CHAPTER 1

The Nineteenth-Century French State and Its Rivals

Napoleon's defeat at Waterloo in 1815 presaged a transformation of the French state. The fiscal-military system, geared towards mobilising men and money for potentially large-scale warfare, was downsized and recast. France, though, remained a great power; as the statesmen who reconstructed the international order at the Congress of Vienna in 1814–15 clearly understood, France presented a grave potential threat to European peace for the foreseeable future. Indeed, within a few years, France had developed one of the most effective fiscal-military systems in the world, despite some historians' tendency to see post-Napoleonic France as a waning power. While the Franco-Prussian War of 1870–1 sealed France's decline, the two sides were evenly matched in important ways. In 1869, France's population was 38,890,000 to Germany's 38,914,000 while its gross domestic product (GDP), in 2011 US dollars, was \$3,301 million to Germany's \$3,758 million.[1] In an unfortunately timed article published the day before Napoleon III surrendered at Sedan, the economist Paul Leroy-Beaulieu argued that, while France and the German states had similar-sized populations and economic resources, France's were better organised; the French military and naval forces were superior, and the French systems of taxation and public credit were even more so.[2] Others such as Adolphe Thiers, who became the Third Republic's first president in 1871, were more pessimistic about France's chances of victory.[3] Still, flawed though Leroy-Beaulieu's analysis now appears, it embodied an element of truth. His argument reflected the nineteenth-century reconstruction of the French fiscal-military system, to which historians have given little systematic attention, but which was among the principal achievements of post-revolutionary France.

Recent scholarship has increased the need to revisit the early and mid-nineteenth century, often seen as a parenthesis falling between the drama of

[1] Bolt et al., 'Rebasing "Maddison"'. [2] Leroy-Beaulieu, 'Ressources de la France et de la Prusse'.
[3] Thiers to Duvergier de Hauranne, 17 July 1870, and to Rémusat, 19 July 1870, Thiers MSS, BNF, NAF 20620, fols. 196–203.

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the Revolutionary and Napoleonic era and the creation of a durable republic after 1870. Historians have demonstrated that the abolition of feudalism, among the major achievements of the Revolution of 1789, was a slow process and did not entail a major redistribution of economic means.[4] Indeed, not until the mid-twentieth century was inequality in France noticeably reduced.[5] Still, in overhauling property rights and centralising the power of eminent domain, the Revolution removed many of the legal obstacles that had hindered the exploitation of land under the *ancien régime*, stimulating agricultural improvements in the early to mid-nineteenth century.[6] Influenced by Alexis de Tocqueville, François Furet claimed that the Revolution began before 1789 and ended in the 1870s.[7] In effect, this conceptualisation underplays the significance of attempts in the early and mid-nineteenth century to fashion a post-revolutionary order. While the republican teleology remains highly influential, historians have begun to reassess the intellectual, political and cultural history of the period 1815–70, starting with the rediscovery of Restoration and Orleanist political thought.[8] Rather than simply marking transitional stages between the *ancien régime* and the advent of the Republic, the constitutional monarchies of the early nineteenth century reflected a distinctive attempt to fashion a stable, 'liberal' sociopolitical order.[9]

The reappraisal of the early nineteenth century has clear ramifications for the study of public finance, a subject which historians have largely overlooked. Though the reassessment of the period has extended to economic history, scholars have prioritised economic life.[10] As a result, customs aside, the early and mid-nineteenth-century fiscal system has received little attention since the 1920s. Most of the 'new French fiscal history' has focused on the *ancien régime*. Other recent work on public finance concerns the Revolutionary and Napoleonic periods, reinforcing the existing narrative that the nineteenth-century fiscal system was established between 1789 and 1815.[11] Thereafter, as Jean Bouvier has observed, the fiscal system was characterised by 'immobilism'; change was largely restricted to the almost imperceptible growth of indirect taxes.[12] This narrative, Bouvier suggests, merits greater scrutiny – 'a critical study of immobilism' – to appreciate the subtle shifts in the fiscal system

[4] Markoff, *Abolition of Feudalism*; Sutherland, 'Peasants, Lords and Leviathan'.

[5] Piketty, *Le Capital*, 541–7.

[6] Rosenthal, *Fruits of Revolution*.

[7] Furet, *De Turgot à Jules Ferry*; Furet, *Penser la Révolution*, 13–109.

[8] Chabal, *Divided Republic*.

[9] Rosanvallon, *Moment Guizot*; Girard, *Libéraux français*; Jardin, *Histoire du libéralisme*; Jaume, *Individu effacé*; Craiutu, *Liberalism under Siege*.

[10] E.g. Vause, *In the Red and in the Black*.

[11] Branda, *Prix de la gloire*; Bonney, 'Apogee and Fall'; White, 'Politics of Government Finance'.

[12] Bouvier, 'Système fiscal'. For an explanation of 'immobilisme' as resulting from the power of interest groups, see Baccouche, 'Déterminants sociaux et politiques'.

over the course of the century. Moreover, through fiscal history we can qualify the significance of the Revolution and further refute the republican teleology.

