construction of these lines. The government consistently granted concessions for a ninety-nine year period rather than for shorter periods as was done during the July Monarchy, thus permitting amortization of capital to be more gradual and assuring investors that they could count on long-term growth. Instead of the sundry methods of state support used during the July Monarchy, it substituted a policy of guaranteeing the interest of railway bonds. By 1855, the government had engineering the merging of the more than forty-two companies existing in 1851 into six main lines.

The striking increase in concessions and construction during the first few months of the Second Empire makes the effect of governmental policy apparent. Almost as much track was laid during the first two years of the Second Empire as during the high period of railway construction of the July

⁴⁸ *Ibid.*, 1867, p. 283.

⁴⁹ *Annuaire Statistique de la France*, 1946, p. 70; FOHLEN, *Sociétés anonymes et développement capitaliste sous le Second Empire*, pp. 65-79; FREEDEMAN, *Joint-Stock Business Organization*, p. 198.

⁵⁰ See, e.g., ALFRED PICARD, *Les Chemins de Fer* (Paris, 1918); DOMINIQUE RENOARD, *Le Transport de la marchandise par fer, route, et eau depuis 1815* (Paris, 1960); LOUIS GIRARD, *La Politique des travaux publics du second empire* (Paris, 1951).

Monarchy, 1842-1848. During the twenty years of the Second Empire, France reversed her position of follower to that of a leader in railroad construction. It was not that Napoleon III was offering to do all the work for the companies, for he did not proportionally increase the sum of state aid to the companies. He presented a policy which was openly in favour of bold construction of railroads, easily comprehensible, and designed for the formation of strong, large networks.

Tariff policy under the Second Empire also stands in sharp contrast to that of the July Monarchy.⁵¹ In the 1850s, Napoleon III succeeded in promulgating a number of decrees lowering duties, most importantly on iron and coal. He did this despite great hostility within the legislative body and from many pressure groups throughout the country. Undaunted, he went further by proposing in 1856 a comprehensive reduction, though not an abolition, of tariffs. Heavy opposition defeated this proposal and subsequent attempts to legislate tariff reform. Top governmental officials then reverted to the tactic of revolution from above — the adoption of a treaty, under the authority of the Emperor, to lower tariffs with England. Napoleon's intentions were made apparent in a letter to Fould, the Minister of State, published in the *Moniteur* on 15 January 1860. In it he stated that French industry was in need of competition which would force it to modernize; lower tariffs, combined with temporary aid from the state to help hard-hit industries to overcome the first shock of British competition, would in the long-run result in expansion in agriculture, industry, and transportation.

This change of tariff policy and the motives behind it reveal how consciously and rationally an elite of Second Empire officials was attempting to foster modernization of France's economy. Certainly there was little demand for tariff reform within the various French industries. Yet recent experience and sound liberal economic theory pointed to freer trade as a dramatic, long-term way to promote commercial, industrial and agricultural modernization. This is exactly what Napoleon III and Michael Chevalier were trying to do by lowering tariffs in the face of opposition which was claiming that disaster would be the result.

National prestige heavily affected the choice of economic goals made by high officials of both the Second Empire and the July Monarchy, but Louis Napoleon and the men surrounding him were more willing and able to use authoritarian means to this end. While today, much of the difference between an authoritarian and an unauthoritarian approach to economic policy lies in a government's willingness to engage in economic planning, in mid-

⁵¹ See, e.g., ARTHUR DUNHAM, *The Anglo-French Treaty of Commerce of 1860 and the Progress of the Industrial Revolution in France* (Ann Arbor, 1930); LOUIS WOŁOWSKI, *La Liberté commerciale et les résultats du traité de commerce de 1860* (Paris, 1869); M. AME, *Etude sur les tarifs du douanes et sur les traités de commerce* (Paris, 1876).

nineteenth century France, it was in the comparative willingness of the government to incur some social, ethical, and political consequences deemed by many to make rapid economic modernization not worth it. Governmental officials of the political economy of 2 December 1851 were more willing to risk concentrating monopolistic power into the hands of a few, to risk the occurrence of crises in the name of more rapid modernization, to risk increasing social and political pressures from the working class, and to risk opposing the dominant economic interest groups in order to modernize industrially than officials of the July Monarchy.⁵² The Saint-Simonian figures associated with Napoleon's government agreed with Orleanists on many matters, but were more willing to have bold credit institutions, vast public works programmes, and freedom for the entrepreneurs to effect change.

