

# Bureaucracy, Collegiality and Public Decision-Making in 18<sup>th</sup> Century France: the case of State support to private firms

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**This version: 10/09/2014**

## **Abstract**

*The Bureau de Commerce was a small, rather modern agency of the French government in charge i.a. of supporting private firms. We coded how the 281 applications submitted between 1724 and 1744 were processed, via a mix of hierarchic decision-making and peer-based deliberation within two successive colleges of experts and technocrats. Against the expectation of bureaucratic capture by rent-seeking interests, we show that formal rules shaped decisions: both the final judgment of the key participants (for or against each demand), and the qualitative arguments they brought forward are robust predictors of the final decision.*

## 1. Bureaucracies and Interest Representation

Whereas the concept of state-building evokes grand notions like the rule of law, civic participation or constitutional commitments, how state bureaucracies contribute to such endeavors and how they are actually built up are generally seen as secondary questions. In practice, bureaucracies seem to attract the attention of social researchers only when they are dysfunctional or corrupt, or when they escape the control of their principals; that is, when they diverge from Max Weber's classical criteria of expertise, hierarchy, impersonality and submission to the politicians.

What is often missed from the old Weberian text is that, although Weber announces that bureaucracies will eventually perform like ideal instruments, he envisages them also as a force for change: a historic social phenomenon that has considerably affected how modern societies work and how they are governed. In Weber's view, the expansion of bureaucracies since the early-modern period is a core feature of the more general development of impersonal, law-based states (or *Rechtsstaat*). By transferring administrative duties from "personal trustees, table-companions, or court-servants"<sup>1</sup> to specialized, permanent organizations, the rulers gained considerable power, both within their countries and against their neighbors. Critically, Weber also identified a close historical and theoretical connection between the impersonal character of bureaucracies and that of market exchanges: predictable rule-making and rule enforcement allow for a superior "calculability" of micro-economic decisions, hence, other things equal, a higher capacity for economic agents to optimize resource mobilization.

This ideal-typic model of bureaucracies has often been associated with the traditional ethos of the French bureaucracy, or that of the Second German Reich, which were both founded on a

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<sup>1</sup> Weber 1978, II, p. 956

principle of relative autonomy vis-à-vis special interests. In this political and intellectual tradition, States and governments should serve a broader understanding of the public good than what the addition of ad-hoc interest coalitions would warrant, and if necessary they should assume the role of the ultimate agents of change. Theories of “modernization” during the 1950s and 1960s have for instance underlined the role of partially authoritarian, bureaucratic states in overcoming sectional or communitarian divisions.<sup>2</sup> More recently, the literature on economic development in East Asia has also emphasized that relatively autonomous bureaucracies can act as a coordinator of private interests, thanks to a time horizon that extends beyond the short-term view of most economic agents.<sup>3</sup> The opposite argument defends that partially autonomous bureaucracies only signal that, in the practice, the state has become despotic and possibly oppressive. In this perspective, bureaucrats should be subjected to absolute heteronomy, or capture, so that the responsibility of balancing interests is left to a hopefully constitutional political process, where citizens have political agency. If the regime is illiberal, then bureaucracies should be expected to implement the distribution of rents, as agreed among the dominant elites fractions.

This article does not defend a normative view on what bureaucracies should do or not. Rather, it raises the question of whether specific formal rules and decision-making procedures might be as such a factor leading to relative bureaucratic autonomy, hence from a micro-level perspective. The alternate, probably more common hypothesis would be that such result might only result from a broader, more comprehensive strategy of state-building, one that would include the structure of the elites, the recruitment of bureaucrats, or different forms of commitments mechanisms. Hence, the question that is addressed here is also whether specific segments of a given state bureaucracy might develop “Weberian” patterns and possibly

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<sup>2</sup> Rosenberg 1958, Ward and Rustow 1964

<sup>3</sup> Amsden, 1989; Wade, 1990; Rodrick, 1997

become an agent of change, even though the broader State structure would remain more traditional or patrimonialist. In order to test this hypothesis we take the case of the unwieldy, despotic monarchy that governed France under the *Ancien Regime* and explore the experience of the *Bureau du Commerce*, a rather modern agency, at least from a formal perspective, with a 20-25 high-skill technocrats that was operated of the Ministry of Finance (or *Contrôle Général des Finances*). The mandate of the *Bureau* covered in practice the key planks of the mercantilist project: a set of “development policies”, which goal was to redress the economy against the resistance of backward-looking interests; and so to support economic catch-up vis-à-vis England and the Netherlands. There is little doubt that the King’s men, who built and staffed the *Bureau*, perceived very well that the risk that, in a regime with no Parliamentary or media oversight, of outright capture by rent-seeking interests, both at the center (the Versailles Court) and in the provinces and the cities. As argued by Szulman (2011) on the case of canals, decisions made on case by case basis might have resulted in fact from power games between cliques and coteries, reached elsewhere. This would meet the even more radical analysis of Ekelund and Tollison (1981, 1989), or Root (1994), who see the state machinery of those times as a grand rent-extracting organization, whose only aim was to maintain social control and consolidate the power of the monarchy.

The response of policy-makers to this obvious threat took the form of a specific decision-making procedure: rather than on insulation and hyper-centralization, relative bureaucratic ability to govern and meet the ruler’ objective would be founded on the capacity to collect a wide range of private information and organize discussion within fora that worked on a *collegial basis*. Classical, hierarchic lines of reporting and decision-making were thus finely articulated with more expertise-based, horizontal mechanisms of deliberation where open, rational argumentation could take place. Hypothetically, these were the places where a notion

of public good (materialized essentially in an industrial or local development policy) could actually emerge, though only on a case-by-case basis.

Hence the question of whether, against the odds, its rules and procedures endowed the *Bureau de Commerce* with a capacity to act as a relatively autonomous decision center, or whether its *de jure* constitution was *de facto* overwhelmed by the pressure of a thoroughly rent-seeking environment. We take the sensitive case of the distribution of *privileges*, i.e. individual franchises and rents, to private entrepreneurs. This core mercantilist policy responded to a bottom-up process whereby each applicant sent his demands to the *Bureau* in Paris, which then investigated the case and decided whether or not to support him. Thanks to well-kept archives, we have been able to code all 281 individual applications that were received and processed between 1724 and 1744. We identified the conclusions reached, the parties and experts involved in each case, and the qualitative arguments leveraged by each of them. Hence, we are able to go beyond the formal rules of the game and to test whether the final outcomes is determined by the procedure. We show that, indeed, decisions issued by the *Bureau* are correlated to the positions expressed by the key voices in the deliberation process (for or against each submission) and by the *substantive* arguments that they raised within the procedure. In other words, the competing positions of the various voices and their motives are significant predictors of the final decisions. Broad or impersonal criteria that shaped the distribution of support to private manufacturers can thus be observed *ex post*. The fact that they remain stable for a period of 20 years suggests that the mix of hierarchic division of labor, intense collection of grass-root information, consultation of experts and collegial decision allowed implementing a rather consistent policy despite the institutional environment mentioned above.

We start by getting back on the debates aimed at understanding how modern bureaucracies should be shaped and framed to be the powerful tools of governance of societies and

economies, without threatening the dynamic of economic and social development (Section 2). We then present in greater detail the investigated case: the Bureau du Commerce (Section 3). We point out specifically how different stakeholders and experts were involved in the decision making process. Section 4 details our sources and data. Descriptive statistics provide very first insights showing that the process of decision-making was more aimed at reaching a consensus among experts, that a compromise among conflicting stakeholders. This is confirmed by an econometric analysis aimed at pointing out the collegial character of the decision-making at the Bureau du Commerce and its underlying logic (Section 5). Concluding comments follow (Section 6). Note also in order to make reading easier we do not rely on precise historic French terms regarding, for instance, the State's nomenclatura: and the arcanes of bureaucratic gears. The appendix offers contextual details on the *Bureau*.

## **2. The Dilemma of Modern Bureaucracies**

### **2.1. The Weberian Paradigm**

When Max Weber described modern bureaucracies as pure instruments, or as social machines, he stressed that he did not describe the actual administrative organizations of his time. In fact, he defended explicitly a teleological perspective: eventually, bureaucrats will behave like automats and satisfy the formal expectations that are built into the design of today's bureaucracies. They will be recruited and promoted on the exclusive basis of merit; the division of labor will be minutely regulated; their allegiance will increasingly go to the bureaucratic process per se rather than to cliques or to successive governments. In turn, these emerging patterns explain in Weber's perspective the seemingly irresistible expansion of impersonal bureaucracies and their resilience to social and political crisis.

Against this classic view<sup>4</sup>, the standard Public Choice approaches typically frame parliamentary democracy as a continuing bargaining game between competing social interests. The claim to relative autonomy by state bureaucracies is then seen as a signal of evasion from citizens' control, hence of policy capture: oppression might thus be around the corner at the hands of this unique interest group which should have no public voice-the bureaucracy. In an influential article, McCubbins et al. (1987) then asked how bureaucracies should be shaped so as to avoid autonomy. They come with two broad messages.<sup>5</sup> First, *ex post* monitoring and sanction of bureaucracies is typically costly and prone to failure; hence, *ex ante* strategies should be preferred, whereby politicians take control of the design, recruitment and procedural rules of the agency at inception. Second, the best way to make sure that this agency will not escape from its mandate is that the special interests that were beyond the policy innovation, at the onset, remain closely associated with policy implementation after the politicians have withdrawn to Congress. Hence, politicians should "stack the deck" at the agency with these interest groups. Just because the latter have a strong interest in successful implementation, they will mobilize the resources needed to do the monitoring. Hence, actual policy-making will reflect the politicians' original vote, even though they don't check in detail how it is implemented. At worst, special interests will "ring the bell" if the agency runs amok.

## **2.2. Agencies vs. Colleges**

A further twist in this debate came from de Figueiredo et al. (1999) who potentially restored a more substantial definition of the common good than what the Public Choice orthodoxy allows for. Rather than focusing on Parliament and re-discussing constitutional issues of

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<sup>4</sup> See Buchanan and Tullock, 1962; Meier and O' Toole (2006) for a recent restatement and West (2005) for a review of the respective literature.

<sup>5</sup> See also McCubbins and Schwartz (1984), Weingast (1984) and Calvert, McCubbins and Weingast (1987).

representation and vote, they look at information flows *ex post*. Whereas McCubbins et al. argue in essence that these flows should derive from, and therefore will serve, the interests of the dominant interest coalition, de Figueiredo et al. defend that officials may actually open the door to many different interest groups, including minority ones, and thus maximize their *total* information.<sup>6</sup> From there on, rather than being the docile, executive arm of majoritarian social coalitions, bureaucrats would regain a self-standing capacity to debate policy matters, make informed judgments and strike trade-offs between competing claims. On a case-by-case basis, they may thus defend minority interests or open access in the name of the public good, rather than that of a majority coalition.

This proposition is particularly appealing when considering the case of an illiberal regime, where there is no established, rule-based arena in which interest groups can bargain on policies and convey to politicians their private information. In the absence of constitutional checks and balances, and established channels of consultation, the bureaucracy may become entirely insulated from society. Even with the best technical expertise and the stronger internal procedures, policies may be bound to be irrelevant, capricious, or captured by the the *protégés* and the *favorites* at the Versailles court, for instance. De Figueiredo et al. then suggest that in the absence of political instances of representation, like a Parliament, bureaucracies can co-opt divergent interests within their decision process and so avoid outright capture.