Scholarship on nineteenth-century French fiscal history, Bouvier observes, has been dominated by the work of two historians: Marcel Marion and Robert Schnerb. Marion presented 'finances studied from above, defined by the parade of budgetary laws and parliamentary debates'. He began his research before France acquired an income tax in 1916 and defended the nineteenth-century fiscal system as part of the ongoing debate over fiscal reform during the late nineteenth and early twentieth centuries. By contrast, Schnerb, influenced by the *Annales*, sought to integrate 'financial history into a global history.'[13] Historians, Bouvier suggested, should move away from Marion's high politics and towards Schnerb's integration of fiscal and social history, but the difference between Marion and Schnerb is less than Bouvier implies. Both relied heavily on the same sources: parliamentary papers and the writings of the intellectual and policymaking elite. In part, their dependence on these materials reflects the scarcity of documents in central government – as opposed to local – archives following the incineration of the finance ministry archives during the Paris Commune of 1871. Both historians also focused heavily on the Revolution. Of Marion's six volumes covering the period 1715–1914, three are devoted to the years 1789–1817.[14] Likewise, much of Schnerb's *oeuvre* covers Revolutionary and Napoleonic taxation and, though it also ranges across early and mid-nineteenth-century France, does little to challenge Marion's overall interpretation.[15] In the work of both, the post-Napoleonic period appears as one of relatively little change. In this respect, furthering Schnerb's *oeuvre* is unlikely to reshape our understanding of the nineteenth-century fiscal system. More recently, scholars such as Nicolas Delalande and Jean-Claude Caron have written on the social history of taxation, and the former's work in particular also includes extensive analysis of politics.[16] Yet, Delalande's focus is mainly on the Third Republic, as is that of other recent research on nineteenth-century fiscal history.[17] While some scholars have acknowledged the importance of the years after 1815 in entrenching the post-revolutionary fiscal system, they have generally not trawled the archives, and the politics of public finance of the period continue to be

[13] Bouvier, 'Système fiscal', 226–7. [14] Marion, *Histoire financière*.
[15] For a list of Schnerb's publications, see Hérody-Pierre, *Robert Schnerb*, 271–4.
[16] Delalande, *Batailles de l'impôt*; Caron, *Été rouge*. [17] Sawyer, 'Fiscal Revolution'.

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neglected.[18] These politics are essential to understanding how the fiscal system came to be, allowing us to reconsider the narrative established by Marion and others.

Given the loss of the finance ministry archives, reconstructing French fiscal history before 1871 is problematic, especially for the period after 1815. Revolutionary and Napoleonic finance can be gleaned from parliamentary proceedings, the correspondence of the committees that governed France in the 1790s and the archives of the centralised secretariat established under the Directory and Napoleon. After 1815, documentation on finance from the executive is harder to find. Parliamentary papers and proceedings, therefore, assume a greater importance – though many documents sent to parliamentary committees were returned to the finance ministry and thus do not survive. Some finance ministry correspondence exists in the records of other government departments, such as the foreign and justice ministries. Documents from police, prefects and judicial officials – all involved in taxation – offer some indication of the debates shaping policy in official circles. Like parliamentary and private papers, though, these documents are unsystematic in their attention to fiscal issues. Material in local archives, meanwhile, though it generally illuminates how the tax system functioned on a local level, can be less revealing of the national picture. Reconstructing the politics of public finance, therefore, requires a synthesis of material drawn from a range of central and local government archives and private collections.

In recounting the development of the nineteenth-century French state from the Revolution to the Third Republic through the lens of its finances, Louis Fontvieille's *oeuvre* is suggestive, as is that of Pierre Rosanvallon. For Fontvieille, the history of the state is about quantification: the growth of the budget and the relative size of different aspects of government.[19] As Rosanvallon observes, however, analysing the state is more than a matter of checking data. As the state's functions change, there may be growth in one facet and contraction in another. How the state is conceived, what it does and how, are as important as quantification. The state, he suggests, is '*a form of social representation*'.[20] Gary Gerstle's study of the American state follows a similar logic in stressing the importance of the law and the constitution as the repository for the theory of the state.[21] While the study of the state's 'territorial integrity, financial means and staffing may be the

[18] Kang, 'État constructeur', 170–5.
[19] Fontvieille, *État*; Fontvieille, *Administration départementale*.
[20] Rosanvallon, *État*, 11–16. Emphasis in the original.
[21] Gerstle, *Liberty and Coercion*.

place to start in any investigation of its capacities to realize goals', the history of the state is about more than a rational and benign bureaucracy defined along Weberian lines.[22] Rather, the state reflects political and social developments. Thus, for Michael Mann, the modern nation-state emerged from the interplay of political, economic, military and ideological factors.[23] More recently, scholars have conceived of a 'democratic state', emphasising the porousness of the state and the way in which democratic institutions mediated relations between the state and civil society.[24] Similarly, Pieter Judson demonstrates the ways in which the nineteenth-century Habsburg state permeated public life.[25] As such scholarship suggests, analysis of the state is inseparable from that of the political process – hence the value of studying public finance, which enables us to integrate the analysis of institutions and data with that of politics and society more generally. An appreciation of the state's inextricability from political and social processes allows us to further reconsider the French Revolution's significance. Many institutions and elites of the *ancien régime* re-emerged from the mid-1790s onwards and the new state functioned like the old in fundamental ways; hence, concludes Pierre Bourdieu, the Revolution 'in essence, changed nothing'.[26]

