The Triumph of Statism:
The Political Economy of the French Revolution

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Editor's Preview: Here Hillsdale professor Richard M. Ebeling discusses the effect of inflation, deficit spending and regulation on 18th-century France's economy. He concludes that the French Revolution represented not a triumph of the bourgeoisie, but an ominous extension of the centralized state. Originally presented during a Center for Constructive Alternatives seminar, "Promises Unfulfilled: The French Revolution After 200 Years," in February 1988, this essay will appear with other presentations from the same program in a volume to be published by Regnery Gateway, Inc. this spring.

Ours has been the century of the total State. When, in the 1920s, Benito Mussolini coined the term "totalitarian," he captured the spirit of the age. In no other period in man's history have so many human beings been sacrificed on an altar engraved with the words, "For Reasons of State." Millions have been treated as refuse fit only for disposal in ovens. Tens of millions have been starved to death, worked to death, tortured to death in the cause of constructing utopias on a grand scale. For most of our century, over large portions of the earth, humane behavior towards one's fellow man has been the bestowing of death with a bullet to the back of the neck.

Nor is it surprising that war in our century has often been total war. In an epoch in which the distinction between society and the State has been blurred at the minimum and erased in the extreme "The Enemy" is no longer the ruler and his army of hired professionals, as it was in the Middle Ages—an earlier age in which all sides followed an etiquette of war, in which the status of noncombatant was recognized and his life and property were meant to be respected. In the total State, the individual has no existence outside of his role and function within the collective plan. He and everything he possesses is the property of the State to which he belongs. Victory in war, in such a world, requires the combatants to view all those who live and work on the other side of the battleline as "The Enemy," because all who live and work across that line do so at the command of the opposing State. To defeat the enemy requires the destruction of the people in the opposing State and all that they have or could produce.

In the total State, therefore, the concept of private property loses its meaning. Even if property has not been nationalized, even if individuals are not meticulously regulated at every moment in every detail of their economic activities, the logic of this system is that at any moment, for any purpose, the individual, his property, and his productive energy are at the unreserved disposal of the State.

As we approach the end of the 20th century, the age of the total State seems to be coming to a close. The trauma and destruction of two world wars have faded into memory. The decline of the collectivist ideal, even in the socialist countries, makes it appear that the worst is over. The next hundred years may, indeed, be an era of limited and free government, a period of individual liberty and free market prosperity. But it is worth recalling that at the beginning of the 20th century there were few seers who expected these hundred years to turn out the way they have. The belief then, too, was that the future would contain nothing but expanded freedom and increasing prosperity. After all, the thinkers of 1900 argued, we had learned the lessons of the French Revolution; we created in its place civilized regimes based on a sense of humanity and a respect for the individual and his rights to life and property; the succeeding years would merely provide improvements on this liberal ideal. But we know now that the men of 1900 were wrong. Not all the lessons that the French Revolution could teach were learned, and, what was worse, some of the lessons that had been learned for a time have been forgotten.

Statism in the Ancien Régime

Among the lessons forgotten were those that economics can teach. Almost every one of the mistaken
and disastrous policies that we have pursued in our own times were applied and experimented with during the French Revolution: deficit spending; regulation of private enterprise; nationalization of property; wage and price controls; and inflationary destruction of the monetary system.

But if the French Revolution is to be an object lesson in bad economics, its prologue lies in the policies of the ancient regime. Imbued with the spirit of mercantilism, the royal French government viewed it as its responsibility to regulate and oversee all the economic activities of France. From imports and exports to production and investment and the pricing of commodities, the State concerned itself with every aspect of commerce. There is no better guide for a brief summary of the patterns of royal regulation than Alexis de Tocqueville. In his book, The Ancien Régime and the French Revolution, all the pertinent details are spread before the interested reader. A few passages will give the necessary flavor of the period:

Orders were passed prohibiting the cultivation of this or that agricultural produce in lands which the Council [the economic authority in Paris] considered unsuited to it. Others required that vines planted in what the Council regarded as bad soil should be uprooted. To such an extent had the government exchanged the duties of sovereign for those of guardian.

The government had a hand in the management of all the cities in the kingdom, great and small. It was consulted on all subjects, and gave opinions on all; it even regulated festivals. It was the government which gave orders for public rejoicing, fireworks, and illuminations.

