Rent-seeking, Reform and Conflict: French Parliaments at the End of the Ancien Régime

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Rent-seeking, Reform and Conflict: French Parliaments at the End of the Ancien Régime

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Abstract

We analyze the conflicts between French kings and the office-holders who were members of the venal French Parliaments throughout the 18th century using an implicit contract approach in which Parliamentarians protect their rents, the king pays a financial bonus to office holders and obtains their cooperation. Stopping payments or introducing a competing body of civil servants (the intendants) leads to retaliation. We use the model to produce an analytic narrative of the end of the French Ancien Régime. We provide an empirical test of our predictions, which supports the idea that the political opposition of Parliaments was mainly dependent on the reform agenda of the king on matters that would lead to a decline in their income and political power.

Keywords: Rent-seeking; Rent-protection; Institutional Reform; French Ancien Régime; Parliaments; State Capacity.

JEL Classification: D74, E62, H11, H3, K0, N43
1 Introduction

1.1 Building state capacity by selling public positions

The idea that the growth process has its roots in the investments of States to provide efficient institutions and policies has taken on increasing prominence in political economy (e.g. Dincecco (2017)). Institutions promoting state capacity are difficult to identify and the same set of institutions can have different effects at different periods of history. Williams (2021) argues that beyond state capacity, incentives and bureaucratic quality are important to understand economic performance. Using a narrative approach, Acemoglu and Robinson (2012) identified many historical cases where the effects of initially good and inclusive institutions deteriorated over time and finally led to a state capacity decrease, most of the time as the result of inefficient rent-seeking activities. In this paper, we build a case-study based on the 18th century Ancien régime in France. We argue that the initially good institutions built on the creation of rents prevented further improvements of state capacity and led to a lockout of the system. The French strategy to establish state capacity during the 15th and 16th centuries was to sell all administrative, fiscal and judicial positions to private agents in order to obtain both money and an administration, since the State lacked them initially. This led to a dramatic increase of state capacity, allowing the construction of the whole French State in a short time and it helped France to become the most dominant power in Europe. However, this system was also often identified as a source of inefficiencies from the end of the 17th century. For example, while fiscal capacity gradually rose in England during the whole of the 18th century (Dincecco (2011), p. 46), it was stagnant in France during the same period. The change of institutions that occurred with the 1789 revolution quickly led to a significant improvement in fiscal capacity (see Dincecco (2011), p. 52), supporting the idea that the Ancien régime institutions were the cause of this weak performance. More specifically, the poor fiscal performance came in large part from the opposition of French Parliaments to changes in fiscal rules implemented by the king. The French parliamentarians were all office-holders privately owning the right to exercise their professional positions with specific earnings, tax exemptions and personal privileges. Parliaments, whose number climbed to 14 over time, served as local supreme appeal courts, but also had a legislative role. They had the right to criticize the laws enacted by the king and the duty to register them before they were locally applied.

1Acemoglu and Robinson (2019) explain how rent-seeking can explain the existence of inefficient extractive institutions.

2See Descimon (2015), Nagle (2008) for a historical presentation and Crettez et al. (2020) for an economic one. Nearly every public position was sold to private agents, called office holders. For instance, the position of a judge in a royal court had to be bought either directly from the king on a primary market or from a previous office holder on a liquid and transparent secondary market.
1.2 French Parliamentarians: political representatives or Rent-seekers?

The 18th century was marked by failed attempts to reform the system owing to office holders’ resistance. The reasons and the nature of the outstanding conflict (see Hurt (2002)) between the French kings and the Parliaments—which gathered the most prestigious office positions—are still debated by historians. Parliamentarian office-holders pictured themselves as legitimate servants of the State, the people and the "champions of the common good" (Bluche (1986)). Swann (2010) argues that cooperation with the king was the norm and that their political antagonism was indeed minimal and positive, putting constrains on his action. Their legislative prerogatives and political influence led them to consider themselves as legitimate enough representatives of their local jurisdictions to exercise checks and balances, as in other European Parliaments, even without a complete constitution. They were able to force the king to rule in a less centralized way (Félix (2011)).

Office holders also had a vested interest in maintaining the venal system. Given their absence of representativeness, parliamentarians were portrayed as a self-interested group (Antoine (2010); Egret (1970)) who opposed all the tax reforms which threatened privileges of the nobility to which they belonged (Mousnier (1980); Figeac (2006); Bonney (1984)). In a memo to the king, Necker himself argued that venal officers had an interest in personal gain rather than in the efficient execution of policy. Office holders were held responsible for the numerous financial crises of the 18th century (Egret (1962)) as a result of their struggle for power. As emphasized by Antoine (1985), since the mid 17th century, France was plagued with increasing government debt, due to excessively large management costs induced by venality and constant difficulties in raising taxes. This led to a permanent threat of debt default and high interest rates (see Velde and Weir (1992)). Within this view, conflicts between office holders and the monarchy became numerous for two main reasons: first, because the monarchy tried to decrease the officers’ fiscal advantages and second because it was implementing the transition toward a more efficient bureaucracy, relying on public agents: the commissaires and later the intendants, who were introduced to perform the same tasks as the office-holders more efficiently.

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4For an analysis of the transition towards bureaucracy in tax collection, see Jaaidane (2021)
5These agents were in charge of several missions. As compared with the huge number of officers, they were less numerous and offered the flexibility lacking in the office-based system. The definition of their missions could be adjusted and they could be dismissed at will. For simplicity, we consider both intendants and commissaires as performing the same tasks, while there were in reality several differences (see Antoine (1982))
1.3 The End of the French Monarchy: A Case Study of Rent-seeking

The aim of our paper is to provide a framework to evaluate the view that the conflicts between the king and the Parliaments are the result of the gradual evolution of the French venal system into a rent-protection situation. Our approach follows Tullock (1967) and Tollison (1982) that distortionary political institutions have welfare costs and privileged groups tend to oppose institutional reforms likely to harm them. Rent-seeking has actually already been applied to the French Ancien régime by Ekelund and Tollison (1981) and Ekelund and Thornton (2020) to study Mercantilism and the gradual lock-down of the French economy. Our approach adds to their analyses by studying the political features of the regime. While most studies of rent-seeking concentrate on the use of financial channels, we show that the same objectives can be pursued using political ones\(^6\). Examining the underlying and informal political economy issues of the French Ancien régime, might help to explain why institutions such as venality lasted so long, even when few people were still defending it. It might also help to improve the design of institutions by pointing out how some political elements—initially auxiliary to the system—prevented any further reform and evolution. This case study gives the opportunity to reexamine the concept of elite pacts defined by Weingast (1997) based on rent-protection motives. While this literature has mainly focused on the favorable outcomes of the English elite pact, we shed light on how such a type of pact produced different consequences in France.

To illustrate our view, we use a simplified model that follows the one set out in Gary-Bobo and Jaaidane (2014). More precisely, the analysis goes as follows. The officers who contribute to the public service supply receive monetary rewards and other specific advantages such as honors and privileges in exchange. Officers are thus more costly than the alternative public agents, the intendants, who could be dismissed. As the officers can issue remontrances to demonstrate their opposition to the royal laws and delay their application locally, they can make the resort to public agents costly. Cooperation is achievable in a long-term relationship by the repetition of an implicit arrangement by which the king promises not to hire intendants and to pay his officers generously; and in exchange, the officers promise to record the royal decisions and to deliver justice to the public. However, a violation of the contract is possible if the king is better informed than the officers about the opportunity cost of rewarding them. The intuition is as follows: in good times, fiscal yields are large enough to grant officers with generous remuneration. In bad times, the king may hire the cheaper intendants. A phase of non-cooperation takes place since the officers, who never observe the actual cost of public funds, believe that the king is trying to cheat them. As confrontation is costly to both, the two players resume cooperation.

