**Chapter 5.**

**Short term loans.**

The monarchy did not only need to collect taxes, to support its ordinary expenditure, and raise capital to fund extraordinary costs. It also required short-term loans to meet the gap that might be resulting from delays, accidents or inadequate previsions of funds. We have seen (chapter …) that the Valois kings mined commercial capital available at the fairs. Under Francis I, the cardinal Tournon was regularly dispatched to Lyon to borrow idle funds, and his successors milked the place to the fullest. Mention has been made too that private individuals, royal officers or corporate institutions were invited to lend considerable money by *prêts* during the Thirty Years’ War. While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of these loans threatened fiscal sustainability. In 1577, 1648, 1708, 1759 and 1770 the king defaulted on its short-term debt. This dates list only the major and comprehensive suspensions rather than *ad hoc* arrangements with lenders to delay payments or renegotiate the terms of loans. As Necker observed, managing the short-term debt was the normal diet of ministers, a recurrent and hair-raising issue as the short maturity of these loans saw them the hostages of the lenders’ goodwill.

Thanks to Francoise Bayard’s extensive analysis of the *arrêts du Conseil*, the volume of the short-term loans enacted by this form, their chronology, the profiles and geographic origins of the lenders, the collateral and, sometimes, the interest rates, are known for the first half of the 17th century. No such systematic study has been carried out, however, for the rest of the Old Regime. Although it is likely that the government continued to raise short loans by *arrêts du Conseil,* the arrest of the *surintendant des finances* Fouquet, who had himself heavily relied on *prêts*, had considerable impact on the ways in which the king’s monies were managed afterwards. Masterminded by Colbert, this palace coup aimed to see the king rule personally, notably by taking over the role of *surintendant des finances*. The post being abolished, the Bourbon kings became sole authorizer of all revenue and expenditure in his kingdom. Centralisation of the purse into the royal hands was associated with the rise of the *contrôleur général des finances* who reported to the king in the *Conseil Royal des Finances* on the availability of funds, helping him decide on their distribution to the ministers.

One aim of what historians have somewhat called a *revolution* was to answer the scandal of the *comptants* which had played a substantial part in the unfolding of the Paris revolt during the Fronde. As we will see later (see Part 4, chapter 1), the *comptants* were one of the legal forms used to escape scrutiny of the destination of expenditure and hide the high interest rates that ministers offered for obtaining short-term loans. Colbert’s ruling of 1661 did not see to the abolition of *comptants* *per se*, but the sums paid by this technique became meaningless, until the issue came up again under Louis XVI. As in the many areas he sought to reform, Colbert’s introduction of new registers for assisting and recording royal fiscal decisions helped manage royal finances more efficiently and cheaply. But he did not bring fundamental breakthrough in the control of expenditure. Wary of staffing costs, and counting on his hard work, knowledge, and authority on fiscal maters, Colbert missed the chance of setting the foundations of an independent treasury, unlike in England, to advise the king on most efficient use of monies. As a result, and while decisions on the funds and their distribution remained a matter reserved to the king, the critical issue of short-term credit was abandoned to the ministers: the *contrôleur général des finances*, for all matters relating to the collection of revenue, and the secretaries of state, for all the aspects pertaining expenditure.

This evolution, which had probably started under Louis XIII, formalised what Dessert has called the *système fisco-financier*. Widely adopted by French historians, the concept is somewhat misleading, thought. For it can be applied to any period of history that saw the evolution of the tax state (taxation) to a fiscal state (credit), as per Bonney, Bonney and Ormrod typology of regimes. In this respect, Dessert’s *système fisco-financier* names a specific stage in the rise of the French fiscal state and corresponding to a time when a discrete group of individuals, the so-called *financiers*, exercised considerable authority over the management of both tax revenue and credit supply. True, the concept is not merely concerned with the financiers, or what Dessert calls the apparent system. A revisionist, Dessert believes that absolutism, i.e. the claim by Bourbon monarchs to exercise absolute authority in all the realms of life, is simply a myth. The true power, he argues, belonged *de facto* to the wealthy. The real system built upon the court aristocracy who consolidated and increased their dominant position in society by lending their money to the king via the *financier*s.

The claim is powerful, evidenced and in line with the justifications of inequality under the Old Regime[[1]](#footnote-1). It remains a bit tautological, though. For it is difficult to imagine a government borrowing money from the penniless. After all, the English aristocracy took a formidable portion of the first shares issued by the Bank of England, and it greatly profited from the capital gains made by the establishment in its early phase[[2]](#footnote-2). By and large, lending was not the preserve of the rich under Louis XIV. If some major offices could raise millions at once, many offices of small value were sold to the king’s less affluent subjects and, like the former, their acquisitions were purchased on credit, by borrowing all or part of the capital. The nobility made a considerable contribution to buying *rentes* too. Yet the royal loans would have failed without the support of petty purses. Money may have been costly to raise, it was not wanting. In his conclusion, Dessert turns his head away from the Grand Siècle and points towards changes in the Age of Enlightenment as exemplified by the greater role played by royal loans and the disappearance of *chambres de justice* against the *financiers*.

The aim of this chapter is to examine the extent to which the monarchy maintained or changed the agents and techniques it used to raise short-term credit. Of crouse the impact on the eve of the French Rebvoluion. It will be divided into two sections. The first section will mostly focus on Louis XIV’s reign to illustrate the reasons for the needs of short-term credit and the solutions adopted. The second section will be devoted to the experience of the Regency and its impact on both the system of short-term by showing how its failure during the Seven Years ualure rerem credot

Trois types de credit: le credit des financiers, le crédit des banquiers, le papier monnaie.

1. Louis XIV, the financiers and the others.

While there is no doubt that the financiers dominated under Louis XIV’s reign, the ways in which the king accessed short-term credit was more varied than the term système fisco-financier assumes. We will successively examine the role played by the traitants, the tax collectors and the paymasters. Together, and often in a confused manner, they were the *financiers*. Their services, however, were relayed by bankers were important, too, and remedy fiscal shortages by introducing paper money.

A. The traitants, or how to cash the affaires extraordinaires.

The services provided by the *traitant*swere complex and are probably not fully elucidated yet. At the core, their *raison d’être* was to advance the revenue expected from the *traités d’affaires extraordinaires* that they contracted to sell to the public on behalf of the king. Indeed, each *traité* stipulated a calendar of payments that the *traitants* had to make to the Treasury, starting with an upfront lump sum and followed by monthly or bimonthly instalments usually spanning 12 months. It must be added that the *traitants* could only claim their *remise* – or payment of their services by the king - after they had completed their part of the contract, i.e. paid the finance in full to the *Trésor royal*. For these reasons, the *traités* were essentially credit operations. The instalments played a crucial part in planning and funding expenditure. Various autograph budgets from Chamillart show how the minister lined up the ordinary (taxes) and extraordinary (loans) resources to be used in the fiscal year. Once the funds had been identified they were broken down in *états de distribution des finances.* These documents listed the resources to be assigned to the ministerial departments during the year, with details of the monthly funds, their nature and their location. The instalments of the *traitants* featured prominently on the *états de distribution.*

In theory, the *traitants* should have been able to manage their business in such a way that the receipts from the sales of offices would coincide with their calendar of payments to the Trésor royal, or the assignations drawn upon their *traités* and delivered to the *trésoriers généraux* for paying royal expenditure. It may well be that potential purchasers of offices were contacted before the affair was officially sealed by the *traité* or that it was so speedily expedited that the *traitants* had the fund ready to pay the initial lump sum or in hand before their instalments or assignations were due. In practice, however, so many *traités* were signed in the latter part of Louis XIV’s reign that different models were used by the *traitants* to finance their operations and maximise their profits. As a matter of fact, each *traité* was supported by a business partnership that set out the role of the *traitants* – or *cautions* – in the management of the affair, and pooled the capital needed to finance the various costs. Besides this common feature, the sums to be raised and the financial products to be sold by the *traitants* varied considerably. Some *traités* were enormous financial ventures, with a finance worth millions, but most were much smaller contracts. Some *traités* met a real demand and had to be renewed, once or twice, to satisfy the market. Others, however, dragged on for a variety of reasons, such as legal challenges or poor response from buyers, and a general fatigue towards venality. *Traités* might also collapse when the government accepted higher bids from competing *traitants* or when targeted lenders organised resistance and negotiated alternative agreements. Historians have evidenced the vigour of the discussions that impacted, or at least mitigated, the attended outcomes of the *affaires extraordinaires* for all the parties involved.

Finance minister Pontchartrain (1689-1699) is well known for his heavy reliance on *traités* and *traitants* to finance the Nine Years’ War. His successor, Chamillart (1699-1708), was more sanguine about venality. In his first official correspondence as *contrôleur général des finances* he warned Louis XIV that ‘neither me nor anyone in the kingdom can follow the direction of finances with help of extraordinary affairs’[[3]](#footnote-3). In the section below devoted to money, we will further examine what his alternatives plans were. His criticisms of *traités* had long been known to the king. Since 1694, at least, Madame de Maintenon had a private correspondence on fiscal matters with Chamillart whom she invited to submit a budget project. What remains from their epistolary exchanges illustrates some underlying problems with the *traitants*. In effect, these *financiers* were rarely able to raise the capital needed to sustain their instalments. Although it is difficult to identify a ratio, evidence suggests that the *traitants* had to borrow to meet their payments. This they did by asking their cashiers to tap the money market by selling *promesses*, or obligations.

