

Modernizing the Economy in the 18th Century France:

The revealed policy of the ‘Bureau du Commerce’

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Abstract

This article explores the decision-making logic of a small French agency that was in charge of the oversight and support to the supply side of the proto-industrial part of the economy in the eighteenth-century France. We specifically explore the rational behind the decision made by the *Bureau du Commerce* when deciding to support or not an entrepreneur. We analyze indeed the whole set of *privileges* — i.e. individual franchises and rents, to private entrepreneurs — asked for and granted by the *Bureau* between 1700 and 1791; i.e. the 535 individual applications that were received and processed. We identified the conclusions reached, and motivations developed by the parties and experts involved in each case, and the qualitative arguments leveraged by each of them. Hence, we are able to test on a case-by-case basis how the members of the *Bureau* perceived the difficulties faced by entrepreneurs, how they assessed the value added of a business (in terms of contribution to economic development), and decided the type of support the crone could grant, given the costs or the drawbacks of public support. In particular the Bureau was very conservative regarding supports with significant fiscal costs or negative impact on competition. We are also able to check whether a consistent policy was applied across periods and across entrepreneurs. Overall, we highlight that supports to businesses were granted according to broad and impersonal criteria. These criteria were in line with the “market-friendly interventionism” that has been prominent in post 1990’s development policies. Start-up firms might be supported, but only parcimoniously to allow competition to stimulate and select entrepreneurs.

1. Introduction

Although characterized by an absolutist monarchy, the French 18th century experienced the emergence of modern institutions. Established in 1700 and aiming at regulating activities of commerce and industry, the *Bureau du Commerce* is a notable one. The function of the *Bureau du Commerce* was to allocate rights and privileges to private entrepreneurs through a multi-player and consultative decision-making process.

In previous studies, Beuve *et al.* (2017a ; 2017b) show that during two decades of relative political stability and economic prosperity under the reign of Louis XV (1724-1744), the *Bureau du Commerce* performed in an impersonal and rational way. On the one hand, the *Bureau's* decision was closely aligned with the arguments and recommendations made by the different actors, and experts consulted during the decision process. On the other hand, the decisions seem to be led by economic motives and the collective interest instead of by specific interests.

In the current study, we exploit the whole experience of *Bureau du Commerce* (1700-1791) to extend the investigation on the development strategy of this institution beyond the 1724-1744 period. The 18th century was characterized by multiple political and institutional changes, with the reign of three different kings and a decade of regency period. The analysis undertaken in the current study then allows to explore the policies undertook by the *Bureau du Commerce* in greater details. Specifically, we explore whether and how the *Bureau du Commerce's* decisions of allocating rents to private entrepreneurs followed specific patterns that reveal and describe consistent preferences and a national industrial development policy.

2. A short history of the *Bureau du Commerce*

The *Conseil du Commerce* was established in 1700 before being renamed in *Bureau du Commerce* in 1722. The activity of this institution covers the whole 18th century and disappears in 1791 during the French Revolution. Beyond its name change, some institutional changes were made during its 91 years of existence. However, its scope and functioning remained sufficiently stable over time to consider it as a single and homogeneous institution. Additional notable changes occurred at the level of heads of the State. The *Bureau du*

Commerce's implementation took place during the reign of Louis XIV that ended in 1715 and was followed by a period of regency led by Philippe d'Orléans until 1723.

In contrast with Louis XIV's reign emblematic of absolute monarchy associated with divine right, the *Régence* period is characterized by a less legitimate and weaker political power. Philippe d'Orléans also inherited a state that was almost bankrupt and had to struggle with severe public finance issues. Grandson of Louis XIV, Louis XV reached maturity in 1723 and reigned until he died in 1774. Louis XVI succeeded him and ruled France until his death in 1792 when he was guillotined, one year after the abolition of the *Bureau du Commerce*.

The *Bureau du Commerce* was established during the *Ancien Régime*, characterized by a highly fragmented territory over provinces, cities and fiefdoms, and their respective political powers. The fragmentation was also significant in legal terms and social statuses. In this context, Louis XIV tried to solve the substantial double challenge of unifying the territory and modernizing its economy and economic institutions. The *Bureau du Commerce*, built on the principles of centralization and bureaucratization, was developed to address this double challenge. The creation of the *Bureau du Commerce* establishes *de facto* a new unified jurisdiction for the commerce, contributes to developing a bureaucratic state, and supports a single market policy for economic development.

Specifically, the *Bureau du Commerce* was in charge of the regulation of internal, colonial, and foreign commerce. It dealt with the issues of producers' rights, guilds, and *manufactures* -that are private industrial firms to which the state granted some special privileges-. The *Bureau du Commerce* was also involved in the enforcement of *règlements* (rules). Finally, it processed the demands for the creation of manufactures and the allocation of privileges to entrepreneurs. Our analysis focuses on this latter function.

The institutional design of the *Bureau* has three salient features. First, it is centralized and offers a unified and impersonal system across the whole territory. Second, the various interests and stakeholders are represented and can be voiced during the decision-making of privilege granting. And finally, it relies on collegial a decision-making and not the *fait du prince*.

3. The *Bureau du Commerce's* stakeholders and functioning

The *Bureau du Commerce* is a complex multi-player institution where different actors represent interests. Its decision-making can be simplified and can be thought of as a 5-step-process involving three distinct actors. First, an entrepreneur addresses a request to the *Bureau du Commerce*. The requested file contains a description of the project and a claim for some specific privileges of an economic or legal order. The entrepreneur motivates his claim by presenting the expected benefits of risk reduction, economic development, and collective interest. Second, the application is forwarded by the administration of the *Bureau du Commerce* to the *provincial intendants*. Specifically, as local experts, *intendants* are asked to review the application and assess its impacts. In particular, *intendants* formulate an opinion about whether or not the project should be granted with specific privilege. They support an opinion by providing positive and negative arguments that the project is likely to exert on the local economy.