Using an analytic narrative approach (see Mongin (2018)), we use this model to explain the alternation of phases of conflict and cooperation described by historians. While

\(^6\)While they do not use the term rent-seeking, several historians also propose a similar analysis of the period (See notably Pagès (1932))
rent-seeking is difficult to quantify (Laband and Sophocleus (2019)), we also provide some empirical tests, estimating how political and legislative tools were used to defend existing rents.

The paper is organized as follows. In sections 2 and 3, basic theoretical notions are briefly discussed. They allow us to build an analytic narrative of the political reigns of Louis XV and Louis XVI in France in section 4 and to test the predictions of the model using historical data in section 5. We explain the annual number of *remontrances* and the delay in the recording of royal laws prior to their implementation locally. Our results support the idea that the parliamentarians were opposed to financial reforms threatening their self-interest and that the increasing recourse to the *intendants* was a major cause of their political opposition. Concluding remarks are given in section 6.

## 2 The model

### 2.1 The setup

We study the relationship between the kings and officers during the French *Ancien régime* judicial and political systems as a classical trust game (Kreps (1990)), where the long-term interaction is supported by an informal agreement. We adopt the standard model of relational contracts\(^7\) and build on Gary-Bobo and Jaaidane (2014)\(^8\) to represent this interaction.

We assume that there is a given number of legal acts to be produced, normalized to 1. A share \(a \in [0, 1]\) can be outsourced to the *intendant*. The officer, in charge of \((1 - a)\), exerts an effort \(e\) at a disutility (in monetary units) \(\psi(e)\), increasing with effort. The effort may be low \(\bar{e}\) or high \(\overline{e}\). The cost \(C\) to deliver the public service is \(\overline{C}\) when effort is \(\overline{e}\), and \(\underline{C}\) when effort is low \(\bar{e}\), with \(\underline{C} < \overline{C}\). The officer receives a net monetary transfer, the *gages*, denoted \(g\), for his work. If hired, the *intendant* is assumed to work efficiently, i.e. his production cost is \(\overline{C}\), and is paid a net monetary transfer, \(w\). The fees\(^9\) attached to judicial activities (the *épices*), denoted \(f\), are charged on the users. The officer’s payoff, which decreases with \(a\), is given by:

\[
U = (1 - a)[f - \psi(e) + g].
\]

(1)

Justice is a source of social\(^10\) benefit, denoted \(v\). The king’s net surplus is as follows:

\[
V = v - \left[(1 - a)(g + C) + a(w + C') + \frac{\gamma}{2}a^2\right].
\]

(2)

\(^7\)See MacLeod and Malcomson (1998), Levin (2003), Li and Matouschek (2013)

\(^8\)The objective is not to produce an original model but a simplified version whose conclusions can be tested for with historical data.

\(^9\)The judicial part of the activity of officers was indeed dependent on their activity, but the political part was not. To simplify, we ignore this point.

\(^10\)Providing justice is the king’s main duty as a ruler. According to Michel de L’Hospital, French Chancellor in 1560, "Kings were first elected to do justice and it is not so much royal to make war as to do justice. To this end, the good woman who asked King Philip, who was apologizing to her, that he had no leisure to listen to her, had great reason to reply: "so do not be king!"" (Olivier-Martin (1988), original in French, p. 518).
The effort level is not contractible but the operation costs \( C \) are assumed to be observed and verifiable by the king. We use the accounting convention that the king reimburses the cost \( C \) to the officer and the intendant on top of the net monetary transfers, \( g \) and \( w \). In addition, the king bears a political cost when hiring the intendant, \( \gamma_2 a^2 \), increasing with \( a \).

### 2.2 The game under complete information

The bonus is defined as the difference between gages and the intendant’s wage. Assume that the officer plays first. If he works hard, he is supposed to receive a bonus, whose payment is at the discretion of the king (because, e.g., the evaluation of performance is subjective or because the availability of funds fluctuates). When the bonus is too costly given the available funds, the king may prefer not to pay it even if the officer has worked hard. Anticipating this, the officer may decide to provide low effort. Hence, if the trust game is played only once, none of them has an incentive to cooperate. Cooperation can be achieved if the game is repeatedly played and all the previous outcomes are observed by the two players before the next period’s game is played. It can be obtained using trigger strategies, which in our context go as follows. If the officer cooperates (high effort) in the first period, thereafter, if all moves in all previous periods have been to cooperate, the officer cooperates. Otherwise he exerts a low effort. If the officer plays cooperatively and if all moves in all previous periods have been cooperative, the king’s strategy is to cooperate in this period. Otherwise he does not honor his promise. If cooperation ends at any point in time, the game ends. A relational contract cannot be enforced in court but is made enforceable by the parties self-interested trade-offs of the short-run benefits from cheating and the long-run benefits from respecting the agreement. As expected, rational players always cooperate: i.e., with players perfectly informed, the threats are never executed. However, under asymmetric information, non-cooperation may arise.

### 3 The game under incomplete information

The king is actually better informed about the opportunity cost, \( \theta \), of paying the officer. \( \theta = \bar{\theta} \), occurring with probability \( \pi \), describes budgetary good times, in which the tax revenues are collected more easily. With probability \( 1 - \pi \), \( \theta = \bar{\theta} \). The king’s instantaneous payoff writes as follows:

\[
V = v - \theta \left[ (1-a)(g+C) + a(C+w) + \frac{\gamma}{2}a^2 \right]
\]

The social surplus is defined as the sum \( W = U + V \), and given by

\[
W = v + (1-a)[f - \psi(e)] - (\theta - 1)(1-a)g - \theta[(1-a)C + a(C+w) + \frac{\gamma}{2}a^2].
\]

To simplify the analysis, we assume \( \bar{\theta} = 1 < \bar{\theta} \). When \( \theta = \bar{\theta} \), \( g \) does not appear in \( W \), due to a pure transfer between the king and the officer. As a consequence, \( g(\bar{\theta}) \) is not uniquely determined. When \( \theta = \bar{\theta} \), it is efficient to set the gages such that \( g(\bar{\theta}) = w \).
as $W$ is decreasing with $g$. To focus on the interesting cases, we assume the following conditions hold.

**Assumption 1:** The social costs of the respective effort levels are such that $\psi(e) + \theta C > \psi(\bar{e}) + \theta C > \psi(\bar{e}) + C > \psi(\bar{e}) + \bar{C}$.

**Assumption 2:** $v > \psi(e) + \theta C$. This says that the social benefit is large enough for the activity to be operated even in the worst situation, i.e., when effort is low, $e = \bar{e}$ and the public funds are costly, $\theta = \bar{\theta}$.

**Assumption 3:** $f - \psi(\bar{e}) + w = 0$ means that the officer who exerts high effort while being rewarded exactly like an *intendant* receives no rent. Note that the proofs of the different results are collected in the appendix.

### 3.1 The static game with asymmetric information

#### 3.1.1 The non-cooperative equilibrium

When the game is played only once, the king and the officer play non-cooperatively as described in the proposition below. The king resorts to the *intendant* and pays the two agents equally in both states of nature. The officer provides the public service with low effort.

**Proposition 1** The Nash equilibrium is such that $a^*(\theta) = a^*(\bar{\theta}) = a^* > 0$, $g^*(\theta) = g^*(\bar{\theta}) = w$, and $e^* = \bar{e}$.

#### 3.1.2 The cooperative solution

Cooperation is described in the following proposition. It involves the king dealing exclusively with the officer. However, since public funds are costly to gather, the king’s generosity towards the officer is limited to the good times only. The officer delivers the service providing high effort.

