

THE STUPENDOUS MODERNITY OF THE FIRST GOVERNMENT LOAN FOR INSTITUTIONALS IN 1555

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ABSTRACT:

In order to finance the Italian war, Henry II 'financial advisers have made in 1555 an enormous financial operation in LYON – then the French financial capital: a huge debt consolidation plus a cash issue.

This issue was outstandingly “modern” by at least three aspects. 1. The subscription was reserved to the institutional investors --- the merchant-bankers. 2. For the first time, the amortization took the form of a 41-quarterly –constant-annuities system. 3. Because of a huge demand, an incredible system of “assimilation” of new loans has been organized.

The end of this loan is as stupendous as its technics: less than two years later, the Royal government defaulted and only 9% of the total issue has been repaid according to schedule.

KEYWORDS:

- Government loans of 1555;
- Amortization and assimilation technics;
- Government bankruptcy.

JEL codes:

- G00; H63; N23.

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Introduction

Every generation seems to believe that it create a new world. That is true for technological inventions; it is less true for social behaviour and it is not at all true for financial techniques. An outstanding example is the case of the loan made by the French king Henri II in 1555 and called « *Grand Parti de Lyon* ». As we try to show, this 1555 public loan already used techniques which are commonly said to have been invented during the XIXth century.

The *historical* basis of our paper is the « definitive » article by Roger Doucet published in *Revue Historique* in 1933¹. This historian basically uses two sources. First, the books written by a sir Dorlin. As the royal notary in Lyon, Dorlin was in charge of establishing all the contracts written between the King and the subscribers. Second sources, all the « *Lettres Patentes* » (royal decrees called *Letter Patent*) which gave juridical validity to each subscription contract. We are especially interested by the Letter Patent of March 18, 1555 which creates the Grand Parti and which describe the technical characteristics of the loan².

Historical circumstances

The war against Spain and Charles the Fifth is awfully costly. It is financed by issuing Perpetual Rents on Paris town-hall which are sold to individuals and by borrowings from the merchant-bankers, mostly foreigners, established in the city of Lyon which, at that time, is the French financial center. When King François the First dies in 1547, the indebtedness of the realm's is massive since Roger Doucet estimates that the cumulated loans from only Lyon almost amount to the royal Treasury annual revenues : 6 860 844 Livres *versus* 7 183 271 Livres^{3, 4}.

His son, Henri the Second, inherits the crown, the war and the indebtedness. The King's Council decides to undertake a major financial operation in Lyon. In fact, it is not its size which makes it interesting to study because funds are readily available in that financial city. It is worth analyzing because of the techniques used.

The characteristics of the loan

On the following page, the loan features are shown in the present « tombstone » manner.

A first characteristic has to be at once underscored: this issue is restricted to merchant-bankers. It is not for individuals. It is the first French issue for « institutional investors ». But all the other characteristics are also outstanding as the remainder of the paper will show.

¹ R. Doucet « Le Grand Parti de Lyon au 16^{ème} siècle », *Revue Historique*, vol. 171, 1933, (pp. 473-513) and vol. 172, 1933, (p. 1-41).

² This L.P. is reproduced in appendix of Doucet's article.

³ R. Doucet [henceforth referenced as RD], *loc. cit.* I – p. 480.

Of course, this comparison between a stock (the debt) and a flow (the revenues) is disputable. Its only aim is to give a rough relative measure of the sheer size of the public debt.

⁴ Since Charlemagne's monetary reform, the monetary system is twofold. An *account money* : « Livre (tournois) (LT) – sol – denier » (pound – shilling – penny) with the following relative values : 1 LT = 20 sols = 240 deniers, 1 sol = 12 deniers. And a *payment money* constituted of actual gold, silver and copper coins. The « legal tender » is the value in LT-s-d for each existing type of coin. For instance, the gold coin used for Le Grand Parti – the sun – crown – has been worth 2 LT 6 s ever since 1550.

