15.1: The Causes of the Revolution

The immediate case of the French Revolution was the dire financial straits of the French state after a century of war against Britain and an outdated system of taxation. As noted in the last chapter, starting at the end of the seventeenth century there was an (on-again, off-again) century of warfare between France and Britain, almost all of it fought overseas (in India, the Caribbean, and North America). With the noteworthy exception of the American Revolution, Britain won every single war. The major impact of the colonial wars between France and Britain in the eighteenth century on France was to push the state to the brink of bankruptcy - even as Britain funded its wars through the sale of bonds from the official national bank, the French state struggled to raise revenue. The loans it desperately sought had to be found from private banks, traders, and wealthy individuals, and the interest rates it was obliged to pay were punishingly high.

Not only did France lose much of its empire in Canada, the Caribbean, and India to the British, the state also accumulated a huge burden of debt which consumed 60% of tax revenues each year in interest payments. In turn, the problem for the monarchy was that there was no way to raise more money: taxes were tied to land and agriculture, rather than to taxes on commerce, and nobles and the church were exempt from taxation. As they had been since the Middle Ages, taxes were drawn almost entirely from peasant agriculture, supplemented by a few special taxes on commodities like salt. Since the nobility and church were all but tax-exempt, and the monarchy did not have a systematic way to tax commerce, there was a lot of wealth in France that the crown simply could not access through taxation.

In turn, the power of the nobility ensured that any dream of far-reaching reform was out of the question. There were about 200,000 nobles in France (which had a population of 26 million at the time). All of the senior members of the administration, the army, the navy, and the Catholic Church were nobles. The nobility owned a significant percentage of the land of France outright - about one-third - and had lordly rights over most of the rest of it. The pageantry around the person of the king and queen first established by Louis XIV continued at the palace of Versailles, but nothing changed...
the fact that noble wealth remained largely off-limits to the state and nobles exercised a great deal of real political power.

The one war in which France managed to defeat Britain was the American Revolutionary War of the 1770s and early 1780s. France subsidized the American Revolution and offered weapons, advisers, and naval support. The result was to push the state to the verge of outright bankruptcy, with no direct economic benefit to France from American victory. Traditionally, the French kings dismissed financial concerns as being beneath their royal dignity, but the situation had reached such a point of desperation that even the king had to take notice.

Starting in the early 1780s, the French King Louis XVI (great-great-great grandson of Louis XIV) appointed a series of finance ministers to wade through the mountains of reports and ledgers to determine how much the state owed, to whom, and how paying it back would be possible. Attempts to overhaul the tax system as a whole were shouted down by the major city governments and powerful noble interests alike. By 1787, it was clear that the financial situation was simply untenable and the monarchy had to secure more revenue, somehow. The king was at a loss of what to do. He reluctantly came to realize that only taxing the nobility and, perhaps, the church could possibly raise the necessary revenue. Thus, Louis XVI was up against the entrenched interests of the most powerful classes of his kingdom.