Privilege and the Regulation of the Eighteenth-Century French Trades

Hilton L. Root
University of Pennsylvania

Introduction

The seventeenth century brought to France two major industrial developments: the strengthening of guilds and the establishment of state-sponsored monopolies in new industries. Of these two features of French economic expansion, the role of guilds began to be questioned by many of the king's administrators during the eighteenth century. Although supported by the King's council reforms designed to promote free domestic markets and abolish the guilds were difficult to implement. Reformers discovered that the institutional structure which the Crown had established to regulate trades was a formidable obstacle to deregulation, particularly when the proposed reforms conflicted with the fiscal services the guilds provided the Crown. A contemporary analogy to the difficulty of abolishing the guilds is a government's fiscal reliance upon taxes of goods and services whose consumption is considered harmful, such as gambling, alcohol or tobacco. Reliance on "sin taxes" over time often causes the government to support the producers of the "sinful" goods or services, thus producing a perverse outcome. Similarly, the French Crown's dependence upon fees paid by the guilds ultimately led the Crown reluctant to support the guilds. The Crown's protection, however, imposed considerable costs on consumers and workers.

The evolution of the regulation of French guilds highlights the importance of transaction costs in affecting the choice of in-

stitutional arrangements.[1] It provides us with an example of how institutions were not chosen on the basis of their efficiency characteristics. Institutional innovation did not occur in a perfectly competitive political arena in which only efficient innovations would be selected. Instead a marriage of state and industry in the generation and division of monopoly rents accounts in large part for the industrial organization of France under absolutism. The state created by Louis XIV traded its services, its protection, and its justice in exchange for revenue from the guilds.[2] The Crown explicitly acknowledged this motivation in a declaration of 1709 when it reported "giving relatively certain and suitable rights to each corporation of merchants and crafts, in order that they could find the means to support their financial obligations".[3] In assigning property rights the Crown assumed that the various guilds operated within segregated markets. Few trades, however, were autonomous or independent of other trades. As a result, the property rights the Crown assigned to particular trades were often inefficient and conflicted or overlapped with rights offered to adjacent trades. Nevertheless, the Crown's revenue imperative led it to ignore the costs these inefficient and artificial barriers imposed on the trades. The numerous conflicts that arose between trades due to disputes over markets were adjudicated at the consumer's expense.

The proliferation of informal markets during the late eighteenth century might lead us to discount the importance of the guilds.[4] Although the extent of informal activity indicates that

[1] On the importance of transaction costs in determining the choice of institutional arrangements see DOUGLASS NORTH, *Structure and Change in Economic History*, (New York, NY: W.W. Norton, 1981).

[2] See North's definition of the state in *Structure and Change*.

[3] AN. AD/10 *Declaration du Roi* December 10, 1709. The Crown referred to "des droits assez certains et convenable [given] a chaque corps des marchands et Communautez, afin qu'à la faveur d'iceux ils puissent trouver à emprunter pour payer cette finance".

[4] In a formal market a third party referee has coercive authority to enforce property rights. In an informal market there is no referee to enforce contracts between par-

the enforcement of guild monopolies was far from perfect, the guilds influenced the terms of trade for both producers and consumers of non-guild products. Guild restrictions, it seems, generated a surplus of expensive luxury goods and a dearth of lower-priced goods for popular consumption. This is not to say that all guilds specialized in the production of luxury goods. Guilds produced a wide range of goods for both local and distant markets. Historians must be especially careful not to accept the claims of those merchants who advocated strict adherence to the codes as a means of securing the loyalty of large export markets. Such merchants were often looking for ways to bar competition. Industrial standards in those regulated goods produced for wide consumption may have exceeded the quality preferences of the good's consumers. Consumers were not given the choice to purchase a lower-priced, lower-quality good and thereby enjoy a surplus to consume additional goods. A further disadvantage of guilds was that their codes were often disincentives for the development and implementation of new technology. Moreover, the high costs of transacting and the insecure property rights in the informal sector reduced production possibilities to exchanges which did not require long-term agreements and to the use of technology that economized on fixed capital. As a consequence, firms in Old Regime France tended to be small except those operated or protected by the government.[5]

While the gross product of industry and handicrafts increased from a yearly average of 385 million livres for 1701-10 to 1,573 million livres for 1781-89, this fourfold increase was

ties and as a result exchanges are limited to acquaintances and relatives. The assurance that a third party will enforce contracts encourages strangers to trade with each other. The absence of such assurances will limit both exchange and investment among strangers.

[5] Although I have used tools of modern economic analysis to understand Old Regime guilds, my analysis neatly overlaps with the perceptions of eighteenth-century economic reformers such as Turgot.

not the result of dramatic technological changes.[6] The introduction of English technology, like Watt's steam engine, represented exceptional cases. As Crouzet put it, "We can find no forces tending to effect a profound transformation of economic structure".[7] Consider the expansion of the textile industry, which was the single most dynamic and quantitatively significant component of the informal sector of the French economy, accomplished through the putting-out system. Putting-out textile manufacturers were present in every locality in France and formed an extensive network of local, regional, and even international markets. However, the funds available in the leading sector of the informal economy were limited. Looms were small and inexpensive, and few buildings and mills were necessary. In 1789, the French textile industry had only 900 spinning jennies as compared to 20,000 in Great Britain. Although the putting-out system may have been a harbinger of future development, it involved traditional technology and little capital investment.[8].

The trades of Old Regime France were dominated by craft guilds and small workshops that were often supported by town councils, magistrates and local notables. While guilds originally organized with little help from the town officials, eventually guilds found that they could increase the income of their members through cartelization and the elimination of competition. To enforce their monopoly over the services and goods available in the local market place they needed the cooperation of local government.[9] Local governments enforced guild monopolies in exchange for a share of the monopoly profits that were taxed or borrowed. Guilds in this sense supported local governments by

[6] François Crouzet, *De la supériorite de l'Angleterre sur la France: l'économique et l'imaginaire XVIIe-XXe siècle*, Paris: Perrin, 1985), 22-49.

[7] *Ibid.*, 88.

[8] George Rudé, *Europe in the Eighteenth Century: Aristocracy and the Bourgeois Challenge*, (London: Sphere Books, 1974), 74.

[9] However, many towns resisted the guilds because guilds prevented free workers from setting up taxed trades in the city.

providing revenue. In effect, guilds represented a method for local governments to extract rents from the consumers of guild products, primarily the upper classes, by offering monopoly rights to produce and sell luxury goods. The government acquired this revenue for the price of policing the trade.[10] Of course, by accident or design, much production escaped government supervision.

The lobbying process that accounted for the monopolies of local craftspeople and merchants is well explained in Mancur Olson's, *The Rise and Fall of Nations.* He reasons that lobbies of business interests, trades, or cartels are more likely to proliferate within small jurisdictions such as a modest municipality or a town than in a large nation state. It is easy to understand that if within a town a particular line of business may be in the hands of few firms and if the town were distant enough from other markets, only a relatively small number of skilled craftsmen would be needed to create a cartel. "In a big country, the resources needed to influence the national government are likely to be much more substantial, and unless the firms are (as they sometimes are) gigantic, many of them would have to cooperate to create an effective cartel".[11] Thus, the expansion of markets and of administrative jurisdictions usually coincided with the elimination or weakening of guilds, because the lobbying costs needed to establish a national cartel would be prohibitive. Olson's observation neatly coincides with the decline of English guilds during the early-modern period, when national markets and the national political authority of Parliament were established. His framework is useful for understanding the success of guilds in Europe during the Middle Ages when the unit of effective political jurisdiction was not larger than a city or a county.

[10] Luxury goods producers especially valued such policing since they needed protection from cheap imitations.

[11] Mancur Olson, *The Rise and Decline of Nations*, (New Haven, CT: Yale University Press, 1982), 33.

Neverthless, Olson's model does not seem to account for Old Regime France, where the creation of national administrative jurisdictions intensified the control of guilds over the economy.

Guilds proliferated in France during the seventeenth and eighteenth century as administrative jurisdictions were getting larger. In the south of France, where corporations for most trades were established only towards the end of the seventeenth century, artisans in large cities were more likely to be members of an incorporated trade after, not before, the Crown began to assert its administrative authority over the nation.[12] In this article I will explore this anomaly — the rise of guilds in France during a period of rapid state — building and centralization.

The Origin of the Guilds

To understand the proliferation of Old Regime guilds it is useful to consider their medieval origins. Guilds often began as groups of workers who organized to supervise the quality of work produced by their peers and to offer consumers recourse in the case of disputes, much as the Better Business Bureau does today. A guild also functioned as a trade mark designed to establish a reputation for quality among a particular group of craftspeople.[13] These organizations were predicated upon the belief that the public would pay a premium to purchase goods from producers who were members of self-policing organizations under the premise that "he who buys needs 100 eyes; he who sells needs only one". To protect the reputation of their products, guilds set up courts where consumers could settle disputes over quality. This self-policing helped the guilds to sustain

[12] Emile Coornaert, *Les Corporations en France*, (Paris, 1941). In this article, I will use the word "corporation" interchangeably with "guild" even though the term was not employed in the eighteenth-century. The more frequently used "corps" or "community" are less specific for twentieth-century readers.

[13] Not unlike a chain of McDonald's restaurants which guarantees the public a predictable level of service and product quality.

a reputation, which in turn allowed them to charge a premium for their products.

Once granted exclusive access to a particular market, however, guild members generally agreed to reduce output by restricting membership, as an individual monopolist would have done in order to enjoy a higher price. To prevent members of the guilds from competing away their monopoly profits, guilds limited the expansion of output by controlling the amount of raw materials that a single guild producer could purchase, the number of apprentices a master could employ, and the number of hours per week that a master shop could be open. Thus, competition within the guild was restricted as was competition in the marketplace.[14] The guilds claimed that the reduction in output was motivated by greater attention to quality. The true explanation lies in the gains from cartelization, as a higher price could be obtained by restricting the supply of goods. While guilds were particularly effective at producing up-market goods that appealed to wealthy citizens, they also produced goods such as cloth for large export markets. As a result of the quality controls imposed by guild codes the selection of goods available was reduced, and an unnecessarily large proportion of those goods was sold at a monopoly price, while an unnecessarily small proportion of those goods was sold at competitive prices by non-guild producers.