The Grand Parti de Lyon

Amount issued:

- Consolidated debts:	1 521 275 sun-crowns*
- New debts:	507 091 s-c 2/3
Total	2 028 366 s-c 2/3

Payments of new funds:

- In four instalments of 126 772 crown 2 Livres 2 s. 1 d.
- Paid at each of the four Lyon fairs: All Saints 1554 (retrospectively), Twelfth-day, Easter and August, 1555
- If a former subscriber does not pay the instalment, he can be replaced by a new subscriber on a *pro-rata* basis

Interest coupon: - **4 %** paid at « Payment Day » of each quarterly fair
- First payment at the All Saints fair of 1555

Interest rate: - nominal: 16 %
- **actuarial yield: 14,5 %**

Redemption:

- **41 constant annuities** representing 5 % of the borrowed amount, i.e. 101 418 1/3 crown
- First reimbursement at the All Saints fair of 1555
- Last reimbursement at the All Saints fair of 1565
- Possibility of advance redemption with a 6 months previous notice

Lasting life: - total: 11 years
- for redemption: 10 years and 2 months

Subscription process:

- Only by **institutional investors** (merchant-bankers established in Lyon).
- By contracts with the royal representatives by the intermediary of sir Dorlin, royal notary
- Payment to the General finance collectors, Martin de Troyes or Zacharie Gaudart, in Lyon

Guarantees:

- *Financial*: the payments are *assigned* on all the tax revenues received from the cities of Lyon, Toulouse and Montpellier
- *Purchasing power*: « *The sums due will be paid at the same value, price and degree of fineness ("alloy")* ».
- *Judiciary and taxation*
 - Payments (interest and capital) are not non-seizable.
 - The King's windfall right » is suppressed for non-citizen or not Roman Catholic subscribers.

Particularity: after the closing in October 1555 of the issue, new contracts could be **assimilated** with the initial contracts.

Sources: Letters Patent of March 18, May 17 and October 1, 1555. The two first ones are published as appendix to the second R. Doucet's article (*loc. cit.*)

* *Since January 1550, the sun-crown (« écu soleil ») is worth 2 Livres 6 sols (2 LT 6 s.).*

I – A large size funding of existing debts

The first objective of the issue is to make a *funding operation*. For several years the Treasury had been financing the war by short-term loans from bankers of Lyon: three-months borrowings going from the fair payment-day to the following one.

On this payment-day, the due interests were paid (there was no compounding) and the debt rolled over. In spite of some episodic reimbursements, more with a psychological aim – to reassure the creditors as to the King's financial credibility – than with a financial objective – to reduce the existing debt – the outstanding debt is enormous. The first aim of the Grand Parti is to switch it into a long-term debt – in practice 10 years. It concerns 1 521 275 crowns, representing 75 % of the issue. And the Treasury collects new funds for the remaining 597 091 2/3 crowns.

II – A strange retroactive subscription payments

The time-span organised for collecting the new funds seems logical because the amount to be collected is too large to be collected immediately collected. So, four instalments for one-fourth of the total amount is organized. Each instalment takes place at the end of a fair, All Saints in 1554, Twelfth-day, Easter and August 1555.

On the other hand, nothing is said about the old debts which are founded. In fact, it is a *forced conversion*; the Treasury is unable to reimburse and refuses to borrow again on a 3-months term. The merchant-bankers had no choice and their debts were implicitly changed into a 10-years debt at the issue opening, even if one may think that the material process for legalizing these transformations must have lasted several months.

Very strange seems to be the date of the first instalment: All Saints Fair in 1554. It means *before* the official issue creation which took place in March 1555. The reason may be purely financial: the Treasury not being able to pay the quarterly interests due at that time and thus was unable to roll on its debt over the next fair.

A last point about these payments seems worth noting. The King' Council fears that some merchant-bankers may over-subscribe relative to their actual possibilities. Consequently the Letter Patent explicitly states that new subscribers could subscribe for the amount not paid by previous subscribers. The latter being still creditors for the amount actually paid.

III – Heterodox methods of reward

The three usual characteristics for rewarding a loan – the rate of interest, the dates of payment and the interest starting date may look as if they were very « classical » which is not at all the case.

A – The rate of interest

The « official » enunciation of a rate of interest is heterodox by itself since loans with interest are prohibited in France ... except in Lyon, thanks to the Letter Patent of January

1548 which suppresses its prohibition⁵. As a matter of form, the Grand Parti Letter Patent does not use the term « interest » but instead, speaks of « royal *free gift* ».

This « royal free gift » is 4 % paid at each fair, meaning 16 % per annum, a rate which was usual at that time⁶.

B – The dates of payment

In the 1550s, Lyon still the four fairs created in 1463 by Louis XI (who wanted to destroy through competition the Geneva fairs where his enemy, Charles the Bold of Burgundy, was financing his war against him) : the Easter fair which begins on the Monday after the following Sunday (*Quasimodo*), the August fair beginning on the 4th, the All Saints fair on the 3^d of November ; the Twelfth-day fair (*les Rois*) beginning on the Monday following the first Sunday of the year^{7, 8}.