**Proposition 2** Under assumptions 1-3, the cooperative equilibrium is such that $a^c(\theta) = a^c(\bar{\theta}) = 0$, $g^c(\theta) = w + b$, $g^c(\bar{\theta}) = w$, and $e^c = \bar{e}$.

### 3.2 Long-run cooperative equilibrium

The idea is that in each period of the infinitely repeated game, the king reports the cost of public funds he is facing. It is important to remember that the officer never learns the true realization of the state, because, e.g., the ruler may be able to hide information. This asymmetric information makes the disappointment which triggers the punishment possible. Threats will indeed be executed, but because punishment is socially costly, it will not last for ever.
Proposition 3 If the players are patient enough, and the cost of public funds in the bad state, $\tilde{\theta}$, is large enough, the long-run cooperative equilibrium is supported by the following trigger strategies:

In the first period, the officer cooperates with a high effort $e^c = e$.
If the king reports that times are good, he cooperates by delegating the whole production to the officer, $a^c(\theta) = 0$, and paying him well, $g^c(\theta) > w$. In return, the officer cooperates in the following period.
If the king reports that times are bad, he also cooperates by not hiring the intendant, $a^c(\theta) = 0$ and paying the officer and the intendant the same $g^c(\theta) = w$. The officer then reverts to the non-cooperative equilibrium for $T$ periods after which cooperation resumes.

3.3 Empirical implications of the model

The previous analysis makes it possible to provide an analytical description of the period and some empirical tests. First, coerced cooperation between the king and the officers was the norm. In other words, in normal times, parliamentarian office-holders behaved cooperatively and the king did not take actions that could hurt the parliamentarians’ income. However, actions such as introducing universal taxes or increasing the recourse to intendants were seen as breaches in the implicit contract. Office-holders then stopped cooperating. Since effort is not directly observable, we consider measures of activity that depend directly on the will of officers to cooperate, such as the number of remontrances or the delays in locally registering royal laws. Since the conflict was costly for both parties, parliamentarians quickly returned to cooperation when the king agreed to postpone his reforms. When the state of the public finances was publicly known to be bad (for example during wars), officers did not necessarily stop cooperation.

4 An analytic narrative

We use the model to develop an analytic narrative of the conflict between the French monarchy and the Parliaments during the 18th century. Venality existed before the extensive recourse to intendants as permanent government agents. Intendants were directly subordinated to the government, in charge of policy implementation. They foreshadowed modern bureaucracies in which political and administrative functions are separate. They were powerful under Louis XIV and, from 1680, had permanent districts (one intendant per jurisdiction) with fiscal, legal and military duties. They were assisted by sub-delegates to manage their jurisdictions. By the 18th century, the intendants formed a unique competent body of administrators who performed similar tasks to the office holders but at a lower cost (see Antoine (1985)). They faced strong opposition from the officers until the reign of Louis XIV when the revolt of the Fronde forced the young king to momentarily dismiss them (Moote (1971)). Their return in 1680 was therefore coupled with stringent regulations to control the officers, such as the ban from publishing

\[11\] See Mongin (2018) and Koyama (2018) for a presentation of this approach.
remontrances without royal consent and before the registration of laws (Chaline (2015)).

A turning point was reached when Louis XV ascended the throne. Parliamentarian office-holders regained political power as the inaugural lit de justice of the king restored their right of remontrance. Usually, a lit de justice is a royal procedure to impose a king’s will on reluctant magistrates. But in 1715, the king’s minority and the Regent’s marginalization within the royal council tilted the balance of power towards the Parliament of Paris, which obtained an unprecedented right of legislative supervision (Hanley (1983)). The government was willing to share power with the Parliament provided the latter agreed to declare Louis XIV’s last wishes unconstitutional. The government pact between traditional elites that seemed to be shaping up quickly failed as, in 1718, the government reintroduced stringent regulations on Parliament’s right of remontrance. Remontrances were issued for various reasons. For example, Parliaments refused to register papal bulles because Gallicanism, which made the king the head of the church in France, enjoyed constitutional status. Various remontrances, as in 1730 and 1752, expressed opposition to Rome’s interference in state affairs. As a matter of fact, most of them were published on the occasion of tax reforms. In 1718, the Regent’s decision to send monetary issues to the Cour des Monnaies reignited the crisis. Bypassing the implicit convention that, in the absence of General Estates, the main monetary and financial acts would be registered by the Parliament, breached the 1715 agreement. As in the past, distrust and fear pushed towards the bad political equilibrium (the non-cooperative equilibrium in our model). The return to the status quo was backed by an increasing recourse to intendants and, as expected, led to a rise in parliamentary opposition. The subsequent blockages and countless negotiations contributed to the postponement of the state’s reform agenda.

As figure 1 shows, the use of remontrances was not continuous, and, indeed, occurred by peaks in 1718, 1722, 1725, 1756, 1760, 1763-64, 1768, 1770-71-72. There were fewer remontrances in war time (e.g. the War of the Austrian Succession, 1740-1748, the Seven Years War 1756-1763), supporting the idea that during periods of verifiable financial difficulties, officers were cooperative. Taxation remained, however, the main cause of conflict between the Parliaments and the royal state. In figure 1, we display the annual number of remontrances and the years of fiscal reforms. Dashed lines indicate failed fiscal reforms, and solid lines implemented fiscal reforms.

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13While all parliaments were able to make remontrances, most were initiated by the Parliament of Paris.
France, like all European countries, then attempted to increase its fiscal capacity by introducing direct proportional taxation, therefore limiting the fiscal privileges of the nobility. The creation of the *capitation* tax in 1695 was the first major step towards tax increases and rationalization. This personal tax was universal and nominative. For the first time, the income of all French people was taxed taking social status as a proxy of wealth. Nobles and officers, who paid virtually no tax, were the first targeted. The State also intended to generalize land registers and withholding income tax to optimize the tax levy. *Capitation* was abolished after the Peace of Ryswick but came back in 1701 with the War of the Spanish Succession. The tax was no longer individualized but rather distributive. As it was added to the *tailles*, which was traditionally paid by the people, most of the privileged class managed to avoid it (Kwass (2006)). In 1789, this poll tax brought in as much as the *tailles*, more than 41 million livres tournois. The *Dixième* was introduced in 1710 and imposed the principle of tax proportionality. All incomes were taxed at a rate of 10%. This tax was abolished in 1717, when John Law’s system to refinance the French debt was introduced (Velde and Weir (1992)) and restored in 1733 on the occasion of the War of the Polish Succession. In 1749, the *Vingtième* replaced it. Its introduction during peacetime was condemned by the Parliament of Paris. The increase in public debt following the outbreak of the Seven Years’ War in 1756 made it permanent. Parliament’s opposition led to a *lit de justice* in 1760.

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14 Most of the parliamentarians belonged to the nobility. When a commoner bought a parliamentary office, he gradually entered the nobility.

15 According to the Parliament of Paris, "it is unheard of that we have ever had recourse in peacetime" to such an imposition while the Parliament of Aix-en-Provence considered it as "the most important edict that has yet appeared in the Monarchy in matters of finance" (Decroix (2011), p. 93)
Transfer of financial competences caused a major imbalance between the officers and the intendants. Intendants were involved in the tax reform as they were entrusted with the tasks of collecting new taxes and judging tax litigation (Villain (1943)). The intendants, who recovered the major part of the new tax bases and tariffs, paid particular attention to the officers’ tax returns, now included in an enlarged tax base. Parliament members retained the privilege of asserting themselves but most officers were under the intendants’ supervision. In particular, the intendants deducted the amount of taxes from officers’ wages or fees. Due to the new taxes, officers’ income clearly declined (see Feutry (2013)).

