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J. F. Boshier

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PART 1

THE CENTRAL
ADMINISTRATION OF FINANCE
AND HOW IT WORKED

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Excerpt

[More information](#)

I

INTRODUCTION

THE FRENCH monarchy of the Valois and Bourbon kings was continually in financial difficulties. From the Middle Ages it suffered a long series of crises growing like cacti in a desert of confusion, waste and fraud, with only rare oases of plenty and security. In this the French monarchy might appear no different from most other régimes in most periods of history, except that one of its crises developed into the French revolution. That last crisis appears to have been unique by its consequences. Though we may well wonder whether it was really any different from the earlier ones, coming as it did in a long series, that famous crisis in the reign of Louis XVI lends a special interest to the entire series. A study of the financial troubles facing Louis XVI may therefore usefully begin with a bird's eye view of similar troubles over the previous two centuries.

François I began his reign (1515–47) with a legacy of debt and by 1523 was facing a serious crisis which he ultimately resolved by selling offices and borrowing heavily from Lyon bankers.¹ Henri II (1547–59) inherited this system of borrowing and ended his reign in a grand financial crash.² Unable to depend thereafter upon the ruined and disappointed merchant bankers, Catherine de Medici and her three reigning sons (1559–89) were chronically short of funds, and that shortage was one reason why they called three meetings of the Estates General (1560, 1576, 1588) and two Assemblies of Notables (1560, 1583) in thirty years. Of the Bourbon kings who ruled for the two hundred years from 1589 to 1789, all except the first of them, Henri IV (1589–1610), struggled unsuccessfully to make ends meet and all financed their governments by emergency measures. Louis XIV managed very well, it is true, for the first decade of his personal rule (1661–72), the years of Colbert's ascendancy, but in the course of the next forty years the royal government sank deeper and deeper into difficulties. The long crisis during the last decades of the seventeenth century and the first decades of the eighteenth has impressed many historians as being the

¹ Roger Doucet, *Etudes*, p. 175; Doucet, 'Le grand parti', *Revue historique*, vol. 171 (1933), pp. 473–513; vol. 172 (1933), pp. 1–41

² Hauser, 'The European Financial Crisis of 1559'.

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J. F. Boshier

Excerpt

[More information](#)

THE CENTRAL ADMINISTRATION OF FINANCE

beginning of the monarchy's fall.¹ Looking back rather than forward, however, we might just as easily compare the financial crisis of the years between the treaties of Ryswick (1697) and Utrecht (1713) with the earlier crisis between the treaties of Westphalia (1648) and the Pyrenees (1659). Deep financial trouble was normal throughout the life of the French monarchy. It was the times of relief, not the continual difficulties, which were abnormal.

Kings, ministers and people tended in every age to look for the causes of financial trouble in the misdeeds of individuals, and as the trouble was always there, so accusing fingers were forever pointing out certain individuals responsible for it. Again and again royal tribunals punished men for financial crimes, and most writers and statesmen of those early centuries believed fraud to be the cause of the shortage of royal funds. A rogues gallery of French public finance might show in the front rank such high officials as Enguerrand de Marigny, minister of Philippe le Bel (1285–1314), hanged in 1315; Jean de Montargis executed in 1409 by Charles VI; Pierre des Essarts in 1413; Jacques Coeur banished by Charles VII on 29 May 1453. The series continues in modern times with Beaune de Semblançay hanged on 11 August 1527; Benoît Milon, seigneur de Videville, who fled from the wrath of Henri III in 1583; Charles, marquis de la Vieuville, Superintendent of Finance, arrested and disgraced on 13 August 1624; Nicolas Fouquet, another Superintendent, imprisoned for life on 21 December 1664 after a long and famous trial; John Law, who fled in disgrace in 1721; François Bigot, the last Intendant of New France, condemned to death in August 1763 with the sentence commuted to banishment for life. In the middle ranks, a large number of men in nearly every reign were fined or stripped of their property, imprisoned or executed by the royal courts.

Another persistent and widespread opinion imputed the Crown's financial troubles to foreign bankers, Italian until the reign of Louis XIV and then Swiss, Huguenot and Belgian. But whether foreign or French, individuals were always found to be the main cause of the recurring crises in government finance. How could people in the ancien régime think otherwise when even a royal edict inspired by Colbert could thunder against 'the enormous crimes of speculation which have exhausted our finances and impoverished our provinces...'²

These opinions were not lost on the historians who, after the French revolution, tried to explain the finances of the ancien régime. The best of

¹ Legohérel, *Les Trésoriers généraux*, p. 228; Marion, *Histoire financière*, vol. 1; Martin and Besançon, *L'Histoire du crédit*, p. 1; Sagnac, 'Le crédit de l'état'.

