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CHAPTER 1

# *The Nineteenth-Century French State and Its Rivals*

Napoleon's defeat at Waterloo in 1815 presaged a transformation of the French state. The fiscal-military system, geared towards mobilising men and money for potentially large-scale warfare, was downsized and recast. France, though, remained a great power; as the statesmen who reconstructed the international order at the Congress of Vienna in 1814–15 clearly understood, France presented a grave potential threat to European peace for the foreseeable future. Indeed, within a few years, France had developed one of the most effective fiscal-military systems in the world, despite some historians' tendency to see post-Napoleonic France as a waning power. While the Franco-Prussian War of 1870–1 sealed France's decline, the two sides were evenly matched in important ways. In 1869, France's population was 38,890,000 to Germany's 38,914,000 while its gross domestic product (GDP), in 2011 US dollars, was $3,301 million to Germany's $3,758 million.[1] In an unfortunately timed article published the day before Napoleon III surrendered at Sedan, the economist Paul Leroy-Beaulieu argued that, while France and the German states had similar-sized populations and economic resources, France's were better organised; the French military and naval forces were superior, and the French systems of taxation and public credit were even more so.[2] Others such as Adolphe Thiers, who became the Third Republic's first president in 1871, were more pessimistic about France's chances of victory.[3] Still, flawed though Leroy-Beaulieu's analysis now appears, it embodied an element of truth. His argument reflected the nineteenth-century reconstruction of the French fiscal-military system, to which historians have given little systematic attention, but which was among the principal achievements of post-revolutionary France.

Recent scholarship has increased the need to revisit the early and mid-nineteenth century, often seen as a parenthesis falling between the drama of

1 Bolt et al., 'Rebasing "Maddison"'.
2 Leroy-Beaulieu, 'Ressources de la France et de la Prusse'.
3 Thiers to Duvergier de Hauranne, 17 July 1870, and to Rémusat, 19 July 1870, Thiers MSS, BNF, NAF 20620, fols. 196–203.



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the Revolutionary and Napoleonic era and the creation of a durable republic after 1870. Historians have demonstrated that the abolition of feudalism, among the major achievements of the Revolution of 1789, was a slow process and did not entail a major redistribution of economic means.[4] Indeed, not until the mid-twentieth century was inequality in France noticeably reduced.[5] Still, in overhauling property rights and centralising the power of eminent domain, the Revolution removed many of the legal obstacles that had hindered the exploitation of land under the *ancien régime*, stimulating agricultural improvements in the early to mid-nineteenth century.[6] Influenced by Alexis de Tocqueville, François Furet claimed that the Revolution began before 1789 and ended in the 1870s.[7] In effect, this conceptualisation underplays the significance of attempts in the early and mid-nineteenth century to fashion a post-revolutionary order. While the republican teleology remains highly influential, historians have begun to reassess the intellectual, political and cultural history of the period 1815–70, starting with the rediscovery of Restoration and Orleanist political thought.[8] Rather than simply marking transitional stages between the *ancien régime* and the advent of the Republic, the constitutional monarchies of the early nineteenth century reflected a distinctive attempt to fashion a stable, 'liberal' sociopolitical order.[9]

The reappraisal of the early nineteenth century has clear ramifications for the study of public finance, a subject which historians have largely overlooked. Though the reassessment of the period has extended to economic history, scholars have prioritised economic life.[10] As a result, customs aside, the early and mid-nineteenth-century fiscal system has received little attention since the 1920s. Most of the 'new French fiscal history' has focused on the *ancien régime*. Other recent work on public finance concerns the Revolutionary and Napoleonic periods, reinforcing the existing narrative that the nineteenth-century fiscal system was established between 1789 and 1815.[11] Thereafter, as Jean Bouvier has observed, the fiscal system was characterised by 'immobilism'; change was largely restricted to the almost imperceptible growth of indirect taxes.[12] This narrative, Bouvier suggests, merits greater scrutiny – 'a critical study of immobilism' – to appreciate the subtle shifts in the fiscal system

