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1. French Default History (1650–1750)

France's crown regularly **defaulted or restructured its debt**, especially after major wars. In the mid-17th century Fronde crisis the government *suspended payments*: for example, in 1648–49 interest on the crown's loans was **cut off and rolled over** (effectively a default) [1]. After this turmoil a royal *chambre de justice* (debt court) in 1652 further **wrote down** obligations. One study notes that the crown "accepted three major defaults, 1634, 1648 and 1652, with attendant chambres de justice" [1]. Such defaults meant creditors (often wealthy financiers and tax-farm syndicates) lost substantial claims. For instance, after the 1634 default rentes were converted from 10% to ~4.2% interest [1]. By 1659 the monarchy was paying **over 25% interest** on new loans because of its tarnished credit [1].

After Louis XIV's wars, **debt crises recurred**. In 1716 Regent Philippe's government, following John Law's collapse, convened a Chambre de justice to restructure debt [2]. It imposed *fines of 219 million livres* (≈£8.8 million) on office-holders and cut interest on short-term debt [2]. Nonetheless the crown's total liabilities still soared: by 1720 France owed ~2.2 billion livres (≈£88 million), about **50% of France's GDP** [3] [4]. (By comparison, England's only comparable default was Charles II's 1672 Stop-of-Exchequer, which suspended ~£1.21 million of debt [1] [5] but was soon remedied.)

The immediate effect of defaults was **higher borrowing costs**. With repeated reneging, France's lenders demanded very high rates. In the 1650s France routinely paid **15–25%** interest on new loans [1], while more-stable states paid only ~4–5% (the Dutch Republic, e.g., borrowed at ~4% in 1650s). This wariness persisted: by 1680s French annuities often carried 6–7% coupons, whereas Britain's long-term debt was nearer 4% [6] [5]. In short, each French default forced a **risk premium**: France's debt carries averaged *3–4 percentage points higher interest* than England's equivalent.

By contrast, **England** defaulted far less. Apart from 1672's Stop-of-Exchequer, post-1690 Britain never repudiated its perpetual debt. English creditors had confidence that Parliament-bound governments would honor debt. As one account observes, British monarchs borrowed at roughly *3–4%*, whereas "French monarchs were free to renege on their debts, and often did… [thus] had to offer excessive interest rates" (about *6% or more*) [6]. In effect, French borrowers paid a recurring credibility premium: for every £100 loaned, France's extra 3–4% cost meant £3–4 more per year than Britain.

> **Key Comparison:** France **defaulted repeatedly** (major restructurings in 1648–52 and 1716 [1] [2]), wiping out large debts and forcing interest rates to the teens; England's only major default was the 1672 Exchequer stop, after which it resumed payments at ~6% [1]. Consequently, eighteenth-century France borrowed at ~6–10% interest (depending on year) versus ~3–5% for Britain [5] [6], implying a 3–5 point "credibility premium" on French debt.

2. Comparative Borrowing Costs (1690–1750)

The **interest rates** on government loans differed markedly. In late 17th–early 18th c. Britain's long-term debt generally yielded about **3–5%**. For example, by the 1720s England's consolidated annuities and Navy

Bills carried ~4–5% coupons, reflecting Parliament's credible commitment [6] [7]. By contrast, **France's yields were roughly double**. Contemporary price data show 4% French rentes traded at only ~35% of par in 1718, implying a yield of ~10–11% [5]. Even after debt restructuring, French perpetual annuities still yielded 6–8% through the 1720s [5]. Thus during 1700–1730 France typically paid *around 7–10%* on long-term loans, versus *4–5%* for Britain. In sum, French borrowing costs were **3–5 points higher** (e.g. 10% vs 5%).

Loan examples: French loans typically had low coupons and heavy tax collateral. Under John Law, the crown issued (for example) perpetual annuities at only **2.5%** (June 1720) secured on indirect taxes, and at 2–4% (August 1720) secured on specified revenues [8]. These low rates were compensated by default risk and tax backing. In England, comparable government borrowing would have been through the Bank of England (e.g. in 1690s–1700s Britain issued 4% bonds), or short-term Exchequer bills at ~5–6%. Even King William's early 1690s (post-1688) loans cost only 5–6%, well below France's cost.

After 1688 the **Glorious Revolution** strengthened British credit: yields gradually fell to ~3–4% by 1700. France had no similar break; Louis XIV's wars (1689–1713) kept French rates up around 6–8% at best. For example, immediately after 1690 the Duke of Berwick noted France's borrowing had to bear 8–10% coupons to attract lenders (collected abroad or via bankers). In Britain, by contrast, the new regime's stability let it refinance at ~4–5%.

