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Jadon B. Smith

Liberty University, jsmith953@liberty.edu

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France's Financial Crisis: Analyzing the Role of the Finance Minister

Abstract

The downfall of France's Old Regime and the beginning of the French Revolution were largely caused by the financial crisis plaguing France. Since the Seven Year's War, France's finances had suffered and were spiraling out of control. The finances were kept largely by the country's appointed finance minister. France would go through a host of these finance ministers up to the Revolution. The most notable was Jacques Necker who receives more detailed analysis. Tracing the administrations of these finance ministers helps explain an important factor leading to the French Revolution.

Keywords

French Revolution, Finance Minister, Jacques Necker

On the 14th of July 1789, the mob of Paris marched on the Bastille, symbolically marking the end of the Old Regime and the beginning of the French Revolution. From this point forward societies, governments, militaries, and economies would never fully return to their pre-Revolution forms. The unrest that snowballed into the march on the Bastille originated from rumors of the king's finance minister, Jacques Necker's dismissal.¹ France was in a financial crisis in 1789. An invaluable part of the government of France was its finance minister, and Necker was its most famous office holder. The financial crisis was not the sole cause of the Revolution but requires detailed analysis. For the second half of the eighteenth century France's financial credit began to crumble. France was in a flux of increasing levels of taxation, taking out loans from foreign powers, and trying to avoid bankruptcy. As a result, the nation went into large debt. The outbreak of the French Revolution ties to France's financial struggles. The years from the end of the Seven Years War up to the storming of the Bastille were financially volatile. The financial dilemma culminated with Necker's dismissal.

Tracing the administrations of the various controller-generals and finance ministers is needed in order to understand the importance of France's financial situation, and how it contributed to the beginning of the French Revolution. Determining if there was a solution to France's financial crisis is also important. Could the various finance ministers have pursued a different course of action, adopted new policies, or was France's fate sealed long before the 1780s? Of the finance ministers, Jacques Necker requires special attention. Necker was one of the most unusual of France's finance ministers. He served multiple terms, and historians have interpreted his ministry with mixed success.

Before thoroughly analyzing Necker, it is critical to see the context of the French financial situation before Necker came to power. Historian Paul Beik has devoted a book to the French fiscal situation after the Seven Year's War, and his analysis is helpful. Beik asserts that France's empty treasury began with Louis XIV's reign, but serious struggles did not begin till Louis XV's reign.² The Seven Year's War proved to be a major obstacle to France. The treasury was seriously unprepared to finance a global war. To finance this war, Beik notes, the controller-general at the time, Silhouette, attempted to collect the money necessary "by means of extraordinary taxes."³ The French people hated these extraordinary methods, and the parlements of Paris offered no support to Silhouette. This conflict between the controller-general and the parlements of Paris is one that would continually be played out up to the storming of the Bastille. Despite Silhouette's heavy taxing, the war left France in a terrible financial condition. At the close of the Seven Year's War national debt was approximately 1.7 billion *livres*.⁴ Moreover, the peace of 1763 did not conclude the financial worries; expenses of government were still greater

¹ Helena Rosenblatt, "The Banker Who Brought Down the Old Regime: Rediscovering Jacques Necker," *Eighteenth-Century Studies* 39, no. 4 (Summer, 2006): 547, accessed February 6, 2015, <http://www.jstor.org/stable/30053710>.

² Paul Beik, *A Judgment of the Old Regime: Being a survey by the Parlement of Provence of French economic and fiscal policies at the close of the Seven Years War*, (New York: Columbia University Press, 1944), 12.

³ *Ibid.*, 13.

⁴ *Ibid.*, 14.

than revenues.⁵ It was into this state that France's controller generals before Necker were thrust.

Joseph Marie, l'abbe Terray, Anne-Robert Jacques Turgot, and Bernard de Clugny were the three controller generals before Necker's administration. They were capable men, made some progress in getting the financial house in order, but for various reasons were dismissed. Terray, an economist, and likely the most competent of the three, took "brutal measures to cut expenditures."⁶ His strategy was to "endure short-term deficits followed by surpluses and debt retirement."⁷ Terray's reforms achieved considerable success, but he made few friends during his time. Venal office holders, products of the Old Regime, considered him an enemy because the "burden of bankruptcy was widely distributed."⁸ Venal offices were sold to French citizens. The office holder purchased the title and received honorific titles or tax exemptions.⁹ In 1778, Bossenga reports there were over 50,000 venal offices.¹⁰ Terray's reforms were far-reaching. Even Voltaire, a crown creditor, lost as much as 200,000 *livres* because of Terray!¹¹ Historian Bailey Stone says that Terray was just able to "stave off governmental fiscal collapse" and produce a series of budget surpluses.¹²

When Louis XVI came to power in 1774 he dismissed the unpopular Terray and replaced him with Turgot. Turgot was a Physiocrat. Physiocrats were ardent nationalists who believed that France should be built around an agrarian society.¹³ Turgot attempted to free-up domestic trade and implement tax reforms; however, his ambitious plans were handicapped by Louis's reinstatement of the Parlement of Paris and other sovereign law courts.¹⁴ Turgot's opposition by the courts led to his dismissal in 1776. Clugny replaced Turgot briefly before also being dismissed. Both Turgot and Clugny, like Terray, managed to produce budgetary surpluses, but this was peacetime. What would happen when France inevitably returned to war?¹⁵ The French entry into the American War for Independence just after this increased borrowing would be problematic. The nation was in a bad situation and turned to one person who could gain the confidence of creditors, Jacques Necker.¹⁶

One of the challenges to interpreting Necker's tenure is the spectrum of opinions that have been made about him. Early historians viewed Necker in an extremely negative

⁵ Ibid., 14-15.