4 Markoff, *Abolition of Feudalism*; Sutherland, 'Peasants, Lords and Leviathan'.
5 Piketty, *Le Capital*, 541–7.
6 Rosenthal, *Fruits of Revolution*.
7 Furet, *De Turgot à Jules Ferry*; Furet, *Penser la Révolution*, 13–109.
8 Chabal, *Divided Republic*.
9 Rosanvallon, *Moment Guizot*; Girard, *Libéraux français*; Jardin, *Histoire du libéralisme*; Jaume, *Individu effacé*; Craiutu, *Liberalism under Siege*.
10 E.g. Vause, *In the Red and in the Black*.
11 Branda, *Prix de la gloire*; Bonney, 'Apogee and Fall'; White, 'Politics of Government Finance'.
12 Bouvier, 'Système fiscal'. For an explanation of 'immobilisme' as resulting from the power of interest groups, see Baccouche, 'Déterminants sociaux et politiques'.

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over the course of the century. Moreover, through fiscal history we can qualify the significance of the Revolution and further refute the republican teleology.

Scholarship on nineteenth-century French fiscal history, Bouvier observes, has been dominated by the work of two historians: Marcel Marion and Robert Schnerb. Marion presented 'finances studied from above, defined by the parade of budgetary laws and parliamentary debates'. He began his research before France acquired an income tax in 1916 and defended the nineteenth-century fiscal system as part of the ongoing debate over fiscal reform during the late nineteenth and early twentieth centuries. By contrast, Schnerb, influenced by the *Annales*, sought to integrate 'financial history into a global history.'[13] Historians, Bouvier suggested, should move away from Marion's high politics and towards Schnerb's integration of fiscal and social history, but the difference between Marion and Schnerb is less than Bouvier implies. Both relied heavily on the same sources: parliamentary papers and the writings of the intellectual and policymaking elite. In part, their dependence on these materials reflects the scarcity of documents in central government – as opposed to local – archives following the incineration of the finance ministry archives during the Paris Commune of 1871. Both historians also focused heavily on the Revolution. Of Marion's six volumes covering the period 1715–1914, three are devoted to the years 1789–1817.[14] Likewise, much of Schnerb's *oeuvre* covers Revolutionary and Napoleonic taxation and, though it also ranges across early and mid-nineteenth-century France, does little to challenge Marion's overall interpretation.[15] In the work of both, the post-Napoleonic period appears as one of relatively little change. In this respect, furthering Schnerb's *oeuvre* is unlikely to reshape our understanding of the nineteenth-century fiscal system. More recently, scholars such as Nicolas Delalande and Jean-Claude Caron have written on the social history of taxation, and the former's work in particular also includes extensive analysis of politics.[16] Yet, Delalande's focus is mainly on the Third Republic, as is that of other recent research on nineteenth-century fiscal history.[17] While some scholars have acknowledged the importance of the years after 1815 in entrenching the post-revolutionary fiscal system, they have generally not trawled the archives, and the politics of public finance of the period continue to be

13 Bouvier, 'Système fiscal', 226–7.
14 Marion, *Histoire financière*.
15 For a list of Schnerb's publications, see Hérody-Pierre, *Robert Schnerb*, 271–4.
16 Delalande, *Batailles de l'impôt*; Caron, *Été rouge*.
17 Sawyer, 'Fiscal Revolution'.

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neglected.[18] These politics are essential to understanding how the fiscal system came to be, allowing us to reconsider the narrative established by Marion and others.

Given the loss of the finance ministry archives, reconstructing French fiscal history before 1871 is problematic, especially for the period after 1815. Revolutionary and Napoleonic finance can be gleaned from parliamentary proceedings, the correspondence of the committees that governed France in the 1790s and the archives of the centralised secretariat established under the Directory and Napoleon. After 1815, documentation on finance from the executive is harder to find. Parliamentary papers and proceedings, therefore, assume a greater importance – though many documents sent to parliamentary committees were returned to the finance ministry and thus do not survive. Some finance ministry correspondence exists in the records of other government departments, such as the foreign and justice ministries. Documents from police, prefects and judicial officials – all involved in taxation – offer some indication of the debates shaping policy in official circles. Like parliamentary and private papers, though, these documents are unsystematic in their attention to fiscal issues. Material in local archives, meanwhile, though it generally illuminates how the tax system functioned on a local level, can be less revealing of the national picture. Reconstructing the politics of public finance, therefore, requires a synthesis of material drawn from a range of central and local government archives and private collections.