Interestingly, Max Weber also had a proposition along these lines. At the end of his chapter on bureaucracy, he briefly discussed the case of “collegial bodies” that can inform or

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<sup>6</sup> “when considering the relationship between interest groups participation and *ex post* inducements, political officials are always better off with multiples interest groups participating. (...)” “In this sense, while the political principal is biased in what policies she prefers, she is neutral with respect to information: more is better and less is worse, irrespective of the message.”(de Figueiredo et al., 1999)



influence policy-makers from the outside<sup>7</sup>. The main examples he mentions belong to the period of emergence of modern states and present, in his understanding, a backward-looking character (like assemblies of great aristocrats). But he also mentions “advisory colleges”, made of experts, who first emerged as technical aids to the early modern monarchs, primarily in matters of finance and taxation. Then, they became permanent fixtures alongside modern bureaucracies and governments. The point is that they kept organizational characteristics that are clearly distinct from those of paradigmatic bureaucracies, though both serve the government. Weber mentions here that recruitment within colleges is based exclusively on expertise; members interact on an equal basis, i.e. between peers; they tend to decide either by vote or by consensus; colleges are also typically neutral and politically non-aligned, so that they have nothing in common with democratic, representative institutions. Lastly, they are “*primarily intended to promote objectivity and integrity and to this end to limit the power of individuals.*” (ibid, I, p.280). Therefore, their main effect is to increase “*thoroughness in the weighing of administrative decisions*” (ibid, I, p.277).

Out of these basic constituent features, a great number of variants have been identified and analyzed primarily by political scientists and sociologists. Here again, expertise, mutual recognition and self-regulation govern these colleges internally, while allowing them to enter into structured interactions with policy-makers or bureaucrats (Lazega 2001). One example is the epistemic communities, as defined by Haas (1992): they emerge out of a scientific academic profession and try to influence policy-makers in a given policy field. In many international fora, the latter then explicitly endorse the experts’ internal rules of deliberation and validation, and, by so doing, they also credit their collective knowledge with a degree of political legitimacy. Another example is the case of central banks and international courts,

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<sup>7</sup> See Weber (1978/1920), vol. 2, pp. 994–998. Waters (1989, 1993) was the first to pay special attention and comment on this passage.

which have been characterized, respectively by Majone (2001) and Alter (2008), as “trustees”, which these authors neatly contrast with agents.<sup>8</sup> When challenged by governments, for instance, international judges or central bankers typically flag their independence, argue that legitimacy and their capacity to fulfill their mandate rests on functional autonomy and ask that their self-regulated expertise, judgment and deliberation rules be entirely safeguarded. They will also tend to argue that they do not serve their principals, but a third-party, like aggrieved citizens or the common good. These examples confirm that expert colleges are actually a common feature of modern bureaucracies, especially in a context where formal political channels of representation are not available.

### **3. The *Bureau du commerce* and its decision-making process<sup>9</sup>**

We now proceed with describing the broad structure of the financial bureaucracy of the Ancien regime, before shifting to the *Bureau du Commerce*, which was one of its most remarkable agencies.

#### **3.1. Economic Policy-Making under the *Ancien Regime* and the Rationale for Privileges**

France under the Ancien Régime was first characterized by its intense institutional and legal fragmentation. Peasants, merchants or aristocrats did not have rights in the modern, impersonal sense: their individual franchise was primarily defined by their belonging to status groups. Furthermore, the legal fragmentation was also geographical: civil life was regulated by 65 *coutumes générales* and 300 other *coutumes locales*, which were all enforced by the local courts, and ultimately by the 14 regional appellate courts. Most economic activities were

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<sup>8</sup> On central banks, Majone cites Rogoff (1985) as an inspiration.

<sup>9</sup> We restrict ourselves to the information necessary for understanding our case study. Historic details are provided in the technical appendix of this paper. In particular we give information on the variations that affected the *Bureau du Commerce* and its procedure over time. Here we describe the process as it was organized from 1724 to 1744.

also regulated, typically by municipalities or guilds. The major implication with regard to policy-making was that the room for across-the-board, impersonal policies, which would have affected all agents in a symmetrical way, was very limited. The King could wield extreme, possibly lethal powers against *specific* agents, who could be sent to the Bastille or be invited to Versailles. Similarly, he could spend resources and project physical force, for instance, by building roads and canals, or by repressing rural uprisings. But the State had a most limited capacity to influence decentralized behaviors *in general* (Brousseau et al., 2010). In other words, the sovereign did not “govern society” or the economy as a whole, insofar as it would have tried to shape or influence how the division of labor worked, whether one thinks of market transactions, or of collective behaviors regarding public health, the environment or technical innovations. Hence this key corollary: policy implementation was to be ultimately a retail, case-by-case affair.

This institutional (and cognitive) constraint is reflected ultimately in the way the bureaucracy interacted with individual economic agents. As it tried to affect their behaviors, it mobilized the only available legal instrument at its disposal: *privileges*, that is, an *ad hoc* unilateral decree by the King, which details a specific package of franchises and benefits.<sup>10</sup> The implementation of a consistent policy that would affect agents across the whole kingdom in a rather homogenous way was therefore a serious challenge to the bureaucracy. While acting on a case-by-case basis, it would have to find procedures and rules that would preserve unity of direction across tens or hundreds of individual cases. How the bureaucracy reconciliated (or not) such general or impersonal aims with its case-by-case individual decisions is, in essence, what we are trying to assess in this paper.

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<sup>10</sup> Privileges were not limited to case-by-case support to entrepreneurs, however: they were a generic legal instrument that was used to formalize virtually any type of franchise, including straight-forward rents to cronies, the statutes of guilds, or the specific benefits that the King granted to cities or provinces.

### 3.2. The *Contrôle Général des Finances*: An Emerging Modern Bureaucracy

Since the ascent of Louis XIV to the throne in 1661, and till the death of his most influential minister, Colbert (1683), the attempt to reform and rationalize the state machinery centered primarily on the Ministry of Finance (known as *Contrôle Général des Finances*).<sup>11</sup> Beyond fiscal and budgetary affairs, which were its core responsibility, it had oversight on a large array of issues that included among others commercial law and jurisdictions, the regulation of guilds and professions, and support to private manufactures. The *Contrôle* also developed an early body of civil servants<sup>12</sup> and, significantly, when dealing with the provinces, it did not want to rely upon the traditional line of seigniorial allegiance, so it built its own network of local offices and officials: the provincial *Intendants*.

Still, the modern character of this administration should not be overstated. Patronage and corruption were widespread and considered to some extent as normal (Bossenga 1991, Campbell 1996, Kettering 1986, Mousnier 1982). Many positions in the local and central bureaucracy were farmed out, thus they would not entail a direct hierarchic relation or an easy capacity to organize the bureaucratic work around impersonal principles.<sup>13</sup> Top bureaucrats directly hired a large part of their own staff: hence they empowered their staff, rather than being empowered by them. Another important feature of this bureaucracy was its utterly small size. Felix (1997) estimates that the headquarters of the Ministry of Finance in Paris had a

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<sup>11</sup> Within the large literature on the Ministry of Finance under the Ancien Regime one may consult, for instance, Antoine (1973 and 2003), Boscher (1970) and Richet (1973).

<sup>12</sup> The *commis* were the ones who cared for well-kept files, who recorded the correspondence with local administrators, and made a whole career at the Ministry while developing an ethos of neutrality and merit (Monnier, 1997; Felix, 1997; Antoine, 2003).

<sup>13</sup> On the specific dimension of the administrative work, the recruitment and the division of labor at the Ministry of Finance, see Bosher (1964) and Monnier (2003); on the *Commis* as the real embryo of modern bureaucrats, Baxter (1980) and Felix (1997). Also Barbiche (2003), who asks rhetorically “what we don’t know about the *Contrôle*”, and then points that its decision-making process has not been much explored. On the development more generally of early modern bureaucracies is Reinhard (1996) and Descimon (1996)

staff of about 100–110 persons by the 1770s, and around 150 by 1789; the local network in the provinces would have totaled some 540 people by mid-century. Within this total, the *Bureau du Commerce*, which was in charge of commerce and supply side policies, had a body of 20 to 25 high-skills experts and bureaucrats, plus a number of secretaries.

### 3.3. A Group of Top Bureaucrats and Merchants

Between 1700 and 1790 the *Bureau du Commerce* worked within the Ministry of Finance as a rather autonomous agency, endowed with well-identifiable, rather stable procedures.<sup>14</sup> At least during the first half of the century, there are suggestions that early modern bureaucratic patterns were rather more developed at the *Bureau du commerce* than in the rest of the Ministry.

One specific trait of the *Bureau* was that deliberation proceeded through *two colleges*. First were the *Députés du Commerce*: a group of 10 to 14 well-established, experienced merchants who were partly elected from the largest trading cities and partly co-opted by the central bureaucracy. Some had a more or less extended experience of civil service, and, most of them, before joining the *Bureau*, had a long background either in municipal government or in the traders' courts. Their typical background was long-distance trade, shipping, banking and, occasionally, slave trading. In other words, they belonged to a class of powerful private interests that generally operated outside the guilds and across the closed, highly regulated

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<sup>14</sup> The literature on the *Bureau* is not very large. Early studies, of good quality, have been published by Hutteau d'Ottigny (1857), Biollay (1885), Bonnassieux (1900), and Wybo (1936). During the second half of the twentieth century the discussion on the *Bureau* became very much a part of the broader dispute on French mercantilism after Colbert and the possible resistance against his legacy. One of the best references on the early years of the Bureau is Schaeper (1983), who covers its first fifteen years of existence, and offers, among other things, a detailed description of its internal working, division of labor, staffing, etc. Another series of publications then look at the two last decades of the *Bureau*, before the Revolution, see Parker (1979). Minard (1998) presents a comprehensive review on the control of manufactures and the corps of *Inspecteurs des manufactures*: he thus covers the monitoring and enforcement dimension that immediately comes after the granting of the *Privilèges*. On the distribution of privileges, see also Bondonio (1933).

markets of those days. As merchants, they also had a good knowledge of existing technologies and products, market practices (including the old Law Merchant), and the economic geography of both the kingdom and foreign countries.

The *Députés* were expected to contribute as both experts in commercial affairs and as representatives of their city of origin, though in practice the first mandate became the most important. The sustained flows of correspondence, memorandums and briefs between cities and their *Députés* reflect indeed a lot of dissatisfaction, if not frustration, on the side of the municipal authorities and the chambers of commerce. Some cities even stopped supporting them during some periods and had to be called to orders.<sup>15</sup>

Working rules among the *Députés* tend to confirm the relative weakness of the agency relationship and, by comparison, the strength of the collegial and advisory dimension. First, each policy issue, or individual decision, was discussed collectively, on a peer basis, without any formal hierarchic relationship among members of the group. In the large majority of cases, conclusions drawn were conveyed to the bureaucrats as a consensus view that took the form of a written opinion: the *Avis des députés*.<sup>16</sup> Beside, nothing in the way the *Députés* worked and addressed the King's men suggests a notion of democratic representation or political legitimacy. Significantly there was just no hint that the latter were in any sense bound by the *Avis*. If the college of the *Deputés* argued in the name of any superior notion, this was not the good of their cities of origin, or the interest of their own social class; rhetorically, they used to speak in the name of "the good of the commerce", which was

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<sup>15</sup> Read for instance Quenet (1978) on the *Députés* from Nantes; Labraque-Bordenave (1889) on the case of Bordeaux, Pariset (1887) for Lyon, and Fournier (1920) for Marseille; this latter city was apparently well-known for the resources it mobilized for corrupting high officials and small informants in Paris.

<sup>16</sup> Individual *Députés* had the right to submit in their own name a dissenting opinion, but we have evidence for only two cases over the claim for privileges we investigated.

framed as a fully legitimate sub-part of the public good, or of “the good of the kingdom” (Kessler 2007, Smith 1995).