Despite the efforts by craftspeople to form local guilds in France, as in much of Western Europe during the medieval

[14] Competition and rivalry, of course, do play a role in the development of guilds. Guilds competed to maintain and extend privileges *vis à vis* their rivals. Rent-seeking is the term economists find most apt to describe this kind of competition. Rent seeking is the expenditure of scarce resources to capture a pure transfer. More specifically, rent seeking is the collusive pursuit by producers of restrictions on competition that transfer consumer surplus into producer surplus. The resources spent to capture monopoly rents are from a social point of view inefficiently employed. See ROBERT B. EKELUND and ROBERT D. TOLLISON, *Mercantilism as a Rent-Seeking Society: Economic Regulation in Historical Perspective*, (College Station, TX: Texas A & M University Press, 1981), 18-25.

period, by the sixteenth century many regions and much industrial activity had managed to escape guild control. In the late seventeenth century, however, guild control was made uniform throughout France. Although the nationalization of the guilds was given the force of law by royal edicts of 1581 and 1597, it was Colbert's efforts to establish and maintain national industrial standards that resulted in a resurgent influence of the guilds.[15] Colbert strengthened the guilds by formulating new industrial standards in nationwide decrees which were enforced by a corps of inspectors directly responsible to the national government.[16]

Colbert: the Father of Economic Nationalism

Colbert believed in encouraging exports, retaining foreign markets by the maintenance of high standards of quality, and supporting commerce that attracted precious metals. To keep money in the country, he advocated a prohibition of the export of bullion and a reduction of imports by increasing the kingdom's self sufficiency. Colbert believed that a reputation for shoddy goods hurt French manufactures in international markets and argued that French products would sell better if national standards for higher quality could be imposed through the guilds. Thus, he envisioned an important role for the guilds in a drive to increase French exports.[17] The regulations were extended to cover many non-luxury goods such as cloth.

Merchants had much to gain from Colbert's efforts to in-

[15] Colbert deliberately allowed crafts in the Faubourg St. Antoine to remain unincorporated and outside the control of the Parisian guilds.

[16] Franc Bacquié, *Les Inspecteurs des manufactures sous l'ancien régime, 1669-1792*, (Paris: Hachette, 1927). These inspectors in turn supervised the inspectors chosen by the guilds.

[17] Colbert's three reasons for regulation were the attainment of uniformity and good order, the protection of the consumer, and the maintenance of quality to win markets. He believed that the guilds could be harnessed to help achieve each of these ends.

crease both their domestic and foreign markets. In effect, Colbert's ministry offered to help guilds maintain their reputations by guaranteeing the quality of guild products, primarily luxury goods. In providing this guarantee, the crown attempted to extract as much revénue as possible from the guilds. This meant restricting the sale of non-guild products on the grounds that they were of poor quality, which in turn protected the luxury goods produced by guilds from competition with lower priced non-guild products. As one right expect, however, the state's services did not come free of charge. The guilds then paid the government for this policing service which they could not provide themselves as efficiently. Under Colbert's successors, the payment demanded for the provision of this service became increasingly severe as the crown attempted to extract as much revenue as possible from the guilds.

Another element of Colbert's drive to expand France's industrial capacity was aimed at import substitution and the establishment of new industries. This drive placed particular emphasis on industries deemed necessary for national defence, and on nascent industries. However, the achievement of this second goal of autonomy often conflicted directly with Colbert's goal of strengthening guild privileges. In fact, the need to establish state-sponsored monopolies or royal manufactures cannot be understood apart from the rising role of the guilds during this period. New industries had to be protected from the very regulations used to support the guilds. Privilege was needed to overcome privilege.

One example of this can be seen in the example of a fine-quality textile enterprise. Such an enterprise required the support of skills that were dispersed among several guilds. To embark on such an undertaking, an entrepreneur needed the privilege of being allowed to transcend guild restrictions to combine the various skills under a single roof. The title of *manufacture royale* was sometimes given to such undertakings so that an entrepreneur could overcome the restrictions placed on produc-

tion by the royally sanctioned system of guilds.[18] Without such privileges it would have been difficult to create large-scale, integrated enterprises. To act independently of the corporations, the directors of royal manufactures needed the privilege to devise their own rules and regulations just like the other corporations. However, because the mandate of the new industries restricted their activities very precisely, royal manufacturers found it difficult to add new capacities and develop new technologies. This meant that the appearance of new trends in fashion or a new technology inevitably precipitated an industrial crisis, as adjustment was obstructed by the legal entitlements of the various competing guilds and royal industries.[19] Such restrictions seriously handicapped the growth of new industries and the development of new technology.[20]

While the mercantilist goal of supporting manufacturing activity not only continued after Colbert, intervention became

[18] Royal manufactures were not all alike. The monarchy sometimes granted, as an honorary title, the status of royal manufacture to all manufacturers and master craftsmen of a city to protect them from local guild regulations. The Crown might also buy a company's assets and assume direct management, especially in cases where the state was the principal consumer. For instance, the monarchy might assume the role of manufacturer in workshops of high artistic quality (Gobelins, Savonnerie where the court nobility were the principal consumers) or factories producing military supplies. Most royal manufactories remained in private hands and enjoyed support in the form of subsidies, loans and privileges. These could come in the form of juridical privileges, or fiscal exemptions such as exemption from the taxes on raw materials and on finished goods. But by far the most valuable privileged conferred by the Crown was the prohibition of competition in the production or sale of goods.

[19] The introduction of new industrial techniques generally led to constant fighting with adjacent crafts. In 1736 the 'boutonniers avaient-ils pretendu s'opposer a la fabrication des boutons au metier'; plumbers had to battle for twelve years (1719-1731) to use *les plombs lamines* which were considerably better than *les plombs coules*, but whose usage was not foreseen in the statues. To protect guild interests, the intendant refused an inventor Dallande "d'appliquer un procède qu'il prétendait avoir inventé pour clarifier les colles employées dans la papéterie".

[20] Ravillon, the inventor of wall paper, was harassed by several corporations for illegal competition. His opponents included imprimeurs, graveurs, and tapissiers. Overcoming this opposition required governmental intervention and support of the new industry. Occasionally new guilds were created to accommodate new industrial processes such as the baracaniers created by Colbert.

even more diversified as subsequent administrations became more interventionist than that of Colbert's. P. Boissonnade listed 150 decrees and orders regulating industry between 1664 and Colbert's death, but between 1684 and 1753 there were more than a thousand. For the period after, between 1753 and 1789 Boissonnade counted about 500 regulations[21]. The frequency of regulation was even unchanged when the economic liberals had presumedly penetrated the government bureaus. Even the frequency of letters of patent granting the title of royal manufactory did not decrease after 1753. The ten-year average for granting such titles was higher in the later eighteenth century than during the early part of the century. In other words, the spread of physiocratic and liberal theories did not reduce the extent of industrial dirigism by the state. The relationship between the increase in regulation and the industrial policy initiated by Colbert needs clarification.

In an early study of Colbert's industrial policy, Abbot Usher raised some very important issues in defence of Colbert's strategies. He argued that traditional production had reached its height of development in France before Colbert. A society characterized by "the courtier and the sycophant, dominated by ambitions for the secure social position conferred by land and offices", needed to be shaken up. "Industry and commerce were at best merely means of purchasing social security, and neither industry nor trade was expanding rapidly enough to inspire much hope or to foster a general spirit of enterprise and adventure". In this society "an individual looked for shelter and security rather than for opportunities to do new things or exploit new fields". Usher continues, "that the state might contri-

[21] Prosper Boissonnade, "*Étude sur les réglements relatifs à la fabrication, sur les inspecteurs des manufactures, sur la police générale des metiers et en général sur l'intervention de l'administration royale dans l'industrie*". Unpublished essay cited in Pierre Deyon and Philippe Guignet, "The Royal Manufactures and Economic and Technical Progress in France before the Industrial Revolution", *Journal of European Economic History* 9 (1980): 611-632.

bute much to the economic development of this society was shrewd realism" on Colbert's behalf. Usher concluded that by administering the codes "in a different spirit" Colbert's successors subjected France to "the dangers of state interference". He attributed this failure to "the mediocrity of the bureaucratic mind".[22] Cole, in his two-volume study of Colbert, similarly argued that Colbert intended the privileges extended to particular merchants and to particular industries to be temporary measures. He claims that Colbert intended to help French industry catch up with that of Holland and England, and that after an initial start-up period the privileges were to be rescinded. However, Colbert's followers lost sight of the inspiration of his work by obsessively applying the letter of regulation. These high-ranking officials lacked foresight while indulging in prejudices against business people.[23] Contrary to Usher and Cole, I would argue that the exponential increase in the demand for regulation was an outcome of the very methods used by Colbert to encourage French industry.

Having fostered an industrial environment of royal patents, monopolies and franchises, the crown had to grant additional monopolies in order to encourage the development of new industries. A potential investor would not venture his capital without assurances of protection or special concessions similar to those granted to already existing industries. Entrepreneurs would hesitate to enter a field where they were threatened by already established masters who might use their legal powers to restrict competition. In favoured new industries like calico works and wallpaper manufactures, the Crown subsidized some of the fixed-capital costs of large installations. However, each time the Crown granted new rights or subsidies to particular industries, factories, or individual entrepreneurs, it caused an up-

[22] Abbot Payson Usher, "Colbert and Governmental Control of Industry in Seventeenth Century France" *The Review of Economic Statistics* 16 (1934):237-240.

[23] Charles Woolsey Cole, *Colbert and a Century of French Mercantilism*, 2 vols., (New York, NY: Columbia University Press, 1939).

roar among adjacent trades who demanded similar subsidies. Colbert had, in effect, created an environment in which the demand for government regulation and subsidies preceded any significant investment of capital.[24] Thus, Colbert began a process that was difficult to control. Regulation created the need for more regulation, privilege created a demand for more privilege.

Royal statutes regulating industry were generally the product of collaboration between the government and representatives of established-élite businesses. The elaborate regulations of, for example, the French cloth industry under Colbert, could only have been produced by a collaboration between the finance ministry and the cloth producers.[25] Such elaborate regulation of basic industries became a form of protection for already established producers. It reduced innovation, restricted new entrants into the market, and placed production decisions with the producers rather than with the consumers.[26] Of course those who demanded these regulations insisted they were necessary to guarantee the loyalty of foreign markets.

The State Establishes its Tutelage Over Guild Finance

Colbert's drive to restore the guilds and ensure the quality of French goods was ultimately subordinated to the revenue imperative. After 1691, the crown created and sold an impressively

[24] Similarly, in many American cities large building projects are often predicated upon property tax abatements granted by city councils. Such breaks are only available to those with substantial funds to invest. Thus, smaller developers are discriminated against.