Third, the initial application augmented by the opinion and arguments established by the *intendants* is delivered to the *députés du Commerce*. The *députés*, whose number varies from 10 to 14, are elected, or appointed experts acknowledged for their experience in merchants, long-distance trade, and innovation issues. Like the *intendants*, the *députés* provide their own opinion and arguments about the case. Fourth, the application augmented by the opinions and arguments made by both *intendants* and *députés* is sent to a college of top bureaucrats of the *Bureau du Commerce*. They are called *commissaires* and are notably representative of ministries and high-level government bodies. The college of *commissaires* discuss arguments and deliver a final decision stating which privileges should be granted or not to the claimant. Fifth, the final decision is then almost systematically approved by the *Contrôleur Général des Finances*, one of the most powerful ministers at that time. Finally, in the case a privilege is granted, a royal decree is eventually produced.

This decision-making process has interesting features. First, despite changes in heads of State and national institutions, the privilege granting by the *Bureau du Commerce* relied on a surprisingly stable decision-making process over the 18th century. Second, it is based on consultation of various actors gathering multiple complementary expertises. For instance, *intendants* have deep knowledge of local economies and issues, whereas *députés* are more acknowledged for their expertise at the national and international scales. Third, the 5-step

process described above highlights that the deliberation is not the output of negotiations and bargaining between actors but is rather based on the independent opinions of the various stakeholders.

4. Data: collection and encoding of the deliberation process

To provide a rigorous econometric analysis of the *Bureau du Commerce* decision-making, we first perform an extensive work of data collection and coding. First, we identified all the cases handled by the *Bureau du Commerce* over its whole period of activity (1700-1791) and collected all the respective case records -that consists of various documents such as claimant applications, minutes, reports of *intendants*, *députés*, and *commissaires*, as well as final decision- available from the French National Archives. This step results in the compilation of 535 cases from which we extract information such as the place where the request is made, the date on which the application has been addressed and the industry concerned and the final decision, and if any, the privileges that have been granted to the claimant. In addition to these general pieces of information, we code how the main parties involved in the decision-making contributed to the final decision. Specifically, we turn the qualitative reports made by *intendants*, *députés*, and *commissaires* containing both opinions (and final decision in the case of *commissaires*) and their supportive arguments into numeric data we can analyze.

4.1. The list of privileges

Entrepreneurs could address a range of privilege requests to the *Bureau du Commerce*. We classify the list of privileges into three main groups: (i) legal right to operate a business, (ii) territorial exclusivity, (iii) financial privileges including personal tax reductions, custom duties exemptions, and financial support.

The first type of privilege deals with the legal status of the firm. We distinguish several levels of privilege. First, a claimant can ask for and/or obtain a simple goods production and sale authorization. Second, a claimant can also obtain a higher level of privilege called *manufacture* that confers significant recognition and institutional facilities. The ultimate level in this group of privileges consists of a title of *manufacture royale* that gives access to additional derogations from the common status corresponding to the industry and an important symbol of prestige. We create a categorical variable that reports the obtaining of such a privilege for

each case. The variable *obtain_manufacture* takes four values, from 0 when no privilege of this type was obtained to 3 for cases that were granted a privilege of *manufacture royale*.

Territorial exclusivity is at the center of the second group of privileges. Entrepreneurs are keen to request such privileges that offers a delimited monopoly power at the local, regional and national scales. The categorical variable *obtain_territory* takes four modalities, from 0 when no territorial exclusivity is granted to 4 for national exclusivity. It should be noted that most territorial exclusivity privileges are given at the local scale, offering an entrepreneur a monopoly within a radius between 10 to 40 kilometers. Regional and national exclusivity is more rarely granted. In addition, obtaining a national exclusivity only prevents other national entrepreneurs from producing the same good. An entrepreneur with national exclusivity may still face competition from foreign producers. The latter nevertheless have to bear additional transport costs and customs duties relative to national entrepreneurs.

The third group of privilege consists of financial grants that can take various forms, both monetary and in kind. Despite the limited financial resources of the kingdom, the flawed credit system makes entrepreneurs keen on requesting such privileges to develop their business. We create the variable *obtain_financial* takes 1 when such a privilege is granted and 0 otherwise.

4.2. The opinions and arguments raised by stakeholders

Original files have been coded so that the dataset enables to observe opinion expressed by *intendants*, *députés*, and the final decisions made by the *commissaires*. Each of these variables takes three values. 0 indicates a rejection, 1 corresponds to curtailed acceptance of the requested privilege, and 2 shows that the demanded privilege is accepted.

In addition, we have access to arguments that were discussed in favor or against each demanded case, including the arguments raised by the demander itself. We categorize arguments into positive or negative based on the archived records. Specifically, we classify arguments along four categories defined as follows and according to the positive or negative nature of the arguments raised by stakeholders involved in the decision-making process (*intendants*, *députés*, *commissaires*): (i) *Economic*: case contribution to local development, the wealth of the country, or the trade balance (either by substituting to importation or by

contributing to exporting); (ii) *Innovation*: whether the business manufactures an innovative and useful product or is based on a process innovation that deserves to be supported and protected; (iii) *Public*: contribution to positive externalities benefiting the public interest (*e.g.* providing work to the poor, providing some public good, or serving the interest of the crown); (iv) *Legal*: whether the request is justified by the granting of similar privilege in the past or should be denied because it infringes already granted rights or status. A description of arguments is provided in Table 1.

