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## NOTES

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### *Internal Control: Public Finance in 17th Century France*

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#### THE MONARCHY AND THE RENTES.

Before the Revolution of 1789 the French monarchy was beset with chronic indebtedness, due largely to war rather than to purely domestic expenditure or even royal extravagance. Rulers who waged what were by modern standards small wars could not pay for them and soon resorted to deficit financing. The reign of Louis XIV (1643-1715) began and ended in such an atmosphere. During that era the financially embarrassed crown often sold bonds known as *rentes* on the Hôtel de Ville, which provided the king relatively cheap credit, compared to the high interest demanded by wealthy financiers for other loans. These issues are called Hôtel de Ville *rentes* since that building was the headquarters of the Paris municipality. In order to supervise management of *rentes*, the authorities had devised a system of internal controls — that is, checks and balances to prevent fraud and insure accountability and accurate record-keeping. We shall discuss the *rentes*, the officials who managed them, and the controls in the earlier decades of Louis XIV's reign, when the king was served consecutively by Jules Cardinal Mazarin and Jean-Baptiste Colbert.

The status of the *rentes* is one of the less publicized aspects of Colbert's ministry (1661-1683). The termination of a war in 1659 and the reformist mood of the regime of Louis XIV and Colbert permitted a reappraisal of the lingering problem of public debt. Colbert — the minister interested in urban embellishment, codification of laws, and the efficiency of the Paris police — quickly turned his attention to the *rentes*. Moreover, a discussion of *rentes* will throw some light on the role of the Hôtel de Ville, or municipality,

whose activities after the Fronde (1648-1653) have scarcely attracted historians' attention. Last, a description of the management of the rentes lends support to J. F. Boshier's contention that the French crown lacked a real financial bureaucracy and had to depend on semi-private accountants, men of some independence, to handle its money. The monarchy, he asserts, controlled fiscal officials « only by occasional legal process, not by continuous administrative direction ».<sup>1</sup>

In addition to Boshier's, a few other secondary works are helpful, notably Germain Martin's *Histoire du crédit*, which is primarily concerned with the seventeenth century.<sup>2</sup> To understand the rentes it is profitable to consult the registers of the Hôtel de Ville, largely unpublished for the seventeenth century; a royal ordinance of 1672 concerning the municipality's duties, and the informative eighteenth-century treatise on the controllers of rentes written by Pierre Le Roy.<sup>3</sup>

The term *rentes* refers, first, to particular types of government obligations, especially bonds sold through the Paris municipality, and, second, to the amount of *interest* payable annually. The rentes on the Hôtel de Ville originated in 1522, when King Francis I granted the municipality permission to sell 16,666 livres of rentes, or annual interest, in return for a principal of 200,000 livres payable to the crown. Due to his military reverses in Italy, the king needed ready cash. His loan was negotiated at the interest rate of  $8\frac{1}{3}$  per cent, or *denier* 12 — meaning simply that the principal was twelve times the annual interest payable to the lender, the rentier. The loan of 1522, negotiated through the Paris government, enabled the king to raise the entire principal, without deductions by middlemen, at a rate lower than that current among financiers and was thus highly advantageous to the crown.<sup>4</sup>

<sup>1</sup> *French Finances, 1770-1795: from Business to Bureaucracy* (Cambridge University Press, 1970), p. xii.

<sup>2</sup> GERMAIN MARTIN and MARCEL BEZANÇON, *L'Histoire du crédit en France sous le règne de Louis XIV* (Société du Recueil J. B. Sirey et du Journal du Palais, 1913). See also A. VÜHRER, *Histoire de la dette publique en France* (Berger-Levrault & Cie.), I; JEAN JULES CLAMAGERAN, *Histoire de l'impôt en France* (Guillaumin, 1867-76), I and II; BERNARD SCHNAPPER, *Les rentes au XVI<sup>e</sup> siècle* (S.E.V.P.E.N., 1957).

<sup>3</sup> The municipal, or Hôtel de Ville, registers (*Registres des délibérations du Bureau de la Ville de Paris*) are in the Archives nationales, Paris (hereafter cited as AN) in the « H » series; all archival references are to folios, handwritten double-pages. The municipality is not to be confused with another major Parisian jurisdiction headed (after 1667) by a lieutenant of police.

