Raising the wind

FERDINAND MOUNT

Hilton L. Root

THE FOUNTAIN OF PRIVILEGE
Political foundations of markets in old regime France and England
280pp. Berkeley: University of California Press; distributed in the UK by Chichester: Wiley. £37.50.
0 520 08415 2

Before, during and after the French Revolution, there was a clear sense of what had been wrong with the *ancien régime*. The explanations offered were often acute and sophisticated: Necker, for example, told the King "that the great credit of England is, undoubtedly, the public scrutiny to which the state of her finance is submitted", while in France, "the state of finances has constantly been made a matter of mystery". Jean-Baptiste Say pointed out that "where power rests in the hands of a single man, the government has difficulty in enjoying great credit"; kings were all too often tempted to default on loans, whereas parliaments seldom did, not least because many of their members would be among the lenders wanting to see their money back. Turgot posthumously apostrophized his monarch: "The causes of the evil, sire, stem from the fact that your nation has no constitution. It is a society composed of different orders badly united, and of a people among whose members there are but very few social ties."

The causes of the collapse of the old regime sometimes seem to have been less opaque to contemporary statesmen and economists than they have appeared to later historians. The French Revolution has attracted some of the most imaginative and penetrating historians from Tocqueville and Carlyle to Cobb and Schama, Lefebvre and Furet. Yet there remains – to us at least – something mysterious and disproportionate about the events of 1789. We still blink at the shattering implosion of the whole gorgeous confection. As Hilton L. Root remarks in *The Fountain of Privilege*, throughout the voluminous debates and recapitulations of the bicentenary celebrations in 1989, nobody seemed eager to follow up Tocqueville's analysis of why the ancient regime fell so suddenly. In the same way, the fall of the Shah of Iran and of the Marcos regime remain under-analysed, topics to be gazed on and passed by. Yet since state breakdown, rather than revolutionary upsurge, can plausibly be identified as the deciding factor in most revolutions, we surely ought to give the question a little more of our undivided attention.

Mr Root is a historian and an economist who has written both on Burgundian peasants in the eighteenth century, and on the East Asian miracle in the late twentieth. *The Fountain of Privilege* is an attempt to uncover the decisive causes of the Revolution by injecting a dose of high-intensity economic theorizing into the familiar soup of social and political history; Milton Friedman meets Saint-Simon, with Tocqueville as moderator. This does not make for elegant reading; unlike, say, Professor Schama or even Professor Hobsbawm, Root might not be welcome at Madame du Deffand's salon. He is ponderous and inclined to repetition, but I think he makes his point.

As with kings everywhere, the greatest problem facing the King of France was to raise the wind. Palaces, mistresses and wars – especially wars – all cost a great deal more money than the existing revenue would supply. Paradoxically, nobody is in a worse position to borrow money than an absolute monarch who rules by divine right and cannot be sued in his own courts. Because he was above the law, the French king had to pay more for his loans than his subjects, and much more than the British government. The same was true elsewhere; it is argued that the Dutch beat off their Spanish masters because they could raise long-term loans guaranteed by the Estates of Holland, whereas Philip II piled up enormous short-term debt at frighteningly high interest rates.

The *ancien régime* could not last, Root argues, because it lacked the essential quality for sustaining long-term economic growth, namely, the ability to keep political contracts. If each new prince or minister may overturn his predecessor's commitments, nobody will want to lend him money or be prepared to invest in a new grain-mill or a new carpet factory. The king and his agents cannot give up their monopoly of information without losing power to other forces in society; nor can he afford to break up the elaborate network of privileges and offices which he sells to build up his income. An absolute monarch is a monopolist who is trapped in his own monopoly; he and his cronies are irretrievably chained together; he could not, for example, sweep away the trade guilds or open manufacture to all-comers without destroying his own support. Meanwhile, the clamant clients fought like ferrets in a sack; Ravillon, the inventor of wallpaper, was harassed by *imprimeurs, graveurs* and *tapissiers* and half-a-dozen other trades who all claimed the exclusive right to produce the wonderful new stuff. In England, by contrast, Charles I's efforts to raise cash by granting monopolies were simply not enforced either by Parliament or by local JPs, whether on playing-cards, or silk, or soap, or salt. And when Elizabeth or James II tried to purge the local bench, the old JPs soon popped up again.

