The Cost of Credibility: The Company of General Farms and Fiscal Stagnation in Eighteenth Century France

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Abstract

The Company of General Farms was a quasi-private organization responsible for collecting about half of French Tax Revenues during the eighteenth century. It was also one of the largest lenders to the Crown. The relationship between the Crown and the General Farms resembled modern models of Sovereign Debt as a “Contingent Claim.” Positive lending is sustained in these models when the Lender credibly commits to withhold funds from the Sovereign in case of default. The General Farms maintained this commitment through its monopsony over taxation and lending activities. As the Revolution approached, however, the efforts of the Company to protect this monopsony significantly reduced the ability of the Crown to reform the fiscal system. The history of the Company of General Farms adds to our understanding of the literature on sovereign debt by identifying how an equilibrium, like the one described in the Contingent Claims literature, may raise the cost of engaging in legitimate reform.
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INTRODUCTION

Among the many souls claimed by the French Revolution was Antoine Lavoisier, founder of modern chemistry and active participant in the enlightenment. In the eyes of the radicals who sent him to the guillotine Lavoisier’s intellectual investment in the enlightenment could not offset his capital investment in one of the sustaining institutions of the Monarchy, the Company of General Farms. Like Lavoisier, the Company was an invention of the Old Regime. It emerged during the reign of Louis XIV and unified a significant proportion of the financial and tax collection activities of the Monarchy under the direction of a small group of wealthy financiers. Also like Lavoisier, the Company laid the foundations for the Revolution that would eventually consume it. Originally created to facilitate Royal borrowing, by the end of the eighteenth century the Company posed a severe constraint on fiscal reform. The history of the Company of General Farms during the eighteenth century helps explain the origin of the financial crisis that preceded the Revolution of 1789. It also offers insight into the economic theory describing sovereign debt markets by providing empirical evidence of a particular type of equilibrium and highlighting some consequences of this equilibrium which are not usually accounted for by economists.

THE CREATION OF THE COMPANY OF GENERAL FARMS AND SOVEREIGN DEBT

The Company of General Farms originated in the seventeenth century French Tax Farm System. The System was composed of over forty-three competitively auctioned tax farms. A tax farm is a contract whereby a private agent, or Tax Farmer, agrees
to pay a fixed fee to a principal, the government, in exchange for the right to collect a tax. The most important taxes collected through the Farms were customs duties and sales taxes which accounted for about 20% of tax revenues in 1600. During the first half of the seventeenth century the Tax Farm System was highly decentralized in the sense that Tax Farm auctions were competitive and the Farms were relatively small. From the point of view of an early-modern ruler, with scarce information about his tax base, competitively auctioning the right to collect a tax made sense. Since the lowest cost collector could afford to outbid his competitors, the auctions tended to favor those who could most efficiently collect the tax. The auctions also forced the collectors to reveal to the Crown how much the tax was worth to them, thereby ensuring that the government extracted as much surplus as possible from the contract. Despite these facts, competitive Tax Farming was replaced by a single cartel of tax collectors known as the Company of General Farms after 1661. Surprisingly, the move away from competition and towards monopsony resulted in a dramatic increase in revenues through the Tax Farms. Shouldn’t the Crown’s bargaining power, along with revenues, have decreased with the elimination of the information created by competitive auctions?

The reason competitive Tax Farming disappeared in France after 1661 is because tax collection was no longer the only job the Farmers performed. In addition to collecting taxes Tax Farmers were increasingly used by the Crown as financial intermediaries. It was typical for a Farmer to forward several years worth of tax receipts to the government on the signing of the lease. These “anticipations” increased in importance during the seventeenth century. During the 1620’s the average amount of anticipations was 1.27 million livres tournois. During 1640’s it was 4.29 million livres tournois. As lending increased through the Farms, so did the incentive of the Crown to renege on its obligation to pay back the Tax Farmer. The result was a deterioration
of property rights over Tax Farm contracts. Between 1598 and 1655 over one-third of
the leases signed between the King and his Tax Farmers were prematurely ruptured. More often than not, these contract “renegotiations” were instigated when the Crown owed large sums of money to a Farmer. For example, this is precisely what happened to Antoine Feydeau, who between 1619 and 1623 managed to secure the leases to two of the largest tax farms. He also made significant loans to the Crown during this period. In 1623, by threatening to not repay its loans, the Crown blackmailed Feydeau into signing a particularly unfavorable lease. By 1626, under increasing pressure to forward more money to the Crown, Feydeau was forced to flee the country and the King confiscated all of his assets. The failure of competitive Tax Farming during the first half of the seventeenth century was, in effect, a capital market failure. The King’s inability to commit to repaying loans was capitalized into lease prices on the Farms. A Tax Farm was not worth much as collateral for a loan if you couldn’t hold on to it long enough to collect any taxes.