Each fair lasts for two weeks. But, since the 15th century, under the leadership of the Florentine merchant-bankers, a global clearing has been taken place during the week after the fair closing. Its process is very modern since it is like the one taking place in the present futures markets.

On the Monday, the bills of exchange are accepted. On the Wednesday, the leading merchants meet in the Florentine Consul's house and decide the « exchange day » for the next fair and the rates of exchange to be used on the different financial centers in Europe. Lastly, on the Saturday, at the Exchange House, after effective clearing among the merchant-bankers, the balances are paid either by coins or by letters of credit⁹.

C – The interest starting date

For the date at which the interest begins to run, the king does not grant any gift. The method « actuarially fair » is for the interest to start running with the first payment. This means that at each subsequent instalment the subscriber does not pay its full amount but that amount *less the quarterly interest at 4 %* due on the sums already paid.

The Letter Patent does not state this at all. On the contrary: the first coupon payment is the « Payment day » of the All Saints Fair in 1555. It means that the bankers loose 15 months of interest on their previous loans and 9 months on their new ones!

The following table shows the loss of interest suffered by the subscribers.

⁵ [R.D.], cf. AN : X1a 8616, fol. 59.

⁶ The reader may think that the creditor receives an « actual » rate of interest (compounded) of 17 %. It is not the case because he cannot reinvest it in Le Grand Parti. He can only reinvest his coupon in commercial ventures.

⁷ Cf. M. Brésard : *Les foires de Lyon aux 15^{ème} et 16^{ème} siècle*, Paris Picard éd., 1914, 386 p.

⁸ About the calendar, one should remember that the calendar « Julius » is still into force and that the civil year begins at Easter. The present « Gregory » calendar was adopted in 1582. But, of course, all the dates mentioned in that article are based on the present calendar.

⁹ From M. Brésard (*op. cit*, 259 sq). Unluckily, he does not explicitly state that it takes places the *following* week. But it seems logical, the merchants wishing to go back home as quickly as possible. This uncertainty comes from R.D. who writes that the « payment day » of the All Saints Fair 1555 took place at the beginning of 1556. For the actuarial computations, we adopt the time-schedule which appears likely: *payment on the 19th day after the fair opening*. I thank my colleague, M. Rietsch, for having given to me the calendars relative to this period.

Table I
Evolution of instalments paid and of interests potentially due

Date	Operation	Cumulative borrowing	Due interest (4 %)
1554 November 22	Forced convention 1 st instalment for new loans	1 521 275 C. 126 772 C. 2 L. 2 s. 1 d. <hr/> 1 648 047 C. 2 L. 2 s. 1 d.	
1555 January 26	2 ^d instalment	1 774 820 C. 1 L. 18 s. 2 d.	65 921 C. 2 L. 2 s. 4 d.
May 11	3 ^d instalment	1 901 593 C. 1 L. 14 s. 3 d.	70 992 C. 1 L. 18 s. 2 d.
August 23	4 th instalment	2 028 366 C. 1 L. 10 s. 8 d.	76 063 C. 1 L. 14 s. 6 d.
November 22	1 st interests payment		

* C = Sun-crowns (*écus au soleil*)

A more precise way for estimating this loss for the subscribers is to compute the issue actuarial yield. The minor difficulty is to use the precise dates for the « Payment days » of the two fairs which have « moving » opening dates, Twelfth day and Easter 1555.

The yield is **14,5 %** and not 16 %. That unfair decision about the day at which the interest begins to rung gives the State a profit of 150 basis points during 10 years.

D – The guarantees

The Grand Parti benefits from the two usual guarantees of the payments of royal loans:

- the financial guaranty of the assignation of the total tax revenues from the large cities of Lyon, Toulouse and Montpellier.

- the tax and judiciaries guaranty. The interests and capital paid are non-seizable. The « king's windfall right » (*droit d'aubaine*) is also suppressed since the subscribing merchant-bankers are mostly foreigners and may be not Roman Catholic.

- a third guaranty is more original and is may be an innovation : a purchasing power guaranty. The Letter Patent explicitly says: « the sums due will be paid and reimbursed with the same value, price and degree of fineness (« *alloy* ») ».

It is why the sums are not expressed in money of accounts (Livre tournois) – as it legally should be – but in crowns which contain a fixed quantity of gold¹⁰.

¹⁰ Usual monetary manipulation took the form of changing the relationship between the money account (Livres) and the payment money (coins). An « heightening » [*rehaussement*] of the relationship means a decrease in the value of contracts. If the subscriptions were posted in Livres (and without purchasing power guaranty), the risk was the following. A subscriber for 1 000 LT expects to receive 5 % at each quarter, i.e. 50 LT which converts into 20 sun-crown coins (since one crown is worth 2 LT 6 s). If the legal value of the sun-crown becomes 3 LT (for making the legal change very large), his 50 LT give him only 16 crowns and 2 LT.