⁶ Eugene White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" *The Journal of Economic History* 49, no. 3 (September 1989): 548, accessed April 8, 2015, <http://www.jstor.org/stable/2122504>.

⁷ Ibid.

⁸ Ibid., 555.

⁹ Gail Bossenga, "Financial Origins of the French Revolution Revisited," in *From Deficit to Deluge: The Origins of the French Revolution*, ed. by Thomas E. Kaiser and Dale K. Kley (Stanford, CA: Stanford University Press, 2011), 41-42.

¹⁰ Ibid., 49.

¹¹ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 555.

¹² Bailey Stone, *The Genesis of the French Revolution: A Global-Historical Interpretation* (New York, NY: Cambridge University Press, 1994), 149.

¹³ Ibid., 61.

¹⁴ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 555.

¹⁵ Stone, *The Genesis of the French Revolution*, 150.

¹⁶ Ibid., 557.

light, but recent scholarship has been more even-handed.¹⁷ Examining Jacques Necker's character will likely shed light on why he was such a polarizing figure. Necker was Swiss, not French,¹⁸ the son of a Protestant Prussian immigrant from Geneva.¹⁹ Physically, he was a "little heavy in his personal appearance, yet a man with good eyes, and a refined and agreeable face."²⁰ A journal article from the *Scots* magazine, published in 1796 describes Necker as a good husband, father, and citizen.²¹ Necker had made his fortune in banking.²² Most sources all speak of Necker's intelligence. Necker's wife, Suzanne Curchod Necker, who conducted a lively *salon*, wrote after first meeting Jacques in July 1764, "I am much pleased with Necker, both as regards the tone of his mind and his general character."²³ Edward Beesly, writing in the mid-1800s describes him as "an exceedingly clever man" whose intellect "embarrassed him by its very acuteness."²⁴ He says Necker "had a wonderful power of mastering financial details, which was equaled only by his skill in manipulating, or, as some said in cooking them."²⁵ Historian George Taylor says Necker's selection as finance minister came about because European states could no longer finance their wars. They needed foreign capital and Necker's background and connections served to help the French attain the needed revenue.²⁶

Necker's intelligence frequently came across as vain. Historian D'Haussonville notes that in conversation Necker "gave signs of a certain intellectual superiority over those who were brought into contact with him."²⁷ The 1796 *Scots* magazine article describes Necker's shortcomings as vanity, egotism, and ostentation.²⁸ However, coupled with Necker's intelligence was a strong ambition. The *Scots* magazine further says Necker was "[destined] to [rise] from the [desk] of a competing [house], to one of the [highest] employments in Europe."²⁹ Necker wanted to be known for his accomplishments and to become the savior of France.³⁰ When Necker was in power his main focus was to remain in office. Georges Lefebvre points out that Necker understood the weakness of the king, influence of the queen, and that his predecessors had been

¹⁷ Rosenblatt, "The Banker Who Brought Down the Old Regime," 548.

¹⁸ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 557.

¹⁹ Georges Lefebvre, *The Coming of the French Revolution*, trans. R.R. Palmer. (Princeton, NJ: Princeton University Press, 2005), 54.

²⁰ Vicomte D'Haussonville, *The Salon of Madame Necker*, trans. Henry M. Trollope. (London: Chapman and Hall, 1882), 91.

²¹ *Ibid.*, 658.

²² Lefebvre, *The Coming of the French Revolution*, 54.

²³ Suzanne Necker, letter to Moultoy July 1764, quoted in D'Haussonville, Vicomte. *The Salon of Madame Necker*, translated Henry M. Trollope. (London: Chapman and Hall, 1882), 92.

²⁴ Edward Spencer Beesly, "Necker and Calonne: An Old Story," *Fortnightly Review*, May 1865-June 1934 5, no. 26 (February, 1869): 179, accessed February 6, 2015, <http://search.proquest.com/docview/2429345?accountid=12085>.

²⁵ *Ibid.*

²⁶ George Taylor, "The Paris Bourse on the Eve of the Revolution, 1781-1789." *The American Historical Review* 67, no. 4 (July 1962): 965, accessed April 16 2015, <http://www.jstor.org/stable/1845247>.

²⁷ Beesly, "Necker and Calonne," 92.

²⁸ *Ibid.*, 658.