Table 1. Argument variables' descriptions

Variable	Description
arg_Pos_Eco	1 = presence of a positive economic argument
arg_Neg_Eco	1 = presence of a negative economic argument
arg_Pos_Innov	1 = presence of a positive argument about innovation
arg_Neg_Innov	1 = presence of a negative argument about innovation
arg_Pos_Public	1 = presence of a positive argument about public benefits
arg_Neg_Public	1 = presence of a positive negative about public benefits
arg_Pos_Legal	1 = presence of a positive legal argument
arg_Neg_Legal	1 = presence of a negative legal argument

5. An econometric analysis of the revealed objectives and policies of the Bureau du Commerce

Results discussed in another paper evidence that the decision-making of the Bureau du Commerce remained rather stable and has not been substantially affected by changes of rulers. As a result, the Bureau can be perceived as a modern bureaucracy whose the functioning is both rational and independent from political power. However, the data collected and coded allows a further exploration of the Bureau decisions by considering the type of requests that have been granted rather than examining the decision-making process itself. We then investigate how arguments raised by final decision-makers affect specific obtained privileges. On the one hand, we classify privileges in three groups: granting of a manufacture status, granting of a territorial exclusivity, and granting of a financial privilege such as tax exemption or subsidy. On the other hand, we categorize arguments in four categories: *Economic*, *Public*, *Innovation*, and *Legal*. In addition, within each category we distinguish positive and negative arguments since they are likely to exert opposite effects on the probability of being granted a privilege. We estimate a logit model as follows:

$$p_{ij} = \Pr(\text{privilege}_j = i) = \Pr(K_{i-1} < \beta_1 \text{FinalArgument}_j + \beta_2 x_{2j} + \dots + \beta_k x_{kj} + u_j \leq K_i)$$

Where K is number of possible outcomes as success or failure and x are explanatory and control variables. In addition, we include variables controlling for regions (South West, South East, North West, North East, Paris area), and periods (reign of Louis XIV, Régence, reigns of Louis XV and Louis XVI). This notably allows to control for the irregular distribution of cases displayed in Figure 1.

Despite irregular distribution over time, our results show that decision making procedure and how arguments affects final decision made by the Bureau du Commerce do not significantly differ across king reigns. We also tested finer period effects by including specific effects at the ministry level. However, this reduces the size of the dataset by splitting the data and leads to insignificant results while the direction of coefficients is not changed.

The regions variables intends to control for the heterogeneous distribution of privileges over the French territory and departments as displayed in Figure 2. Once again, lowering the level of granularity from regions to departments creates inconsistency. We then opt for a broader breakdown by distinguishing four regions (South West, South East, North West, North East) along with the Paris area.

Figure 1. Distribution of cases over time

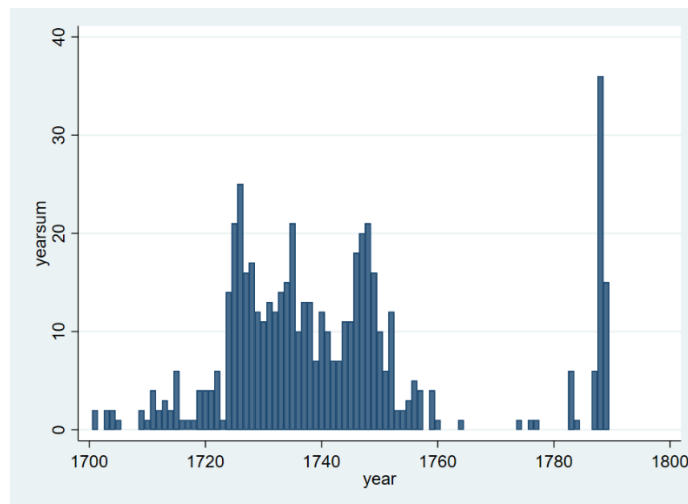


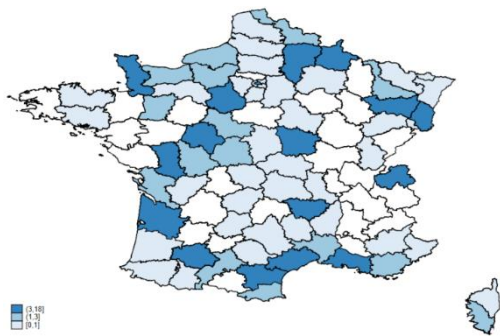
Table 2 reports margins of results of the estimates from the logit model. First, it appears that positive economic and legal arguments are positively associated with the granting of a manufacture privilege by the Bureau du Commerce. We then note that innovation and public interest arguments are not considered as major issues in the granting of manufacture status. On the contrary, legal arguments do not impact territory exclusivity granting for which the critical determinants are limited to innovation, economic and public interest issues. The probability of obtaining a financial privilege is significantly influenced by positive economic and public interest arguments.

These results taken as a whole, economic arguments appear as a driver of all types of privileges. When a positive economic argument is raised, the Commission is more likely to grant privileges. This observation gives credence to the hypothesis that the Commission's main objective consists in supporting the economy. Furthermore, requests from foreign or Paris-based entrepreneurs do not receive a statistically significant different privilege treatment than their counterparts. So does entrepreneurs from the Luxury industry. In contrast, the textile industry seems to benefit more easily from financial privileges in the form of tax exemptions, loans or subsidies. The Commission is then prone to stimulate the development of the textile industry without inhibiting new entrepreneurs to enter the market through the distribution of manufacture status or territorial exclusivity to textile entrepreneurs.