[25] See THOMIR MARKOVITCH, *Histoire des industries françaises: Les industries lainières de Colbert à la Révolution*, (Paris: Librairie Drox, 1976); DENIS WORONOFF, *L'industrie sidérurgique en France pendant la Révolution et l'Empire*, (Paris: Editions de l'Ecole des Hautes Études en Science Sociales, 1984); and J.L. BOURGEON, "Colbert et les Corporations: l'example de Paris", *Un nouveau Colbert*, ROLAND MOUSNIER ed., (Paris: Editions SEDES/CDU, 1985).

[26] For a different and highly appreciative treatment of Colbert's legacy to French industrial policy, see ALAIN GUERY, "*Industrie et Colbertisme; Origines de la forme Française de la politique industriélle*", *Histoire, Économie, et Societé* 9 (1989).

long list of offices to raise money from the guilds. By the mid-eighteenth century, the fiscal importance of the guilds became so obvious that the intendant of Bordeaux routinely observed in 1750, "Generally, all the trades-people are organized into guilds in order that they may pay their taxes".[27] Because the Crown found it easier to raise funds from corporations than from individual trades-people, it was willing to recognize even those guilds that lacked royal charters and possessed only simple municipal statutes.[28]

One of the chief instruments for raising revenue proved to be the sale of new guild offices. An edict of March 1691, created hereditary *syndics* and inspectors in all guilds.[29] To prevent the inspectorships from becoming hereditary, guilds would generally purchase the office so that they could continue to choose their officers. An edict of December 1691, created *syndics* among all merchants, and even required that non-guild member artisans and workers register with a *syndic*.[30] In March 1694 the

[27] Rene Passet, *L'industrie dans la généralité de Bordeaux sous l'intendant Tourny: Contribution à l'étude de la décadence du systèm corporatif au milieu du XVIIIe siècle*, (Bordeaux and Paris: Editions Biere, 1954), 88.

[28] It was not until the eighteenth century that guilds needed lettres patent from the King. The Conseillers of Commerce in Bordeaux invoked this rule for the first time in 1725. Passet, 83. At that time it was recognized that only the monarch could give statutes or rules to the guilds. Of 39 guilds in Bordeaux, 10 had statutes that were registered by the city.

[29] AN.AD/10 March 1691, edict suppressing the elections of *Maitress et Gardes des Corps des Marchands et des Jurez, Syndics ou Prieurs des Arts et Métiers*. To continue to elect their inspectors, the corporations agreed to purchase the office of inspector-syndic created by the King. In Paris, the edict of March, 1691, placed a charge of 300 thousand livres on the *mercerie* alone. The mercers borrowed the money from twelve merchants, on *commissaire des guerres*, a notary, a *tresorier de France* and a *convent l'Annonciade celeste de Saint-Denis, a maître des réquètes* and doctor of the deceased queen. These loans were made at five percent. If the figure is correct it is considerably less than the rate of interest paid by the King. René Nigeon, *État financier des corporations parisiennes d'arts et metiers au XVIIIe siècle*, (Paris: Editions Rieder, 1934), 161.

[30] AN. AD/10. *Edit du Roi, December 1691. Portant création des syndics, parmi les Marchands, Artisans et Ouvriers des Villes et Bourgs clos du Royaume, qui n'ont ny Maitrisse ny Jurande; Et de ceux qui prétendent n'être point des Corps et Communautez sujets a icelles.* All were required to register with a syndic.

crown created the office of *Auditeurs* and examiners of accounts.[31] In July 1702 the crown created *Tresorier Reçeveur* and *Payeurs* for the communal properties of all corporations.[32] The pace of office creation continued unabated during the early eighteenth century. Among those established: in 1704, hereditary offices of inspector,[33] the *Auneurs de drap*; in 1705 *greffiers* for the registration of letters of apprenticeship; in 1706, registrars and controllers of weights and measures; in 1709 archivists; and in 1710 treasurers.[34] After Louis XIV's reign new offices were created less frequently: in 1730 the inspectors of halls and markets were reestablished, in 1745 the office of inspectors and controller of masters and inspectors was created, and on 3 July of that same year an office was established to su-

[31] AN.AD/10. Edit de Mars 1694. The cost of this office was significant. Nigeon calculated that in 1695 the guilds of a small town, Abbeville, spent 32,786 livres for the offices of auditeurs and examiners of accounts. According to Nigeon's calculations, the sums raised in Paris alone were staggering. The first number is the price of the *auditeurs-examinateurs* of *comptes* in 1694-96; The second number is the amount paid for the hereditary inspectorship. *Merciers*... 198,092... 300,000; *marchands de vins*... 120,000... 120,000; *epiciers*... 76,000... 120,000; *drapiers*... 59,000... 100,000; *orfevres*... 39,000... 60,000; *chandeliers*... 22,000... 30,000; *bonnetiers*... 21,000... 36,000; *rotisseurs*... 16,667... 30,000; *corroyeurs*... 13,000... 18,000; *charcutiers*... 10,000... 12,000; *bourreliers*... 8,000... 10,000; *pelletiers-fourreurs*... 6,178... 8,000; *chaudronniers*... 5,000; *chapers*... 41,000; *grainiers*... 8,000.

[32] AN.AD/10. *Edit du Roi Portant création pour chacun des Corps et Communautez d'Arts et Metiers, tant dans les Ville et Fauxbourgs de Paris, que dans toutes les autres Villes et Bourgs clos du Royaume, d'un Tresorier Receveur et Payeur de leurs deniers communs*. Paris, July, 1702, registered August, 1702.

[33] The Crown decided to transform its royal inspectors of manufactures from commissioners into owners of hereditary offices. The edict of October, 1704, proclaimed the establishment of two inspectors general in each *généralite*, it also created special commissioners (*contrôleurs et visiteurs)* and *concièrges-gardes* in each workplace. This meant sixty-four inspectors general and hundreds of warehouse guards and controllers. After considerable outcry, a declaration of 30 December 1704 abolished the offices and reinstituted the regular inspectors. That order insisted on the indemnification for the loss of revenue from the sale of the offices. The series of *arrêts* in 1705 and 1706 that finalized the indemnification resulted in an indemnity of over one million livres. Schaeper, 159-161.

[34] For a complete list of the offices created by Louis XIV see AN.AD/10 *Arrests du Conseil D'Etat, Concernant les attributions accordées a la Commission établie pour la liquidation des dettes des Corps et Communautés*, p. 20.

pervise merchants and artisans who were not members of guilds. In 1745, when the Crown had difficulty selling offices, it forbade inspectors of guilds to receive new masters, apprentices, or *campagnons* (even of the sons of masters) until the new offices were purchased.[35] In 1747, to accelerate the purchase of offices of inspectors and controllers which remained unsold, the Crown ordered the merchants and artisans of each profession in which these offices were created to share in the purchasing of the office in proportion to their wealth.[36] The creation of offices profoundly altered the nature of the guilds but it also altered the relationship of the Crown to the guilds, making the Crown dependant on their existence. Thus, the crown found itself restraining the growth of free industry by helping to reinforce guild privileges.

By mid-century, however, it seemed that the guilds were saturated; many were too deeply indebted to absorb new offices. In response, the Crown turned to a new method of revenue extraction, the sale of *droits* (licenses). In 1745 the Crown created a *droit* that guild inspectors had to pay for upon their election and a *droit de visite* when they respected a guild workshop. Other new licenses included were created for opening a store and selling retail goods, for a wine cellar, for maintaining a *confrerie*, for the registration of masters, and for widows to receive their husbands' practice. Guilds were even charged for the right to receive new masters or apprentices.

The sale of new masterships proved to be another effective tactic of raising revenue through the guilds. *Lettres de maîtrises* were created under all kinds of pretexts: marriage of the king, title of the queen, birth of a prince, the naming of the king's brothers or cousins. Under Louis XIV new masterships were created in 1660, 1661, 1666, 1673, and 1710. In 1722, four letters

[35] AN.AD/10, 3 July 1745.
[36] AN.AD/10, 10 January 1747.

of *maîtrise* were created in each guild on the occasion of the Louis XV's majority. His marriage in 1725 was commemorated by the creation of additional masterships. The guilds strongly opposed these *letters de maîtrise* as they lowered the value of their previously purchased masterships. Yet because the creation of new masterships could mean more guild masters, the guilds continued to grudgingly purchase the new masterships to prevent competition. The guilds suppressed the new offices just as they generally bought and suppressed the offices of *syndic* and inspector. When the masterships fell into the hands of individuals, guild inspectors were reputedly harsh on approving the work produced by the new masters. To protect their right to practise a trade, purchasers of new masterships often found themselves in long and expensive court cases.

In order to help pay for the new offices, guilds had to increase the cost of existing masterships, usually their most important source of revenue. In turn, the rising costs for masterships had the effect of making the guilds more exclusive.[37] This growing exclusivity, often noted by contemporaries and historians alike, was a response to the increasingly heavy financial obligations imposed by the Crown.

Not content with these impositions, the Crown also encouraged the donation of gifts by the already hard-pressed guilds. Some of the more spectacular examples of these efforts by guilds to prove their loyalty to the crown were made by the richest of the Parisian guilds known as the six corps. In 1759 they offered the king 514,000 livres. Only two years later, they offered the king 700,000 livres with which to construct a ship equipped with 72 cannons. In 1782, the guilds of Paris offered 1,500,000 livres for another warship. In 1788 the corporations of Paris

[37] MAURICE GARDEN, *Lyon et les Lyonnais au XVIIIe siècle*, (Paris: Les Belles Lettres, 1970), chapter six. Garden claims that there was a tendency for guilds to become more exclusive as the century progressed.

provided 100,000 livres to aid farmers whose crops were destroyed by hail in July 1786.[38]

Despite this heavy fiscal burden, the guilds did not borrow on a large scale until the early eighteenth century. Earlier, in 1694, the Crown had discouraged borrowing; for example, when the six corps were unable to come up with the 680,000 livres to buy the office of *Auditeurs* and examiners of accounts, they were able to negotiate for a reduced payment to the Crown of 403,200 livres instead. Rather than borrow, corporations resorted to levies or taxes on members. While some borrowing had already occurred by 1709, the King's declaration of 10 December, of that year resulted in much heavier borrowing by the guilds.[39] The Crown still prohibited guilds from issuing bonds to maintain their debts and did not allow the epiciers-apothecaries to sell bonds in 1715.[40] Perhaps the King viewed corporate bonds as competing with royal issues. Nevertheless, later in the century guilds commonly borrowed by issuing bonds to raise funds to buy the offices.[41] Generally, the entire company was collectively responsible for the bond issues and the issue was secured on the company's communal properties.[42]

[38] The accounts of the six corps are found in AN.KK/1341-43. These payments were noted in EDMOND-JEAN-FRANÇOIS BARBIER, *Journal d'un bourgeois de Paris sous le régime de Louis XV*, 4 vols., (Paris: Renovard, 1847-1856), 165, 166, 167, and 169.