The interactions between states means that, as Charles Maier has put it, 'they often reform themselves as a group . . . Renovation . . . has come in waves.'[27] Following a similar logic, Gabriel Ardant suggests that the fiscal systems of a particular period tend to be alike and develop along parallel lines.[28] Thus, the eighteenth century was characterised by frequent and lengthy wars which stimulated the growth of the fiscal-military state, as governments strove to mobilise growing quantities of money and men.[29] The scale of government borrowing rose, supported by increasingly extractive tax systems. Demand for commodities such as tea and sugar grew sharply over the course of the century, while fashion and luxury goods became more widely available, the trade and manufacture of which created new, taxable wealth.[30] Consequently, revenue from indirect taxes rose, particularly since – in France, as in other states – tax rates increased and collection became more efficient during the eighteenth century. Between

[22] Skocpol, 'Bringing the State Back In', 17. [23] Mann, *Sources of Social Power*, II.
[24] Novak et al., 'Beyond Stateless Democracy'; Sawyer, *Demos Assembled*.
[25] Judson, *Habsburg Empire*. [26] Bourdieu, *Sur l'État*, 544–6. [27] Maier, *Leviathan*, 7–8.
[28] Ardant, *Histoire de l'impôt*.
[29] Storrs, *Fiscal-Military State*; Sánchez, *War, State and Development*; Brewer, *Sinews of Power*.
[30] Sewell, 'Empire of Fashion'. There is a large literature on eighteenth-century consumption: see, most notably, Vries, *Industrious Revolution*.

1726 and 1788, the French government's revenue from indirect taxes rose from 88.6 million livres to 219.3 million, while that from direct taxes grew less substantially from 79.9 million livres to 163 million, the nominal increases being 157.5 per cent and 104 per cent respectively.[31] In Britain, the quintessential fiscal-military state, the creation of a highly effective system of indirect taxes eased the government borrowing that underpinned Britain's ability to finance the wars of the eighteenth century. By contrast, public credit proved to be a fatal weakness for the pre-revolutionary French fiscal-military state. While the War of American Independence cost Britain slightly more than it did France, the British state managed its debts more effectively and proceeded to borrow significantly to finance the Revolutionary and Napoleonic Wars; despite substantial tax increases to fund the latter, most notably the creation of an income tax in 1799, Britain's debt-to-GDP ratio reached 200 per cent by the time peace returned in 1815.[32] France, meanwhile, borrowed at higher rates than Britain during the American war and had difficulty servicing its debts thereafter. In the 1780s, the French government struggled to reorder its finances, raise taxes and control expenditure, which increased borrowing costs.[33] The ensuing financial and political crisis triggered the collapse of the *ancien régime* in 1789, prompting the construction of a new, more sustainable fiscal-military system in the nineteenth century. Moreover, the absolute monarchy's limited success in the wars of the eighteenth century weakened public confidence in the *ancien régime*, spurring the creation of a post-revolutionary fiscal-military system capable of maintaining France as a great power.[34]

The eighteenth-century state was more than a purely fiscal-military operation, since its development also arose from non-military factors. While the growth of the eighteenth-century British state, for example, was driven primarily by war, Steven Pincus and James Robinson have argued that it sought to legitimate its expansion by seeking to ensure the provision of some basic amenities for its citizens.[35] Though local government evolved to accommodate this burden, Pincus and Robinson perhaps overstate their case, given the limitations of civil expenditure. The latter comprised 8.2 per cent of British government spending between 1689 and 1815, while the army and navy together accounted for 56.7 per cent. Even

[31] Morineau, 'Budgets de l'État', 314.
[32] Harris, 'French Finances'; Daunton, *Trusting Leviathan*, 47.
[33] White, 'Financial Dilemma'; Legay, 'Capitalisme, crises de trésorerie et donneurs d'avis'.
[34] Skocpol, *States and Social Revolutions*, 60–4.
[35] Brewer, *Sinews of Power*; Pincus and Robinson, 'Faire la guerre et faire l'État'.

taking only peacetime years in this period when army and navy expenditure was lower, totalling 40.4 per cent of spending, civil expenditure remained relatively small at 12.2 per cent.[36] In *ancien régime* France, meanwhile, peacetime army and navy expenditure seems to have consumed a smaller share of the budget than in Britain: in 1775, for instance, these accounted for 30.1 per cent of French spending, falling to 25.1 per cent in 1788.[37] As in Britain, civil expenditure also increased, particularly from local and regional government; whereas many towns had previously earmarked much of their budgets for military purposes, for instance maintaining defensive walls, in the eighteenth century they increasingly redirected resources towards infrastructure and poor relief. The French army and navy claimed a slightly higher proportion of expenditure in the nineteenth century than they had in the eighteenth, consuming 35.1 per cent of spending from 1815 to 1869, a reflection of the greater capacity of the post-revolutionary fiscal system relative to its *ancien régime* predecessor.[38] Simultaneously, the nineteenth-century state embarked on a considerable expansion directed at public works, spending on which grew by 296.8 per cent between 1815 and 1869, when adjusted for inflation.[39] As such expenditure suggests, in some respects the nineteenth-century French state may have resembled Pincus and Robinson's conception of the eighteenth-century British state more closely than the latter itself did. Certainly, France reflected something of the transition that Mann has observed from the 'fiscal-military' state of the eighteenth century to a 'civil-military' state during the nineteenth.[40]

The nineteenth-century state defies easy classification. Several scholars have recently suggested the century was characterised by a 'liberal state', though without explaining the term, presumably because it evades a succinct, broadly acceptable and yet meaningful definition.[41] Nevertheless, across much of Europe, many aspects of the fiscal-military state survived after 1815. While war in Europe was less frequent in the nineteenth century than in the eighteenth, it remained a central preoccupation for governments and continued to stimulate the growth of the state,

[36] Mitchell, *British Historical Statistics*, 578–80. I am grateful to Julian Hoppit for providing me with these data.