The church, which a storm had unroofed, or the presbytery wall which was falling to pieces, could not be repaired without a decree of Council. This rule applied with equal force to all parishes, however distant from the capital. I have seen a petition from a parish to the Council praying to be allowed to spend twenty-five livres.

A very extensive machinery was requisite before the government could know everything and manage everything in Paris. The amount of documents filed were enormous, and the slowness with which public business was transacted was such that I have been unable to discover any case in which a village obtained permission to rise its church steeple or repair its presbytery in less than a year. Generally speaking, two or three years lapsed before such petitions were granted.

To quote one more authority, the French classical liberal, Charles Dunoyer, from his book, The Passage to Liberty:

The State exercised over manufacturing industry the most unlimited and arbitrary jurisdiction. It disposed without scruple of the resources of manufacturers; it decided who should be allowed to work, what things it should be permitted to make, what materials should be employed, what processes followed, what forms should be given to productions. It was not enough to do well, to do better; it was necessary to do according to the rules.

And while the King's Council regulated the economic affairs of his subjects, the King's Court consumed the national wealth. Louis XVI's military guard numbered 9,050 persons; his civil household numbered around 4,000—thirty servants were required to serve the King his dinner, four of whom had the task of filling the King's glass with water or wine. The King had 1,857 horses, 217 vehicles and 1,458 men in liveries. In 1786 there were 150 pages in the palace, 128 musicians, 75 religious officials, 48 doctors and assistants 383 officers of the table, 103 waiters and 198 persons for the personal domestic services of the King.

To pay for this extravagance and the numerous other expenses of the Court, as well as the foreign adventures financed by the King (such as the financial help extended to the American colonists in their war for independence against the British), the King had to rely on a peculiar tax system in which large segments of the entire population—primarily the nobility and the clergy—were exempt from all taxation, with the "lower classes" bearing the brunt of the burden. One of the most hated of the taxes was the levy on salt. Every head of a household was required to purchase annually seven pounds of salt for each member of his family at a price fixed by the government; if he failed to consume all the salt purchased during the previous year and, therefore, attempted to buy less than the quota in the new year, he was charged a special fine by the State. The punishments for smuggling salt and selling it on the black market were stiff and inhumane.

The discrepancy between what the Royal government spent and what it collected in taxes was such that at the time of Louis XVI's accession to the throne in 1774, the accumulated Royal debt was 2,470,000,000 livres. (A livre was then worth about 20 cents.) The expenses for that year alone were 399,200,000 livres, with tax receipts of only 371,980,000 livres, leaving a deficit of 27,220,000 livres. Loans had made up the difference in the past and would continue to be used in the future.

But out of this regulatory and fiscal madness, France was given the opportunity for economic redemption. The new King appointed Anne Robert Jacques Turgot as controller of the finances. A follower of the Physiocrats, an articulate proponent of free trade and laissez-faire, Turgot had been a brilliant administrator of one of the French provinces and brought it increased prosperity by establishing a general free market policy in the area under his jurisdiction. As finance minister of the entire country, Turgot now instituted an economic revolution: He abolished all grain tariffs between the provinces of France; he abolished the practice of forced labor for road building and other public works; and then he abolished the trade guilds and the government-protected manufacturing monopolies. And, incredibly, he declared that the Royal deficits would be solved through cuts in government spending and not
through increases in taxes. But every lowering of a tariff, every elimination of a trade guild, every removal of a monopoly privilege, increased the array of special interest groups determined to defeat Turgot. Their chance came with the King’s recall of Parliament, for here was their opportunity to veto Turgot’s free-market reforms and protect their privileges and monopolies. And on May 12, 1776, the King dismissed Turgot under the pressure of the special interests. Thus, France’s one chance before the Revolution to establish an economic regime of free markets at home and free trade abroad was lost.

Those who followed Turgot as controller of the nation’s finances lacked his vision or integrity. The fiscal crisis merely grew worse and worse. As Thomas Carlyle summarized it in his study of The French Revolution:

Be it ‘want of fiscal genius,’ or some far other want, there is the palpable discrepancy between Revenue and Expenditure; a Deficit of the Revenue . . . Fatal paralysis invades the social movement; clouds of blindness or of blackness envelop us; are we breaking down then, into the black horrors of NATIONAL BANKRUPTCY?