IV – The « constant annuities » innovation

The Grand Parti outstanding success is probably caused by the fact that the redemption process has a precise time-schedule¹¹.

The redemption process is based on the « *constant annuity* » system with its quarterly variant. This system is well known¹² : the debtor pays a « constant » sum with two components, the interest due and a part of capital which is redeemed. With each payment, the amount of interests due diminishes since part of the debt has already been reimbursed; so the part available for reimbursing the remaining debt increases (see the graph below). What is amazing is that the algebraic formula for computing the amount of annuity will only be invented by Antoine Deparcieux two centuries later, in 1742¹³.

This formula computes the amount of the annuity (or quarterly ones) using the three characteristics of the loan: the amount to reimburse, the annual or quarterly coupon rate and the number of years (or quarters) to full redemption. In a very clever way, Henri II's advisers « turn upside down » the formula: they decide to *pay a quarterly sum larger than the amount of interest due, 5 %* and not the 4 % coupon-rate. Consequently, they deduct the numbers of necessary payments for fully redeeming the debt – *41 payments, meaning 10 years and 3 months*. (The appendix presents the detailed computations).

So these 5 % make 101 418 1/3 crowns for each quarterly payment. For example, the first payment in November 1555 is internally divided between 81 134 1/3 crowns for interest and 20 283 1/3 for reimbursement¹⁴.

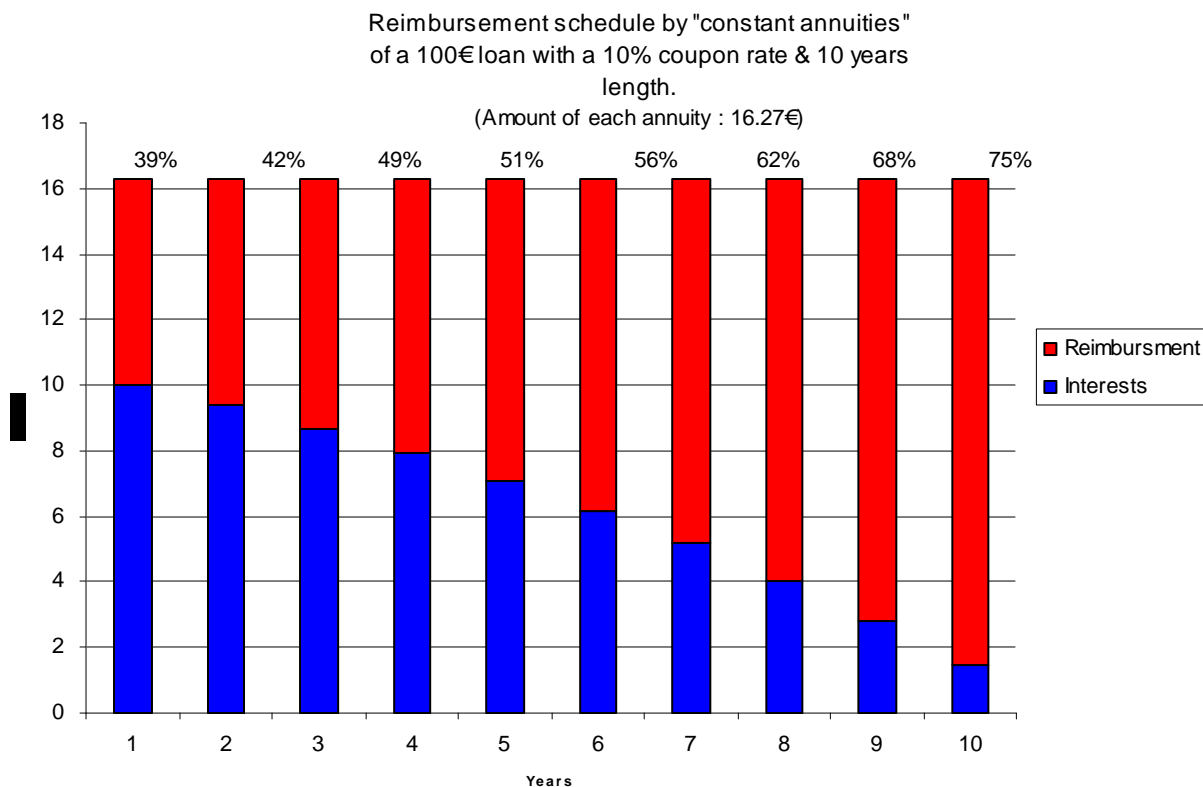
We may regret that Roger Doucet does not describe the « physical » aspect of that contract. One may think that an *ad hoc* form had to be invented, the front page being dedicated to the inscription of the quarterly payments and the back page registering the possible cases of successive endorsements.