The officers’ mistrust was also fueled by the budgetary opacity that was the norm in France before 1781 (Félix (2013)). To meet the demand expressed in remontrances that asked for transparency to “verify, by sure rules, the necessity of the taxation”, Necker published the first account of the French public finances, almost fifty years after England (Root (1991)). Before this, in the absence of an explicit constitutional contract, misinformation had contributed to the rejection of the state reforms, such as the introduction of the intendants, who the officers held responsible for the decline in their income (Marion (1891); Antoine (2010)). They were considered to be the direct cause of the diminishing prices of offices, as figure 2 shows. Coupled to fiscal reforms, the anger was such that the physiocrat economist Nicolas Baudeau expected a “true Saint Barthélémy of the intendants” had the government persisted in its plan of fiscal modernization (Faure (1961), p. 72).

16 All the monetary values are expressed in livres tournois and have been converted to silver equivalents using the Value of livre Argent (source Hoffman (1994)).
17 The St. Barthelmew’s Day massacre occurred in 1572 when the Catholic faction attacked the protestant Huguenots, leading to the death of thousands of people". 
Since direct confrontation would have been costly to both parties, Parliaments and the royal state eventually negotiated. Showdowns were limited and spaced out while remontrances were published before or after conflictual phases to sustain Parliament’s credibility in the long run. In 1763, for instance, when the government failed to impose a general land register, it explicitly asked the Parliaments to join its reform project (Alberto (2008)). Because France was no longer at war with England, and the government had already decided to extend the Vingtièmes contribution, Parliaments expressed their opposition. Their hostility was demonstrated by the suspension of the tax collection in the généralités of Rouen, Dijon, Besançon, Grenoble, Bordeaux and Pau. Facing the risk of a violent confrontation, the government and the Parliaments had no other choice than conciliation. Finally, most of the reforms were delayed or of reduced scope compared to their initial ambitions.

The use of remontrances was not the sole device that officers could use. Public acts (such as ordonnances, édits, déclarations, lettres patentes) required legislative registration in local Parliaments to be applied locally. While registration was compulsory, Parliaments could delay the procedure. This provided a clear signal of their discontent, if not their actual opposition. In order to contain their pressure, the deadline was no longer left to the discretion of parliamentarians from 1629. It was lowered to two months and fell to six weeks under the reign of Louis XIV. Once the deadline was passed, if remontrances were not presented and accepted by the king, the laws were considered to be registered. From 1715, the balance of power was reversed and the validity of laws was increasingly subject to registration by Parliaments. The king could force registration by issuing a lettre de
**jussion** or bypass the registration procedure with a ruling called an *arrêt du Conseil*. In practice it was no longer contested that laws were subject to prior registration before becoming legally enforceable (Olivier-Martin (1988), p. 337). Officers were then able to slow down the adoption of royal laws and influence government policy. Using data from the Parliament of Toulouse, we can see in figure 3 and figure 4 that in the same way as the **remontrances**, delays were also rising sporadically.

![Figure 3: Total records](image1)

![Figure 4: Delays in recording acts](image2)

Such blockages, alternating threat and negotiation, lasted for a long time, since neither the tax reforms nor the employment of *intendants* had significant outcomes. This finally forced Chancellor Maupeou\(^{18}\) to act in 1771. Fully aware of the parliamentarian’s strategy, he undertook a unilateral and radical **coup de force**. He suspended the Parliaments, put officers under arrest and abolished judicial venality. He staffed new judicial courts with judges willing to exercise judicial functions only (Villers (1937)). The death of Louis XV in 1774, prevented these measures from having any positive consequences. After the restoration\(^{19}\) of the Parliaments, confrontations and negotiations resumed their normal course, resulting in a general blocking of the state on the eve of the Revolution. On July 5, 1788, with bankruptcy closer than ever, the convocation of the Estates General was planned for 1789 (Egret (1962)), thereby ending the game.

### 5 Empirical estimations

Our discussion thus far suggests that conflict, measured alternatively by the **remontrances** and the delays in recording royal acts, was triggered by the resort to *intendants* in a fragile context of financial reforms. While remontrances have been the subject of numerous studies by historians, there is a paucity of French economic and financial data on this period. However, we gathered data both at the aggregate level (the whole of France) and at the local level, focusing on the parliament of Toulouse, allowing us to provide an empirical test of our analysis.

\(^{18}\)Maupeou was the former first president of the Parliament of Paris

\(^{19}\)On this occasion, Maupeou is said to have exclaimed "I had won the king a trial that had lasted for three hundred years ... He wants to lose it again ... He is screwed!" (Mousnier (1980), p.560).
5.1 Explaining the annual number of *remontrances*

The model used in the empirical work is specified as follows:

\[ y_t = \delta + \rho X_t + \epsilon_t \]

where \( y_t \) is the dependent variable and represents the annual number of *remontrances*\(^{20}\) issued by the parliaments over the period from \( t = 1715, \ldots, 1775 \). \( X_t \) stands for the set of explanatory variables, \( \epsilon_t \) is the error term and \( \delta, \rho \) are the parameters to be estimated.

As for the explanatory variables, we first consider the total number of acts produced by the *intendants des finances*, denoted *Intendants-Acts*. These acts deal with financial and taxation issues. We introduce the number of acts on daily government matters only, and issued by the royal council\(^{21}\). They will be denoted by *Chancery-Acts*. We control for the tax revenues and distinguish ordinary from extraordinary revenues. The ordinary revenues, *Ord-Rev*, are obtained from the royal domain, the indirect taxes collected by the tax farmers (e.g. the *gabelle* and customs duties) and direct taxes\(^{22}\). The extraordinary revenues, *Extra-Ord-Rev*, represented temporary resources, essentially resorted to during conflicts\(^{23}\). They were produced by temporary surtaxes, mandatory loans and gifts from people and the clergy (*dons gratuits*), lotteries and the revenues from selling offices. Finally, the expediencies, a variable denoted *Expedients*, refer to the wide range of tools used by the king to increase his revenues. The king would use monetary manipulations, changing the quantity of metal in the *livre tournoi* before 1726 and after 1785; request advances granted by finance officers (*anticipations*); recall the titles of public debt in order to verify their validity or the way they were acquired (*visas*), a trick to unilaterally renegotiate the remaining debt. Officers were frequently asked to pay a large amount of money immediately in order to obtain future additional *supplément de gages*. Officers were not protected from such practices. Many other ploys were used to increase extraordinarily revenues or reduce expenses.

To count for the significant amount of legislation on fiscal matters passed by the monarchy, we compute the share of these acts in the overall legislative production on direct and indirect taxation\(^{24}\). This variable is denoted *Share Leg-Tax*. Data on wages paid to royal delegates are not available. To capture the diminishing rents enjoyed by the officers, we use the legislation related to the *gages*, the part of their compensation directly paid by

\(^{20}\)We use the inventory of remontrances made by Antoine (1971) which is homogeneous and deals with all parliaments.

\(^{21}\)Governments councils were held by the king himself. The councils prepared the laws which had to be registered by the sovereign courts to be ratified. The councils were also responsible for drafting other royal bills regarding specific issues. Financial acts must be separated from others because they were drafted by specialized commissaires dedicated to financial and taxation matters. The latter were directly implemented by the local intendants without any other limitation.

\(^{22}\)taille, capitation, dixième, vingtième. Sources: Guéry (1978), Bosher (1970) and Marion (1910).