Monetary Collapse and Revolution

It was the Royal finances that was the immediate cause for the calling of the Estates-General at the beginning of 1789. And it was the chaos of the two months following the fall of the Bastille in July 1789 that set the stage for the economic policies which would dominate early revolutionary France. In the words of the Italian historian, Guglielmo Ferrero, in his work, The Principles of Power:

All over France . . . [t]he majority was carried away by an unaccountable frenzy, the minority followed willingly or unwillingly, convinced up to a certain point only; but the fact remains that everyone revolted. Barracks and monasteries were emptied as soldiers and monks deserted, the army scattered to the four winds, the administration was dislocated, neither courts nor police functioned any longer, taxes and seigniorial dues were no longer paid, everywhere monasteries and castles were stormed and pillaged . . . in a few weeks . . . [t]he aristocratic and monarchical hierarchy . . . vanished into nothingness, disappeared into an enormous crevasse of history that all at once opened up beneath its age-old foundations.

In August the French National Assembly was told that practically no taxes had been collected for three months—and this at a time when more than 160,000 livres a month were being spent in Paris alone for the creation of public works jobs; and this following a spring during which the National Assembly had “lent” the people of Paris almost 17,000,000 livres out of the national treasury to buy food.

In November 1789, Mirabeau proposed an answer to all of the government’s financial difficulties. In the previous month, the National Assembly had nationalized all the estates and properties of the Church. Mirabeau now suggested that paper notes be issued by the National Assembly with the Church lands as collateral. The notes would first pass into circulation as spending for public works and other expenses of the government. They would be redeemable at face value in the form of purchase price for Church property. At the same time, it was argued, the added circulation would give a stimulus to industry, create jobs and put money in the pockets of the working classes. (Later it would be the confiscated lands of the nobility who had fled France that would be used as the fictitious collateral behind a flood of paper money.)

On March 17, 1790, the National Assembly voted for the issuance of the Assignats, as the paper notes were called. And the first issue was released in April in the amount of 400 million livres. But by the end of the summer the government was again short of funds and 800 million more Assignats were printed by the government. The argument for issuing these additional quantities of paper money had to overcome the fears of some of the Assembly that the prosperity that the proponents of the Assignats spoke of would only lead to the destructive forces of inflation. But the Assembly was swayed by the appeal of Mirabeau, once again, that only the bankers and capitalists might be harmed, and their interests were not those of France.

Andrew Dickson White points out his classic monograph, Fiat Money Inflation in France; that the first issues of the Assignats were passed by the Assembly only with great difficulty, because of fearful reluctance to risk the monetary stability of France. But having once tried the forbidden fruit, it became increasingly easy for the government to go back for more, and more. And with increasingly regularity the Assembly did. In his famous study of The

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Assignats, Seymour Harris divided the history of the paper money into six periods, in which he estimated the quantities of the Assignats in circulation and their decrease in value. But it is sufficient to look at these numbers at the beginning, the middle and the end of their history. At the end of 1791, 1,490,000,000 livres were in circulation and during these first two years of their existence their market value had depreciated (in terms of their buying power against goods) by 14%. By August 1793, there were 4,050,000,000 livres in circulation; their value had depreciated by 60 percent. And by November 1795, total Assignats in circulation had risen to 19,700,000,000 livres, with its buying power having diminished by 99% since 1790. In a matter of five years, the revolutionary money of France had become worth less than the paper upon which it was printed.

The effects of this monetary collapse upon French society were fantastic. A huge debtor class was created which had a vested interest in the continuation of the inflation, because this would allow them to pay back their debts in increasingly worthless money. Others had used the Assignats to purchase former Church or noblemen’s land, and their fortunes were now dependent upon inflationary hikes in land values; the lure of larger and larger monetary profits to be reaped during the inflation led to vast speculative transactions. Nothing was important anymore,
other than the pleasures and opportunities of the moment. Heinrich von Sybel, in his four-volume History of the French Revolution, writes:

None felt any confidence in the future in any respect; few dared to make business investment for any length of time, and it was accounted a folly to curtail the pleasures of the moment, to acquire or save for an uncertain future. Whoever possessed a handful of assignats or silver coins, hastened to spend them in keen enjoyment, and the eager desire to catch at every passing pleasure filled each heart with pulsations. In the autumn all the threats had been reopened, and were frequented with untriumphal zeal. The cabarets and cafés were no less filled than the theatres. Evening after evening every quarter of the city resounded with music and dancing. These enjoyments, too, received a peculiar coloring—glaring lights and gloomy shadows—from the recollections and feelings of the Revolution. In other circles no one was received who had not lost a relative by the guillotine; the fashionable ball-dress imitated the peculiar nod, intended to remind them of the fall of the severed head.

