

The economic dimension of the public sphere: Jacques Necker's public agenda in *Compte rendu au roi*

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The aim of this article is to investigate the public dimension of Jacques Necker's 1781 account *Compte rendu au roi* (hereafter *Compte rendu*). As a political figure, Necker was aware of the growing influence of public opinion on state matters, which he theorised in *De l'administration des finances de la France, 1784* (hereafter *De l'administration*); since the Crown's deficit-funding strategy was based on borrowing from private investors, Necker devoted a critical portion of his political efforts to the restoration of external credit (*crédit public*). Without doubt, the *Compte Rendu* constitutes a striking example of the political implementation of public awareness and influences the evolving public sphere, while creating economic advantages from its existence. Listing all government spending departments and putting taxation policies up to debate, it adds a public dimension to fiscal policy, which thereby becomes *public* policy.

The crucial question is whether this reorientation in economic policy making should be regarded as a mere consequence of the transformation of the public in eighteenth century France, or whether economic policies as exemplified by the *Compte Rendu* also helped to partly trigger this very process. Moreover, regressive fiscal and administrative policies by Necker's successors following his first ministry raise concern about potential links between the negligence of the public sphere and state breakdown; the return to 'reactionary' fiscal policy caused a series of undesirable developments, of which

the deficit financing with fiat money was only the peak.¹ In this regard, the *Compte rendu* offers very specific insights to the connection between the public sphere and *Ancien Régime* economic policy, and thus to the relevance of a crucial sociological concept to an important part of French economic history. It exemplifies not only a new approach to economic policy, but also, in combination with Necker's explicit theory of public opinion, an unprecedented political conception of the public sphere.

The discussion will proceed as follows: first, I will give an overview of historical insights to the economic accuracy of the *Compte rendu*, Necker's political intentions and the social structure of his audience (section 1). Second, I will expose the key aspects of the *Compte rendu* and show how Necker's fiscal policy conceptions give rise to a new notion of the *public* (section 2). Third, I will examine the extent to which Necker's consideration of the public sphere is in line with his theoretical treatment of public opinion in *De l'administration*, thereby applying modern theories of the public sphere, notably that of Habermas (1990), which will help to clarify this ambiguous term and its specific meaning in relation to Necker's policy conceptions (section 3). And, fourth, I will demonstrate how the processes of transformation and segmentation enable the formulation of a specific public sphere segment, the *economic public sphere*, which can be generalised by methods of Comparative Historical Analysis (CHA). It will be shown that the state breakdown of 1788 can be attributed to the negligence of the economic public sphere by Necker's successors.

1. A preliminary remark: The *Compte rendu* and the French state finances of 1781

Any examination of a historical document dealing with a conceptual detail such as its public potential will have to include a prior assessment of three other core attributes of increasing complexity, namely its *accuracy*, its *purpose*, and its *audience*. In case of

¹ E. N. White, 'Was There a Solution to the Ancien Régime's Fiscal Dilemma?', *Journal of Economic History*, Vol. 49, No. 3 (Sep. 1989), p. 567. *European Social and Political Research*, Vol. 13 (2006–2007)

Necker's *Compte Rendu*, all of these criteria have been subject to rigorous debate among historians, with the result that the controversy is still greater than it needed to be. This is particularly so for the accuracy of the numbers given in Necker's account. Clarifying common misconceptions regarding Necker's political intentions will help to demonstrate why the public sphere is a key concept within his strategy, and how exactly public considerations interact with the administrative elements in the *Compte rendu*.

Accuracy

The image of Necker as a political charlatan harks back to his tenure as director of the French East India Company and was essentially fostered by revolutionary pamphlets and nineteenth century literature. Pamphlets by Marat, Mirabeau and others opposed Necker on political rather than economic grounds, each of them embracing more radical social change that differed from Necker's ideal of a constitutional monarchy. However, since the political struggle was fought with economic rhetoric, the notion of Necker having cooked the figures or in other ways betrayed both the Crown and its investors was widely accepted by historians of the nineteenth century.² Fiscal

² Gustave de Molinari, editor of the 15-volume *Les principaux économistes*, despite giving an interesting and neutral account of Necker's career eventually describes him as 'pauvre économiste; sa conduite, au début de la Révolution française, quoique fort honorable, prouve ... qu'il n'y avait pas en lui l'étoffe d'un grand ministre; c'était un habile financier de second ordre et un philanthrope honnête, rien de plus!' ['poor economist; his conduct at the beginning of the Revolution, although very honourable, proves that he did not possess the qualities of a great minister; he was an able financier of second order and a respectable philanthropist, nothing more!']: G. de Molinari, *Collection des principaux économistes 15: Mélanges d'économie politique*, Paris: Chez Guillaumin et Ce Librairies, 1848 ; Bibliothèque Nationale de France, III-592 p.; in-8° [R- 55379], p. 209. For an objective assessment of Necker's life and work, the curious historian is best advised to chance upon Tollendal's article in the *Biographie universelle (Biographie universelle, ancienne et moderne, [...] rédigé par une société de gens de lettres et de savants*, TOME TRENTE-UNIÈME, A Paris, chez L. G. Michaud, Libraire-Éditeur, 1821 ; Bibliothèque Nationale de France [030.5 MICH b31].

