Ways and means of mobilising money and resources for war: a report from Session 69 XIV Congress of the International Economic History Association (Helsinki 21-25 August, 2006).

A. González Enciso and H.V. Bowen
Universidad de Navarra / University of Leicester

The general topic "mobilising money and resources for war" around which Session 69 was convened, must be understood as a central aspect of the building of the modern state as well as being an agent of economic growth. External defence (or attack) and the maintenance of internal order have always been the fundamental responsibilities of the states, but in early modern times were almost their only tasks; and therefore, mobilising resources for that purpose became of the utmost importance as an influence upon state building. In fact, the very existence of states at that time depended to a great extent on their ability to mobilise resources for war and on the effectiveness with which they managed to do it.

Part of these activities lay directly under the realm of politics, others had important administrative implications, and many of them affected the economic sphere. In this last case, they can be considered directly as economic matters (such as production or transportation of different goods), or can be seen to have indirectly affected the economy though their influence upon institutional change, the creation of new opportunities, the transference of rents, and so on, not to speak about the particular importance of the fiscal systems and their economic, social and institutional impacts. It is clear then, that economic organisation and economic growth are directly influenced by the ways in which states set about mobilising their resources for the purpose of war-making.

[*Memoria y Civilización* (M&C), 9, 2006, 173-200]

Many aspects of this subject are well known, but others less so, and we still lack a good explanation of the interplay between state building, resource mobilisation, and economic growth. Since war is the final stage of mobilising resources, the ways in which these resources were translated into military or naval strength in the conflict arena undoubtedly influences the outcome of the strife. But what exactly is this influence and how is it related to the economic or political strength of different states?

The idea of organising a Session at the Helsinki International Economic History Congress arose from a research project addressing the same general issues[1] and we wanted to include other historians interested in this very wide and important topic. We were looking for people able to offer national or comparative perspectives on key issues, and the outcome has been excellent since fifteen high-quality papers have been presented dealing with different problems and countries during the early modern period, from 1600 to 1815.

A group of papers address directly the nature of the fiscal military state both from a wider point of view and from more precise topics, and some of them include important comparative perspectives. Glete's paper provides us with a general framework since the author faces up to the problem from the perspective offered by the development of the Swedish state[2]. Asking about the origin, evolution and decline of the fiscal military state, Glete makes, first of all, a clear assertion about the fiscal-military character of Swedish state. “The fundamental precondition for both Sweden's expansion from 1561 to 1660, says Glete, and the defence of the empire from 1660 to 1721 was the ability to quickly send a major combat-ready army, supported by a large navy to the continent”. This meant that Sweden had to maintain large domestically financed armed forces, and this implies

[1] A recent publication is H.V. BOWEN and A. GONZÁLEZ ENCISO, eds., *Mobilising Resources for War: Britain and Spain at Work During the Early Modern Period*, Pamplona, EUNSA, 2006.

[2] J. GLETE, “The Swedish fiscal-military state in transition and decline, 1650-1850”.

that Sweden was not a domain, but a fiscal state, and that she had the capability of mobilising large resources, human and material.

In order to explain the formation and development of Swedish fiscal-military state during the seventeenth century, Glete reminds us of the existing literature that stresses that efforts made to get innovations in different fields as well as a purpose to reduce transaction costs were of central importance for Sweden's ability to fight long wars. The dynastic state acted as a powerful agent reshaping the supply of resources, humane and material, but politics were also important and the parliament was the institution which determined how the burden of war should be shared. The author identifies a series of factors involved in the process, mainly manpower and money, and in particular the way how to get them. In respect to the funds, he specifies different kinds of income streams: tax revenues, of course, but also loans, contributions raised from occupied territories, and foreign subsidies.

In all cases Sweden was able to organise herself for the raising of taxes in an efficient way. The author refers to the question of modernisation, interprets it as necessary, and describes it as the development of skills and innovations that will enable the state to mobilise different resources trough administrative organisation and political ability. Institutional change such as developments in the parliament, landownership and others, are central to explanation of successful negotiations with various interest groups in order to mobilise resources. As a result, the empire "was largely the result of the rulers' unusual ability to use military resources with imagination. When that ability disappeared the entrepreneurial dynastic state was politically dead". As a matter of fact, this political ability seemed to decline in the eighteenth century, and it seems that Swedish politicians were not so interested in large wars if they were not in Sweden's own interest. Yet, in spite of that, Sweden received many foreign subsidies which become a normal part of the state's financial system.