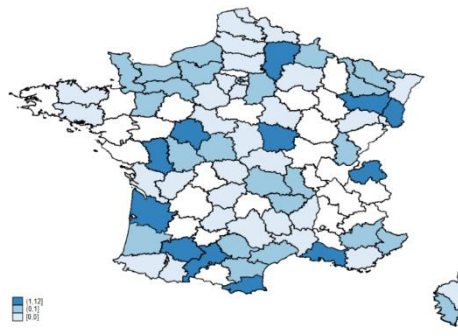
Specifically, positive economic arguments appear to exert a strong supporting effect in the case of manufacture status, increasing the probability to obtain such a privilege by up to 41%. The magnitude of the effect is less pronounced for territorial exclusivity where a positive economic argument increases the probability of being granted the privilege by up to 14%. Overall, we observe that the results are poorly sensitive to specifications. In particular, the granting of privileges by the Bureau du Commerce does not seem to be different across time and space. Finally, the fact that the significance of arguments differs across privileges reveals that the Bureau du Commerce relies on a specific strategy that leads it to choose what privilege should be allocated to entrepreneurs according to the nature of arguments being raised.

Figure 2. Distribution of privileges over departments

Manufacture Privilege



Territory Privilege



Financial Privilege

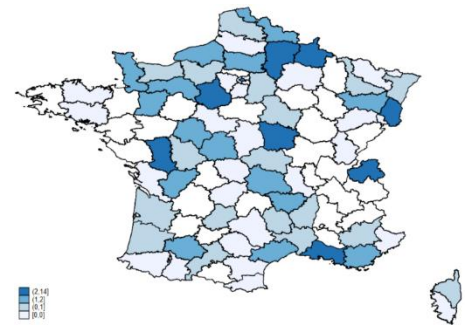


Table 2. Effect of arguments on the probability to obtain privileges

dependent	Manufacture			Territory			Financial		
	1	2	3	1	2	3	1	2	3
arg_decision_Pos_Eco	0.406*** (0.03)	0.321*** (0.04)	0.380*** (0.03)	0.126** (0.04)	0.103* (0.05)	0.143*** (0.04)	0.254*** (0.05)	0.213*** (0.05)	0.180*** (0.04)
arg_decision_Neg_Eco	0.039 (0.07)	-0.003 (0.06)	-0.001 (0.07)	0.052 (0.05)	0.044 (0.05)	0.024 (0.04)	-0.053 (0.08)	-0.064 (0.08)	-0.061 (0.08)
arg_decision_Pos_Innov	0.055 (0.08)	-0.000 (0.07)	0.041 (0.09)	0.201*** (0.04)	0.179*** (0.04)	0.180*** (0.04)	0.112 (0.07)	0.076 (0.07)	0.082 (0.09)
arg_decision_Neg_Innov	-0.057 (0.08)	-0.073 (0.08)	-0.002 (0.09)	0.067 (0.06)	0.053 (0.06)	0.109* (0.05)	-0.223 (0.12)	-0.224 (0.12)	-0.337* (0.17)
arg_decision_Pos_Public	0.031 (0.05)	0.046 (0.05)	0.027 (0.05)	0.077* (0.03)	0.077* (0.04)	0.046 (0.03)	0.134** (0.04)	0.129** (0.04)	0.139** (0.05)
arg_decision_Neg_Public	-0.082 (0.07)	-0.091 (0.07)	-0.089 (0.08)	-0.099 (0.07)	-0.100 (0.07)	-0.103 (0.07)	0.116 (0.07)	0.067 (0.07)	0.086 (0.08)
arg_decision_Pos_Legal	0.381*** (0.09)	0.364*** (0.09)	0.399*** (0.10)	0.009 (0.05)	0.001 (0.05)	-0.030 (0.06)	0.049 (0.07)	0.019 (0.07)	0.064 (0.08)
arg_decision_Neg_Legal	-0.113 (0.07)	-0.125 (0.07)	-0.157* (0.07)	-0.049 (0.06)	-0.060 (0.06)	-0.034 (0.05)	-0.058 (0.07)	-0.091 (0.07)	-0.084 (0.07)
Luxury	0.020 (0.07)	0.028 (0.07)	-0.014 (0.07)	-0.020 (0.06)	0.002 (0.06)	-0.034 (0.05)	-0.025 (0.07)	-0.006 (0.07)	-0.013 (0.07)
Foreign_Entrepreneur	-0.080 (0.08)	-0.070 (0.08)	-0.016 (0.09)	-0.098 (0.08)	-0.104 (0.08)	-0.009 (0.06)	0.116 (0.08)	0.108 (0.08)	0.084 (0.09)
Paris	-0.101 (0.07)	-0.041 (0.07)		-0.001 (0.05)	0.021 (0.06)		-0.026 (0.07)	0.002 (0.07)	
Textile	0.056 (0.04)	0.052 (0.04)	0.048 (0.04)	-0.058 (0.03)	-0.068 (0.04)	-0.047 (0.03)	0.134*** (0.04)	0.126** (0.04)	0.129** (0.04)
crown periods	yes			yes			yes		
ministry periods		yes			yes			yes	
five regions			yes			Yes			yes
Observations	419	416	384	337	335	384	419	416	384

6. A machine learning approach highlighting the effect of a combination of arguments

The above econometric analysis highlights to what types of arguments (economic, legal, innovation, public interest) the Bureau is more sensitive when attributing the different kinds of privileges. In other words, it allows to quantify how each specific argument -taken individually- modifies the probability of obtaining a given privilege. However, econometric tools face some limits to investigate further how a combination of arguments affect privilege granting. This is all the more true on samples that are not large enough to split them in a balanced and consistent way. Unlike regressions, decision trees are not sensitive to the (unbalanced) distribution of data. A decision-tree consists in a machine-learning algorithm classifying data. In our study, decision trees organize the data in a way revealing the relative importance of arguments in the final decision from the Bureau du Commerce.

Specifically, the computation of decision trees relies on several steps. First, the dataset is split along an argument in two sub-sets: cases for which the argument has been put forward on the one hand, and cases for which the argument has not been raised on the other hand. Second, the entropy is measured before and after the split. The entropy indicates the degree of randomness or unpredictability of data and is computed as:

$$\sum_{i=1}^k P_i \cdot \log_2 P_i$$

Where P_i is frequentist probability of class i .