historian Charles Gomel, in his 1893 volume on the financial causes of the French revolution, wrote the decisive lines that became prominently featured in mainstream twentieth century literature, branding the balance sheets of the *Compte rendu* as ‘absolutely false’;³ an assessment which, as Harris notes, ‘passed into many historical works of the twentieth century.’⁴ Although Gomel also regrets the reestablishment of the old venal financial aristocracy following Necker’s dismissal,⁵ the misunderstanding evoked by him and many other serious historians in the nineteenth and twentieth centuries⁶ is simply based on the false assumption that the *Compte rendu* was intended as an extraordinary budget report that would include the war expenditures. However, due to Necker’s achievement of financing the war entirely by new borrowing, his aim was to present an account of the revenue and expenditure of the *ordinary* fiscal year.⁷ An account of both ordinary and extraordinary government finances would have had to include the extraordinary income as well, which would have stirred public debate into a direction contrary to

³ Quoted in R. D. Harris, *Necker – Reform Statesman of the Ancien Régime*, Berkeley: University of California Press, 1979, p. 220.

⁴ *Ibid.*, p. 226

⁵ ‘Bref, la Révolution française eût été moins passionnée et moins tragique, si Necker ... n’était pas tombé en 1781 du pouvoir, et le roi ... lui en avait conservé la direction’ [In short, the French Revolution would have been less severe and less tragic if Necker ... had not fallen from power in 1781, if the king had preserved his directorship]: Charles Gomel, *Les causes financières de la Révolution française – Les ministères de Turgot et de Necker*, Paris: Librairie Guillaumin et Cie, 1892; Universitätsbibliothek Heidelberg, B 7366-6 ::1892, p. 536. However, Gomel remains critical of Necker’s taxation policies, condemning his decision to rely on external credit rather than taxation adjustments. ‘Mais précisément parce qu’il avait commis cette faute, il était le seul homme qui fût peut-être en mesure de la réparer’ [But precisely because he had committed this mistake, he was the only one possibly able to rectify it] (*ibid.*, p. 535).

⁶ This includes eminent names such as Marion, Lavisse, and Luethy.

⁷ White, 1989, p. 558.

what Necker hoped to trigger.⁸ For the key message of the *Compte rendu* is that, as for the ordinary year 1781, *there was no persistent peacetime deficit*. This is what Necker intended to highlight and what he had striven to achieve since taking office in 1776.⁹ There is no sound evidence that Necker tried to conceal the extraordinary costs of the war, since those are explicitly mentioned on the balance sheet.¹⁰

Furthermore, it is doubtful whether even an account of both ordinary and extraordinary expenses would have shown a deficit at all. Necker's successor Joly de Fleury, in his 'Situation of the finances for the year 1783', finds no overall deficit.¹¹ This is not surprising considering that financial policies since the partial bankruptcy of 1770 had sought not only to optimize administrative efficiency, but also to devote utmost attention to public credit.¹²

Purpose and audience

The purpose of the first ever publication of the French state finances is arguably the most intrinsically difficult question. By purpose, we differentiate its political intention from its hermeneutic pertinence. As outlined above, the political intention can be identified as offering an overview of the ordinary workings of the state finances. However, this cannot solely account for the contents of the historical interpretation, since, from a historical perspective, *any* parameters potentially responsible for social change need to be scrutinised. The *hermeneutic pertinence* of the *Compte rendu* can be derived from its historical ramifications, which consists chiefly of contributions towards the institutionalisation of processes of *transformation* and *segmentation* (the details of which are set forth in section 3). One of the key results of this combined process undoubtedly is the discursive involvement of a particular component of the public sphere, the

⁸ *Ibid.*; White notes that Necker 'has been condemned by most historians' for his debt policy.

⁹ *Ibid.*; the ordinary deficit was eliminated in 1778.

¹⁰ *Compte rendu*, p. 112.

¹¹ Harris, 1979, p. 222.

¹² [It was the duty of my station to give the greatest attention to it] *Compte rendu*, p. 17).

audience, which also constitutes the greatest conceptual difficulty for our case study. Though formerly addressed to the King, the *Compte rendu* presented current government operations in the interest of transparency and hence targeted investors into government securities. The courtship of financial investors is, of course, not per se a novelty; however, the information on which investment decisions are supposed to be based is now – at least in Paris – available to everyone with the ability to read, whether capable of providing investments or not. Put in slightly different terms, the audience is now involved, by means of critical reasoning, in the running of a social system that formerly was a mere system of representation. The difficulty in conceptually reconstructing this process lies in the question about the components of the audience. In this respect, the *Compte rendu* indeed proves a challenge to theories of the public sphere, as it impacts the bourgeois *société civile* that is still formally subjugated to an absolutist monarch. Prior to its publication, the social boundaries between different estates begin to blur; critical discourse relevant to state affairs first develops as an aristocratic inclination towards the cognitive structure of bourgeois intellectuality. The aristocratic salon and bourgeois intellectual discourse, eventually the formation of clubs politically enhance the transformation of the audience.¹³ In terms of economic discourse, physiocratic ideas function as an intellectual precursor; in 1774, the appointment of Turgot as controller general marks, as Habermas notes, the assignment of a crucial ‘exponent of public opinion.’¹⁴ However, as Habermas also emphasises, it is Necker’s *Compte rendu* that first systemises the discursive demand of this new, and indeed still rudimentary, *politically functioning public*.