[39] AN.AD/10. In order to help communities pay their financial obligations an *arrêt* of 10 December 1709, permitted communities to receive as many masters as they saw fit and to borrow sums needed to make payments on debts. The Crown already acknowledged that corporations could borrow since 1693 when the Crown allowed corporations that had more than 9000 livres of debt to borrow to pay for the offices of auditeurs and examiners of accounts.

[40] "They propose to raise 200,000 livres from all members of two corporations," distributed proportionally according to the capacities of each. A simple visa from the lieutenant-general of the police would permit the *gardes* to '*poursuivre* the *recouvrement des roles*' and to constrain the members to contribute.

[41] AN.AD/10,21 August 1741. A royal edict of 1741 seems to have assumed that guilds could issue rentes.

[42] AN.AD/10. May 25, 1700. An *arrêt du conseil d'etat* stated that all guild members were personally responsible for guild debts. A debt contract issued by the *tailleurs* of Dijon provides a good example of how this stipulation continued to be observed through the eighteenth century: the entire company was collectively re-

As the guilds' fiscal burden increased, the Crown discovered that it had to regulate guild solvency as well. The growing dependency of the Crown upon the funds borrowed from the guilds required that financial relationships between the Crown and the guilds become more formal. Some preliminary steps to ensure that guild finance was managed in an orderly fashion had already been undertaken by Colbert, who gave intendants the right to visit the corporations, to requisition guild products, and to attend all meetings. In addition, intendants could demand to see guild accounts. One of the goals of this intervention was to control costs that could interfere with a guild's ability to fulfill its financial responsibility to the Crown. One method of reducing costs was to allow intendants to summarily settle disputes between merchants and artisans.[43] The declaration of 2 October, 1703, stated that guild corporations needed the intendants' permission to sue.[44] The Crown wanted to make it difficult for factions within a corporate body to avoid responsibility for a legal outcome by claiming that a decision did not represent the will of the majority and to prevent a faction within the corps from litigating in the corporation's name.

These preliminary efforts to assure guild solvency became more elaborate on 3 March 1716, when the Crown appointed a commission to liquidate the debts of corporations.[45] Another commission of 16 May 1716, appointed *commissaires* with the right of last appeal over all disputes concerning guild debts. An *arrêt* of 21 September 1724, expanded the commission's tutelage over corporations.[46] The commission had become a tribunal, its

sponsible and the debt was secured on the company's goods. AD of Dijon C 28 1/10/ 1772.

[43] AN.AD/10. Declaration of 7 December 1694.

[44] AN.AD/10. Declaration of 2 October 1703.

[45] AN.AD/10. *Arrêt du Conseil D'État du Roi Concernant les attributions accordées à la Commission établie pour la liquidation des detters des Corps et Communautés d'Arts et Métiers de la ville de Paris de 16 Mars 1716, to Fevrier, 1740.*

[46] AN.AD/10. Created in 1693 and noted in extrait des Registres du Conseil d'etat, 21 September 1724.

arrêts sovereign, and its decisions subject to no appeal.[47] Moreover, the introduction of personal liability added weight to the commission's decisions, as the Crown made *syndics* or representatives of the corporation personally responsible to the intendant for expenses incurred while in office.[48] Similarly, the *arrêt* of 14 August 1749, made inspectors personally responsible for their accounts as well as those of their predecessors.[49]

As we have seen, the simple inquiry of 1716, which had only the authority to inspect the finances of guilds, had evolved by 1749 into the court of last resort for all cases concerning the corporations, as it could pronounce judgements without appeal.[50] The commission charged with liquidating communal debts was designed to give investors confidence in the solvency of corporations and to add to the guilds' prestige, something they dearly needed as their financial status became more precarious. The Crown needed to give the appearance that guild debts were in the process of being liquidated so that investors would have confidence in the bonds being issued by the guilds. The guilds' credit, upon which the Crown indirectly relied, had to be maintained by whatever regulatory means necessary. The reality of the guilds' deteriorating financial condition had to be concealed, especially after 1750 when economic reformers began to attack the mercantilist system. Contradictory pressures were mounting within the government for and against the guilds.

As guild debts increased during the century, it was rare for

[47] Nigeon, 41.

[48] AN.AD/10. *Arrêt du Conseil D'Etat* of 16 March 1716 - February 9, 1740. This *arrêt* made "syndics, inspectors, and receivers personally responsible for the payment of the 1,000 livres by all reasonable means, and even physical means".

[49] The *arrêts* of the king's council pertaining to the commission of 1716 can be found in AN. E 716, 766c, 786b, and 882. Also E 2524 and E2525 numbers 1, 29, 30, 64, and 140 concern the activities of the commission of 1716.

[50] The intendants were the last resort for all questions concerning the liquidation of communal debts since 1689. AN. V7, 420-443, procès-verbaux of the Council for the liquidation of Debts this stipulation is reiterated in AN.AD/10 Arrêt of September 14 1728.

corporations to reimburse the capital. They usually resorted to contracting new debts just to pay off the interest already owed. The commissioners the king appointed to supervise guild finances were principally concerned with assuring interest payments on the debts. The commission never achieved its goal of eliminating or liquidating the debts; instead, by assuring that the existing debts were paid, the commission guaranteed the creditworthiness of the corporations, thus allowing them to acquire additional debts. The ability of guilds to acquire these additional debts suggests either the existence of good capital markets or the existence of overlapping contracts which turned debts into perpetuities.

The Threat of the Informal Sector

In the 1730s numerous guilds demanded the right to regulate the merchants who offered goods produced outside of regulations. In January, 1737, the Crown catered to this concern by ruling that manufacturers of cloth put the first letter of their name on their fabrics so they could be held responsible for the quality of the products. The seal would also help inspectors and the public distinguish non-guild products and would allow the Crown to identify and tax non-guild producers in the countryside.[51] The guilds also lobbied for stronger measures to prevent merchants from other districts gaining access to their territory.[52] In addition, they requested stricter measures against merchants and workers who did not go through the system to

[51] The guilds were not satisfied for they viewed the *arrêt* as tacit recognition of non-guild producers to openly vend their wares. AN.AD/II. *Règlement pour la Teinture des Etoffes de laine, et des laines servan a leur fabrication. 15 January 1737. See AN.AD/II, Code des Manufactures D'Étoffes, Toiles et Toileries*, for extracts of all *lettres-patentes* and *arrêts* concerning cloth from 1737 to 26 Aug 1784, printed in Dijon by J.B. Capel, 1786, by order of the intendant.

[52] AN.F/12/750, 10 Jan. 1747.

acquire masterships. As the preamble to the edict abolishing the guilds in 1776 put it:

> The corporations are above all concerned with keeping the works and merchandise of other workers out of their territory. They depend upon their right to ban the sale of merchandise which they consider poorly made. This motive leads them to desire for themselves new regulation which would prescribe the quality of materials used, and the methods of production. This regulation, the execution of which was conferred to the corporations' officers, would certainly be used against non-guild workers, but it would also be used to subject the masters of the same corporation to the empire of the chiefs, to compel the masters to never separate their interests from those of the corporation, and as a consequence to render them accomplices in all machinations inspired in the spirit of monopoly by the corporation's leaders.[53]

Tensions between the regulated and the non-regulated sectors mounted as the success of the informal sector promoted a fear that deregulation was imminent. The guilds prepared many elaborate justifications for their continued existence in the face of this danger. The larger guilds hired lawyers on retainers to protect their privileges and to defend them in court. They also faced this challenge by circulating memoirs to the King's ministers and among the public.[54] Many of the requests and petitions

[53] AN.AD/10. *Edit du roi portant suppression des jurandes et communautés de Commerce, Arts et Metiers*. Versailles February 1776. Registered 12 March 1776.

[54] One particularly articulate defence of the guilds was prepared by François Véron Duverger de Forbonnais (1722-1800) on the advantages of continuing guild production of painted fabrics. F. FORBONNAIS, *Examen des avantages et des desavantages de la prohibition des toiles peintes*, (Marseille: Chez Carapatria, 1755). Forbannais was largely motivated by fiscal considerations, particularly the loss to the Crown of revenue if the prohibition on printed fabrics was removed. A defender of his argument reveals that mercantilism was very much alive among those who viewed the world from the position of the French fisc. In a book he published later called *Principes et observations oeconomiques* (Amsterdam, 1767), he included examples of the arguments of the free-trade school. Abbot André Morellet (1727-1819) argued for the elimination of the India Company, total freedom of commerce and including the elimination of the protected Royal Manufactures. "Mercantilist regulations", he argued, "were designed to promote the advancement of manufactures, by weakening a certain fraction of them and not by improving their techniques". *Reflexions sur les avantages de la libre circulation* (Geneva, 1758).

were directed at the King's council and were published in the course of 1758 when the threat of official action to recognize the informal sector was imminent. The protests emanated from the cities with long-established privileges, such as Amiens, Lyons, Paris and Rouen. They were intent on preventing greater toleration of the 'outlaw' trades. The most frequent complaints were against the textile manufacturers in the countryside, who were breaking the monopoly of the traditional masters. The outlawed merchants naturally preferred to remain silent. They depended on the ideological convictions of the King's officials to carry the case for free enterprise. The guild advocates emphasized the need to protect consumers and to ensure equality among guild masters. One particular memoir submitted to the King in defence of the regulated trades stands out for being forcefully stated.[55] The author champions the segregation of markets and skills: Individuals should be forbidden from practising several trades or from selling various kinds of merchandise, the author insists, "if one sells or manufactures only socks he will make good socks since his reputation depends on that alone". The division of tasks offers more certainty for the consumer and greater equality for merchants. Money divides itself into several channels and can help several families instead of running in a single... which nourishes the richest, while the others languish in misery". A limit on migration to the cities is needed because "There are always too many workers in the cities, and never enough in the country". He seems to believe that the countryside was becoming depopulated, a perception he shared with many of his contemporaries, who were responding to the many migrants and vagrants who flocked to cities where wages were higher than in the country. Like many members of the guilds he was threatened by this additional labour force especially since they were able to perform many of the low-skilled tasks that

[55] AN F/12/65. *Mémoir en consultation d'administration est preferable à assujettir les differentes fabrique*. Unsigned, Undated.

characterized a large portion of guild work. Our author claims that the apprenticeship system itself was threatened by this influx of cheap labour into the cities. "Dispensing with apprenticeships allows ignorance and incompetence to penetrate the manufactures and renders the apprentice equal to the *campagnon* and the *campagnon* equal to the master and finally removes the small obstacles which prevents the gross tastes of the village from entering the city and prevents it from establishing itself there". If these illegal immigrants were not stopped from taking the work belonging to the guilds "soon you will see hordes of peasants abandon themselves to other work much less useful to humanity". While guild advocates argued their trades required high skill to justify their privileges, in fact many products required skills that unapprenticed workers could easily perform.

