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Guy Rowlands, *Dangerous and Dishonest Men*: *The International Bankers of Louis XIV's France*. Basingstoke and New York: Palgrave Macmillan, 2015. xvi + 265 pp. Preface, Maps, Appendix, Notes, Bibliography, and index. $115.00 U.S. (cl). ISBN 978-1-137-38178-1.

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Guy Rowlands's book *Dangerous and Dishonest Men* forms the second part of his in-depth exploration of why Louis XIV's late reign ended in financial disaster. In his previous book, *The Financial Decline of a Great Power*, Rowlands offered a detailed examination of financial factors that were largely internal to France.[1] His latest book draws heavily on that research but changes the focus to the problem of monetary remittance, that is, how the government of Louis XIV transferred funds to its military forces and allies abroad during the War of the Spanish Succession (1701-1714). The complex and arcane, but absolutely necessary, process of remitting funds abroad required the use of bankers with vast correspondence networks extending across Europe. That situation made the royal government highly dependent on bankers whom it could not easily control. The wide variety of factors influencing the process of remittance during wartime, and the question of why the system ultimately experienced a horrific crash in Lyon in 1709, form the primary subject of Rowlands's exacting research.

Although there have been a number of important works illuminating the role of royal financiers within France, either little attention has been paid to bankers who provided services to the French government, or their role has been misunderstood.[2] Rowlands argues, however, that during wartime bankers were critically important to the monarchy not so much for generating revenues as for moving money to far-flung theaters of war so that soldiers could be paid and supplies purchased. Unlike royal financiers who owned venal offices or had stakes in royal monopolies, bankers in the Sun King's era operated independently and made their money not from managing royal revenues but from charging interest on loans and imposing an assortment of fees on the movement and exchange of currency.

A central thesis of Rowlands is that the French royal government repeatedly got fleeced by bankers because it needed those men to transfer money abroad, but did not understand how foreign exchange worked and had no alternatives to which to turn. Bankers did not choose the most efficient and least costly way of moving funds. They constantly drove up prices by taking advantage of clandestine procedures and the ignorance of officials. Observing the machinations of one well-known international banker in Geneva, a French diplomat declared baldly that this remitter was a dangerous and dishonest man, hence the title of Rowlands's book (pp. 5, 140). Rowlands underscores the view that the world will always have to endure devious and unscrupulous bankers by dedicating his book to "honest bankers everywhere (and their regulators)."

Rowlands certainly presents evidence to back up the picture of the self-interested, profiteering banker. Yet, he also provides ample evidence that bankers were not always dangerous. Quite the contrary, without these capitalists Louis XIV's war effort would have simply crumbled. The great banker Samuel Bernard, he observes at one point, "saved the war effort" (p. 132). Furthermore, structural problems combined with the government's own inept monetary policies, rather than the bankers' lack of ethics, explain a goodly number of the truly excessive costs associated with transferring currency. As

Rowlands notes in his conclusion, "So unstable was the fiscal, monetary and basic administrative edifice [at the end of Louis XIV's reign] that even when bankers tried to behave in a relatively honourable manner they still had to be highly manipulative to protect themselves from a crisis of liquidity" (p. 183).

Two pictures of international bankers thus emerge from Rowlands's analysis: the first as dangerous and dishonest men, the second as prudent and practical businessmen who, when facing enormous risks and obstacles, did what they believed necessary to get the job done and prevent their businesses (and the war effort) from going under. To Rowlands's credit, his research is so complete that a reader can understand both conclusions. Yet Rowlands could have done more to offer a general interpretation of risk premium up front that would have offset some of the moralizing tendencies permeating the book.

Rowlands plunges readers into the nitty-gritty of international remittance finance in five chapters that describe the development of international banking and brokerage, the principal bankers, geographical aspects of the system, factors governing the price of foreign exchange, and finally the downward spiral of French remittance banking during the War of the Spanish Succession. Let the reader beware: there is a lot of nitty and a lot of gritty in this book. Those without a prior understanding of French financial and economic practices of the time will find it tough going.

Several dimensions of the complex and often obscure world of banking emerge as particularly important in Rowlands's analysis. First, the bill of exchange formed the heart of the system. Bills of exchange arose to allow traders to pay for goods at long distances without physically transferring large quantities of specie. Because interest charges were included when bills were drafted, they were able to act as vehicles of credit. As methods developed to endorse bills and keep them in circulation for multiple transactions, they also became a form of money. By 1700 a system to handle bills of exchange had developed: banking houses with extensive networks of correspondents, public-chartered banks in urban centers that served as clearing houses for bills, an active trade in the purchase and sale of bills themselves, and brokers to match clients to sources of money.

For all of the evolving freedom that commercial paper like the bill of exchange conferred, trade was never freed from its link to specie. If problems arose in obtaining cash payment for the final settlement of bills, confidence would evaporate and the opportunity to borrow money would shrink. Trust in timely payment was essential to the use of paper instruments of credit, and it became even more so as commercial transactions became more impersonal and conducted across greater distances.

