



**Historical conference “A mass of granite”**

**‘Governing the Banque de France: two lessons from history for an uncertain world’**

**Speech by François Villeroy de Galhau,**

**Governor of the Banque de France**

*Press contact: Delphine Cuny ([delphine.cuny@banque-france.fr](mailto:delphine.cuny@banque-france.fr))*

Ladies and Gentlemen,

It is a pleasure to speak today at this historical conference organised in partnership with the *Fondation Napoléon*. This year, 2025, marks the 225th anniversary of the Banque de France, founded by Napoleon Bonaparte as a 'mass of granite' to stabilise the scattered 'grains of sand' of the Nation and participate in its reconstruction after the Convention and the Directory. I think that we can all agree that the results have lived up to our ambitions: the Banque de France, its women and men, remain one of the cornerstones of the national – and now European – edifice and have enabled it to weather times of economic and financial turmoil. These successes are primarily due to the dynamic governance that has constantly renewed itself in order to serve an increasingly broad general interest (I). This year, which is particularly fraught with uncertainty at both the national and international levels, a few key episodes in our history also provide two lessons in resilience for France (II) and Europe (III).

### **I) A dynamic governance**

The current governance of the Banque de France is the result of more than two centuries of evolution, which has led our institution to serve an increasingly broad general interest. The Banque de France, born of the Consulate, was originally a listed company. The First Consul was also the first of its private shareholders: a different era! The Bank provided genuine public services for the Paris financial centre: issuing banknotes and setting an attractive and stable discount rate. It was administered by a Council of Regency made up of representatives elected by its 200 main shareholders. From 1806,<sup>i</sup> the state's influence over the Bank grew stronger: a Governor, assisted by two Deputy Governors, all appointed by the head of state, was placed at its helm. As Napoleon Bonaparte famously said: "I want the Bank to be sufficiently in the hands of the Government and not too much so."

For several decades, the Banque de France remained de facto the 'Bank of Paris' because it had a monopoly on issuing banknotes limited to a local area. As of 1848,<sup>ii</sup> this monopoly was extended to the whole of France, thus

lending our activities a national dimension. This new scope of action was accompanied in 1936 by a democratisation of governance.<sup>iii</sup> The Council of Regency was replaced by the General Council: 20 councillors, the bulk of whom were appointed by the public authorities, succeeded the 15 regents. All shareholders – and no longer just the 200 main ones, known as the “200 families” - were henceforth represented at the General Meeting. This process was completed in December 1945<sup>iv</sup> with the nationalisation of the Bank, which became a public institution, wholly owned by the state, supporting policies for the reconstruction and modernisation of the French economy.

Our governance evolved once again with the Law of 4 August 1993<sup>v</sup> when the Banque de France gained its independence. A Monetary Policy Council, chaired by the Governor, is in charge of setting monetary policy “without seeking or accepting instructions from the government or any other body”. These first steps towards Economic and Monetary Union (EMU) were consolidated in 1999: the Banque de France became part of a federal system by joining the Eurosystem, which consists of the European Central Bank (ECB), of which it holds a 20% stake, and the 20 national central banks. Decisions concerning monetary policy are now taken collectively by the Governing Council of the ECB, chaired by Christine Lagarde, while our General Council continues to deliberate on internal management issues.

To sum up, in 225 years, we have changed shareholders, the type of relationship we have with the public authorities – from controlled autonomy to independence – and geographical scope – from Paris to Europe. But we have not changed our own ‘governance’ – we still have a Governor (I am the 31st) and two Deputy Governors, fewer than many other comparable central banks – nor, above all, our missions: monetary and price stability, and the smooth financing of the economy.

## **II) A beacon of confidence in France**

The Banque de France has therefore represented a beacon of confidence in times of economic and financial turmoil. The stabilisation of the French franc is

a prime example. After the First World War, the French economy gradually sank into a crisis that worsened from 1924 onwards. There were three main symptoms: a deterioration in public finances, a sharp depreciation of the franc and government instability – there were eight ministers of finance between 1925 and 1926. Headed by its new governor Émile Moreau (1926-1930), the Banque de France endeavoured to defend the franc on the foreign exchange markets and it managed to stabilise it at a rate that was conducive to confidence and financial stability at the end of 1926. At the same time, Émile Moreau engaged in extensive discussions with Raymond Poincaré, President of the Council of Ministers, to convince him of the need to stabilise the franc, i.e. devaluation from its pre-war parity. Émile Moreau had no hesitation in threatening to resign in the national interest.<sup>vi</sup> The President of the Council of Ministers ended up coming around to the position of the Banque de France: the monetary law of 25 June 1928 introduced the “Poincaré” franc and brought lasting calm to the financial turmoil.

This is not an isolated example: several Banque de France personalities spurred on a national recovery in the face of danger. In 1958 for example, the De Gaulle-Pinay-Rueff financial stabilisation plan was largely inspired<sup>vii</sup> by the economist Jacques Rueff, former Deputy Governor of the Banque de France. Wilfrid Baumgartner, former Governor of the Banque de France (1949-1960) and Minister of Finance from 1960, ensured that it was successful. Two decades later in 1983, Jacques Delors – whose name this auditorium honours – averted the spectre of a financial crisis by implementing fiscal cuts and de-indexation measures to keep France in the European Monetary System<sup>viii</sup> (EMS).