² Clément, *Lettres, instructions*, vol. 2, pp. 751–3. Edict of November 1661.

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Excerpt

[More information](#)

INTRODUCTION

them, Auguste Bailly,¹ Daresté de la Chavanne,² René Stourm,³ Marcel Marion,⁴ and others, wrote a great deal about the evil effects of fraud committed by greedy and faithless royal servants; but their books also show folly, as well as crime, to have been a fatal flaw in the monarchy. Weakness of character and deficiencies of policy appear again and again as explanations of the Crown's difficulties. To open almost any history book on the subject of finance is to discover François I mistakenly selling royal offices, Richelieu neglecting financial matters, Mazarin enriching himself and giving way to financial interests, the regent Duke of Orléans naïvely listening to John Law, nearly all the Bourbons spending too much on wars and the great majority of their finance ministers foolishly running the monarchy into debt. The heroes of the story are the few who succeeded in reducing expenditures and increasing revenues—'balancing the budget'—or in convincing historians of their ability and good intentions: men like Sully, Colbert and the tragic hero, Turgot. In greater or lesser degree, most of the other policy makers and administrators still appear in history books either as fools or as villains, and the financial history of the ancien régime seems to be a record of their folly and villainy. In most essentials, we still tend to see the financial history of the Bourbon monarchy through the eyes of the eighteenth and nineteenth centuries.

That approach, in however subtle a form (and my description above is a caricature), will not do today. Looking for scapegoats and following heroes was all very well for the men in the Bourbon monarchy who faced the problems of their time as practical issues. But it no longer seems very useful to deal with those problems in the terms of old questions like, 'What did the leading statesmen do, and what should they have done?' To answer such questions is to deal with public affairs in the manner of a political party out of office, pretending to know how the men in power ought to have acted. Such questions encourage the unwarranted assumption that the Bourbons and their servants, by taking certain steps prescribed in retrospect, might have overcome their financial difficulties. Perhaps the present-day historian may be excused for refusing to make that assumption and for shirking the distasteful and unprofitable duties of a magistrate engaged in trying the leading men of the eighteenth century *ex post facto* and assigning responsibility for the financial problems of the monarchy.

'How did the financial system work, and what problems did it pose for the statesmen of the time?' These questions have the merit of turning our attention to the institutions of the monarchy. To seek faults in these

¹ *Histoire financière* (1830).² *Histoire de l'administration* (1848).³ *Les Finances* (1885).⁴ *Histoire financière* (1914).

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Excerpt

[More information](#)

THE CENTRAL ADMINISTRATION OF FINANCE

institutions is surely as reasonable as to look for them in the actions of statesmen and officials, for it is easy to suspect after Marx and Freud that men are formed by the social and political systems in which they grow and are partly prisoners of underlying forces in society and in their own minds. However that may be, systems tend to perpetuate themselves. One way of avoiding the unsatisfactory conclusion that most of the financial officials of the ancien régime were either fools or rogues, as the standard histories would have us believe, is to inquire into the social and political conditions in which they lived. We shall discover, I think, that the financial system was not theirs to change. Until the French revolution, the system had certain enduring features which stand out in the vast literature on the ancien régime as fundamental causes of the monarchy's financial ills.

The Crown practically always relied upon the services of intermediaries to manage its financial business. Large though the royal administration was, it was never equipped to collect taxes, to borrow, to hold royal funds or to spend them, and this was one of its most persistent and striking deficiencies. All financial operations were in the hands of municipal governments, the clergy, provincial estates, tax farms and, most of all, a great many financiers, private or semi-private. These agents and agencies were largely independent and often engaged in profit-making enterprises, and there were very few phases in the management of government funds which could be properly described as *public* finance.