2. The *Compte rendu au roi*: some key aspects

The essential link between fiscal distress and the necessity of administrative reform constitutes Necker’s foremost concern in the

¹³ For example Alary’s ‘Club de l’Entresol’, see J. Habermas, *Strukturwandel der Öffentlichkeit – Untersuchungen zu einer Kategorie der bürgerlichen Gesellschaft*, Frankfurt am Main: Suhrkamp, 1990, p. 135.

¹⁴ *Ibid.*, pp. 135-136.

Compte Rendu. Regardless of how the supposed state surplus ought to be interpreted, it is evident that Necker was aware of the enormous fiscal difficulties facing the Crown during his first term in office. In this context, his plea for a reform of the *vingtième* may serve as an indicator of his determination to modify the taxation system for the sake of both fiscal relief and social welfare. Also, the critical assessment of the *taille* as 'grievous'¹⁵ and his suggestions for a reconsideration of economic privileges of the Second Estate¹⁶ illustrate the urgency for fiscal reform.¹⁷

The underlying desire of political reform (and, of course, its implementation) represents a paradigm shift away from absolutist conceptions to the notion of the state as a *public institution*. The public sphere which the *Compte Rendu* exemplifies, and to which it appeals, is therefore predominantly *political* and – to a necessary extent – critical of the absolutist system. By dedicating a chapter to the 'Expenses of the King's household',¹⁸ Necker shows that the royal expenditures are indeed a matter of public interest. Equally striking is Necker's concern with the public as a political entity which includes a conception of *public benefit* that operates both on macro- and micro-sociological levels (i.e. to the benefit of public institutions as well as the individual citizen).

Part I of the *Compte rendu* gives an overview of the current state of the finances, including 'all the operations which relate to the Royal

¹⁵ *Compte rendu*, p. 67.

¹⁶ Necker is in favour of the clergy being exempt from taxation, and he generally praises their conduct of state office. See *Compte rendu*, pp. 79-81.

¹⁷ *Taille*: fix land and poll tax; *vingtième* ('the twentieth'): direct income tax payable by everybody regardless of rank. Introduced in 1749 as a temporary complement to the *dixième* in order to levy the costs of the war of the Austrian succession, it was extended by a second *vingtième* in 1756 and a third in 1760. In 1780, Necker was granted permission by the Paris Parlement for a further extension of the second *vingtième*.

¹⁸ *Compte Rendu*, Part II, Chapter 8; 'All money-matters should be referred to the minister of your household and the minister of your Majesty's finances', *Compte rendu*, p. 44.

Treasury, and to Public Credit.¹⁹ Part II lists reform policies that have improved the efficiency of the financial administration. Part III, to which I will devote particular attention, contains ‘an account of those general dispositions which have had for their object only the welfare of your [Majesty’s] People, and the prosperity of the State.’²⁰ This indeed is the actual sensation, the conceptual novelty of the *Compte rendu* which demonstrates its critical relevance to the transformation, segmentation and institutionalisation of the public sphere.

Fiscal policy and administrative reform

Necker’s popularity was grounded primarily on his consistent strategy of financing the French participation in the American War of Independence purely by borrowing.²¹ Consequently, the tax policies discussed in Part III indicate no intention to increase either ordinary or extraordinary taxes. Rather, he proposes mechanisms to render the existing taxation system more efficient. As indicated above, this relates primarily to *vingtième* and *taille*; but most importantly, he discusses the success of a key administrative reform of his ministry, which is the establishment of *administrations provinciales* (provincial administrations). In this context, it is worth noting that the *Compte rendu* does not represent a plea for radical reform in the sense of a complete overhaul of the existing fiscal regime. It contains moderate reform projects and policy proposals, small gradual degrees of institutional change that overall advance the notion of public involvement.

Despite the particular importance of Part III with respect to the public sphere, public considerations also play a role in the two previous chapters. In Part I, relevant sections are on public credit, the accounting method and the operations of the discounting bank; Part II contains, amongst others, Necker’s reflections on pensions, the abolition of the receivers general, and the expenses of the king’s

¹⁹ Ibid., p. 4.

²⁰ Ibid., p. 5.

²¹ L. Burnand, *Necker et l’opinion publique*, Paris: Honoré Champion, 2004, p. 21.

household.²² By referring to state funding from private investors as 'public credit' ('Crédit public), Necker stresses that, in order to attain the ability to finance state deficits with private investments, the state finances need to be considered a *public interest* as opposed to merely a royal authority.

The issues of public credit and pensions are closely interrelated and hence play complementary roles in Necker's fiscal policy making. The maximisation of public credit requires a solid degree of transparency of government finances, to which the *Compte rendu* is intended to contribute, and which is, in Necker's view, best generated by the English model. '*But another cause of the great credit of England, is, indubitably, the public notoriety to which the state of her finances is submitted.*'²³ Necker's concern for the pensions issue represents a strategic complement to this maximisation, which is the reduction of government expenditures – expenditures that have stirred the interest of the particular part of society which corresponds to the *audience* in the formerly representative public. Both expenditures on and the entitlement to pensions were considerably reduced during Necker's tenure, the latter being, of course, correlated with Necker's consistent actions against a venal financial aristocracy.