Arguably, the extent to which the *traitants* relied on credit to pay varied considerably. Documents concerning the *traité* Gatte (1692) tells, for instance, that the *traitants* agreed to run their business as economically as possible so as to generate a *bénéfice de caisse,* that reached 0.8 million or 17.5 % of the receipts, by lending the outstanding sums. The accounts of the *traité* Bailly (1691) tell a different story. In proportion, the sums spent on administrative costs were twice those of the traité Gatte. More importantly, the traité Bailly destined 156,767 lt, or 14% of its total expenditure, to discount and pay the interests of advances and loans for a finance of 2.7 million. In the case of the traité Gatte, the same post amounted to only 25,862 lt. and for a finance of 13.7 million. The *traité* of the offices of *gouverneurs* was in deep trouble: he had managed to sell only 40,000 livres worth of offices, paid in long term bills, and had spent over 200,000 in interest and administrative costs to honour a finance of 2 million[[4]](#footnote-4)

What model was most frequent is impossible to tell from primary sources. According to Chamillart, the volume of bills issued by *traitants* to fund their operations explained for 1694 credit crisis. He claimed that far too many *traitants* entered the business of *traités* with no capital at all, or very little sums. For lack of resources, they paid their lump sum in bills on their cashiers, which the Treasury handed out in payment to suppliers or negotiated to get coins. Inevitably, given the sums involved, the bills glutted the market. There was a risk that interest rates could wipe-off attended benefits, especially if *traités* did not perform well. For Chamillart, too many *traités* of questionable worth had been issued to individuals of feeble means who were unable to help the government in times of hardship. Chamillart’s views were probably listened to: in 1695, the volume of new *traités* fell quite dramatically, as well as the revenue from venality brought to the Treasury, which was almost halved to 47 million, while capital from loans tripled to just under 50 million[[5]](#footnote-5).

Chamillart’s dislike of the *traitants* and *affaires extraordinaires* had significant impact on his fiscal policy at the beginning of the War of the Spanish Succession. Although *traités* were signed, r*eceveur général des finances* Delacroix, an important financier who had started his career under Colbert, rung the alarm as the funds from *affaires extraordinaires* were not flowing in. He bluntly told Chamillart that the *traités* would not bring cash swiftly unless the minister weighed in. Too busy to follow affairs for which he had little appetite, Chamillart asked Delacroix to liaise with the intendants to review the situation of the *traités* in their généralités, press their completion so that new ones could be issued. Inevitably, the delays affected the capacity of the *trésoriers généraux* to pay royal expenditure on time. Allegedly short of funds, the *traitants*, or rather their cashiers, refused to pay the assignations drawn on them. Complaints were filed and generated much correspondence which informs us nowadays about these problems. Meanwhile, the *trésoriers généraux* made matters worse as they borrowed to get the coins to pay royal expenditure.

To obviate these problems Chamillart introduced a new system for allocating the affaires extraordinaires. Called *quadrille*, after the card game, it proposed to only sign *traités* with powerful groups of financiers capable of paying the Treasury without borrowing from the public.[[6]](#footnote-6). His successor, Desmaretz (1708-1715), later refined this idea by handing out all the *affaires extraordinaires* to the *receveurs généraux des finances* in support of their advancing the revenue from future taxes, and for a remise reduced at 10%.

2. Tax collectors.

Like the *traitants,* the tax collectors had to pay by instalments. Each year, the *receveurs généraux des finances* (RGFs), in the case of direct taxes, and the fermiers généraux (FGs), for indirect taxes, agreed on a calendar of payments with the *contrôleur général des finances*. Punctuality was all the more important since the tax collectors’ monthly payments, like the *traitants*’ instalments, were destined to the *garde du Trésor royal* and the *trésoriers généraux* who relied on these funds to pay royal expenditure. For a variety of reasons, the schedules did not always reflect the tax received by tax collectors from the taxpayers. Potential discrepancy could be minimised by careful prevision and management of the tax base (capacity). Still, the tax collectors were expected to pay on time, and this regardless of tax receipts. Under Louis XV, the king incentivised them by a gratification of …. on the taxes they collected to cover the costs of the advances that they might, or might not, make to meet their monthly payments during the fiscal year. This relatively small sum seemed worth the spending to shield late or struggling taxpayers from the legal costs of prosecution that the tax collectors could initiative if pressed by their instalments.

Such arrangements worked well in normal times when taxation was rather static or moved in unison with economic activity. They helped absorb *ad hoc* accidents. With its urgent and heavy costs, war posed a direct threat to the peacetime tax equilibrium. In the case of taxpayers two scenarios presented themselves. Most of them were likely to see their tax bills increase (pay more), although the purchasers of offices might buy tax rebates. Some could also see their revenue affected by the impact of war on their activity (receive less), although war profited certain production sectors. Part of these pressures happened overnight and sporadically, while others developed over years. Pressures mounted on the tax collectors too as the additional demands of the government required that they turn over greater volumes. As time went by, the gap between taxes paid by the king’s subjects to the tax collectors, and the taxes to be paid by the tax collectors to the treasury tend to widen.

Various historical examples could illustrate the underlying causes for these tensions. We will only mention two. On the receipt side, taxpayers’ failure is evidenced by the 80 million of unpaid taxes that the government decided to wipe out in 1718. Yet in 1726 taxes outstanding were back to .. , When it comes to payment, the many layers of tax collection, starting from the taxpayers to the collecteurs *des tailles* (villages)*¸* then to the *receveurs particuliers des tailles* (élections) to the agents of the *receveurs généraux des finances* (généralités), and finally to the *caisse des recettes générales* and the Trésor royal in Paris, could see the chain break in many places and, worse, the finance minister baffled when these various agents answered his queries by putting the blame on each other for the delays. Endemic in the latter part of Louis XIV’s reign, these problems were progressively sorted out under Louis XV, notably by finance ministers Le Peletier des Forts (1726-1730) and Orry (1730-1744) whose action benefitted from a long period of peace (and the benefits of previous bankruptcies on expenditure). But the return of international warfare in 1744 saw the tax machinery struggle again, especially during the Seven Years’ War. As under Louis XIV, the harvests failures of the late 1760s and 1780s were also very damaging for the Treasury.

A substantial part of the tax revenue was spent in the *généralité*. Each year the RGFs received an *état du roi* with the names of the officers and the royal agents and the gages and salaries they were owed. These *charges* were usually paid last, towards the end of the fiscal year that spanned 15 to 24 months. The reminder of the taxes, the so-called partie du Trésor royal, was destined to central expenditure. A considerable chunk of the indirect tax went to the *payeurs des rentes* who paid the interests of the royal loans to the rentiers. What remained of tax revenue was assigned to the ministries, mostly to the army and the navy, as well as the king’s household and the pensions. Note, however, that a portion of these funds were paid locally, for instance the salaries of the military and naval staff who were spread across the kingdom. A financial infrastructure was therefore necessary to minimise the cost, let alone the need, of moving coins back and forth around the kingdom, from the taxpayers to the treasurers and the payees. For coins were a very ponderous commodity. Under Colbert the *livre tournois* was worth 8.33 grams of pure silver. The purchase of a petty office, say 1,000 lt., required moving over 8 kg of silver. At that time, the RGFs handled on average 2 million lt. pa, about 1,500 tons of silver or 100 tons of gold. Substituting light notes for heavy coins, and increasing velocity, was one of John Law’s arguments in favour of his bank project. Indeed, the marking of a typical bag of coins, worth 1,000 lt., that were usually caried around the capital city for buying and selling, had showed that the same bag of money was sometimes dispatched and received by the same individual during a single day. As is well known, the failure of John Law’s scheme reinforced the position of the *financiers*, and the associate profits to be made from the handling of precious metal and its remittance, crucial aspects that will be discussed more specifically in the next part of the book devoted to the costs of the *système fisco-financier*.

Each month, tax receipts were collected, making their way up, and distributed, making their way down and around. The RGFs and the TFs did not handle the coins physically. They supervised the movement of funds, liaising with local agents and taking the necessary steps to ensure that the funds assigned on their receipts would be available when the payees presented their claims. In the case of the RGFs, these claims took the specific form of *rescriptions*, or orders of payments that each RGF drew on his agent who had responsibility over the funds gathered at the capital city of the *généralité*. These *rescriptions* were a kind of cheque on the tax revenue, and they were handed out to the garde du Trésor royal and the general paymasters who just needed to cash them to sustain their payments. Each of them held a large portfolio of *rescriptions*, as well as *billets des fermes* on the TFs and other *assignations* on other revenue, for instance on the instalments of *traités* under Louis XIV. These assets, however, were delivered by tranches, as per the *état de distribution des finances*. In practice, however, monthly expenditure might exceed the portfolio of assets that were about to mature. There were many ways by which the finance ministers could help resolve this new issue of synchronicity. Apart from prioritizing payments, the most common way of addressing liquidity problems was by issuing credit instruments and money.