Between 1661 and 1683 the multiple components of the Tax Farm System were gradually unified under the ægis of the cartel of financiers known as the Company of General Farms. At the same time, property rights over tax farm contracts became much more secure. With the exception of the John Law Period (1717-1720), the Company retained control over the Tax Farm System for most of the eighteenth century. This increased security of property rights was capitalized into the value of the Tax Farms and resulted in a dramatic increase in lending to the Crown. Between 1661 and 1675 the real value of Tax Farm revenues increased four-fold. This despite the fact that neither trade nor tax rates increased significantly during the period. During the eighteenth century the Company of General Farms provided forty percent of tax revenues and was one of the most important creditors of the Crown. The abandonment of competitive Tax Farming in favor of financial cartel appears to have been a
remarkable improvement for Royal finance, and for a while it was. As the eighteenth century progressed, however, the Company was increasingly seen by contemporaries as corrupt. For example, the popular journalist Louis-Sébastien Mercier wrote in 1782 that he couldn’t walk by the headquarters of the Company without feeling the desire to, “... reverse this immense and infernal machine which seizes each citizen by the throat and pumps out his blood.” Furthermore, as will be discussed below, Finance Ministers increasingly saw the Company as a fundamental obstacle to fiscal reform. Were these observers correct? Was there a relationship between the unification of the Tax Farms in the seventeenth century and fiscal stagnation in the eighteenth? If so, what can this teach us about economic theory?

THE THEORY OF SOVEREIGN DEBT AND THE COMPANY OF GENERAL FARMS

Before 1661 there was a capital market failure due to the Crown’s inability to credibly commit to repay loans made by the Tax Farmers. After the creation of the Company of General Farms this capital market failure was alleviated. To understand the role, if any, played by the Company of General Farms in bringing about the fiscal crisis that preceded the French Revolution, we must have a better understanding of the lending relationship between the Company and the Crown. The literature on sovereign debt offers a good starting point for understanding this relationship. The seminal paper in this literature by Bulow and Rogoff develops a “no lending” result. They assume the Sovereign wishes to smooth consumption over time in the face of exogenous fiscal shocks (such as war). He has two choices to accomplish this objective: borrow funds to cover expenditures or smooth shocks without the help of a Lender through the use of contingent savings deposits. Bulow and Rogoff show that if the Lender’s only threat to punish the Sovereign for default is to cut off future loans,
then there is no credibility and no lending is sustained in equilibrium.

This “no lending” result fails to explain the undeniable fact that sovereign debt exists and two different classes of models have emerged to address this issue. The punishment literature is developed in a second paper by Bulow and Rogoff in which they demonstrate that if the Lender’s credible punishment is greater than simply withholding loans, then positive lending can be sustained.⁹ The institutional details surrounding the “extra” punishment in this framework, however, are not described. The “contingent claims” literature offers an alternative explanation for positive lending in which the mechanism is more explicit. Grossman and Van Huyck develop a model in which the sovereign has no alternative for smoothing fiscal shocks other than the Lender.¹⁰ If the Lender is a monopsony provider of funds then positive lending, state-contingent, equilibria may be derived. In these equilibria, the Lender expects that only partial repayments will be made in certain bad states of the world. For example, if there is a war, then the Sovereign will not repay the full amount of the loan and this will be anticipated by the Lender. Alternatively, in good states, the Lender expects full payment. Among the factors that determine the amount of lending in the Grossman and Van Huyck model are the Sovereign’s access to alternative capital markets and the unity of the Lenders in “remembering” past defaults. The better the Lender organization is at overcoming the collective action costs of protecting its monopsony and ensuring that its members enforce punishments, the more effective it is as a financial intermediary.