In the *Compte rendu*, Necker does not, in fact, lay out a proper theory of taxation (this is done in *De l'administration* in 1784). However, he demonstrates how administrative reforms have facilitated tax operations; he also presents ideas for further improvement within the

²² It is worth noting that, during his first ministry, Necker extended the assets of the *discounting bank* (*Caisse d'Escompte*, a precursor of the *Banque de France*) by 12 million livres: Molinari, 1848, p. 206.

²³ *Compte rendu*, p. 2; Necker goes on to remark: 'In France the state of the Finances has constantly been made a matter of mystery; or, if it was sometimes spoken of, it was in the preambles of Edicts, and always at the moment when there was occasions to borrow: but those insinuations, too often repeated to be always true, must necessarily have lost their authority; and experienced men no longer credit them, but under the security (if I may be allowed the expression) of the moral character of the Minister of Finances. It is of moment to fix this confidence upon a more solid basis', *Compte rendu*, p. 3.

particular fiscal circumstances of high war expenditures, which he regards as a main impediment of administrative reform and to which he remains accordingly critical.

All those well-concerted plans would have been easily carried out (into execution) had not so many savings and improvements been wasted by the inevitable expenses of the war: This is always, and at every instant, the painful reflection I am forced to make.²⁴

But despite the fiscal constraints, Necker's first ministry yields an impressive record of administrative reform which, from a historical perspective, appears much more significant than most contemporary and nineteenth century critics could have imagined. Continuing the work of his predecessors Terray and Turgot, Necker achieved a considerable reduction of the number of treasurers in the spending departments and the royal households.²⁵ The collection of taxes was centralised under the binding authority of the ministry of finance, stripping the hitherto dominating profit-oriented General Farm of two branches of the tax administration and reducing the number of General Farmers from 60 to 40.²⁶ Apart from the savings incurred by the reduction of venal offices, these procedures furthered state transparency and allowed for the establishment of the aforementioned provincial administrations. This key reform project served the interests of both the financial administration and an extended public by reducing the impact of individual interests and appealing to public reasoning.²⁷ Necker discusses the positive impact of the first three administrations of this kind, in Rouergue, Berri and Moulin,

²⁴ *Compte rendu*, p. 70 (italics original).

²⁵ The details of these reforms can be found in J. F. Bosher, *French Finances 1770-1795 – From Business to Bureaucracy*, Cambridge: Cambridge University Press, 1970, chapter 8.

²⁶ *Ibid.*, p. 147; The *ferme générale*, the main profit-oriented tax collection body of the Ancien Régime, saw its influence reduced, in the course of Necker's reforms, to the collection of direct taxes.

²⁷ *Compte rendu*, p. 77.

emphasising in particular a plan for the suppression of the *corvée*²⁸ adopted by the assembly of Berri and the attempts to 'prevent the arbitrary imposition of the *Taille*'²⁹ by the assembly of Moulin.

The success of Necker's deficit-funding is well-illustrated by his commitment to tax relief which can be deduced from his discussion of *taille* and *gabelle* (salt tax). Necker advocates legal control over the imposition of the *taille* to prevent its disproportionate increase due to administrative ambiguities.³⁰ In addition to being the 'most grievous' tax to the rural population, Necker regards the *taille* as 'only a momentary and inadequate resource'³¹ and consequently proposes its re-assessment. This relates both to the abolition of inequalities between provinces and to individual repartition by means of establishing land quotas which would function by individual declarations and thus ensure justice in taxation being 'ascertained by the most simple and powerful motive – that of personal interest.'³² Thus, similar to the provincial administrations, this measure seeks to install public control over the fiscal system.

A novel conception: the public sphere

The most striking evidence of the new notion of public interest is however given in Part III, which is primarily concerned with welfare economics. This also relates to fiscal policy: Necker advocates a more balanced share of the tax burden and criticises the tax exemptions of the aristocracy.³³ The critical attitude towards aristocratic principles extends to the hereditary financial aristocracy which is portrayed as incompetent and inactive; in contrast, the

²⁸ The *corvée*, a feudal tax payable as labour, in the 1770s and 80s often commuted into a money payment; was among the first elements of the Ancien Régime taxation system to become abolished by the revolutionary National Assembly in 1789.

²⁹ *Compte rendu*, p. 82.

³⁰ *Ibid.*, p. 67.

³¹ *Ibid.*, p. 68.

³² *Ibid.*, p. 69.

³³ „Thus it ever happens, that every exception and favour proves, at one time, an injustice done to society at large”, *ibid.*, p. 65.

comité contentieux is cited as an example of favourable administrative reform.³⁴

Public interest must not be confused with any contemporary connotations, since the corresponding public sphere is a socially restricted entity. In this context, the term 'public credit' is worth a second look; it is of particular hermeneutic importance, precisely because the process of transformation is also one of words³⁵ that need to be contextualised: 'Public' necessarily invokes a notion of exclusion stemming from the separation of social spheres (combined, as already mentioned above and further developed in section 3, with a complementary process of segmentation). *Public credit* refers to financial resources provided by members of a separate, exclusive sphere which Habermas identifies as *bourgeois*. This can be derived from the economic issues that essentially constitute the principal regulations of administration

which, having no immediate relation to the increasing of the royal revenues, concern the happiness of [your Majesty's] subjects alone.³⁶

and to which Necker devotes particular attention in the interest of the bourgeois sphere. These issues are wide-ranging and include, for example, a plea against salt tax discrimination between different provinces. This in turn is closely linked to an overhaul of the toll system by which Necker hopes to facilitate internal commerce

³⁴ A 'committee of magistrates appointed to examine that multitude of contentious causes': *ibid.*, p. 60; essentially a body which controls the spending departments.