In recounting the development of the nineteenth-century French state from the Revolution to the Third Republic through the lens of its finances, Louis Fontvieille's *oeuvre* is suggestive, as is that of Pierre Rosanvallon. For Fontvieille, the history of the state is about quantification: the growth of the budget and the relative size of different aspects of government.[19] As Rosanvallon observes, however, analysing the state is more than a matter of checking data. As the state's functions change, there may be growth in one facet and contraction in another. How the state is conceived, what it does and how, are as important as quantification. The state, he suggests, is 'a *form of social representation*'.[20] Gary Gerstle's study of the American state follows a similar logic in stressing the importance of the law and the constitution as the repository for the theory of the state.[21] While the study of the state's 'territorial integrity, financial means and staffing may be the

[18] Kang, 'État constructeur', 170–5.
[19] Fontvieille, *État*; Fontvieille, *Administration départementale*.
[20] Rosanvallon, *État*, 11–16. Emphasis in the original.
[21] Gerstle, *Liberty and Coercion*.

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place to start in any investigation of its capacities to realize goals', the history of the state is about more than a rational and benign bureaucracy defined along Weberian lines.[22] Rather, the state reflects political and social developments. Thus, for Michael Mann, the modern nation-state emerged from the interplay of political, economic, military and ideological factors.[23] More recently, scholars have conceived of a 'democratic state', emphasising the porousness of the state and the way in which democratic institutions mediated relations between the state and civil society.[24] Similarly, Pieter Judson demonstrates the ways in which the nineteenth-century Habsburg state permeated public life.[25] As such scholarship suggests, analysis of the state is inseparable from that of the political process – hence the value of studying public finance, which enables us to integrate the analysis of institutions and data with that of politics and society more generally. An appreciation of the state's inextricability from political and social processes allows us to further reconsider the French Revolution's significance. Many institutions and elites of the *ancien régime* re-emerged from the mid-1790s onwards and the new state functioned like the old in fundamental ways; hence, concludes Pierre Bourdieu, the Revolution 'in essence, changed nothing'.[26]

The interactions between states means that, as Charles Maier has put it, 'they often reform themselves as a group . . . Renovation . . . has come in waves.'[27] Following a similar logic, Gabriel Ardant suggests that the fiscal systems of a particular period tend to be alike and develop along parallel lines.[28] Thus, the eighteenth century was characterised by frequent and lengthy wars which stimulated the growth of the fiscal-military state, as governments strove to mobilise growing quantities of money and men.[29] The scale of government borrowing rose, supported by increasingly extractive tax systems. Demand for commodities such as tea and sugar grew sharply over the course of the century, while fashion and luxury goods became more widely available, the trade and manufacture of which created new, taxable wealth.[30] Consequently, revenue from indirect taxes rose, particularly since – in France, as in other states – tax rates increased and collection became more efficient during the eighteenth century. Between

[22] Skocpol, 'Bringing the State Back In', 17. [23] Mann, *Sources of Social Power*, II.
[24] Novak et al., 'Beyond Stateless Democracy'; Sawyer, *Demos Assembled*.
[25] Judson, *Habsburg Empire*. [26] Bourdieu, *Sur l'État*, 544–6. [27] Maier, *Leviathan*, 7–8.
[28] Ardant, *Histoire de l'impôt*.
[29] Storrs, *Fiscal-Military State*; Sánchez, *War, State and Development*; Brewer, *Sinews of Power*.
[30] Sewell, 'Empire of Fashion'. There is a large literature on eighteenth-century consumption: see, most notably, Vries, *Industrious Revolution*.