To quantify the **credibility premium**, consider this illustration: if France borrowed £10 million at 8% while Britain borrowed the same at 5%, the extra 3% cost is £0.3 million per year. On the scale of early-18th-c. revenues (Britain's ~£5–8 m, France's ~£7–10 m annual receipts), each percentage point difference was a very large fiscal burden. In modern terms, France paid roughly **50–60% more in interest** on its debt than Britain [5] [6], purely due to weaker credibility.

> **Key Comparison:** In the same period, Britain's government bonds yielded around 4–5%, whereas France's carried about 7–11% [5] [6]. For example, 1718 French 4% rentes yielded ~11% (price 35%) [5], versus ~5% in England. This 3–6 point gap (roughly +3–4 percentage points premium) meant France paid far more annual interest (on a £100m debt, ~£3–6m extra) than Britain [5] [6]. (In local currency: e.g. France's 1718 loan at 10% vs England at 5% means 60m livres extra per year – on an economy of ~4.4 bn livres GDP.)

3. French Tax Farming System

Under the Old Regime France **outsourced most tax collection**. The crown sold multi-year contracts to *fermiers généraux* (tax-farm syndicates) to collect indirect taxes (customs, excise, tobacco, salt, etc.) for a fixed payment [9] [10]. Typically a ferme contract lasted 6 years [9]. The fermiers paid the king an upfront lump-sum plus agreed annuities, then kept all proceeds above that. In practice they gained huge profits: one study finds individual tax farmers earned *annual returns of 15–37%* on their capital [11]. For example, an 1762–68 lease generated profits yielding about 37% on the bond paid [11] (meaning the farmers kept ~37%, so only ~63% of gross taxes went to the treasury). Other contracts show 12–24% returns [11]. In short, **French collectors kept roughly 30–40% of nominal tax receipts** as profit or graft, leaving only ~60–70% reaching the king.

Tax-farming bred corruption and waste. Farmers imposed heavy surcharges on ordinary people and bribed officials. Administrative overheads were high: for instance enforcing the infamous *Gabelle* (salt tax) required armed patrols to combat smuggling, costing an estimated **10–15%** of the revenue [12]. (By contrast, Britain's excise was collected by salaried officers at much lower cost.) Overall, indirect taxes in France "were very numerous but little productive, mal levés selon le désastreux système de la ferme" (Godechot) [13]. Indeed, contemporaries noted that the ferme's profits were regarded as "exactions" on the people, and tax farmers were despised for "impositions… sur le peuple français." [14].

By comparison, **England's tax system was mostly direct and state-collected**. British taxes (land tax, window tax, excise duties on goods, customs tariffs) were levied under parliamentary statutes and collected by royal officials or local commissioners. For example, the Land Tax Acts of each year named unpaid local "commissioners" to assess and collect the tax [15]. There was no massive tax-farm; merchant and excise duties were enforced by government inspectors. Consequently, collection efficiency was higher: British excise/customs collection costs were only a few percent of revenue, whereas French indirect taxes often lost over 10% in administration and fraud [12]. In effect, England collected nearly *all* the taxes it assessed, while France's ferme system leaked a large share to intermediaries.

Finally, because tax farmers handled only indirect taxes, the French crown's **revenue base was narrower**. The Ferme Générale by mid-18th c. provided over one-third of all royal revenue [10] – but this was offset by no consistent direct tax on nobles or clergy. In England, by contrast, Parliament could impose broad taxes (e.g. land or window tax on property owners [15]) and enforce customs easily at ports. Thus England tapped a wider base (all property and trade) without the distortions of farming.

> **Key Comparison:** In France an outsized share of taxes was lost to *fermiers généraux*. The Ferme Générale accounted for well over 30% of revenues [10], yet its contracts returned ~15–37% to farmers [11]. (Roughly 30–40% of gross tax never reached the king.) In England, by contrast, the central government collected taxes directly (e.g. land tax via local commissioners [15]) and bore most costs itself. As a result British tax collection costs were very low, and a far higher percentage of assessed tax ended up in the Treasury. In sum, France's tax-farm system delivered only ~60–70% of nominal receipts, versus nearly ~90–100% collected under the British system.

4. Comparative Fiscal Capacity (1690–1750)

Despite its size, France **raised a smaller share of its GDP in taxes** than Britain. British total tax receipts averaged roughly **8% of GDP** in the 18th century [7]. France's central government generally realized around 6–8% of GDP. For example, around 1720 the crown's revenue was ~150–200m livres per year on a GDP ~4.4 billion livres (since total debt ~2.2 bn was 50% GDP [3] [4]). Thus France's tax/GDP was slightly lower. Reflecting this, per-capita tax burdens were much lighter in France: one historian notes that with 19 million people versus Britain's 7 million, "France had… a substantially lower average per capita tax burden" despite comparable per-capita GDP [16].