Above all our author viewed unregulated production as a threat to the status of the guild masters. He assures us that "Workers are largely ignorant because they have made an apprenticeship that was too short and too superficial". However, giving them license to sell their unregulated wares in unregulated markets was the equivalent of confirming their equality to the guild master. "They believe they are very knowledgeable by the fact that they have become the equal of masters, they will become con-artists because they have nothing to lose". He was referring to that fact that these unregulated or 'false' workers as they were referred to in the documents, had less to lose if caught in improper actions because they did not risk losing the rights they had gained from years of apprenticeship. The apprenticeship, he believed, functioned as a performance bond that a guild worker would not want to put at risk. Lacking a similar investment in their training, unregulated workers having less to lose "will cheat the public without fearing their contempt". If the guilds' control over the trades was further compromised he predicted "merchants will no longer peacefully and decently attend the consumer, they will become but a collection of Jews, of colporteurs, and of former servants who will insinuate them-

selves into homes and seek to seduce the good faith and the ignorant; but they will sell in false measures because they are no longer subject to the inspectors who verify their weights and measures".[56] By contrast guild members offer an example of honour and decency because "either they must fulfill their duty as head of family and help the sovereign who protects them, honour the magistrates who judge them, or wonder into the immense emptiness confounded with hordes of intriguers, usurers and servile men without honour".[57] In the edict to abolish the guilds, dated the same year, Turgot argued that the rules that allowed guild workers to monopolize work were only ways to enrich the inspectors and guild masters at the expense of the workers and the public. "In those places where free trade is practised like the Faubourg St. Antoine, work is done at least as well as by the guilds".[58] Advocates of free trade noted that masterships were often for sale and that the only restriction on their acquisition was the ability of would-be masters to pay for them.

Finally, our corporate spokesperson invoked the right of property to defend the discriminatory recruitment policies of the guilds. In particular he was defending the fact that the sons of guild masters typically paid less to enter the guild than did other candidates for membership:

> Thus convinced that he cannot engage in commerce without paying for the rights demanded by the regulation of the guilds which give him the privilege. He submits himself to the law that the sovereign

[56] See AN. F/12/657. *Mémoir* dated 20 August 1732. This is an extensive condemnation of Jewish merchants of Bordeaux and a request to bar them from that province. Jews were accused of buying and selling defective merchandise and of not paying taxes because they bought and sold in cash. They had to buy and sell in cash because, since they did not enjoy legal rights, they had no means to defend themselves from opportunism. The author concluded that the treatment of Jews by other nations should be a model for the French "These people are despised not only by Christians but also by more barbarous nations".

[57] *Mémoir a Consulter sur l'existence actuelle des six Corps, et la conservation de leurs privilèges*. February 1776. Signed Delacroix.

[58] AN.AD/11. *Edit du Roi Portant Suppression des Jurandes et Communautés de Commerce, Arts et Métier*, February, 1776.

> has proclaimed and he says the money that I give today is not lost for me, because I buy the facility to sell cooperatively with all the members of the corps of which I am a member. No other can attach himself to the branch of commerce that nourishes me or submit himself to a law that I obey; if I die my wife will enjoy my privilege or can lease it and my children, if they want, can continue my business. My admission to membership in the guild gives me a real property.

The Physiocrats, also defenders of the sacredness of the rights of property, argued differently. In their view, the guild members' habit of seeing the barriers placed on industry as a common right to which they were entitled, interfered with the rights of other workers and with the consumer's right to hire the workers of their choice.

The rising empire of fashion was one of the guild master's greatest concern. They viewed the grip of fashion and novelty over the public's imagination as the source of the informal sector's success. The guilds argued that fashion allowed non-guild producers to exploit the public's credulity to vend shoddy goods. The fate of an industry, they argued, should not be subjected to the whims of a credulous public. The public needed guidance, as they were not initiated into the mysteries of a craft and thus unable to make an intelligent choice. Was it not the guilds' primary duty to ensure quality and protect the public from shoddy manufactures? Likewise they believed that consumers should only buy the best, or not at all. They had no notion that consumers should be able to make a choice. They felt they had a contract with the public to provide the finest quality of goods and that the Crown was reneging on its agreement to enforce that contract.[59]

[59] AN F/12/66/9. *Observation sur la necessité de conserver le Règime actuel de la Marque et du plomb de controle sur les Etoffes nationales, ou d'en Supprimer c'est caractères.* Unsigned, undated (1788 or 1789), 38 pages. The author calls for a mixture of liberty but the preservation of seals to protect the better manufacturers and the public from fraud. F/12/66 3 August 1778. The author advocates a position taken by the *Corps de Commerce de la généralité de Tours* against a plan to allow the manufacture and sale of cloth without a seal of inspection by the guilds. He argues that the

While consumer tastes were becoming more varied during the eighteenth century, the rules and regulations established by the guilds and the government were designed to ensure a predictable quality, preventing the guilds from meeting the changing or fickle demands of consumers. In a competitive regime the producer must take care not to lose his clients so he must vary his products but in a corporative regime it was difficult for the consumer to impose his preference on the producer to obtain the product he desires. The illegal manufactures were more responsive to market demand. Unregulated workers could more quickly accommodate public tastes since they were not restrained by the rigorous codes and regulations upheld by the guilds.

The guilds faced a fundamental problem in coming to terms with changing tastes and market-driven demand. The rules devised by the guilds explicitly shielded them from having to conform to consumer tastes.[60] These same rules were methods to keep competitors out of the market. Since the regulated trades were unable to adapt to new conditions of market demand for

public will not be able to distinguish a well-made cloth from a shoddy one and they will be seduced by the lower price of the good manufactured in bad faith. F/12/66/12. 28 April 1778. The merchants of Picardie similarly argued against what was known as the intermediary regime between unlimited freedom and complete regulation. "The system of regulation was without doubt defective like all human institutions, but that of unlimited freedom is still worse". In the absence of regulation they asked how can producers of bad faith be isolated and punished? Is the advantage of selling more at a lower price worth the invitation to fraud that will ultimately erode consumer confidence? Worst of all, once the availability of cheap cloth reduces the quality of all cloth, the makers of quality cloth will no longer be careful to use only the best techniques and quality materials. Thus, the rules should be updated to keep up with improvements in technique but they should not be abandoned. F/12/659. 1778. The petition from the city of Romans in the Dauphine followed the same reasoning. F/12/661/15. July 18, 1778. Dijon was also reluctant to accept deregulation but was willing to distinguish peasant production for rural consumption from urban luxury goods. The physiocrats responded in numerous publications that consumers are the best inspectors.

[60] This problem appeared in the economies of Eastern European nations under communism where factories were likely to produce only what they had always produced.

mass produced, standardized, less expensive goods, they sought to prevent other producers from supplying the public with the simpler, cheaper, more colorful items it wanted. Their insistence on their definition of high quality and long-lasting artifacts was a licence to perpetuate the applications of the seventeenth-century industrial standards that ensured their monopoly. That monopoly could only be maintained if all producers were constrained to produce according to the same standards. But then there would be no place in the market for new producers if they too conformed to those standards, for the statutes, in effect, only permitted the production of what was already produced.

The crown's fiscal officials, particularly the farmers of the indirect taxes, also mistrusted fashion-oriented production, because goods that were priced according to taste were more difficult to tax. Consumer tastes could not be codified for tax purposes. This was one reason the Crown was reluctant to legalize the sale of printed cottons which had been prohibited by a royal decree of 26 October 1686.[61] The value of a printed fabric was in the eyes of the beholder since what distinguished one fabric from another was the design, colour and pattern; taste-specific value was not easily assessed by the tax collector.[62]

Abolition and Revival of the Guilds

Despite the efforts of the commission to restore guild finance the guilds were overwhelmed with debts by the mid-

[61] See Edgard Depitre, *La Toile peinte en France au XVIIe et XVIIIe siècles*, (Paris: Marcel Rivière, 1912).

[62] See Robert B. Ekelund and Robert D. Tollison, *Mercantilism as a Rent-Seeking Society*. Product uniformity facilitates regulation. The uniformity of most textile products was well controlled. But the printed calicos allowed product differentiation that permitted non-price competition. Calico producers competed for expanded market shares through quality competition. Consumer discrimination based upon taste was more difficult to control. Such non-price competition among producers would have reduced the excess profits of the guild producers, thereby by undermining the regulatory apparatus the Crown had constructed.

eighteenth century.[63] For many communities the years between 1735 and 1745 were the hardest. The guilds of Paris were typical in this respect; by mid-century, most of the city's corporations had heavy debts [64] as did the provincial guilds. Of the 39 guilds in Bordeaux, 25 were highly indebted by the middle of the XVIIIth century.[65] The cause of this indebtedness was everywhere the same — the excessive number of offices. As a remedy, a declaration of 2 April 1763, once again denied communities the right to borrow. Because of these limits on borrowing, the level of corporate debt stabilized. Nevertheless, the majority of corporations were unable to pay off the debts accumulated for the purchases of offices. As an example of how onerous offices could be, in 1750 the *tailleurs* had to raise 6,195 livres to buy 20 offices while their annual receipts equaled 281 livres 12 sols. Only guilds concerned with military production like the manufacturers of cannon were exempt, although they too could be pressed for funds in times of need.

The covenant between the guilds and the monarchy established under Colbert was broken in the mid-eighteenth century. After ruining the corporations, the Crown lost interest in them. The first step in dismantling the guilds came in 1762, when against the concerted opposition of the wool merchants and the various guilds that used wool in their production, the King's council permitted the manufacture of cotton linen "white painted and printed as are those of the Indies". Since the manufacturers involved were previously outlaws, the legislation was rightly viewed as an attack on the monopoly of the traditional guild masters. A decree of 5 September 1762, broke the handicraft monopoly of the towns by legalizing rural manufacturers. Nonetheless, this legislation primarily recognized pre-existing conditions instead of creating a new economic regime based on

[63] Rene Nigeon, *État Financier des Corporations Parisiennes D'Arts et Métiers GU XVIII Siècle*, (Paris: Editions Rieder, 1934).