²⁹ "Necker," *The Scots Magazine, 1739-1803* 58 (October, 1796): 657, accessed February 6, 2015, <http://search.proquest.com/docview/6064948?accountid=12085>.

³⁰ *Ibid.*

terminated by privileged interests.³¹ Necker could be faulted for caring more about himself than the country he worked for.

One thing that set Necker apart from other finance ministers, or any public figure for that matter, was his popularity. Beik notes that the force of public opinion increased at this time, people were more and more concerned with their leaders actions.³² Historian Robert Harris says:

[Necker] recognized [public opinion] as an awesome power that had grown up in the eighteenth century along with the expansion of commerce, education, and enlightenment. He was convinced that public opinion had become so powerful in France that it could no longer be ignored even in the most absolute of monarchies.³³

Necker saw the French people as too intelligent and too well educated to submit to the same grievances of the past. In this sense Necker was ahead of his time. Others had noticed public opinion was a rising force, but no one tried to cultivate it the way Necker did. He “worshipped it.”³⁴ His incessant attempts to educate the public through treatises, or by his *comptes rendu* shows a man who wanted the trust of the public and earned it.³⁵

Necker gained a popular reputation from a few sources. First, as noted, his wife Suzanne operated a *salon* in their house. The men of letters repaid Necker by calling him an innovator and a *philosophe*.³⁶ Necker's dismissal from his first administration increased his popularity, and his feud with his successor Calonne also enhanced his reputation. Lefebvre notes, “he was thought capable of miracles.”³⁷ Necker’s was not only popular, but used his popularity to his advantage. Because Necker was a self-made man, a Protestant, and foreigner he could cajole foreign states such as Switzerland and Holland into giving France loans.³⁸ Necker could raise loans “simply because capitalists believed in him.”³⁹

The challenges facing Necker at his first appointment were daunting. Harris describes the situation:

The great drama of Necker’s first ministry was whether he would succeed in keeping the ordinary accounts balanced as new war loans were piled on ever more loans. Would he be able to balance the ordinary accounts of the royal finances through improvement of administration, the elimination of waste and inefficiency, the reduction of costs of collecting taxes, the reductions of pensions and gratifications, and all the other measures that came under the heading of

³¹ Lefebvre, *The Coming of the French Revolution*, 56.

³² Beik, *A Judgment of the Old Regime*, 15-16.

³³ Robert Harris, *Necker: Reform Statesman of the Ancien Régime*. (Oakland, CA: University of California Press, 1979), 86.

³⁴ Beesly, “Necker and Calonne,” 179.

³⁵ Stone, *The Genesis of the French Revolution*, 163.

³⁶ Lefebvre, *The Coming of the French Revolution*, 55.

³⁷ *Ibid.*

³⁸ *Ibid.*

³⁹ Beesly, “Necker and Calonne,” 182.

ameliorations? Would he be able to escape, in the end, the recourse to new taxes? It was by no means a foregone conclusion.⁴⁰

Necker managed to implement some ambitious reforms. His first concern was to bring ordinary expenditures into balance with the ordinary revenue.⁴¹ His reforms were known as “ameliorations,” and Necker cut expenses seemingly everywhere that could be trimmed.⁴²

Necker’s reforms were in line with his predecessors Terray and Turgot. He eliminated more venal offices than both and abolished numerous treasurers and controllers for military and royal households.⁴³ Historian Eugene White sees Necker's greatest achievement, which most historians condemn, as financing the American war almost entirely by borrowing. Necker did not raise taxes to pay for the war, a fact that shocked his detractors. Historian Robert Harris has commented that increasing taxes was an unpopular and politically dangerous course.⁴⁴ Necker had learned from the Seven Year’s War. New temporary taxes led to permanent taxes. However, Harris disagrees with White’s assessment that funding the war with loans was good. Harris shows “Necker built up staggering public debt and ruinous rates of interest.”⁴⁵ In the short-term, however, Necker managed to reduce other expenditures and prevented disaster from occurring.⁴⁶

In February 1781, Necker controversially published the first *compte rendu*. This public document was a statement of the king’s finances, not a budget.⁴⁷ However, it opened the secret account of the government to the public for the first time in history.⁴⁸ Traditionally, the people of France and the parlements were kept in ignorance of the state of public finances.⁴⁹ Beik notes there were two reasons Necker published this document. First, it shed a favorable light on its author and his administration. Second, it would keep up the government’s credit.⁵⁰ There is significant debate by historians surrounding the *compte rendu*. A commonly held view is that Necker “cooked the books.” Historian Charles Gomel maintains the charge is “utterly false.”⁵¹ White, who is a defender of Necker, views the report as accurate. He says many Necker critics rely on the attacks of his successor Calonne.⁵² Calonne found an error of 56 million *livres*, which Necker denied.⁵³ Harris supports White’s assertion saying the numbers were authoritative.⁵⁴ The *compte rendu* is not exactly accurate because there were delays in collections. When the final tax collections are factored into Necker’s estimate, his projection of the budget was

⁴⁰ Harris, *Necker*, 123-124.