We are an old and a great country that has overcome a number of serious crises over the course of our history. This provides a lesson in resilience – and perhaps in hope – at a time when our country has to regain control of its public finances. And public opinion appreciates it when fiscal crises are overcome: each of the personalities I referred to forged a strong political and historical stature, showing that the French know how to recognise sound public management. The Banque

de France intends to remain a beacon of confidence in the face of current uncertainties. Thanks to the almost certain victory over inflation, the Bank's credible action means that the euro enjoys a historically high level of support from 81% of European citizens – and 76% of the French population.<sup>ix</sup> Drawing upon its independence, it also has a duty to provide the political authorities with its views and technical expertise on economic and fiscal issues, especially as these are subject to strong short-term pressures and a highly volatile and fraught public debate. We are currently at a historical turning point and – I say this in all seriousness – our response may be found wanting. However, our long history gives us an idea of what it takes to bounce back: to elevate public debate, we must first extend the timeframe beyond current obsessions. We now need to broaden the scope and learn to work together instead of engaging in French-style petty squabbling.

### **III) An independent institution working for European monetary sovereignty**

Indeed, the other contemporary lesson – alongside necessary French reform – is the need to work for European monetary sovereignty (III). Two significant episodes illustrate this.

First, the 'battle of the franc', also known as the 'EMS crisis', which occurred between 1992 and 1993 at a pivotal moment between the signing of the Maastricht Treaty and its effective implementation. In September 1992, just when the Treaty was due to be ratified in several Member States, speculative attacks targeted European currencies, forcing some of them to leave the EMS. Jacques de Larosière was Governor at the time and Jean-Claude Trichet, who was to succeed him at the end of 1993, was still Director of the French Treasury. The Banque de France intervened massively<sup>x</sup> on the foreign exchange markets to support the franc. If the franc had left the EMS, it would have meant that the European Monetary Union project would have been abandoned for a long time. Fortunately, this did not happen – although it was a close-run thing – and the crisis was resolved within a European framework, as was the case later in July 1993, when the EMS fluctuation margins were finally widened, putting an end to

the pressure on exchange rates. Better still, this crisis revealed the fragile nature of fixed exchange rates between national currencies and, in so doing, strengthened the determination of Member States to complete the transition to Monetary Union as quickly as possible.

I will now move on to a second crisis, this time an existential one for the euro area. As of 2009, the global financial crisis began to mutate into a sovereign debt crisis in the euro area. Certain heavily indebted Member States faced the prospect of losing access to capital markets, and the euro area was in danger of breaking up. This was the first real test of the collective response capacity of the Eurosystem. It responded decisively by granting long-term loans to commercial banks, buying sovereign bonds of Member States in difficulty on the secondary market where necessary, and managing the specific cases of the hardest-hit banks. Despite differences of opinion, the Member States managed to find common ground through trust-based dialogue: they established a safety net and created the European Stability Mechanism and the Banking Union

These two crises taught us another lesson in resilience: by acting together, Europe has become more robust. In the words of Mario Draghi, Europe gained the ability “to control its destiny”<sup>xi</sup> thanks to this unique monetary sovereignty, recognised - and sometimes envied - throughout the world<sup>xii</sup>.

\*

Given the current disheartening American u-turn, the euro's success serves as a reminder of a more general lesson: should it so wish, Europe has the resources to achieve economic, financial and, in the longer term, military sovereignty. Today – and I say this with sadness for the great nation of America – it is better to be European than American. If we so wish, Europe's time has come. Rest assured that the Banque de France will build this strong Europe out of granite.

- 
- <sup>i</sup> Law of 22 April 1806
- <sup>ii</sup> Decrees of 27 April and 2 May 1848
- <sup>iii</sup> Law of 24 July 1936 amending and supplementing the laws and statutes governing the Banque de France
- <sup>iv</sup> Law of 2 December 1945 on the nationalisation of the Banque de France and the major banks and the organisation of credit
- <sup>v</sup> Law of 4 August 1993 on the status of the Banque de France and on the activities and supervision of credit institutions.
- <sup>vi</sup> Moreau (E.), *Souvenirs d'un Gouverneur de la Banque de France*, 1954
- <sup>vii</sup> Chélini (M.-P.), « [Le plan de stabilisation Pinay-Rueff, 1958](#) », *Revue d'histoire moderne et contemporaine*, octobre-décembre 2001
- <sup>viii</sup> The European Monetary System (EMS), created in 1979, was intended to boost monetary policy cooperation between members of the European Economic Community (EEC). The exchange rate of a given European currency against all other currencies could not vary beyond fixed "fluctuation margins" and to prevent fluctuations from exceeding this limit, central banks had to intervene on the foreign exchange markets.
- <sup>ix</sup> European Commission, Eurobarometer, November 2024
- <sup>x</sup> Eichengreen (B.), Naef (A.), "[Imported or Home Grown? The 1992-3 EMS Crisis](#)", *Journal of International Economics*, Vol. 138, September 2022
- <sup>xi</sup> Draghi (M.), "[Sovereignty in a globalised world](#)", speech, 22 February 2019
- <sup>xii</sup> Villeroy de Galhau (F.), « [Monetary sovereignty in the 21st century](#) », Speech, 14 November 2023