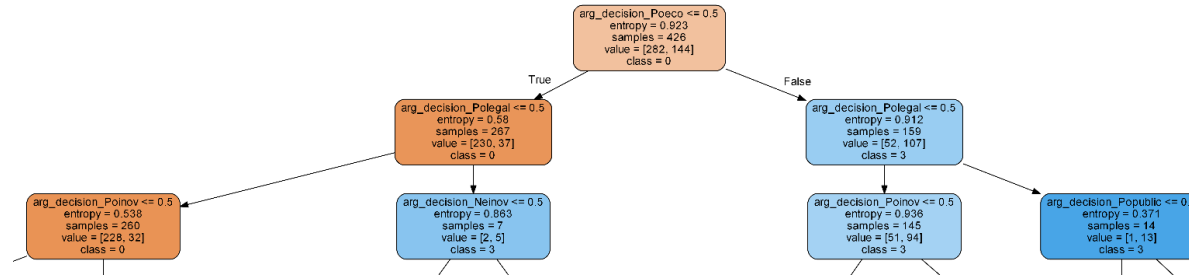
Third, a score of information gain, or decrease of entropy, is calculated as the difference of data entropy before and after the split. The same three steps are realized for each argument. Finally, the first branching of the decision tree can be established by drawing the

split associated with the highest information gain, i.e., along the argument that has the greatest explanatory power of receiving or not a given privilege. The whole process can be replicated with the remaining arguments to draw the successive branches of the decision tree.

We establish a decision tree for each of the three kinds of privileges we focus on (manufacture status, territorial exclusivity, and financial privilege), highlighting the relative importance of arguments and their combined effects on the privilege distribution. We present the first two levels of branches of the decision trees hereafter. In Figure 3, we see that benefitting from a positive economic argument is the most decisive argument to obtain a status of manufacture. The initial sample (node at the top of the tree) is split in two subsets of cases according to whether or not the cases received a positive economic argument. On the left, the subset of cases not receiving such a positive economic argument appears in orange indicating that a majority of cases did not succeed in obtaining a manufacture privilege. Precisely, among the 267 cases not associated with a positive value for the economy, 230 have not been granted of manufacture status, and only 37 obtained it. On the right, the subset of cases with a positive economic value appears in blue since 107 cases over 159 obtained the privilege.

Still on the right, when a case receives both a positive economic argument and a positive legal argument, it results almost systematically in a manufacture privilege (see node at the bottom right). Only one case over the 14 receiving both positive arguments did not obtain the privilege. We also note that a positive economic argument translates in obtaining the manufacture privilege most of the time, even when no positive legal argument is associated to the cases (94 successes vs 51 rejections). Symmetrically, despite the absence of positive economic argument, it is still possible to obtain the privilege. This is the case for five of the seven requests that were recognized as having a positive legal feature.

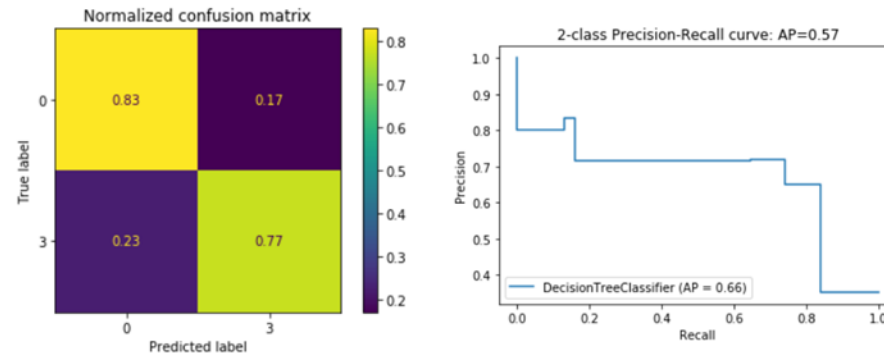
Figure 3. First two branches of the manufacture privilege decision tree



Note: The whole sample (initial node at the top) is first split in two subsets along the presence and absence of the most determinant argument in obtaining the specific privilege. Each subset is then split once again following the same process. Orange (resp. blue) nodes contain a majority of cases failing (resp. succeeding) at obtaining the privilege. Darker (resp. lighter) colors indicate a shaper (resp. narrower) majority.

To test the robustness of these results, we randomly divide the data into a training set and a test set. The latter is made of 20% of the observations and is used to compare the predictability of the model underlying the decision tree in Figure 3. We calculate the accuracy score of the model through a comparison between predicted class values and the real class values from the test sample. The accuracy score of the model is 81%. This score indicates that given the data features, the class value is correctly predicted in 81% of cases of the test sample.

Figure 4. Confusion matrix and the precision score of manufacture privilege decision tree