The ordinance of 1672 is called *Ordonnances de Louis XIV, Roy de France et de Navarre concernant la juridiction des prevost des marchands & eschevins de la ville de Paris* (Frédéric Leonard, 1685); hereafter cited as *Ordonnances*. LE ROY, *Mémoires concernans le contrôle des rentes* (P. A. Lemercier, 1717); hereafter cited as *LE ROY, Rentes*. Le Roy frequently refers to the *Ordonnances*, as well as other regulations.

<sup>4</sup> LE ROY, *Rentes*, pp. 8, 16. See also PAUL CAUWÈS, *Les Commencements du crédit public en France: les rentes sur l'Hôtel-de-Ville au XVI<sup>e</sup> siècle*, in « *Revue d'économie politique* », IX (1895), pp. 112-13.

Throughout the sixteenth and early seventeenth centuries civil or foreign war was chronic in France. As tax revenues were usually insufficient, deficit spending resulted and the volume of outstanding rentes increased. After 1561 the monarchy regularly tapped the revenues of the clergy, along with its own tax receipts, to pay rentiers their interest; so there were now issues of rentes payable out of various royal taxes and issues assigned on ecclesiastical revenues. Meanwhile the royal government continued to mortgage its taxes by selling additional rentes through the Paris municipality, from which rentiers had to purchase titles of ownership. The crown benefited from the association with the Hôtel de Ville, for the latter was considered a better credit risk than the king; nonetheless it became obvious that the city could not guarantee payment if the crown reneged. We shall take a closer look at the system operative in the early decades of Louis XIV's reign.

In the middle of the seventeenth century the young king, under the tutelage of his mother, Anne of Austria, and of Cardinal Mazarin,<sup>5</sup> was faced with a series of rebellions known as the Fronde (1648-1653) while his government continued an interminable war with Spain. Successful against the managers of the Fronde, France finally negotiated a favorable peace treaty with Spain in 1659. In 1661, at Mazarin's death, Louis began his personal rule, and during the following two decades he utilized the services of Jean-Baptiste Colbert in numerous capacities, particularly that of controller general of finance. The legacy of a quarter-century of war and government debt proved a challenge to the adept but unscrupulous finance minister. He was determined to undo the fiscal chaos by introducing orderly bookkeeping, prosecuting financiers for fraud, and reforming the rentes even at the cost of repudiation. Colbert soon provoked fear or hostility in the financial community. But, before analyzing the fate of the rentiers at Colbert's hands, we should focus attention on the rentes themselves.

The parties involved in the operation of the system included, first of all, the crown, which had originally decided to sell a given issue of rentes. But the crown was dependent on the tax collector whose funds were assigned to pay interest to rentiers. The collector was to deliver stipulated revenues to a payer of rentes, who paid semi-annual installments to rentiers at the Hôtel de Ville in Paris. A controller was charged with observing transactions among tax collectors, payers, and rentiers. Meanwhile the city magistrates — a *prévôt* of merchants and four *échevins*, or aldermen — were responsible for overall supervision of payers and controllers and remonstrated to the crown when installments of rentes failed to arrive at the Hôtel de Ville.

The purchasable, or venal, nature of the payers' and controllers' offices implied a proprietary right to them but subjected payers' offices to a curious

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<sup>5</sup> Mazarin, chief minister of state in the later 1640's and the 1650's was a cardinal but evidently neither bishop nor priest; his responsibilities included war, diplomacy, finance, and the education of Louis XIV in statecraft.

form of internal control. In return for future fees, these officials had paid the crown an amount dependent on the market value of their offices or had acquired them from previous owners; usually they were privileged to hold them for life or sell or bequeath them. The system of venality, widespread and legal in Old Regime France, reflected the crown's inability to collect enough taxes. More to the point, the payer's equity in his office was a partial guarantee against default on his part, for the office was mortgaged to pay debts due the rentiers in the event that he defaulted or disappeared.

As for the rentiers themselves, the ultimate beneficiaries, they were apparently persons of various classes, in Paris or the provinces, who preferred to invest funds with the government rather than risk money on the relatively few commercial undertakings that existed.

