

Jacques Necker: a Geneva banker as finance minister of France

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Jacques Necker, born in Geneva in 1732, rose from clerk in a Paris bank to director-general of the finances of the French kingdom. His career shows how closely Genevan capital was tied to the credit of the French monarchy. His *Compte rendu au roi* of 1781 remains a reference point in any discussion of transparency in public finance and of sovereign risk.

1 A Genevan in Paris banking

The Historical Dictionary of Switzerland (Dictionnaire historique de la Suisse, DHS) records that Necker was born in Geneva on 30 September 1732 and died on 9 April 1804. His father, Charles-Frédéric, was a lawyer who taught German public law at the Academy of Geneva and, according to the English-language Wikipedia article on Necker, came from Küstrin in the Prussian Neumark. The same article states that Necker arrived in Paris in 1748 as a clerk in the bank of Isaac Vernet and Peter Thellusson. According to the DHS he later became a partner in the limited partnership Thellusson, Necker & Cie, which existed from 1756 to 1770.

Such houses served as schools of finance through which Genevan bankers passed skills, clients and networks from one generation to the next. Necker's firm made large profits from dealings in public securities and in the grain trade. His marriage in 1764 to Suzanne Curchod, the daughter of a Vaud pastor whose Paris salon became well known, added to his standing. Their daughter Germaine, born in 1766, became famous as Madame de Staël. Necker also represented the Republic of Geneva in Paris, following a pattern set by Isaac Thellusson, whom the DHS describes as the city's minister at the French court from 1730.

2 A reputation built in print

Alongside banking, Necker wrote on economic questions: the English-language Wikipedia article records that his eulogy of Colbert was crowned in 1773 and that in 1775 he published a work on the grain trade attacking the economics of the physiocrats, who defended complete freedom of that trade. These writings earned him a reputation as a financial expert and a man of integrity. That reputation mattered, because the monarchy he was about to serve was chronically short of credit.

French public finances in the eighteenth century combined heavy war spending with a tax system that exempted much of the nobility and clergy. The crown borrowed through perpetual and life annuities, tontines and advances on future revenue, without a central bank comparable to the Bank of England. It had also defaulted in part on several occasions. The French-language Wikipedia article on Joseph Marie Terray, reproduced on fr-academic.com, records that by a decree of the Council of 18 February 1770 he suspended payment on instruments of the receivers-general and farmers-general, of which 120 to 150 million livres were in circulation.

3 Director-general of the finances

Louis XVI called Necker to office in 1776. As a Protestant and a foreigner he could not hold the title of controller-general, so the DHS records his appointment as director of the Royal Treasury in November 1776 and as director-general of the finances in June 1777. The English-language Wikipedia article dates the first appointment to October 1776 and adds that his religion kept him out of the king's council. It also states that he refused any salary and lent 2.4 million livres to the state. For the first time, a Protestant banker from Geneva was running the finances of the kingdom.

His policy was to finance expenditure, including the costs of the American War of Independence, by borrowing and without new taxes, while improving the administration of public money. He issued large loans, many in the form of life annuities that proved popular with investors, particularly in Geneva. He also cut some court expenditure, abolished superfluous offices and centralised the management of the Treasury. Supporters credit him with financing a war without raising taxes, whereas critics hold that he increased the debt at high cost through poorly calibrated life annuities and favoured Genevan investors whom he knew well.

4 The Compte rendu au roi

In February 1781, according to the DHS, Necker published the *Compte rendu au roi*, a statement of the kingdom's finances. The English-language Wikipedia article describes this publication of the budget as a novelty in an absolute monarchy that had always kept the state of its finances secret. The document sold widely and showed a surplus on the ordinary budget, which reassured the state's creditors. Encyclopædia Britannica notes that it left war expenditure financed by borrowing out of the picture. Calonne revealed a considerable deficit in 1787, contradicting his predecessor.

The text still carries a lesson for anyone who lends to a state or a company. Transparency strengthens creditor confidence when it is complete. A selective account that shows the favourable figures and omits the rest can support credit for a time while preparing a crisis of confidence once the omitted commitments emerge. Necker also used publication as a political weapon against his opponents at court, who resented the publicity given to court spending and, as the DHS records, obtained his resignation in May 1781.

5 Return, fall and the cost for Geneva

Necker was recalled in August 1788, when the monarchy stood close to bankruptcy. The DHS records that he was dismissed on 11 July 1789 and recalled on 15 July, after the unrest that led to the storming of the Bastille. Unable to master the financial and political crisis, he resigned in September 1790 and withdrew to the château of Coppet on Lake Geneva, which he had acquired in 1784. His daughter later gathered there the circle of writers known as the Coppet group.

Genevan investors bore the consequences of their exposure to French credit. The French-language Wikipedia article on the tiers consolidé records that by a law of 30 September 1797 the Directory repaid two thirds of the principal of state debts in Treasury bonds and entered only the remaining third in the Great Book of the Public Debt. Genevan creditors suffered heavy losses, although families that had diversified into English, Dutch and other investments preserved part of their fortunes.

6 What to take from it

Yield priced a real risk. French rentes paid more than English or Dutch funds because investors saw French credit as more fragile. The losses of the 1790s confirmed that judgement.

Partial disclosure is fragile. The *Compte rendu* reassured creditors in 1781, yet its omission of extraordinary war spending left it exposed once Calonne disclosed the deficit in 1787.

Private ties test public office. Necker's refusal of a salary and his loan to the state supported his reputation, although critics still accused him of favouring the Genevan investors he knew.

7 Sources

- Dictionnaire historique de la Suisse, "Necker, Jacques" and "Thellusson, Isaac", hls-dhs-dss.ch (online entries, no date given).
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