[37] Morineau, 'Budgets de l'État', 315.

[38] The figure falls to 33.7 per cent if we discount the years of major war, while excluding more protracted conflicts such as the campaigns to conquer Algeria: 1815, 1823, 1854–6 and 1859–60.

[39] Fontvieille, *État*, 2105–16. [40] Mann, *Sources of Social Power*, II, 378.

[41] Cardoso and Lains, *Liberal State*.

as it did in the United States.[42] The label of a 'liberal state' may also give the misleading impression that the nineteenth-century state was committed to a limited role in the economy. Indeed, several scholars have claimed that the mid-nineteenth-century French state was 'liberal' on the basis that it limited its involvement in economic life, before the emergence of a more actively interventionist state at the end of the century.[43] The market, though, was very much a construction of the state, being shaped by regulation, which accumulated significantly over the course of the early and mid-nineteenth century.[44] Moreover, though the Revolution of 1789 produced a reaction against the economic institutions of the *ancien régime*, the Revolutionary and Napoleonic regimes reaffirmed the state's economic interventionism, partly to mitigate the threat of revolutionary activity by facilitating greater prosperity.[45] Whereas the Napoleonic and Restoration states did not move far beyond the parameters developed by the *ancien régime*, using the law or limited public works expenditure to affect economic activity, the state became much more economically interventionist from the 1830s as public works spending increased. By contrast, the reform of the British state from the 1830s onwards may have reflected a greater compliance of civil society with the aims of the state, as the government pursued the creation of a cheaper and more laissez-faire state or, perhaps more accurately, a 'delegating-market' state in which the state delegated functions to the private sector while retaining overall responsibility.[46] Still, the difference between the British and French states should not be overstated; as we shall see, the mid-nineteenth-century French state combined characteristics of both a 'delegating-market' and a 'fiscal-military' state. Moreover, despite their supposedly laissez-faire state, the British were more heavily taxed than the French until the late nineteenth century.[47] As François Jarrige therefore concludes, France was 'far from the strong, interventionist, oppressive state conveyed in representations'.[48] The French state, in other words, was both economically interventionist and committed to private enterprise. Though perhaps more interventionist than its British counterpart, the French state was not necessarily an economic drag; the development of the nineteenth-century French

[42] Mann, *Sources of Social Power*, II, 370–8; Edling, *Hercules in the Cradle*.
[43] Gueslin, *L'État, l'économie et la société*; Daumard, 'État libéral'. [44] Stanziani, *Rules of Exchange*.
[45] Horn, *Path Not Taken*.
[46] Daunton, *Trusting Leviathan*, 26 and *passim*; Harling and Mandler, '"Fiscal-Military" to Laissez-Faire State'; Mandler, 'State and Society', 2.
[47] Plessis, 'Impôt des français', 24. [48] Fureix and Jarrige, *Modernité désenchantée*, 296.

economy was not markedly inferior to that of Britain, however much scholars might idealise the latter.[49] Indeed, as Mariana Mazzucato has argued, the state can be an effective agent of economic development, something that may have been true of nineteenth-century France.[50]

The Revolutionary and Napoleonic Wars had global ramifications, and triggered the reform of the state across Europe and the Americas.[51] The process of transformation did not end with the return of peace, since states then had to adapt to the post-war world. Spurred by the need to buttress the counter-revolutionary order, reform continued after 1815, stimulating the growth of government as more state regulation emerged.[52] Under pressure to reduce expenditure and curb the bloated state that arose from the politics of 'old corruption', the British government abolished income tax in 1816.[53] Meanwhile, the end of the 1812 Anglo-American War in 1815 presaged a period of retrenchment for the United States, like that pursued in Europe, as the federal government ended temporary wartime taxes; from 1817 to 1861, the tariff – an import duty – was the only federal tax.[54] In 1816, the Second Bank of the United States was established, and a central bank was founded in Austria, to stabilise public and private credit.[55] Four years later, the Prussian Seehandlung, a state bank created under Frederick the Great, was made independent partly in the hope of enhancing its credit.[56] The change to the Seehandlung dovetailed with a process of fiscal reform in Prussia, stimulated by the costs of Napoleonic extortion from 1806 to 1814 – estimated to have totalled 80 per cent of Prussia's 1805 GNP – and the abolition of serfdom between 1807 and 1816.[57] The post-war settlement gave Prussia large swathes of territory in the Rhineland, which had a different tax system and a more commercial economy than the agrarian Prussian heartland. This problem of fiscal heterogeneity aside, the government also needed revenue, not least to cover its war debts. Following unsuccessful attempts to introduce an income tax in 1808 and 1812, between 1818 and 1822 the government raised direct taxes by establishing a class tax (*Klassensteuer*), which divided