[64] Nigeon, 95.

[65] Passet, 80.

liberty or promoting new industries in the countryside.[66] The new legislation was partly designed to regulate the numerous free crafts in the countryside in order to measure, and thereby tax, rural production. In effect, the crown was acknowledging that the putting out system was widespread, and was seeking a means to control its continued development. In this sense the new legislation was an example of remedying regulation with more regulation. It is misleading, then, to view the legislation as a recognition by the Crown of the informal sector's right to produce according to the demand of consumers. The Crown was extending control over nascent industries as had been done with the privileged royal manufactures. Nevertheless, the Crown's recognition and regulation of rural industries seriously compromised the guilds and provided a counterweight to guild power, making even more radical reforms possible.

In 1767, in an effort to ensure that even non-guild producers were taxed, the Crown ruled that workers who were not in guilds pay a tax for the right to sell their wares. The Crown claimed this tax was warranted by its concern "to increase the activity of commerce and industry". In effect the tax recognized the rights of workers not registered in guilds to legally dispose of their products so long as they conformed to standards that permitted their production to be assessed for tax purposes.[67]

By mid-century many of the permanent members of the Crown's bureaucracy were converted to the liberal economic persuasion. Daniel-Charles Trudaine and Vincent de Gournay were proponents of free trade and cooperated in promotion of liberal policies. Gounay's disciple and successor, Robert de Cotte, pursued Gounay's work and helped to promulgate free-trade

[66] AN.AD/11, 5 September 1762. "The peasants and those staying in each place where there is no patented corporation are authorized to spin every kind of material and to manufacture all kinds of fabrics and finish them, on condition that they conform to current regulations".

[67] AN.AD/11. *Arrêt du Conseil D'Etat du Roi*, October 30, 1767.

thinking among two generations of government officials.[68] The Controllers General Machault (1745-1754) and Silhouette (1758-1759) were more ambiguous, for while they endorsed the expansion of free trade, they also strongly supported economic development under state supervision. The Finance Ministry remained the core of the mercantilist economy until the brief ministry of Turgot.

The campaign to limit the guilds which began around 1750 concluded with Turgot's edicts of February 1776, which abolished the guilds[69] and terminated the commission of 1716.[70] Turgot's edicts separated the debts of corporations into two categories: loans contracted for the purchase of offices, which Turgot hoped would be paid with the aid of *gages* (yearly interest payment owed to all purchasers of offices) paid by the royal treasury; and all other loans, which he believed could be eliminated by the sale of communal property belonging to the guilds. The surplus from these sales would be divided among existing masters. However, the interest payments of the debts were larger than the Crown's yearly payment of *gage* and the sale of communal properties of guilds would not generate enough revenue to cover their debts.[71] Turgot had evidently

[68] Simone Meyssonnier, *La Balance et l'horloge: La genèse de la Pensée libérale en France au XVIIIe siècle*, (Paris: Les éditions de la passion, 1989). Trudaine was *conseiller au Conseil Royal des finances* from 1744 to 1756 and a *conseiller au Conseil Royal des commerce*. Antoine, 239. Gournay was *Intendant du commerce* from 1751 to 1759 and *conseiller honoraire au Grand Conseil*. Antoine, 246. Michel Antoine, *Le gouvernement et l'administration sous Louis XV*, (Paris: Editions du CNRS, 1978).

[69] Turgot's edict of February 1776, was registered by the parlements only after a *lit de justice* on 12 March 1776, but Turgot forgot the *deniers comtants*. He did not think of leases or mortgages and had to issue a special *arrêt* of 16 March 1776, which called for the immediate sale of guild property. He also forgot the opposition of creditors (*arrêt* of 21 March). Six months had hardly passed before another edict was issued reestablishing the guild of merchants in August 1776.

[70] AN.AD/11. *Edit du Roi Portant Suppression des Jurandes et Communautés de Commerce, Arts et Métier*, February, 1776, and AN.AD 11. *Edit Du Roi Portant nouvelle Création de Six Corps de Marchands, et quarante-quatre Communautés d'Arts et Métier*. August, 1776.

[71] In a series of memoirs on uniting different communities into a single community the author notes that the debts of communities will be an obstacle to unification:

underestimated the extent of the debt and overestimated the extent of corporate property.

The extent of provincial resistance to Turgot's edicts soon revealed itself. The message from the provinces was that abolition would not be possible until the debts were liquidated. From the Beauvaisie, Turgot learned that more than a thousand livres in interest payment from corporate bond issues were outstanding. "The unhappy creditors of the guilds asked how they could collect outstanding debts?" [72]. Local officials reported that the trail of debts the guilds left behind were so vast and complex that their full reimbursement was unlikely, thereby bringing on a local financial crisis. In a letter of 30 April 1776, the intendant of Britanny reported to Turgot that the edict of February "could only be definitively applied at a later date once the liquidation of debts was on course".[73] Turgot demanded a complete account of the financial situation of Breton guilds and sent an *arrêt du conseil* on 20 April 1776, which committed the intendants to the liquidation of debts before beginning the abolition. The response from Brittany was only one of many. Elsewhere the edict was rarely applied because of corporate debts, in many cases it was not even registered.[74] Evidently, Turgot had not anticipated that abolishing the guilds could potentially result in a crisis of public finance. The failure of Turgot's reform legislation was due in part to the lack of support among those who generally fought with the Crown to protect local industries

'But if we abolish the communities we must see to it that their debts are reimbursed since they were contracted to support the Crown'. Georges Ruhlmann, *Les corporations, les manufactures et le travail libre à Abbeville au XVIIIe siècle*, (Paris and Lille: Recueil Sirey, 1948), 45.

[72] BN Joly de Fleury 1730.

[73] Armand Rebillon, *Recherches sur les anciennes corporations ouvrières et marchandes de la ville de Rennes*, (Paris: Rennes, 1902), 175. AD I.V. Serie c. Liasse 1452 and 1439.

[74] On the liquidation of the debts of the suppressed communities see AN/V7/277 and 297. On the efforts to liquidate communal debts after 1776 see AN F12 204, 205 and 206.

from competition.[75] With few exceptions the intendants were not liberators, but regulators.

Turgot's short-lived efforts to abolish the guilds came to an end in August of 1776, when a new edict essentially restored the guilds with some changes in their structure. The edict stipulated that masters who belonged to guilds that were suppressed could join the new guilds by signing up at the subdelegates' office. The edict that recreated the guilds lowered the cost of entry for Parisians, but increased costs for provincial craftsmen. Artisans previously outside of the guilds were required to join the new guilds and also had to pay a *droit* when registering. Those who were not masters but who wanted to register could apply to register. Those who exercised several crafts were encouraged to register as well. In an effort to reduce court costs, the edict stipulated that disputes over defective work were to be brought before the lieutenant general of police. Decision making in the new guilds after 1776 was done by ten deputies elected by the *confrères*. Lawsuits in progress were terminated. The failure of Turgot's efforts to abolish the guilds led to an effort by Necker to coordinate the regulation of the formal and informal sectors. In an edict of 5 May 1779, Necker attempted to legalize informal production in order to tax the informal sector.[76] Another edict of July 1781, gave intendants, who were already responsible for supervising guild finance, control over admission to the corporations. Still present, however, were the same quarrels and

[75] Intendant Tourny was ambiguous about free trade and competition. He believed in the ultimate power of the administration to control and supervise commerce and industry more than the role of the market and of competition. Passet, 158-159.

[76] Between 1779 and 1781, Necker instituted another major reform of the guilds by establishing the so-called "intermediate system" in the textiles industries. It left the guilds and the formal markets with their royal inspectors in place operating exactly as before. But it made use of these institutions optional, as the choice of the merchant or producers. Producers who did not wish to submit to guild restrictions or royal production regulations simply had to bring the cloth to market and have it stamped "free". Necker was seeking a compromise solution between free trade and pro-regulation factions. Nonetheless, the guilds complained that they could not compete with non-guild producers.

jealousies, which sent craftsmen back to the courts fighting each other's privileges. Ironically, the access to the previously closed industries provided by the edict may have even inhibited the development of new industries, since workers could more easily become members of the previously closed guilds.

The guilds were somewhat misrepresented in the preamble to Turgot's edict. While the preamble presented the guilds as closed and self-sufficient, merchants could usually enter or leave a corporation as their business needs dictated. Many leading merchants were at once members of corporations and yet engaged in free production. Large wholesalers were willing to pay for the rights to guild membership because they appreciated the guilds' resources. The willingness of those merchants to pay membership dues to guilds in order to retail guild merchandise suggests that members of the public still believed in the guilds' ability to supervise quality. Another valuable privilege of guild membership was regulated access to the materials used in their trades. The guilds also provided merchants with a system of social arbitration, a method to settle conflicts between various groups masters, artisans, and workers. The notion of closed, self-sufficient trades was a myth both the guilds and their detractors exploited. The Crown's primary motive for abolishing the guilds was that as a result of their deteriorating financial situation, they were no longer able to serve as effective sources of revenue. The edict to abolish the guilds had little effect over actual industry. The myriad of small networks tying guild production to rural putting-out continued; as did the association between the merchant manufacturers and the surplus rural labor force. Thus, the two modes of production continued their complementary development.

The edict abolishing the guilds was only an exercise in the theory of liberalizing trade, for the guilds were not eliminated. Turgot's edict barely left a trace in the guild archives as many of the provincial archives indicate a regular recruitment of new masters up until 1789 despite Turgot's efforts. Guilds' debts

were still unsolved in 1787. A number of Parlements had refused to register the edict creating new guilds until the debts of the old guilds were liquidated. The backpayment on rentes and the sums produced by the sale of corporate property, while sometimes enough to pay the interest payments owed by the old corporations, were rarely enough to reimburse the capital. Nevertheless, payments for admission to the status of master, where the edicts creating the new corporations were registered, produced eleven million and fifty thousand livres of income for the Crown.[77]

However, the royal manufactures were not affected by the legislation abolishing the guilds. They were absent from the controversy over liberalization despite the fact that many operated at a loss. Even advocates of liberalism generally accepted the exclusive privileges or status of royal manufacture, despite their deviation from the rules of free competition and free enterprise. Perhaps contemporaries believed that, in the absence of any efficient legislation or industrial patents to encourage invention, such privileges were the only way to protect inventors or investors in new technology. It is difficult to know whether eighteenth-century economists believed that monopoly protected the rewards of innovators as the problem was rarely addressed.