⁴¹ Robert Harris, “Necker’s *Compte Rendu* of 1781: A Reconsideration,” *The Journal of Modern History* 42, no. 2 (June 1970), 165, accessed April 7, 2015. <http://www.jstor.org/stable/1905939>.

⁴² Stone, *The Genesis of the French Revolution*, 152.

⁴³ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 558.

⁴⁴ Harris, “Necker’s *Compte Rendu* of 1781,” 161.

⁴⁵ *Ibid.*

⁴⁶ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 558.

⁴⁷ Harris, “Necker’s *Compte Rendu* of 1781,” 166.

⁴⁸ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 558-559.

⁴⁹ Beik, *A Judgment of the Old Regime*, 15.

⁵⁰ *Ibid.*, 31.

⁵¹ Harris, “Necker’s *Compte Rendu* of 1781,” 161.

⁵² White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 559.

⁵³ Harris, “Necker’s *Compte Rendu* of 1781,” 162.

⁵⁴ *Ibid.*

rather accurate.⁵⁵ Stone confirms White's calculations saying Necker was "essentially correct and that his detractors' criticisms were not."⁵⁶

Despite Necker's popularity and his ambitious tactics, his first administration would end in 1781, just a few months after the publishing of his *compte rendu*. Necker's dismissal was not due to a financial crisis, but political intrigue.⁵⁷ Stone summarizes Necker's dismissal saying that his policies began to be questioned. Necker was "publicizing the royal accounts, monitoring the relationship between ordinary revenue and ordinary expenditure, curtailing courtiers' monetary favors, and forcing rural nobles to pay their fair share."⁵⁸ Those in high places were rather angry at these records being public. As a specific example his *compte rendu* showed the king spent over 8,000,000 *livres* annually on his brothers.⁵⁹ This was five times more than he spent on upkeep of capital and ten times more than he devoted to hospitals.⁶⁰ As Bossenga summarizes, "Administratively Necker's reform program was a resounding success; politically, it was doomed."⁶¹

Moreover, detractors asked if his policies were really suitable for a strong large nation like France. Were his policies not better off being employed by a small republic like Geneva? Necker was infecting France with republican ideas.⁶² Despite Necker's reforms being grounded in a sound philosophy of governmental accountability, he was ultimately dismissed because of these factors.⁶³ When Necker left office, figuring himself indispensable, he guessed he would be back in a few weeks.⁶⁴ Necker would return, but not for several years and after a host of other finance ministers.

Necker's immediate successor was Jean-Francois Joly de Fleury. While Necker had been a successful banker before becoming finance minister, Fleury was from a distinguished noble of the robe family.⁶⁵ Fleury continued to borrow to keep the war in America afloat, but greatly departed from his predecessors' reforms. One of Fleury's major reversals was his reinstatement of many venal offices. The costs of collected taxes suddenly increased, and then temporary taxes also increased.⁶⁶ Raising taxes was what Necker had avoided as much as possible. Stone notes that Fleury lacked Necker's "appreciation of the imperative need to curb venal office-holding in the financial administration and to restrain the concession of special favors to sybaritic figures at court and the taxpaying rural noblesse."⁶⁷ Fleury also stopped publicly publishing pensions and other gratuities from royal coffers, a reform that made Necker popular.⁶⁸ Fleury's administration lasted until 1783. He resigned. As Stone indicates, his resignation was an "ominous" sign. Fleury had abandoned many of Necker's reforms, but balanced the

⁵⁵ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 559.

⁵⁶ Stone, *The Genesis of the French Revolution*, 154.

⁵⁷ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 559.

⁵⁸ Stone, *The Genesis of the French Revolution*, 154.

⁵⁹ Rosenblatt, "The Banker Who Brought Down the Old Regime" 547.

⁶⁰ *Ibid.*

⁶¹ Bossenga, *Financial Origins of the French Revolution*, 56.

⁶² Stone, *The Genesis of the French Revolution*, 168.

⁶³ *Ibid.*, 154-155.

⁶⁴ Beesly, "Necker and Calonne," 181.

⁶⁵ Stone, *The Genesis of the French Revolution*, 155.

⁶⁶ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 560.

⁶⁷ Stone, *The Genesis of the French Revolution*, 155.

⁶⁸ *Ibid.*

budget by raising taxes. Fleury's reasoning for his resignation was his inability to control other lesser ministers' spending.⁶⁹

If Fleury's administration was rocky, his short-lived successor Henri-Francois de Paule II Le Fevre d'Ormesson's administration was a resounding failure.⁷⁰ Ormesson, who had earlier lost his office due to Necker's reductions, continued Fleury's reinstatement of the venal offices.⁷¹ What differentiated Ormesson from Fleury was his inability to create new taxes to pay for new expenditures.⁷² Ormesson also had trouble securing loans to keep the government running. Out of desperation he secretly secured a loan from the Discount Bank. The Discount Bank was never meant for this purpose, Stone says, indicating how desperate Ormesson actually was.⁷³ Unfortunately for Ormesson he was discovered and thoroughly embarrassed. Increasingly desperate he tried to alter the lease of the powerful Farmers-General. The Farmers-General was an organization that purchased and leased out government duties to private financiers. This launched a panic among those invested in the Farmers-General.⁷⁴ These two incidents left the finance minister's office in disgrace and led to Ormesson's shameful resignation in November 1783, after less than a year in office.