¹¹ In his exciting bibliography on Henri II, Yvan Clouas stresses this innovation [« *Henri II* », Fayard, 1985, cf. p. 514]. He makes a small technical error : the interest is not compounded and it is not the interest rate which is equal to 20 % a year but the *annuity*. This book demonstrates that it is not fair to reduce the Henri II's image to his extra-marital affair with Diane de Poitiers. He realized many things in different fields for France. He even appears to have been a greater king than his father, François I^{er}, less the fame of the victory in Marignan. (But he reconquered the city of Calais from England thanks to his debts).

¹² This reimbursement system was used during almost two centuries, all the 19th and three-fourth of the 20th. Since the 1980's, the system is to reimburse all the capital borrowed together with the last coupon payment. (*in fine* reimbursement).

¹³ Cf. A. Deparcieux : « *Essai sur la durée de vie humaine* », INED, 2004. On the actuarial formulas invented by him, see the contribution written by Jean Berthon.

¹⁴ See in the appendix the table for the schedules of repayments.



V – The invention of assimilation

The use of the assimilation technique is the most astounding feature of this loan.

The reason is very simple. The borrowing of 507 091 $\frac{2}{3}$ crowns in cash is not sufficient relative to the huge needs of the Treasury. That is why the Treasury accepted a late subscription amounting to 210 003 $\frac{1}{5}$ crowns made by a banker named Jérôme Panchatti although the instalment payments had already started¹⁵. But, as the interest begins only to run after the fourth instalment, this additional loan caused no accounting problem. Its only consequence is to increase in due proportions the amount of the quarterly payments: 5 % on the new debt (now equal to 2 238 369 crowns 2 L) makes 111 919 crowns 14 s 8 d.

But, after 1555, the technical situation is completely different. These new subscriptions arrive *when some of the quarterly reimbursements have already been made*. Technically they change the organized distribution between interest and capital reimbursement whereas *this distribution should be kept constant*.

It is partly because of this technical constraint that the technique of reimbursing *in fine* gained favour. One can « assimilate » new loans (with the same coupon rate and same payments schedule) without bothering with reimbursement since it takes place only at the end.

The technical imagination of Henri II's advisers is outstanding and they find the following solution: the new loans are supposed to have been made the day of the closing of the issue, at the

¹⁵ This contract was authorized by the Letters Patent of May 17 and October 1st, 1555.

Payments Day of the August fair 1555 and to have benefited from the quarterly payments made since then. *So that, the capital of that notional loan remaining to be reimbursed is the effective amount paid* by the subscriber. It means that one computes « backwards » the amount of an hypothetical loan since it is on that amount that the new quarterly payment of 5 % has to be estimated.

Once this system has been devised, the computation is not difficult¹⁶. It is based on the initial table of quarterly payments and the initial distribution between interest and capital over time. It starts with the percentage of *remaining capital to be reimbursed* at each quarterly payment after that the reimbursement included in that quarterly payment has been paid¹⁷. Then it remains two operations to be made.

For this explanation to be clear, let us develop the example given by R. Doucet. It is the subscription made by a sir Moreau in October 1557 (between the eighth payment on 23 August 1557 and the ninth payment on 21 November 1557) which amounts to 150 000 Livres¹⁸.

1 – Computation of the hypothetical subscription made on 23 August 1557 which leaves 150 000 Livres as capital due at the eighth payment. It is this latter amount divided by the percentage of capital due:

$$150\ 000 \div 0,90786 = 165\ 223\ \text{LT}\ 14\ \text{s}\ 5\ \text{d}$$

2 – The increase in quarterly payment is 5 % of this hypothetical subscription:
 $165\ 223\ \text{LT}\ 14\ \text{s}\ 5\ \text{d} \times 5\ \% = 8\ 261\ \text{LT}\ 3\ \text{s}\ 8\ \text{d}$

The following table shows the full computations and, more importantly, shows that this imaginative scheme produces the expected result.

¹⁶ R.D. cites in a footnote (I, p. 500) an author of that time: Trenchant: *Arithmétique*, Lyon 1557 (1643 edition, page 311). But R.D. should be credited (and deeply admired) for having found himself the solution because Trenchant writes only a sentence saying « the computation was made backwards ». Hardly an explanation.