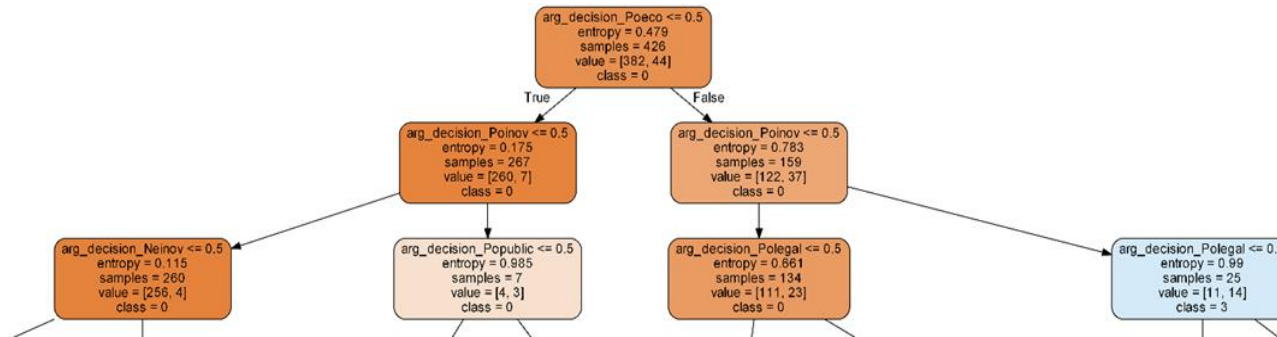
To better understand the decomposition of prediction power into predicting acceptance or rejection, we estimate a confusion matrix and the average precision score. The confusion matrix on the left panel of Figure 4 indicates that 83% of rejected cases are correctly predicted as rejection and that 77% of accepted are correctly predicted as such in the test sample. Average precision score (AP) on the right panel indicates the accuracy of the model in correctly predicting accepted cases, without including or excluding errors regarding accepted decisions.

The same method is used to investigate how the arguments shape the granting of territorial privileges. We note from Figure 5 that positive economic impact of cases is still the main driver of obtaining a territorial privilege, but it is not sufficient as, under this feature, only 37 of the 159 cases were eventually granted. Territorial privileges appear difficult to obtain. The only “winning” combination is when a case is recognized as having both positive economic and innovation features.¹ This result echoes back the modern patent

¹ Even under such circumstances, the node associated appears in light blue at the bottom right of the Figure 5 indicating that only a narrow majority of cases obtained the privilege.

privileges in which being innovative and economically valuable are of prime importance. The accuracy score of this model is 95% and the confusion matrix shows that 99% of rejected cases and 43% of accepted cases are correctly predicted in the test sample.

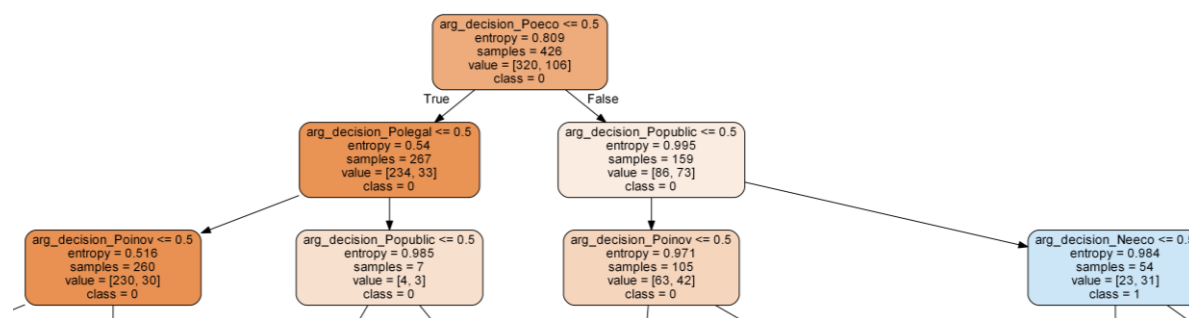
Figure 5. First two branches of the territorial privilege decision tree



Note: The whole sample (initial node at the top) is first split in two subsets along the presence and absence of the most determinant argument in obtaining the specific privilege. Each subset is then split once again following the same process. Orange (resp. blue) nodes contain a majority of cases failing (resp. succeeding) at obtaining the privilege. Darker (resp. lighter) colors indicate a shaper (resp. narrower) majority.

Finally, Figure 6 displays the decision tree of financial privileges. Once again positive economic value appears as the most determinant argument to obtain the privilege, yet insufficient in most cases when not associated with another argument. The only “winning” combination of arguments for this group of privileges consists in receiving both positive economic argument and being recognized as contributing to public interest. The accuracy score of the model is 77%, and 89% of the rejected cases and 26% of accepted cases are predicted correctly.

Figure 6. First two branches of the financial privilege decision tree



Note: The whole sample (initial node at the top) is first split in two subsets along the presence and absence of the most determinant argument in obtaining the specific privilege. Each subset is then split once again following the same process. Orange (resp. blue) nodes contain a majority of cases failing (resp. succeeding) at obtaining the privilege. Darker (resp. lighter) colors indicate a shaper (resp. narrower) majority.

Overall, these three decision trees highlight the primacy of positive economic impact of cases as criterion of acceptance, irrespective to the nature of privileges. This suggests that the Bureau du Commerce operated privilege granting with the main objective to support and develop the economy before any other consideration. In addition, it appears that the Bureau rewarded cases with different types of privileges depending on the features of the cases. In association with positive economic value, cases acknowledge by the Bureau as also conveying a positive legal dimension are more often granted a manufacture privilege. Cases with an innovation dimension are more likely to be granted a territorial exclusivity privilege and cases benefitting the public interest are more often rewarded with a financial privilege. These results reveal the non-random character of the attribution of privileges. Rather the Bureau du Commerce seems to have a structured strategy in achieving its mission of economic development by responding by different tools (privileges) to the different features of projects identified.

Table 3 offers a summary of results displayed in the decision trees presented above. The table should be read from the left to the right. The initial nodes of the three decision trees are reported in the first column of the table and the patterns of the trees develop to the right. Nodes in red indicate that they contain a majority of cases facing a rejection of a specific privilege. Conversely, nodes in black

correspond to situations in which most cases were granted the privilege. By displaying an additional branch as compared to decision trees, Table 2 shows that if positive economic argument is the most determinant, it is not necessarily sufficient and conversely that the absence of such a positive economic argument is not a curse and can be offset by a combination of other positive arguments.