The other college was composed of two categories of bureaucrats. First were those who worked mostly at the *Bureau* and who were therefore its bureaucratic backbone. Here we find the head of the Bureau, plus four key assistants, themselves high-fliers of the royal bureaucracy, typically of noble origin and with access to the closed circles of advisors to the King. Each had oversight on a given portfolio of provinces. They coordinated the investigative work and interacted on a daily basis with rest of the Ministry of Finance and its territorial network of agents, primarily the provincial *Intendants*, who became a key voice in the distribution of privileges to firms. The Parisian bureaucrats also took care of the ulterior implementation of decisions and kept personal archives that remain till today a key source of information on the daily work at the *Bureau*.

These key bureaucrats did not make decisions alone, however. Another set of high-fliers from various branches or departments of the government were also involved in the meetings during which the cases, once investigated, were debated and decided.<sup>17</sup> There was no formal hierarchy among the officials who took part in these meetings, and the final outcome of their deliberation took the form of a written proposal that was sent to the Minister of Finance. In almost all cases, he endorsed this motion without any modification.<sup>18</sup> In other words, the minister acted as if he trusted that this open, formally rational administrative procedure offered him the best practical guarantees against capture, misinformation, incompetence or

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<sup>17</sup> Interestingly, two categories of experts were involved in thoses meeting without taking part of the final decisions. Representatives of the tax farms were present, while they did not vote. Similarly, the *Députés* attended the plenary meeting of the *Bureau*, but spoke only if invited to, and had no say in the final decisions.

<sup>18</sup> In the cases we investigated, there is only one piece of evidence of the Ministry not endorsing the recommendation of the Bureau

contestation.<sup>19</sup> The fact that these reports were presented to him as a unanimity position of the Bureau further underlines the point: at least formally, he did not want to know who weighted in this or that direction. An important consequence from a methodological perspective, is that the records and minutes of the *Bureau*, just like the *Avis des Députés*, do not offer any tangible indications regarding the opinion of each individual member of these two colleges. What we know are their collective positions.

We now assess to which extent this formally rational bureaucratic framework supported in practice a decision-making procedure that actually reflected rational rules of argumentation and deliberation. We do so by investigating a specific set of decisions: the distribution or privileges to entrepreneurs

### **3.4. The case of Granting-Privileges to Manufacturers**

The main economic rationale beyond the policy of granting privileges to private firms has to be understood in the context of an economy where entry was highly regulated — hence the need for a legal status for new entrants — and that was largely devoid of a market for risk capital, hence the need for some support to entrepreneurs.<sup>20</sup> Since products markets were generally quite competitive, and because contractual discipline was well enforced by the elected traders' courts, the risk of failure was widespread and well perceived: outright demands for a bailout were never accepted and exemptions from bankruptcy procedures were exceptional. In fact, we have found many examples of entrepreneurs who proposed to take

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<sup>19</sup> Moreover, as shown by the correspondence of the Ministry of Finance, he relied upon the procedure and the Bureau, to resist important persons' support to specific claims. He wrote the later that he was unable to back-up their demand since he did not master the process within the Bureau. And there is no trace in his correspondence of any pressure or recommendations sent to the bureau.

<sup>20</sup> The difficulty to raise capital was an explicit reason to grant privileges as illustrated by this statement of the Députés du Commerce on one case: "*It is well possible that Monsieur Chatal has discovered a new way to thread cotton, (...). He should thus benefit from a strong competitive advantage and be, therefore, in a position to find associates*". (August 1, 1727)



over privileges that had been given to a former firm, which then ceased operations or was liquidated. In a context that was very much adverse to risk-taking and investment, the distribution of rents, under the form of privileges, should thus be rationalized as a way of guaranteeing a given income flow over a period of two to twenty years, so as to increase the chances of success. To a non-trivial extent, the discussions at the Bureau, as reflected by its minutes, can actually be read as a collective attempt at measuring this implicit income flow, while minimizing adverse consequences on third parties, like competitors, consumers or the fiscal administration.

Here is how the Bureau attempted to reach that end.

i. Individual applications for privileges by manufacturers reached directly the *Bureau* or they were transferred to it by the Ministry of Finance and its agents in the provinces - the *Intendants*.<sup>21</sup> These applications included a description of the project, some technical details, considerations regarding implementation, and an indication regarding the background of the entrepreneur. They almost never included quantitative data, like accounts, not to speak of forecasts. Typically, the entrepreneur brought forward the expected collective benefits of his projects and the precedents that could buttress his case (e.g., privileges that had already been granted to similar endeavors). He typically attempted to offer putative proofs of his assertions

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<sup>21</sup> Smith (1995, 2002) among others argues that demands and cases submitted to the *Bureau* were typically prepared and sponsored by intermediaries, with personal entry at the Ministry. We underline at this point that : i) Smith's examples almost exclusively concern judicial or administrative disputes between central state and local public bodies of various sorts – not submissions for private privileges ; ii) the very fact that an ex ante applicants may have relied on advisors when preparing their submission does not per se infirm the possibility of rational decision-making by the Bureau, later on ; iii) we systematically checked for any possible alternative circuit or external pressure or influence on the decisions themselves, and find neither any decree granting individual privilege of manufacture that was not related to a decision elaborated in the Bureau, nor evidence of pressures received by the Bureau (see the technical appendix). Moreover, the point made by Kammerling Smith that applications were drafted with the help of paid lobbyist, mostly lawyers, does not contradict our point. Indeed, the fact that consultant were needed can be seen as a proof that the procedure imposed a common logic of argumentation to all participants in the process.

and underlined the risks and costs of his venture, which were the ultimate rationale beyond his demand. *De novo* projects and demands for an extension or a renewal of existing privileges would go through the same process.

ii. Individual applications were then processed by one of the members of the Bureau administrative backbone, who, in turn, asked for factual reports or for the opinion of a more or less extended array of stakeholders or experts. In the many cases where the project was supposed to contribute to local development or could have a specific impact at the city/province level, the respective *Intendant* (i.e. the local agent of Ministry ) had to report comprehensively. He would cover both the impact on consumers (in terms of availability and pricing of the products) and on the supply side (competitors and potential complements in the value chain). The *Intendants* also looked at the potential effect of the project on scarce local resources, in particular natural resources and the workforce. As a rule, their reports were largely based on the consultation of local experts and stakeholders like the local chamber of commerce, the municipal or provincial authorities, or the guilds. Occasionally the Bureau also asked for the opinion of the tax farms (especially when significant tax cuts or subsidies were claimed for) or the *Académie des Sciences* (when the project was based on a claim of technical innovation).

iii. Once this investigation was completed, the applicant's written submission, together with all the reports and opinions, were transmitted to the *Députés du Commerce*, who used to meet and deliberate twice a week. In case no further investigation was needed, a collective *Avis* was immediately written. Otherwise, more work and information could be asked for. Usually, the written *Avis* summarized the demand, as well as the pros and cons, and it was concluded by proposition to either accept, reject or curtail the demand.

iv. At least thrice a month (during the period under review), plenary meetings of the *Bureau*, i.e. the second deliberative college, reviewed the cases and proceeded to a decision—again if

the investigation was considered to be completed. As said, the final position was then sent to the Minister of Finance for endorsement. This most important document included a detailed discussion of the grounds for granting some privileges, and a list of the benefits that were considered to be appropriate. This was expressed as a collective and unanimous decision. Alternately, if the application was rejected, only an internal record was kept, with no formal reporting to the minister.

v. After a generally short delay—i.e., three weeks to a month—the *Bureau* formalized the confirmed (positive) decision of the Minister, under the form of a legally binding *Arrêt* (decree) that again summarized the initial demand, the arguments that had been considered valid, and the actual privileges that were now officially granted. As a whole, the standard decision process generally took four to five months.

What this administrative procedure suggests is that the debates within the Bureau were not structured as a negotiation whereby competing parties who would try to reach a compromise and balance their respective interests in a mutually satisfactory manner. The *Députés*, for instance, did not argue in the name of their city of origin, or apparently try to build alliances in order to extract maximal benefits for their constituents. Rather, as far as the records of the Bureau tell, the underlying norm that governed exchanges within the two colleges were: 1/ to pool all relevant sources of information, expertise and expression of interests; and 2/ to reach a collective conclusion that would best satisfy a practical criteria of reasonableness while being justifiable to third parties. In this sense, though it was decided and implemented from the center, this policy also aimed at preventing ulterior discontent or resistance. While the *Ancien Régime* monarchy rejected any institution of political representation, it was keen not to confront large social interests, like commercial interests and the political elites in the provinces.

## 4- The Archives of the Bureau and the Database

### 4.1. The Minutes of the Deliberation Process and Associated Papers

One benefit of the institutional stability of the Bureau is the comprehensive and well-kept character of its archives: most of the time, it is possible to piece together how individual applications were received, investigated, discussed and decided. We rely primarily on the *Avis des Députés*, the contributions of the provincial *Intendants*, and the various minutes of the deliberations of the Bureau; most often they include the final decision, plus the *Arrêt*, that formalized the privilege to be granted. Out of these sources, we have thus been able to identify in most cases: 1/ the content of the initial application and the arguments that supported it; 2/ the position and arguments brought forward by the provincial *Intendants*; 3/ the collective judgment of the *Députés*; 4/ the conclusions reached at the plenary meeting of the *Bureau*; and 5/ the final decision with the list of privileges that were actually granted and the official justification that back them up. In other words, we can first differentiate between applications that were accepted, rejected or curtailed. But we also identify the economic profile of each individual project, which player took an active part in the deliberation and what each of them thought about each project.

In practice, the applicants proposed to launch businesses as diverse as mines, paper mills, iron or textile manufactures, earthenware or glass factories, etc. But we also found projects for services, such as pumps for water provision, warehouses for long-distance traders, or transportation services. The sets of benefits that they could be asked for could first affect the business *per se*. The first item on this count was the legal authorization to establish a self-standing business, typically outside the framework of guilds. The applicant could also claim for a higher status as those of *Manufacture* or *Manufacture Royale*, which came with higher levels of legal protection, while also with the necessity to comply with specific regulation

covering processes and products, and to reach certain standards of quality. This could apply to an industrial venture, but could cover also the right to exploit a resource, like a mine, or a technical invention. Second, a territorial exclusivity could be granted: the right to mine, for instance, was generally limited to a rather narrow region while inventions were protected across the whole kingdom. In the case of manufactures these territorial exclusivities aimed at guaranteeing a given income stream and at limiting the pressure on scarce local resources, like wood or fresh water. These producer's monopolies have attracted a lot of attention (e.g., Ekelund and Tollisson, 1981 and 1989; Root, 1994), though they typically came with important though often-neglected qualifications. First, their spatial extension was generally bounded to ten to twenty kilometers or (more rarely) to one of the 34 provinces; only invention could result into a national monopoly (hence, proto-patents). Second, while competitors could not establish plants or workshops within these zones, they could enter the local market and sell their own products. The rent to the local producer was therefore a function of transportation costs and internal tariffs. Lastly, the privilege could include a brake on taxes levied on inputs imported from other regions or from abroad, or on products that the entrepreneur expected to sell within the Kingdom or outside. In other words, a fair part of the bargain with the administration boiled down to the manipulation of transport costs as a mean of fine-tuning support to individual manufacturers.

Beyond the benefits that were targeted at the firm and its production function, a series of possible benefits supported the person of the entrepreneur, his associates or the workers. They typically included exemptions on income tax. Skilled workers attracted from abroad could also be allowed to enter the Kingdom free of tax and could benefit from ad-hoc fiscal advantages. Even low-skilled workers could be targeted with consumption tax-cuts (e.g., on alcohol and tobacco). Non-monetary benefits were often included, like exemption from billeting soldiers or from the obligation to serve in the local militia. Lastly were

straightforward public subsidies or loans from the Crown, though they were rarely demanded and even more rarely granted: self-selection by informed applicant is apparent at this point.

