

The Monetary Crisis of the Nguyen Dynasty and the Premise for French Colonial Monetary Reforms in Vietnam during the late 19th Century

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Abstract:

This article analyzes the crisis of the Nguyen Dynasty's monetary system during the latter half of the 19th century and its role as a catalyst for the monetary reforms implemented by French colonialists. Under the Nguyen reign, national finances were exhausted due to escalating defense expenditures, massive war indemnities stipulated by the Treaties of 1862 and 1874, and chaos in monetary circulation caused by poor-quality coinage. The severe shortage of silver, coupled with the persistence of obsolete financial management practices, significantly weakened the court's economic autonomy. This environment not only created an opening for the infiltration of Western financial capital but also established an objective premise for the French to impose a new monetary regime. Through the establishment of the Bank of Indochina and stringent customs policies, France systematically replaced traditional currencies with the Indochinese piastre to seize control of economic lifelines and facilitate long-term colonial exploitation. The study concludes that the French monetary reform was not merely a financial modernization but a strategic socio-economic instrument designed to dismantle Vietnam's national sovereignty.

Keywords: *Nguyen Dynasty, Monetary Crisis, French Colonialism, Monetary Reform, Indochina.*

I. INTRODUCTION

The financial history of Vietnam in the late 19th century represents a turbulent era, marking the transition from a self-sufficient feudal economic system to a colonial economy serving capitalist objectives. In this context, the monetary regime served not only as a medium of circulation but also as a barometer for the erosion of national sovereignty. The monetary crisis under the Nguyen Dynasty was not merely a localized economic phenomenon but an inevitable consequence of a declining political institution, creating both objective and subjective premises for the subsequent imposition of French colonial monetary reforms.

In the first half of the 19th century, although the Nguyen Dynasty endeavored to consolidate its administrative apparatus, the national economic system began to reveal systemic flaws. According to Taylor (2013), the Nguyen court during this period was deeply conservative, relying heavily on corvee labor and traditional techniques, which limited the nation's capacity to respond to economic and military pressures from the West. The severe shortage of silver in circulation, combined with

the "pro-agriculture, anti-commerce" policy, stifled the development of a commodity economy, leading to monetary stagnation.

By the latter half of the 19th century, this crisis was further exacerbated by wars of aggression. The forced signing of unequal treaties in 1862 and 1874 burdened the national treasury with massive war indemnities. Vo Kim Cuong et al. (2017) observed that the loss of independence occurred amidst a weak court forced to accept stringent economic terms, leading to gradual French control over vital financial sources. As finances became exhausted, the minting of low-quality zinc and copper coins became a temporary fix, resulting in inflation and chaos within the value measurement system.

The collapse of the traditional monetary system created a "power vacuum" in the financial sector. The French colonialists, aiming to seize economic lifelines, swiftly exploited this situation. As analyzed in studies of colonial economics, the French spared no effort to capture economic veins, transforming Vietnam into a consumer market and an investment hub for usury

through harsh monetary and fiscal policies. The establishment of the Bank of Indochina in 1875 was not just an economic step but a political instrument to eliminate the influence of the Nguyen currency.

Furthermore, researchers point out that this crisis was part of the general decline of the Dai Viet absolute monarchy, which had reached its zenith in the 15th century but fell into decay from the early 16th to the mid-19th century (Huynh Minh, 1965). The court's inability to manage monetary policy eroded the confidence of the populace and merchants, fostering the (albeit forced) acceptance of the Indochinese piastre, which maintained a more stable value backed by French financial capital.

Moreover, the French objective in reforming the currency was intrinsically linked to the ambitions of monopoly capitalists. According to Chesneaux's (1955) analysis, France needed to find markets for its industries and strategic bases to compete with other powers, and controlling the colonial monetary system was a prerequisite for achieving that goal. French monetary reform, therefore, did not aim to modernize the Vietnamese economy but rather to establish a new financial order where capital and profits could easily flow back to the metropole.