\(^{23}\)Sources: Touzery (1994), Riley (1987), Velde and Weir (1992) and Marion (1914)

\(^{24}\)The legislation on taxation gave rights to future fiscal resources. We use the printed collection of royal acts from the National Library of France which was a deposit of legislation before the French Revolution, see Gembicki (1972). It covers all questions relating to the administration of France under the Ancien Régime, with a particular interest in topics dealing with taxation, finance, police and military affairs. The collection consists of 43,000 royal acts described by Isnard and Honoré (1910-1960).
the king. We call this variable Leg-Gages. We also consider the price, Price-Offices-
France, of a particular office, conseiller au parlement, as it includes expectations of the
evolution concerning the specific advantages of officers. Tax revenues and office prices
are expressed in thousands of livres tournois. We finally control for years of external
conflicts. War takes the form of a dummy. The summary statistics are given in table 4.

As the dependent variable, the annual number of remontrances, is a count variable, we
run negative binomial regressions. The results are displayed in table 1. The inter-
pretation is made easier by reporting the marginal effects. The variables, through
which the breaches of the implicit contract may rise, are almost all highly statistically
significant and their signs are in line with what we expected from our predictions.

Model 2 of table 1 shows that 100 additional acts by the intendants increase the
average number of remontrances by 0.515 given that there are on average 2218 acts per
year, meaning that the more active the intendants were, the more vociferous the officers
were. The results also reveal that the officers were prone to conflict when their self-
interest was at stake, as is shown by the negative coefficient associated with the variable
Price-Offices-France. A drop of 10 000 livres in office price is followed by an increase
in the average number of remontrances by 0.344. Moreover, the negative coefficient
associated with Leg-Gages suggests that this legislation was perceived as beneficial to
officers. Finally, increases in ordinary and extra-ordinary tax revenues generated more
remontrances. A rise in Expedients has a similar effect, except in time of war, during
which it is better accepted and does not lead to a larger number of remontrances.

---

25 The data on legal acts related to offices, the Leg-Offices, are incomplete with 55 observations. Measures such as reductions in the number of offices are an example of this legislation.
26 Office prices are available for the parliaments of Paris, Aix, Besançon, Bordeaux, Grenoble, Pau, Rennes, Rouen, and Toulouse as well as for the Superior Council of Artois, located in Arras after its attachment to France in 1640. We give the annual nominal average price for a lay counselor, which is the most common office. In the 18th century, the number of parliamentary offices is relatively stable, except for the Parliament of Paris whose number of judges was reduced. Taking inflation into account would further accentuate the discount in office prices observed throughout the 18th century. We still do not have regional indices to assess inflation with precision. There is only one reliable regional price index available outside Paris, which concerns Normandy, and it differs considerably from the national indices currently available (for this issue, see Chambru and Maneuvrier-Hervieu, 2021). Sources: for Paris, original prices given by Robert Descimon; for Aix, see Cubells (1985), Kettering (2015) and Wolff (1920); for Besançon, Gresset (1978); for Bordeaux, Doyle (1974) and Le Mao (2007); for Grenoble, Coulomb (2006); for Pau, Desplat (1992); for Rennes, Meyer (1966) and Saulnier (1908); for Rouen, Le Guern (1984); for Toulouse, Crébassol (1949), Merlo (1978) and Paulhét (1964) and for Arras, see Sure (1978).
27 The negative binomial model fits the facts better. Since the mean of the dependent variable is much below its variance, the negative binomial is more relevant than a Poisson regression.
28 The regression includes heteroscedasticity robust standard errors.
29 The average marginal effect gives the average additive effect on the expected count.
30 This affects the average annual number of remontrances additively.
Table 1: Dependent variable: annual number of *remontrances*

<table>
<thead>
<tr>
<th></th>
<th>model 1</th>
<th>model 2</th>
<th>model 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intendants-Acts</td>
<td>0.00496***</td>
<td>0.00515***</td>
<td>0.00425**</td>
</tr>
<tr>
<td></td>
<td>(3.60)</td>
<td>(3.63)</td>
<td>(2.63)</td>
</tr>
<tr>
<td>Chancery-Acts</td>
<td></td>
<td>0.00549</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.77)</td>
<td></td>
</tr>
<tr>
<td>Expedients</td>
<td>0.332*</td>
<td>0.333*</td>
<td>0.349*</td>
</tr>
<tr>
<td></td>
<td>(2.16)</td>
<td>(2.18)</td>
<td>(2.27)</td>
</tr>
<tr>
<td>Expedients*war</td>
<td>-0.411*</td>
<td>-0.400*</td>
<td>-0.432*</td>
</tr>
<tr>
<td></td>
<td>(-2.23)</td>
<td>(-2.17)</td>
<td>(-2.34)</td>
</tr>
<tr>
<td>Share-Leg-Tax</td>
<td>13.08+</td>
<td>16.32+</td>
<td>11.32</td>
</tr>
<tr>
<td></td>
<td>(1.76)</td>
<td>(1.80)</td>
<td>(1.48)</td>
</tr>
<tr>
<td>Leg-Gages</td>
<td>-0.292+</td>
<td>-0.277+</td>
<td>-0.330+</td>
</tr>
<tr>
<td></td>
<td>(-1.76)</td>
<td>(-1.67)</td>
<td>(-1.92)</td>
</tr>
<tr>
<td>Leg-Rentes</td>
<td></td>
<td>-0.178</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(-0.63)</td>
<td></td>
</tr>
<tr>
<td>Price-Offices-France</td>
<td>-0.0339*</td>
<td>-0.0344*</td>
<td>-0.0366**</td>
</tr>
<tr>
<td></td>
<td>(-2.50)</td>
<td>(-2.54)</td>
<td>(-2.62)</td>
</tr>
<tr>
<td>Ord-Rev</td>
<td>0.00559**</td>
<td>0.00536**</td>
<td>0.00720*</td>
</tr>
<tr>
<td></td>
<td>(2.98)</td>
<td>(2.83)</td>
<td>(2.54)</td>
</tr>
<tr>
<td>Extra-Ord-Rev</td>
<td>0.00296*</td>
<td>0.00301*</td>
<td>0.00326*</td>
</tr>
<tr>
<td></td>
<td>(2.41)</td>
<td>(2.46)</td>
<td>(2.55)</td>
</tr>
</tbody>
</table>

| N     | 61   | 61   | 61   |
| pseudo $R^2$ | 0.118 | 0.119 | 0.120 |
| alpha | 0.462 | 0.460 | 0.456 |

Marginal effects; *t* statistics in parentheses
(d) for discrete change of dummy variable from 0 to 1
+ $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

5.2 Explaining the delays of registration in Languedoc

As explained earlier, Parliaments had another judicial tool to protest with: the recording of royal acts as a prerequisite to their enactment. With the formal procedure of recording, complemented by the right, from 1715, to issue remontrances beforehand, legislative oversight was made possible.

In the second model we test, $y_t$ represents the delays to record royal laws over the period from 1683 to 1789. We present hereafter the analysis using data of the parliament of Toulouse.\footnote{Royal acts registered in Toulouse are kept in the Archives Départementales de la Haute-Garonne. An exhaustive inventory of these acts, including a short notice of form and content for each registered bill is available, see Faucher and Gérard (1965).}

The recording of public acts by the Parliament was compulsory. The variable *Public-
Acts denotes the acts that had to be registered and for which we have a date of record. Most of the acts issued by the Conseil du roi, hereafter (arrêtés du Conseil), were drafted by the intendants clerks and enacted without any formal procedure before parliament. The Arrêts-Conseil escaping the parliament’s control, this variable provides a measure of the constrained activity of the members of parliament (against their will). Finally, the acts dealing with private matters were registered too. These could be challenged by the Parliament before the Conseil. The variable Total Acts is the sum of all the acts that were produced within the parliament of Toulouse (public acts, arrêts du Conseil and private acts). The data on the total acts show that the legislative activity of the parliament followed an increasing trend over the period.