Nearly all the Crown's long-term borrowing from 1522 until the revolution was managed by city governments, especially by the Hôtel de Ville of Paris.¹ Medieval kings had created rentes (debentures) of various types, but in modern times the royal government made continuous use of municipal credit, founded upon the investors' confidence in the Hôtel de Ville; and thus large numbers of merchants and magistrates became *rentiers* through the agency of a city government in which they had great power. They were more willing to lend when they controlled the borrowing process. The city turned the capital investments over to the Crown and in return took certain royal tax revenues assigned to the Paris Receiver General so that he could pay the rentes. In these arrangements, the Crown was relying on the business management of the Hôtel de Ville as well as its credit. When in 1561 the assembled clergy of France agreed to pay the arrears on the rentes, they paid this new revenue over to the city. The venal offices for Payers of the rentes, established in April 1594, hardly increased royal control over the management of this debt. The Payers and the Paris Hôtel de Ville remained permanently in this powerful intermediary position, for all the world like an

¹ Schnapper, *Les Rentes*, p. 153

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Excerpt

[More information](#)

INTRODUCTION

independent financial syndicate, subject to the King's orders but not to his continuous supervision. They and not he took the regular profits of the lending business.

Municipal tax-collecting services, also, were useful to kings at various times. By seizing the municipal *octrois* (taxes on commodities) in an act of 1647, Mazarin was not merely diverting municipal revenues from the towns to the uses of the central government but also depending on the towns to collect these revenues.¹ This arrangement did not last long; in 1663 the Crown leased the collection of *octrois* to another intermediary, the tax farms of the *aides* (excise taxes).

The clergy and the provincial estates, however, performed the same function of tax-collecting on an even greater scale than the cities. Beginning with the *contrat de Poissy* in 1561, the clergy periodically granted subsidies (*dons gratuits*) to the Crown and in the time of Louis XIV these became a regular though variable part of royal revenues. The Receiver General for the clergy paid the Crown its share of clerical revenues, yet the tithe collectors worked for the clergy. In much the same way the provincial estates of Brittany, Languedoc, Burgundy, Artois, Provence and other former domains made arrangements to collect most of the taxes in their own provinces (*pay d'états*) and at their periodic meetings voted subsidies to the Crown. Irregular in the sixteenth century, though more and more frequent in response to royal pressure, these subsidies, like the *don gratuit* of the clergy, took the form of an annual Crown revenue in the time of Colbert and so remained until the revolution. Each of the estates appointed a Treasurer to manage provincial finances and to pay the *don gratuit* to the Crown. These revenues and the excellent credit of the provincial estates were obviously useful as security for loans, and beginning in 1742 the royal government was able to mortgage them, using royal power and persuasion in time of need to win the acquiescence of the estates. 'The Estates were only playing the role of intermediary,' writes an historian of Brittany, 'their treasurer withholding the sums necessary for the payments of interest and principal from the total of subscribed taxes.'² Revenues from the clergy offered the same possibilities and from the very beginning of clerical contributions the Crown secured certain *rentes* on them.³ Other corporate bodies, such as the Ordre du Saint Esprit and the postal farms, served the same purpose.

The royal government was always ready to employ business organizations

¹ Matthews, *The Royal General Farms*, p. 166.

² Rébillon, *Les Etats*, p. 730.

³ Schnapper, *Les Rentes*, p. 155; Martin and Besançon, *L'Histoire du crédit*, p. 96. In the reign of Louis XVI the clergy were paying 1,300,000 livres a year in *rentes* on the Hôtel de Ville, still under protest. (*Encyclopédie méthodique. Finance*, vol. 1, p. 306.)

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Excerpt

[More information](#)

THE CENTRAL ADMINISTRATION OF FINANCE

whenever their services were convenient. For about a century beginning in the reign of Louis VII (1137–80) French kings left the Royal Treasury in the care of the Knights Templar who managed royal finances as one account among many in their keeping.¹ In modern times, the most usual and characteristic business groups serving the monarchy were the tax farmers. These worked in enormous numbers of small groups during the fifteenth and sixteenth centuries, leasing the *aides* (excise taxes mainly on alcohol) from the *élus* town by town and even parish by parish.² Many more contracted with the bailiffs and seneschals to collect the various taxes attached to the royal domains, and still others leased parts of the *gabelle* (salt monopoly) and the many provincial and local systems of customs duties and tolls. From the middle of the sixteenth century the royal government had some success in consolidating these infinitely various tax farms and in 1578 one group of capitalists undertook to manage the salt monopoly throughout a large group of provinces, the *pays de la grande gabelle*; in 1584 Henri III gathered many of the customs duties into five great farms (*cinq grosses fermes*) and in May 1604 Sully was for a time able to incorporate more than half of the *aides* in one large lease. Most of these consolidated tax farms disintegrated during the reign of Louis XIII and the regency that followed. When Colbert took up the work again, he had only modest success in unifying these various taxes on commodities, but in 1681 he managed to incorporate them, together with the new tobacco monopoly of 1674, in one comprehensive lease to a large syndicate of forty tax farmers, the famous Farmers General, and this arrangement continued with only minor or temporary changes until the revolution. Large or small, in monopoly or in competition, the groups of tax farmers were private entrepreneurs making profits in collecting taxes, selling salt and tobacco, arranging payments and money transfers, lending larger and larger sums to the Crown. Would-be reformers like François I and John Law failed utterly in their attempts to ‘nationalize’ tax-collection. The tax farmer was perhaps the most typical and successful of businessmen in the ancien régime.