The historical evidence suggests that for most of the seventeenth century the relationship between the Crown and the Tax Farmers resembled Bulow and Rogoff’s “no lending” world. This was a direct consequence of the competitive organization of Tax Farming. The Crown could selectively default on individual Farmers at a relatively low cost since there was always another bidder willing to take his place.¹¹
After the creation of the Company of General Farms, the equilibrium between the
King and the Farmers resembled Grossman and Van Huyck’s model of lending as a
contingent claim. There are two pieces of evidence in favor of this assertion. First,
after 1661 the Company of General Farms, through its lending activities and control
of taxation, became a large enough component of the French Fiscal System that its
threats of punishment for defaulting on loans were perceived as both credible and
painful by the Crown. In effect, just as in the Contingent Claims models, the pro-
portion of Royal finance controlled by the Company was large enough that the King
could not easily avoid punishment by relying on other lenders. Second, throughout
the eighteenth century the Company allowed for “partial defaults” by the Crown
during “bad states of the world” just as predicted by the Grossman and Van Huyck
model.

What is the empirical support for the claim that the Company of General Farms
was a dominant part of the French Fiscal System during the eighteenth century?
We have already mentioned that they provided about 40% of tax revenues. Data on
lending is less consistent, but where the numbers exist, they leave no doubt as to the
prevalence of the Company. French Kings used increasing amounts of both short and
long-run debt to finance their wars during the eighteenth century. It is possible to put
together some rough estimates of the Company’s contribution to both. Between 1750
and 1768 the Crown faced some of the most severe strains on its budget. James
Riley estimates that the total amount of long-term borrowing during this period
was about 872.3 million livres tournois. During the same period, the Company of
General Farms made 244 million livres tournois worth of loans to the King. In
other words, the Company was responsible for holding about a quarter of long-term
Royal debt. This figure, however, severely underestimates the financial importance of
the Tax Farmers. A common practice was for the King to assign third-party debt to
be re-payed by the Farmers. The company financed these “assignations” by issuing short-term debt known as “billets des fermes.”  

Beginning in the 1750’s the amount of billets des fermes in circulation increased dramatically. Lavoisier estimated that in 1762 there were over 60 million livres tournois worth. In 1767 this number was reduced to 48.5 million, but it was back up to 60 million by 1770. To put this in perspective, the total amount of debt service facing the Crown in 1764 was 124 million livres tournois. In essence, the Company of General Farms was responsible for maintaining about half of the debt service of the Crown. If the Company were to threaten to stop this debt service (as they did on several occasions) there was no other source of funds that the King could use to take its place.

A second piece of evidence in favor of interpreting the relationship between the Crown and the General Farms in terms of the Contingent Claims literature is that there were frequent partial defaults. In 1759, 1761, and 1770 the government was unable to make payment on the billets des fermes thereby forcing the Company to temporarily stop issuing them. These defaults came at a time of severe strain on the Royal fisc and, as implied by the Contingent Claims literature, the General Farmers chose not to punish the Crown. There were other times, however, when the Company interpreted a potential default as a violation of their contract and threatened punishment. The most famous case being when Louis XVI’s Finance Minister, D’Ormesson issued an October 1783 writ abrogating the Company’s lease. The holders of 30 million livres worth of billets des fermes demanded immediate repayment, fearful they would not be repaid. For its part, the Company refused to redeem the notes and demanded an audience with the King, which was immediately granted. At the meeting, thirty of the General Farmers explained to Louis XVI what would happen to his portfolio if they defaulted on the billets des fermes. Within the week D’Ormesson was fired and the Company’s lease was reinstated. There is no doubt that the Crown
perceived threats by the Company to withhold funds as both credible and costly enough to maintain cooperation.

The unification of the Tax Farm System was an improvement for the both the King’s pocketbook and the Tax Farmers over the early seventeenth century equilibrium in which property rights were not secure. The Crown received increased access to credit and the General Farmers got secure property rights over their leases and loans. Nonetheless, the establishment of credible contracting between the Tax Farmers and the King came with several costs. The most obvious derived from eliminating the competitive allocation of Tax Farm contracts. As mentioned above, auctions are powerful mechanisms for getting individuals to reveal what an asset is worth to them. With their abandonment after 1661, Finance Ministers found it increasingly difficult to extract the maximum revenue possible from the Farmers. Since historian’s now have full access to their accounts, we can say with certainty that during some years the General Farmers earned profits as high as 37% on their investment, well above the return on comparable investments.\textsuperscript{19}