The issue with paper money will be discussed at the end of the chapter because it concerns mostly the problem of bank and bankers that arose in the last years of Louis XIV’s reign and from the Regency onwards following John Laws’ experience. For the time being, we will focus on the short-term credit instruments that were used by the Treasury to bridge the temporary gap between expenditure ordered and funds available. Under the Old Regime, short-term liquidity problems were mostly addressed by cashing in advance the revenue from taxes. To do this, the *contrôleur général des finances* just needed to ask the RGFs to draw *rescriptions* with a distant maturity and hand them out to the treasurers for their payment. The abridged accounts of the *Trésor royal* for the years 1662-1699, and the data published by Forbonnais for the period 1707-1714, offer invaluable details about the *anticipations* of future tax revenue under Louis XIV’s personal reign. Hardly used in the 1660s, the anticipations of future revenue, the equivalent of the *prêts* under Louis XIII, kickstarted with the Dutch War (1672-1678) and, from that moment on, they remained a permanent resource for the Treasury until Louis XIV’s death.

Until the ministry of Desmaretz (1708-1715), who made a great use of anticipations, the *rescriptions* on the *recettes générales* were a rather modest facility, averaging 3.7 million in the period 1671-1699, with rare peaks at 4-5 million in wartime. Colbert seems to have relied on this credit instrument to cushion the impact of tax hikes, especially the *étapes*, a war tax destined to lodge and feed troops that was supervised by the RGFs. The bulk of the *anticipations* fell upon the TFs, representing 66% of all the sums cashed in advance, and even up to 72% in the case of the pays d’*élections*. Unlike the rescriptions, the *anticipations* drawn upon the tax farms does not show a clear pattern. In 1671, the funds assigned by a *prêt* of 6.3 million probably cashed the recent increase in the annual lease. Making good the attended profits of a new and more substantial lease may also explain for a substantial *prêt* of 17.7 million raised by anticipation of the revenue in 1689, when the Nine Yaers’ broke out. It is not unreasonable to suggest that the purpose of the large volume of anticipations in 1679 and 1699 was to help the conversion of long-term annuities, a technique that required raising large sums to pay off reluctant creditors and induce the others to accept a lower rate of return on their initial investment. As a matter of fact, *anticipations* operated as an overdraft, and, as such, they carried an interest. This credit facility was a useful resource that was used very carefully, at least until Desmaretz, and we will see why soon. By and large, the *anticipations* replaced the *prêts*, without their excesses.

In the area of short-term credit, Colbert’s only true innovation came in the form of the *Caisse des Emprunts* (1674-1683). Barely studied by historians, this credit institution aimed to tap the pool of individuals and corporate bodies that were willing to lend short-term and in accordance with the legal rate of interest (5%). Colbert mobilised the services of the TFs who had themselves of a *caisse d’emprunts* that issued promissory notes, called *promesses des gabelles*, to fund their operations. Managed by the TFs too, the royal *Caisse des emprunts* liaised between the lenders and the *Trésor royal*. Graph… shows the payments that it made to the *Trésor royal*. The volume of the loans outstanding rose each year, apart in 1680 and 1681 which coincided with the transition from lease Saunier to lease Boutet. The repayment of 7.5 million to the cautions of lease Saunier by their successors suggests that the former had been asked to lend to the Caisse, with promise of repayment at the end of the lease. The sums borrowed by the *Trésor royal* continued to rise, reaching to almost 26 million at the end of lease Boutet (1682) and 32.6 million in the first year of lease Fauconnet.

Primary sources do not document the extent to which the investors in the *Caisse des Emprunts* asked for their capital when their *promesses* came to maturity or took the interests and rolled over their loans. Unlike under Chamillart (see below), there was no run on the establishment. Yet it seems obvious that Colbert drew upon the facilities of the *Caisse des Emprunts* to fund expenditure, probably by delivering *promesses* in payment. Despite his many warnings to the king on excessive spending the demands on the Treasury had remained very high after the peace. In 1680, Colbert told his master about the imperative of balancing the books for fear that excessive borrowing might see interests bounce back to 15 percent, as under Mazarin. In another letter he provided details about the situation of the king’s finances for 1681: the annual ordinary deficit was estimated at 20 million (out of 70 million net revenue), and arrears on payments were 16-17 million. The finance minister faced an unpleasant alternative: increasing taxes on the king’s overburdened subjects or continuing to borrow money while the market was now asking 10%. The volume of the floating debt, Colbert argued, might lead to ‘an almost universal bankruptcy, which would be followed by lots of pains and would diminish considerably the revenue of Your Majesty’[[7]](#footnote-7).

In the summer of 1683, rumours of Colbert’s death saw some insiders run on the *Caisse des Emprunts*. One of the first tasks of his successor, Le Peletier, was to suppress the establishment and restructure its debt. The *promesses* were converted into *rentes perpétuelles* issued at the denier 18 (5.5%), or 0.5% above the rate of conversion that Colbert had offered to the rentes issued during the war. On 5 May 1684, 22.6 million of *promesses* were to be repaid into *contrats de rentes* but 62 promesses worth half a million were issued after that date, probably in payment of a debt, bringing the capital to be converted to 23 million. The nominative list of lenders shows that some 2,200 holders held *promesses* worth 10,000 lt. on average. In their majority, however, the lenders had lent much smaller sums, with many loans between 2 and 5,000 lt. But 31 lenders had lent 30,000 lt. and over for a total of 3.2 million (14%). The duc du Maine, a bastard of Louis XIV, came first with 818,083 lt., followed by Parque, probably the pseudonym for some powerful individual as the sum war ear-marked to be paid on 6 May, Colbert for 260,000 lt. and Bartillat, a garde du Trésor royal, for 190,000 lt. These details, and the list below, confirms that the most powerful were the principal lenders of the king[[8]](#footnote-8).

**Table..**

**Principal investors in the Caisse des Emprunts (1684).**

|  |  |  |
| --- | --- | --- |
|  |  |  |
| 4/1/1683 | Benyon | 44000 |
| 1/3/1683 | de Blamont | 40000 |
| 26/6/1683 | abbe de Colomb | 38710 |
| 7/7/1683 | de Rumigny | 107800 |
| 26/7/1683 | comnte de Charmel | 70000 |
| 1/10/1683 | Madame de Vieilbourg | 43000 |
| 2/10/1683 | Ragaine | 40000 |
| 11/10/1683 | de Varengeville | 60000 |
| 11/10/1683 | Delaunay | 46000 |
| 13/10/1683 | Mlle Dangeau | 42000 |
| 18/10/1683 | Comte de Lauzun | 50000 |
| 23/10/1683 | Marquise de Clairambault | 80000 |
| 4/11/1683 | Prince de Soubise | 47000 |
| 17/12/1683 | Marquis de Menars | 105600 |
| 18/12/1683 | Mme de Novion | 48000 |
| 29/12/1683 | Delagrange | 40000 |
| 29/12/1683 | de Vertamon | 40800 |
| 29/12/1683 | Marquis de Montandre | 40000 |

Source: AN, 129 AP 91/2

The suppression of the *Caisse des Emprunts* did not put an end to the intermediation of the TFs as providers of short-term credit to the Trésor royal. We have seen that most of the *anticipations* took the form of assignations on the revenue from indirect taxes. The TFs, however, were to play an even greater role in supporting the treasury during the Nine Years’ War. Pontchartrain was directly responsible for this.

the reason for their intervention was Pontchartain (1689-1699) Claude Le Peletier, who had been in charge of finances since Colbert’s death, resigned in September 1689, after the first campaign of the Nine Years’ War. Deeply concerned with financial corruption and misery, which he tried to fight, Le Peletier was not the ideal man to fund a war. Torn between his political obedience to Louis XIV and his moral duty to protect the king’s subjects from what he considered inconsiderate demands by Louvois (war) and Seignelay (navy), Le Peletier soon felt he was a disagreeable colleague, found himself isolated, started to suffer from insomnia and asked to give out his job[[9]](#footnote-9). His most important legacy was to propose Pontchartrain, whom he had selected as intendant des finances to help him with the preparation of the lease Pointeau, as his successor.

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was the first attempt to organise a royal system of short-term credit. Established in 1674, the *caisse* royalised, as it were, a credit instrument, the *promesses des gabelles*, that was used by the tax farmers to raise money on the private market and sustain payment of their leases to the Treasury. The loans raised by the *Caisse* through the sale of *promesses* by the caisse were different, and in addition to the cash advances asked from the tax farmers on the revenue from indirect taxes. Primary sources show that the *promesses* sold by the caisse during the lease Saunier (1674-1680) were all issued with a maturity falling in September 1680.

1. Bankers’ credit.

Il est de coutume d’opposer les banquiers et les financiers. Les premiers sont décrits comme étant foncièrement intéressés par les remises de capitaux, de place en place, par le système des lettres de change. Les seconds sont présentés comme exploitant les ressources domestiques par le système des avances et des assignations sur les recettes fiscales. Dans la pratique, cependant, les marchands-banquiers et les financiers pouvaient opérer tant à l’intérieur qu’à l’extérieur du royaume. The financiers were well versed in the traffic in bills of exchange because it was the tool they all used to remit taxes to Paris. Hence Marquet de Grèves’ training in Amsterdam before he took over the recette generale des finances de Bordeaux under Louis XVI. Il n’y a pas de raison de penser que banquiers et financiers n’aient pas saisi toutes les opportunités de faire des affaires et s’enrichir. En 1702, Samuel Bernard, député du commerce de Paris at the newly established Conseil royal du commerce, represented that the financiers were hurting trade and the king’s interest by buying all the bills of exchange. A memorandum form the deputes du commerce followed and recommended that the receveurs généraux des finances and the tax farmers should only use inland bills of exchange, and be prohibited from buying the foreign bills of exchange that they needed to purchase for their international payments[[10]](#footnote-10).