Until the reign of Louis XV tax farmers were an indistinguishable part of a large, fluctuating group of businessmen, variously called *traitants*, *partisans*, *financiers* or *gens d'affaires*. These continued to flourish until the revolution, but in the reign of Louis XV (1723–74) the Farmers General became a group apart, wealthier and more firmly established, monopolizing official business which had earlier fallen to various *traitants* and *partisans*. These latter terms began to fall out of use after the organizing of the Far-

¹ Lot and Fawtier, *Histoire des institutions*, vol. 2, p. 188.

² Doucet, *Les Institutions*, vol. 2, pp. 559–61.

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J. F. Bosher

Excerpt

[More information](#)

INTRODUCTION

mers General as a quasi-monopoly in 1726. But this change made little fundamental difference to the system. Until the revolution the various groups of *gens d'affaires* performed a great many different services. Practically any matter which entailed handling money went beyond the capacity or inclination of the royal administration and, more important, offered the possibility of immediate cash advances. Business for the Crown was therefore let out to private businessmen by means of a *traité* or *parti* (contract) supplying the army, purchasing and transporting grain, selling offices, managing the postal and public transport services, collecting all the various taxes and so on. In the sixteenth and seventeenth centuries *traitants* commonly proposed new sources of revenue to the ministers of the Crown. Methods varied, but in the time of Richelieu and Mazarin, once the Crown and the *traitants* had agreed in principle, the contract passed before the royal *Conseil d'état et des finances* which drew up a formal resolution setting forth the names and titles of the *traitants*, the subject and terms of the agreement.¹ In the case of new taxes the arrêt stipulated that the King would propose an edict or declaration and have it registered by the sovereign courts. The *traité* also stated the business expenses—clerks' wages, cost of accounting, etc.—and the *traitants'* profit of 10%, 25% or more of the sums to be collected. As a general rule, the *traitants* undertook to advance the revenue in question and for the royal government this was the most attractive feature of the arrangement. The system was flexible and made way for men too highly placed to appear as *traitants* themselves to have their servants or others sign the *traité* for them. The *traité* lent itself to all manner of business transactions, for it passed as a form of wealth which a *traitant* might give to his creditors or use as security for a loan or for setting up a system of sub-leasing to *sous-traitants*.

The tax farmers and the *traitants* in general were evidently engaged in private enterprise and bound to the royal service only by leases and contracts. They were not officials, but there was a third group of financiers, often included in the meaning of the term *traitants*, who appear superficially to have been government officials. These were the royal accountants (*officiers comptables*), chiefly the Receivers General and ordinary Receivers who collected the *taille*, the *vingtième*, the *capitation*, and the Treasurers General who managed most of the Crown's spending. The greatest of these in modern times were the two or three Treasurers General of the Epargne (Royal Treasury) from 1523 to 1661, and then, after Colbert and Louis XIV had abolished these offices, the two or three Keepers of the Royal Treasury (*Gardes du trésor royal*). In spite of appearances to the contrary,

¹ Chauleur, 'Le rôle des traitants', p. 21; Ranum, *Richelieu*, p. 129.

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J. F. Boshier

Excerpt

[More information](#)

THE CENTRAL ADMINISTRATION OF FINANCE

these accounting officers were not officials at all, not civil servants in any modern sense of the term.

One of the two acts in creating an accountant was the *provision* by royal letters which made him 'lord (*seigneur*) of the office', Charles Loyseau tells us. This lordship carried with it the rights of office, including the right to collect fees *jure domini*.¹ The royal letters of *provision* had more in common with letters conferring nobility than with the royal commissions naming officials such as Intendants. Such commissions named their bearers to perform certain tasks in the King's name and were revocable, whereas letters of *provision* conferred honour and rights, status and a permanent title to the office. The second act in creating an accountant was the *reception* by an appropriate sovereign court, and it conferred on the accountant 'l'effet et l'exercice, la qualité et le rang'. In using such language, the jurists showed the accountant to be almost a kind of lower nobleman, lord of his office, bearer of its quality and rank, entitled thereby to certain rights and privileges.