Second, a longstanding division between actual coinage and the "unit of account" made it possible for governments to manipulate currency. In France the *livre* served as the unit of account, and larger denomination coins were valued against it (pp. xv-xvi). The French government had the authority to change the worth of coins in relation to the *livre.* In the process coins were called in to be restamped with the new official value. Governments augmented or devalued currency for short-term gains such as debt relief, but the practice could have disastrous consequences for trade, credit, and the balance of payments abroad.[3]

Third, exchange rates heavily influenced the price of remitting funds. The charge for the exchange rate (the *change*) was based upon how much a coin was worth in the place where a bill of exchange was drawn as opposed to the place where the bill would be cashed. Practices like currency manipulation could make it difficult to evaluate how much a bill would actually turn out to be worth in another currency. That risk was offset by pricing it into the exchange rate.

Fourth, the strength of commercial ties to areas abroad, as well as the nature of the balance of trade, affected the ease and cost of remitting money. In regions where France had a trade surplus, bankers could draw upon that pool of money to find funds to transfer to the military. When France lacked a strong commercial presence abroad, as in Spain or Northern Italy, bankers had difficulty finding money to tap, a predicament that forced them to charge high exchange rates and use more costly, roundabout remittance routes.

Finally, although international banking operated in a different institutional setting than did royal financiers, there were important points of intersection between the two systems. In particular, bankers had to work closely with the military paymasters of the Extraordinaire des Guerres and sometimes raised loans on behalf of these paymasters. Military paymasters had originally been set up as agents to dispense money, but the lack of adequate revenues led the royal government to turn them into a "giant credit machine" (p. 28). A veritable blizzard of paper credit instruments issued by different kinds of royal financiers, the mint, and bankers kept the war effort afloat.[4] In the absence of hard cash, diverse gyrations were used to keep these bills circulating, at ever-depreciating values, in the hopes of finding cash to settle the most pressing bills and avert disaster.

Rowlands argues that the nefarious effect of currency manipulation upon the exchange rate was a central reason behind the collapse in 1709 of the Lyon fair, which since the medieval period had served as the most important French center for settling bills of exchange. He lays the blame for this catastrophe on the benighted monetary policy of Michel Chamillart, controller general from 1699-1708. When coin became scarce after Chamillart called it in for restamping in 1703, Chamillart decided to cover the shortfall by issuing mint bills (*billets de monnoie*) bearing interest. However, by flooding the market with these bills and, in 1705, decoupling them from coin completely, he unleashed an enormous crisis of confidence that destabilized money markets even further. Bankers hoarded their money, exchange rates soared, and eventually the Lyon fair system crashed.

These examples cannot do justice to all the ins and outs of banking uncovered by Rowlands's detailed research. They do, however, illustrate why international banking was not an occupation for neophytes, why bankers could embed a wide variety of hidden costs in transactions for the royal government, and why bankers experienced huge risks. Rowlands estimates that between one quarter and one-half of all French military expenditures during the War of the Spanish Succession required remitting money abroad (p. 86). The cost for the transfers themselves ranged from around twenty percent to well over thirty percent (p. 89). Indemnities for losses arising from currency changes, interest on advances, and delays in realizing revenues for final settlement all contributed substantially to the mounting charges.

Rowlands offers interesting information on the most important bankers working for Louis XIV, especially Samuel Bernard who, like John Law, was an obsessive gambler. Ironically, many of the bankers were Huguenots, who had fled from the Sun King's persecution and moved money for the king through contacts in their diaspora. The disowned Huguenots thus made it possible for Louis XIV to wage war at the same time as they profited from it.

The conclusion of the book provides a cogent comparison to the British situation, where the institutions associated with the "financial revolution" there helped to avert the disastrous consequences that France experienced.

All in all, Rowlands's thorough, scholarly research suggests to me that given its unaccountable, warmongering king; insufficient and inefficient tax base; military over-reach; ill-advised monetary policy; aristocratic disdain for finance; religious persecution; and broken financial promises, Louis XIV's state got the capitalism and bankers that it deserved. The relationship between the state and the international banking community was obviously tense and ambiguous. Despite that tension, by 1700 the state and capitalism had forged a close, mutually exploitive relationship that was efficient enough to move money across large distances and make it possible to conduct wars on a scale previously impossible.

It would be interesting to know how the different aspects of this relationship system continued to evolve in France. Rowlands notes that far more sophisticated analysis of the effects of currency manipulation following the crash of John Law's "System" led the royal government to renounce this nefarious practice. Although the French government protected Samuel Bernard from the effects of war-related over-extension, it did not protect all bankers. The final financial settlement during the Regency with the Hogguer Brothers, the banking family next in importance to Bernard, allotted them only half of what they had hoped to receive, a decision that led to the demise of their house (p. 128). By the mid-eighteenth century, the tenuous, but ever-present, alliance between capitalism and the French state had progressed far enough that military operations could be conducted from Europe on an even grander, global scale stretching across several continents. And, for a variety of reasons that involved more than just profiteering bankers, that truly was a dangerous situation.

NOTES

[1] Guy Rowlands, *The Financial Decline of a Great Power: War, Influence, and Money in Louis XIV's France* (Oxford and New York: Oxford University Press, 2012).

[2] Two exceptions are Herbert Lüthy's monumental study of *La Banque protestante en France de la révocation de l'édit de Nantes à la Révolution*, 2 vols. (Paris: S.E.V.P.E.N.,1959-61); and Claude-Frédéric Lévy, *Capitalistes et pouvoir au siècle des Lumières*, 3 vols. (Paris: Mouton, 1969-80).

[3] Those interested in a fuller picture can read chapter five "Manipulating the Coinage," in *Financial Decline*.

[4] For more information on forms of short-term paper credit, the reader may consult chapters four and six in *Financial Decline*.

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