49 O'Brien and Keyder, *Economic Growth*; Crouzet, 'French Economic Growth'.
50 Mazzucato, *Entrepreneurial State*.
51 Armitage and Subrahmanyam, *Age of Revolutions in Global Context*; Desan et al., *Revolution in Global Perspective*.
52 Bayly, *Birth of the Modern World*, 139–47; Graaf, *Fighting Terror after Napoleon*.
53 Daunton, *Trusting Leviathan*, 47–57.
54 Einhorn, *American Taxation*, 117, 157–8, 195–6.
55 Hammond, *Banks and Politics*, 230–50; Beer, *Die Finanzen Oesterreichs*, 90–97.
56 Radtke, *Die preussische Seehandlung*, 54–7.
57 Eddie, *Freedom's Price*, 311–14.

taxpayers into five classes and was levied mainly on land. The government also instituted a new business tax, similar to the *patente* which the Napoleonic regime had imposed on commerce. Meanwhile, the government sought to shift the fiscal burden from eastern Prussia towards the newly acquired or reconquered, wealthier western areas. Though overall indirect tax revenues did not change much, the rates of these taxes rose considerably in the west while falling in the east, redistributing much of the fiscal burden towards the urban poor in the west.[58] The government of the newly constituted Kingdom of the Netherlands likewise pursued a more homogeneous fiscal system, seeking to equalise the fiscal burden between the north and the south. While this entailed raising taxes in the latter, the Dutch government, like others in Europe, sought to reduce taxes. Thus, between 1816 and 1822 a series of measures reduced customs duties while seeking to offset the adverse effects on Dutch industry through subsidies.[59]

Like Prussia and the Netherlands, Spain suffered heavily from Napoleonic plundering and embarked on a similar process of fiscal reform and administrative rationalisation after the French invaded the country in 1808. In 1813, the government introduced a new uniform direct tax, intended to replace the plethora of different *ancien régime* provincial taxes.[60] The reform, however, proved short-lived. The restoration of Ferdinand VII in 1814 presaged the revocation of the 1812 constitution and, reasserting his authority, he repealed the *contribución directa* and revived the *ancien régime* system. In subsequent years, constitutional crisis hampered fiscal reform in Spain, as Ferdinand sought to govern without the Cortes. Raising new taxes was problematic and the public finances remained unstable.[61] The turmoil in Spain that followed Napoleon's invasion fuelled a crisis of empire in Latin America, leading many colonies to establish their independence in a struggle that lasted into the 1820s. The ensuing growth of military expenditure and the loss of colonial resources combined to exacerbate Spain's fiscal problems. Meanwhile, the former colonies overhauled taxation as they established themselves as newly independent states – though this process of state formation lasted longer than the post-war period of reform in Europe and the United States, and frequent conflict in Latin America demonstrated the capacity of war to

[58] Spoerer, *Steuerlast, Steuerinzidenz und Steuerwettbewerb*, 47–55.
[59] Fritschy, 'Staatsvorming en financieel beleid'; Zanden and van Riel, *Nederland*, 117–21.
[60] López Castellano, *Liberalismo ecónomico*.
[61] Fontana Lázaro, *La quiebra*; Fontana Lázaro, *Hacienda y estado*.

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hinder state formation and not just to stimulate it.[62] Regarding public finance, therefore, the years after 1815 were seldom a 'restoration'. The global upheaval wrought by the French Revolution and the Napoleonic Wars made this impossible.

In adapting to the post-war geopolitical order, the French faced a different problem to their Continental European counterparts. Rather than having to deal with the incorporation of new territory or the end of the Napoleonic occupation, the French had to learn to survive without exploiting the resources of conquered territories, which were vital to Napoleonic finance. From 1811, imperial budgets exceeded 900 million francs annually, and such a level of expenditure was unsustainable after 1814 given France's reduced means.[63] Thus, the first Restoration government cut the 1814 budget from Napoleon's projected 1.245 billion francs to 827 million, with further reductions planned for 1815.[64] In addition to having to align its expenditure with its income, the government faced serious discontent over taxation from late 1813, which created further pressure for fiscal reform. As Marion, Schnerb and others demonstrated, the Revolutionary and Napoleonic period was crucial in the creation of the nineteenth-century fiscal constitution. By 1806, the principal taxes were all established. Nevertheless, these historians did not fully appreciate the ramifications of constant tax increases to cover the costs of war, which impeded the stabilisation and legitimacy of the fiscal system. In 1815, therefore, public finance had to be placed on a more sustainable footing, and doing this was the achievement of the Restoration. Historians have recently cast the Restoration as a period in which France developed a new political culture through an apprenticeship in relatively stable parliamentary government.[65] Most notably, for our purposes, from 1814 onwards the budget was voted annually by the legislature. With the post-war reconfiguration of the state, the Restoration also marked the entrenchment of the nineteenth-century fiscal system. The latter, as in the eighteenth century, relied heavily on indirect taxes, which rose from around 37 per cent of central government revenue in 1815 to 55 per cent by 1905 – surpassing the *ancien régime*, for which indirect taxes provided 47 per cent of ordinary revenue in 1788.[66]

[62] Centeno, 'Blood and Debt'; Grafe and Irigoin, 'Spanish Empire and Its Legacy'.
[63] Branda, *Prix de la gloire*, 583–5. [64] Bruguière, *Première Restauration*, 75–80.
[65] Gunn, *When the French Tried to Be British*; Rosanvallon, *Monarchie impossible*.
[66] *Proposition de loi . . . 1815, 1816, 1817*; *Projet de loi . . . 1905*; Morineau, 'Budgets de l'État', 314.