This challenge to the financiers’ monopoly, however, does not mean that the two worlds were unamicable. True, the great merchant-banker Laborde despised financiers and the garde du Trésor royal Paris de Montmartel replied very coldly to his offer to pull their strengths together when France struggled in the Seven years War. But they were other issues at stake, one of which was the extraordinary ego of those men of wealth and power that fuelled competition and hostility of their respective networks. Samuel Bernard, who was certainly the greatest banker that France had relied upon to finance Louis XIV’s wars, had also a domineering approach towards business. He was both a banker and a financier. In his role as a banker, he came to dominate the business of remitting funds to French troops. His power as a banker rest on a vast network of correspondents across Europe who were able to supply the Treasury with the foreign bills of exchange needed to make payments in foreign currencies outside of the kingdom. As Luthy showed, Genevan bankers played a crucial role in providing Bernard with the instruments to organise payments abroad. Of course, the lines of credit consented to Bernard by his collaborators had a cost. Regularly, he had to honour the bills of exchange drawn upon him by his correspondents for providing payment facilities. Besides his own fortune, the liquidity of the operations he oversaw relied upon fiscal resources handled by the financiers. The *Archives nationales* preserve many lists of the funds assigned on the financiers to him in all parts of France and on many *traités* to refund the enormous advances he consented to the king. In 1704, for instance, .. 40 millions. But Bernard was not only feeding on the business of the financiers. He was a financier himself, being a caution in many tax leases and *traités* *d’affaires extraordinaires*.

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1. Colbert and short-term credit.

Following the treaty of the Pyrénées (1659) which had brought an end to the war between France and Spain, the arrest of Fouquet ensured that the king’s finances were now back to a peace footing too. Arguably, Colbert’s decisions to revise the terms of all the fiscal contracts passed between 1635 and 1661 gave the Treasury the breathing space necessary to restore equilibrium between revenue and expenditure, as well as control over the *financiers*. Like Fouquet, the latter were sent to a *chambre de justice* that sat for 5 years (1661-1665), its magistrates examining the financiers’ activities, scrutinizing their accounts, cutting profits deemed excessive and taxing their profits[[11]](#footnote-11). On the *prêts* and *avances* the chambre de justice recommended that the restitution to be asked from lenders for excessive rates of interest should be based on the denier 18 (4%). The king, however, found that the measure would simply ruin families. Instead, the denier 14 (7.14%) was adopted to calculate the tax on the short loans secured by *arrêts du conseil* with the *trésoriers de l’Epargne* and the tax farmers, and the denier 12 (8.33%) in the case of the *receveurs généraux des finances*, traitants and other involved in the king’s finances. The reduction remained substantial if one considers that Guénégaud had advanced funds at the rate of 12.5%.

In the realm of royal finances, use and distribution of tax revenue was facilitated by credit instruments done he revenue from taxes was managed

There were essentially two types of taxes under the Old Regime. Firstly, the taxes on productions assessed against estimatred (taille, capitation) or declared revenue (dixième, vingtième). Secondly, the taxes on consumptions (goods). The former were managed by the royal officers, the receveurs généraux des finances (RGFs) and the latter by the tax farmers (TFs). There was a third type of taxes, in the form of duties on public documents, and system of tax collection with the *régie* *intéressée* (direct administration). The revenue from these taxes was destined to royal expenditure. There were also two types of expenditure. On the one hand, the *charges*, or local expenditure that were paid directly by the tax collectors from their receipts, and, on the other hand, the so-called *partie du Trésor* royal, i.e. the reminder of the receipts that were available for other purposes, especially the expenditure of the ministries. The content of the charges changed over time. It is fair, however, to say that the RGF paid the salaries and gages of the king’s agents, and any expenditure ordered by the intendant, the representative of the king in the *généralités*, or the minister who had general responsibility of the *généralités*. This was normally the *contrôleur général des finances*, except for the frontier provinces which called to the secretary of state for war, or even navy. The TFs also paid some salaries and expenses, but the bulk of their receipts was paid directly to the *payeurs des rentes* who, in turn, paid the interests of royal loans. The ratio between the charges and the PTR varied over time, especially in wartime and to the detriment of the Treasury as the government created many *offices* and *rentes* that fell in the *charges*.

As in the case of *traitants,* the tax collectors had to pay by instalments. The contracts they signed with the king stipulated a calendar of monthly payments. This schedule, however, never tallied with the taxes paid to the tax collectors. Indeed, the taxpayers were asked to pay their taxes by quarter. This was an expectation more than a reality. In tax parlance, Summer was known as the dry months. For cash was not mainly destined to satisfy but to the many people busy harvesting. The very size of the kingdom and the diversity of its climates meant that some localities or whole regions were likely to suffer from *ad hoc* accidents that impacted the flow of taxes. Above all, war, through tax hikes or its impact on economic activity, profoundly affected the capacity or willingness of the taxpayers to see to the demands of the tax collector. Nobles may have been taxed by Louis XIV and his successors, they were reluctant taxpayers and some resisted by dragging their feet. We have seen that many nobles stopped paying their *dixième* in 1715, perhaps in response to Louis XIV’s word that this tax would stop with the peace. By and large, the second order was prone to wait until the ultimate deadline to pay. This may have been a form of compensation for the delays they experienced in getting paid of their *gages* and *pensions*. In 1710, Desmaretz had to hold firm against those who proposed to pay but in compensation of the sums owed to them, which he bluntly refused. In the 18th century, *gages et pensions* payable in the fiscal year x were systematically paid in the last six months of x+1, and only when all was going well.

Dodging taxes was not the preserve of the privileged orders. In 1719, when the système of Law proposed miracles, the government decided to clean the slate of unpaid taxes which amounted to no less than 80 million, or half gross revenue at that time. If historians have showed that Law’s experience system brought some economic advantages, the system fiscal system was a pile of rubble and it took 10 years to rebuild. In the meantime, a credit and monetary policy that had supported the abundance of means of payments was abruptly reversed by the second visa of 1723 (consolidation of floating debts into annuities) and a deflationary policy (1724) to bring back prices to their previous levels. Combined with the impact of a major harvest crisis (1725), the credit crunch badly hit taxes. When Fleury took over from the duc de Bourbon, the backlog of unpaid taxes has increased to ….. Experts recognised that tax collection was fragile, especially direct taxes as they were not included in the .

The potential for the machine to get clogged was magnified by the imbrication of levels. Direct taxes had to move from the taxpayer to the village collector who brought the money to receveur particulier des tailles who sent it to the agent of the RGF at the capital city of the *généralité*. Once gathered, the taxes, especially the *partie du Trésor royal*, had to be made available to the payees. A financial infrastructure was therefore necessary to minimise the needs as well as the costs and risks of moving coins back and forth around the kingdom. For coins were a very ponderous commodity. Dessert calculated that an office of *conseiller* in the Paris Parlement three tons of gold. Substituting light notes for heavy coins, and showing the advantages of such a transition, was one of John Law’s arguments in favour of his bank project. Indeed, the marking of a typical bag of coins, worth 1,000 lt., that were usually caried around the capital city for buying and selling, had showed that the same bag of money was sometimes dispatched and received by the same individual during a single day. As is well known, the failure of John Law’s scheme reinforced the position of the *financiers* within the fiscal system, and the associate profits to be made from the handling of precious metal, crucial aspects that will be discussed more specifically in the next part of the book and devoted to the costs of the *système fisco-financier*.

The purpose of this section is to see how the revenue from taxes was used to obtain short-term credit loans. Thanks to the instalments that the tax collectors agreed to pay each month the king was able to assign funds to the *trésoriers généraux* and his other creditors. In practice, the Treasury gave the latter orders of payments drawn by the RGFs and the TFs, who had their residence in Paris, on their agents in the provinces who monitored the local tax collectors and centralised the money. The orders of the RGFs were called *rescriptions*. When these orders of payments came to maturity the *trésoriers généraux* could set in motion the practicalities for obtaining the funds. Because the principal paymasters, like the *trésorier de l’extraordinaire des guerres*, paid tens of millions per year, the rescriptions they were given for their service were assigned on many, if not all, the RGFs across the kingdom. The geographic dispersion of the funds added a complication. We have seen that finance minister Le Peletier pointed out at the inequality of treatment of the provinces of France under Louis XIV, some of which, like the northern frontiers, attracted coins from the rest of the kingdom to finance fortifications. Paris, however, absorbed much of the taxes, notably to pay the rentiers, the merchants who supplied the court and the contractors of the army. Here again, a network of agents and specific techniques were necessary to organise receipts and payments, and minimise the costs.

