

The Reforms of Jean Colbert, Louis XIV's Treasurer

The Prime Minister of France, Cardinal Mazarin (Maz-uh-REEN), lay dying in 1661, and he told King Louis XIV, "Sire, I owe everything to you, but I pay my debt by giving you Colbert." Jean Colbert (1619-1683) became the most powerful minister of Louis XIV, primarily as treasurer, but eventually working his tentacles into most areas of French government.

Fouquet and Re-organizing government finances

One of the first things Colbert did as the king's assistant was to expose the corruption of Superintendent of the Finances Nicolas Fouquet. Fouquet arranged for high-interest loans to the French government from *financiers*, and received a kickback from those who loaned the money, for his role in the deal. In November of 1661, Colbert forced Fouquet to be brought before a tribunal for having stolen an immense fortune from different public offices, and from the treasury of the King. Fouquet was found guilty, and given a life term in prison. In addition, much of his property was confiscated.

After the trial of Fouquet, Colbert was given the green light to create the Chamber of Justice, a tribunal to clean up the French government's finances. Colbert made the financial officials in France open their records and provide a justification for all of the goods they owned, including their inheritances and gifts given to their children. If the information were not given to the attorney general within eight days, all of their goods and properties were to be confiscated. Informers were to be rewarded with one-sixth of the fine given to anyone convicted of fraud, financial abuse, or embezzlement.

Colbert wasn't done. He then used the information provided in those books to force the financiers to re-negotiate the lucrative loans they had provided to the government. If the interest rates were excessively high, the interest already paid on the debts was subtracted from the principal owed to them, and any remaining principal would be then paid back by the government at much lower interest rates than before. According to one of the justices on the Chamber of Justice, these financiers were forced to write off 90 million livres of outstanding loans to the government, and paid another 20 million livres in fines.

Some 110 million livres was restored to the crown by these measures—some 4 years of revenue (at least in the 1660s). In addition, Colbert reduced the money that the government had to pay its creditors every year, from more than 20 million livres in 1660 to about 7 million in 1670, and for a few years (until wars with the Dutch broke out) he succeeded in balancing the budget.

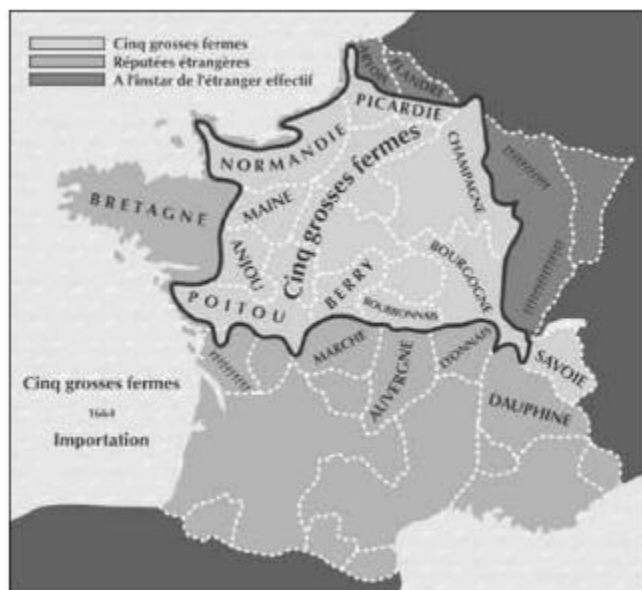
Colbert insisted on putting the tax-collecting contracts up for bid. The results were impressive. In 1661, under the administration of Fouquet, the collectors of the salt tax (called the *gabelle*) gathered 14,750,000 livres from the taxpayers—and out of that, only 1,399,000 livres reached the government. The first lease of Colbert was for 13,500,000 (meaning less was collected from the public), yet the treasury brought in 4,566,950—quite a bit more than under Fouquet. In 1664 (after the salt tax had been reduced), the government still brought in 7,830,000 livres.

Building up French Naval Power

Between 1661 and 1677, the French navy grew from 6 or 8 old galleys and between 20 and 30 sailing vessels, which were mainly small and aged, to 199 ships, more than half of which carried from 24 to 120 guns each. In 1677 the navy boasted of almost seven times more cannons than it had had in 1661. In the years 1689-97, the English estimated that they had lost a total of 4,000 ships due to attacks by the French, including privateers. The number of French sailors increased from 36,000 in 1670 to almost 78,000 in 1683.