As inflation grew worse, everything became higher in price and scarcer in supply. In 1793, soap had become so scarce that the washerwomen of Paris demanded that merchants who refused to sell soap for Assignats should be put to death. Andrew Dickenson White recounts that...

...on February 28, 1793, at eight o'clock in the evening, a mob of men and women in disguise began plundering the stores and shops of Paris. At first they demanded only bread; soon they insisted on coffee and rice and sugar; at last they seized everything on which they could lay their hands—cloth, clothing, groceries, and luxuries of every kind. Two hundred such places were plundered. This was endured for six hours, and finally order was restored only by a grant of seven million francs to buy off the mob.

Nor did the promised inflationary prosperity of the inflation last very long. To quote White again, "Under the universal doubt and discouragement, commerce and manufacturing were checked or destroyed. As a consequence, the demand for labor was stopped; laboring men were thrown out of employment, and, under the operation of the simplest law of supply and demand, the price of labor—the daily wages of the laboring class—went down..."

On whom did the major burden of the inflation ultimately fall? None other than those in whose name the inflation was introduced: the working classes. The wealthy, the financiers, the merchants who dealt in international trade had both the means and often the opportunity to protect themselves from the ravage of the inflation. They hoarded gold and silver or sent their supply of specie abroad; they invested in art or precious jewels. Their speculative expertise enabled many of them to stay ahead of the inflation and gain from currency movements. The lower income and working classes had neither the means nor the knowledge to protect themselves. "On them finally came the great, crushing weight of the loss," as the Assignats ended up left in their hands the more the inflation ran its course.

Finally, by late December of 1795, it was decreed that the printing of the Assignats would end. Gold and silver transactions were permitted again and recognized as legally binding. On February 18, 1796, at nine o’clock in the morning, the printing presses, and the plates and paper used in the printing of the Assignats were taken to the Place Vendome and before a huge crowd of Parisians were broken and burned.

**Price Controls, Regulation and the Collectivist Vision**

But the inflation of the Assignats was only one failed economic instrument of revolutionary France. With the Jacobins' accession to power in 1792, the rest of the policies soon fell into place. The collectivist vision of the Jacobins submerged the individual into the body of the nation. The individual had no existence outside of such a body. "The Republic must penetrate the souls of citizens through all the senses," declared Barere in 1794. The individual's life, his work, his very being belonged to the State. A year earlier Barere had made this very clear:

Some owe [France] her industry, others their fortune; some their advice, others their arms; all owe her their blood. Thus, then, all French people of both sexes and of all ages are called upon by la Patrie to defend liberty... Let everyone take his post in the national and military movement that is in preparation. The young men will fight; the married men will forge arms, transport baggage and artillery, and provide subsistence; the women will work at the soldiers' clothing, make tents, and become nurses in the hospitals for the wounded; the children will make tint

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fore, should not be surprising. To quote Barere one more time:

The vice we ought to cure in this country is the versatility of principles of political economy.... What we need is a system of national works, on a grand scale, over the whole territory of the Republic.

In the winter of 1791-92, prices in France began to rise significantly, partly due to the effect of the flooding of the economy with the Assignats and partly due to a bad harvest in 1791. When war was declared on Austria on April 20, 1792, cries were heard for price controls on commodities, and government regulation of industry and commerce. Standing before the National Assembly on April 25, 1793, as representative of the Committee of Agriculture and Commerce, Boudin declared, "No individual has exclusive rights to the fruits of the earth... All citizens have equal rights to the products of the earth upon paying a just indemnity to those who cultivate it." He recommended to the Assembly that a "maximum price" be placed on grain. Santerre assured the Assembly that the high price of grain was due merely to the avarice of merchants and farmers.