My colleague Christian Rietsch finds this mechanism too sophisticated to have been actually used.

¹⁷ One sees that the assimilate subscriptions benefit from a full quarter of interest since their effective payment is assumed to have been made at the *previous* quarterly payments.

¹⁸ R.D., I p 500, footnote 2. The Latter Patent of November 18, 1557 agrees for a loan of an hypothetical amount of 165 224 L 3 s (and a quarterly repayment of 8 261 LT 4 s).

Table II
Computations for the ASSIMILATION of a later subscription.
 (Computations with two decimals)

EXAMPLE : 150.00 0 LT subscribed at the EIGHTH Quarterly Payment

Notional subscription: $150000 / 0,90786 = 165223,71$ [165223LT14s5d]

Notional Quarterly Payement: $1650411/2008223,71 * 5\% = 8261,1855$ [8261LT3s8d]

Interest : 0,04

N° of Qu. P.	Remaining due (%)	Cumul. % reimbursed	Debt still due	VERIFICATION			
				Quarterly P.	Interest	Amount reimbursed	Cumulative reimbursemts
			165 223,71	8 261,1855			
1	99,000	1,000	163 571,47		6 608,95	1 652,24	1 652,24
2	97,960	2,040	161 853,15		6 542,86	1 718,33	3 370,56
3	96,878	3,122	160 066,09		6 474,13	1 787,06	5 157,62
4	95,754	4,246	158 207,55		6 402,64	1 858,54	7 016,17
5	94,584	5,416	156 274,66		6 328,30	1 932,88	8 949,05
6	93,367	6,633	154 264,46		6 250,99	2 010,20	10 959,25
7	92,102	7,898	152 173,86		6 170,58	2 090,61	13 049,86
8	90,786	9,214	149 999,63		6 086,95	2 174,23	15 224,09
9		10,583			5 999,99	2 261,20	17 485,29

The new subscriptions soars for two complementary reasons; for benefiting from the obvious advantages of Grand Parti; because, as time goes on, the time-span of the loan decreases since it should be totally reimbursed at the November 1565 fair. Thanks to R. Doucet's meticulous work, it is possible to show the huge increase of the issue between the initial subscription on March 1555 and its effective closing on April 1558¹⁹.

Table III
Evolution of the borrowed amount by the Grand Party

March 1555	Initial loan	2 028 366 crowns 1L. 10s. 8d. = 48.3%
October 1555	Two Panchatti's contracts	210 003 crowns 9s.2d = 5.0%.
1556 – April 1558	Assimilated contracts	1.960.786 crowns 1L. 5s. 9d. = 46.7%.
	Total	4.199.156 crowns 1L.

The final result is an increase by 207 % over the March 1555 initial issue. And 90 % of this increase was made through the assimilation mechanism described above. This total debt is gigantic and requires the State to pay 209 957 crowns 2 L 10d. at each quarterly fair in Lyon.

¹⁹ It is difficult to criticize R. Doucet but one can deeply regret that he did not made out a list of the merchant-bankers who subscribed the amounts they subscribed, initially and by assimilation. R.D. could make out such a list because, as mentioned above, he had all the contracts written by Dorlin. Moreover, the merchant-bankers established in Lyon were numerous but a finite number. It would have been a good picture of the relative importance inside the banker's community.

Concluding remarks: the final bankruptcy

Technically speaking, the objective of this article – which is to present the outstanding features of this loan – has been now reached and we could stop here. Nevertheless, some readers may wish to know the end of the story: has the Grand Parti kept its commitments? The answer is a sad NO. And following R. Doucet²⁰, we summarize the bad ending of this loan.

In 1556, the war against Spain and Charles the Fifth starts again. In 1557, the Treasury has the impossible task to finance four armies in Italy, one in Northern France (which is completely destroyed at the St Quentin battle) and the (victorious) recapture of the port facing England, Calais.

Moreover, there is a monetary crisis with a raising [*surhaussement*] of the gold value which induces inflows of foreign coins. The financial consequences bear at once on the Grand Parti. No sooner has it started, that it has difficulties to pay the quarterly payments. Already for the second quarterly payment in January 1556, the Treasury has to use the money brought in by the assimilated subscriptions for paying the quarterly payment. In May 1557, the subscribers had not yet received the totality of the 4th and of the 6th quarterly payments. In November 1557, the Treasury could not pay the quarterly payment and transformed it into borrowed capital²¹.