Here, it is important to bring up a related theory which has been put forth to explain the difference between the economic policies of the July Monarchy and the Second Empire. Historians have argued that France has experienced sharp alternations between governments favouring liberal decentralized economic policies and those favouring direction from the state and large financial-commercial-industrial institutions.⁵³ Peaks of the centralizing pole of this pattern supposedly occurred during the First Empire, then thirty-five years later during the Second Empire, and again in the post World War II era. The most pertinent case is the Second Empire, for the First Empire was one in which officials operated in a pre-liberal, pre-industrial framework, and the post World War II era is too recent and complex to be usefully dealt with here. It is true that Napoleon III was heavily influenced by Saint-Simonian economic thought and advisers.⁵⁴ He did encourage the French economy to centralize and more rapidly modernize from the top down by favouring the development to huge conglomerates like the *Crédit Mobilier*, amalgamation of railway lines, creation of vast public works projects, and enforced technological modernization through tariff reductions. But this was less unliberal, economically, than it seems. Rather than moving away from economic liberalism, much of what he was doing was enabling capitalists to mobilize freely their capital into powerful investment organizations, opening up France to some eager entrepreneurs who wanted to complete quickly a basic railroad network, putting more direction into public works without radically increasing actual expenditures, and sharply reducing

⁵² See DAVID KULSTEIN, *Louis Napoleon and the Social and Economic Policy of the Second Empire. A New Approach to the Social Problem*, (Unpublished Ph. D. dissertation, Harvard University, 1954).

⁵³ See, e.g., CHARLES P. KINDLEBERGER, *Economic Growth in France and Britain, 1851-1950* (Cambridge, 1964); SHEPARD CLOUGH, *France: A History of National Economics, 1789-1939* (New York, 1939); RONDO CAMERON, ed., *Essays in French Economic History* (Homewood, Illinois, 1970).

⁵⁴ HENDRIK BOON, *Rêve et réalité dans l'oeuvre économique et sociale de Napoléon III* (La Haye, 1936).

tariffs. Such policies reflected an assumption that France's economy could be most quickly developed by forcing some of the policies of economic liberalism down the throats of Frenchmen and more reluctant lower officials.

The government of the Second Empire, then, was certainly more politically authoritarian but no less committed to economic liberalism than the July Monarchy. And thanks to its political authoritarianism, the Second Empire was able to carry through economic liberalism into many concrete policies whereas most officials of the July Monarchy, uncertain themselves and more responsive to their economically conservative constituents, were not. Indeed, without willingness to use authoritarian means, officials of the Second Empire would have been unable to overcome the same kinds of problems experienced by officials of the July Monarchy. Facing both the barriers of ingrained attitudes and more purely economic impediments of comparative stagnation, it took the unusual Saint-Simonian kind of faith exemplified by the *Crédit Mobilier* and the authoritarian force employed by Louis Napoleon to effect these kinds of policies.⁵⁵

Once Napoleon III's political authority began to weaken, Orleanist psychology started to reassert itself. Napoleon's economic policy was discredited as too un-French. Leading Orleanists such as Victor Cousin⁵⁶ complained that Napoleon was...

trying to make us English; to give us a taste for great and hazardous undertakings, leading to great gains, great losses, profuse expenditure, and sudden fortunes and failures. Such things suit [the English]; they do not suit us. Our habits are economical and prudent, perhaps timid. We like the petty commerce of commission and detail, we prefer domestic manufacturers to factories; we like to grow moderately rich by small profits, small expenditures, and constant accumulation.⁵⁷

III

With the establishment of the Third Republic, this trend in thinking continued. The officials of the Third Republic revealed attitudes and policies that were more like those of the July Monarchy than the Second Empire. Third Republic officials were convinced that France's economy had to be

⁵⁵ See ALEXANDER GERSCHENKRON, *Economic Backwardness in Historical Perspective* (Cambridge, 1962), p. 24.

⁵⁶ Cousin is considered by some historians to epitomize governmental attitudes of the July Monarchy on numerous subjects. See D. GOLDSTEIN, *Official Philosophies in Modern France. The Example of Victor Cousin*, «Journal of Social History» I (spring, 1968), pp. 259-279.

⁵⁷ 19 May 1856, in *Correspondence and Conversations of Tocqueville with Senior*, II, p. 137, cited by D. KULSTEIN, *Louis Napoleon and the Social and Economic Policy of the Second Empire*, pp. 225-226.

modernized, particularly for purposes of national power and prestige. A good example of this is transportation facilities. With arguments similar to those expressed forty years earlier, the government developed great plans for the completion of an enlarged transportation system in 1878, including railroads, canals, harbours, roads, and machinery of transportation. And like the July Monarchy, the government followed an unsure policy of wavering between varieties of public and private construction of railway lines for a number of years, finally coming to a compromise in 1883.