The next finance minister, Charles-Alexandre de Calonne, followed this string of short-tenured and ineffective finance ministers. Calonne's administration requires closer study than others because he was in office longer than most, and there was mutual dislike between him and Necker. Calonne reversed Ormesson's policies and restored some public confidence to the office.⁷⁵ Calonne's plan to recover France's finances deviated from those of his predecessors. He attempted to stimulate the economy to solve France's financial crisis.⁷⁶ Calonne "increased freedom of trade within France, raised the number of free ports, and began negotiations on a new trade treaty with England."⁷⁷ He also "pursued a policy of public works and sought popularity by suppressing some indirect taxes."⁷⁸ On the other side of the coin, Calonne kept and restored more venal offices that Terray, Turgot, and Necker had so harshly eliminated.⁷⁹ Also, although Calonne restored some public confidence in his office he did not restore confidence in domestic and foreign creditors. Their confidence collapsed almost entirely under his administration.⁸⁰

Under Calonne the financial crisis began to spiral out of control. Expenditures continued to grow, but revenues stagnated producing an ordinary budget deficit.⁸¹ Calonne managed to keep deficit spending because he still received foreign capital.⁸² Calonne did not manage to balance the budget, and since the nation was at peace, this state of affairs unnerved the Parlement of Paris. The Parlement disliked Calonne

⁶⁹ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 561.

⁷⁰ Stone, *The Genesis of the French Revolution*, 156.

⁷¹ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 561.

⁷² Ibid.

⁷³ Stone, *The Genesis of the French Revolution*, 156.

⁷⁴ Ibid., 157.

⁷⁵ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 562.

⁷⁶ Stone, *The Genesis of the French Revolution*, 157.

⁷⁷ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 562.

⁷⁸ Ibid.

⁷⁹ Stone, *The Genesis of the French Revolution*, 158.

⁸⁰ Ibid., 157.

⁸¹ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 562.

⁸² Ibid.

registering new loans, and they would begin refusing to approve them.⁸³ With acquiring loans becoming more difficult, Calonne turned to increasing taxes. Realizing he would not be able to pass reforms with the Parlement against him, Calonne went over them seeking the king's help.

Calonne went to the king to explain the situation and sought his approval to recall the Assembly of Notables that would through consensus force the Parlement to honor his reforms.⁸⁴ Beesly describes Calonne's meeting as follows:

The impending catastrophe, he said was not of his creating; Necker had bequeathed it to him; the famous *Compte Rendu* had been cooked; the deficit had been steadily growing since the days of Louis XIV; there was but one remedy—retrenchment. He then proceeded to sketch out a series of reforms of the most sweeping kind, some of them long demanded by enlightened men, others crude, and even whimsical, such as the payment of taxes in kind.⁸⁵

Beesly records that the king gasped for breath after hearing this tale. He complained Calonne was Necker all over again, but allowed Calonne to have his Assembly of Notables.

Whatever preconceived objectives Calonne hoped to achieve through this Assembly were dashed quickly. Beesly says Calonne's ingenuity harmed him. Simplicity would have been preferable.⁸⁶ His calling of an Assembly was a startling fresh approach to solving the financial crisis, but did not have the desired effect. He would pack half of the Assembly with Frenchmen who had few sentimental prejudices. These were “atheist prelates scheming of promotion, and men of fashion, who petted Franklin.”⁸⁷ The other half Calonne would “educate” by assuring them he was developing the principles of the monarchy.⁸⁸ When Calonne addressed this Assembly he acted as if he had already succeeded in his endeavor.

The Assembly, not amused by Calonne, turned on him and clamored for an institutionalized public review of royal finances.⁸⁹ Calonne's forced review of the budget was gloomy at best. He tried to explain himself saying his predecessors had done no better than him, pointing specifically at Necker.⁹⁰ A debate broke out amongst the Assembly. During this debate Calonne was discovered to have hidden “some vital evidence” regarding his *comptes effectifs*, a document that challenged Necker's *compte rendu* of 1781.⁹¹ He was shamed, called a traitor by some, and dismissed, all while increased calls for Necker's return were shouted.⁹²

⁸³ Ibid., 563.

⁸⁴ Ibid., 563-564.

⁸⁵ Beesly, “Necker and Calonne,” 184.

⁸⁶ Ibid.

⁸⁷ Ibid.

⁸⁸ Ibid.

⁸⁹ Stone, *The Genesis of the French Revolution*, 161.

⁹⁰ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 564.

⁹¹ Ibid., 564-565.

⁹² Beesly, “Necker and Calonne,” 185.