Collection **efficiency** also differed. In Britain, national taxes (customs, excise, land tax) were routinely and broadly enforced. Smuggling was a problem, but administrative costs were held at a few percent of yield. By contrast, French tax farming and local exemptions meant much "leakage." As noted, surveys of 1770s tax farms show operational costs (including graft) of order **10–15%** [12]. Thus a given nominal tax generated more revenue net of costs in England than in France.

Finally, the *legal power* to tax differed. England's Parliament, after 1688, could impose any new tax across all classes. Long-term wartime fiscal policy created an increasingly diverse toolkit of levies (land, stamp, window, etc.), enforced by state agents. France's Estates system, by contrast, confined the king's direct taxes mostly to peasants: nobles and clergy were exempt (e.g. taille applied only to commoners). Provincial parlements often refused royal tax edicts. In effect, French rulers had fewer effective levers: customs and excises via the ferme were all they could reliably expand. This narrower base meant even 6–8% of GDP required onerous burdens on those few who paid.

> **Key Comparison:** By 1700–50 Britain routinely collected on the order of 8–10% of GDP in taxes [7], whereas France managed closer to 6–8%. With only ~7 million people, Britain could raise more per capita than France's 19 million [16]. Moreover, Britain's tax system was far less "leaky": English taxes faced only ~3–5% collection costs, while French indirect taxes lost ~10–15% to farming overhead [12]. Thus for a given GDP the British crown captured a larger net revenue.

5. Why France Failed to Copy England (Pre-1800)

France **lacked England's institutional prerequisites** for a stable financial system. After 1688 England developed constitutional checks: Parliament approved budgets and taxes, and powerful commercial interests (the Whig–City alliance) ensured public debt was honored. France had no analog. The French king rarely convened representative estates, and parlements (high courts) could veto tax laws. There was never a stable power-sharing arrangement that bound the monarchy to creditors. As one analyst notes, Britain's credit regime depended on "the credible commitment of a dominant party (the Whigs) stabilizing policy," whereas "France's government lacked any similar party coalition" [17] [18].

In concrete terms, **no French "Bank" succeeded before Napoleon** because there was no trusted intermediary or political backing. John Law's Banque Générale (1716) was the closest attempt, but it *failed* due to over-speculation and lack of checks. Contemporary critics pointed out that England's Bank of England enjoyed Whig support and the security of Parliament, whereas France's Banque Royale had no entrenched support group [17]. After Law's Mississippi Bubble burst in 1720, the word "bank" became so discredited that France avoided central banking for decades [19]. By contrast, the Bank of England (founded 1694) survived because Parliament obliged the Crown to service it, and it operated under a legal monopoly backed by the government.

Constitutional barriers also mattered. French parlements jealously guarded privileges and could veto new taxes, making stable revenue streams unpredictable. There was no body like the British Parliament to insist on full taxation of all estates. The ancien régime aristocracy and clergy enjoyed exemptions, and any attempt to mimic England's excise reforms was thwarted by entrenched interests (as in the 1690s exchequer crisis). Without predictable revenue, French kings feared creating irredeemable debt or a banking institution that might challenge royal prerogative.

It was only the **Radical break of 1789–1800** that changed this. The Revolution abolished feudal and fiscal privileges, unifying France's tax base. Under Napoleon, a strong central state imposed uniform taxes and repaid or stabilized debt. In 1800 Napoléon chartered the Banque de France [20] to regulate currency and credit. Crucially, this new bank had both **state backing and a narrow charter** (initially issuing notes in Paris only), avoiding the mistakes of Law's bank. Napoleon also created the *Franc germinal* (gold coin) in

1803, anchoring the monetary system. These changes – an empowered central government, abolition of estate exemptions, and a clear legal framework for the bank – finally gave France the institutional basis that England had enjoyed since 1690.

> **Key Comparison:** England's Bank of England (1694) operated under an act of Parliament and was effectively guaranteed by the new constitutional order. France's first bank (Law's Banque Générale, 1716) had no such backing and collapsed in 1720 [19]. Scholars emphasize that Britain's finance was sustained by a **political coalition (Whigs + creditors)** [17], whereas France lacked any credible check on the monarchy. Consequently, France could not match England's financial revolution until after 1800, when Napoléon's government centralized authority and established Banque de France [20].

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