The bankruptcy was made public on December 1557. A Letter Patent breaks the initial contract: the assignation on tax revenues which guarantees the quarterly payments is suppressed. The creditors will now be paid by the *Trésorier de l'Épargne* as any state creditor. In practice, it means that the urgent expenditures will be paid before the debt interests and reimbursements.

It is what happened in January 1558 because of the cost the Calais recapture: the tenth quarterly payment is reduced to a down payment of only 30 000 crowns and *this payment is the last!* Relative to the nice repayment schedule of March 1555, only 387 000 crowns were repaid, i.e. 9,2 % of the amount borrowed²² !

From that day, the Treasury uses all possible expedients in order to suppress of that enormous debt²³. The most usual method is to issue new loans for which a share of the capital (generally the half) is reserved for the Grand Parti claims. Different treaties were written with the bankers-creditors depending on their citizenship, French, Italians, German and Swiss. In these treaties, Catherine de Médicis (the widow of Henri II who died in a tournament in 1559) tries to decrease the annual coupon rate from 16 to 5 %. She also checks how the creditor has obtained his claim in order to nullify claims coming from speculative purchases (!). More original: twice, in 1561 and 1572, the Treasury agrees to a scheme proposed by a banker in Lyon: to organize a lottery. The 1561 lottery proposes to the creditors the exchange of their claims with 36 % chances to be reimbursed by an 8.33% perpetual rent. It allowed the Treasury to amortize 500 000 Livres of Grand Parti's claims (worth 25000 L. for 31 Q.P.each) for a perpetual annuity of 15 000 Livres – the amount of the winning prizes representing a capital of 180 000 Livres.

²⁰ R. Doucet's second article only deals with that bankruptcy and its consequences (*cf. loc. cit.*).

²¹ In such conditions, one cannot understand why it seems that some merchant-bankers were still subscribing!

²² According to R.D. [I-513] : 890 000 Livres.

²³ The Grand Parti constitutes the most important and the most visible part of the government debt. But one should add the rents on the Hôtel de Ville de Paris and all the individual contracts with some bankers. The size of this debt and its consequent problems explains the Poissy contract signed by Catherine de Médicis and the French Clergy. Although the Clergy did not pay taxes, it agreed to provide the king an annual "free gift" for amortising the public debt.

Of course, this bankruptcy ruined Lyon as a financial center. In 1576, King Henri III needs to issue new loans and sent a special commission to Lyon which met in vain with the foreign bankers. According to R. Doucet. « Among the Florentine, three of the largest houses had gone bankrupt two years ago and the remaining, instead of receiving deposits, were only acting as agent for their clients of whom they merely executed orders. There remained four banks from Genoa, of which three were in need to borrow. On the 40 German banks established in the past, only five or six were still there »²⁴.

In 1604, Sully analyzed and checked all the government debts. 46 years later, there remained still unpaid claims of the Grand Parti. Sully acted with a brutality which seems unbelievable today: forced conversion into a 4 % per year perpetual rent and reduction of the amount of capital and interests overdue by 40 %. On the other hand, we believe Sully could not do otherwise because the remaining Grand Parti's debt was still too large, especially if one takes into account the compounding at 16 % a year during 46 years²⁵.

²⁴ R.D., *loc. cit.*, II p. 30.

²⁵ Unluckily R.D. does not give an estimate of the remaining Grand Parti debt in 1604.

Appendix

Initial repayments schedule of Grand Parti de Lyon

Dates: the "Payments Day» of the four fairs in LYON take place 19th days after the fair beginning.

Opening: ALL SAINTS: November 3; EASTER: Sunday after the following Sunday (Quasimodo);

Twelfth Day (les ROIS): Monday after the first Sunday in January; August: 4th.

Quarterly Payment: **5% (101,418,33 Sun-crowns)**

Interest: **4%**

DATA: **SUN-CROWNS** (with decimals)