Calonne was rather bitter following his dismissal. In his appeal to the king he claims his enemies brought “imaginary crimes” against him.⁹³ Calonne asked the king if “the truth may be cleared up” and his honor restored.⁹⁴ Calonne received no such restoration. He was largely despised by the parlements he tried to bypass and the common Frenchman whom he tried to raise taxes against. However, when Calonne's popularity plummeted, the privileged classes were not ready to recall the banker Necker. The crown instead settled on Cardinal Etienne Charles Lomenie de Brienne for sixteen months.⁹⁵ Brienne, a confidant of Necker,⁹⁶ who was thought of as a good minister, was actually, according to Lefebvre “an incompetent ignoramus.”⁹⁷

Brienne first attempted reforms in the vein of Terray, Turgot, and Necker, but the time for gradual reforms had ended.⁹⁸ Brienne ended up largely funding the government by borrowing like Calonne.⁹⁹ Dramatic changes were still needed. Brienne presented a host of tax raises and other reforms to Calonne's Assembly of Notables. The Notables rejected him, but the king reacted by dismissing the Assembly.¹⁰⁰ Brienne sent his proposal next to the Parlement of Paris. It partially accepted his reforms, but rejected all new taxes, “claiming that only an Estates-General could grant them.”¹⁰¹ The Parlement's refusal to grant new taxes left Brienne in a difficult predicament. Normally, there was enough confidence in the government that financiers would grant short-term credit anticipating future tax revenue.¹⁰² With no new tax revenue incoming, France's credit went into a free-fall. Beesly records at the end of Brienne's ministry there was an attempt to induce Necker to cooperate with Brienne in a sort of dual finance-minister position. Necker saw it as lending his popularity and talents to a “clique of official hacks who loathed radical reform and would have thwarted him at every step.”¹⁰³ Necker had too much pride and too much ambition to be manipulated in such fashion. He would not compromise his autonomy.

With Brienne faring no better than Calonne in trying to right the sinking financial ship, the king reluctantly recalled Necker.¹⁰⁴ If Necker faced a challenge in his first administration, his second must have seemed like a nightmare. When recalled as Finance Minister in 1788, he returned to his gradual reforms, but this would not be enough to halt a collapse.¹⁰⁵ Another factor that made his job more difficult was the poor harvests of 1788-89. This forced Necker to spend money on grain imports, subsidize merchants, and establish charities for the unemployed and starving.¹⁰⁶ Beyond saving France financially,

⁹³ “The Appeal of M. De Calonne to His Sovereign.” *The Town and Country Magazine, Or, Universal Repository of Knowledge, Instruction, and Entertainment* 10 no. 19 (October 1787): 444, accessed April 8, 2015, <http://search.proquest.com/docview/6350884?accountid=12085>.

⁹⁴ *Ibid.*, 445.

⁹⁵ *Ibid.*

⁹⁶ Stone, *The Genesis of the French Revolution*, 161.

⁹⁷ Lefebvre, *The Coming of the French Revolution*, 28.

⁹⁸ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 565.

⁹⁹ Lefebvre, *The Coming of the French Revolution*, 29.

¹⁰⁰ *Ibid.*

¹⁰¹ *Ibid.*

¹⁰² Stone, *The Genesis of the French Revolution*, 161.

¹⁰³ Beesly, “Necker and Calonne,” 185.

¹⁰⁴ White, “Was There a Solution to the Ancien Régime's Financial Dilemma?” 567.

¹⁰⁵ *Ibid.*

¹⁰⁶ Stone, *The Genesis of the French Revolution*, 228.

and in cases, physically, some in Paris wanted the crown “rejuvenated through a constitutional process,” and they pinned their hopes on Necker.¹⁰⁷ Necker saw an urgent need for a new constitution; however, he realized that to accomplish this many social and political interests would have to be compromised.¹⁰⁸ Necker’s role in his second ministry became more of a mediator and compromiser.

One of his steps was to engage the Estates-General. By 1787 there was a loud call for a meeting of this body that had not been called since 1614.¹⁰⁹ The crown dreaded calling the Estates-General back to session for fear of it undermining royal authority. This is why Calonne had instead called an Assembly of Notables together to try and pass his reforms.¹¹⁰ He feared them less. With things in shambles the crown had little choice but to call the Estates-General. On August 8, 1788 a royal edict informed the nation that the Estates-General would convene May 1, 1789.¹¹¹ Eight days later another decree announced the government was in “temporary” bankruptcy; however, it “also promised the crown’s creditors that the upcoming assembly of the kingdom’s Estates would permanently secure their investments.”¹¹²

Necker tried to gain time by borrowing when he got back in office. He understood that taking out loans was a temporary solution at best.¹¹³ Necker hoped the Estates-General would abolish tax exemptions for the nobles. Necker therefore “inclined toward strengthening the Third Estate, without, however, committing himself to its cause.”¹¹⁴ Necker sought a doubling of the Third. By granting the vote by head to the Third on financial questions only then would tax exemptions disappear.¹¹⁵ Necker attempted to satisfy all sides, but Beesly notes he was clearly out of his comfort zone. Necker was a finance man, and when confronted with political difficulties his “defects of mind and character became at once apparent.”¹¹⁶ Beesly further indicates that Necker had only public opinion to go on, but because public opinion in France was just becoming a reality, it had no consistent outlet that Necker could gauge.¹¹⁷ Necker was in the dark. When he met with the Estates-General in May of 1789 he largely recited financial statistics instead of outlining a plan of reform as was expected.¹¹⁸

Stone remarks about Necker’s second administration that “there is still considerable scholarly debate over the wisdom and forcefulness of Necker’s stewardship of public affairs.”¹¹⁹ While Necker did temporarily resuscitate the royal finances he likely had some unrealistic expectations for the Estates-General.¹²⁰ He also well overestimated his ability to get various factions to compromise. Because he sought to be a mediator he

¹⁰⁷ Ibid., 207.