The main problem, however, was the potential inadequacy between the revenue from taxes and expenditure to be paid. This might just be a question of timing. Whatever the reason, a paymaster could be asked to defray some sudden spending which, initially, had been planned to occur at a later time in the year. In that case, the funds existed but they were not immediately available and the orders of payment may not have been yet distributed. Since the *états de distribution* were biding, the paymaster was reasonably confident that he was covered, because funds existed, on the one hand, and the minister’s order implemented a decision made by the king himself as principal ordonnateur. If expenditure exceeded the sums allocated to the paymaster for the fiscal year, then it was necessary for him to be covered by additional the funds. Otherwise, the audit of his accounts would make him personally liable for the expenditure.

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 tax revenue was represented by monetary instruments that helped organise the distribution of funds and the movement of specie during the fiscal year. Use of these instruments reflected three major problems: the chronology and geography of payments, and the materiality of taxes. From a purely material point of view, collecting and remitting taxes involved the handling of a very ponderous commodity. Dessert calculated that an office of *conseiller* in the Paris Parlement three tons of gold. A financial infrastructure was therefore necessary to minimise the needs as well as the costs and risks of moving coins back and forth around the kingdom. Substituting notes for coins and showing the advantages of such a transition towards paper money, was one of John Law’s arguments in favour of his bank project. Indeed, the marking of a typical bag of coins, worth 1,000 lt., that were usually caried around the capital city for buying and selling, had showed that the same bag of money was sometimes dispatched and received by the same individual in the course of a single day. As is well known, the failure of John Law’s scheme reinforced the position of the *financiers* within the fiscal system, and the associate profits to be made from the handling of precious metal, crucial aspects that will be discussed more specifically in the next part of the book and devoted to the costs of the *système fisco-financier*.

As opposed to money, and is function in the exchange of goods, the aim of credit instruments was to ensure that royal expenditure could be paid punctually, and regardless of the collection of tax. Indeed, and although payment of the various taxes was staggered across the year to facilitate their payment by the taxpayers, the reality on the ground was quite different. As a matter of fact, tax payments span two fiscal years, usually taking between 15 and 24 months to collect. In tax parlance, Summer was known as the dry months for cash was not mainly destined to satisfy the expectations of tax receivers but to pay the salaries of harvesters. The very size of the kingdom and the diversity of its climates meant that localities and regions were likely to suffer *ad hoc* accidents that affected the capacity of their taxpayers to pay on time. War, however, was the general cause for the discrepancy between revenue expected and their payment, either because of the increased tax burden and its social distribution, or its impact on economic activity. This was essentially to mitigate variations in tax receipts that the king relied on credit instruments. They served the same services, were the equivaelent, in the realm of finances, of the bills of exchange in the merchant world.

Various types of instruments were used to meet issues of synchronicity between revenue and expenditure under the Old Regime. In the 18th century, the two principal forms were *rescriptions*, on the one hand, and *billets des fermes*, on the other hand. *Rescriptions* were orders of payments that were drawn, on the one hand, by a tax collector on the agent who kept the actual funds, and delivered, on the other hand, to a creditor or payee. In the second half of the 18th century, the *rescriptions* were developed as as services to individuals, like a bank, to remit and transfer funds from one place to another. This was a recent development, though. The real purpose of the *rescriptions* was twofold: to dispose of the revenue of the fiscal current year, and to anticipate the tax revenue of future years. The *billets des fermes*, which succeeded earlier prorogations, had the same purposes but was the name attached to the credit instruments that tax farmers relied on.

*Rescriptions as a tool prevision.*

Under Louis XIV, the summaries of the accounts of the *Trésor royal* do not evidence the ways in which the *rescriptions* were used to sustain the regular flow of ordinary revenue from year to year. There is no doubt, however, that the finance minister discussed with the tax collectors and agreed with them on calendar of payments, which, moreover, was updated according to circumstances. The tax leases passed with the tax farmers every six years, in the case of indirect taxes, and the individual *soumission* subscribed each year by each *receveur général,* for direct taxes, stipulated these arrangements which were updated to changing circumstances. Whether or not the taxes were collected, the tax collectors knew in advance what sums they had to pay at what moment. As it were, the *rescriptions* operated like cheques on the revenue from taxes, and they were handed out in lieu of cash to the *Trésor royal* and distributed among the treasurers of the departments. If a tax agent did not have the funds available to honour the *rescription* drawn upon him on maturity, then the tax collector could ask for a delay, borrow money or become liable on his personal fortune. Diversion of monies could explain such an unfortunate situation, and if the missing sums were considerable the tax collector or his agent could be sent to trial before the *cour des aides* or a special commission of the Conseil royal set up to enquire. Inevitably, failure to pay would raise public outcry about misuse of royal revenue. But liquidity problems could also arise from various other causes, among which taxpayers’ sluggishness to pay or embezzlement of funds. During the French Revolution, tax collection was paralysed by delays in the preparation of tax rolls and that some cities, for political reasons, were not willing to press on.

The many events that might interrupt the smooth flow of taxes called for some flexibility to absorb deficiencies. After the collapse of John Law’s system, the government sought to resolve the tensions that had seen Chamillart and Noailles clash with the *receveurs généraux des finances*. In 1707, as the fiscal situation worsened, Chamillart complained about delays by the *receveurs généraux des finances* in paying taxes. The latter, however, replied by blaming the *receveurs particuliers*, whom they accused of retaining taxes to support their stock-jobbing activities on royal assets. The prosecutors, or some of them, were likely to have profited too by collusion. More interestingly, they told Chamillart that the sale of fiscal privileges had dangerously reduced the tax basis. True or not, the reality was that the taxpayers were struggling or dragging their feet. We have seen that many nobles stopped paying their *dixième* in 1715, perhaps in response to Louis XIV’s word that this tax would stop with the war. By and large, the second order was prone to delay payment of their taxes. Here again, this was a form of compensation for delays in receiving their *gages* and *pensions*. In 1710, Desmaretz hold firm against those who proposed to pay their tax in compensation of sums owed to them, which he bluntly refused as he wanted to bring back some form of order. In the 18th century, *gages et pensions* of the fiscal year x were paid in the last six months of x+1, and only when all was going well.

Dodging taxes was not the preserve of the privileged orders. In 1719, when the système of Law proposed miracles, the government decided to clean the slate of unpaid taxes which amounted to no less than 80 million, or half gross revenue at that time. If historians have showed that Law’s experience system brought some economic advantages, the system fiscal system was a pile of rubble and it took 10 years to rebuild. In the meantime, a credit and monetary policy that had supported the abundance of means of payments was abruptly reversed by the second visa of 1723 (consolidation of floating debts into annuities) and a deflationary policy (1724) to bring back prices to their previous levels. Combined with the impact of a major harvest crisis (1725), the credit crunch badly hit taxes. When Fleury took over from the duc de Bourbon, the backlog of unpaid taxes has increased to …..

*Rescriptions as short-term credit.*

*Anticipations*, or advances drawn upon fiscal revenue, was the natural development of the system of *rescriptions* and *billets des fermes* that allowed decoupling revenue and expenditure. The ordinary *rescriptions*, which forced tax collectors to pay regularly and according to a set calendar, differed from the r*escriptions* by anticipations. They were a credit facility that allowed the government to cash future tax revenue. The abridged accounts of the *Trésor royal* show that Colbert used this technique to help fund the Dutch War (see graph). One of the purposes of the *anticipations* was to cushion tax hikes and avoid the return of the adverse effects of tax collectors setting in motion costly legal procedures against refractory taxpayers to seize their properties. Hardly used in the 1660s, the technique of anticipating future tax revenue kickstarted in 1671 and helped the treasury raise 2.2 million on the 36 million of revenue of the *recettes générales* of 1672. The figure soon doubled, reaching 4.6 million in 1676 against 40 million of revenue.

By and large, however, the *anticipations* took the form of cash advances on the future revenue of indirect taxes. For the years 1671-1699, they averaged 66% of all the *anticipations*, and even up to 72% in the case of the pays d’*élections*. Unlike the *rescriptions*, the volume of the *anticipations* drawn upon the tax farms does not show a clear pattern. In 1671, the 6.3 million of funds obtained this way probably reflected the recent increase in the annual lease. Making good the attended profits of a new lease may also explain for the 17.7 million raised by anticipations on indirect taxes in 1689.

Until 1708, the *rescriptions* on the Recettes générales looked like a modest treasury facility, averaging 3.7 million in the period 1671-1699, with rare peaks at 4-5 million in wartime. The anticipations on the Fermes Générales were not fundamentally different, although the sums involved, which reached 22.5 million in 1679 and 20 million in 1699, tells that the institution could be asked to raise substantial loans to the king. It is not unreasonable to suggest that the purpose of the major loans of 1679 and 1699 on the indirect taxes was to assist the government with the conversion of long-term annuities that required raising large sums to pay off reluctant creditors and induce the others to accept a lower rate of return on their initial investment.

Colbert’s creation of the *Caisse des Emprunts* was the first attempt to organise a royal system of short-term credit. Established in 1674, the *caisse* royalised, as it were, a credit instrument, the *promesses des gabelles*, that was used by the tax farmers to raise money on the private market and sustain payment of their leases to the Treasury. The loans raised by the *Caisse* through the sale of *promesses* by the caisse were different, and in addition to the cash advances asked from the tax farmers on the revenue from indirect taxes. Primary sources show that the *promesses* sold by the caisse during the lease Saunier (1674-1680) were all issued with a maturity falling in September 1680.