³⁵ Although public/ publique derives from the Latin publicus, 'off the state/ property of the state', its ancient meaning is given by the verb *pūblicō -āre*, 'to collect/ to confiscate': A. Walde, *Lateinisches etymologisches Wörterbuch*, 3. Aufl., ed. J. B. Hofmann, Heidelberg: C. Winter, 1954, p. 338. The contemporary connotation as 'place open to all persons' and derivatives such as public office, public opinion are contextualised in the early modern period: R. K. Barnhart and S. Steinmetz, (ed.), *Chambers dictionary of etymology*, Edinburgh: Chambers, 1999, p. 859.

³⁶ *Compte Rendu*, p. 58 (italics original).

effectively; state regulations of the manufacturing sector which, enhanced by crucial foreign direct investments, is seen as the prime source of innovation and economic progress;³⁷ and even the improvement of hospitals and prisons, although illustrating a genuinely philanthropic effort, is discussed from a fiscal perspective.³⁸

These observations strongly suggest a purpose of information and of appeal to an opinionated audience. However, the systematic appeal to public opinion as the cognitive structure of the new audience requires a conception of its nature, which was laid out in Necker's *De l'administration* (1784); this is examined in the next section. I will then go on to show that there is indeed a structural coherence between public opinion and the public sphere, which verifies the historical process of transformation and offers strong evidence for the politically intended purpose of the *Compte rendu* as a public document designed for the information of financial investors.

3. Necker and public opinion

Necker's conception of public opinion

Necker's theory of public opinion, as described in *De l'administration*, attaches a macro-sociological quality to the notion of public sphere. With respect to the optimal conduct of the financial administrator, public opinion fulfils the role of a 'social spirit' ('L'esprit de société') that determines the reputation of the political elite.

According to Necker, public opinion developed historically amidst a decline in absolutist power. During the reign of Louis XIV, all elements of social reputation and reward in the French society were bound to the grandeur of the King, and the system of dependence that his rule brought about came to serve as a benchmark for subsequent cultural and political orientations. That is, the state model of Louis XIV provided a method of interpretation and judgment that would gradually extend to a wider social circle and consequently increase the political relevance of public opinion. The erosion of absolutist

³⁷ Ibid., pp. 96-99.

³⁸ Ibid., p. 104.

power embodied by enlightened monarchs further strengthens this political relevance, either by benevolence or weakness of the prince.³⁹

For these reasons, Necker regards the observed extension of political influence as a typically French phenomenon, the extent of which being difficult to fathom for foreigners. The French nation is embodied by an intellectually homogenous society with public opinion (as political mainstream) preventing the rise of a 'multiplicity of opinions' ('multiplicité des opinions') and isolating political deviators. The political mainstream provides a structural order to society by instituting hierarchical attributes and a social consensus ('consideration, les égards, l'estime et la renommée'⁴⁰) whose regulating character also serves as a normative orientation. Public opinion thus institutes a pattern of social values.

Since public opinion functions as a mediator of many kinds of discursive systems (social reward, consent, values), the functioning of these systems is essentially at risk in case of its negligence. The political responsibility of the sovereign and his administration therefore consists of mediating the social balance that public opinion is supposed to assure; i.e. politics acts as the last resort of regulating society (in terms of the social systems mentioned above) and may intervene if public opinion is being ignored.

The necessary consideration of public opinion on the part of the political actors is particularly crucial in the domain of financial administration. Necker regards the negligence of public opinion as a source of corruption: The abandonment of public opinion as a moral guideline would lead to the administrator's attempt to increase his reputation by other means; it hence is an indicator of his proneness to ignore the *bien public*.

However, any negligence of public opinion does trigger political ramifications for the political actors, with those inciting it being

³⁹ *De l'administration des finances de la France. Par M. Necker* [Texte imprimé], (S. l.) 1784, Bibliothèque Nationale de France, 3 vol. in-8° [LF76-7 (J)], vol. I, p. II.

⁴⁰ *Ibid.*, liii.

exposed to public resentment. The administrator serving particular interests as opposed to the *bien public* ceases to be a *homme public* and consequently loses his wrongfully acquired reputation with his office. In that sense, public opinion is not merely a moral guideline, but also a political orientation offering advice to the political actor.

Institutionalising the public: the structural coherence of public opinion and public sphere

In Necker's conception, the *public sphere* clearly acts as a framework in which discourse and political antagonisms give rise to *public opinion*. There is, in fact, a dialectic relationship between the morphological structure of the public sphere and the varieties of its political appearance. The *Compte rendu*, as we shall see, helped to create a particular segment of the public sphere and essentially fosters its development; *De l'administration*, in contrast, appeals to the critical reasoning of its members.

While Necker's own conception of public opinion surely is a remarkable early insight to both functioning and social impact of this new phenomenon, contemporary social research enables us to define its meaning in a more categorical fashion. With respect to the adequate classification of the public sphere, Habermas's theory of transformation lends itself well to the evaluation of the observations made by Necker in the *Compte rendu* (1); in order to link the process of transformation to the related phenomenon of public opinion, it can in turn be segmented as acting in different separate and autonomous publics (2).