These various benefits were always requested on the basis of an argumentation elaborated by the claimant, and then discussed on the same ground, by the various voices involved in the decision process who put forward, or discussed, the expected outcome of the project, or its specific constraints. Interestingly the considerations that were recognized by the end of the process were exposed in details in the final report to the Minister and in the formal decree that made the privilege legally binding. These considerations revolved around the interests of the consumers (i.e. shortness of supply), the contribution to local development of provinces or cities, the contribution to the trade balance (either through higher exports or import substitution), and technological change. We find here the classical items of the mercantilist discourse. Side effects, like the impact on employment or poverty, were also considered. On that basis, the demand for support to the entrepreneur was justified by high level of investments, the difficulty of developing a new technique, the need to attract skilled labor or to have long-term guaranteed access to a given natural resource. Of course, any of those arguments could easily be contested: a technology could be considered as not innovative, the pretension to export products might be judged inconsiderate, or local informants could alarm the Parisian bureaucrats that many producers were already churning out the same type of fabric without public support. In addition, the potential negative effects of the requested advantages — as the risk of distorting competition — could be pointed out. In the latter case, the contributors to the decision could propose a more adequate type of privileges if the project was considered worthy of being supported.<sup>22</sup>

In order to explore this deliberation and decision-making process, we coded all the arguments brought forward by the main contributors to the decision process as well as their detailed

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<sup>22</sup> All the arguments put forward during the investigations are presented in Table A1 in Appendix.

opinion on the privileges that should be granted or not. We also collected additional variables that are used for various controls. Each project is identified in terms of localization and jurisdiction, date, and industry. Moreover, we characterize whether it concerns luxury industries and foreign entrepreneurs. This allow testing for one of the usual “policy preference” typically associated with French mercantilism.

We have coded these details on the 281 cases that have been submitted to the Bureau between 1724 and 1744, a period that was marked by substantial political and bureaucratic stability and by relative economic prosperity. In order to make sure that this population of case does not suffer from serious biases, we first made sure that privileges to private firms were actually issued by the *Bureau* only, i.e. that entrepreneurs could not by-pass its procedure. We can indeed affirm that the 281 cases we coded represent the whole population of manufactures supported by the Ministry during the said period. In addition, we systematically checked for signs or traces, in the archives of the Ministry, of outside interventions into the decisions on privileges: we thus looked at the whole correspondence between the Minister and the *Bureau*, the provincial *Intendants* and outside, private persons. In these thousands of letters and memos we did not find a single indication of a possibly successful pressure by a crony, a broker or a patron.<sup>23</sup> Our empirical strategy aims at confirming these first evidences, by testing internally the consistency of decisions made at the Bureau, hence its capacity to make decisions on its own terms.

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<sup>23</sup> We found only four letters related to *Privilege de Manufacture* over the 20 years period of investigation. Moreover, in all these cases the reply of the Minister was that he was unable to do anything since the procedure was in the hands of the *Bureau du Commerce*. Moreover, we did not find any letter to members of the *Bureau du Commerce* giving instructions on claims under investigation. He transmitted information and asked for opinion, but never suggested decisions. See the methodological appendix for more details.

#### 4.2. – The Data: Descriptive Statistics.

Out of 281 cases that were coded, we worked on a core data-set of 267 applications that include the details of the initial claim and the final decision.<sup>24</sup> Out of these 267 decisions, 215 also come with an *Avis des Députés*, and 136 with a report by the provincial *Intendants*. 111 files include opinions of both *Intendants* and *Députés*, though of course this does not imply that incomplete files are of no use in our inquiry. The absence of one of these files may have various causes. The *Intendants* were not consulted on all cases especially when projects did not focus on a specific local implementation (e.g., a technical innovation); the *Avis des Députés* may have been lost; and some applications were also rejected out of hand, in which case detailed reasons are not given. The members of the *Bureau* (and the *Députés*) would only write that this applicant has lost his senses—a judgment that can occasionally be confirmed even by a 21st century reader.

Table 1 describes the main features of the applications in our sample. Just above 10% of them ask for *de facto* intellectual property rights on an innovation. The remaining cases are industrial ventures, almost two-thirds of which are new ones, while the remaining third is founded on already granted privileges that the applicant wanted to be confirmed or extended. Over the entire sample, the rate of rejection is significant (28.5%). Moreover, in another 29.2% of the applications, the granted privileges were reduced as compared with the initial demand. Hence, less than half of applications were eventually fully successful (42.3%).

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<sup>24</sup> The drop between the 281 investigated cases and the 267 decisions in our database is constituted by applications that were investigated by the Bureau, but without track kept of the final decision (14 cases). Generally it corresponds to cases where the members of the bureau considered that they did not have sufficient information and asked for complementary investigation. They are thus *de facto* refusals (since we were unable to identify related decrees granting privileges), but since they are not motivated they cannot be included in our analysis.



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INSERT TABLE 1 HERE  
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Descriptive statistics also show that the different parties to the discussion had different inclinations or preferences. Table 2 shows that the *Députés* present a more restrictive bias and more often recommends that demands are curtailed than the *Intendants*. Altogether, and from a descriptive viewpoint, the final decision seem to have been more often aligned with the recommendations of the *Députés* than those of the *Intendants* (Table 3). That being said, the *Députés* and the *Intendants* rarely disagreed entirely: in only 5.4% of cases does one party recommends rejection while the other defends full approval (Table 4).

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INSERT TABLE 2 HERE  
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INSERT TABLE 3 HERE  
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INSERT TABLE 4 HERE  
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As a whole, these various descriptive elements support our hypothesis that this decision-making process was *ex ante* open and contested. *Prima facie*, applicants could not have a clear hint of their chance of success and self-selection does not seem to have been systematic.

Table 5 and 6, which list the arguments respectively put forward by the *Députés* and *Intendants* and their frequency, further underline the relative divergence in their respective opinions and underlying preferences. Main deviations (Table 6) confirm that the provincial *Intendants* gave substantial weight to considerations about the local economy and its natural resources. Alternately, the *Deputés* insisted more on the innovative character of the projects

and were more prone to underline adverse potential impacts on competition. Still, this contrast should not be overstated: Tables 6 shows that among the seven most frequently used arguments, five are the same. While these parties had different inclinations and assessment, this was apparently a matter of divergence in perceptions rather than the expression of radical conflicts of opinion.<sup>25</sup>

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INSERT TABLE 5 HERE  
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INSERT TABLE 6 HERE  
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**5. Empirical Analysis**

**5.1. Estimation Strategy**

In order to further our understanding of the decision-making process at the *Bureau*, we now try to identify econometrically the determinants of its Final Decision (*FD*). We thus distinguish three main possible outcomes: applications could be rejected (0), they could be partially successful (1) or the entire set of privileges could be handed out (2). We thus obtain the ordinal dependent variable  $FD = \{0,1,2\}$ .<sup>26</sup> In a first step, we explore how the *Intendants* and *Députés* influenced respectively the distribution of the final decision (*FD*): the variables

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<sup>25</sup> This evidence should put to rest an old debate on the ideological inclination of the *Députés*. Cole (1943) argued in an early contribution that they favored consensus and continuity with the Colbertist legacy; conversely, Rothkrug (1965) and Scoville (1982) defend that the *Députés* were in fact “laisser-faire” militants who represented an early political and social opposition to the *dirigiste* tradition. This result shows that a tangible degree of divergence in the respective policy preferences was a key pattern of debates within the Bureau, though the extent of the underlying consensus is very strong. The internal debate, in practice, was not about the policy aim and the instrument of the Bureau, but about the way to handle the latter, depending upon the context of each case.

<sup>26</sup> Definitions and summary statistics of all the variables used in the empirical analysis are provided in Table A1 in Appendix.

*IR* (Intendants' Recommendation) and *DR* (Députés' Recommendation) have been built in the same way as *FD*; depending upon whether the respective party recommends either rejection, a partial grant, or a complete one. Therefore, *IR* and *DR* are also ordinal variables, with  $IR=DR=\{0,1,2\}$ . We use an ordered logistic model (*ologit*) in order to assess the influence of each of them on the final decision:

$$P(FD_i > j) = a_i \cdot IR_i + b_i \cdot DR_i + g_i \cdot X_i + e_i \quad \text{for } j = 0,1 \quad (1)$$

$$P(FD_i > j) = d_i \cdot Veto-D_i + m_i \cdot Veto-R_i + g_i \cdot X_i + e_i \quad \text{for } j = 0,1 \quad (2)$$

Where  $FD_i$  is the ordinal dependent variable for each individual demands  $i$ ,  $j$  is the number of decision categories and  $a$  and  $b$  the two coefficients associated with *Intendants* and *Députés* recommendations in equation (1). In equation (2), we test for the presence of an implicit veto power by one or the other of these voices. Hence, the variable *Veto-D* is equal to 1 when the *Députés* recommend refusal while *Intendants* propose either a partial or an entire grant (5 cases over 109). Conversely, the variable *Veto-I* is equal to 1 when *Intendants* favor rejection while *Députés* call for a partial or an entire grant (5 cases over 109). In both equations (1) and (2),  $X_i$  is a vector of three control variables: *Luxury* is a discrete variable for *Privilèges* demand concerning luxury product; *Foreigner* is a discrete variable accounting for a demand made by foreign entrepreneur and *Year* stands for the date of the demand to ensure that the results are not driven by time trends. We also include sector-group dummies. Fixed effects reflecting the regional dimension could not be included since there were 34 different provinces: province-dummies would have prohibitively reduced the degree of freedom of the ordered logistic model. To limit the impact of this issue and to account for potential heteroschedasticity and auto-correlation of error term within geographical area, we clustered standard error at the regional level in all of our regressions.

Caution is still warranted when interpreting *ologit* regressions results. First, one of the assumptions underlying ordered logistic model is that the “distances” between categories are equal; *i.e.*, the parallel-line or proportional-odds assumption should be respected. In this case, it implies that switching from rejection to a restricted set of *privilèges* represent the same “step” in terms of decision-making than switching from a restricted set to the entire set of privileges. This hypothesis is *a priori* violated, if only because cuts from the initial demands to a curtailed set of benefits vary across cases. Hence, errors in the estimates of the coefficients can lead to incorrect or misleading results. However, two tests can be used at this point in order to assess the magnitude of the problem: the likelihood ratio test and the Brant test.<sup>27</sup>

Beyond, and as stressed by Williams (2006), there are two ways<sup>28</sup> to circumvent the problem of violated parallel-line assumption: ordinal alternative (generalized ordered logistic model, or *gologit*) and/or non-ordinal alternative (multinomial logistic model, or *mlogit*). We use the *gologit* option for three reasons. The first advantage of generalized ordered logistic model, when compared with multinomial logistic regression, is that it allows for variation in the coefficient value among the different categories of the ordinal dependent variable while constraining variables so that their effects meet the parallel-line assumption.<sup>29</sup> Second, generalized ordered logistic models offer the possibility to fit partial proportional odds model where the parallel regression constraint is relaxed only for the variables which are actually violating the assumption, and not for all of the dependent variables.<sup>30</sup> Lastly, as we shall show in the next section, generalized ordered logistic models maintain the ordinal structure of the

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<sup>27</sup> Brant, 1990

<sup>28</sup> Excepting the solution to ignore it (which is a very frequent practice).

<sup>29</sup> Fu 1998, Williams 2006

<sup>30</sup> Williams 2006

dependent variable while being more parsimonious in terms of coefficient estimations and interpretation.

