

The failure of financial reforms

In the early years of his reign (which began in 1774) Louis tried to tackle the problem of the royal finances through reforms. In 1776 he appointed Turgot as Controller General, the minister responsible for royal finances. Turgot was influenced by the ideas of the physiocrats, economists who believed that free trade was the key to increasing government income because free trade would lead to economic growth and this growth would mean that more taxes would be paid to the government. Free trade meant that all state regulations, tolls and price controls should be ended. Turgot therefore tried to increase trade by removing price controls and abolishing guilds. He also tried to reform taxation by proposing a property tax intended to increase direct tax revenue. Both Turgot's reforms and the way he went about them aroused great hostility from those whose interests were threatened and Louis dismissed him.

Turgot's replacement in 1776 was Jacques Necker, a Swiss banker with a brilliant reputation. Necker tried a different route of reducing royal expenditure and increasing the royal share of farmed taxes. One of his targets for cuts was venal offices. Two examples show the extent of the problem and why it was so hard to reform.

- The first example is the 48 posts of Receivers-General who collected direct taxes. Necker abolished these posts and replaced them with just 12 officials who were answerable to his department. Needless to say all of those who held these 48 posts, and the many staff they in turn employed, were not happy.
- The second example was in the royal household at Versailles where over 400 ceremonial offices in the King's kitchen were abolished. Once again the court nobles who held these offices were unhappy.

So in both examples above and in others, Necker was offending the vested interests of property owners and those who held venal offices, and he also incurred the hostility of Marie Antoinette, both for exposing royal finances to public attention and also for harming the interests of her clique (see page 33).

Necker also had to deal with the impact on royal finances of the American War of Independence (1775-83). In 1778 Louis XVI took the fateful decision of entering the war against Britain. The American colonies had been in revolt against Britain for over two years and many in France were sympathetic to the American colonists' pursuit of freedom (liberty) and democracy. More importantly this was France's chance to reverse the defeat they had suffered at Britain's hands in the Seven Years' War (1756-63) when France had lost control of its colonies in Canada, India and several West Indian islands. Now it had an opportunity to defeat and humiliate the British, which it did. Britain lost the war and the former British colonies became the United States of America. However, despite winning the war militarily in some ways France also lost. The war was hugely expensive and cost possibly as much as 1.3 billion livres. Therefore the financial problems of the monarchy, which Louis and his ministers had so far failed to solve, were now made much worse.

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Not all of Louis' ministers had been in favour of war. When he first came to office and examined the royal finances Turgot had warned, 'the first gunshot will drive the State to bankruptcy'. His successor, Necker, instead claimed that the royal finances were in good order and that the war could be funded by loans and that is what he proceeded to do. This bad advice and Louis listening to it, meant that the royal debt continued to rise. The historian, Simon Schama, describes Necker's claims 'as exactly the kind of spurious good cheer that led the French monarchy down the primrose path to perdition'.

Despite these increasing problems, in 1781 Necker issued the first public report on royal finances to show that, in his view, they were in good order. However, some of the minor details of court expenditure were seized upon by the enemies of the monarchy as examples of extravagant royal spending. This lost Necker more friends and later that year he resigned. His successors reversed his reforms. And so the financial problems continued unresolved because of hostility to all reforms. The crown survived by borrowing but all the time the King's debts increased.

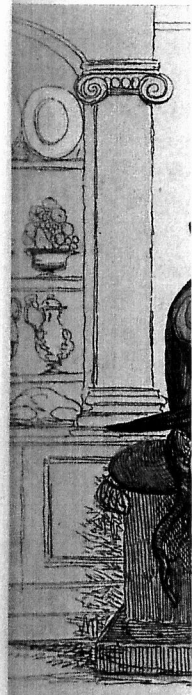
■ Answer the questions in the flow diagram on page 29 for the section on 'The failure of financial reforms'.

The Parlement of Paris says 'Non' to new taxes

From 1783 Louis' chief minister, the Vicomte de Calonne, managed the royal finances by selling offices and by lavish spending. Whilst this may seem a paradox (because it did exactly what previous ministers had been trying to stop), the lavish spending maintained confidence in the monarchy which meant that it could raise loans. However, Calonne and others recognised that this could not continue indefinitely and that reform was still very much needed. He hoped that there would be an opportunity for reform in 1787 when a number of taxes were due for renewal. But events overtook him. Calonne was unsuccessful in raising loans in 1785 and early 1786 and so in August 1786 he told Louis XVI that the government was on the verge of bankruptcy. The failure to raise loans and the high interest costs of the royal debt meant that new taxes were urgently needed.

Whilst Louis was notionally an absolute monarch (see page 4), in order to raise new taxes he needed the agreement of the judges of the Paris Parlement. The Paris Parlement was a legal court but with additional powers. The key one was that a royal edict did not become law until it had been registered by the Parlement. Louis could over ride their objections with a special royal session, a *lit de justice*, but such opposition would knock public confidence in the monarchy and make royal borrowing even more expensive. Not only that, the judges of the Paris Parlement had a history of resisting royal power and they had done so in 1785 when they refused to agree to new loans. Relations between Louis' ministers and the Parlement were strained. Essentially the Parlement had no confidence in Calonne. Calonne feared that it would reject his reforms and say no to new taxes so he changed tactics.

■ Answer the questions in the flow diagram on page 29 for the section on 'The Parlement of Paris says 'Non' to new taxes'.



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