On May 4, 1793, the price control on grain was passed, with the further regulation that all grain was to be only sold in public markets; severe penalties were imposed at the same time for all illegal dealings. "All merchants, cultivators, and proprietors of grain and flour shall be required to declare, at the municipal bureau nearest their homes, the quantity and nature of their grains and flours and, by approximation, the quantity of unthreshed grain in their possession," declared the new law. "Directors of districts shall name commissioners in the divers municipalities to observe the execution of this measure." The municipal authorities were given the power to arrest "spectators" and "hoarders" and permitted to enter the homes of any citizens suspected of fraudulent declarations. Confiscated grain and flour were to be distributed to the poor at no charge.

Farmers rapidly and creatively found ways to evade the new law. Fearing that the price controls would spread to other parts of the economy, the prices of other goods rose in price. Hoarding of grain became widespread; to counter this, the Assembly made forestalling a capital offense on July 26, 1793. Even the destruction of any commodities under the price controls was declared to be a capital offense. Public warehouses were established to guarantee government supervision of grain and its sale. On August 19, the controls were extended to firewood, coal, peat and pit coal. And finally, on September 29 1793, the General Maximum was passed, placing all commodities of "primary necessity" under the price control regulation. All prices were to be fixed at no higher than one-third higher than their 1790 level.

As explained by economist, Edwin Kemmerer:

Among the methods employed for evading this price-fixed system the following may be cited: the withdrawal of goods from the market and the failure to produce new supplies when the existing stocks were exhausted; the production and sale of inferior quality; the feeding of grain to farm animals at times when the prices of grain were subject to the Maximum and the prices of live animals were not; the milling of wheat into flour be the farmers when the price of wheat was controlled and the price of flour was not. Farmers sold their produce at home clandestinely, instead of bringing it to market. When the prices of raw materials were controlled, the price of manufactured articles frequently rose abnormally, and, when the prices of necessities were held down, the prices of luxuries soared. Evasion of the law yielded large profits, while the penalties for evasion, if one were caught, were extreme. This led to much in the category of "suspected" persons—sufficient grounds to face the guillotine.

Only on December 27, 1794, was the Price Maximum finally repealed. By this time the anti-Jacobin Thermidorians had the upper hand. The advocates of the market economy were able to make their case. On December 7th, for example, Eschasseriaux delivered a speech before the Assembly in which he concluded:

A system of economy is good when true principles are spread throughout a state and when people have confidence in their execution; when work and the products of the earth are regarded as the primary wealth of the nation; when national prosperity rests upon the two primary bases of all prosperity, agriculture and commerce; when the farmer, the manufacturer, and the trader enjoy the full liberty of their property, their production, and their industry.

He was joined by Thibaudeau:

I know that unlimited liberty can cause the greatest of inconveniences, but I also know that, while you
violated commercial liberty, you are subjected to even greater inconveniences. I know that when the government attempts to regulate everything, all is lost.

During the Jacobin Republic of 1792-1794, a swarm of regulators had spread across France imposing price ceilings and intruding into every corner of peoples' lives; they imposed death sentences, confiscated wealth and property, and sent men, women and children to prison and slave labor. In the name of the war effort all industries in any way related to national defense or foreign trade were put under the direct control of the State; the prices, production and distribution of all these private enterprises were under the direct command of the State. A huge government bureaucracy emerged to manage all of this, and the bureaucracy swallowed increasing portions of the nation's wealth.

All of it followed naturally from the premises of the Jacobin mind. Under the shadow of Rousseau's notion of a "general will" that can never be wrong and always reflects the true interest of the nation as a whole, it was inevitable that those who could know that "general will" and truth would see it their duty—and their "right"—to impose it on France. Those who did not see such a will would be taught; those who refused to accept after the teaching would be commanded; and those who resisted would perish, because only "The Enemy" would oppose.

The Revolution preached that the individual was nothing, the State was everything. The individual became the abstraction, and the State became the reality. And all were consumed in this bonfire of the insanities.

**The Failure of the Total State**

But why did the Revolution and its peculiar version of the total State fail? Why did the people, in whose name all this had been done, constantly frustrate and resist those who were establishing the "new order"? The answer, I would like to suggest, had been given by Adam Smith, thirty years before the Revolution in his first book, *The Theory of Moral Sentiments*. In his analysis of "the man of system," the social engineer and planner who desires to remake society in his own image, Smith said:

"The man of system... is apt to be very wise in his own conceit, and is often so enamored with the supposed beauty of his own plan of govern-

... the human spirit is greater than all the power of the planner, even when he possesses the terror of the State.

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