We consider the change in institutional legislation towards the issuing of remontrances. We introduce a dummy, Right_rem, which takes the value 0 over the period 1683-1714, when the remontrances could be expressed after the recording of the acts, and 1 after 1715, when they could be issued beforehand. Dir-Tax and Ind-Tax denote respectively the direct and indirect tax revenues.

The dependent variable Delay-Public-Acts corresponds to the average delay per year (computed as the sum of the delays (in days) in one year divided by the number acts recorded that year). Unfortunately, we do not have such information on private acts. Table 5 gives summary statistics for the main variables we will be using.

Table 2 gives the results of a linear regression where all the variables are taken in logarithm. We find that the delays on public acts increase with the number of Arrêts-Conseil and decrease with the total legislative production (Total Acts). We also show that there is a specific effect of Arrêts-Conseil on the delays. This captures the impact of the increasing activity of the intendants independently of the increase in total legislative activity. As the king resorted to the Conseil to pass laws, the parliament members reacted by postponing the registration of public acts to voice their opposition. The negative sign of Total-Acts might reflect an increase in productivity of the parliament’s members, leading to a decrease in the delays in recording.

---

32 The regression includes heteroskedasticity robust standard errors.
33 Yet, we would need to confirm it with data on the number of office holders. We could control for productivity either using the number of office holders as a control variable, or normalizing by this number.
Table 2: Dependent variable: Delays in recording public acts

<table>
<thead>
<tr>
<th></th>
<th>model 1</th>
<th>model 2</th>
<th>model 3</th>
<th>model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrêts-Conseil</td>
<td>0.169**</td>
<td>0.166*</td>
<td>0.165*</td>
<td>0.174**</td>
</tr>
<tr>
<td></td>
<td>(2.64)</td>
<td>(2.58)</td>
<td>(2.59)</td>
<td>(2.87)</td>
</tr>
<tr>
<td>Total-Acts</td>
<td>-0.471**</td>
<td>-0.477**</td>
<td>-0.474**</td>
<td>-0.508***</td>
</tr>
<tr>
<td></td>
<td>(-3.16)</td>
<td>(-3.05)</td>
<td>(-3.05)</td>
<td>(-4.13)</td>
</tr>
<tr>
<td>Leg-Offices</td>
<td>-0.0162</td>
<td>-0.0181</td>
<td>-0.0236</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.32)</td>
<td>(-0.36)</td>
<td>(-0.50)</td>
<td></td>
</tr>
<tr>
<td>Loans King</td>
<td>0.0228</td>
<td>0.0200</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.71)</td>
<td>(0.64)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>-0.0491</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.21)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>War</td>
<td>-0.130</td>
<td>-0.146</td>
<td>-0.144</td>
<td>-0.155</td>
</tr>
<tr>
<td></td>
<td>(-1.28)</td>
<td>(-1.45)</td>
<td>(-1.43)</td>
<td>(-1.64)</td>
</tr>
<tr>
<td>Dir-Tax</td>
<td>0.419†</td>
<td>0.432†</td>
<td>0.477*</td>
<td>0.477*</td>
</tr>
<tr>
<td></td>
<td>(1.82)</td>
<td>(1.83)</td>
<td>(2.10)</td>
<td>(2.12)</td>
</tr>
<tr>
<td>Cons</td>
<td>5.018***</td>
<td>4.991***</td>
<td>4.842***</td>
<td>4.928***</td>
</tr>
<tr>
<td></td>
<td>(7.19)</td>
<td>(7.07)</td>
<td>(7.58)</td>
<td>(7.76)</td>
</tr>
<tr>
<td>N</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>$R^2$</td>
<td>0.219</td>
<td>0.209</td>
<td>0.207</td>
<td>0.205</td>
</tr>
</tbody>
</table>

$t$ statistics in parentheses
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Finally we explored regressions of the remontrances issued by the parliament of Toulouse using a negative binomial regression. The results are displayed in table 3. Focusing on model 2, we find a positive effect of the intendants’ activity (Arrêts-Conseil) on the remontrances issued by the parliament of Toulouse. This effect is significant at the 10% level. This result is interesting because it shows another measure of the conflictuality. It confirms the results found at the aggregate level. We also show that the change in the institutional context regarding the timing (from afterwards to beforehand) for the issuing of remontrances, captured thanks to $Right_{rem}$, fostered conflictuality. Finally, the ratio of direct to indirect tax revenues, $(Dir-Tax_{Ind-Tax})$, has a negative and statistically significant impact on the conflictuality, suggesting that parliamentarians, who were exempted from numerous direct taxes, were less combative as long as their self-interest was not under threat.
Table 3: Dependent variable: remontrances parliament Toulouse

<table>
<thead>
<tr>
<th></th>
<th>model 1</th>
<th>model 2</th>
<th>model 3</th>
<th>model 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arrêts-Conseil</td>
<td>0.0156*</td>
<td>0.0174*</td>
<td>0.0181*</td>
<td>0.0154</td>
</tr>
<tr>
<td></td>
<td>(1.66)</td>
<td>(1.79)</td>
<td>(1.84)</td>
<td>(1.59)</td>
</tr>
<tr>
<td>Right_rem (d)</td>
<td>0.378**</td>
<td>0.383**</td>
<td>0.417**</td>
<td>0.438**</td>
</tr>
<tr>
<td></td>
<td>(2.96)</td>
<td>(2.87)</td>
<td>(3.08)</td>
<td>(3.03)</td>
</tr>
<tr>
<td>Leg-Offices</td>
<td>-0.0209</td>
<td>-0.0263</td>
<td>0.0131*</td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-0.98)</td>
<td>(-1.16)</td>
<td>(2.14)</td>
<td></td>
</tr>
<tr>
<td>Leg-Taxation</td>
<td>0.0357</td>
<td>0.0411†</td>
<td></td>
<td>0.0170*</td>
</tr>
<tr>
<td></td>
<td>(1.60)</td>
<td>(1.72)</td>
<td></td>
<td>(2.45)</td>
</tr>
<tr>
<td>Loans King</td>
<td>-0.00285</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(-1.48)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dir-Tax_Ind-Tax</td>
<td>-0.0972**</td>
<td>-0.0908**</td>
<td>-0.0882**</td>
<td>-0.0901**</td>
</tr>
<tr>
<td></td>
<td>(-3.24)</td>
<td>(-3.07)</td>
<td>(-3.06)</td>
<td>(-3.06)</td>
</tr>
<tr>
<td>N</td>
<td>107</td>
<td>107</td>
<td>107</td>
<td>107</td>
</tr>
<tr>
<td>pseudo $R^2$</td>
<td>0.172</td>
<td>0.164</td>
<td>0.148</td>
<td>0.158</td>
</tr>
<tr>
<td>alpha</td>
<td>0.640</td>
<td>0.734</td>
<td>0.840</td>
<td>0.777</td>
</tr>
</tbody>
</table>

Marginal effects; t statistics in parentheses
(d) for discrete change of dummy variable from 0 to 1
† $p < 0.10$, * $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

6 Conclusion

We apply the theory of implicit contract to the relationship between the French monarchy and its parliaments. This helps understand the alternation of phases of cooperation and conflict and sheds light on the nature of the French political opposition throughout the 18th century, an issue that is debated by historians. Officers naturally cooperated when the state had enough resources to reward them. However, they opposed any attempt by the state to cut expenses or to modify the conditions of their service in bad times. Increases in taxes immediately triggered conflicts.