Thus the crown was the real borrower, the municipality an agent actually unable to guarantee payment but whose prestige gave the rentiers confidence. The creditor was, of course, the rentier. No cheaper form of credit was available to the crown in the mid-seventeenth century. Despite the fiscal confusion stemming from the wars waged from 1635 to 1659, investors still placed money with the government or speculated on depreciated rentes. Colbert deplored this dependence on government securities and wanted money channeled into trade, but it is very likely that there were few investment opportunities beckoning small lenders to risk their funds. Rentes were apparently quite negotiable, subject to sale or inheritance, yet it would be difficult to classify them simply as bearer or registered. The events of the 1660's throw light on the fluctuation of the rentes market. Then Louis XIV and Colbert, while attempting to restore order, at the same time took advantage of the chaos of several decades past. The crown complained that titles had been sold second-hand at depreciated values in the previous quarter-century of war and that holders of depreciated rentes were not entitled to full interest payments. The royal government went as far as to disqualify some rentes on the ground that holders could not prove valid titles.

Rentes contracts, whose exact stipulations are not clear, were perpetual, to be held by the assignee in perpetuity but callable at the king's option. Actually Louis XIV's government was in no position to repay these loans. At best the king could renegotiate them at lower interest or threaten to call them in order to exact more favorable terms from the rentiers. Thus in the 1660's, while Colbert was in office, the government blackmailed the rentiers into accepting partial repudiation as the price of continuing to hold rentes. The repudiation was more obvious than one might expect in the twentieth century; there was no inflation drastic enough to disguise a repudiation in Colbert's time, but the crown (as we shall see) found ingenious methods nonetheless.

Rentes were payable out of specific assigned revenues, royal or ecclesiastical. The former consisted of a variety of taxes, such as *tailles*, *aides*, and

*gabelles*. *Aides* and *gabelles* were indirect taxes on such products as wine and salt respectively and usually were collected by tax farmers. Tax farmers paid sums to the royal treasury for the privilege of attempting to collect a certain revenue in a given area. If a farmer of *aides*, for example, was successful, he collected enough in his district to pay costs and a profit, perhaps enormous. But if depression resulted in low sales of a product, or civil war and unrest made collection hazardous, the farmer might suffer a loss. On the other hand, agents under government supervision usually collected the *taille*, which in many provinces was a head-tax. *Rentes*, because they were assigned on specific revenues, varied in real worth according to the reliability of the tax farm or other sources of revenue, the political condition of the country, and the intrepidity and reliability of the collector. At midcentury, during the Fronde, the unlucky holder of an uncollectable *rente* simply had to wait, enduring delay if not outright default.

During the Fronde the crown fought successively the Paris Parlement, a high court of law with allies in the capital, and a faction of greater nobility. Domestic and foreign war and resistance to taxation interrupted the flow of money to the Hôtel de Ville. Angry *rentiers* came to municipal headquarters to complain about non-payment of their installments. Meanwhile tax farmers told the municipality of their inability to collect in certain districts in order to supply *rentiers* with income. Only with difficulty could royal and municipal officials soothe the discontented creditors. In 1649 the city invited a dozen *rentiers* to come to the Hôtel de Ville to present their grievances and about three hundred of them showed up, only to cause such a furor that no one could properly record their complaints.<sup>6</sup>

#### THE INTERNAL CONTROL MECHANISM.

One grievance directed at the monarchy during the Fronde was the maladministration of *rentes*. Yet these debts were better paid toward the end of that conflict.<sup>7</sup> Ultimately payment or non-payment depended on the crown's ability or willingness to disburse full installments on time, rather than resort to the wartime expedient of suppressing part of a payment due. On a lower level of government, at the Hôtel de Ville, we find a rather elaborate system of regulations and practices designed to guarantee payment to *rentiers*. The above-mentioned Ordinance of 1672 is only one reflection of these built-in internal controls. For example, that ordinance shows that the *prévôt* of merchants, head of the municipality, was to assist frequently while

<sup>6</sup> *Registres de l'Hôtel de Ville de Paris pendant la Fronde*, ed. A. J. V. Le Roux de Lincy and L. C. Douët d'Arcq (J. Renouard et Cie., 1846-48), II, pp. 444-46. Hereafter cited as *Registres*, ed. Le Roux de Lincy.