A less recognized cost of unification was the “adaptive inefficiency” which followed from constraining the King by creating a large cartel of financiers. Douglass North defines adaptive efficiency as “...concerned with the kinds of rules that shape the way a economy evolves through time.”\textsuperscript{20} The better are a society’s institutions at evolving in response to changing relative prices, the more adaptively efficient they are. As required by the “Contingent Claims” equilibrium, the credible threat the General Farmers used to protect their property rights came in the form of control over a significant proportion of the Royal fiscal system. This is what made their threat of punishment costly enough to ensure the King’s cooperation. Over the course of the eighteenth century, the forty General Farmers responsible for managing the Tax Farms successfully raised the cost to the Monarchy of interfering with their control
over the Fiscal System. The trade-off for credibility was that as the fiscal needs of the Monarchy changed during the eighteenth century it was unable to reform institutions to meet those needs. The Contingent Claims equilibrium, which led to a Pareto improvement in contracting between the Tax Farmers and the King in the seventeenth century was adaptively inefficient during the eighteenth century. Credibility, in this case, was a double-edged sword. What was gained in the seventeenth century by securing property rights over Tax Farm contracts and establishing credibility in the capital market was lost in the eighteenth as the System became increasingly costly to reform. Credibility came at the cost of inflexibility in the face of the changing fiscal needs of the Monarchy.

THE COST OF CREDIBILITY: ADAPTIVE INEFFICIENCY AND FISCAL CRISIS

The Contingent Claims equilibrium requires the lender to have a credible monopsony over significant source of funds for the borrower. The behavior of the General Farmers with respect to the protection of their monopsony over the Tax Farms was consistent with this. As George Matthews notes in his history of the Farms,

> It was impossible profitably to administer the great mechanism of the General Farms so long as places in the Company were endangered by every shift in court clique and influence. The tax farmers sought to insulate themselves and their families in the Company...then sought to entrench themselves.²¹

Over the course of the eighteenth century the Company developed formal and informal institutions which allowed them to protect their monopsony power from outside challenges. The most obvious informal institutional arrangement was the
bribing of public officials. By 1726 it was common practice to offer the Controller General a significant pot-de-vin on the signing of a new lease. Cardinal Fleury (1726-1742) received 300,000 livres payable in six installments of 50,000 livres for every lease that was signed during his term. It was understood that if a Minister left office before all installments were paid, his successor would receive them. In 1774, the Farmers paid both the pot-de-vin of 300,000 livres plus an additional 22,000 livres in pensions to the Finance Minister’s family.22 These bribes undoubtedly played a role both in maintaining the Company’s control over membership in their monopsony, but also in maintaining the Crown’s dependence on them for financial services. It is no surprise that the first Minister to turn down a bribe, Turgot (1776), was also an outspoken critic of their operations.

An example of a formal institution which the Farmers used to protect their monopsony was the “Croupier System.” When an individual was nominated to become a General Farmer he was obligated to make a contribution to the capital fund of the Company. This amount was typically far in excess of what any individual could afford and almost all General Farmers sold a portion of their seats to individuals known as Croupiers.23 Splitting a seat into croupes was like selling stock in the Farms. The holder of a croupe was a residual claimant. If the Company invested wisely and the King honored his debt contracts, the Croupiers would usually receive a positive return. On the other hand, if the fortunes of the Company were poor, then all the Croupiers would suffer along with the General Farmer in whom they had invested.

The Croupier System protected the Tax Farm monopsony for several reasons. First, Selling a croupe could secure the support of a key player at court. When Turgot allowed the list of croupiers for the Lease David to be published in 1776 people were scandalized. It named members of the Royal Controller General Terray’s family, court
insiders such as Mme de Pompadour and Mme du Barry, and the King himself. One plausible reason why the Crown did not predate on the Tax Farm monopsony during eighteenth century is because it owned stock!

A second benefit of the Croupier System was that it lowered the transaction costs of maintaining a credible threat against the King. The Farmers faced a constant tension between coordinating their actions and raising sufficient capital. Coordination was needed in order to maintain credibility. When it was necessary to threaten the King with a punishment, it was always in the interests of one or more of the Farmers to accept a side-payment from the Crown in exchange for not “pulling the trigger.” Such lack of coordination was what made the seventeenth century Farm System a failure. The fewer General Farmers with the right to vote on when to punish the King, the easier it was to prevent this type of defection. On the other hand, the amount of capital the General Farm needed to satisfy the financial needs of the Crown, not to mention the day-to-day collection of taxes, was massive. In 1768 the capital fund was 92 million livres tournois, which doesn’t count the funds required to make payments on the billets des fermes. Compare this to the lease price that year (a rough approximation of anticipated tax receipts) of 132 million livres tournois. If the Croupier System didn’t exist, the number of seats that would have had to be sold to raise the necessary capital could easily have extended into the hundreds. This would have made coordinating the behavior of the Farmers virtually impossible. By separating ownership from control rights in the Farms, the Croupier System allowed sufficient capital to be raised without sacrificing the coordination necessary to protect property rights. In effect, the Croupier System made the Company of General Farms one of the first partial liability corporations in the Western World.