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Of course, cashing revenue in advance required lenders and guarantees. In theory, the *Trésor royal* could have managed the operations itself. Until the mdi-18th century, however, the task of raising funds on future tax revenue was essentially delegated to the many *tax collectors*. Various historical reasons can explain this situation. *Financiers* were usually chosen among well-off families who could become lenders themselves. Although the financiers were constrained by the terms of their contracts with the government, their position was normally positive, i.e. tax revenue surpassed expenditure, at least until the fiscal year came to a close and the account was submitted. In the meantime, surplus accumulated because of delays between the collection of taxes and payment of the sums assigned to local expenditure. In some cases, payees failed to ask their payments, sometimes for years, or the death of king’s agents generated legal complications that delayed the liquidation of the sums owed to their heirs. Arguably, the *financiers* had idle sums in hand that they could lend to the king and derive *bénéfices de caisse*. Besides the advantages of their position as tax collector, the sums that transited in their hands attracted much interest from potential lenders. As a memorandum pointed out, when it came to money and profit, one of the most secure positions from a lender’s point of view was the capacity to exercise control over the sums destined to service the interest or pay off the capital of loans. Hence the importance of the friends, a term often mentioned by Marquet de Bourgade, who were prepared to assist the tax collectors when they needed funds. It seems, however, that the demand for investing savings into short-term loans was very strong. This reality explains a fraud committed by Billard, the cashier of the *ferme des postes*, who sold promises to individuals who were hoping to be lined-up when funds had to be raised through anticipations in the 1760s.

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Marquet de Bourgade often mentions friends from whom the tax collectors could obtain funds. Although the sums to be borrowed coud

Work on 18th century *rescriptions* has showed that local merchants might find it useful to purchase *rescriptions* on the recettes générales des finances to obtain cash for their local operations.

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It is not gar y averaged dissimilar., although but shared were looked like *ad hoc* loans. The former remain The same situation reoccurred in 1688. Overall the *recettes générales* and the *fermes générales* acted as the bankers of the treasury.

, anticipations on tax revenue citciaptions on tax renue m Whereas the *rescriptions* on the Recettes générales looked a lot like a treasury facility that was rolled over, at least until 1708, the anticipations on the Fermes Générales were *ad hoc* loans.

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Since they were cash advances, the *rescriptions* carried an interest. Therefore there was a risk that this debt might be rolled over and the interests added to the capital in order to secure the regular replacement of these loans. It seems that the finance ministers did not abuse the *rescriptions* by anticipations under Louis XIV, at least until Desmaretz took over the *contrôle général des finances*. Unimpressed by Samuel Bernard’s proposal to absorb the short-term debt into the capital of a bank in 1708, the new minister devised a new system to fund the war that revolved around the tax collectors, and among them the *receveurs généraux des finances*. A nephew of Colbert who had him work in the contrôle général, Desmaretz seems to have immediately gained their support. As mentioned, his predecessor had taken issue with the RGF and had sought to coerce them into taking an equal share of the *anticipations*, regardless of the difference in the volume of taxes each of them handled. For the *généralités* of the kingdom varied considerably in terms of their size, population and activities.

Graph….

Anticipations, 1671-1714)

Source : AN, K355; Forbonnais, II, 188 passim. PTR for 1696 and 1698 is an estimate obtained by averaging the years before and after for which data is available.

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 during the first phase of the War of the Spanish Succession and after Louis XIV’s death respectively.

durin the Regency .

by

As Marquet de Bourgade explained, the *rescriptions* were effets commercables, like the lettres de change, and this gave them extra solidity.

to commercial

However, since they did not necessarily map onto tax collection, they carried an interest,

Since the taxes might not be availableand the lthough the revenue cashiers

the,¸which were to the bearer,

For the From that

y had te funds in hna d ow whemn By issuing their rescription prition,

 with the tax collectors. After John Law, each year the *receveurs généraux des finances* agreed with the finance minister signed a *traité* whereby they agreed on the instalments for paying the direct taxes to be collected, the sum of which was fixed, in each fiscal year.

a number of

were and which were fixed under the system of disitrbution that were fixeds. y accepted to pay that It was stipulated in the tax leases t to be made each year. were

Archival fes document Eighteenth-century archives show that

The phenomenon might have been is is more obvious in the 18th century More is known Information is They also show that the how the However, the , and also to mitigate

use of

The summaries of the accounts of the Trésor royal

One key aspect of these credit instruments is that they were considered commercial assets, and as such the issuer was personally responsible for payment, which added an extra securityy for on his

the were not different although

clients who came to be used to facilitate were used

 actually oversaw the funds he managed and deliver3ed to a third party,.the oyaments

g exshcnage asked its tax collectors to advance the fnds part of the reveue from taxes.

, creating a mass . In 1718 As peace resumed war and sometimes their willingness to viist

on time.taxpayers dragged their feet Under the Old Regime, the sums to be levied in the fiscal year never tallied with the taxes paid during that year.

In wartime, the increased burden of taxes impacted the capacity or the willingness of taxpayers to pay on time. Taxes were paid

tns called the dry months usually

tax payers were asked to pay their taxes per quarter he payment of taxes was divided into equal parts across the fiscal year, they

, actual calendar of actual payments.

actual resources. payments.

ghrit

lca stover the stock of money and credit insutrments, and maintained

 inc

Recent experience had evidenced the fact that, of the many bags of coins worth 1,000 lt. that were carried across the capital city to pay, the same bag was sometimes dispatched and received by the same individual in a single day.

 in money moved even in Paris Even in Paris

By and large, this task was belonged to the Trésor royal

As Turgot explained dThis was e substitution of notes for coins, and showing the advantages of such a move, was one of John Law’s arguments.

 the advantages, was one of John Law’s Replacing coins with notes By and large, the financiers

who supervised

 offset

 and materiality of coins.

, Three main reasons account for their existence. Firstly, the collection of taxes may not coincide exactly with fiscal needs during the year. Secondly, the revenue from taxes

, hese credit instruments were necessary

Although the mechanisms by which taxes were made available are not very well know, it

use and distribution of tax revenue was facilitated by credit instruments done he revenue from taxes was managed

took two basic forms: coins, of course, and credit instruments which helped the treasury use and distribute this revenue,

was managed through the use of credit instruments which facilitated payments.

which took the form cashed in

 which did not have to fund released

and for the benefit of the Treasury immedailtey

and royal commitments

bankrptycy This was easy

Colbert’s reforms Colbert’s main aim was to exercise personal control over the king’s finances

,ent of the king’s monies,

As we will see, and although oeh other chapters, This cvahpter

 link lenders and borrowers.

 vororwoers.in this model are depicted intermediaries, as beingignotgethe the neds of the kin gadn the lenders poolighn

dmfiraies fundamentally serve the interests of a distinctive social group, the court aristocracy. More importantly, in pooling and investing the savings of the rich into the king’s affairs, the financiers attracted

reationshup between

as part of a broader analysis of the

sees the finanicnersaims to explain contradictions by examining the ways in which the *financiers* showing how the finances

pparent contradiction

the sources of power in the Old Regime.

in the social foundations of political power. In this respect, Dessert’s key argument is that the financiers served the interests of the wealthy who sought to maintain and increase their dominant position by lending their money to the king

claims that

That Dessert’s model

True, the concept is not merely concerned with fiscal issues but how fiscal institutions reflect and enhance the social foundations of power. A revisionist, Dessert believes that absolutism, i.e. the claim by Bourbon monarchs to exercise absolute power, is simply a myth. According to him, the real power rest in the wealthy who sought to maintain and increase their dominant position by lending their money to the king. Although they profited too, the financiers in this model were simply intermediaries

dmfiraies fundamentally serve the interests of a distinctive social group, the court aristocracy. More importantly, in pooling and investing the savings of the rich into the king’s affairs, the financiers attracted

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 also social

The concept, however, is not merely concerned with fiscal issues but the social foundations of political power in France. A revisionist, Dessert believes that absolutism is a myth, that power did not effectively belong to the king but to the wealthy who sought to maintain and increase their dominant position by lending their money to the king. Although they profited too, the financiers in this model fundamentally serve the interests of a distinctive social group, the court aristocracy. More importantly, in pooling and investing the savings of the rich into the king’s affairs, the financiers attracted

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are essentially seen as facilitators who liaised between borrowers and lenders, and served the interests of a class.

That Dessert’s

concept

. In this model, the financiers are essentially seen as facilitators who liaised between borrowers and lenders. Attracting money , although

The concept, however, is not merely concerned with fiscal issues but the social foundations of political power in France. A revisionist, Dessert believes that absolutism is a myth, that power did not effectively belong to the king but to the wealthy, namely the nobility and court aristocracy who sought to maintain and increase their dominant position by lending their money to the king. In this model, the financiers are essentially seen as facilitators who liaised between borrowers and lenders. Attracting money , although

. Although . Yet, since their intermediation was rewarded too, the *financiers*, who were the visible face of underground private lending, added a political dimension to their fiscal role, that of scapegoats. Pooling private money attracted public anger, they protected the social foundations

of deflected and served a ciritcl nother function, that of scapegoats. By deflecting ed public nager abd

loans public face thie rprfoted from by profiting from too from an operation mode that hid the identity of investors, the financiers served another fuction

often authorized by a delegation from the king, the financiers became the visible face of royal finance. As such, their function was one of scapegoat y were the scapegoats

’ intermediation was rewarded, the visibility of the financiers made them scapegoats whosec function, by attracting public anger, is to protect the system.

ganer, . that deflected . As a result, the term *système fisco-financier* is a catch-all phrase– and this is one of the reasons for its success among French historians – that describes all that was wrong with the fiscal model.

 prone to crises.