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Like the famous *Code Napoléon*, the French tax system was exported across the conquered territories during the Napoleonic era, with lasting consequences. In states as varied as Bavaria, Baden, Württemberg, Hesse, Piedmont and the Low Countries, direct taxes reflected the French model after 1815. Repartitioned according to external signs of wealth, these states commonly had a tax on land, a tax on buildings and a tax on industry, which replaced a patchwork of eighteenth-century taxes.[67] The indirect tax model also proved influential. German chancellor Otto von Bismarck, for instance, sought to emulate the effectiveness of France's system of indirect taxes when designing the new federal German fiscal constitution following unification in 1871.[68] The rise of indirect taxes in France partly reflected the influence of the model of eighteenth-century Britain. Yet, with the re-establishment of income tax in 1842, which was extended to Ireland in 1853, Britain moved towards greater reliance on direct taxation, leaving France as the standard bearer for indirect taxation. In this respect, France reflected the more typical development of the nineteenth-century European state, which was characterised by growing reliance on indirect taxation as economic development increased consumption.[69] Indeed, in an age of urbanisation, indirect taxes offered the easiest way to tax the rising numbers of urban poor, who tended to have few taxable assets, while direct taxes fell principally on property owners.

The entrenchment of indirect taxation benefited the landowners and many of the industrialists that dominated nineteenth-century French politics; it also suited the small cabal of bankers, industrialists, finance ministry officials and select politicians and journalists – the 'experts' – who dominated public finance. 'The financiers formed . . . a small church in the Chamber,' recalled the Orleanist politician Charles de Rémusat, 'a sect with which ministers of finance sometimes liked to consult more often than with their colleagues.'[70] The difficulty of penetrating the sect was apparent in the process of appointments at the finance ministry. An Austrian observer noted in 1855 that the ministry 'recruits itself almost exclusively from its own fold'.[71] Like the rest of the bureaucracy, the finance ministry was an invaluable source of patronage and political influence. A closed shop, it was hardly conducive to new ideas or major change. On the contrary, it comprised a constellation of largely

[67] Borscheid, 'Influence du modèle fiscal', 380–4.
[68] Stern, *Gold and Iron*, 202.
[69] Neal, 'Monetary, Fiscal and Political Architecture'.
[70] Rémusat, *Mémoires*, III, 152.
[71] Hock, 'Ministère des finances', 632.

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conservative interests, aligned with wider lobby groups. Indeed, beyond the legislature and the finance ministry, pressure groups such as chambers of commerce were highly influential.[72] Despite the instabilities and regime changes that affected nineteenth-century French politics, the fiscal administration and the clique that dominated fiscal policy remained strikingly consistent, in their membership and in the policies they promoted. This is not to say that men of a uniform opinion made policy. Fissures existed and, as we shall see, appeared most clearly in the aftermath of policy failures. Splits emerged in 1824, for example, when the legislature rejected the government's proposal for a debt conversion, and in 1832, when major protests forced the revocation of a reform to direct taxation passed the previous year. Still, given the general coherence of the fiscal policymaking elite, the politics of public finance offer a striking case of continuity in a period notorious for the political, social and economic changes arising from recurrent revolution and industrialisation.

The quest for stability dominated the fiscal policymaking elite. Haunted by the disorders of the 1790s, they sought to maintain consent to taxation, which had been strained by Napoleon's exactions. This desire for consent pushed central governments to cultivate local elites, not least because tax collection relied on their cooperation, as did the wider legitimacy of the state; indeed, the centralisation of nineteenth-century French government should not be exaggerated.[73] While taxpayers rarely pay gladly, states seek what Margaret Levi has termed 'quasi-voluntary compliance' to taxation, in which the threat of compulsion secures consent.[74] Partly to minimise the problems arising from non-compliance, governments rarely introduce major new taxes, given the controversies that these often entail. Instead, they usually opt for a process of 'fringe tuning' or 'churning', according to which existing taxes are adjusted to meet the needs of the budget.[75] Thus, the 1816 budget, which established the principles of Restoration finance, merely amended the rates of several duties, the means of collection and fiscal administration. The peace terms of 1815, imposing the costs of an allied army of occupation alongside reparations, retarded tax reform. Only once these expenses were discharged could the French reconfigure their fiscal and military systems – though, even then, tax reform proceeded gradually.

72 Lemercier, *Un si discret pouvoir*.
73 Barreyre and Lemercier, 'Unexceptional State', 487–90.
74 Levi, *Rule and Revenue*.
75 Daunton, *Trusting Leviathan*, 15–16; Rose and Karran, *Taxation by Political Inertia*; Delalande, 'Économie politique des réformes fiscales'.