<sup>7</sup> *Ibid.*, pp. 447-48, 450-51. So the *prévôt* of merchants reported in 1652.

payments were made at the Hôtel de Ville (his ordinary residence at the center of Paris) in order to hear rentiers' advice and grievances. In many respects the ordinance merely confirmed past regulations or practice. During the Fronde, for instance, the chief magistrate and *échevins* had listened to many complaints from unpaid rentiers. Furthermore the ordinance stipulated that an *échevin* would supervise rentes on given funds; thus a Sieur Pasquier was in charge of rentes assigned on the *aides*. *Échevins* were directed to oversee payments and initial payers' accounts.<sup>8</sup>

The municipal registers are replete with data on the payers' duties, problems, and alleged embezzlements. It will be recalled that these officials held their posts as property as long as they avoided overt fraud and that they could sell or bequeath them. Their offices were specially mortgaged to guarantee the substantial sums passing through their hands en route from the tax collector to the rentier. If a payer defaulted, his office was subject to sale at auction. In 1668 the city magistrates informed the royal Council of State that Pierre Le Semelier had defaulted on a sum of about 14,000 livres. (Presumably the livre was worth at least a U. S. dollar of today). For three weeks Le Semelier had failed to pay rentes. He owned two offices, including that of payer of a portion of the *gabelles*, salt taxes. The city magistrates obtained Le Semelier's papers from his wife and consigned them to the Hôtel de Ville. There remained no other assets to pay rentiers except the proceeds from a projected sale of his offices. So the city petitioned the king to order a sale at auction in the presence of municipal officials, and the royal Council consented. The proceeds were earmarked, first of all, to pay rentes. If the total sum was insufficient to pay rentes due, they would be distributed pro rata. Any surplus, on the other hand, was to go to Le Semelier's other creditors.<sup>9</sup> It is plain that rentiers usually had first claim on the assets, including the office itself, of a defaulting payer.

A payer was subject to financial embarrassment for reasons other than fraud on his part. A tax farmer interested in salt taxes had failed to pay funds to Maître Boulard, commissioned by the city to serve in Le Semelier's place temporarily. The story was a familiar one: a claimant had attached Boulard's funds, causing cessation of payment of rentes. The municipality considered the attachment illegal and prejudicial to rentiers and asked the king to order the salt taxes paid to Boulard; again the crown consented. The rentiers concerned were to be paid.

The *prévôt* of merchants and *échevins*, we have seen, were part of the internal control mechanism. Thus when a payer, Maître Branjeon, died, an *échevin* went to the deceased's home to put his papers under seal. A relative assured him that no files had been diverted. The municipal delegation put the seal of the Hôtel de Ville above the lock protecting the papers and left

<sup>8</sup> *Ordonnances*, pp. 276-79.

<sup>9</sup> AN, H 1821, fols. 304-11.

them under guard. When the heirs promised to be responsible for all debts stemming from the exercise of Branjeon's office, the city ordered removal of the seals.<sup>10</sup>

Like the payers, the controllers were subject to the city magistrates' jurisdiction. In the 1670's, after Colbert had suppressed a number of presumably useless offices, the *rentes* were divided into fourteen portions, each entrusted to two alternate payers. Each payer served every other year, supposedly preparing accounts in years out of service. The payers' operations were to be observed by fourteen controllers always on duty.<sup>11</sup> The Ordinance of 1672 precisely spelled out some of the controllers' obligations. An incident seven years earlier shows why the authorities clarified or reiterated the regulations: in 1665 an *échevin* supervising payment of *rentes* complained of controllers who kept no registers and controlled payments on simple loose leaves. The Ordinance of 1672 specified that they use bound registers.<sup>12</sup>

#### CONTROLLERS OF RENTES

One of the objects of controllership was acquitting tax collectors of responsibility for money delivered to payers of *rentes*. The controller had to be present when the collector brought money to a payer. Once the tax collector had got a receipt from the payer, he showed it to the controller for verification and registry. The controller wrote his endorsement on the receipt and transcribed the endorsement to his bound register.<sup>13</sup> The register showed the portion of *rentes* — a portion assigned on *aides*, for example — and the date of endorsement, and it used the formula: « registered . . . by myself . . . undersigned the year and date above ». Thus controllership rendered the tax collector's receipt valid.

Once it had been common practice to issue receipts called *récépissés* for

<sup>10</sup> AN, H 1822, fols. 349-51; AN, H 1823, fols. 17-19.