The institutions which the General Farms developed to protect their monopsony were very effective. They also, however, tied the government to a tax system which
was increasingly unable to meet its needs as the eighteenth century progressed. Between 1726 and 1786 lease prices on the General Farms increased from 80 to 144 million livres tournois. This was mainly due to tax rate increases rather than changes in the way taxes were collected. By the last quarter of the eighteenth century, however, it was clear that further rate increases could not offset the need to fundamentally reform the tax system. The taxes collected by the Company originated during the Hundred Years War and, by even eighteenth century standards, were both costly to administer and inequitable. For example, the salt tax had a rate structure which encouraged evasion and smuggling. In Paris 39 liters of salt cost 45 livres in 1713 but 60 livres in neighboring Ile-de-France. Customs taxes were levied on both internal and external trade. Finance Ministers at the end of the century recognized that the Company of General Farms was preventing reform and attempted to wrest control over taxation from it. Unfortunately, these attempts failed precisely because of the success of previous reforms designed to establish credibility in the lending relationship between the Crown and the Company.

The first Minister to seriously attempt a reform of the Tax Farm System was Jacques-Etienne Turgot. Louis XV passed away in May 1774, leaving behind a looming fiscal crisis. Before the Seven Years War, estimates put total Royal debt at approximately 1.2 billion livres with an annual service of 85 million livres. By 1764 the debt had just about doubled to 2.3 billion livres with an annual service of 196 million livres. By 1775, when Turgot came to power, the situation was no better and payments on the debt were becoming unsustainable. Turgot could not really increase rates on the Tax Farms, they had already been raised 30% between 1760 to 1780. Furthermore, the Company refused to loan more funds to the government. This left only one option: a partial default on 20 million livres tournois of long-term debt along with a gradual liquidation of outstanding billets des fermes. Turgot also
attempted to implement a series of reforms which affected the Farmers including liberalization of the market for grain in Paris as well as invoking more rigorously his right to audit the activities of the Company. During the winter of 1775-1776 there were several uprisings in the Provinces (known as the Grain Wars) and by mid-1776 Turgot’s enemies, numbering among them many General Farmers, had him removed from office.

Turgot’s replacement, Jacques Necker was also opposed to the General Farms. Unlike his predecessor, however, Necker was sufficiently educated in the art of Court intrigue to know his limits when it came to opposing their power. He understood that any reforms of the Tax Farm System had to be preceded by a “buy-out” of the General Farmers. When he came to office the annual service on funded long-term debt was about 208 million livres. At the conclusion of the current lease in 1780, he split the Tax Farms into three parts, while at the same time reducing the membership in the Company from sixty to forty spots. This solution was deemed acceptable to the Company because no member’s investments were truly “defaulted” on. The twenty “retired” members of the Company were bought out for 1.56 million livres each. Necker raised these funds by selling the rights to manage the newly separated taxes. Thus, he managed the magical trick of getting something for nothing. Necker received 50 million livres from the incoming Commissioners plus the traditional surety bonds from the forty remaining Farmers on the Lease Salzard in exchange for reimbursing the retired Farmers 31.2 million livres: a net gain of 81.2 million.

While Necker managed to pay off some of the existing Tax Farmers in order to wrest control of part of the Tax Farms from them, he did this without truly defaulting on any of their investments and thus, managed to avoid any punishments from the Company. However, Necker didn’t really reform the Tax Farms, he simply bought and sold them for a profit. Private agents still ran the Tax System. Furthermore, he
conceded to the Company a law which made it illegal for anyone but sons of current Farmers to become General Farmers. In other words, Necker reduced the number of monopsonists while simultaneously strengthening the formal legal protection of those who remained.

Two years later, D’Ormesson came to office, and as we have already seen, his heavy handed approach to reforming the Farms completely failed. When he tried to take control of the Tax Farms without offering compensation, the General Farmers punished him by threatening to stop servicing the short-run debt. This attempt to break the power of the Company was the last before the end of the Old Regime. D’Ormesson’s successor, Callone, actually increased the membership in the Company by four places. By this time, the French Monarchy was in an explosive cycle of borrowing in order to cover existing debt.\footnote{By 1788, unable to reform the Fiscal System using conventional means, the Crown found it necessary to call a meeting of the ancient representative body known as an Estates General for the first time since the sixteenth century. This would prove to be the first step on the road to the Revolution.}