Habermas's *Transformation* is based on gradual institutional change. The feudal 'representative' public causes the early capitalism of the late middle ages, institutionalising new forms of commerce and trade tools ('finanzkapitalistische Techniken'). Economic change and institutional and technical progress in turn necessitate communicative mediation provided by private correspondence and early forms of 'news-trade' ('Nachrichtenhandel') which, however, lacks publicity at this early stage. In seventeenth century Europe (i.e. England as a precursor), a censored press develops as an instrument of governmental proclamation; the *bourgeois* society, already existing as

a social, but not as a political entity, functions as an audience of the representative system, but with increasing significance.⁴¹ The interplay of state representation and its (still) subjected audience causes a growing centralisation of the representative public sphere. European absolutism creates a new form of representation, which is the exclusive public of the courts.

In the course of the process of transformation, the bourgeois society is to become politically relevant by deducing from its inherent property of judgment a related sphere of political reasoning ('politisches Raisonement der Öffentlichkeit'). Thus the bourgeois public sphere has become a political reality, yet it needs to be institutionalised in order to gain lasting political significance. For Habermas, Necker's publication of the state finances illustrates this evolved political reasoning, and Necker himself was aware of the enormous significance of the *Compte rendu*.⁴²

One rather useful scheme of segmentation is that of Yeric and Todd who identify three basic forms of the 'public': the single-issue public, which is instituted by a common concern among a given group of individuals; the 'organisational public' shaped by organised groups that are motivated by a particular interest; and the 'ideological public'

⁴¹ Habermas exemplifies the increasing political relevance of the 'subjects' with the 'Verordnungen des Landesherrn zum Besten der Untertanen' [Decrees of the Sovereign to the benefit of the subjects] in Prussia and a governmental newspaper in Electoral Palatinate 'zum Dienste der Handlung und des gemeinen Mannes' [in the service of commerce and the common man]: Habermas, 1990, pp. 79-80.

⁴² As he wrote in *De l'administration* (xciii): 'le Compte rendu a introduit, s'il m'est permis de le dire, comme une nouvelle ère dans les finances: les calculs, les spéculations des prêteurs se rapportent à cette époque, & l'on ne peut plus s'abandonner avec exagération aux idées sombres & aux sentiments craintifs qu'une longue obscurité doit nécessairement faire naître' [the *Compte rendu* has opened, if I am allowed to say so, the doors to a new era of the public finances: the calculations and speculations of the creditors depend on it, and it is impossible to surrender oneself without exaggerations to the clouded thoughts and misgivings that has necessarily been brought about by a long-enduring ambiguity].

which gives rise to political debate based on ideological differences.⁴³ Apart from the organisational public, which is a rather recent phenomenon, these segments of the public sphere can be deduced from Necker's writings. The *Compte rendu* thereby serves as an indicator of a 'common concern' (the state finances) that is of interest to a 'single-issue public' (creditors to the Crown); complementarily, political opposition to Necker's ideas provides the ideological element. Based on the theory of segmentation, the *Compte rendu* can be regarded as a political trigger of an *economic dimension of the public sphere*.

Although Habermas's conception of public opinion has been much contested, its strong analytical coherence to the notion of transformation is highly useful to the present context. What shall be demonstrated here is that, in France, both public sphere and public opinion developed in the course of the eighteenth century and that, with respect to the financial administration, it took on a particular and segmented form that is of interest to economic historians. Habermas's theory is applicable to the discussion, despite many reasonable objections, precisely because he is concerned with a bourgeois public sphere and hardly with a 'Marxist' postbourgeois public sphere.⁴⁴ However, the bourgeois element must not be misunderstood as a political proposition (though it may serve as a social classification)

⁴³ J. L. Yeric and J. R. Todd, *Public Opinion – The Visible Politics*, 2nd edn., Itasca (Ill.): F. E. Peacock Publishers, 1989, p. 3ff.

⁴⁴ See P. U. Hohendahl, 'The Public Sphere: Models and Boundaries', in: C. Calhoun, (ed.), *Habermas and the Public Sphere*, Cambridge, MA.: MIT Press, 1992, pp. 99-108; this distinction is indeed of high significance, for it prevents Habermas's approach being interpreted ideologically. The transformation theory is certainly not a Marxist 'class struggle' approach, as, with respect to eighteenth century France, 'the apparent simplicity of the distinction between privileged and unprivileged is misleading': C. Lucas, *Nobles, Bourgeois, and The Origins of the French Revolution*, in Kates, Gary (ed.), *The French Revolution – Recent Debates & New Controversies*, London and New York: Routledge, 1998, pp. 44-70, esp. p. 48. Even for the understanding of the revolution, 'sphere' is much more insightful a concept than 'class' (see section 4).

and it certainly is not intended as a classificatory scheme able to account for the variety and complexity of modern public phenomena. The bourgeois public sphere is a preliminary, but decisive episode in the process of transformation by incremental degrees, and this very fact has been recognised even by Habermas's critics. Baker extends this notion by pointing to the vast degree of congruence between the English and French cases. Although denying the importance of the bourgeois element (though his contestation seems to be based on semantics rather than a conceptual disagreement), he convincingly points to the link between public opinion and 'a crisis in absolute authority'.⁴⁵ As seen above, this is precisely the observation made by Necker, writing in 1784. Thus the parallel processes of transformation and segmentation give rise to a new form of bourgeois publicity and a related segment, its *economic dimension*, which, like the transformation itself, relies on institutional change. With respect to the *Compte rendu*, institutional change is not an *a priori* process; its publication would not have been imaginable without the prior process of transformation. Thus it is part of the very institutionalisation that it triggers.