The discussion now develops along the following steps. A first set of tests assesses the respective influence of the *Intendants* and *Députés* on the likelihood to obtain the *Privilèges* (Equation 1). In a second set of estimations, we then focus on the qualitative arguments put forward in the final collective decision, as sent to the minister (Equation 3). Lastly, we analyze how the qualitative arguments impact on the final decision of the *Bureau* given the identity of those — the *Députés* and the *Intendants* — *who put them forward* (Equations 5 and 7). By the same token we analyze how the various voices may develop differences in their analyses of the cases they examine (Equations 4 and 6). Hence, we run ordered logit and generalized ordered logit estimates of the following five equations:

$$P(FD_i > j) = a_i.COMMISSAIRES' ARGUMENTS + b_i.X_i + e_i \quad \text{for } j = 0.1 \quad (3)$$

$$P(IR_i > j) = a_i.INTENDANTS' ARGUMENTS + b_i.X_i + e_i \quad \text{for } j = 0.1 \quad (4)$$

$$P(FD_i > j) = a_i.INTENDANTS' ARGUMENTS + b_i.X_i + e_i \quad \text{for } j = 0.1 \quad (5)$$

$$P(DR_i > j) = a_i.DÉPUTÉS' ARGUMENTS + b_i.X_i + e_i \quad \text{for } j = 0.1 \quad (6)$$

$$P(FD_i > j) = a_i.DÉPUTÉS' ARGUMENTS + b_i.X_i + e_i \quad \text{for } j = 0.1 \quad (7)$$

Where  $FD_i$ ,  $IR_i$  and  $DR_i$  are the same variables than those previously mentioned, and  $X_i$  is the same vector of control variables (which includes *Luxury*, *Foreigner*, *Year* and sector dummies).

Three different vectors of motivations then correspond to the most recurrent arguments put forward by, respectively, the *Députés*, the *Intendants* and the final report sent to the Minister.

As shown in Table 5, each of them advances many different arguments though the size of our sample prevents us from incorporating all of them separately in the regressions. We thus selected the arguments most frequently put forward by each party, i.e., that were mentioned in more than 10% of the cases. This brings a total of seven arguments for both *Intendants* and *Députés*, and nine for final decisions.

## 5.2. Empirical Results

### 5.2.1. Contributions to the Final Decision

The first step estimates the likelihood of obtaining *Privilèges* depending on the recommendations made respectively by *Intendant* and the *Députés*. The results of the ordered logistic estimations are provided in Table 7.

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INSERT TABLE 7 HERE  
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Out of the 267 decisions, there are 215 decisions for which we have the *Députés*' opinions (*Députés* sample), 136 for which we have the *Intendants*' opinions (*Intendants* sample) and 111 for which we have the both opinions (*Both* sample). Estimates of the likelihood of obtaining *Privilèges* depending on the *Députés*' recommendations are provided in Column 1; then we estimate this likelihood regarding the *Intendants*' recommendations in Column 2 and finally, in Column 3, we take both recommendations into account. The fourth and last column provides the result of Equation 2 where we test for the presence of an informal "right of veto" by the *Intendants* and/or *Députés*.

Results indicate that the probability to obtain the asked *Privilèges* is indeed an increasing function of the support from both the *Intendants* and the *Députés*: the coefficients corresponding to variables *IR* and *DR* are positive and statistically significant. The more these two voices support a given project, the higher the probability of success. Results also show

that the sign associated with the coefficient *Veto-D* is negative and significant while the sign of the variable *Veto-I* is negative but not statistically significant. This implies that a disagreement between the two types of experts is prohibitive when the *Députés* recommend rejection against the preference of the *Intendants*, though the reverse is not true. In other words, this suggests that, as a whole, the *Députés* were more influential. Regarding the control variables *Year*, *Foreigner* and *Luxury*, we observe no effects except for the variable *Luxury* which is negative and significant in model (4), (7) and (8). This invalidates the common assumption, repeated since the time of Eli Heckscher (1935), that the French, Colbertist version of mercantilism was strongly biased toward serving the demand of the upper classes. Identical effects are observed in columns 4 to 6 where we perform the same regressions while including dummy variable for each sector. The significance and the proportions of the coefficients remain stable and the general significance of the models increases lightly.<sup>31</sup>

### **5.2.2. The Respective Influences of *Intendants* and *Députés***

To assess the robustness of the findings reported in Table 7, we estimated Equation 1 by using partial proportional odds analysis (*gologit*, see Table 8). As said, this regression procedure allows for more precisions in the interpretation of the results. The results are similar to the series of binary logistic regressions: *i.e.* the first panel contrasts category 0 (refusal) with categories 1 and 2 (restriction and approval), whereas the second panel contrasts categories 0 and 1 with Category 2.<sup>32</sup> A positive coefficient indicates that higher values on the independent variable make it more likely that the request will be in a higher category of decision than the

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<sup>31</sup> This effect is entirely driven by two sectors, *Services* and *Food*, for which there are very few cases (respectively five and six cases respectively) and a majority of same type of final decisions (83.3 % of approval for *Food* and 80% of refusal for *Services*).

<sup>32</sup> Williams 2006

current one, whereas a negative coefficient means that higher values on the independent variable increase the probability of being in the current or a lower category of decision.

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INSERT TABLE 8 HERE

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The results in Table 8 confirm the previous findings: the stronger the endorsement of respectively the *Intendants* and the *Députés*, the higher the likelihood that the *Privilèges* will be approved (with or without restrictions, see columns (1) and (2)). Column 3, where the regression applies to the sub-sample where both parties' opinions are available, shows that the stronger the support from the *Intendants*, the less likely the probability that the request will be entirely rejected. But the reverse is not true: the likelihood of obtaining the entire package of *Privilèges* does not increase. Conversely, the two positive and statistically significant coefficients associated with the variable *DR* indicate that support from *Députés* always enhances the probability of obtaining all the benefits that had been requested. Though the small size of the sub-sample (111 observations) calls for a degree of caution, these results confirm the overall account that the *Intendants* had a lesser impact on the final decisions.

In order to make these effects more “sizeable”, the predicted probabilities from Column 3 have been calculated. Table 9 indicates that when the *Intendants* recommend that the entire set of *Privilèges* is granted, the Bureau follows their advice in 33.7% of cases and reject the request in only 5.1% of them. In the case of the *Députés*, these probabilities are respectively 67.3% and 0.4%. Finally, Table 8 confirms that application that concern luxury products are much less likely to be entirely granted than others.<sup>33</sup>

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INSERT TABLE 9 HERE

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<sup>33</sup> This result, however, is driven by the fact that, among the 27 requests for *Privilèges* concerning luxury goods, only 5 cases are included in the sample *Both*, and none of those projects was entirely granted.



**5.2.3. The Motivations of Opinions and Decisions**

Our first batch of results confirmed that decisions at the *Bureau* are first based on the opinions of *Intendants* and *Députés*, though their respective influence is unequal. In the second series of tests, we try to assess how specific qualitative arguments for or against each submission had a specific impact on the final decisions, whoever brought them forward. With this view, we regress the same independent variable as previously (*FD*) on the arguments that are most frequently quoted in the *Bureau’s* final report (Table 10).

We focus in practice on the nine arguments that were most often leveraged by the *Bureau* in its quality of the final product. *TradeBalance* takes value 1 when the final product is deemed to allow for a reduction in imports or an increase in exports. The same holds for contributions to the local economy, technical innovation, competition issues, etc. (see Table A1).

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INSERT TABLE 10 HERE  
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The results reported in Column 1 of Table 10 are straightforward: all things equal, the Bureau was more willing to grant *Privileges* when the quality of the production was considered or expected to be high, when the investment would benefit the local economy and the consumers, when technical innovation was at stake and when a positive contribution to the trade balance was expected. Conversely, it was less prone to grant *Privilèges* when the project was likely to distort competition, or when it was thought that the underlying technology was already well known.

The results from *gologit* regressions reported in Column 2 offer more details on these policy preferences. In order to make these results easier to read, we differentiate between three classes of arguments, according to their impact on the final decision.

- i. First are “Super Arguments” that clearly improve the likelihood of being awarded the full set of privileges that have applied for: the variables *Quality*<sup>+</sup>, *LocalEconomy*<sup>+</sup> and *Consumer*<sup>+</sup>

are all associated with positive and statistically significant coefficient, on both steps of the regression: the switch from refusal to a partial granting of the initial claim, then the switch to a full granting. Note also that those coefficients are of higher magnitude in the Column “0→1;2” than in the Column “0;1→2”. This suggests that the stronger effect of these arguments was to avoid full rejection and guarantee some support.

ii. Second, there are “Refusal-Proof Arguments” also offer a guarantee that full rejection will be avoided, though these variable do not predict whether all or just a fraction of the requested benefits will eventually be awarded. Here we have the variables that correspond to technical innovation, investment level, the valorization of local resources and contributions to the trade balance: they all significantly decrease the likelihood of not receiving at least some support.

iii. Lastly, “Approval-Proof Arguments” close the door to a full package of benefits, but are neutral between the two lower-level outcomes. Here we find assessments that deny to the project any innovative character or that identify a possible negative impact on competition. The reading of the archives confirms that, in particular, the *Députés* and the members of the Bureau, were keen to avoid distortion of competition.<sup>34</sup>

#### **5.2.4. Who Raised Which Argument, and To Which Effect?**

The last step crosses the arguments developed in the two previous ones: we now want to assess the joint impact of substantive arguments together with the voice that leveraged them, that is, either that of the *Intendants* or the *Députés*. Hence, we estimate the impact of the arguments they use, first on their own recommendations, and then on the final decision (Tables 11 and 12).

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<sup>34</sup> The *Députés* repetitively made very strong arguments against the granting of commercial exclusivity, especially in matters of service provision. The Bureau generally followed their arguments. This is also highlighted in Beuve et al. 2013.

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INSERT TABLE 11 HERE

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INSERT TABLE 12 HERE  
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Column 1 of Table 11 indicates that the provincial *Intendants* were more willing to support a request when it was deemed to have a positive effect for local consumers and the valorization of local resources, when the quality of future products was considered good and, to a lesser extent, when the final product was deemed to allow for a reduction in imports or an increase in exports. Conversely, *Intendants* were less prone to support applications when they concluded that the project would distort competition. Yet, the arguments of local economy and competition are the only that still carry a significant impact at the final decision stage, i.e., using the same vector of independent variables (on the sample *Intendants*). In other words, at the final stage, the influence of *Intendants* is stronger when they brought forward a positive aspect on local economy and the negative argument of market distortion. A similar conclusion is obtained with the *gologit* estimates (see Column 4), though the quality of the product also has a slight positive impact.

Table 12 also confirms these conclusions. Column 1 shows that the *Députés* were also prone to lend support to a project that was expected to benefit the consumers, the local economy and the trade balance, though they also gave substantial weight to an innovative product or technique. Conversely, everything equal, the *Députés* were reluctant to hand out *Privilèges* when there were risks of market distortions and when they explicitly concluded that the project was not innovative. At the next step, when the *Avis des Députés* reached the *Bureau*, five substantive arguments had a significant statistical impact on the final decision, as submitted to the Minister: restriction of competition, import substitution, absence of innovation, and a positive impact on the local economy and for consumers. These results are

confirmed by the *gologit* regressions reported in columns 3 and 4. They also show that concerns about competition were always a “killing” argument that increased the likelihood of a request being entirely rejected by the *Bureau*. Tables 11 and 12 confirm again that the *Députés*’ opinions had more impact on the final opinion than that of the *Intendants*.<sup>35</sup>

One of the possible interpretations of this superior influence of the *Députés* is that, as a college, they benefitted of a wider expertise, hence they had more credit. Moreover, they had a broader vision of the market and the policy, since they were consulted on most cases, while the *Intendants* had a more local and patchy understanding, for instance, of the technology or the competition. At least, this is what draws from the comparative readings of their respective *Avis*.