The Realities of Guild Production

The Crown's efforts to regulate industry resulted in an outpouring of more than 1,500 pieces of legislation issued between Colbert's ministry and the Revolution. Although the legislation was intended to regulate every aspect of the kingdom's industrial organization,[78] as the Crown's efforts to control the eco-

[77] AN.F/12/750. *Mémoir remise à Mr. Sauvigny, Février 20, 1787, pour être adressé par lui a M.le Comisseur Général.*

[78] Much of that legislation is contained in AN.AD/10.

nomy expanded so did efforts to evade control. An informal sector, containing much of France's economic dynamism, arose alongside the formal or regulated sector. By the late eighteenth century, much of the formal sector was penetrated by informal arrangements.

The Crown's recognition of rural industry was a concession that regulation to protect guild monopolies was ineffective and that the flow of contraband could not be stopped. But that concession should not be interpreted as proof that the guilds had ceased to matter. Although we have no way to calculate the costs that guild production imposed on the economy, that they mattered is witnessed by the hostility they aroused and by the resistance to their abolition from important vested interests. Their importance to the structure of finance and credit was obvious: Guild securities and bonds circulated widely. Less conspicuous was their impact on the level of investment and consumption of non-guild products.

The mere mention of guilds evokes an image of a world of small-scale production, highly-skilled urban artisans, and self-contained corporations. Corporate statutes emphasized a rigid separation among masters, journeymen and apprentices. Masters owned and disposed of the materials and finished products of their trades, journeymen obeyed until the day when they could become masters, and apprentices carried out whatever work was necessary. We now know this image captures only a fragment of the reality of the world of the eighteenth-century trades.[79] The

[79] The generalizations in this section are supported by the recent work of Hirsch, Kaplan and Sonnenscher in particular. See JEAN-PIERRE HIRSCH, "Négoce et corporations," in *La Révolution Française et le développment du capitalisme*. GÉRARDE GAYOT and JEAN-PIERRE HIRSCH, eds. (Lille = Revue du Nord, 1989; 357-64; STEVEN KAPLAN, *"Reflexions sur la police du monde du travail, 1700-1815"*, *Revue Historique* 529 (1979): 17-78; "The Luxury Guilds in Paris in the Eighteenth Century" *Francia* 9 (1982): 257-298; and "Les corporations, les 'Faux Ouvriers' et le Faubourg Saint-Antoine au XVIIIe siècle" Annales", in *E.S.C.* 43 (1988): 353-378. See also MICHAEL SONENSCHER, *The Hatters of Eighteenth-Century France*, (Berkeley, CA: University of California Press, 1987), and *Work and Wages: Natural Law, Politics and the Eighteenth-Century French Trades*, (Cambridge: Cambridge University Press, 1989); as

corporations were never identical to the trades. Contrary to guild statutes, some masters employed other masters and journeymen frequently worked for private individuals. Masters formed partnerships with merchants from outside their guilds, with journeymen, or even with their own apprentices. Often, masters employed relatives as well as other journeymen and paid them in a bewildering variety of ways. Also in violation of trade rules, masters often operated a number of workshops in different parts of the city. Occupational distinctions were imprecise, and the boundaries separating one craft from another were easily transgressed. Masters moreover frequently employed unskilled labour to create components for goods they sold as guild products. Sub-contracted work, involving complex networks that cut across the particularities of trades and corporations, was carried out on a substantial scale in many of the trades, sometimes with the complicity of corporate officials.

While small shops, craft skills, and traditional rights accounted for only part of total production, that small protected enclave had great importance. The patterns of geographical migration, the rhythms of employment and the structure of local labour markets were all directly influenced by the corporations. The civil jurisprudence and the legal procedures that regulated the guilds and defined their status, in effect, also defined the world of work outside of the guilds. The limited access to full membership in a corporation affected the employment opportunities available to the workforce as a whole. The legal powers the corporations enjoyed also influenced the range and price of goods available to consumers. Moreover, each time the informal sector purchased a good from the formal sector it was helping to pay the taxes owed to the state by the regulated trades.

well as SERGE CHASSAGNE, "La diffusion rurale de l'industrie cotonnière en France, 1750-1850", *Revue du Nord* 61 (1979): 32-40. An important primary source are the debates between royal officials and the guilds over the continued existence of the guilds.

One of the most important costs that resulted from regulation protecting the privileges of the corporations were the disputes caused by the difficulty of translating the provisions of the statutes into the actual artisan economy. Where does the work of a baker end and that of a pastry-maker begin? Should hats be made by the *chapeliers* or by the *merciers*? In 1715 the artisans, *bonnetiers, chaudronniers* and *fabriquants de bas* of Bordeaux claimed a monopoly on the sale of the same merchandise. Where do the prerogatives of the dealers end and those of the craftspeople begin? [80] These disputes must have raised the overall level of transactions costs inducing inefficiencies for producers and consumers alike.

Another source of disputes was that regulations were often predicated upon false assumptions about the organization of work. Many guild products were assembled with components produced by non-guild workers in the countryside or in the apartments of illegal workers, thereby undercutting guild regulations. Despite its illegality, sub-contracting had become a standard in the production of many goods. For example, a shirt sold as a guild product might contain collars and cuffs produced by non-guild workers. Although journeymen and masters were prohibited from undertaking sub-contracted work, many depended on sub-contracting in order to survive. Conflicts over sub-contracted work created constant friction between corporate officials and artisans.[81] Another source of difficulty was the problem of measuring and evaluating the relative contributions of contractors and sub-contractors.[82] Masters often subcontracted to evade financial accountability as well as to evade

[80] Series F/12/750 contains numerous such disputes.

[81] See A.N./15/365, X 1a 4469 6 June 1764 and X 1a 4503 fol 56-111 (3 July 1765 for examples of lawsuits over sub-contracted work.

[82] The ubiquity of sub-contracted work is illustrated by the disputes of joiners, carpenters, farriers, iron-founders, locksmiths, paver, roofers and plumbers over the joiners corporation right to adjudicate disputes over sub-contracted work. For more on sub-contracting, see SONENSCHER, *Work and Wages*.

guild controls. The use of sub-contracting to evade financial responsibility incited spying within the guilds, generating mistrust and intensifying conflict. In short, the difficulty of defining where the rights of one group ended and those of another began was the source of much friction between the guilds.

During the Old Regime formal and informal groups of workers justified their existence to public authorities and to their potential constituents in terms of legally-sanctioned rights and obligations. Rights were measured in terms of formal entitlements provided by apprenticeship, residence, marital status, or corporate privilege. The law and the formal entitlements that it supplied or denied, formed the point of reference for relations between the different trades. As a result, conflict which focused on the rights of each group compared to those of other groups divided the trades, and distributional issues, rather than common interests, dominated their interactions.[83]

Journeymen often created their own networks of association to counter that of the guilds. These associations sometimes known as *devoir* flourished as the mirror image of the trades. Sonenscher observed that the ritual of the *campagnonnages* often underscored rivalries between members and non-members of the rite. These disputes often erupted into pitched battles between members of the *devoir* and journeymen who refused to be initiated into the rite or, more usually, between members of the different rites themselves.[84] The long-standing antagonism between rival rites of the *campagnonnages* was emblematic of the divisiveness within the crafts.[85]

[83] William H. Sewell Jr., *Work and Revolution in France: The Language of Labor from the Old Regime to 1848* (Cambridge: Cambridge University Press, 1980). Sewell noted how the idiom of contention between groups of trades-people focused on rights and duties. As a result of this emphasis on formally defined rights and duties, relations between trades and within trades, became a distributional struggle in which each group acted as if none could gain without others losing as much.

[84] Sonenscher, *Work and Wages*, 312-13. See last paragraph of 313 for an explanation of the conflicts.

[85] Sonenscher, *Work and Wages*, 298.

The formal sector was not growing fast enough to create sufficient employment to absorb the population that moved to the cities seeking high-paying jobs in the most protected sector of the economy. The massive influx to the cities was due to the fact that rural incomes were declining in relation to urban incomes. The highest wages were generally within formally organized industries and public works projects in the cities. City life became increasingly confrontational as rural vagrants and migrants moved in looking for better paying jobs but were unable to find employment in the formal sector. Contemporary observers tended to underestimate the important underlying causes of the unrest, which were grain policies that subsidized urban consumption at the countryside's expense, and the protected high-paying industries located in the cities.[86]

One product of guild organization not often discussed was racial, religious, and class prejudice against workers, particularly Protestants and Jews, who were barred from joining guilds. These prejudices kept the wages of guild workers high in relation to the disenfranchised groups. In many of the petitions defending guilds, masters were presented as honest compared to Jewish colporteurs, who were typically portrayed as the epitome of dishonesty.[87] After the reorganization of the guilds in 1776, Jews were allowed to register for the new guilds despite the opposition of many masters, who continued to protest the inclusion of Jews through 1789.

The Guilds and Economic Efficiency

The Crown never had the means to expand its bureaucracy

[86] The English tried to deal with vagrancy and labour mobility by designing poor laws that provided benefits only to those individuals residing in their parish of origin. In France, local officials thought they could stabilize the situation by supporting the preservation of common rights which they mistakenly believed would help to keep poor peasants in their village of origin.

[87] AD./11. *Mémoir à Consulter sur l'existence actuelle des six Corps, et la conservation de leurs privilèges.* Signed Delacroix, February, 1776.

and its enforcement structure to completely eliminate judicial competition from local jurisdictions. Nor could it sufficiently control the spread of manufactures in the countryside. In fact, illegal industries in the countryside became so widespread and basic to the economy that in their official reports on manufactures the intendants often proudly mentioned the proliferation of putting-out activities in their jurisdictions. Nevertheless, these industries were only semi-legal and operated at significant disadvantages. Contracts that defined the relationship of formal to informal work were difficult to write because of the illegal status of sub-contracted work and as a result a growing sphere of industrial activity could not be regulated by contracts that respected the needs and interests of both parties. Not surprisingly, contracts among informal operators were particularly difficult to enforce, which increased the probability of opportunism and thus limited the scope of exchange and interdependence in the informal sector. Despite low labour costs production costs were high in the informal sector because specialization and the division of labour were limited. The informal sector was characterized by personalized exchange, and small-scale production, because of the need to reduce the transaction costs of exchange with strangers in the absence of a third-party mediator to enforce property rights.