The standard view on the role of Parliaments insists on the positive role they played by curbing the government’s action, even in the absence of democracy, thanks to "elite pacts" (See Weingast (1997) for an application to the English Glorious Revolution). Such pacts exist when the stakeholders perceive that they are better off under the pact than under the status quo and the pact is self-enforcing. Some historians advocate that French Parliaments’ quarrels were "a highly effective way of involving the governed in government". They point out that parliaments often defended interests other than their own, and that this opposition was positive as long as it succeeded in aligning the interests of the State to that of the citizens. Furthermore, with reference to modern judicial politics, they describe these attempts as inclusive politics within a legal process as the major cause for their action. They explain that the revolt of the judges against reforms was a part of a deliberative process with regard to the rule of law which benefited the State. As said by J. H. Shennan (See Swann (2010), p. 9), "The attitude of the Par-
lement de Paris has been much criticized on the grounds that it was unenlightened and reactionary. However, it was not the business of the court to adopt or reject contemporary attitudes; its essential task on the king’s behalf was to maintain the law... Like all judicial institutions it drew its inspiration from precedent, thereby providing the king’s government with a continuity and tradition of the utmost importance”.

Without an explicit agreement on the constitutional role of the French Parliament in terms of representation, we argue that this elite pact did not lead to an efficient solution but rather to one related to rent-seeking. Venality played a major role in this misalignment, since French parliamentarians were independent, irremovable and owners of their charges. The patrimonial nature of venal offices gave parliamentarians very strong incentives to maintain their economic profitability. Parliamentarians’ desire to keep their judicial prerogatives while the Revolution was underway even attests to the fact that they were more attached to the constitutional privileges conferred by venality than to the preservation of any constitutional order in general (Figeac (2006)). Even the office holders who met in Versailles in 1789 had not envisioned the abolition of venality until the night of August 4th (Miller (2014)). Revolutionary discourse precisely condemned this claim (see e.g. the Essai sur les privilèges by Sieyès analysed by Baker (1989)).

While the French Revolution has different causes (e.g. legal diversity, Crettez et al. (2018)), the elite pact between the king and the Parliaments turned out to be inefficient. This also shows that intermediary institutions, such as venality, to be fully desirable need transitional rules sufficiently explicit or flexible. The need for an institutional rearrangement, with an explicit Constitution, made the Revolution necessary.
References


—, *The Problem with Necker’s Compte-rendu au Roi (1781)* number 184, British Academy/Oxford University Press, 2013.


Saulnier, Frédéric, *Le Parlement de Bretagne, 1554-1790*, Plignon, 1908.


Villain, Jean, *Contestations fiscales sous l’Ancien régime dans les pays d’élections de taille personnelle (taille, capitation, dixième et vingtièmes)*, Jouve, 1943.


7 Tables

Table 4: Summary statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min.</th>
<th>Max.</th>
<th>N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Remontrances (All parliaments)</td>
<td>5.770</td>
<td>6.596</td>
<td>0</td>
<td>24</td>
<td>61</td>
</tr>
<tr>
<td>Intendants-Acts</td>
<td>2218.262</td>
<td>427.172</td>
<td>1449</td>
<td>3412</td>
<td>61</td>
</tr>
<tr>
<td>Chancery-Acts</td>
<td>235.574</td>
<td>127.496</td>
<td>102</td>
<td>760</td>
<td>61</td>
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<tr>
<td>Ord-Rev</td>
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<td>276.833</td>
<td>379.71</td>
<td>1515.43</td>
<td>61</td>
</tr>
<tr>
<td>Extra-Ord-Rev</td>
<td>475.808</td>
<td>561.011</td>
<td>40.52</td>
<td>2820.56</td>
<td>61</td>
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<td>Expedients</td>
<td>4.066</td>
<td>4.611</td>
<td>0</td>
<td>21</td>
<td>61</td>
</tr>
<tr>
<td>Share-Leg-Tax</td>
<td>0.083</td>
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<td>0</td>
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<td>Leg-Offices</td>
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<td>55</td>
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<td>Leg-Gages</td>
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<td>3.777</td>
<td>0</td>
<td>17</td>
<td>61</td>
</tr>
<tr>
<td>Price-Office-France</td>
<td>177.053</td>
<td>49.664</td>
<td>133.158</td>
<td>418.129</td>
<td>61</td>
</tr>
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<td>Price-Office-Paris</td>
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<td>76.277</td>
<td>169.25</td>
<td>606.12</td>
<td>61</td>
</tr>
</tbody>
</table>

Table 5: Summary statistics. Parliament of Toulouse.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Min.</th>
<th>Max.</th>
<th>N</th>
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NB Loans, Loans King, Dir-Tax and Ind-Tax denote the loans, the direct and indirect tax revenues in millions livres tournoi in silver value.
8 Proofs

8.1 Proof of Proposition 1

The king’s best response: Taking e as given, he maximizes V choosing g and a. As \( V_g = -\theta(1-a) < 0 \), the efficient non-cooperative level of the gages is \( g = w \) in both states. The foc with respect to \( a \), \( V_a = 0 \), leads to the following expression \( a = [g + C - (C + w)]/\gamma \). Given that \( g^* = w \), it follows that \( a^* = [C - \gamma]/\gamma \). Therefore, \( a^* > 0 \) if \( C - \gamma > 0 \); and 0 otherwise.

The office holder’s best response: he chooses \( e \) taking \( (g, a) \) as given, to maximize \( EU = [1 - E[a]][f - \psi(e) + g] \). Since \( 1 - E[a] > 0 \), he will choose \( e \) that maximizes \( f - \psi(e) + g \). Assumption 3 implying \( f - \psi(e) + w > f - \psi(\bar{e}) + w = 0 \), he exerts the low effort \( e^* = \bar{e} \). The king’s best response to \( e^* = \bar{e} \) is then \( a^* = [C - \gamma]/\gamma > 0 \) and \( g^* = w \). The office holder’s best response to \( a^* \), and \( g^* \) is \( e^* = e \).

The office holder’s and king’s respective expected payoffs are \( U^* = [1 - a^*][f - \psi(e) + w] \) and \( V^* = v - (w + C)E[\theta] + [\gamma_2 a^2]E[\theta] \).

8.2 Proof of Proposition 2

Recall that the total surplus is given by

\[
W(\theta) = v + (1 - a)[f - \psi(e)] - (\theta - 1)(1 - a)g - \theta[(1 - a)C + a(C + w)] + \frac{\gamma}{2}a^2.
\]

As \( W(\theta) \) is decreasing with \( g \) when \( \theta = \overline{\theta}, g(\overline{\theta}) = w \), but it is undetermined in the good state. Next, maximizing \( W(\theta) \) with respect to \( a \), \( W_a = 0 \) gives:

\[
a(\epsilon, \theta) = \frac{\theta C(e) - f + \psi(e) + (\theta - 1)g - \theta(C + w)}{\theta \gamma}. \]

It follows that under Assumption 3, \( a(\overline{\epsilon}, \theta) = a(\overline{\epsilon}, \overline{\theta}) = 0 \). Similarly, Assumptions 1 and 3 imply \( a(e, \theta) = [\psi(e) + C - (C + \psi(\overline{\theta}))]/\gamma > 0 \) and \( a(e, \overline{\theta}) = [\psi(e) + \overline{\theta}C - (\overline{\psi(\overline{\theta})}) + \overline{\theta}C]/\overline{\theta} \gamma > 0 \).