Table 3. Decision tree table. Privileges for manufacture, territory, and money

Privilege (base level)	1 st step	2 nd step	3 rd step
Manufacture (rejected)	Pos_Eco = 1 (accepted)	Pos_Legal=1 (accepted)	Pos_Public=1 (accepted)
			Pos_Public=0 (accepted)
		Pos_Legal=0 (accepted)	Pos_Innov=1 (rejected)
			Pos_Innov=0 (accepted)
	Pos_Eco = 0 (rejected)	Pos_Legal=1 (accepted)	Neg_Innov=1 (accepted)
			Neg_Innov=0 (accepted)
		Pos_Legal=0 (rejected)	Pos_Innov=1 (rejected)
			Pos_Innov=0 (rejected)
Territory (rejected)	Pos_Eco=1 (rejected)	Pos_Innov=1 (accepted)	Pos_Legal=1 (accepted)
			Pos_Legal=0 (accepted)
		Pos_Innov=0 (rejected)	Pos_Legal=1 (rejected)
			Pos_Legal=0 (rejected)

	Pos_Eco=0 (rejected)	Pos_Innov=1 (rejected)	Pos_Public=1 (accepted)
			Pos_Public=0 (rejected)
		Pos_Innov=0 (rejected)	Neg_Innov=1 (rejected)
			Neg_Innov=0 (rejected)
Financial (rejected)	Pos_Eco=1 (rejected)	Pos_Public=1 (accepted)	Neg_Eco=1 (accepted)
			Neg_Eco=0 (accepted)
		Pos_Public=0 (rejected)	Pos_Innov=1 (rejected)
			Pos_Innov=0 (rejected)
	Pos_Eco=0 (rejected)	Pos_Legal=1 (rejected)	Pos_Public=1 (accepted)
			Pos_Public=0 (rejected)
		Pos_Legal=0 (rejected)	Pos_Innov=1 (rejected)
			Pos_Innov=0 (rejected)

Note: Reading should be made from left to right. The decision in parentheses shows the decision for a majority of data which could be changed in the next step. For example, the base level of territorial privilege is a rejection. Receiving a positive economic supportive argument (Pos_Eco=1) in the 1st step is not enough to change the decision. However, in the 2nd step by receiving a positive innovation supportive argument (together with the previous economic support), the default rejection decision will change to an acceptance decision.

7. Comparison of perceptions: demanders vs Bureau du Commerce

A close look at the data reveals that on many occasions demanders did not obtain the privilege they were seeking, but instead were granted another privilege that they had not been requested. As an illustration, suppose an entrepreneur makes a request for territorial

exclusivity. The Bureau decides not to grant the privilege but does not reject the case. Instead, the Bureau offers the entrepreneur a status of manufacture and a financial privilege. Such a situation highlights differences in what privileges a demander would like to obtain to support its activity and what privileges the Bureau du Commerce as supplier judge more relevant to grant to the entrepreneur in order support a national economic strategy.

We investigate further such situations of divergence where the Bureau du Commerce does grant (at least) a privilege to the demander, but not the specific privilege that has been requested by the claimant. To do so we restrict our sample to cases that obtained a privilege, regardless this privilege has been requested or not by claimants. In other words, we focus on cases for which the final decision of the Bureau du Commerce is “Acceptance”. We then build an index $\{-1;0;1\}$. It takes 0 if the requested privilege has been obtained; -1 if the privilege obtained has not been requested; and 1 when a given privilege has been requested but rather the Bureau granted the demander another privilege.

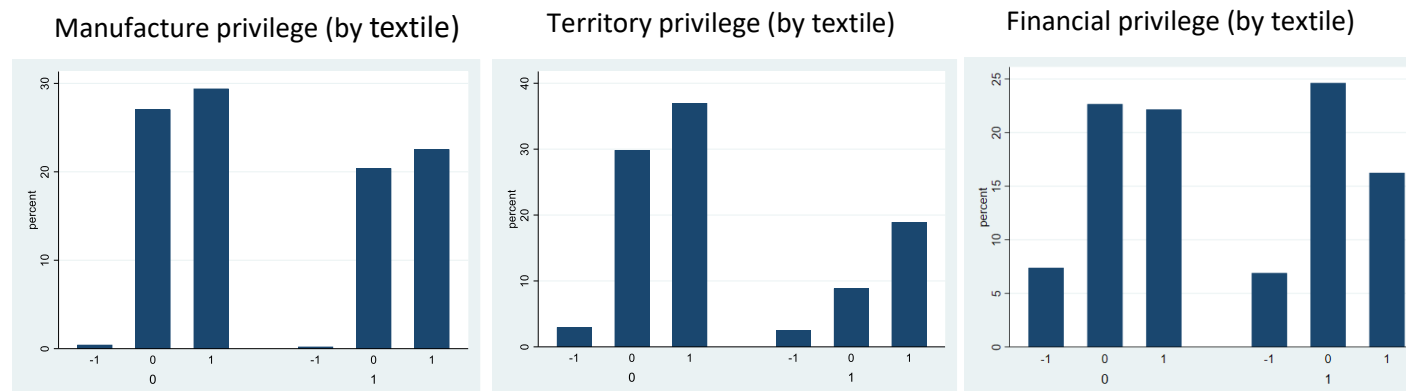
The textile industry has played a central role in the industrial revolution in Europe and in the formulation and implementation of the French industrial policy during the 18th century. We therefore provide a graphical analysis of the “grant divergence” index for the three categories of privileges and by distinguishing for cases in the textile sector and other cases. The first panel of Figure 7 displays the distribution of cases for the manufacture privilege. We observe that 27% of demands from non-textile sectors (on the left on the panel) have been granted the requested manufacture privilege and that an even greater number of cases obtained another privilege instead of the manufacture privilege they claimed. In other words, the Bureau decided that for about 30% of cases for which claimants request a manufacture privilege, another type of privilege was more suitable to France development. The symmetrical situation where claimants obtained such a manufacture privilege without having requested it is very rare. Altogether, these results suggest that the

status of manufacture was granted by the Bureau in a parsimonious and strategic way. A similar distribution is observed for cases in the textile industry (on the right of the panel).