<sup>11</sup> A. VÜHRER, *Histoire de la dette publique en France* (Berger-Levrault & Cie., 1886), I, pp. 109-10. Hereafter cited as VÜHRER, *Dette*. As new *rentes* were issued during the Dutch War, the number of payers and controllers rose to fifty of each in 1676. By 1682 the volume of business in *rentes* had decreased, so Colbert limited these offices to fourteen of each type. As for the portions of *rentes*, to cite one example, the above-mentioned Le Semelier was « payer of the fifth portion of *rentes* of three millions in *gabelles* ». The government could multiply portions, or funds, based on a particular revenue source, choosing one payer for each portion or allowing a payer to manage more than one. Efficiency in paying *rentes* or, contrarywise, the inclination to sell offices evidently determined the number of payerships and controllerships.

<sup>12</sup> LE ROY, *Rentes*, pp. 193-94. *Ordonnances*, chapter XXXI, pp. 276-86, contains regulations on *rentes*.

<sup>13</sup> LE ROY, *Rentes*, pp. 206-16. The register had to be bound, its pages numbered and initialed by a city magistrate. To prevent fraud, the Ordinance of 1672 directed the controller to leave no blank spaces. LE ROY, *Rentes*, p. 233.

funds delivered each week and to exercise controllership over only a summary receipt, a *quittance comptable* showing the total of *récépissés* for a given « quarter ». (Before 1665 it was customary to pay installments four times annually, rather than twice). Thus the collector had to wait three months for a *quittance* relieving him of responsibility. A regulation of 1645 altered the system to provide for controllership over *récépissés* as well as *quittances comptables*. As old procedures were found wanting, the royal or municipal government altered them to protect the rentiers.

Another object of the controllership was to discharge payers of responsibility through registry of rentes installments paid in the controller's presence at the Hôtel de Ville. Each week on a prescribed day the payer of a given portion of rentes came to the Hôtel de Ville with an alphabetical list of rentiers, called the roll of those persons to be paid that week, and got receipts from rentiers. The payer was required to furnish to the controller and to the municipality lists of rentiers and amounts due. At the time of payment the controller was to register names of recipients in the margin opposite the rentiers' names. In other words, the controller showed whether the rentes were paid to the actual owner or to a delegate.<sup>14</sup>

It was necessary to identify the payee properly, as an incident in 1629 had shown. Jacques du Vidal, owner of 3000 livres of rentes, found that his three-month « quarter » was in arrears — a rather common occurrence in the seventeenth century. Early in the following year du Vidal went to the Hôtel de Ville to collect from the payer. But the payer had not reached his name in the alphabetical call. At the end of March the rentier returned to find that his installment had been paid to another claimant, who had answered the roll for him. Du Vidal charged that the payer was liable despite the fact that controllership had been exercised. However, a court ruled that the controllership had actually acquitted the payer of responsibility. The rentier lost his case.

To prevent this sort of inequity and to close loopholes, later regulations were directed at the problem of identification. The royal Ordinance of 1672 complained that persons received rentes by answering the roll without authorization; nine years later the municipality found it necessary to forbid controllers to register names of persons unauthorized to collect rentes. The 1672 law was also aimed at persons, authorized or not, who collected rentes in places other than the Hôtel de Ville outside the controller's presence; in such instances recipients had certified in writing that they had been properly paid. The ordinance flatly forbade these payments, known as *par certifications*.<sup>15</sup>

For the purpose of adequate identification, it was sufficient for a rentier or his delegate to have a true copy of the rentes contract in hand. The controller's entry certifying payment used the phrase, « having seen the

<sup>14</sup> LE ROY, *Rentes*, pp. 206, 217-19, 240, 244-45; *Ordonnances*, p. 278.

<sup>15</sup> LE ROY, *Rentes*, pp. 247-50.

contract ». But delegates who lacked true copies of the contracts needed the rentier's proxy, properly notarized, granting power to sign for the owner or only to collect installments. The Ordinance of 1672 noted that all bearers of proxies for receiving installments were to renew them every four years and that the proxies also must contain a reckoning of previous installments. Naturally holders of proxies had to collect in person, but some had taken the liberty to send in their stead other persons, even servants, to collect for them. To understand this, one might bear in mind the inconvenience of making one's way through congested narrow streets in a busy commercial quarter near the Seine to wait at the Hôtel de Ville for the proper name to be called. In any case, the municipality stipulated in 1682 that only those individuals expressly charged in writing could collect installments of rentes. It was illegal for a controller to recognize any other payment.<sup>16</sup> However slowly, the authorities, royal and municipal, attempted to tighten internal control.