. Dessert, however, This analysis, however, is not fully satisfactory

 reality exepomlifieds nd the *système fisco-financier*

. For him, the the power of the king rest on the wealthy

was not power was effectively

lvey vitvely

the *financiers* were the agents of a polity where power belonged to the wealthy, particularly the aristocracy who relied on their services to sustain and increase their position by lending their money to the king.

In other words, the term *système fisco-financier* – and this is one of the reasons for his success when applied to Old Regime – encapsulates a criticism of the social domination

order and the monop;y of money by a class.

the king

, factotum m enablers of the power of intermediaries

Dessert documents a polity type of polity fiscal ’s points

absoilutismn.

 polkiticla is also describes same time, however, the concept describes Dessert’s

concept describes a fiscal model

entails a criticism

describes an unstable modle

Secondly, a model

 domination of royal finances by the Old Regime *financiers*: describes three things. ord a transition from the tax state once a sovereign can mortgage tax revenue (tax state) to access credit (fiscal state) .

, describes applies to any timeis difficult to see how fo Apart from the fact that

 a term that is slightly misleading because, as Théret showed, it is applicable to any fiscal system. Indeed, credit can only be based on taxation.

developed the historian have called Dickson called, in the case of England, Department credit, and what the French historians is called or

abdthe what the historians have called the *système fisco-financier.*

 Although the concept is slightly misleading – becauser it is hard to imagine how a fiancialmsystem would be or the institutionalisation of short-term credit

Wary of staffing costs, and counting on his hard work, knowledge, and authority with the king on fiscal maters, Colbert missed the chance of setting the foundations of an independent treasury able to monitor use of money.

erm which means accelerated impcay

What The introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which, in turn, authorized the collection of funds across the kingdom and their distribution among the ministers, certainly Wary of staffing costs, and counting on his hard work, knowledge, and authority with the king on fiscal maters, Colbert missed the chance of setting the foundations of an independent treasury able to monitor use of money. These aspects, and their impact, will be developed in Part 4 devoted to expenditure and control. For the time being, it suffices to say that Colbert’s introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which enacted, in turn, the collection and payment of funds across the kingdom,

Now firmly in charge of royal finances, Louis XIV did not need to hide his fiscal decisions anymore.

 . The introduction of three registers

That this technique accounting category became

In the meantime, However, the disappearance of the Arguably, baky,

As in the many areas he sought to reform, Colbert’s ruling of 1661 helped manage royal finances more efficiently but it did not bring fundamental breakthrough. The introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which, in turn, authorized the collection of funds across the kingdom and their distribution among the ministers, certainly

minimal thereafter.

, at leasty until Louis XVIsmall. way covered remained carried offered to lenders who payment kents pay off secret expenses and but it was that was (see Part 4, chapter 1) and it was but it was used to escape control chaper . , but also hide to, payments of expenditure, particularly the refund of *prêts*, and the high rate of interests offered to lenders. , dnedftirue

by which royal expenditure had been authorized and abused by to refund payment of short-term loans and hide the high interests agreed (see chapter ).

The introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which, in turn, authorized the collection of funds across the kingdom and their distribution among the ministers, certainly

Centralisation of the purse into the royal hands was associated with the rise of the *contrôleur général des finances*, who had the *Trésor royal* in his portfolio. He reported to the king in the *Conseil Royal des Finances* on the availability of funds, helped him decide on their assignation to the ministers, and their destination. This *revolution* aimed to address the scandal of *comptants*, one of the forms by which royal expenditure had been authorized and abused by the *surintendants des finances* to refund payment of short-term loans and hide the high interests agreed (see chapter ).

As in the many areas he sought to reform, Colbert’s ruling of 1661 helped manage royal finances more efficiently but it did not bring fundamental breakthrough. The introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which, in turn, authorized the collection of funds across the kingdom and their distribution among the ministers, certainly

payees and payment of funds across the departments and the kingdom,

Wary of staffing costs, and counting on his hard work, knowledge, and authority with the king on fiscal maters, Colbert missed the chance of setting the foundations of an independent treasury able to monitor use of money. These aspects, and their impact, will be developed in Part 4 devoted to expenditure and control. For the time being, it suffices to say that Colbert’s introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which enacted, in turn, the collection and payment of funds across the kingdom,

The introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, that enacted, in turn, the collection and payment of funds across the kingdom,

Wary of excessive staffing costs, and counting on his hard work, knowledge, and authority with the king on fiscal maters, Colbert missed the chance of setting the foundations of an independent treasury that would have the human resources and the techniques in place to control use of money when war saw expenditure explode later in the reign. These aspects, and their impact, will be developed in Part 4 devoted to expenditure and control. For the time being, it suffices to say that Colbert’s introduction of three registers that recorded the king’s decisions pertaining revenue and expenditure, which enacted, in turn, the collection and payment of funds across the kingdom, as well as the verification,

were enacted, gave considerable leeway to ministers about the funds they were assigned. in the ways in which they allowed that enacted

, rate authorizing techniqmnf tewchnes accoutnaitgn secret expenditure that the surintedant des foinances authrosied , however, failed to see the treasury saw

dec=velopment

was tantamount to a revolution has been depeuicited as a revolution Recommended by Colbert, this palace coup, someties called a revlutin Colbert, who had advised what historians have sometimes called a revolution

 In the area of finances, Louis XIV’s decision to rule personally saw him take over the role of *surintendant des finances*, a post now suppressed, and become the principal authorizer of all revenue and expenditure. Masterminded by Colbert, this palace coup was tantamount to a revoluton has been depeuicited as a revolution Recommended by Colbert, this palace coup, someties called a revlutin Colbert, who had advised what historians have sometimes called a revolution

A ruling of ... 1661,

By the rulin g tiure, aimed to introduce meant to

was immediately associated with a major political and administrative reform pertaining control of the king’s monies. In the area of finances, Louis XIV’s decision to rule personally saw him take over the role of *surintendant des finances*, a post now suppressed, and become the principal authorizer of all revenue and expenditure. Recommended by Colbert, this palace coup Colbert, who had advised what historians have sometimes called a revolution

was behind this reform,

Louis XIV

, a transformation

research has been done for the reminding century and a half of the Old Regime later part of the century and the 18th century. for the years

work has been done for Such information No systematic studie Thereafter is no equivalent, however, on the importance of short-term debt under the Old Regime.

While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of short-term loans were a permanent threat to fiscal and political stability. In 1577 and 1648, the monarchy defaulted on its short debt. There is little doubt that the government continued to rely on short-term credit until the French Revolution. The use and abuse of the resources caused the same problems. In 1708, the loans payable at the Lyon fair could not be rolled over, and in 1759 and 1770 Louis XV was forced to suspend all the short-term bills. As Necker observed, managing this debt was a hair-raising issue: renegotiating this short maturity made the ministers the hostages to the lenders’ goodwill. In 1789, the king owed 229 million, the equivalent of one year of net revenue, and servicing this debt cost 23 million, the equivalent of one these *vingtièmes* that were so hard to prolong.

Thanks to Francoise Bayard’ systematic study of the arrets du Conseil, the role of short-term credit, the volume of the loans and their evolution, the profiles and geographic origins of the lenders, the collateral and, sometimes, the interest rates, are known for the first half of the 17th century. This statistical analysis, however, does not fully engage with the mechanics of credit policy, particularly the place of monetary instruments, such as the *billets de l’Epargne*. There is no equivalent, however, on the importance of short-term debt under the Old Regime. For Louis XIV’s personal reign, the key works of Luthy and Dessert on Louis XIV’s bankers and financiers respectively provide robust foundations. But the agendas of these two authors are not specifically dominated by the problem of short-term credit as such. Luthy insists on the importance of foreign capital, the role of the bills of exchange and the place of Lyon as clearing centre to sustain Louis XIV’s payments. Dessert is more interested by domestic finances and coins than credit instruments, which were issued in excess of the coinage, and the question of their liquidity. By and large, monographs on specific categories of financiers deals more directly with short term credit. What Dickson calls the credit of departments has been the subject of important monographs . Some like Rowlands’ study of the trésoriers généraux. de l’extraordinaire des guerres, who had to pay the war expenditure, concern mostly Louis XIV’s reign, with a special focus on the War of the Spanish Succession. Others like the old monograph of the trésoriers de la marine cary the reader up until the end of the Old Regime. Short-term credit was also supplied by the financiers who handled tax revenue. Apart from Durand’s study of the tax farmers, which is not fully devoted to fiscal problems, the older works of …. Matthews focus on the 18th century and they have not been revisited. Like in the case of the *receveurs généraux des finances*, the lack of private archives has deterred thorough studies of their operations. Yet, like most aspects of royal finances, a substantial number of studies, chapters in book and articles engage, directly or indirectly, in greater or less details, with the question of credit, in general, and short-term credit, in particular.