This article focuses on an in-depth analysis of the aspects of the Nguyen monetary crisis, from the shortage of minting materials and counterfeiting to the devaluation of the currency relative to foreign denominations. Simultaneously, the study elucidates how French colonialism utilized this crisis as leverage to implement colonial financial policies, laying the foundation for long-term dominance in Vietnam.

II. LITERATURE REVIEW

Research on monetary fluctuations and financial reforms in Vietnam during the latter half of the 19th century is a subject that has garnered significant interest from both domestic and international historians. Scholarly works primarily focus on two aspects: the collapse of the Nguyen Dynasty's financial system and the coercive nature of French colonial monetary policies.

Firstly, regarding the economic and financial state of the Nguyen Dynasty, many scholars confirm that this was a period of severe crisis. Taylor (2013) points out that the Nguyen administrative apparatus was deeply conservative, relying excessively on traditional techniques and corvée labor, which hindered the nation's ability to respond to Western pressures. The exhaustion of the national treasury was caused not only by poor management but also by massive war indemnities. Vo

Kim Cuong et al. (2017) observe that the loss of territory and sovereignty occurred concurrently with the court's acceptance of stringent economic terms in the Treaties of 1862 and 1874, leading to gradual French control over financial revenues.

Concerning monetary circulation, studies reveal a chaotic mixture of traditional coinage and foreign currencies. Prior to 1862, the Spanish peso was the most prevalent currency in international transactions in Cochinchina due to its stable value, while the court lacked effective regulations to control foreign exchange (Dutreuil de Rhins, 2023). The practice of "agreed valuation" and the acute shortage of silver undermined the national value measurement system (Cultru, 2021).

Regarding French imperial objectives, researchers emphasize the economic motivations behind the reforms. J. Chesneaux (1955) analyzes that France needed to secure markets for its industries and naval bases to avoid being outperformed by other powers in capitalist competition. Notably, the invasion of Tonkin and Indochina was driven by financial syndicates, most prominently represented by the Bank of Indochina (Chesneaux, 1955).

The transition from the old to the new monetary system was not merely modernization but a tool of governance. Aumiphin (1994) remarks that the disparity in financial technique, organization, and strategy made the Vietnamese system incomparable to Western models. Tsuboi (2024) also asserts that the misalignment between traditional economic models and the industrial economy pursued by France led to the inevitable collapse of the feudal financial order.

Finally, from a sociological perspective, this crisis was part of the decline of the Dai Viet absolute monarchy, which had begun long before the French invasion (Huynh Minh, 1965). Synthesizing these studies suggests that the Nguyen monetary crisis was both a consequence of internal obsolescence and a favorable premise for France to execute its "financial invasion" through subsequent monetary reforms.

III. THEORETICAL FRAMEWORK

The study of the Nguyen Dynasty's monetary crisis and the subsequent French colonial reforms is situated within a multidimensional theoretical framework, combining political economy and financial history. This framework focuses on three main pillars: (1) The theory of monetary functions and values in national economic equilibrium; (2) Monetary standards and issuance mechanisms; and (3) The theory of colonial political economy.

Firstly, the research framework is based on the perspective that currency is not merely a medium of transaction but a pivotal factor in maintaining a nation's comprehensive economic balance. According to Nguyen Anh Tuan (1968), currency directly influences all political, economic, and social structures; therefore, monetary history often evolves in tandem with national history. The collapse of the Nguyen monetary system can be explained through the "Quantity Theory of Money," which establishes a close correlation between the quantity of money in circulation, production levels, and prices. When the Nguyen court inflated low-quality zinc and copper coins to compensate for an exhausted treasury, it disrupted the equilibrium equation $MV = TP$ (where M is the money supply, V is the velocity of circulation, P is the price level, and T is the volume of goods), leading to price chaos and market distrust.

Secondly, the study employs the theory of "Monetary Standards" to analyze the transition from traditional systems to a new regime. In financial history, the link between a monetary unit and precious metals (gold or silver) is a decisive factor for stability. Le Dinh Chan (1968) points out that a healthy monetary regime must protect the relationship between the actual value of the currency and the metal content that defines it. The Nguyen crisis stemmed from the loss of silver backing for circulated currency, creating a "forced circulation regime" for debased coins. This served as a premise for the French to impose Silver and Gold standards, aiming to establish a new "national currency" system linked to the French Franc.