After weekly payments of installments current and in arrears, the controller noted them in his register, totaled the sums, and certified the amounts. These sums were classified as expenses, while receipts contained the names of persons from whom the payer received taxes earmarked to pay rentes, together with payment dates.

Controllershship was designed partially for the rentier's sake, Le Roy pointed out. If payments were not shown on the controller's register, a rentier could file a claim against the payer, while, « on the contrary [he] could not pursue the payer for those [installments] which are recorded there as disbursed ».<sup>17</sup>

The controller remitted copies of his records of receipts and payments to the municipal recorder's office, to the royal Council of Finance, and to the *Chambre des Comptes*, which verified accounts. If the Hôtel de Ville asked for a statement, the controllers were to furnish totals of sums received from tax collectors supplying rentes and totals of payments to rentiers within a given period. Different columns distinguished current rentes from those in arrears as did the controller's register. After final totals of each column, the formula was:

I, Controller . . . of the . . . portion of rentes [on salt taxes, for example] undersigned, certify to . . . the *prévôt* of merchants and *échevins* that the present statement containing receipts and payments . . . by . . . payer of rentes of the said portion, since [date] up to and including [date] is true and conforms to the contents of my controllership registers. Done this day . . .

Le Roy has reprinted samples of the formula used to remit copies of

<sup>16</sup> *Ibid.*, pp. 251-53.

<sup>17</sup> *Ibid.*, p. 207.

accounts to the *Chambre des Comptes*, a court of medieval ancestry, one of the most prestigious in the realm:

#### Control-Register

which is rendered to your lordships of the [*Chambre des*] *Comptes* by [controller's name] . . . Controller . . . of the [number] portion of *rentes* of the *Hôtel de Ville* assigned on [a tax farm, e. g.] . . . of receipts and expenses by *Maître . . . conseiller du Roi*, Treasurer, Receiver-General, & Payer . . . of the said . . . portion, for the year ending . . .

First

Receipts

Receipts . . . in the sum of . . .<sup>18</sup>

At this point the controller listed dates, names of persons from whom the payer had collected, and the sums. He put the sums in systematic order and totaled them. Then the formula:

For payment of installments . . . of the said *rentes*, fees [presumably payers' and controllers' fees, e. g.] and other charges assigned on that portion [of *rentes*].

Under « expenses » he listed all dates and payments to *rentiers* and certified the payments.

Similarly, an order from the royal Council required the controllers to submit accounts to Colbert, controller general, every three months.

#### THE RENTIERS' DIFFICULTIES.

Through the various ranks of government there were numerous difficulties in the actual operation of the *rentes* system. In the first place, the most efficient system of internal control could not have prevented devaluation of *rentes* when continual war eroded the king's taxes and undermined confidence in the royal government's fiscal stability. An eighteenth-century account pointed out that payments of all *rentes* had been delayed during the civil wars of the late sixteenth century but that *rentes* based on salt taxes had « a better fate than other kinds ».<sup>19</sup> From the turn of the century till the end of Louis XIII's reign (1610-43) those *rentes* actually paid four quarters annually. In the meantime, *rentes* on the *aides*, based on wine and

<sup>18</sup> For the formulas, see *Ibid.*, pp. 269, 278-79.

<sup>19</sup> *Registres*, ed. Le Roux de Lincy, II, p. 427.

other products, fell to three quarters; certain other rentes paid the investor only two quarters a year. About the time of the Fronde (1648-53) it was not unusual for the government to default on a quarter or three-eighths of an annual installment. Illustrative of the disorder was a decree from the royal Council (dated December 1658) providing money necessary to pay some rentiers their quarters for January 1641 and 1643.<sup>20</sup> In short, there are numerous indications of chaos prior to 1661, when Louis XIV and Colbert began managing the royal finances. It is unlikely that the monarchy knew how many issues of rentes were outstanding, quite doubtful that the crown knew the amount individuals had paid for their rentes, particularly those sold second-hand at depreciated rates. The king and the minister Colbert assumed that a great many issues had been purchased below face value and that the monarch had never received full principal for them. In his memoirs for the instruction of his heir, Louis XIV commented: « Common law permits any private individual to repurchase bond issues by repaying their original price and crediting to the principal any arrears beyond the legitimate interest ». A special tribunal had ruled that « I was to be no less favored for the bonds issued in my name by the *Hôtel de Ville* of Paris ».<sup>21</sup>

In other words, many rentes holders had no right to expect repayment of the full principal — which, the government presumed, they had never paid in the first place — plus interest. Although documents attribute governmental action to the king, the « reimbursements » designed to reduce the number of outstanding rentes bear the imprint of Colbert. The crown was certainly in no position to redeem all rentes at anything resembling face value; instead it proceeded on the basis of « market value » established since 1639 — war years, in fact.