The most important fiscal innovation of the Restoration was the ascent of public credit. Though public credit in the early nineteenth century has received some scholarly attention, historians have not fully appreciated its significance for the development of the fiscal system.[76] Unlike Napoleon, who struggled to borrow on a large scale, French governments from the 1820s onwards could borrow easily and cheaply, which enabled them to preserve the tax system by insulating it from spikes in government expenditure. Thus, France emulated eighteenth-century Britain's reliance on public credit, creating a new fiscal-military apparatus that underwrote France's resurgence as a great power in Europe and provided the means for the revival of French overseas imperialism, which was more extensive in the early and mid-nineteenth century than historians have often suggested.[77] Simultaneously, public credit facilitated the growth of state economic interventionism from the late 1830s onwards.

Like France, other European states expanded in the mid-nineteenth century, becoming increasingly concerned with promoting economic development. Belgian customs policy, for example, was designed to protect domestic industry while maximising its potential market abroad. Simultaneously, the Belgian authorities stimulated industrialisation by facilitating railway construction.[78] The Prussian government sought to do likewise, though political impediments to the growth of public expenditure hindered the development of a more interventionist Prussian state in the 1840s.[79] Meanwhile, in the United States, the state proved more interventionist than in Prussia, spending significant sums on 'internal improvements'.[80] Though heavily indebted state governments reduced expenditure after a financial crisis in 1837, that of localities rose in the 1840s to mitigate the ensuing slump, continuing the growth of the state overall.[81] Meanwhile, the federal government, aside from funding limited infrastructure programmes, used the law to regulate economic life on the cheap.[82] The 1848 revolutions, argues Christopher Clark, produced a 'European revolution in government' in the 1850s, as many countries embarked on political, administrative and constitutional reform.[83] Simultaneously, the socio-economic shift wrought by industrialisation intensified – the 1850s were characterised by, in Eric Hobsbawm's phrase,

[76] Most work on credit in early and mid-nineteenth-century France concerns private credit and banking; e.g. Gille, *Banque et le crédit*; Stoskopf, *Banquiers et financiers*; Hoffman et al., *Dark Matter Credit*.
[77] Todd, 'Imperial Meridian'.
[78] Schöller, 'Transformation économique de la Belgique'.
[79] Tilly, 'Political Economy of Public Finance', 485–7, 489–90; Brophy, *Capitalism*, 36–49.
[80] Dunlavy, *Politics and Industrialization*, 48–56.
[81] Sylla, 'Experimental Federalism', 520–6.
[82] Novak, *People's Welfare*, 83–113.
[83] Clark, 'After 1848'.

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a 'great boom'.[84] Urban populations grew rapidly while railways and telegraphs facilitated territorial integration, increasing the centralised state's claim to legitimacy by rendering it more effective.[85] These were not new phenomena in the 1850s, but the 1848 revolutions threw them into sharper relief. In France and elsewhere, the insecurities of governments and elites pushed them into raising expenditure. In this respect, the pattern inaugurated from the late 1830s onwards continued after 1848, when the July Monarchy of 1830–48 was overthrown and Louis-Napoleon Bonaparte, Napoleon's nephew, became president of the Republic. Indeed, Louis-Napoleon's exploitation of universal male suffrage, established in 1848, reflected the renewed pressure on the state to meet the needs of the wider population. The ensuing transformation of the state, historians such as Adrien Dansette and Alain Plessis have argued, marked the 'birth of modern France'.[86] At least for our purposes, the advent of universal suffrage made public finance more 'modern', not least by reinforcing the sensitivity of tax politics to public opinion. In this respect, the arrival of universal suffrage built on the abolition of *ancien régime* status-based taxation in the 1789 Revolution, and the development of legislative consent to government spending and greater financial transparency particularly after 1814.

The growth of public expenditure in the 1850s pushed governments into fiscal reform which, in reassuring potential creditors, increased their capacity to borrow and thus perpetuated still more spending. In the 1850s, Piedmont, an aspirant to great power status, sought higher revenues by exporting the tax system it had acquired under Napoleon to Sardinia.[87] Reform and economic liberalisation, much of the Piedmontese elite believed, would stimulate prosperity and reduce iniquities in the fiscal system, deflecting discontent and harnessing political economy as a bulwark against socialism.[88] The pressure for fairer taxation was apparent in debates over income tax that emerged in 1848 in Prussia, Austria and France, which partly reflected the influence of Britain's recently introduced income tax. In Prussia, industrialisation spurred the growth of the urban middle class, which had avoided major tax increases in the early 1820s, thus stimulating discontent with the fiscal system. Consequently, in 1851, the government established an income tax throughout the state.[89] Austria, too, acquired an income tax in 1849, despite ministers' concerns

84 Hobsbawm, *Age of Capital*, 29–47. 85 Maier, *Leviathan*, 88.
86 Dansette, *Naissance*; Plessis, *De la fête impériale*.
87 Dincecco et al., 'Warfare, Taxation and Political Change', 901.
88 Romani, 'Reluctant Revolutionaries', 51–6.
89 Spoerer, *Steuerlast, Steuerinzidenz und Steuerwettbewerb*, 56–60.

that the tax risked provoking discontent.[90] Moreover, as in Prussia and Sardinia, the government sought to reduce the heterogeneity of the fiscal system in favour of greater uniformity.[91] In 1850, the tariffs separating the Hungarian lands from the rest of the Habsburg Monarchy were abolished.[92] Other duties were also reformed. As a result, government revenue rose by two-thirds across the Habsburg Monarchy, with a fourfold increase in Hungary.[93] In 1852 and 1854, tariffs regulating external trade were reduced and, in 1853, the Austrians secured an agreement with the Zollverein, the Prussian-dominated customs union of German states.[94]