Thirdly, the framework of "Colonial Political Economy" is key to understanding the nature of financial reforms. Monetary policies in colonies often reflected external interests rather than pure national financial issues. According to economic historians, the establishment of the Bank of Indochina (1875) was a form of "financial invasion," transforming currency into a tool to seize economic lifelines and achieve the goal of resource extraction. Monetary management during this period did not aim to improve people's living standards but rather to maintain dominance and strengthen the power of French colonialism in the Far East.

Finally, the research applies "Archaeological and Philological Authentication" methods to reconcile monetary artifacts with historical records. Determining the authenticity of coins and their inscriptions (the four Chinese characters on the face) is a prerequisite for accurately assessing the state of economic crisis. Synthesizing these theories allows us to view French monetary reform not just as a financial modernization process but as a systemic replacement intended to

dismantle the economic sovereignty of the previous dynasty.

IV. METHODOLOGY

To address a complex and multifaceted topic such as the Nguyen Dynasty's monetary crisis and French colonial reforms, this study employs an interdisciplinary methodological framework, strictly integrating traditional historiography with modern economic and financial research methods.

The primary methodological approach consists of the Historical Method and the Logical Method. This approach allows for the reconstruction of events in chronological order while elucidating the logical essence of the financial institutional transition from feudalism to colonialism. The study emphasizes that "the birth of a currency is a historical event that occurs only once," thus placing the research object within its specific historical flow is a prerequisite for ensuring objectivity.

Regarding data collection, the study utilizes the Philological Method by exploiting vast primary sources. Archival funds at the National Archives Center I (Hanoi), National Archives Center II (Ho Chi Minh City), and the Archives Nationales d'Outre-Mer (ANOM) in Aix-en-Provence serve as the most authoritative evidentiary sources. Furthermore, the study refers to the official chronicles of the Nguyen Dynasty's Cabinet of History, such as *Dai Nam Thuc Luc* and *Dai Nam Liet Truyen*, to verify information regarding the court's economic policies.

Notably, the Numismatic Method is applied to examine specific monetary artifacts. The research extends beyond literature to include the investigation of actual circulation, minting techniques, and extrinsic factors from neighboring countries. This helps clearly distinguish between official court coinage and the prevalence of counterfeit or debased coins a key factor contributing to the monetary crisis of the late 19th century.

The study also employs Statistical and Comparative Methods to process financial figures, customs data, and the volume of currency issued across different periods. The construction of statistical tables not only facilitates the tracking of price fluctuations but also provides a scientific basis for assessing the extent of French colonial exploitation through financial institutions like the Bank of Indochina.

In addition, an Interdisciplinary Approach (combining Economics and Archaeology) is considered the "foundation of East Asian numismatic research". This approach helps explain the interaction between monetary units such as the piastre, dollar, and franc within

regional and global trade systems. Finally, the study adheres to the perspectives of previous historians in comprehensively evaluating all aspects of historical phenomena to clarify that France's true objective was to "halt the actual possibilities of internal development" of the Vietnamese nation through financial instruments.

V. FINDINGS & DISCUSSION

5.1. Financial Exhaustion and the Collapse of the Nguyen Dynasty's Monetary System (1862 - 1884)

The period from 1862 to 1884 marks a dark chapter in Vietnamese financial history, characterized by the gradual disintegration of the Nguyen Dynasty's monetary sovereignty under external pressure and internal weaknesses. Even before the French invasion, Vietnam lacked a complete "concept" or "doctrine" regarding banking and finance, which left the national economy in a backward, self-sufficient state, plagued by rampant usury (Duong To Quoc Thai, 2020). As war erupted, French military superiority forced the Nguyen court to sign unequal treaties in 1862 and 1867, ceding territories in exchange for temporary peace.