Root argues that the concepts of *mentalité* and moral economy, invented by ingenious historians, are really irrelevant if not actively misleading. The peasants, for example, did not remain stonily hostile to the free market and "profoundly attached to collective rights and to pre-capitalist economic and social systems", as Georges Lefebvre liked to think. On the contrary, they were indignant because they were so often denied access to the market (an observation supported by such unlikely allies as Rodney Hilton). The old communal fields and meadows did not guarantee the poorer peasants a steady living; they needed to grow wheat and grapes for the market, to pasture sheep for town butchers and engage in other trades to raise cash for rainy days. It was the urban workers – supposedly the vanguard of the proletariat – who rioted in protest against the laws of supply and demand. Root argues that Lefebvre, E. P. Thompson, George Rudé and Charles Tilly underestimated the ambition and consequently the frustration of the peasantry. The introduction of Marxist categories – no less than of Freudian ones – has served mostly to distract our attention from the testimony of contemporary observers. For most people, the ideals of 1789 were not liberty, fraternity and equality but rather monetary stability, timely payment and a government constrained by rules.

Far from extolling minimal government, as some neoclassical enthusiasts do, Root makes a contrast between the effectiveness of British governments which sternly enforced the law and raised taxes without much difficulty, because they had secured parliamentary assent, and the chaotic squabbling of the French system as described by Talleyrand. According to Root, it is the design of a people's political institutions, not their *mentalité* which determines whether a free market will work. Yet it could be argued that it was as much the traditions and culture of the English that made them more hospitable to free trade as the structure of their institutions. Where do custom and practice end and *mentalités* begin?

Root reminds us that a default spiral triggered the Revolution, but he does not really establish whether or not a more ingenious financial establishment and a more sensible and determined king might have pulled through and begun to evolve a more equitable system of taxes and institutions for obtaining popular assent to them. Can we really make such a sharp distinction between an untrustworthy authoritarian regime and a constitutional system which honours its obligations? What about Franco's Spain – an autocracy with a high growth rate? Won't a sensible ruler allow his financial middlemen (who also can be sued in the courts) to operate in an independent space, in a manner which will reassure potential lenders? How otherwise have some Divine Right rulers survived so long?

Root saves himself by avowing that his technique of mixing economic theory and social history – "speaking across paradigms" – is intended only as an opening shot in the discussion. This interweaving of history and economics seems to me invigorating for both disciplines. As Root remarks, historians frown upon under-researching but are indulgent to under-explaining. Whereas economists, being fond of elegant models, tend to be lax in the other direction.

The present relevance of *The Fountain of Privilege* is no less piquant. It has been taken for granted by Reaganites and Thatcherites that stripping away layers and functions of government is automatically good for the free market. The constable is still needed, we are told, but not the weights-and-measures inspector, and the less we see and hear of the local authority the better. Root suggests otherwise. The free market needs more than a framework of law to underpin it; it needs institutions at all levels in which grievances can be aired and disputes resolved. Root makes a distinction between "corrupt" systems like eighteenth-century England (or presumably twentieth-century America), where everyone can bribe anyone, and "cronyist" regimes, where privileges are restricted to the ruling elite's relatives and friends and where access to the market is impossible for those out in the cold. A corrupt regime may endure, because it is at least open; a cronyist regime is inherently unstable, because the legions of the excluded will sooner or later rise up against it. Like most dichotomies, it is neater than reality: in practice, corruption may become too disgusting and flagrant to be endured, while the favoured cronies may be so numerous and influential that their privileges gain a certain torpid public acceptance.

All the same, Root is surely right in restoring the political element to its old prominence in political economy. Adam Smith for one would have been horrified to see the shrivelled conception of the public good that some of his latterday followers have entertained.