Is this structural coherence immanent in the Compte rendu?

It is no coincidence that Necker's explicit theoretical treatment of public opinion would appear three years after the publication of the *Compte rendu*. His own conception of public opinion as stemming from the existence of public institutions (i.e. an institutionalised public sphere) chronologically occurs after the transformation of the public sphere. Necker's public *sphere* is driven by a social consensus providing structural order to society – this structural order is

⁴⁵ K. M. Baker, 'Defining the Public Sphere in Eighteenth-Century France: Variations on a Theme by Habermas', in Calhoun, op. cit., pp. 181-211, esp. p. 192; the vast degree of congruence between C17 England and C18 France is among the key insights provided by CHA approaches to revolutionary theory (see J. A. Goldstone, 'Comparative Historical Analysis and Knowledge Accumulation in the Study of Revolutions', in R. Mahoney (ed.), *Comparative Historical Analysis in the Social Sciences*, Cambridge: Cambridge University Press, 2003, pp. 41-90).

institutionalisation and institutional change. Public opinion is the reflection on the process of institutionalisation and constituted by critical reasoning. This logical deduction – institutionalising the (transformed) public in order to gain critical reflection – is to a great extent immanent in the *Compte rendu*; in fact, it is its main purpose, in the hermeneutic-historical sense.

The analysis indicates that the *Compte rendu* appeals to a new public framework, one that has evolved from the purely representative public through processes of transformation and segmentation. From a historical perspective, the *Compte rendu* verifies both theories. The publication of the state finances launches the involvement of the audience ('everybody with the ability to read') and furthers its structural transformation, while the details of the contents allow for the formation of a particular segment, the single-issue financial public. Based on this pattern, the *Compte rendu* can be regarded as having established an economic dimension of the public sphere in eighteenth century France; or, for the sake of semantic aesthetics, an *economic public sphere*.⁴⁶

4. A political characterisation of the economic public sphere

In order to explain the specific contents of the economic public sphere, it is worth summarising, at this point, the core findings that have been established so far. We have seen that both the hermeneutic-historical purpose and the addressed audience of the *Compte rendu* differ from their previous social roles in the absolutist representative system. The transformation of the audience, and hence of the public sphere, is boosted by the publication of the state finances which is designed to satisfy specific economic interests of the new bourgeois public. The relationship between state and bourgeois public is a reciprocal one and is instituted by the newly conceptualised phenomenon of public opinion, the *esprit social* of the

⁴⁶ Economic public sphere, of course, is itself a preliminary term; in contemporary societies the eighteenth century economic public sphere may have evolved into further segments, each accounting for different public economic phenomena.

public sphere. Hence public life in eighteenth century France is essentially preconditioned by a reorientation in economic policy making, as exemplified by Necker's writings. The evolution of the bourgeois public sphere is an important preliminary step towards a public modernity and, in addition to the process of transformation, characterised by a parallel process of segmentation. An example of a particular segment of the transformed public sphere is its economic dimension. In the introduction, I have already hinted towards the political relevance of this important aspect of social change, and section 3 was largely devoted to the theoretical fundamentals of the transformation process. Now, it remains to be shown which specific economic parameters revealed by the above analysis determine the political contents of the economic public sphere.

Key contents of the economic public sphere

Looking at the economic parameters deduced by the previous analysis, two essential mechanisms characterise the transformed public sphere (used interchangeably for 'bourgeois' public sphere) with respect to its political pertinence. One is determined thematically and given by the political nature of the core theme of fiscal policy. The other is instituted by the process of segmentation, which gives rise to an intriguing historical development: *the publication of the state affairs, which is grounded in a political decision, enhances the creation of a spherical segment of society*. The extraordinariness of this occurrence cannot be emphasised too strongly. One way to grasp this historical singularity is to think of it in terms of *nouvelle histoire* methodology, in particular, Braudel's concept of time differentials ('temps multiples').⁴⁷ The political decision of publishing the state finances happens within a short-run chronospheric framework ('temps des événements'), whereas evolution and transformation of the public sphere are long-term propositions ('temps des structures', 'la longue durée'). Hence the process of segmentation is a multidimensional interaction of time structures, as it relates to both the political decision and the long-term processes: *a particular historical event very*

⁴⁷ F. Braudel, *Écrits sur l'Histoire*, Paris: Flammarion, 1969, pp. 11-85.
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specifically impacts and shapes a long-term societal development. One might also gain the necessary sensitivity by contemplating the complexity of modern social spheres. That contemporary societies are spherical is a key proposition of social theory, yet it seems difficult to attribute the formation of public segments to single historical events.⁴⁸ However, this is precisely what can be observed for the formation of a single-issue public of financial investors – the economic public sphere – in eighteenth century France. The *Compte rendu* fortifies the development of a public sphere segment, which helps us understanding how public transformation worked; it is a literature of such an immense socio-economic impact that it allows us to deduce from it three core properties of the economic public sphere, as follows.