## 6. Conclusion

This article has explored how a tiny, eighteenth-century French agency has allocated rents to hundreds of private entrepreneurs, during a period of more than twenty years (1724–1744). What first comes out is the highly stable and formal character of its procedures, as well as the willingness of bureaucrats to consult with a large array of stakeholders. Critically, this allowed them to collect a remarkably large mass of information and expert advices. The processing of this information and the deliberation among decision makers and their direct advisers were then organized within a complex institutional structure: though the *Bureau du Commerce* was part and parcel of an emerging, centralized and hierarchic state machinery, it managed to rely upon two colleges of, first, independent experts and then bureaucrats. These two high-skill assemblies successively discussed each case on the basis of the available

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<sup>35</sup> All the estimations provided in this section were also run by using multinomial logit models and results are perfectly consistent. Furthermore, as an additional robustness check, we also run all the above regressions by making vary the number of arguments included in the estimations. Results also are highly similar and the main identified effects are particularly stable.

opinions and information, before a proposal was presented to the Minister as a unanimity position. With hindsight, this *bureaucratic* framework may thus be seen as a second-best alternative to a *political* mechanism of interest representation, where a Parliament is the place where arguments are exchanged and bargains are reached.<sup>36</sup> Also, the organization in colleges and the implied obligation to rationally justify any claim, opinion or decision can be understood as a self-enforcing mechanism: it de facto made more difficult the outright manipulation of information flows and decisions rules.

In this article we have tested whether this rather arcane framework actually structured how decisions were made on case-by-case basis, or whether in practice things were decided elsewhere, for instance at the Court or at the Opera. In other words, we assessed whether the *de jure* rules structured the observed decision-making process and, in so doing, established the endogenous character of the decisions formally issued by the *Bureau*. This research strategy did not aim therefore at establishing whether over time the *Bureau* remained faithful or not to a given policy mandate—a strategy that is commonly adopted by social scientists working on bureaucracies and public policies. Rather, we showed that individual decisions were indeed related to: i) the overall assessment provided *to the colleges of decision makers* by each of the two key voices (the *Députés* and the provincial *Intendants*); and ii) by the qualitative arguments that backed up their respective opinions. Hence, the capacity to weigh on the decisions did not respond only to one's relative position, once access to the colleges of the *Bureau* had been obtained; influence also derived from the capacity to formulate an expert judgment, based on the specific character of each application and the revealed policy preferences of the *Bureau*. Said differently, stakeholders had to play by the rules of the *Bureau* if they wanted to receive its support.

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<sup>36</sup> O'Brien et al., 1991

We take these results as most remarkable: over such a long time-span, and with due regard for the weak institutional environment of the Ancien Regime, one should have probably expected a low level of overall consistency, reflected in inconclusive econometric results. Their robustness, and the detailed insights we have extracted on the dynamics of decision-making, clearly contradict the expectations of absolute agency heteronomy, as expressed by straightforward public choice approaches. Relative procedural autonomy did not derive however from insulation and from hyper-centralization. In spite of the absence of accountability checks and other constitutional commitments, this tiny, high-skills, rule-based agency was thus able to interact with a wide array of social and economic interests, without loosing sight of its own long term policy goals – economic development, technical innovation, import-substitution.

Even though we have no clue on its real world impact, this experiment should thus be seen primarily as a reflection of the power and virtue of bureaucratic formalization. The Bureau did not emerge from a non-intentional, path-dependent process, but from an explicit attempt by the King's policy-makers to design a new model of agency, with a capacity to shape, or influence the spontaneous development of the economy as 'from the outside': they looked explicitly for an instrument which would help them reaching their core policy aim-economic catch-up vis-à-vis England and the Netherlands. Moreover, the *Bureau de Commerce* emerged in a world where accountability was not a constraint for decision makers. Clearly it was not a rubber-stamping instrument aimed at legitimizing of selling decision made elsewhere. This is ultimately why this story may shed light more generally on the political attractiveness, in later centuries, of state-led, technocratic models of economic development.

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**Table 1: Distribution of the 267 Requests**

New venture	60,5 %	Privilège Granted	42,3 %
Intellectual Property	10,2 %	PG with Restriction	29,2 %
Renewal/Enlengthement	12,8 %	Privilège Refused	28,5 %
Extension of Scope / Redefintion	16,5 %		

**Table 2. Distribution of Opinion for Final Decision by Participants in the Decision Process**

	<i>FD</i>		<i>IR</i>		<i>DR</i>	
	<i>(Final Decision)</i>		<i>(Intendants' Recommendations)</i>		<i>(Députés' Recommendations)</i>	
	Freq.	%	Freq.	%	Freq.	%
Refusal	76	28.5	23	14.7	59	27
Restriction	78	29.2	27	19.9	71	31.6
Approval	113	42.3	91	65.4	93	41.4
Total	267	100	136	100	215	100

**Table 3. Correlations Between the Opinion for Final Decision of the Députés and Intendants (for the 111 cases on which we have both)**

	<i>FD</i>	<i>IR</i>	<i>DR</i>
<i>FD (Final Decision)</i>	1.000		
<i>IR (Intendants' Recommendations)</i>	0.573	1.000	
<i>DR (Députés Recommendations)</i>	0.684	0.587	1.000

**Table 4. Distribution of the Opinion of Députés and Intendants for the 111 Cases Subject to Joint Assessment**

<i>IR</i>	<i>DR</i>			
	Refusal	Restriction	Approval	Total
Refusal	13	1	4	18
Restriction	3	16	3	22
Approval	2	23	46	71
Total	18	40	53	111

**Table 5 .Frequency and Ranking of the Justifications Put Forward by the Various Parties in the Decision**

Rank	Final Decision (267 obs.)		Request (267 obs.)		Intendants (136 obs.)		Députés (215 obs.)	
1	Quality+	30,3	Quality+	36,3	Local Economy+	38,2	Trade Balance	22,3
2	Trade Balance	27,3	Trade Balance	34,1	Quality+	30,1	Consumer+	22,3
3	Local Economy+	24,7	Fixed Costs	26,6	Trade Balance	25,7	Quality+	22,3
4	Consumer+	21,7	Local Economy+	21,7	Consumer+	23,5	Restriction of Competition	21,9
5	Fixed Costs	16,5	Technical Innovation	20,2	Valorization of Local Resources	21,3	Local Economy+	20,0
6	Restriction of Competition	13,5	Consumer+	19,9	Fixed Costs	17,6	Absence of Innovation	16,3
7	Technical Innovation	13,1	Valorization of Local Resources	16,1	Restriction of Competition	11,0	Technical Innovation	12,1
8	Valorization of Local Resources	10,9	Social Employment	14,2	Social Employment	9,6	Fixed Costs	9,3
9	Absence of Innovation	10,5	Precedents +	10,5	Attract Labor Force	8,8	Precedents -	8,4
10	Social Employment	9,7	Attract Labor Force	7,5	Prior Property Rights Infringement	8,8	Prior Property Rights Infringement	8,4
11	Precedents -	7,9	Reducing Fraud	2,2	Risk of Overproduction	8,1	Quality-	7,4
12	Prior Property Rights Infringement	7,5	Custom & Common Practices +	1,9	Technical Innovation	7,4	Valorization of Local Resources	7,4
13	Risk of Overproduction	7,1	Statutes & Royal Decrees +	1,5	Precedents +	6,6	Risk of Overproduction	7,4
14	Precedents +	6,4	Provision of Public Good	0,7	Precedents -	5,9	Social Employment	7,0
15	Attract Labor Force	6,4	Precedents -	0,4	Fiscal Costs	3,7	Industrial risk	5,1
16	Quality-	4,9	Consumer-	0,4	Quality-	2,9	Uncertainty/Incompleteness	4,7
17	Uncertainty/Incompleteness	4,1	Restriction of Competition	0,4	Difficulty of implementation	2,2	Precedents +	3,7
18	Difficulty of implementation	3,7	Prior Property Rights Infringement	0,4	Absence of Innovation	2,2	Fiscal Costs	3,7
19	Statutes & Royal Decrees -	3,4	Custom & Common Practices -	0,0	Custom & Common Practices +	1,5	Difficulty of implementation	3,3
20	Fiscal Costs	3,4	Statutes & Royal Decrees -	0,0	Industrial risk	1,5	Consumer-	2,8
21	Industrial risk	3,0	Local Economy-	0,0	Custom & Common Practices -	0,7	Attract Labor Force	2,8
22	Reducing Fraud	2,6	Quality-	0,0	Local Economy-	0,7	Lack of Realization	2,8
23	Lack of Realization	2,2	Industrial risk	0,0	Consumer-	0,7	Statutes & Royal Decrees -	2,3
24	Statutes & Royal Decrees +	1,9	Difficulty of implementation	0,0	Provision of Public Good	0,7	Custom & Common Practices -	1,9
25	Consumer-	1,5	Absence of Innovation	0,0	Reducing Fraud	0,7	Reducing Fraud	1,9
26	Custom & Common Practices +	1,1	Risk of Overproduction	0,0	Fiscal Fairness	0,7	Statutes & Royal Decrees +	1,4
27	Custom & Common Practices -	1,1	Fiscal Costs	0,0	Lack of Realization	0,7	Local Economy-	0,9
28	Local Economy-	1,1	Fiscal Fairness	0,0	Uncertainty/Incompleteness	0,7	Fiscal Fairness	0,9
29	Fiscal Fairness	1,1	Lack of Realization	0,0	Statutes & Royal Decrees +	0,0	Custom & Common Practices +	0,5
30	Provision of Public Good	0,0	Uncertainty/Incompleteness	0,0	Statutes & Royal Decrees -	0,0	Provision of Public Good	0,0

**Table 6. Motivations for the Final Decision and Députés' and Intendants' Influence**

	Request (267 obs.)	FD (267 obs.)	IR (136 obs.)	DR (215 obs.)	Diff. with request	Intendants' influence	Députés' influence
Custom & Common Practices +	1,9	1,1	1,5	0,5	0,7	0,3	-0,7
Custom & Common Practices -	0,0	1,1	0,7	1,9	-1,1	-0,4	0,7
Precedents +	10,5	6,4	6,6	3,7	4,1	0,3	-2,6
Precedents -	0,4	7,9	5,9	8,4	-7,5	-2,0	0,5
Statutes & Royal Decrees +	1,5	1,9	0,0	1,4	-0,4	-1,9	-0,5
Statutes & Royal Decrees -	0,0	3,4	0,0	2,3	-3,4	-3,4	-1,0
Trade Balance	34,1	27,3	25,7	22,3	6,7	-1,6	-5,0
<b>Local Economy+</b>	21,7	24,7	38,2	20,0	-3,0	<b>13,5</b>	-4,7
Local Economy-	0,0	1,1	0,7	0,9	-1,1	-0,4	-0,2
Consumer+	19,9	21,7	23,5	22,3	-1,9	1,8	0,6
Consumer-	0,4	1,5	0,7	2,8	-1,1	-0,8	1,3
Technical Innovation	20,2	13,1	7,4	12,1	7,1	-5,8	-1,0
Quality+	36,3	30,3	30,1	22,3	6,0	-0,2	-8,0
Quality-	0,0	4,9	2,9	7,4	-4,9	-1,9	2,6
Fixed Costs	26,6	16,5	17,6	9,3	10,1	1,2	-7,2
Attract Labor Force	7,5	6,4	8,8	2,8	1,1	2,5	-3,6
<b>Valorization of Local Resources</b>	16,1	10,9	21,3	7,4	5,2	<b>10,5</b>	-3,4
Social Employment	14,2	9,7	9,6	7,0	4,5	-0,2	-2,8
Provision of Public Good	0,7	0,0	0,7	0,0	0,7	0,7	0,0
Reducing Fraud	2,2	2,6	0,7	1,9	-0,4	-1,9	-0,8
Industrial risk	0,0	3,0	1,5	5,1	-3,0	-1,5	2,1
Difficulty of implementation	0,0	3,7	2,2	3,3	-3,7	-1,5	-0,5
<b>Restriction of Competition</b>	0,4	13,5	11,0	21,9	-13,1	-2,5	<b>8,4</b>
<b>Absence of Innovation</b>	0,0	10,5	2,2	16,3	-10,5	-8,3	<b>5,8</b>
Risk of Overproduction	0,0	7,1	8,1	7,4	-7,1	1,0	0,3
Prior Property Rights Infringement	0,4	7,5	8,8	8,4	-7,1	1,3	0,9
Fiscal Costs	0,0	3,4	3,7	3,7	-3,4	0,3	0,4
Fiscal Fairness	0,0	1,1	0,7	0,9	-1,1	-0,4	-0,2
Lack of Realization	0,0	2,2	0,7	2,8	-2,2	-1,5	0,5
Uncertainty/Incompleteness	0,0	4,1	0,7	4,7	-4,1	-3,4	0,5