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1726 and 1788, the French government's revenue from indirect taxes rose from 88.6 million livres to 219.3 million, while that from direct taxes grew less substantially from 79.9 million livres to 163 million, the nominal increases being 157.5 per cent and 104 per cent respectively.[31] In Britain, the quintessential fiscal-military state, the creation of a highly effective system of indirect taxes eased the government borrowing that underpinned Britain's ability to finance the wars of the eighteenth century. By contrast, public credit proved to be a fatal weakness for the pre-revolutionary French fiscal-military state. While the War of American Independence cost Britain slightly more than it did France, the British state managed its debts more effectively and proceeded to borrow significantly to finance the Revolutionary and Napoleonic Wars; despite substantial tax increases to fund the latter, most notably the creation of an income tax in 1799, Britain's debt-to-GDP ratio reached 200 per cent by the time peace returned in 1815.[32] France, meanwhile, borrowed at higher rates than Britain during the American war and had difficulty servicing its debts thereafter. In the 1780s, the French government struggled to reorder its finances, raise taxes and control expenditure, which increased borrowing costs.[33] The ensuing financial and political crisis triggered the collapse of the *ancien régime* in 1789, prompting the construction of a new, more sustainable fiscal-military system in the nineteenth century. Moreover, the absolute monarchy's limited success in the wars of the eighteenth century weakened public confidence in the *ancien régime*, spurring the creation of a post-revolutionary fiscal-military system capable of maintaining France as a great power.[34]

The eighteenth-century state was more than a purely fiscal-military operation, since its development also arose from non-military factors. While the growth of the eighteenth-century British state, for example, was driven primarily by war, Steven Pincus and James Robinson have argued that it sought to legitimate its expansion by seeking to ensure the provision of some basic amenities for its citizens.[35] Though local government evolved to accommodate this burden, Pincus and Robinson perhaps overstate their case, given the limitations of civil expenditure. The latter comprised 8.2 per cent of British government spending between 1689 and 1815, while the army and navy together accounted for 56.7 per cent. Even

[31] Morineau, 'Budgets de l'État', 314.
[32] Harris, 'French Finances'; Daunton, *Trusting Leviathan*, 47.
[33] White, 'Financial Dilemma'; Legay, 'Capitalisme, crises de trésorerie et donneurs d'avis'.
[34] Skocpol, *States and Social Revolutions*, 60–4.
[35] Brewer, *Sinews of Power*; Pincus and Robinson, 'Faire la guerre et faire l'État'.

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taking only peacetime years in this period when army and navy expenditure was lower, totalling 40.4 per cent of spending, civil expenditure remained relatively small at 12.2 per cent.[36] In *ancien régime* France, meanwhile, peacetime army and navy expenditure seems to have consumed a smaller share of the budget than in Britain: in 1775, for instance, these accounted for 30.1 per cent of French spending, falling to 25.1 per cent in 1788.[37] As in Britain, civil expenditure also increased, particularly from local and regional government; whereas many towns had previously earmarked much of their budgets for military purposes, for instance maintaining defensive walls, in the eighteenth century they increasingly redirected resources towards infrastructure and poor relief. The French army and navy claimed a slightly higher proportion of expenditure in the nineteenth century than they had in the eighteenth, consuming 35.1 per cent of spending from 1815 to 1869, a reflection of the greater capacity of the post-revolutionary fiscal system relative to its *ancien régime* predecessor.[38] Simultaneously, the nineteenth-century state embarked on a considerable expansion directed at public works, spending on which grew by 296.8 per cent between 1815 and 1869, when adjusted for inflation.[39] As such expenditure suggests, in some respects the nineteenth-century French state may have resembled Pincus and Robinson's conception of the eighteenth-century British state more closely than the latter itself did. Certainly, France reflected something of the transition that Mann has observed from the 'fiscal-military' state of the eighteenth century to a 'civil-military' state during the nineteenth.[40]

The nineteenth-century state defies easy classification. Several scholars have recently suggested the century was characterised by a 'liberal state', though without explaining the term, presumably because it evades a succinct, broadly acceptable and yet meaningful definition.[41] Nevertheless, across much of Europe, many aspects of the fiscal-military state survived after 1815. While war in Europe was less frequent in the nineteenth century than in the eighteenth, it remained a central preoccupation for governments and continued to stimulate the growth of the state,