¹⁰⁸ Ibid.

¹⁰⁹ Lefebvre, *The Coming of the French Revolution*, 49.

¹¹⁰ Stone, *The Genesis of the French Revolution*, 173.

¹¹¹ Ibid., 182.

¹¹² Ibid., 183.

¹¹³ Lefebvre, *The Coming of the French Revolution*, 55.

¹¹⁴ Ibid.

¹¹⁵ Ibid.

¹¹⁶ Beesly, “Necker and Calonne,” 186.

¹¹⁷ Ibid.

¹¹⁸ J. F. Bosher, *The French Revolution*. (New York, NY: W. W. Norton & Company, 1988), 127-128.

¹¹⁹ Stone, *The Genesis of the French Revolution*, 210.

¹²⁰ Ibid.

did not want to alienate any group. This led to indecisiveness and other problems. For example, if Necker had been more forceful in prescribing the vote by head for the Estates he could have avoided much turmoil. While some criticism for Necker is justified, in the end he still had to defer to the king.¹²¹ The king and Necker had very different visions as to where they saw France going. Necker was willing to change, but Louis was not.

On the 11th of July Necker was dismissed by the king and recommended to leave France in secret. Three days later the march on the Bastille occurred. Necker would return from his dismissal by popular demand. His return was triumphant, but upon returning his moderate path of reforms won him no friends. “His reformism was too bold for the aristocratic party and too timid for the patriots.”¹²² Gauchet summarizes Necker’s flaws well:

He lacked the talent for manipulating people and the intuition to sense the passions that moved them; nor did he possess the quick will or the firm resolve that guide the leaders of nations in cataclysmic times. A cautious, analytical man who placed too much confidence in the resources of analysis and the authority of intelligence, he lacked the means to confront the destructive and violent side of politics.¹²³

Necker was too moderate and did not have the character to guide the Revolution. By the time Necker resigned for good in 1790 the public had turned against him. What made Necker’s downfall so catastrophic was the pinnacle he had reached before descending.

Were the various finance ministers from Terray to Necker’s second administration responsible for the financial collapse? Stone sees more to the story, maintaining that “the policies of Louis XVI’s finance ministers in general and of wartime Finance Minister Jacques Necker in particular must be appraised within the context of the overall credibility of the French government’s fiscal and administrative procedures.”¹²⁴ It is too much to completely blame the finance ministers, but some conclusions can be drawn. First, the crown and nobles deserve a fair share of the blame. The crown’s continual sale of venal offices ultimately backfired. These venal office holders consolidated the social base of public opinion that challenged the crown’s administrative operations and undermined any constructive reforms.¹²⁵ In this sense the crown sowed its own seeds of destruction. Moreover, when the finance ministers tried to remove these venal offices they were dismissed. The following finance ministers were dismissed in part because of this opposition: Terray in 1774, Turgot in 1776, Necker in 1781, Ormesson in 1783, Calonne in 1787, and Brienne in 1788.¹²⁶ Had the crown not given into the demands of those opposed to the finance ministers, it is possible one minister might have been in power long enough to right the ship of France’s finances.

¹²¹ Ibid.

¹²² Marcel Gauchet, “Necker,” In *A Critical Dictionary of the French Revolution* ed. by Francois Furet and Mona Ozouf, trans. by Arthur Goldhammer, (Cambridge, MA: Harvard University Press, 1989), 288.

¹²³ Ibid., 288-289.

¹²⁴ Stone, *The Genesis of the French Revolution*, 149.

¹²⁵ Ibid., 188.

¹²⁶ Ibid.

Another issue that needs to be addressed is whether borrowing to keep France afloat was a good decision. France no doubt got the idea to finance war by borrowing from observing its neighbor across the English Channel. J. F. Wright tracks British borrowing for its wars from the Seven Year's War to the Napoleonic Wars. Britain had borrowed millions of pounds to finance its wars and raised taxes to simply pay off the interest.¹²⁷ With Britain as an example, it is likely France imitated its rival. Comparing Britain and France is helpful because it shows differences that hindered France where Britain succeeded.

