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XXII.18 On the payment of public debts

- The Spirit of Law - Book XXII. On laws in their relation to the use of money -

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There must be a proportion between the creditor state and the debtor state. The state can be a creditor forever, but it can be a debtor only to a certain point ; and when one has managed to pass that point, the title of creditor vanishes.

If that state still has credit that has not been blemished, it will be able to do what has been practiced so successfully in one state of Europe, [1] which is to obtain a large quantity of specie, and offer their reimbursement to all individuals, unless they agree to reduce the interest. Indeed, since when the state borrows, it is the individuals who set the rate of interest ; when the state wants to pay, it is for the state to set it.

It is not enough to reduce the interest ; the benefit of the reduction must create an amortization fund to pay a part of the capital every year, all the more favorable an operation that its success increases by the day.

When the state's credit is not entire, that is another reason to seek to create an amortization fund, because this fund once established soon restores confidence.

If the state is a republic, the government of which includes by its nature the making of long-term plans, the capital of the amortization fund can be considerable ; in a monarchy, this capital must be greater.

2nd. The conditions must be such that all the citizens of the state bear the weight of establishing this fund, because they all have the weight of the debt's establishment ; the creditor of the state, by the sums he contributes, pays himself.

3rd. There are four classes of people who pay the debts of the state : landowners, those who apply their initiative to commerce, farm workers and artisans, and finally annuants of the state or of individuals. Of these four classes, the last, in case of necessity, would seem to be the least to be spared, because it is an entirely passive class in the state, whereas this same state is sustained by the active strength of the three others. But since it cannot be more heavily taxed without destroying public confidence, of which the state in general, and these three classes in particular, have the utmost need ; since the public faith cannot fail a certain number of citizens without seeming to fail them all ; since the class of creditors is always the most exposed to projects of ministers, and is always in plain sight and at hand, the state must afford it singular protection, and the debtor part must never have the slightest advantage over the part which is the creditor.

[1] England.