36 Mitchell, *British Historical Statistics*, 578–80. I am grateful to Julian Hoppit for providing me with these data.
37 Morineau, 'Budgets de l'État', 315.
38 The figure falls to 33.7 per cent if we discount the years of major war, while excluding more protracted conflicts such as the campaigns to conquer Algeria: 1815, 1823, 1854–6 and 1859–60.
39 Fontvieille, *État*, 2105–16. 40 Mann, *Sources of Social Power*, II, 378.
41 Cardoso and Lains, *Liberal State*.

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as it did in the United States.[42] The label of a 'liberal state' may also give the misleading impression that the nineteenth-century state was committed to a limited role in the economy. Indeed, several scholars have claimed that the mid-nineteenth-century French state was 'liberal' on the basis that it limited its involvement in economic life, before the emergence of a more actively interventionist state at the end of the century.[43] The market, though, was very much a construction of the state, being shaped by regulation, which accumulated significantly over the course of the early and mid-nineteenth century.[44] Moreover, though the Revolution of 1789 produced a reaction against the economic institutions of the *ancien régime*, the Revolutionary and Napoleonic regimes reaffirmed the state's economic interventionism, partly to mitigate the threat of revolutionary activity by facilitating greater prosperity.[45] Whereas the Napoleonic and Restoration states did not move far beyond the parameters developed by the *ancien régime*, using the law or limited public works expenditure to affect economic activity, the state became much more economically interventionist from the 1830s as public works spending increased. By contrast, the reform of the British state from the 1830s onwards may have reflected a greater compliance of civil society with the aims of the state, as the government pursued the creation of a cheaper and more laissez-faire state or, perhaps more accurately, a 'delegating-market' state in which the state delegated functions to the private sector while retaining overall responsibility.[46] Still, the difference between the British and French states should not be overstated; as we shall see, the mid-nineteenth-century French state combined characteristics of both a 'delegating-market' and a 'fiscal-military' state. Moreover, despite their supposedly laissez-faire state, the British were more heavily taxed than the French until the late nineteenth century.[47] As François Jarrige therefore concludes, France was 'far from the strong, interventionist, oppressive state conveyed in representations'.[48] The French state, in other words, was both economically interventionist and committed to private enterprise. Though perhaps more interventionist than its British counterpart, the French state was not necessarily an economic drag; the development of the nineteenth-century French

[42] Mann, *Sources of Social Power*, II, 370–8; Edling, *Hercules in the Cradle*.
[43] Gueslin, *L'État, l'économie et la société*; Daumard, 'État libéral'. [44] Stanziani, *Rules of Exchange*.
[45] Horn, *Path Not Taken*.
[46] Daunton, *Trusting Leviathan*, 26 and *passim*; Harling and Mandler, '"Fiscal-Military" to Laissez-Faire State'; Mandler, 'State and Society', 2.
[47] Plessis, 'Impôt des français', 24. [48] Fureix and Jarrige, *Modernité désenchantée*, 296.

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economy was not markedly inferior to that of Britain, however much scholars might idealise the latter.[49] Indeed, as Mariana Mazzucato has argued, the state can be an effective agent of economic development, something that may have been true of nineteenth-century France.[50]