The reforms to direct taxation in Prussia survived with little change until the 1890s. In Britain, while the income tax was supposedly temporary, it was never abolished – though William Gladstone, the leader of the Liberal Party and one of the architects of the nineteenth-century British fiscal constitution, contemplated the possibility. Ironically, it was Gladstone who entrenched the income tax with his reform of death duties in 1853. Since the rich paid more in death duties than the poor, that those eligible for the income tax paid the same proportional rates became more acceptable: the rich could afford to pay more, and they did, just not through income tax.[95] By contrast, mid-century fiscal reforms in the United States and France were more ephemeral. Not until the civil war of 1861–5 were new federal taxes introduced in America, principally an income tax and duties on alcohol and tobacco. Meanwhile, the government sought to issue 'national' loans by mass public subscription, emulating the system of public credit that, as we shall see, emerged in France to finance the Crimean War of 1853–6.[96] This new method of public borrowing aside, French public finance changed little under the Second Empire, the regime that Louis-Napoleon established in 1852 when he became Napoleon III. France already had a relatively homogeneous tax system and despite various proposals for an income tax, none passed the legislature. Indeed, the difficulties that states such as Prussia and Austria had with their income taxes after 1848 provided an argument against introducing one in France. The continued expansion of the French state in the 1850s and 1860s was financed by exploiting the existing fiscal system, not by overhauling it.

[90] Brandt, *Neoabsolutismus*, I, 454–65.
[91] Pammer, 'Austria-Hungary, 1820–1913', 137–8.
[92] Brandt, *Neoabsolutismus*, I, 508–9.
[93] Evans, *Austria, Hungary and the Habsburgs*, 269.
[94] Brandt, *Neoabsolutismus*, I, 415–17.
[95] Daunton, *Trusting Leviathan*, 153, 230–3.
[96] Edling, *Hercules in the Cradle*, 178–221.

As with the United States, war played a major role in the development of the European state in the 1860s. Not only did the Crimean War precipitate lasting expansion and reform of the state for many of the belligerents, but the wars that unified Italy and Germany created new states. These wars in Europe and America furthered the democratisation of foreign policy and thus of politics more generally, forcing states and fiscal-military systems to accommodate increasingly politicised publics.[97] Moreover, the economic boom ended in the late 1850s. In France, the ensuing economic malaise encouraged the growth of the interventionist state, as the government sought to mitigate rising discontent. Simultaneously, France pursued military actions abroad, imposing further burdens on the fiscal-military system and raising questions about the priorities of government spending, which, as we shall see, shaped the decline and fall of the Second Empire from the mid-1860s onwards.

The expansion of the state in the mid-nineteenth century provided a crucial foundation for developments later in the century. From the 1880s, the welfare state began to emerge as social spending – on education, on welfare – in Europe and the United States surged.[98] Meanwhile, state power was extended over large parts of the extra-European world which previously had not been directly controlled by European-style states, while the state simultaneously extended its power in Europe. The integration of the national space through roads and railways accelerated; in France, this, combined with more effective primary education and a new military system of universal conscription, made 'peasants into Frenchmen'.[99] With the reconfiguration of the state, public spending grew increasingly sharply. The fiscal system, though, was not overhauled. As in the mid-century, it was adapted to the government's needs.[100] In this respect, the significance of the 1870s as a turning point should not be exaggerated. Moreover, the government contemplated military reform throughout the Second Empire, while the teaching of French history to stimulate national sentiment, debated since the July Monarchy, became mandatory in 1867. The Third Republic was sufficiently conservative that the transformation of the state which it oversaw was foreshadowed in the earlier 'wave' of reform that affected the European states in the mid-nineteenth century. Indeed, the rapid expansion of the American state in 1860s offered the French a model for raising revenues in the 1870s as they faced a surge in

97 Simms, *Struggle for Supremacy*, 221–48.
98 Lindert, *Growing Public*, I, 171–6; Nord, 'Welfare State'.
99 Weber, *Peasants into Frenchmen*.
100 Marion, *Histoire financière*, VI; Sawyer, 'Fiscal Revolution'.

government expenditure, arising principally from the costs of reparations in the aftermath of the Franco-Prussian War.[101]

The study of the French fiscal-military state in the early and mid-nineteenth century, therefore, serves three major purposes. First, it enhances our understanding of the development of the French state, since many of the means for financing it originated in the early nineteenth century. Despite the imposition of income tax in 1916 and subsequent reforms in the interwar period and after 1945, indirect taxation remained crucial to financing the twentieth-century state. Second, the French 'model' exercised a considerable influence over the fiscal development of other states. Under Napoleon, the French exported across Continental Europe their tax system, vestiges of which generally survived after 1815. Meanwhile, for other European governments, the French system, relatively homogeneous and seemingly effective at raising money, presented an attractive prospect. Third, the reconstruction of the fiscal-military system after 1789 allowed France to operate as a great power in the nineteenth century, playing a central role in European and global geopolitics. Therein lies the global significance of the history of the nineteenth-century French fiscal-military state, to whose detailed workings we now turn.

[101] Sawyer, *Demos Assembled*, 129–31.

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