Colbert was ruthless in the way he increased the number of French sailors. In the Mediterranean, the French used galleys (large ships with many rowers). For the galleys, Colbert encouraged magistrates to sentence common criminals to serve in them and had no scruple about making use of other sources of manpower: political offenders, Protestants, and slaves seized from Africa and Canada. He told local justices to make as many crimes as possible, punishable by service in the galleys, and gave them the legal authorization to do this.

Five Great Farms and the Attempt to Create a Duty-Free Zone



His famous tariff of 1664 reformed the customs collected in the north-central portion of the country known as the Five Great Farms (shown in light grey in the map), and came close to making this region a free-trade area. Before Colbert's reforms, goods moving from Paris to the English Channel, or from Switzerland to Paris, paid tolls at 16 places; goods moving from Orléans to Nantes (a distance of 270 km/170 miles), paid tolls at 28 points. The numerous tolls were a throwback to the Middle Ages, when each local region was ruled by its own duke or count, and this was one of the ways that these aristocrats made money. Although the aristocracy profited from these taxes, the nation itself was the loser as it made shipping goods out of one district, into another, costly and time-consuming.

Colbert, in 1664, substituted for this complicated system a single import and export duty, making at the same time a considerable reduction in the overall amount of duties to be paid. Yet, in spite of this reduction, the Treasury profited in the end. Trade increased through the removal of vexatious restrictions, the tax-farmers made a larger profit, and the State was the gainer by the natural increase in the amount offered for the "farms."

Tariffs on Foreign Products

And so prohibitive tariffs were raised, which were designed to protect French industry by making foreign goods too expensive for French consumers to afford. In 1664, Colbert increased protective tariffs

(foreign merchants were charged 6% of the goods' value, when importing them; French merchants the slightly lower rate of 3.5%). In 1667, he doubled the tariffs on most imported goods.

The Dutch, in the face of the massive tariffs of 1667, decided to prohibit imports of French wine and cognac, and imposed 50% duties on French luxury items, and 20% duties on French salt, although these measures were against treaty. War indeed broke out between the French and the Dutch in 1672, and the 1678 Treaty of Nimwegen committed the French to lowering their tariffs to their lower, 1664 levels. Even so, tariffs continued to be raised through the years. An illustration of this is the fact that there were 22 items on all three tariff schedules of 1664, 1698, and 1700. Averaging them into an index, with the tariffs of 1664 equaling 100, gives an index of 471 in 1698, and 177 in 1700 (after another long war was resolved). And so we see that throughout the latter years of the 1600s, the French continued to raise tariffs.

As one can imagine, the export of French products fell off greatly. Wherever it was possible, the Dutch and English supplied themselves from other markets. Even where France had a virtual monopoly, as in the wine trade, foreign consumption was greatly diminished. Nor was this the worst. Smuggling on a vast scale was organized. The very officials appointed to prevent it were in league with the smugglers. In the end, the French manufacturers found that foreign goods could be sold in France at an even lower price than under the moderate tariff of 1664! The strategy of levying protective tariffs (for the purposes of getting consumers to purchase domestic products), was self-defeating.

In 1683, we find Colbert writing that the people of France, after twenty years of his mercantilist policies, were still struggling with poverty and famines that would visit France from time to time.

In 1698, the superintendents of the different provinces were told to make detailed reports of industry in their provinces. They reported much the same—that employment in the various industries had plummeted. In Touraine, where 40,000 workers made silk under Richelieu, but now only 4,000 were employed. In that province, clothing had fallen to a quarter of its previous high, and leather tanners' production had fallen by even more. In Maine, where coarse linen had employed 20,000 workers, only 6,000 were still on the job. At Lyons, some 18,000 looms were employed in silk manufacture, but now, only 6,000 were.

In 1700, a council of commerce was assembled, by men selected by leading merchants in the various cities. Almost all agreed that the mercantilist system that Colbert created (specifically, his high tariffs) had ruined the markets for French products in other countries: for example, clothing manufacturers from La Rochelle could no longer sell clothing in Portugal. Another meeting in 1680 with businessmen gave rise to the favorite maxim of restricting government intervention. Colbert asked them what the government could do for business, and one of the men told him, "Laissez faire," translated as "leave us alone," or, more literally, "let it be."