First, Britain and France's ability to tax was vastly different. France had too many tax exemptions from privileged groups like the nobles and clergy.¹²⁸ Britain on the other hand raised taxes and had fewer tax exempt groups. Second, France did not have a public bank to issue loans or a Parliament to back up loans.¹²⁹ France had intermediaries who advanced money to the monarchy and generated trust from lenders. These intermediaries were complex and evolving structures that were usually more concerned with keeping the status quo.¹³⁰ They were political entities, not economic. Third, lenders knew Britain received more stable incomes of money through taxes. Britain had a better tax base. It could raise loans with less interest. Most of Necker's loans raised during the war in America had high rates of interest. By the time Calonne began borrowing, average interest for a loan was over seven percent.¹³¹ Lenders did not trust France as much as Britain. Britain's rates were not as high, and that allowed them to largely escape a similar disaster.

Stone concludes that 1781 was the "moment of truth for the old regime."¹³² Necker's first administration ended this year. Necker and consequently Terray and Turgot's gradual reforms were rebuked as the old-style absolutists took back administrative functions. Moreover, debt from the war in America would begin to cripple the government and wasteful spending would plunge the government further to ruin.¹³³ If Stone is to be believed, 1781 may have been the point of no return. A major change in France was imminent.

Despite constantly increasing in debt, White concludes that France was a "better debtor" than is often given credit.¹³⁴ He indicates that Terray, Turgot, and Necker's policies were essentially sound. The monarchy, however, refused to follow its programs leading to the crisis in 1788-89. Radical fiscal changes may not have been necessary, gradual tax reforms could have saved the monarchy.¹³⁵ Fleury, Ormesson, and Calonne's reestablishing of the venal officers "allowed fiscal administration to slip away from the

¹²⁷ J. F. Wright, "British government borrowing in wartime, 1750-1815," *The Economic History Review* 52 no. 2 (May 1999): 355, accessed April 19, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/1468-0289.00129/epdf>

¹²⁸ Gail Bossenga, "Origins of the French Revolution." *History Compass* 5, no. 4 (June 2007): 1311, accessed April 19, 2015, <http://onlinelibrary.wiley.com/doi/10.1111/j.1478-0542.2007.00448.x/full#ss3>

¹²⁹ *Ibid.*, 1308.

¹³⁰ *Ibid.*, 1309.

¹³¹ *Ibid.*, 1313.

¹³² Stone, *The Genesis of the French Revolution*, 169.

¹³³ *Ibid.*

¹³⁴ White, "Was There a Solution to the Ancien Régime's Financial Dilemma?" 568.

¹³⁵ *Ibid.*

Crown.”¹³⁶ Borrowing kept France financially stable for a time, but when international lending subsided, disaster was imminent. France potentially could have defaulted on its debt and not needed to call the Estates-General.

Of the finance ministers Necker commanded the most attention and is the most memorable. His perception by scholars is a self-centered man seeking glory for himself. His refusal to compromise and work with Brienne is a good example. Despite his character flaws, Necker sincerely wanted to save France, evidenced by his attempt to build bridges with different political factions. Many of the issues he faced were out of his range of expertise. His failure to mediate between the different factions demonstrates politics was not his forte. The French populace viewed Necker as a miracle worker, so seeing him struggle probably added to his challenges.

Necker’s legacy is then two-fold. First, he had a very direct effect on the start of the French Revolution. His dismissal added to unrest among the populace that led to the storming of the Bastille. However, his *compte rendu* had long reaching effects as well. The *compte rendu* made Necker quite popular with the masses, but it had another effect he was not expecting. Publicizing the royal finances exposed and confirmed the excessive lifestyle of the crown. Many French citizens were fed up with this lavish living. Although it was not Necker’s intention, his *compte rendu* helped precipitate the fall of Louis XVI. Second, Necker’s understanding and courting of public opinion set him apart from other ministers. Gauchet called it “one of his most powerful political ideas.”¹³⁷ While Necker’s motives for courting public opinion were likely for personal glory he had advanced understanding for his time. He sought to stimulate public opinion and have it keep the monarchy in check.¹³⁸ Necker’s relationship with public opinion seems to foreshadow a more modern politician.

After tracing France’s financial crisis from the Seven Year’s War to the storming of the Bastille, it seems fair to say that the majority of France’s financial problems began as early as Louis XIV’s reign. France’s complex and inefficient administrative processes were backbreaking to its financial system. The finance ministers from the Seven Year’s War to the beginning of the French Revolution all had various plans for recovery that could have staved off financial collapse, but often were hindered by political forces. Necker’s first administration is the perfect example. His ability to cut the venal offices and not raise taxes allowed him to largely balance France’s budget. However, his reforms ultimately got him fired because he attacked the political powers present in France. Following Necker’s first administration major governmental changes were inevitable, but it did not necessarily have to result in full-scale revolution. However, because of the rise in public opinion, the call of the Estates-General provided an avenue to undermine the monarchy and the Revolution ensued. More than just the financial crisis fueled public opinion that led to the Revolution. Nevertheless the financial situation and the finance-ministers provide a crucial step in the analysis of the Revolution’s origins.

¹³⁶ Ibid.

¹³⁷ Gauchet, “Necker,” 287.

¹³⁸ Ibid., 547.

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