A royal edict of 1663 suppressed all rentes established since 1656, subject to reimbursement. Actually this meant a loss for owners, a number of whom could not prove to the crown's satisfaction that they had paid for their contracts. In mid-1664 a royal declaration outlined a general redemption, ostensibly at market prices current for the previous twenty-five years. The government argued that rentes issued prior to 1656 had been sold at a rate entirely too advantageous to the creditor and acquired with such depreciated notes that owners had been reimbursed several times over through the installments they had collected.<sup>22</sup> Very likely there is much basis for these charges; however the municipality, protector of the rentiers, suggested

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<sup>20</sup> PIERRE CLÉMENT, *Histoire de la vie et de l'administration de Colbert* (Guillaumin, 1846), p. 107.

<sup>21</sup> *Memoires for the Instruction of the Dauphin*, trans. Paul Sonnino (Free Press, 1970), p. 85.

<sup>22</sup> GERMAIN MARTIN and MARCEL BEZANÇON, *L'Histoire du crédit en France sous le règne de Louis XIV* (Société du Recueil J. B. Sirey et du Journal du Palais, 1913), p. 87.

that the monarchy's fiscal incompetence had something to do with that depreciation of rentes values.

The proposed redemption caused panic among the rentiers while the city magistrates remonstrated to the king. The affair revived memories of the Fronde, when rentiers' attitudes toward the crown had been menacing. But the *prévôt* of merchants preferred to blend flattery with remonstrance, introducing every objection to royal policy that he could think of. Quite plausibly, he argued that the reimbursement was fiscally impossible for the crown in the first place. When installments had been delayed in wartime, the rentiers had been promised payment. Furthermore, « the payment of rentes is not a burden on your Majesty for we pay them to ourselves through taxes ».<sup>23</sup> The municipality painted a dismal picture of a hundred thousand families deserting Paris for the provinces once the redemption had plunged them into poverty. If there had to be a reimbursement, the city maintained, surely the king would repay the principal at face value.

After threats and reprieves the government gave ground. A royal declaration of December 1664 still insisted on reimbursement of rentes assigned on *tailles* but allowed rentiers to keep those based on most of the other tax funds; as for the latter rentes, the king was content simply to discount them one-fifth. At that time rentes assigned on *aides* and *gabelles* were paying only 625 livres out of each 1000 face value; the royal declaration thus reduced them to 500 livres, one-half of face value. The fate of some other rentes was worse still.<sup>24</sup>

In response to further pleas, the king decided in 1665 to reconsider even the rentes on *tailles*, then paying only 416 livres out of 1000. Discounting these at one-fifth, the monarch decided to pay only 333. That was not all. The crown transferred these rentes to more solid funds, for which assurance the rentiers had supposedly agreed to suffer a voluntary reduction to 300 livres. Thus the ruler renounced the « great advantage » he had sought from the redemption and actually scaled down the rentes. So, one financial historian concluded, Colbert's plan of reimbursement was replaced with a simple reduction of the debt at the expense of rentes holders.<sup>25</sup> To further alleviate the debt, the crown soon stipulated that all future issues of rentes at a rate higher than 5 per cent were illegal, without prejudice to past contracts. That edict, echoing Colbert's thought, suggested that the route to abundance was through commerce, industry, and agriculture. High interest only encouraged laziness and drew money out of potential commercial undertakings. Fortunately for the finance minister, during the next few years he found abundant

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<sup>23</sup> AN, H 1818, fols. 254-60; VÜHRER, *Dette*, I, pp. 89-90.

<sup>24</sup> The declaration is in *Lettres, instructions, et mémoires de Colbert*, ed. Pierre Clément (Imprimerie Impériale, 1861-82), II, pt. ii, pp. 755-56. Hereafter cited as COLBERT, *Lettres*.