But a common thread is missing, apart from the failure of the system of short term credit, as exemplified by the public hatred of the financiers and their excessive profits, the lack of a bank of emission to help the king obtain short-term advances on favourable terms, and the confusion of private and public interests in the absence of effective controls over the handling of monies. What is missing is a sense of the ways in which the monarchy. These aspects will be successively studied.

1. Colbert

2. Pontchartrain

3. Chamillart

4. Desmaretz

5. Noailles.

6. Law

7. Fleury

8. Paris Montmartel

9. Turgot et Necker

,if the concern cove rThis is the case, notably, of the work of on the trésoriers de la marine, and on the trésoriers généraux. de l’extraordinaire des guerres, who focus on the ways in which they had to fund the expenditure.

Credit instruments.

nrdincluding Dessert’s study on Louis XIV’s personal reign and ginefocuses mostly

Under Louis XIV, vast sums were still negotiated in Lyon, now by the agents of financiers and bankers, like Samuel Bernard, to help the treasury sustain its payments, both at home and abroad. As seen also before, the kings borrowed directly from private individuals, royal officers or corporate institutions.

This method reached unprecedented levels in the later phase of the Thirty Year’s War with dramatic political impact. Indeed, and 1708, 1759 and 1770 the king defaulted on its short-term debts. These dates concerns only the major and comprehensive suspensions, rather than *ad hoc* arrangements with specific lenders to cancel delay payments or renegotiate terms.

There is a little doubt that the government continued to rely on short-term credit to borrow this way until the French Revolution. As Necker observed, managing the short-term debt was still the normal diet of ministers, a recurrent and hair-raising issue, The short maturity of these loans, and their volume, made the government hostage to the lenders’ goodwill, with considerable impact on the rate of interest.

While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of these loans threatened fiscal sustainability. In 1577, 1648, 1708, 1759 and 1770 the king defaulted on its short-term debt. This list concerns only the major and comprehensive suspensions rather than *ad hoc* arrangements with lenders to delay payments or renegotiate terms. As Necker observed, managing the short-term debt was the normal diet of ministers, a recurrent and hair-raising issue as the short maturity of these loans saw them the hostage of the lenders’ goodwill.

m with dramatic nseqyuence

 son loans Louis XIII

The gap between revenue and expenditure was also met by calling upon individual lenders and seeking the support of corporate institutions. As seen before, Louis XIII relied heavily on the kings thoroughly mined the termly Lyons’ fairs where considerable sums of money were available lending. Under Francis I, the cardinal Tournon was regularly dispatched to Lyon to borrow idle funds, and the place was milked to its limits by his successors.

While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of these loans threatened fiscal sustainability. In 1577, 1648, 1708, 1759 and 1770 the king defaulted on its short-term debt. This list concerns only the major and comprehensive suspensions rather than *ad hoc* arrangements with lenders to delay payments or renegotiate terms. As Necker observed, managing the short-term debt was the normal diet of ministers, a recurrent and hair-raising issue as the short maturity of these loans saw them the hostage of the lenders’ goodwill.

We have already seen (see chapter …) The aim of this chapter is to examine the techniques for raising these loans, the intermediaries and the costs show both continuities and evolutions under the Old Regime

Under the Old Regime, particularly in time of war, the government was torn between the need to find the monetary means of paying the troops, on the one hand, and the risk of becoming the hostage of the lenders’ goodwill.

 o losing control of the money market, on the other hand, and amrkety. short-term debt.

Despite the tax hikes and the volume of offices and annuities for sale, the French monarchs permanently faced liquidity problems. The gap between revenue and expenditure was met thanks to loans from individuals and corporate institutions. While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of these loans threatened fiscal stability. In 1577, 1648, 1708, 1759 and 1770 the government defaulted on its short-term debt. This list concerns only the major and comprehensive suspensions rather than *ad hoc* arrangements with lenders. As Necker explained, managing the short-term debt was the normal diet of ministers, a recurrent and hair-raising issue as the short maturity of these loans saw them the hostage of the lenders’ goodwill.

, on the other hand, ministers

Containing the short-term debt and reducing its costs

In contrast to long-term loans, which were always issued by public edicts and registered by the courts of justice, short-term loans were normally enacted by an *arrêt du conseil*, although they could also be made by verbal agreement with individuals. Bayard and Dessert have systematically analysed the decisions pertaining loans kept in the numerous registers of *arrêts du conseil*, and this for the reigns of Louis XIII and Louis XIV, or the Grand Siècle. Bayard’s work is particularly noticeable because of the financial contribution, as we have seen, of these loans in paying the war, and their political impact in the 1640s. It is likely that the government continued to attract short-term loans from private lenders under Louis XIV’s personal reign, and in the 18th century. It seems, however, that ministers relied more heavily on corporate institutions

The monarchy did not only need to collect taxes, to support its ordinary expenditure, and raise capital to fund extraordinary costs. It also required short-term loans to absorb the gap between receipts and spending resulting from delays and accidents, excessive expenditure and inadequate prevision. The techniques for raising these loans, the intermediaries and the costs show both continuities and evolutions under the Old Regime. Up until the fiscal crisis of 1708, the government used to mind the termly Lyons’ fairs where considerable sums of money were available for investment in short-term loans. Under Francis I, the cardinal Tournon was regularly dispatched to Lyon to borrow idle funds, and the place was milked to its limits by his successors. Under Louis XIV, vast sums were still negotiated in Lyon, now by the agents of financiers and bankers, like Samuel Bernard, to help the treasury sustain its payments, both at home and abroad, through the bills of exchange. The gap between revenue and expenditure was also met thanks to loans obtained from individuals and corporate institutions. While ministers needed such facilities, the high interest rates charged by lenders and the rapid turnover of these loans were a threat to fiscal sustainability. In 1577, 1648, 1708, 1759 and 1770 the king defaulted on its short-term debt. This list concerns only the major and comprehensive suspensions rather than *ad hoc* arrangements with lenders. As Necker observed, managing the short-term debt was the normal diet of ministers, a recurrent and hair-raising issue as the short maturity of these loans saw them the hostage of the lenders’ goodwill.

No such work has yet been conducted for the other periods of the Old Regime. Loans were also authorized by deliberations of corporate lenders, such as the companies of tax farmers, who may be asked to advance funds above and beyond what was expected from their leases. No such research has been done for the 18th century. As already mentioned, short-term credit the . 17th century

With the exception of Bayard and Dessert, who have systematically analysed the registers of arrêts, laysed the arՓts ud Conseuexplored all

Apart from the

bdet ese loans when they reached maturity this debt was a recurrent hair-raising issue for ministers who were the hostage of the lenders’ goodwill.

he perspective of having to renew these loans when they reached maturity was a hair-raising issue for ministers who were the hostage of the lenders’ goodwill.

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debt nautiry risk of torn apart between a fiscal crisis and demands of lenders to if the debt could not be rilled ober the risk of liquidity which issue that caused hair-raising problems hair-raising issue that threatened liquidity permanent combat for ministers who, like Necker acknowledged, regularly faced the hair-raising problem of mturiyt

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1. Piketty. [↑](#footnote-ref-1)
2. [↑](#footnote-ref-2)
3. Arthur de Boislsiel, *op. cit.*, vol. 2, Mémoires de M. Chamillart au Roi, sur l’état des finances (Novembre 1699), p. 472. [↑](#footnote-ref-3)
4. Correspondance de [↑](#footnote-ref-4)
5. Chamillart, Michel, *Correspondance et papiers inédits. Recueillis et publiés par A. Esnault*. Le Mans: E. Monnoyer, 2 Vols, 1884, p. 100-102. Mémoire de quelques observations qui peuvent server à establir le crédit’ (undated but certainly written in 1694). [↑](#footnote-ref-5)
6. AN, G7 [↑](#footnote-ref-6)
7. Pierre Clément, *Lettres, instructions et mémoires de Colbert.* Tome II, Paris, Imprmdrie Impériale, 1863, P. CXLVI. [↑](#footnote-ref-7)
8. These details are based on AN, G7 1118 and the private archives of Le Peletier 129 AP. [↑](#footnote-ref-8)
9. Le Peletier’s measures against fiscal corruption has been studied by Marie-Françoise Limon, *Traitants et fraudes dans le recouvrement de l'impôt. Affaires réglées par Claude Le Peletier, contrôleur général des finances (1683–1689)*, Paris, LGDJ, 1995. The compte-rendu of his administration he submitted to Louis XIV after he left office is published in de Boislisle, Arthur André Gabriel Michel, *Correspondance des contrôleurs généraux des finances avec les intendants des provinces, publiée par ordre du ministre des finances d'après les documents conservés aux Archives nationales*. Vol. 59. Imprimerie nationale, 1897. Various drafts with handwritten corrections are kept in papers microfilmed by the Archives Nationales, sous-série 159AP. [↑](#footnote-ref-9)
10. AN F12 51, f. 90 and 92. F12 797/A, for the memoranda. [↑](#footnote-ref-10)
11. BNF, Clairambault 766/2. In 1665, a total of 499 financiers who made their residence in Paris were fined 152.360.000 lt. In June 1666, the list was increased of 164 provincial taxes together at 3.063.000 lt. Dessert shows that the financiers obtained reductions and were sometimes allowed to pay their tax in paper. According to AN, KK355, the fines of the chambre de justice brought [↑](#footnote-ref-11)