Economic liberalism was their most accepted guide to economic policy, although there were by this time more legitimate modifications and alternatives open to officials. Most professed faith in individual enterprise and economic liberty, but as with officials of the July Monarchy, they were unable to follow these rules in many concrete policies. And like officials of the July Monarchy, they were more susceptible to influence from their constituents than top officials of the Second Empire. Thus with the advantages of momentum from the free-trade policies established during the Second Empire, the government, with some difficulty, remained committed to liberal commercial policies during the 1870s. In the 1880s, however, a trend back toward protection developed, culminating in the Méline tariff of 1892. This tariff was similar to the tariff laws of the 1830s and 1840s, being particularly heavy on imported manufactured goods while at the same time granting bounties for French shipping and the exportation of manufactured goods. This legislation also indicated that Third Republic officials held many of the same assumptions about the social, ethical, and political consequences of economic modernization as officials of the July Monarchy. It emphasized the strength of France's commitment to a society made up of a large number of small, independent producers and distributors rather than a strongly competitive, technocratic, economically efficient society. The tariff probably "encouraged the tendency of most businessmen, peasants, and politicians to avoid changes in the established routine and strengthened their conviction that France had attained a kind of beatific state of perfect harmony and balance".⁵⁸ It reflected a retreat from the bold free-trade policy of the Second Empire into a more strongly inward-looking attitude favouring balance, self-sufficiency, and support of the domestic market — policies and attitudes which dominated the Orleanists of the July Monarchy.⁵⁹

⁵⁸ GORDON WRIGHT, *France in Modern Times, 1760 to the Present* (Chicago, 1960), p. 347.

⁵⁹ EUGENE GOLOB, *The Méline Tariff: French Agriculture and Nationalist Economic Policy* (New York, 1944), pp. 143-146. See also CHARLES KINDLEBERGER, *Economic Growth in France and Britain, 1851-1950*, pp. 88-134; ALEXANDER GERSCHENKRON, *Social Attitudes, Entrepreneurship and Economic Development*, « Explorations in Entrepreneurial History », VI (October, 1953), pp. 1-19; DAVID LANDES, *French Entrepreneurship and Industrial Growth in the Nineteenth Century*, « The Journal of Economic History », IX (May, 1949), pp. 45-61.

It appears, then, that doubts about economic modernization were built into French economic policy during the July Monarchy, the first French government devoted to modernization, and these tended to persist. Despite the ability of more authoritarian officials of the Second Empire to overcome these doubts, French governments returned to the basic patterns first developed during the July Monarchy.

A correlation between these attitudes, policies, and the actual course of French economic development during the nineteenth century is strong. While natural resource and geographic factors are important, France did not industrialize as extensively as other countries or as was justified by French conditions.⁶⁰ Liberal officials felt compelled to enact commercial policies which contributed to relatively high industrial prices, slow mechanization in important industries, and disappointing export statistics.⁶¹ French governments invested considerable time and money to develop prestigious transportation facilities, but conflicts over how to do it resulted in so many delays that French railroads and shipping did not keep up with that of her competitors. Policies toward financial institutions and speculative activities helped deter both the supply and the demand for investment capital within France, while at the same time French capitalists contributed greatly to the economic modernization of other nations by their export of credit, capital, and know-how.⁶² French governments did little to change France's traditional rural society, which remained characterized by relatively small holdings and the use of inefficient, uncommercialized farming techniques.

The major exception to this correlation came during the Second Empire, when elite officials pursued modernizing policies with sometimes dramatic results. This exception did not stem from differences in means or ends. Officials of the Second Empire generally agreed with those of the preceding July Monarchy and the succeeding Third Republic that a nation of France's stature had to have the power and prestige that railroads, ships, banks, coal mines, markets, and machines afforded modern countries, and that economic liberalism, as applied to France's particular conditions, constituted the best way to acquire them. Moreover, most officials in these regimes felt this more strongly than their constituencies. Rather, the Second Empire was exceptional because her top officials were less responsive to most Frenchmen and more willing to allow France to change in non-economic ways in the process of modernizing her economy.

Nineteenth-century France, then, represents an unusual case of a nation

⁶⁰ JONATHAN HUGHES, *Industrialization and Economic History: Theses and Conjectures* (New York, 1970), p. 90.

⁶¹ JEAN MARCZEWSKI, *Le produit physique de l'économie française de 1789 à 1913*, pp. vii-cliv.

⁶² See RONDO CAMERON, *France and the Economic Development of Europe, 1800-1914* (Chicago, 1966).

trying to catch up in modernizing her economy by a combination of economic liberalism and governmental intervention, but — with the exception of the Second Empire — with such respect for her traditional values and society that her governmental officials were commonly unable to put these policies into effect. It is hence not surprising that the French economy modernized slowly and her governments remained frustrated with the corresponding decline of French power and prestige during the nineteenth century.⁶³ Nor did economic modernization in France result in a transition between two mutually exclusive categories of “traditional” and “modern” as much as in other nations.⁶⁴ Her officials intended, although often in only a semi-conscious way, that economic modernization should be implemented in a manner so as to preserve tradition, and they were somewhat successful. Thus important psychological, cultural, and behavioural characteristics remained relatively strong in French society, but only at a cost to the speed and pervasiveness of modernizing the economy.

⁶³ *Ibid.*

⁶⁴ REINHARD BENDIX, *Tradition and Modernity Reconsidered*.