The most direct and burdensome consequence for the national treasury was the massive war indemnities. The fulfillment of financial obligations under the 1862 treaty drained the court's silver reserves, further exhausting an already impoverished financial system. In this context, the court lost the ability to guarantee currency value with precious metals. To address the "emptiness" of the treasury, the Nguyen Dynasty resorted to makeshift solutions, such as minting low-quality zinc and copper coins with high impurity levels, leading to hyperinflation and chaos in the value measurement system.

This collapse was accelerated by the sophisticated exploitation policies of French Admirals in occupied territories. Immediately after seizing Cochinchina, the French maintained and enforced Nguyen feudal taxation systems, such as land and poll taxes, more aggressively to fund their expeditionary forces. The emergence of foreign currencies, such as Spanish Pesos and Mexican Dollars, in international trade at ports further undermined the court's currency, which lacked effective regulatory control (Dutreuil de Rhins, 2023).

A pivotal turning point in this "financial invasion" was the establishment of the Bank of Indochina (Banque de l'Indochine) in 1875. This institution not only held the monopoly on issuing the Indochinese piastre but also served as a tool for France to seize control of key economic lifelines. The French colonialists exploited the weaknesses of the old financial system to impose a new order, where currency no longer represented Vietnamese

national sovereignty but instead maximized the interests of French financial capitalists. Thus, the monetary crisis of 1862-1884 was both a result of feudal obsolescence and an objective premise for the French to execute the transition to a colonial monetary regime (Nguyen Anh Tuan, 1968).

5.2. Stages of Imposition and Shaping of the Colonial Monetary Regime

The establishment of the French colonial monetary regime in Vietnam was not an instantaneous occurrence but a systematic process of imposition, intrinsically linked to the stages of invasion and colonial exploitation. This process can be divided into three pivotal stages: (1) The period of initial penetration and monetary chaos (1862-1875); (2) The establishment of monopoly through the Bank of Indochina (1875-1930); and (3) The period of pegging to the French Franc and subsequent decline (1930-1945/1954).

Stage 1: Penetration and Forced Circulation of Foreign Currencies (1862-1875). Following the seizure of Cochinchina, the French confronted a feudal monetary system in crisis. To facilitate military expenditures, as early as 1863, the French expeditionary command introduced small denominations of French currency, such as 2 francs, 1 franc, and various centimes. However, these coins were not trusted by the indigenous population due to value disparities and the traditional reliance on zinc and copper coinage. Notably, to address international payment needs, France had to recognize the circulation of the Mexican silver dollar (Peso) and establish exchange rates based on this currency. This stage illustrates the initial awkwardness of French colonialism, as it was unable to immediately eradicate the influence of Nguyen Dynasty currency and dominant regional foreign currencies.

Stage 2: Monopoly of Issuance and the Role of the Bank of Indochina (1875-1930). The establishment of the Bank of Indochina (BIC) by the decree of January 21, 1875, marked a decisive turning point in the formation of the colonial monetary regime. The BIC was not merely a deposit bank but also held the exclusive monopoly on issuing the Indochinese Piastre, officially stripping the Vietnamese feudal state of its monetary autonomy. During the first colonial exploitation phase, the BIC expanded its branch network to Hai Phong, Hanoi, and Da Nang to "finance" military pacification and mining operations. The Indochinese Piastre gradually became a central tool for France to implement exploitative policies through taxation and public investment. As researchers have exposed, French colonialism transformed Vietnam into a "colony of the Bank of Indochina," where financial

capital extended its tentacles to "drain the lifeblood" of the people through issuance monopolies and usury.

Stage 3: The Franc Exchange Standard and Volatility (1930-1945). Following the 1929 economic crisis, France took steps to tightly peg the Piastre to the French Franc to safeguard the interests of the metropole's capital. Maintaining a fixed exchange rate between the Piastre and the Franc (e.g., 1 Piastre = 10 Francs, later increasing to 17 Francs in 1945) was a calculation driven more by political motives than economic ones. This policy aimed to favor French officials and soldiers in transferring money home and to facilitate the penetration of French goods into the Indochinese market by making them "cheaper" relative to the local silver currency. However, this dependency also meant that Indochinese currency shared the fate of decline as the Franc continuously devalued during and after World War II. By the 1945-1954 period, although France attempted to maintain issuance rights through the Associated States Issuing Institute, the birth of the Democratic Republic of Vietnam with its independent currency marked the inevitable end of the colonial monetary regime.

