

Jacques Necker: from the counting house to the control of the finances

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Jacques Necker was born in Geneva in 1732, into a family of German origin settled in the city.¹ He left young for Paris, where he entered banking. Gifted for business, he became a partner and then directed a prosperous house, which made substantial profits in dealings in public securities and the grain trade. He married Suzanne Curchod, the daughter of a Vaudois pastor, who kept a celebrated salon in Paris. Their daughter, Germaine, would become famous as Madame de Staël.²

Alongside his banking, Necker published works on economics and finance, among them a eulogy of Colbert crowned by the Académie française and an essay on the legislation and trade in grain, which criticised the complete freedom of that trade advocated by the physiocrats.³ He acquired a reputation as a financial expert and a man of virtue, nurtured by his wife's salon. He also represented the Republic of Geneva in Paris.

In 1776, in difficult financial circumstances, Louis XVI called Necker to office. As a Protestant and a foreigner, Necker could not bear the title of Controller-General of Finances; he was first appointed Director of the Royal Treasury and then Director-General of Finances.⁴ His appointment was an event: for the first time, a Protestant and Genevan banker was directing the finances of the kingdom.

Necker's policy rested on a simple idea: to finance expenditure, in particular that of the American War of Independence, by borrowing rather than by creating new taxes, while improving the management of public finances. He launched large loans, especially in the form of life annuities, which met with great success among investors, Genevans in particular. He reformed the financial administration, cut certain court expenses, abolished useless offices and centralised the management of the Treasury.⁵

This policy gave rise to debates that continue to this day. His supporters point out that Necker financed a war without raising taxes and improved the administration. His critics reproach him with having increased the debt at a high cost, in particular through poorly calibrated life annuities, which burdened the state's finances for a long time to come. Chapter IV will return to this last point, which directly concerns the Genevan investors.

1 Notes

1. Dictionnaire historique de la Suisse (DHS) [Historical Dictionary of Switzerland], article "Necker, Jacques": born 30 September 1732 in Geneva, died 9 April 1804; son of Charles-Frédéric, advocate and professor of Germanic public law at the Académie de Genève; Wikipedia (en), "Jacques Necker": Karl Friedrich Necker, a jurist from Küstrin (Neumark, Prussia). ↩
2. Dictionnaire historique de la Suisse (DHS), article "Necker, Jacques": marriage in 1764 to Suzanne Curchod; Wikipedia (en), "Jacques Necker": birth in 1766 of their daughter Anne Louise Germaine, the future Madame de Staël. ↩
3. Wikipedia (en), "Jacques Necker": eulogy of Colbert crowned in 1773, followed by a work of 1775 on the grain trade attacking physiocratic economics; Institut Coppet, "Necker et son ministère jugés par Germaine de Staël" [Necker and his ministry as judged by Germaine de Staël] (institutcoppet.org). ↩
4. Dictionnaire historique de la Suisse (DHS), article "Necker, Jacques": "Director of the Royal Treasury" in November 1776, then "Director-General of Finances (June 1777)"; Wikipedia (en), "Jacques Necker": appointed Director of the Royal Treasury in October 1776 and Director-General in June 1777, without access to the King's Council on account of his religion. ↩
5. Wikipedia (en), "Jacques Necker": Necker declined any salary and lent 2.4 million livres to the state; Dictionnaire historique de la Suisse (DHS), article "Necker, Jacques" (loans and administrative reforms, 1776-1781). ↩

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