**Table 7 Final Decision and Recommendations: Ologit Regression Results**

Dependent variable :		<i>Final Decision (FD)</i>							
Model :		Ordered logit							
Sample :		Without Sector FE				With Sector FE			
		Députés	Intendants	Both	Députés	Intendants	Both		
		(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
<i>DR</i>		2.822*** (0.391)	.	2.050*** (0.443)	.	2.773*** (0.392)	.	1.853*** (0.475)	.
<i>IR</i>		.	2.046*** (0.305)	1.043** (0.322)	.	.	2.232*** (0.326)	1.286*** (0.344)	.
<i>Veto-D</i>		.	.	.	-1.474** (0.514)	.	.	.	-0.916+ (0.531)
<i>Veto-I</i>		.	.	.	-0.892 (0.994)	.	.	.	-0.986 (1.059)
<i>Year</i>		0.009 (0.018)	0.047 (0.035)	0.029 (0.027)	0.035 (0.044)	0.004 (0.019)	0.063 (0.041)	0.043 (0.035)	0.045 (0.045)
<i>Foreigner</i>		0.465 (0.820)	-0.367 (0.445)	0.766 (1.021)	0.321 (0.469)	0.379 (0.800)	-0.588 (0.592)	0.655 (1.041)	0.063 (0.503)
<i>Luxury</i>		-0.618 (0.637)	-0.480 (0.493)	-1.304 (1.031)	-1.585* (0.648)	-0.763 (0.727)	-0.928 (0.639)	-1.889+ (1.040)	-1.724** (0.556)
Sector		No	No	No	Yes	Yes	Yes		
	Intercept	16.486 (31.069)	82.774 (59.844)	51.817 (47.396)	59.384 (75.664)	23.349 (32.753)	110.683 (70.919)	75.798 (59.487)	76.722 (77.728)
	.	19.095 (31.041)	85.005 (59.787)	54.445 (47.358)	60.918 (75.725)	25.979 (32.651)	113.137 (70.868)	78.551 (59.436)	78.363 (77.772)
	Adjusted $R^2$	0.38	0.22	0.34	0.07	0.39	0.40	0.38	0.10
	N	215	136	111	111	215	136	111	111

In columns (1) and (5), the sample includes decisions for which we have access to the Députés' recommendations. In columns (2) and (6), the sample includes decisions for which we have access to the intendants' recommendations. Finally, columns (3), (4), (7) and (8) include decisions with both recommendations available. Standard errors, clustered at the regional level, are reported in parenthesis. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1.

**Table 8. Final Decision and Recommendations: Gologit Regression Results**

Dependent variable:		<i>Final Decision (FD)</i>							
Model:		Generalized Ordered Logit							
Sample:		Députés		Intendants		Both		Both	
		(1)		(2)		(3)		(4)	
		0→1;2	0;1→2	0→1;2	0;1→2	0→1;2	0;1→2	0→1;2	0;1→2
<i>DR</i>		1.993*** (0.374)	4.146*** (0.423)	.	.	1.041** (0.398)	3.102*** (0.529)	.	.
<i>IR</i>		.	.	1.968*** (0.390)	2.375*** (0.479)	1.246** (0.418)	1.261 (0.779)	.	.
<i>Veto-D</i>		.	.	.	.	.	.	-0.855 (0.937)	-16.353*** (0.596)
<i>Veto-I</i>		.	.	.	.	.	.	-1.171 (1.009)	-0.462 (0.865)
<i>Year</i>		0.003 (0.018)	0.009 (0.033)	0.063 (0.041)	0.052 (0.043)	0.049 (0.039)	0.037 (0.041)	0.042 (0.042)	0.042 (0.053)
<i>Foreigner</i>		0.793 (0.824)	0.468 (1.413)	0.014 (0.745)	-0.680+ (0.412)	0.965 (1.095)	0.734 (1.331)	0.272 (0.797)	0.353 (0.889)
<i>Luxury</i>		-0.866 (0.869)	-0.704 (0.625)	-0.779 (0.924)	-1.314 (0.897)	-1.447 (1.400)	-14.874*** (0.800)	-1.159 (1.216)	-16.779*** (0.722)
Sector		Yes	Yes	Yes	Yes	Yes	Yes		
	Intercept	-7.022 (31.896)	-21.922 (57.924)	-110.653 (71.072)	-95.117 (74.807)	-86.380 (67.157)	-71.655 (70.710)	-71.247 (73.104)	-73.581 (91.159)
	Adjusted $R^2$	0.43		0.26		0.40		0.10	
	N	215		136		111		111	

Standard errors, clustered at the regional level, are reported in parenthesis. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1.

**Table 9. Final Decision and Députés' and Intendants' Recommendations: Predicted Probabilities**

Predicted probability:		P( <i>FD</i> = 0) refusal	P( <i>FD</i> = 1) restriction	P( <i>FD</i> = 2) approval
<i>IR</i>	0 (refusal)	49,8	23,6	8,2
	1 (restriction)	45,1	65,2	58,1
	2 (approval)	5,1	11,2	33,7
<i>DR</i>	0 (refusal)	40,2	19,2	7,7
	1 (restriction)	59,4	72,4	25
	2 (approval)	<b>0,4</b>	8,4	<b>67,3</b>

**Table 10. Final Decision and Commissaires' Arguments: Regression Results**

Dependent variable :	<i>Final Decision (FD)</i>		
	Ordered Logit (1)	Generalized Ordered Logit (2)	
		0→1;2	0;1→2
<b>Commissioners' Arguments:</b>			
<i>Quality</i> <sup>+</sup>	1.199*** (0.363)	2.815** (0.904)	0.877* (0.404)
<i>TradeBalance.</i>	0.843** (0.300)	19.148*** (0.619)	0.213 (0.385)
<i>LocalEconomy</i> <sup>+</sup>	1.922*** (0.310)	20.258*** (0.395)	1.217*** (0.310)
<i>Consumer</i> <sup>+</sup>	1.861*** (0.415)	2.940** (0.919)	1.559*** (0.457)
<i>SunkCosts</i>	0.679+ (0.382)	17.897*** (1.152)	0.375 (0.379)
<i>Technic.Innovation</i>	1.331*** (0.376)	1.760** (0.667)	0.625+ (0.363)
<i>Restrict.Competition</i>	-0.797** (0.291)	-0.165 (0.454)	-3.153*** (0.765)
<i>Val.Local.Resources</i>	0.836+ (0.440)	18.662*** (1.159)	0.590 (0.417)
<i>No.Innovation</i>	-1.037*** (0.253)	-0.378 (0.338)	-19.574*** (0.450)
Intercept	0.536* (0.255)	-1.364*** (0.345)	-1.672*** (0.279)
	2.650*** (0.348)	-1.364*** (0.345)	.
Controls	Yes	Yes	
Adj. R <sup>2</sup>	0.28	0.42	
N	267	267	

"Controls" include the variable *Year*, *Foreigner*, *Luxury* and sector dummies. Standard errors, clustered at the regional level, are reported in parenthesis. \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1.



**Table 11. Intendants' Recommendations, final decision and intendants' arguments: Regression Results**

Dependent variable :	IR		FD		IR		FD	
Model :	Orderd Logit				Generalized Ordered Logit			
	(1)	(2)	(3)	(4)	(3)	(4)	(3)	(4)
			0→1;2	0;1→2	0→1;2	0;1→2	0→1;2	0;1→2
<b>Intendants' arguments :</b>								
<i>Local.Economy<sup>+</sup></i>	1.255*	0.678*	2.862**	1.136+	0.686*	0.665*		
	(0.527)	(0.272)	-0.447	(0.584)	(0.326)	(0.314)		
<i>Quality<sup>+</sup></i>	1.851***	0.377	18.051***	2.158***	0.225	0.364		
	(0.480)	(0.348)	(1.606)	(0.607)	(0.681)	(0.382)		
<i>TradeBalance.</i>	1.193*	0.238	0.207	1.075	0.969	0.046		
	(0.592)	(0.406)	(1.459)	(0.804)	(0.745)	(0.509)		
<i>Consumer<sup>+</sup></i>	1.877**	0.619	16.879***	1.586*	0.529	0.589		
	(0.677)	(0.511)	(0.894)	(0.772)	(0.667)	(0.515)		
<i>Val.Local.Resources</i>	1.703**	0.365	-0.189	1.944*	0.725	0.262		
	(0.659)	(0.343)	(1.608)	(0.762)	(0.459)	(0.392)		
<i>Sunk.Costs</i>	-0.480	-0.176	16.237***	-0.944	0.713	-0.405		
	(0.632)	(0.513)	(1.581)	(0.806)	(1.031)	(0.586)		
<i>Restrict.Competition</i>	-2.139***	-1.066***	-1.371**	-2.946**	-0.203	-1.960*		
	(0.490)	(0.293)	(0.426)	(0.980)	(0.368)	(0.788)		
Intercept	-0.683	-0.799*	-0.055	-0.602	0.627	-0.679		
	(0.427)	(0.384)	(0.409)	(0.504)	(0.428)	(0.452)		
	1.067*	0.797+	.	.	.	.		
	(0.463)	(0.441)	.	.	.	.		
Controls	Yes	Yes	Yes	Yes	Yes	Yes		
Adj. R <sup>2</sup>	0.28	0.06	0.34	0.34	0.10	0.10		
N	136	136	136	136	136	136		

"Controls" include the variable *Year, Foreigner, Luxury* and sector dummies. Standard errors, clustered at the regional level, are reported in parenthesis.  
 \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1.