5.3. Discussion: Currency as a Tool of Exploitation and Domination

The transition from the feudal monetary system to the colonial monetary regime was not merely a step toward financial modernization; it was, in essence, a sophisticated strategy aimed at establishing comprehensive dominance and executing thorough economic exploitation in Vietnam. Through the Bank of Indochina (BIC), French colonialists transformed currency into a financial "octopus".

Firstly, the monopoly on issuing the Indochinese Piastre served as a pivotal tool for stripping economic sovereignty. The BIC's absolute control over the money supply allowed French authorities to manipulate markets and dictate commodity prices, particularly in rice exports and mining. The dependency of indigenous enterprises on French credit effectively turned Vietnam into a "colony of the Bank of Indochina".

Secondly, currency was utilized to coerce labor and facilitate exploitation through taxation. By enforcing tax payments in Piastres instead of traditional barter or zinc coins, the French forced the peasantry into the capitalist commodity market. Farmers were compelled to sell their agricultural products at low prices or labor in French plantations and mines to obtain the currency needed for taxes, creating a cycle of poverty and dependency.

Thirdly, pegging the Piastre to the French Franc (the Franc Exchange Standard) was a maneuver to transfer value from the colony to the metropole. Maintaining an

exchange rate favorable to the Franc allowed French officials and soldiers to seamlessly transfer the majority of their income back to France, with local expenditures accounting for only a small fraction. This policy also facilitated the penetration of French goods into the domestic market while stifling local handicraft industries.

Furthermore, mechanisms such as "forced public loans" and "compulsory volunteering" turned the Vietnamese people into forced financiers for the very enterprises that exploited them. The vast sums circulating within the banking system did not serve public welfare but were primarily used to fund wars of invasion and re-occupation. Consequently, currency during the French colonial period successfully fulfilled its role as the "heart and brain" of a colonial administrative apparatus, where the prosperity of French financial capital was built upon the exhaustion of the indigenous population.

VI. CONCLUSION

The study of the Nguyen Dynasty's monetary crisis and the French colonial monetary reforms in Vietnam during the late 19th century allows for the following significant conclusions:

Firstly, the Nguyen Dynasty's monetary crisis (1862–1884) was not merely a consequence of a backward feudal economy; rather, it was the direct result of massive war indemnity pressures and the depletion of precious metal reserves following unequal treaties. The court's forced issuance of low-quality zinc and copper coins to fill an empty treasury disrupted market stability and facilitated the infiltration of foreign currencies and counterfeits, ultimately eroding public trust and national sovereignty.

Secondly, the French colonial monetary reforms—typified by the establishment of the Bank of Indochina in 1875 and the issuance of the Piastre—were, in essence, a meticulously calculated "financial invasion". France skillfully exploited the chaos of the old system to impose a new order, whereby the monetary autonomy of the Vietnamese feudal state was completely abolished and replaced by a monopolistic system serving the interests of the metropole's capital.

Thirdly, currency during the French colonial period became an effective instrument for establishing dominance and executing economic exploitation. Through a taxation regime based on the Piastre, a monopolistic banking system, and the Franc exchange standard policy, France transformed Vietnam into a market for goods consumption and usurious investment while draining the colony's resources and labor power.

In conclusion, the collapse of the Nguyen monetary system and the formation of the colonial monetary regime were inevitable historical processes reflecting the confrontation between a decaying feudal institution and a predatory colonial power. These reforms did not aim to modernize the indigenous economy but rather to bind Vietnam to the French economic orbit, leaving a volatile financial legacy that endured until the Democratic Republic of Vietnam achieved independence in 1945.

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