The additional costs that guilds imposed on production were paid for by society as a whole. These costs came in obvious and measurable forms such as bribes to regulatory officials and court cases among rival trades. The edict that abolished the guilds noted that court cases were one of the corporations' to greatest expenses. Suits between corporations, between members of the same corporation, and between the corporations and consumers were all frequent. The edict abolishing the guilds specified that since guild inspectors plead at the corporation's expense, it does not matter to them if they win or lose because the corporation pays. The costs of their cases, four hundred thousand livres a year, were ultimately passed along to the consumers in the form

of higher prices for guild products. But these measurable costs were only the tip of the iceberg. Perhaps the greatest costs were invisible: investments not made, and trades not consummated, because the legal environment would not support them. The putting-out manufacturer who failed to invest in a factory because he could not secure a government licence, the manufacturer who had several hundred agents whom he could not group under the same roof because he was unable to get permission to operate legally in the same territory where a government — sponsored plant had been franchised, underinvestment in plant and equipment as well as underdevelopment of retail or distributional networks — these lost opportunities were perhaps the greatest costs of mercantilism.

The Crown was well aware of these lost opportunities and took measures to overcome them. In 1775, for example, a royal edict recognized that steel had made little progress in France because of the obstacles the different corporations had put in its way. Although the manufacture of steel "is not within the jurisdiction of any one corporation exclusively, many claim to have perfected some component necessary in its manufacture". In order for steel production to prosper the Crown believed that "the various stages of its production must be united and liberated from responsibility to the claims of masters in competing crafts. Liberty to create and to sell and buy according to the needs of the producers will allow France to achieve the success that workers of other nations have achieved". Thus, the Crown declared that "those who work with iron and steel should be permitted to buy and sell their products without being troubled by workers or merchants from any other craft, and subjected to no guild formalities". The production of paper, flour and tanned hides faced similar obstacles.[88] Nationwide networks of distribution did not develop in these industries because potential

[88] On the decline of paper manufacturing, see PASSET, 90. Paper was over regulated and over taxed. Guild masters claimed that the tax collectors who had access to the factories divulged professional secrets to rival manufacturers.

investors did not want to risk arousing the ire of local authorities that defended the privileges of local guilds and merchants. The expansion of the tanning industry was stymied even though the King gave tanners permission to sell in Paris without interference of the guilds. Local guilds of leather workers created obstacles preventing the sale of products that were made by non-members. Work with leather was divided among several different crafts represented by different guilds. *Mergissers*, *tanneurs*, and *corrayeurs* all did similar jobs and all stood in the way of more efficient, large-scale production. As a result, by mid-eighteenth century, French producers were no longer able to adequately supply the French market and shortages of hides were common.

Capital investments that would have increased general productivity were stifled by the illegal status of informal production. Because contracts between parties in the informal sector were not enforceable, transactions were limited to personal relationships among neighbours, kin, or former associates. Networks for the distribution of informal products were fragile. The manufacturers, distributors, and consumers of informal products lived under the constant threat that guild or fiscal authorities would confiscate their products. Moreover, the laws turned these producers and the consumers of their products into criminals.

The Physiocrats and Crown reformers emphasized that corporations were closed organizations in which recruitment was limited to the sons of masters. Recent research indicates that recruitment was broader and more open; generally only half of the membership of a corporation was able to pass on its patrimony to its heirs.[89] However, guild masters might place their

[89] On mobility within the trades see SONENSCHER, 108-129, and EDWARD J. SHEPHERD, "Social and Geographic Mobility of the Eighteenth-Century Guild Artisan: An Analysis of Guild Receptions in Dijon, 1700-1790", in STEVEN KAPLAN and CYNTHIA J. KOEPP, eds., *Work in France*, (Ithaca, NY: Cornell University Press, 1986), 97-130.

sons in adjacent trades or in larger cities and might form alliances with other guild dynasties in the same locality. As a result, capital, credit, and talent were not enough to guarantee access to a trade. Although the guilds might not have been the self-perpetuating oligarchies the Physiocrats depicted, they nevertheless still formed barriers to social mobility because masterships were inaccessible to the vast majority of workers.

Advocates of the guilds claimed that guilds protected their workers from dramatic short-term variations in wage rates and provided workers within guilds with long-term wage stability. However, sub-contracting enabled master artisans to transfer costs of materials, equipment and wage payments to the journeymen to whom they put out the work. Moreover, seasonal and intermittent unemployment was common because of the regional character of distribution. Since workers often depended on familial or local networks of distribution, they were especially prone to local trade cycles. Thus, the guild system did not necessarily result in more stable employment and wages for guild members.

In sum, the level of skill specialization that differentiated the various groups of guild workers was not as vast as guild advocates claimed. Craft skill and corporate particularity were fictions that well-organized groups of workers used to justify their trade privileges and monopolies. The cost of maintaining those privileges was passed on to the consumers of products from both the formal and informal sectors. The formal sector possessed the legal powers to appropirate much of the consumer surplus, while undercapitalization reduced the productivity of the informal sector.

We cannot quantify how the social or institutional environment will alter an individual's economic decisions and choices or how the skills that individuals choose to acquire and develop will differ according to the institutional context. For example, a young, ambitious Frenchmen in the France of Napoleon may have decided to become a soldier rather than apprentice himself

to a commercial house or international bank because he perceived greater, more predictable, opportunities in the military than in commerce. While exceptional individuals with exceptional talents may not be deterred by environmental obstacles from pursuing the career of their choice, the average person is much more likely to pursue a socially rewarded activity. The problem of assessing missed opportunities concerns not only immediate investment in goods and services, but also human capital investments that have long-term consequences. Although we can never measure what effect the lure of early promotion and social status of the military careers had on the young French men of Napoleon's time, we can easily imagine that many would have chosen careers in commerce had they been educated in a different epoch with a different ethos. Similarly, the mercantilist regulation of trade during the Old Regime may have influenced the behaviour and decisions of individuals in ways we cannot measure, and may have deterred investments in human capital necessary to launch an industrial revolution.

Conclusion

Historians Michael Sonenscher and Steven Kaplan have both challenged this traditional physiocratic view that the guilds of eighteenth-century France were anachronisms waiting to be swept away by more modern forms of industrial organization. Many of the guilds' financial problems stemmed from their role as intermediaries in the King's finances. Despite their adverse financial fate, a productive division of labour within the guilds was occurring. Merchant manufacturers, Sonenscher tells us, were increasing their economic powers over the guilds in ways that enhanced productivity and produced profit for reinvestment. Most notably, the guilds and the royal monopolies achieved economies of scale in luxury production that helped France to compete successfully in the production of quality goods for international markets.

Substantial French economic growth during the late eighteenth century has been demonstrated by François Crouzet in a number of seminal articles.[90] Sonenscher has similarly made a strong case for the vitality of the French guilds, emphasizing the strength of ties between the formal and informal sectors of the economy with masters operating illegal workshops and subcontracting labour in violation of guild laws. There is a danger that such findings will make historians smug about France's industrial achievements and prevent an evaluation of the costs resulting from mercantilist regulation, even when that regulation was evaded by the informal sector. The existence of the highly regulated formal sector had an important restraining influence on production possibilities within the informal sector. Studies of the aggregate factors of production do not reveal the social inefficiencies that resulted from the flourishing informal sector, nor do production functions reveal the unrest due to the unequal division of the social costs of industrialization among the population. No student of the social history of the late eighteenth century has ever recommended France's industrial evolution, characterized by violence, repression, and disorder, as a model for transition to an open-market society. Sub-contracting by guild masters was a way to exploit regulations rather than seek out new methods of production. The guilds were gradually stifled by taxes and loans while the informal economy was compelled to produce at extremely low profit margins. The developing informal sector rarely provided full employment and involved little capital investment beyond simple hand tools. Skilled workers were fortunate to find three or four days of work per week. Cities were invaded by migrants, the streets were overrun with peddlers, beggars and thieves many of whom were migrants excluded from economic potential.[91] Law breaking was

[90] For a collection see CROUZET, *De la superiorité de l'Angleterre sur la France.*

[91] A good survey of lawlessness can be found in ROBERT M. SCHWARTZ, *Policing the Poor in Eighteenth-Century France*, (Chapel Hill, NC: University of North Caro-

widespread as smuggled or illegally manufactured products pervaded urban markets. France was faced with an industrial crisis quite similar to what authors like Hernando De Soto have described for contemporary Latin America.[92] The emergence of informal activity was the result of the gap between law and reality. There is no contradiction between the picture of chaos and crisis presented by the Physiocrats and that of increasing industrial productivity presented by Crouzet and Sonenscher. The extensive evasions of the kingdom's industrial codes shows that legal institutions no longer provided adequate means to govern society. The fact that the informal sector contained much of the economy's dynamism proved the extent to which the French economy was shackled by the regulated sector. The mercantilist rules delayed progress, intensified conflict between informal and formal workers and fostered an environment of general lawlessness. A further problem of dependence on government dirigism was that groups saw the solution to their problems in redistributive intervention by the government. When wages increased faster than food prices, employers sought wage freezes; when food prices went up faster than wages, workers in the streets demanded ceilings on food prices. In this instance, the potential efficiency of the price system was undermined by government intervention in response to these pressures.

The large putting-out sector so often celebrated by historians as the precursor of capitalist enterprises was characterized by high transaction costs which reduced production possibilities. Because of insecure property rights, poorly enforced laws, and barriers to entry in the formal sector, producers in the informal sector were limited to personalized networks of exchange and to self-enforcing contracts. As a result, informal producers had short time horizons and little fixed capital. By contrast firms in

lina Press, 1988). The views of Sonenscher and Schwartz must be combined as they reflect two sides of the same coin.

[92] Hernando de Soto, *The Other Path: The Invisible Revolution in the Third World*, (New York, NY: Harper and Row, 1989), especially 131-187.

the protected formal sector wasted resources in the pursuit of and enforcement of barriers to entry and monopolistic restrictions. To encourage large enterprises the government generally had to provide monopolies with subsidies and tariff protection. Considerable resources were allocated by capitalists in the formal sector to the pursuit of such protection further diverting capital from more productive applications.

The proliferation of guilds during a period of jurisdictional and political unification was an anomaly that arose because the Crown needed to collect revenues from tax-exempt consumers of luxury goods. However, by supporting the inefficient property rights of the trades, the King had foreclosed on many socially profitable investments in the development of craft specialization and interdependence. Unfortunately, the King was motivated to maximize rents he could draw from policing the system of guild production which led him to ignore the discrepancy between the governmental and social rates of return. While many arguments could be made against the state's continued support of the guilds on the basis of the obstacles guilds posed to economic efficiency, the key element blocking reform was the short-term political and economic costs to the state, and to the kingdom's financial elites of adjusting the revenue base. The finance ministry, which also controlled industrial regulation, could not implement change that would have temporarily disrupted the flow of revenue into the state coffers. Consequently, programmes to suppress the guilds faltered.