**Table 12. Députés' Recommendations, Final Decision and Députés' Arguments: Regression Results**

Dependent variable :	DR		FD		DR		FD	
Model :	Orderd Logit				Generalized Ordered Logit			
	(1)	(2)	(3)	(4)	(3)	(4)	(3)	(4)
			0→1;2	0;1→2	0→1;2	0;1→2	0→1;2	0;1→2
<b>Députés' arguments :</b>								
<i>TradeBalance</i>	0.932***	0.951***	2.361*	0.503	2.088**	0.521+		
	(0.267)	(0.265)	(1.078)	(0.314)	(0.669)	(0.302)		
<i>Consumer<sup>+</sup></i>	1.545***	0.570	2.555*	1.273**	0.655+	0.225		
	(0.409)	(0.379)	(1.137)	(0.488)	(0.367)	(0.377)		
<i>Quality<sup>+</sup></i>	0.783*	0.299	1.613*	0.414	0.736+	0.151		
	(0.364)	(0.320)	(0.700)	(0.438)	(0.441)	(0.397)		
<i>Restrict.Competition.</i>	-1.599***	-1.130***	-0.869*	-17.570***	-0.761*	-2.058***		
	(0.250)	(0.260)	(0.435)	(0.371)	(0.360)	(0.476)		
<i>LocalEconomy<sup>+</sup></i>	1.210***	0.319	17.717***	0.587	0.728	0.492		
	(0.361)	(0.333)	(0.504)	(0.384)	(0.548)	(0.471)		
<i>No.Innovation</i>	-2.104***	-1.033***	-1.902**	-16.936***	-0.647+	-2.900**		
	(0.463)	(0.277)	(0.613)	(0.457)	(0.338)	(1.092)		
<i>Technic.Innovation</i>	0.759+	0.142	2.076***	0.237	0.100	0.213		
	(0.438)	(0.502)	(0.274)	(0.454)	(0.706)	(0.464)		
Intercept	-0.847*	-0.688**	0.101	-0.687+	0.529+	-0.822*		
	(0.366)	(0.254)	(0.433)	(0.366)	(0.301)	(0.359)		
	1.334**	0.889**	.	.	.	.		
	(0.444)	(0.296)	.	.	.	.		
Controls	Yes	Yes	Yes	Yes	Yes	Yes		
Adj. R <sup>2</sup>	0.26	0.12	0.41	0.41	0.19	0.19		
N	215	215	215	215	215	215		

"Controls" include the variable *Year, Foreigner, Luxury* and sector dummies. Standard errors, clustered at the regional level, are reported in parenthesis.  
 \*\*\* p<0.001, \*\* p<0.01, \* p<0.05, + p<0.1.

## Appendix

**Table A1. Variables, definitions and summary statistics**

VARIABLES	DEFINITIONS	SUMMARY STATISTICS
<b>FD</b> (Final Decision)	Ordinal variable which indicates the final decision made by the bureau. Applications could be rejected ( <b>FD</b> = 0), could be partially granted ( <b>FD</b> = 1) or the entire set of privileges could be handed out ( <b>FD</b> = 2)	0 : 76 (28.5%) 1 : 78 (29.2%) 2 : 113 (42.3%) N = 267
<b>IR</b> (Intendants' Recommendations)	Ordinal variable which indicates the recommendations made by the provincial intendants for the final decision (same construction than <b>FD</b> above).	0 : 20 (14.7%) 1 : 27 (19.9%) 2 : 89 (65.4%) N = 136
<b>DR</b> (Députés' Recommendations)	Ordinal variable which indicates the recommendations made by the députés for the final decision (same construction than <b>FD</b> above).	0 : 58 (27%) 1 : 68 (31.6%) 2 : 89 (41.4%) N = 215
<b>Veto-I</b>	Dummy variable which is equal to 1 when the local intendants recommend refusal while the députés claim for restrictive or entire grant of the privileges.	0 : 106 (95.5%) 1 : 5 (4.5%) N = 111
<b>Veto-D</b>	Dummy variable which is equal to 1 when the députés recommend refusal while local intendants claim for restrictive or entire grant of the privileges.	0 : 106 (95.5%) 1 : 5 (4.5%) N = 111
<b>Luxury</b>	Dummy variable which is equal to 1 if the application is concerning luxury product.	0 : 244 (91.4%) 1 : 23 (8.6%) N = 267
<b>Foreigner</b>	Dummy variable which is equal to 1 if the application is made by a foreign entrepreneur.	0 : 250 (93.6%) 1 : 17 (6.4%) N = 267
<b>Year</b>	Date of the application.	$m = 1732.6$ $\sigma = 6.1$
<b>Sector</b>	Sector of the application:	
	Food	6 (2,1 %)
	Faience	22 (7,8 %)
	Forge	5 (1,8 %)
	Machine	18 (6,4 %)
	Metal	20 (7,1 %)
	Mine	13 (4,6 %)
	Mill	16 (5,7 %)
	Small Manufacturing	10 (3,6 %)
	Service	5 (1,8 %)
	Dye	22 (7,8 %)
	Textile	108 (38,4 %)
	Glass	36 (12,8 %)
<b>Arguments</b>	Arguments put forward by applicants / commissaires / intendants / députés:	
<i>Custom &amp; Common Practices +</i>	References to practices and factual situations which are not necessarily codified.	
<i>Custom &amp; Common Practices-</i>	Here, and below for all, "-" refers to the same argument used to deny or curtail asked privileges.	
<i>Precedents +</i>	Reference to similar previous privileges granted to a third party.	
<i>Precedents -</i>	Cf. above.	
<i>Statutes &amp; Royal Decrees +</i>	Law and jurisprudence on which the applicant or council relies (outside, of course, the jurisprudence about privileges).	
<i>Statutes &amp; Royal Decrees -</i>	Cf. above.	
<i>Trade Balance</i>	Development of production for the domestic market (substitution for imports) and for the development of exports.	
<i>Local Economy+</i>	Arguments that insist on the dimension of economic activity and/or market size and demand support. The important point here is the local / regional character development.	
<i>Local Economy-</i>	Cf. above.	
<i>Consumer+</i>	Explicit reference to the price and/or quality in a logical demand side and utility for consumers (usually local).	
<i>Consumer-</i>	Cf. above.	
<i>Technical Innovation</i>	Invention or import of a foreign technology not yet available in France.	
<i>Quality+</i>	All the arguments that refer to the quality of production and unique know-how that have been developed by the contractor and should be protected (not the technology, coded as "Technical Innovation" above).	
<i>Quality-</i>	All the arguments that refer to the fact that the production quality and/or skills are low and no (or no longer) warrant protection. It is not know-how and technologies that have become commonplace, but explicitly poor performance.	
<i>Fixed Costs</i>	Argument that refer to the fact that significant financial and/or human investment has been made	

See Table 6

<i>Attract Labor Force</i>	Needs to draw the workforce, both for local and foreign workforce (always for skilled workers).
<i>Valorization of Local Resources</i>	Valorization of material and natural resources
<i>Social Employment</i>	Arguments that refer to the fact that the population of the region in general will be better to work, especially for poor and hospitals residents. The argument is different from the "Local Economy +" in the sense that the problem of absorption of underemployment must be explicitly mentioned.
<i>Provision of Public Good</i>	Arguments that refers to the fact that the proposed product/service corresponding to the application is a response to a market failure: production of "public infrastructure" / provision of "public services".
<i>Reducing Fraud</i>	Arguments that refers to the fact that the proposed product/service corresponding to the application is a response to a regulatory failure or a failure of enforcement of standards (quality of production, taxation, foreign trade). This is often proposal to check the crossings (roads, warehouses, etc.).
<i>Industrial risk</i>	Arguments put forward when there is uncertainty about the feasibility of the project or the idea that seems too risky.
<i>Difficulty of implementation</i>	Arguments put forward when the privilege could not produce the desired effects in terms of support to the project and/or its enforcement would be problematic.
<i>Restriction of Competition</i>	Arguments that refers to the fact that granting a privilege would lead to give an unfair advantage to a competitor or to a distortion which would prove to be inefficient in terms of competitive selection (including fiscal distortion).
<i>Absence of Innovation</i>	Arguments put forward when the knowledge associated to the application is already well known.
<i>Risk of Overproduction</i>	Arguments that refer to the fact that granting a privilege lead to lowering excessively the marginal returns of capital already invested or that it does not appear relevant to favor new entries.
<i>Prior Property Rights Infringement</i>	Interference with prior property rights (i.e. with other privileges).
<i>Fiscal Costs</i>	Calculation cost / benefit of the State.
<i>Fiscal Fairness</i>	Arguments that refer to the simple fact that it appears unfair to favor certain professions / industries / population compared to others. It refers to all cases where an exemption seems unjustified in terms of the "equality of subjects before the tax".
<i>Lack of Realization</i>	Situation where the privilege is explicitly removed or canceled for lack of the exercise of a privilege granted in the past.
<i>Uncertainty/Incompleteness</i>	It does not refer to additional investigations in the case of incomplete information, but rather where the projects are too hazy and vague so it is impossible to determine neither the benefits nor the costs and risks (unlike the case of projects identified as "too risky")

**Table A2. Final Decision and Députés' and Intendants' Recommendations**

	1	2	3	4	5
1. <i>Final Decision</i>					
2. <i>Intendants' Recommendations</i>	0.57				
3. <i>Députés' Recommendations</i>	0.68	0.59			
4. <i>Year</i>	0.13	-0.06	0.16		
5. <i>Foreigner</i>	-0.07	-0.07	-0.11	-0.14	
6. <i>Luxury</i>	-0.17	-0.08	-0.09	-0.11	0.48

N = 111

**Table A3. Final Decision and Commissaires' Arguments**

	1	2	3	4	5	6	7	8	9
1. <i>Final Decision</i>									
2. <i>Quality*</i>	0.39								
3. <i>TradeBalance</i>	0.33	0.38							
4. <i>LocalEconomy</i>	0.39	-0.04	0.08						
5. <i>Consumer*</i>	0.35	0.15	0.02	0.14					
6. <i>FixedCosts</i>	0.28	0.34	0.29	0.10	-0.04				
7. <i>Technic.Innov</i>	0.12	0.08	0.01	-0.15	0.01	-0.02			
8. <i>Restrict.Competition</i>	-0.29	-0.17	-0.07	-0.18	-0.13	-0.18	-0.02		
9. <i>Val.LocalResources</i>	0.23	0.06	0.11	0.33	0.05	0.17	-0.10	-0.07	
10. <i>NoInnovation</i>	-0.35	-0.20	-0.18	-0.20	-0.15	-0.15	-0.10	0.19	-0.12

N = 267

**Table A4. Final Decision, Intendants' Recommendations and Intendants' Arguments**

	1	2	3	4	5	6	7	8
1. <i>Final Decision</i>								
2. <i>Intendants' Recommendations</i>	0.61							
3. <i>LocalEconomy</i>	0.20	0.30						
4. <i>Quality+</i>	0.09	0.29	-0.12					
5. <i>TradeBalance</i>	0.11	0.28	-0.01	0.38				
6. <i>Consumer+</i>	0.13	0.28	0.06	-0.02	-0.05			
7. <i>Val.LocalResources</i>	0.11	0.23	0.29	-0.07	0.06	-0.08		
8. <i>FixedCosts</i>	0.05	0.15	0.03	0.33	0.30	-0.12	0.09	
9. <i>Restrict.Competition</i>	-0.22	-0.40	-0.13	-0.08	-0.10	-0.14	-0.07	-0.10

N = 136

**Table A5. Final Decision, Députés' Recommendations and Députés' Arguments**

	1	2	3	4	5	6	7	8
1. <i>Final Decision</i>								
2. <i>Députés' Recommendations</i>	0,76							
3. <i>TradeBalance</i>	0,25	0,25						
4. <i>Consumer+</i>	0,17	0,34	-0,10					
5. <i>Quality+</i>	0,17	0,26	0,28	0,03				
6. <i>RestrictCompetition</i>	-0,30	-0,40	-0,01	-0,18	-0,15			
7. <i>LocalEconomy</i>	0,21	0,28	0,04	0,23	-0,13	-0,12		
8. <i>NoInnovation</i>	-0,31	-0,46	-0,18	-0,18	-0,12	0,16	-0,16	
9. <i>Technic.Innovation</i>	0,04	0,13	0,08	-0,06	0,08	-0,02	-0,15	-0,16

N = 215