Dates	N° of Qu. P.	Debt to reimburse	Quarterly Payements			Verification		
			Interest	Reimbursmt	Total	% reimb.	Cumul. % reimb.	Capital still due
			101 418,33					
22 nov. 1555		1 648 047,92						
26 janv 1555		126 772,92						
11 mai 1555		126 772,92						
23 août 1555		126 772,92						
			2 028 366,66					
22 nov. 1555	1	2 008 083,00	81 134,67	20 283,66	101 418,33	1,00	1,00	99,00
25 janv 1556	2	1 986 987,99	80 323,32	21 095,01	101 418,33	1,04	2,04	97,96
22 avril 1556	3	1 965 049,18	79 479,52	21 938,81	101 418,33	1,08	3,12	96,88
23 août 1556	4	1 942 232,81	78 601,97	22 816,36	101 418,33	1,12	4,25	95,75
22 nov. 1556	5	1 918 503,80	77 689,31	23 729,02	101 418,33	1,17	5,42	94,58
23 janv 1557	6	1 893 825,62	76 740,15	24 678,18	101 418,33	1,22	6,63	93,37
15 mai 1557	7	1 868 160,31	75 753,02	25 665,31	101 418,33	1,27	7,90	92,10
23 août 1557	8	1 841 468,39	74 726,41	26 691,92	101 418,33	1,32	9,21	90,79
22 nov. 1557	9	1 813 708,80	73 658,74	27 759,59	101 418,33	1,37	10,58	89,42
22 janv 1558	10	1 784 838,82	72 548,35	28 869,98	101 418,33	1,42	12,01	87,99
17 mai 1558	11	1 754 814,04	71 393,55	30 024,78	101 418,33	1,48	13,49	86,51
23 août 1558	12	1 723 588,28	70 192,56	31 225,77	101 418,33	1,54	15,03	84,97
22 nov. 1558	13	1 691 113,48	68 943,53	32 474,80	101 418,33	1,60	16,63	83,37
28 janv 1559	14	1 657 339,69	67 644,54	33 773,79	101 418,33	1,67	18,29	81,71
23 avril 1559	15	1 622 214,94	66 293,59	35 124,74	101 418,33	1,73	20,02	79,98
23 août 1559	16	1 585 685,21	64 888,60	36 529,73	101 418,33	1,80	21,82	78,18
22 nov. 1559	17	1 547 694,29	63 427,41	37 990,92	101 418,33	1,87	23,70	76,30
27 janv 1560	18	1 508 183,73	61 907,77	39 510,56	101 418,33	1,95	25,65	74,35
11 mai 1560	19	1 467 092,75	60 327,35	41 090,98	101 418,33	2,03	27,67	72,33
23 août 1560	20	1 424 358,13	58 683,71	42 734,62	101 418,33	2,11	29,78	70,22
22 nov. 1560	21	1 379 914,13	56 974,33	44 444,00	101 418,33	2,19	31,97	68,03
25 janv 1561	22	1 333 692,36	55 196,57	46 221,76	101 418,33	2,28	34,25	65,75
13 mai 1561	23	1 285 621,73	53 347,69	48 070,64	101 418,33	2,37	36,62	63,38
23 août 1561	24	1 235 628,27	51 424,87	49 993,46	101 418,33	2,46	39,08	60,92
22 nov. 1561	25	1 183 635,07	49 425,13	51 993,20	101 418,33	2,56	41,65	58,35
24 janv 1562	26	1 129 562,14	47 345,40	54 072,93	101 418,33	2,67	44,31	55,69
25 avril 1562	27	1 073 326,29	45 182,49	56 235,84	101 418,33	2,77	47,08	52,92
23 août 1562	28	1 014 841,02	42 933,05	58 485,28	101 418,33	2,88	49,97	50,03
22 nov. 1562	29	954 016,33	40 593,64	60 824,69	101 418,33	3,00	52,97	47,03
23 janv 1563	30	890 758,65	38 160,65	63 257,68	101 418,33	3,12	56,08	43,92
8 mai 1563	31	824 970,67	35 630,35	65 787,98	101 418,33	3,24	59,33	40,67
23 août 1563	32	756 551,16	32 998,83	68 419,50	101 418,33	3,37	62,70	37,30
22 nov. 1563	33	685 394,88	30 262,05	71 156,28	101 418,33	3,51	66,21	33,79

The Stupendous Modernity of the First Government Loan for Institutionals in 1555.

22 janv 1564	34	611 392,34	27 415,80	74 002,53	101 418,33	3,65	69,86	30,14
29 mai 1564	35	534 429,71	24 455,69	76 962,64	101 418,33	3,79	73,65	26,35
23 août 1564	36	454 388,57	21 377,19	80 041,14	101 418,33	3,95	77,60	22,40
22 nov. 1564	37	371 145,78	18 175,54	83 242,79	101 418,33	4,10	81,70	18,30
27 janv 1565	38	284 573,28	14 845,83	86 572,50	101 418,33	4,27	85,97	14,03
19 mai 1565	39	194 537,88	11 382,93	90 035,40	101 418,33	4,44	90,41	9,59
23 août 1565	40	100 901,07	7 781,52	93 636,81	101 418,33	4,62	95,03	4,97
22 nov. 1565	41	0,00	4 036,04	100 901,07	104 937,11	4,97	100,00	0,00