To determine \( e \), we compare the expected surplus \( E[W(\theta)](a(\epsilon), \overline{\theta}) \) evaluated respectively at \( e = \ell \) and \( e = \overline{\epsilon} \). Using \( a(\ell, \theta) = a(\ell, \overline{\theta}) = 0 \), we have

\[
E[W(0, \ell)] = \pi [v + [f - \psi(e)] - C] + (1 - \pi) [v + [f - \psi(\overline{\theta})] - (\overline{\theta} - 1) w - \overline{\theta}C]
\]

Similarly, using \( a(\ell, \ell) \) and \( a(\ell, \overline{\theta}) \),

\[
E[W(a(e), \ell)] = \pi \left( v + (1 - a_{\ell}) [f - \psi(e) - C] - a_{\ell} (w + C) - \frac{\gamma}{2}a_{\ell}^2 \right) + (1 - \pi) \left( v + (1 - a_{\ell}) [f - \psi(e) + w] - \overline{\theta} (w + C) + \overline{\theta}a_{\ell} (C - \gamma) - \overline{\theta} \frac{\gamma}{2}a_{\ell}^2 \right)
\]

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Assuming the marginal cost of resorting to the *intendant*, γ, is large enough so that \( a \) is close to 0, we can write

\[
E[W(0, e)] = \pi \left( v + \left[ f - \psi(e) - C \right] \right) + (1 - \pi) \left( v + \left[ f - \psi(e) + w - \theta \left( w + C \right) \right] \right)
\]

Finally, the inequality \( E[W(0, \tau)] > E[W(0, e)] \), that leads to \( c^* = \tau \) writes as follows:

\[
\pi \left[ \psi(\tau) + C \right] + (1 - \pi) \left[ \psi(e) + \theta C \right] < \pi \left[ \psi(e) + C \right] + (1 - \pi) \left[ \psi(e) + \theta C \right],
\]

and holds true given Assumption 1. This proves that the cooperative solution of the constituent game is \( e^* = \tau \), \( a^*(\theta) = 0 = a^*(\bar{\theta}) \) and \( g^*(\theta) = \bar{w} + b \) and \( g^*(\bar{\theta}) = w \). The respective expected payoffs \( U^c = \pi b \) and \( V^c = v - \pi b - [w + C]E[\theta] \).

### 8.3 Proof of proposition 3

We start with the expression of the king’s value functions. Next, we write the king’s incentive constraints, and finally the conditions under which the implicit contract can be supported by the trigger strategies described in proposition 3.

Recall that the instantaneous payoffs are expressed as follows \( U_t(\theta) = (1 - a) \left[ f - \psi(e) + g \right] \) and \( V_t(\theta) = v - \theta \left[ (1 - a)(g + C) + a(C + w) + \frac{1}{2}a^2 \right] \). The respective discounted payoffs are in expected terms and per-period \( (1 - \beta) \sum_{t=0}^{\infty} \beta^t E[U_t(\theta)] \) and \( (1 - \beta) \sum_{t=0}^{\infty} \beta^t E[V_t(\theta)] \), where \( EU(\theta) = \pi U(\theta) + (1 - \pi)U(\bar{\theta}) \) and \( EV(\theta) = \pi V(\theta) + (1 - \pi)V(\bar{\theta}) \). To simplify the notations, we denote \( U = EU(\theta) \) and \( V = EV(\theta) \).

- First, we write the value functions in order to compute \( V = \pi V(\theta) + (1 - \pi)V(\bar{\theta}) \).

Suppose, that \( \theta = \bar{\theta} \). If the king keeps his promises, he gets \( v - [w + b + C] \) immediately and subsequently \( V \), so that \( V(\theta) = (1 - \beta)\left[v - [w + b + C]\right] + \beta V \).

Suppose the bad state occurs \( \theta = \bar{\theta} \). If the king cooperates he gets immediately \( v - \bar{\theta}(w + C) \). The reversion to the non-cooperative equilibrium during \( T \) periods, leaves him with \( V^* \), after which cooperation resumes and the king will get \( V \). As a consequence, \( V(\bar{\theta}) = (1 - \beta)\left[v - \bar{\theta}(w + C)\right] + \beta(1 - \beta^T)V^* + \beta^{T+1}V \).

Substituting for \( V(\theta) \) and \( V(\bar{\theta}) \) in \( V = \pi V(\theta) + (1 - \pi)V(\bar{\theta}) \), yields

\[
V \left[1 - \pi \beta - (1 - \pi)\beta^{T+1}\right] = (1 - \beta)V^c + (1 - \pi)\beta(1 - \beta^T)V^*.
\]

This can be written as:

\[
V = \left[\frac{(1 - \beta)}{1 - \beta + (1 - \pi)\beta(1 - \beta^T)} \right] V^c + \left[\frac{(1 - \pi)\beta(1 - \beta^T)}{1 - \beta + (1 - \pi)\beta(1 - \beta^T)} \right] V^* \]

where \( V^c = v - \pi b - (w + C)E[\theta] \) and \( V^* = v - (w + C)E[\theta] + \frac{1}{2}a*^2E[\theta] \).
• We now express the king’s incentive constraints.

− Assume the true state is $\theta = \bar{\theta}$. If the kingpretends it is $\theta = \bar{\theta}$, he obtains $v - [\omega + C]$, but this triggers non-cooperation. The first incentive constraint IC1 states that the king should have no incentive to pretend he is facing a bad state when the good state is prevailing:

$$V(\bar{\theta}) > (1 - \beta)[v - [\omega + C]] + \beta (1 - \beta^T) V^* + \beta^{T+1} V$$ \hspace{1cm} \text{(IC1)}$$

Substituting for $V(\bar{\theta})$, IC1 becomes 

$$\beta \left[ 1 - \beta^T \right] [V - V^*] > (1 - \beta) b.$$ 

− Consider the true state is $\bar{\theta}$. If the king reports $\bar{\theta}$, he gets $v - \bar{\theta} [\omega + b + C]$. The second incentive constraint IC2 is as follows:

$$V(\bar{\theta}) > (1 - \beta) [v - \bar{\theta} [\omega + b + C]] + \beta V$$ \hspace{1cm} \text{(IC2)}$$

Substituting for $V(\bar{\theta})$, IC2 is rewritten as:

$$(1 - \beta) \bar{\theta} b > \beta \left[ 1 - \beta^T \right] (V - V^*).$$ 

We now compute $V - V^* = \left[ 1 - \frac{(1-\pi)\beta(1-\beta^T)}{1 - \beta + (1-\pi)\beta (1 - \beta^T)} \right] [V^c - V^*]$.

Rearranging the terms gives $V - V^* = (1 - \mu) \left[ (\bar{C} - C) E[\theta] - \frac{\gamma}{2} a^* E[\theta] - \pi b \right]$ where $\mu = \frac{(1-\pi)\beta(1-\beta^T)}{1 - \beta + (1-\pi)\beta (1 - \beta^T)}$.

− Finally, IC1 and IC2 respectively become

$$b < \frac{\beta \left[ 1 - \beta^T \right]}{1 - \beta} (1 - \mu) \left[ (\bar{C} - C) E[\theta] - \frac{\gamma}{2} a^* E[\theta] - \pi b \right]$$

$$\frac{\beta \left[ 1 - \beta^T \right]}{1 - \beta} (1 - \mu) \left[ (\bar{C} - C) E[\theta] - \frac{\gamma}{2} a^* E[\theta] - \pi b \right] < \bar{\theta} b$$

Since $a^* = (\bar{C} - C)/\gamma$, we have $(\bar{C} - C) E[\theta] - \frac{\gamma}{2} a^* E[\theta] = \gamma a^* (1 - \frac{\alpha^*}{\gamma}) E[\theta] > 0$.

Combining IC1 and IC2 gives the following condition on $b$:

$$\frac{\mu \left[ \bar{C} - C \right] E[\theta] - \left[ \frac{\gamma}{2} a^* E[\theta] \right]}{(1 - \pi) \bar{\theta} + \pi \mu} < b < \frac{\mu \left[ \bar{C} - C \right] E[\theta] - \left[ \frac{\gamma}{2} a^* E[\theta] \right]}{1 - \pi + \pi \mu}$$

Finally, IC1 and IC2 are both satisfied when $\bar{\theta}$ is large enough and $\beta$ sufficiently large, i.e. the players are sufficiently patient.