The second panel focuses on the privilege of territorial exclusivity. Once again, a limited number of demanders that did not asked for a territory privilege obtained it anyway. On the contrary, a substantial number of claimants asked for it but obtained a substitute instead. This is particularly true in the textile sector where this situation occurred twice more often (19%) than the situation in which the Bureau granted the territory privilege as requested by claimants (9%). Finally, the right panel suggests that financial privileges are more often used as substitute of what has been requested by demanders than manufacture and territory privileges. Both in the industry sector and in the other sectors, about 7% of cases have been granted a financial privilege instead of the privilege that was requested by claimants. We also note that requests of financial privilege are less likely to be rejected in the textile sector. This reveals that the distribution of differences in perceptions varies over privileges and suggests evidence of a differentiated strategy of privilege granting across sectors from the Bureau.

Figure 7. Differences between requested and granted privileges

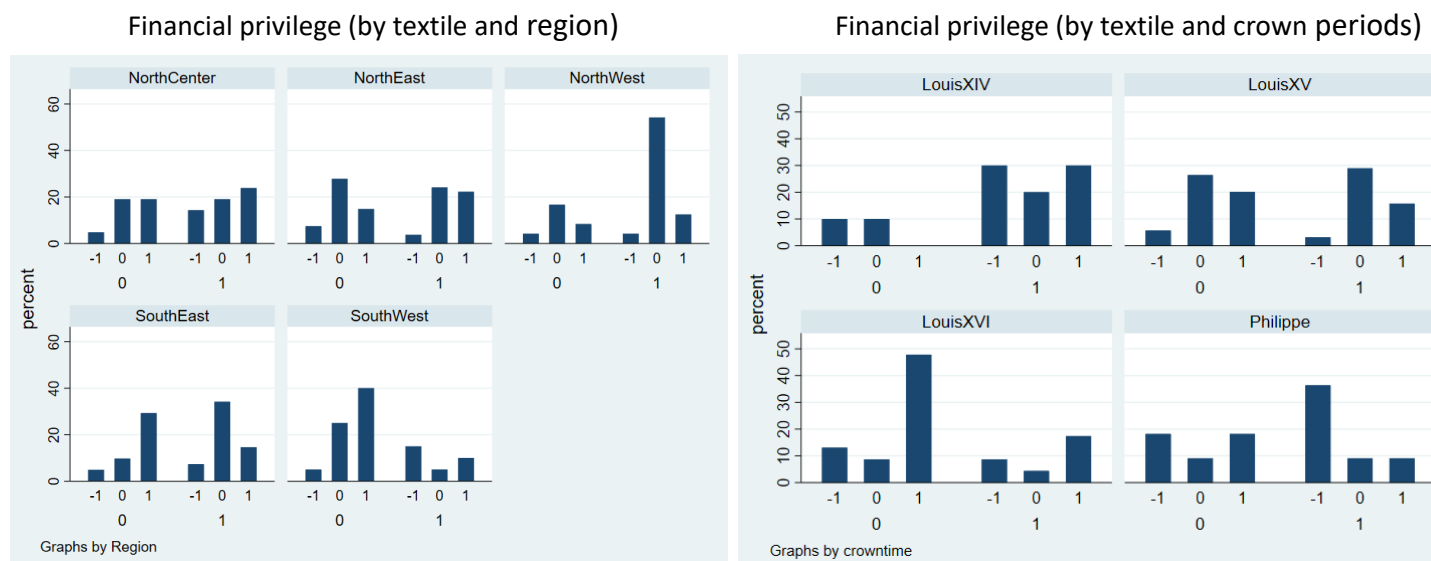
Note: Samples are restricted to accepted cases. Bars on the right (resp. left) of each graph represent cases in the textile sector (resp. in other sectors). The index capturing differences



in requests and grants takes 0 when a claimant requests privilege i and gets privilege i ; -1 when a claimant requests privilege j and gets privilege i ; and 1 when a claimant requests privilege i and gets privilege j .

We then focus on the textile sector only and divide cases along regions and periods. Graphs displayed in Figure 8 highlight heterogeneities across regions. For instance, in the North West region most cases requested a financial grant in the textile sector obtained it. On the contrary, in the South West region very few cases having asked for a financial privilege in textile sector have been granted with this privilege. In addition, the reign of Louis XV appears to be the period during which the differences between requested and granted financial privileges was the smallest. In other words, more requests of financial privileges have been granted during this period than in any other in the history of the Bureau du Commerce.

Figure 8. Differences between requested and granted financial privileges across time and space



8. Conclusion

This article explores whether and how decisions of a small French agency that allocated rents to hundreds of private entrepreneurs during the whole 18th century characterized by an absolutist monarchy followed a consistent national policy for economic development. We analyze in details the distribution of privileges, i.e., individual franchises and rents, to private entrepreneurs. Policy implementation responded to a bottom-up process whereby each applicant sent his demand to the *Bureau* in Paris, which then investigated the case and decided whether or not to support the claimant by granting privileges among a set of various privileges. Thanks to well-kept archives, we have been able to code 535 individual applications received and processed between 1700 and 1791. Furthermore, we identified the conclusions reached, the parties and experts involved in each case, and the qualitative arguments

leveraged by them. Hence, we can test on a case-by-case basis how the nature of arguments raised by stakeholders shaped the decisions of granting or not specific privileges to entrepreneurs. We show that, the *Bureau's* decisions followed specific patterns that reveal and describe consistent preferences and a national industrial development policy. The *Bureau* consistently reacted to specific characteristics of projects by granting entrepreneurs a corresponding specific set of privileges.

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