

Economics of History Activity



Conflict and Absolutism in Europe

Louis XIV's France: The Economy of War

During the seventeenth century, Louis XIV governed France with absolute power, and his reign was characterized by an extravagant lifestyle and massive military spending. He waged four wars between 1667 and 1713 and required revenue to fund his pursuits. As controller-general of finances, Jean-Baptiste Colbert administered a number of trade policies that helped expand Louis XIV's wealth and power by increasing commercial spending.

To achieve military dominance throughout Europe, the French government required massive revenue increases to help finance its wars and standing army. Jean-Baptiste Colbert's trade policies increased French exports so that they far exceeded foreign imports. This reliance on foreign trade is an underlying principle of **mercantilism**, which dominated the European economic landscape from the sixteenth through the eighteenth century. Unfortunately, mercantilist economic policies often lead to an oversupply of money, increasing inflation.

Colbert championed the growth of industry, commerce, and colonization. After being made secretary of state for naval affairs in 1669, he established a large French navy to help achieve development in those areas. To help France achieve financial self-sufficiency, Colbert also imposed **subsidies** to increase French commerce and implemented **tariff** protection. In addition to subsidizing domestic industries, Colbert also boosted domestic commerce by raising manufacturing standards, initiating a road-building program, and restricting the use of natural resources.

To meet the increasing cost of military expenses and offset the cost of Louis XIV's extravagant spending habits, Colbert was eventually forced to increase taxes and borrow against future revenues. Despite his best efforts to settle the country's massive debt, the French people were taxed into poverty.

Economics Terms to Know

mercantilism an economic system based on increasing exports and collecting precious metals in return

subsidies government payments to encourage or protect a certain economic activity

tariff tax placed on an imported product

Applying Economics to History

- 1. Making Inferences** Why would a mercantilist society like seventeenth-century France value precious metals above other forms of wealth?

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- 2. Drawing Conclusions** If Louis XIV's government had operated as a democracy rather than as an absolute monarchy, do you think France would have achieved economic stability? Why or why not?

- 3. Making Connections** Louis XIV's government provided various industries with subsidies to help fuel the economy. Think about the industries and social programs that the U.S. government subsidizes today. How can subsidies help stimulate our current economy?
