

Describe the financial and political problems facing the French Government in 1787

In 1787, France was in deeply in debt, caused in the main due to the conflicts in which it had partaken during the earlier years of the eighteenth century. The conflicts, including the Spanish, Polish and Austrian Successions, the Seven Years war, and the War for American Independence, had cost France a massive amount of money, upto 6,000,000 livres. This money was borrowed, mainly from the bourgeoisie: merchants, manufacturers, businessmen and financiers. The loans taken out were at high interest rates, leading to over half of the crowns' budget being spent on interest repayments, and, in order to balance the books, further loans being taken out to cover the deficit.

However, the main reason why France was in such a serious financial position is probably due to the taxation system that was in use. The First Estate (clergy) and Second estate (nobility) paid little or no tax to the government, while the third estate paid by far the most. Problems stem twofold from this, firstly, that the richer people in the third estate wanted nothing more than to buy their way into the second estate, thus avoiding the taxation net, and secondly meaning considerable distress amongst the poor, who paid a majority of their wages as tax, some estimates being as high as 65%. The result of high taxes was the growth of movements in France for change, lead by writers such as Jean Jack Rousseau, who conveyed his feelings about the monarchy to the masses.

During the 1780's there was a series of bad harvests, at which point grain prices would rise. The rise in grain prices meant that bread prices would also rise, and therefore that more money would be spent by the peasantry, in order to sustain themselves, on staple goods. This fall in real income, and the lack of disposable income during the 1780's lead to falling consumer demand, and a collapse in the manufacturing sector as a whole. For example, in 1787, textile production fell by two thirds on the previous year, as people did without new clothing et cetera as they could no longer afford to buy any. As the 1780's progressed, further strain was placed on the food supplies available, a growth in the resident population, which meant that demand was increased, but supply, thanks to a few nobles who made vast sums of money selling grain at high, over inflated prices, was static. The general hunger and lack of products that were possibly not necessary to human existence, but which were notable by their absence, lead to increased dissatisfaction, and a general acceptance of the enlightenment ideas.

The decline in manufacturing, the hike in taxes paid by the third estate (due to governmental debt), and the rise in the price of grain, I believe on its own, were insufficient to cause revolution. However, the thing that did destabilise the country, was in fact, the Ancien Regime itself. Inequality was seen every day, when the nobles and the church didn't pay taxes, had high standards of living, were employed, or were men of leisure et cetera. This system was so openly unfair and unjust that writings by people such as Tom Paine could conspicuously point this out. This resentment among the workers of France about their social betters could only add to the problems in France.

Another major reason for the outbreak of revolution is down to the actions of Necker, the leading financial advisor in France during the late 1770's and early 1780's. Necker was a shrewd man, and recognising the need for cheaper loans, Necker created a financial report, The Compte Rendu, which made it appear that the government had a financial surplus rather than a considerable deficit. This was done by neglecting to include the cost of the War in which France was involved, and although it was a vastly successful measure in that more loans were financed, and it meant that taxes could be kept at the same level, which greatly improved Louis popularity in France, it did fail in several key areas. Firstly, money borrowed would one day have to be repaid, which was impossible with their current financial predicament, and secondly, the careful book cooking meant that confidence in the government was there: people had seen a document which detailed all Royal expenditure, and they believed from that document that finances were in a reasonable state, rather than poised on a knife edge between bankruptcy and loans. Necker, after writing the report, tried in vain to find some way to prevent the collapse of royal finances, but found none, and reigned in 1781.

The final reason for the collapse of the Ancien Regime was the desperate attempts toward staving off bankruptcy between 1786 and 1787. While loans had been issued to the state for a long time, by 1785 they were fewer, and on 20 August 1786, Calonne announced to Louis that the state faced imminent

financial collapse. Louis, reluctant to act, delayed, but finally realised that there was no way out: taxes must be raised, and that taxes could only be raised one way, by taxing the church and the nobles. Unfortunately, due to the Compte Rendu, they felt government finances were in better shape than they were, and also believed that the taxes proposed would infringe on their basic rights as nobles. This led to the Nobles revolts in 1787, which although lacking concerted leadership, was timed perfectly: at the beginning of August, 1788, payments from the treasury ceased, and Louis was forced to call the Estates General.