<sup>25</sup> VÜHRER, *Dette*, I, pp. 93-96; AN, H 1819, fols. 78-85.

revenues without resort to rentes on the Hôtel de Ville. But the Dutch War (1672-78) forced him to turn to unbalanced budgets, borrowing, and selling rentes at more than 7 per cent, a relatively high rate for those bonds.<sup>26</sup>

Day-to-day administration of the rentes was the responsibility of city magistrates, payers, and controllers. One of the magistrates' principal concerns was to prevent payers from diverting funds. The municipal registers tell us relatively little about payers who did their work in routine fashion, much more about the delinquent payers that the city pursued for debts. One of the most troublesome was an alleged adventurer named Philippe Senocq. In 1668, when Senocq was scheduled to pay rentes, the city learned that he had not come to the Hôtel de Ville to disburse a recent installment. The magistrates threatened Senocq with arrest and placed a guard at his house. The payer's steps are difficult to trace, but in January 1670 he was reported to be in prison within the political jurisdiction of the Abbey of Saint Germain and hardly capable of holding office. Cognizant of the danger in leaving public funds in the hands of someone whose finances were in such disorder, the municipality commissioned a substitute to do Senocq's work. But the substitute lacked the necessary registers, receipts, attachments, and replevins. The city ordered Senocq to relinquish them and forbade any tax collector to disburse money to him. It is not clear whether Senocq was still in jail or had fled. At the end of that month one finds the magistrates guarding Senocq's home to compel him or an agent to bring to the Hôtel de Ville the registers for payment of rentes. The case illustrates only too well the time-consuming difficulties in administering rentes. It will be recalled that the equity in Senocq's office was still at the municipality's disposal to reimburse rentiers even if the culprit was out of sight.<sup>27</sup>

To protect the rentiers, the *prévôt* of merchants remonstrated with the royal government, pursued delinquent payers, arranged for forced sale of payers' offices, and tried to prevent attachment of funds bound for the Hôtel de Ville. The controllership was regulated by the crown, the municipality, and even by statutes of the community of controllers. Gradually, as procedures were found wanting, regulations were repeated or tightened — for example, to prohibit false identification of rentiers and spell out the conditions for employing a proxy. By the time of Colbert's death (1683) the ordinances on the books imply a better system of controllership. The crown had even reduced the number of controllers and payers to fourteen of each, contrasted with the 160 controllers' offices in existence at midcentury. Since creations of new offices often merely reflected the crown's financial failures

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<sup>26</sup> COLBERT, *Lettres*, II, pt. i, p. 372. The minister said the king was selling rentes at 7.14 per cent and even paying installments six months in advance. For the 5 per cent interest rate, see *Recueil général des anciennes lois françaises*, ed. Isambert, Decrusy, and Jourdan (Belin-Leprieur, Verdrière, 1821-33), XVIII, pp. 70-71.

<sup>27</sup> AN, H 1821, fols. 301-02; AN, H 1822, fols. 152-54, 161-62.

and burdened taxpayers with additional fees, the reduction of offices surely reflects Colbert's desire to relieve the state of excess baggage. Despite the drastic, even arbitrary, repudiation of rentes in 1664-65, the minister later established the state's credit vis-à-vis the rentiers on a firmer basis. Rentes gained prestige as the crown either paid them regularly or redeemed them at face value. By the end of the Dutch War of 1672-78 government credit was sound enough for the crown to reduce the legal interest rate on rentes from 7.1 per cent to 5.5, then 5 per cent, rates characteristic of normal times. But the key to fiscal stability and balanced budgets was to avoid war. International conflict and national debt had done great damage before 1661; the respite before the Dutch War, permitting a balanced budget, was salutary for the treasury. Improvements in internal control procedures implied a system stronger by the mid-1680's. However, France's participation in two lengthy international wars — those of the League of Augsburg and the Spanish Succession — probably nullified these procedural benefits as venality, a form of deficit financing, reached fantastic heights (depths?).<sup>28</sup>

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<sup>28</sup> In 1714, after the two wars, the number of controllers was reduced (!) to 140 controlling seventy portions. In the 1680's the ordinary price of a controller's office was 30,000 livres — adequate explanation of the crown's resort to venality when pressed financially. LE ROY, *Rentes*, pp. 82, 133.