The inability of successive Finance Ministers to reform the Tax Farm System meant they had to create additional, \textit{ad hoc}, taxes in order to raise funds. As the eighteenth century ran its course, the Tax Farms went from contributing \textperthousand40 of revenues in 1753 to \textperthousand30 in the 1780’s. Where new revenues did come from was “added-on” taxes that were introduced initially to get the government out of a bind, but never really disappeared after the crisis. Among the more most damning pieces of evidence suggesting that the French Tax System was hopelessly underperforming by the end of century comes from comparisons with Britain. The British used tax farming during the seventeenth century in much the same way as the French. The early Stuart Kings made extensive use of the Tax Farmers as financial intermediaries
and would frequently violate their property rights so as to avoid repaying loans. Unlike in France, however, the British solution to the Crown’s credibility problem was to introduce representative institutions. Tax Farming disappeared in Britain in 1641 when the Long Parliament confiscated all of the Farms’ assets. By 1688, and the Glorious Revolution, formal representative institutions like the Bank of England and a strong Parliament were in place to ensure that the government behaved credibly on the capital markets.

The French also had a sort of “Constitutional Revolution” during the seventeenth century known as the Fronde (1648-1653). Unlike what happened in Britain, though, the King won in France. So rather than representative institutions, the French government was forced to allow organizations like the Company of General Farms to emerge with which it could credibly contract. This created an equilibrium, like that described in the Contingent Claims literature, in which the Ruler cooperated with an organization so long as that organization was powerful enough to punish him. The adaptive inefficiency of the French solution compared to the British is obvious if we look at the differential success of each country in extracting tax revenues from their population. The French Monarchy was capturing a slightly lower proportion of National Income at the end of the eighteenth century than it was at the beginning. In contrast, England began the century capturing close to 17% of National Income and ended the century capturing 22%. Similarly, the British also ended the century able to borrow at much lower rates than in France. Between 1745 and 1789 the yield spread between similar short-term bonds in Britain and France was about 3% on average.

The French State’s solution to its seventeenth century inability to credibly commit to enforcing property rights was to cede control over a significant proportion of those rights in return for increased capital. This is consistent with the type of con-
tracting equilibria described by the modern-day Contingent Claims literature. Linking the tax collection and lending activities of the Company of General Farms meant that in order to reform the way taxes were collected, the Crown had to “buy-out” the Farmers with an interest in the system. As the eighteenth century progressed, and the importance of the Company in sustaining Royal credit increased, buying out the Tax Farmers was increasingly unrealistic. The alternative was to predate on the rights of the Tax Farmers, as had been done repeatedly during the seventeenth century. In this matter, the successes of the seventeenth century came to plague the eighteenth. The Company of General Farms was very good at protecting its monopsony and while this resulted in more secure property rights, it also bound the Crown to a set of institutions that would eventually drag it into a Revolution it would not survive.
NOTES

*Insert some thanks and acknowledgements here...*

1. These taxes were known as the Aides, Traites, Gabelles, and Domaines. The Aides were wholesale and retail taxes on wine and spirits, the Traites were excises on internal and external trade, the Gabelles were taxes on salt, and the Domaines were seigniorial rights and dues. During the eighteenth century the tobacco tax, the Tabac, was added to the Farms.


6. Historians refer to the second half of the seventeenth century as the “longue période des difficultés.” There were reductions in agricultural production, industrial production, a decrease in agricultural productivity, and a steady decline in the price level. The literature surrounding these findings is summarized in Françoise Bayard and Philippe Guignet, *L’économie Française Aux Xvie et Xviiie Siécles* (Gap: Ophrys, 1991), 107-13.


11. There is ample evidence of how individual Tax Farmers were willing to profit at the expense of their fellow collectors. See Bayard, *Le Monde des Financiers*, 123-31.

12. The War of Austrian Succession (1740-1748) cost 500 million livres tournois, or, 25% of annual ordinary revenues. The Seven Years War (1756-1763) cost 1,325 million livres tournois, or, 75% of ordinary revenues each year.


15. The modern equivalent of the billets des fermes would be short-term government debt, like a one month or three month treasury bond. The value of the billets des fermes were subtracted from lease payments each year as “charges.”


23. Of the sixty seats in the Farm available in 1776, only 22 of them were not divided into croupes. See the acte de société for the Bail David reproduced in Antoine Lavoisier, Œuvres, vol. 6 (Paris: Imprimérie Nationale, 1862-93), 629-31.


26. Riley, “French Finances, 1727-1768,” Table 2.