The Revolutionary and Napoleonic Wars had global ramifications, and triggered the reform of the state across Europe and the Americas.[51] The process of transformation did not end with the return of peace, since states then had to adapt to the post-war world. Spurred by the need to buttress the counter-revolutionary order, reform continued after 1815, stimulating the growth of government as more state regulation emerged.[52] Under pressure to reduce expenditure and curb the bloated state that arose from the politics of 'old corruption', the British government abolished income tax in 1816.[53] Meanwhile, the end of the 1812 Anglo-American War in 1815 presaged a period of retrenchment for the United States, like that pursued in Europe, as the federal government ended temporary wartime taxes; from 1817 to 1861, the tariff – an import duty – was the only federal tax.[54] In 1816, the Second Bank of the United States was established, and a central bank was founded in Austria, to stabilise public and private credit.[55] Four years later, the Prussian Seehandlung, a state bank created under Frederick the Great, was made independent partly in the hope of enhancing its credit.[56] The change to the Seehandlung dovetailed with a process of fiscal reform in Prussia, stimulated by the costs of Napoleonic extortion from 1806 to 1814 – estimated to have totalled 80 per cent of Prussia's 1805 GNP – and the abolition of serfdom between 1807 and 1816.[57] The post-war settlement gave Prussia large swathes of territory in the Rhineland, which had a different tax system and a more commercial economy than the agrarian Prussian heartland. This problem of fiscal heterogeneity aside, the government also needed revenue, not least to cover its war debts. Following unsuccessful attempts to introduce an income tax in 1808 and 1812, between 1818 and 1822 the government raised direct taxes by establishing a class tax (*Klassensteuer*), which divided

49 O'Brien and Keyder, *Economic Growth*; Crouzet, 'French Economic Growth'.
50 Mazzucato, *Entrepreneurial State*.
51 Armitage and Subrahmanyam, *Age of Revolutions in Global Context*; Desan et al., *Revolution in Global Perspective*.
52 Bayly, *Birth of the Modern World*, 139–47; Graaf, *Fighting Terror after Napoleon*.
53 Daunton, *Trusting Leviathan*, 47–57.
54 Einhorn, *American Taxation*, 117, 157–8, 195–6.
55 Hammond, *Banks and Politics*, 230–50; Beer, *Die Finanzen Oesterreichs*, 90–97.
56 Radtke, *Die preussische Seehandlung*, 54–7.
57 Eddie, *Freedom's Price*, 311–14.

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taxpayers into five classes and was levied mainly on land. The government also instituted a new business tax, similar to the *patente* which the Napoleonic regime had imposed on commerce. Meanwhile, the government sought to shift the fiscal burden from eastern Prussia towards the newly acquired or reconquered, wealthier western areas. Though overall indirect tax revenues did not change much, the rates of these taxes rose considerably in the west while falling in the east, redistributing much of the fiscal burden towards the urban poor in the west.[58] The government of the newly constituted Kingdom of the Netherlands likewise pursued a more homogeneous fiscal system, seeking to equalise the fiscal burden between the north and the south. While this entailed raising taxes in the latter, the Dutch government, like others in Europe, sought to reduce taxes. Thus, between 1816 and 1822 a series of measures reduced customs duties while seeking to offset the adverse effects on Dutch industry through subsidies.[59]

Like Prussia and the Netherlands, Spain suffered heavily from Napoleonic plundering and embarked on a similar process of fiscal reform and administrative rationalisation after the French invaded the country in 1808. In 1813, the government introduced a new uniform direct tax, intended to replace the plethora of different *ancien régime* provincial taxes.[60] The reform, however, proved short-lived. The restoration of Ferdinand VII in 1814 presaged the revocation of the 1812 constitution and, reasserting his authority, he repealed the *contribución directa* and revived the *ancien régime* system. In subsequent years, constitutional crisis hampered fiscal reform in Spain, as Ferdinand sought to govern without the Cortes. Raising new taxes was problematic and the public finances remained unstable.[61] The turmoil in Spain that followed Napoleon's invasion fuelled a crisis of empire in Latin America, leading many colonies to establish their independence in a struggle that lasted into the 1820s. The ensuing growth of military expenditure and the loss of colonial resources combined to exacerbate Spain's fiscal problems. Meanwhile, the former colonies overhauled taxation as they established themselves as newly independent states – though this process of state formation lasted longer than the post-war period of reform in Europe and the United States, and frequent conflict in Latin America demonstrated the capacity of war to

58 Spoerer, *Steuerlast, Steuerinzidenz und Steuerwettbewerb*, 47–55.
59 Fritschy, 'Staatsvorming en financieel beleid'; Zanden and van Riel, *Nederland*, 117–21.
60 López Castellano, *Liberalismo ecónomico*.
61 Fontana Lázaro, *La quiebra*; Fontana Lázaro, *Hacienda y estado*.

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