The legal character of an office was not altogether clear either in the court decisions or in opinions based on the *coutume de Paris*, but no one doubted that an office was a form of property, a kind of fief. French kings had sold offices since the Middle Ages, and in 1522 François I set up an agency 'to serve as a shop for that new merchandise', as Loyseau bluntly observed.² Whether an office was real estate (*immobilier*) or moveable goods (*mobilier*) or 'metoyenne entre les meubles et les immeubles' was a difficult question for jurists and full of consequences for an accountant's heirs, creditors and debtors in case of his bankruptcy, arrest or death.³ Different courts had jurisdiction over different kinds of property and different laws applied. However that might be, Loyseau believed an *officier comptable* to be no [civil] servant, but 'propriétaire et possesseur'.⁴ After 1604 the notorious *droit annuel* or *paulette* confirmed the practice of treating offices not merely as the property of one man but as the patrimony of his family from generation to generation. To raise the lords of certain offices to noble rank was then only a short step and the needy Bourbons took it in the seventeenth century.

The practice of selling offices, which we may most conveniently call 'venality', adapting the French term *vénalité*, had social consequences which were clear from the beginning. After the reign of François I, protests

¹ Claude de Ferrière, *Corps et compilation*, vol. 1, p. 1470.

² Loyseau, *Œuvres*, p. 144; Mousnier, *La Vénalité*, p. xxix. This agency was called 'La partie casuelle'.

³ Loyseau, *Œuvres*, p. 1; Claude de Ferrière, *Corps et compilation*, vol. 4, p. 393.

⁴ Loyseau, *Œuvres*, p. 14.

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J. F. Boshier

Excerpt

[More information](#)

INTRODUCTION

came from all sides against the swelling class of venal office-holders, a new fourth estate.¹ But few observers, if any, perceived the administrative consequences of venality. Not until the French revolution did most Frenchmen see clearly that the administrative system of the monarchy was founded upon the confusion of public power and private property;² that office-holders acquired private rights in the royal administration and so escaped the control of the Crown; that the government sold off its power over many vital processes of justice and finance thereby reducing or inhibiting its own force of action. As owner of his office, a royal accountant was independent of all direct supervision and responsibility of the bureaucratic kind which he might impose on his own employees. Charles Loyseau may seem to have hinted at these effects in complaining that the King ‘sells dearly the public authority, the rank and honour that derive from offices’, but he was not suggesting that the Crown should have a bureaucratic relationship with its officers.³ In his eyes the accountants managing royal finances need not have a status any different from that of the magistrates in sovereign courts and he was not interested in the question of whether accountants should be organized in a hierarchy of constant supervision and inspection. Loyseau was only complaining that wealth had become practically the sole road to royal office and had nearly closed ‘the two other roads of virtue and favour’, or merit and patronage. The method of appointment was what interested him, not the structure and functioning of the administrative system. This was the common seventeenth-century view. Even Richelieu, the architect of what Lavissee has christened ‘the administrative monarchy’, was thinking only of the method of appointment when he defended venality as better than the system of patronage and argued that patronage would always determine appointments if offices were not sold.⁴

A royal office was an honour and a fief conferred by the King, but it was also a business investment to be exploited for maximum profit at the expense of the Crown and the general public. No cynicism and no exaggeration are necessary to draw the conclusion that in practice a royal accountant was engaged in a private enterprise, dealing in ‘public’ finances much as he dealt in the funds of his own family or of private clients. His business was neither inspected nor supervised and as long as he continued to make pay-

¹ Lucien Romier, *Le Royaume de Catherine de Médicis*, vol. 2, pp. 21–3.

² Mousnier, *La Vénalité*, pp. xxix, 63, and 622. Even after the revolution neither A. Bailly nor C. Dareste de la Chavanne showed any knowledge of the administrative consequences.

³ Loyseau, *Œuvres*, pp. 144 and 245, and p. 1.

⁴ Dareste de la Chavanne, *Histoire de l'administration*, vol. 1, p. 303; Ernest Lavissee, *Histoire de France*, vol. 7, *Le Règne de Louis XIV*.