The process of transformation induces fiscal policy to become a *public institution*, the government to become a *public economic agent*. As shown in section 3, the transformed bourgeois public remains, although socially widened, an exclusive sphere of restricted access. This is due partly to its preliminary nature and partly to the segmentation of public awareness: governmental taxation and spending policies serve the interest of the bourgeois public, but the involvement in state affairs is bound to the spherical segment of potential investors. However, the modern conception of the *public responsibility* of governments is grounded in this transformation,

⁴⁸ The modern notion of social spheres is independent of the concept of class. That is, spherical distinctions are mostly based on intellectual orientation (regarding economics, politics, science, arts) and not necessarily correlated with class divisions. However, the historical development of societal segmentation begins with small differences which marked out one social group from another in everyday life – notably dress and accent – and the more palpable divisions of residence, lifestyle, and even seating in church.: R. A. Houston, *Social Change in the Age of Enlightenment: Edinburgh, 1660-1760*, Oxford: Clarendon, 1994, p. 56. Houston's case study on early modern Edinburgh provides valuable insight to how 'bourgeois' spheres in Habermas's sense may have evolved – certainly not in consequence of a particular event.

which despite its social restriction represents a spherical enlargement.

Second, the notion of *public benefit* must condition any conception of the public sphere as an economic entity. This can be deduced from our discussion of the reciprocity of the relationship between the state and the bourgeois public. The economic dimension of the bourgeois public sphere develops as a system of exchange of benefits, with the government satisfying the investors' quest for transparency in order to increase its ability to borrow. In doing so, government policy does not only help maximising investor utility, but also sustaining and modernising the economic institutions of the representative system (taxation, commerce, toll, etc.). Hence it benefits the bourgeois public sphere as a whole. The exclusiveness of this system of reciprocal benefit is given by the fact that access to state benefits is to a great extent correlated with property. As Hicks notes, the modern welfare state and its concept of unconditional benefit is a result of industrialisation;⁴⁹ the bourgeois public sphere, however, is by its very nature pre-industrial and pre-democratic.

Third, political *reform* is central to the economic efficiency of public institutions. The notion of reform is used in a pre-revolutionary sense of gradual adaptation which enables the institutionalisation of public awareness. Necker's incremental reform proposals and implementations foster the notion of *the public*, as revealed in particular by the discussion of the provincial administrations which 'teach the love and knowledge of the public good.'⁵⁰

Economic public sphere: some evidence for validity

It is perhaps easiest to demonstrate the validity of the concept by pointing to the severe consequences of its political negligence. Harking back to the accuracy of the *Compte rendu*, the state

⁴⁹ Even the development of the modern welfare state is of a coercive nature, essentially resulting from the occurrence of organised labour and the increase in workers' bargaining power: J. Hicks, *A Theory of Economic History*, Oxford: Oxford University Press, 1969, chapter IX.

⁵⁰ *Compte rendu*, p. 81.

breakdown of the late 1780s can – at least partially – be attributed to political ignorance regarding the economic public sphere. This proposition is based on the observations summarised in section 1 on the preventability of the state breakdown; interestingly, it can also be derived from CHA insights that establish a pattern of congruence between seventeenth century England and eighteenth century France. Analysing the English state breakdown, Goldstone notes that ‘for any early modern state the chief cost was the expenditure for war, an activity that could only rarely be avoided.’⁵¹ The war costs certainly also represent a major fiscal challenge in the French case, which is repeatedly mentioned in the *Compte rendu*; however, Goldstone finds yet another historical parallel: in both cases, strong population growth was the core reason for high inflation and thus for fiscal distress,⁵² a relationship which he captures in the following equation:

Long-term price pressure in n th decade after the base period =

$$\prod_{i=0}^n e^{k(X_i - B)},$$

where X_i is the inflation rate in the i th decade after a given base period, k is a positive constant, and B is the growth rate of state revenues without extraordinary measures such as the retraction of elite privileges or the imposition of new taxes. If $B < X_i$ then inflation will grow at a rate higher than the growth rate of state revenues, leaving $(X_i - B)$ positive with the impact of inflation growing exponentially over time. If $B > X_i$ then $(X_i - B)$ will be negative and the fiscal situation will improve since fiscal growth exceeds inflation.⁵³

The economic dimension of the public sphere significantly factors in to this model. What Goldstone’s findings essentially reveal is that the

⁵¹ J. A. Goldstone, *Revolution and Rebellion in the Early Modern World*, Berkeley and Los Angeles: University of California Press, 1991, p. 103.

⁵² *Ibid.*, p. 89ff.

⁵³ *Ibid.*, p. 103.

fiscal stability of the early modern states depended to a great extent on their ability to increase ordinary with extraordinary revenues, i.e. by borrowing. This depended on the public transparency of their finances. Hence the importance that is attached to the economic public sphere is among the most crucial determinants of the variable B in Goldstone's equation. This notion offers strong evidence for the link between the negligence of the (economic) public sphere and fiscal breakdown; thus it reveals that the concept, as defined by the three key parameters mentioned above, is a valid one in the historical context of pre-revolutionary France. With respect to the notion of gradual reform, it can be concluded that the *Compte rendu* represents Necker's most substantial contribution to political change. The end of the government's ability to finance its deficits by borrowing in the mid-1780s must therefore be attributed to the abandonment of Necker's reform policies (and those of his congenial predecessors Terray and Turgot) starting with the ministry of his successor Jean-François Joly de Fleury and most prominently pursued by Alexandre de Calonne.