Marjolein 't Hart's paper[3] studies a fundamental aspect of the fiscal-military state, the financial revolution, which is an established fact for the seventeenth century Dutch Republic. Even decentralised, the Dutch system had considerable power, based on the public credit, since massive loans could be contracted at a relatively low rates of interest, and thus troops could be paid on time. However, little is known about the degree to which the system was actually continued in the eighteenth century, so the paper addresses this central question about the performance in that period.

The author enters first into a description and comparison of the basic features of both Dutch and English financial revolutions but, in order to establish the extent to which the financial system of the eighteenth century built upon earlier innovations it is important to know in detail what kind of loans and what kind of creditors formed the financial revolution of the seventeenth century. So in the core of the paper the author studies in detail such matters as long term or short term loans, the social status of the persons investing in them, the presence of women, and so on. With such information it is then possible to undertake a comparison with Britain during the eighteenth century, and it can be seen that the Dutch and British financial revolutions shared important characteristics: both were able to draw upon massive loans to pay the costs of war and could doing it without causing structural damage to public credit. The trust of the public in the government was high and both systems were supported by an enormous number of domestic creditors. Both states could serve their debt interest out of an efficient tax system, and both had stock markets that supported the system by stimulating the free trade in government bonds.

Yet, Hart insists that there were some crucial differences. Comparing loans, the amount of the British loans was much higher than those of the Dutch and they were subscribed in the open market, whereas the larger Dutch loans were subscribed by institutions. The British state relied more upon financial consortia and intermediaries.

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[3] M. 't HART, "Mobilising resources for war in eighteenth century Netherlands. The Dutch financial revolution in comparative perspective".

All these factors enabled the British state to generate more money, and funds were acquired more efficiently and at greater speed. Furthermore, the Bank of England was a credit institution dedicated to raising money for the state, whereas the Bank of Amsterdam served primarily the interests of the local trading community. In the same way, the English state also used joint-stock companies to mobilise funds for war, whereas the Dutch colonial capital remained in private hands.

Typically, the British financial revolution rested upon the wealthier commercial and financial groups in society, whereas in the Netherlands support shifted to higher political officers during the eighteenth century. Another difference was the degree of foreign investors who were much more evident in Britain than in Holland. Peculiarly, Dutch investors in British funds helped to maintain low rates of interest at some crucial moments during the eighteenth century.

For the explanation of these differences we can take into account the fact that the British system emerged during the late seventeenth century when the stock market was much more mature and could build upon the experiences of others. The Dutch system of public credit continued to develop along the same lines and it failed to grasp the new opportunities. Besides, the centralised nature of the British system should be contrasted with Dutch decentralisation, or even worse, the dependency on the Amsterdam capital market, which turned into a disadvantage when the Netherlands came into a split with political division among provinces. Nevertheless, if the Dutch system can look quite obsolete against the British one, it was not so in comparison with other countries. The Dutch financial system helped to maintain the independence of the country and it ensured that the Dutch had strong credit with other European countries during most of the eighteenth century.

Grubb's paper shows a different aspect of the financial revolution which, for the years at the end of the early modern period, made the United States of America a different case from which we are used to in Europe[4]. In short, the goal of this paper is to use a net asset position model of government to incorporate the full financial effects of the land assets acquired via war and the defaulting on the non-interesting bearing war debt. While the current literature focuses on the funding of the U.S. interest-bearing war debt via a British-modelled financial revolution, this paper tries to take into account other factors and so more fully gauge the ramifications of how the U.S. funded its war of independence.

As the author says, the U.S. financed its war of independence from Great Britain (1775-1783) largely through issuing fiat paper money (inflation tax confiscation), the direct confiscation of goods, and borrowing via interest-bearing loans. At independence (1783) the U.S. interest-bearing war debt stood at 62 million dollars. Through the non-payment of interest and principal this debt rose to 77 million dollars by 1790. The new U.S. Constitution (adopted in 1789) allowed the first Federalist administration, largely through the leadership of Alexander Hamilton as Secretary of the Treasury, to restructure U.S. government finances along the British model. Fiat paper money was constitutionally banned and Hamilton created the First Bank of the U.S. in 1791 that was explicitly modelled on the Bank of England. Hamilton turned the U.S. war debt into *de facto* perpetuities —again along the British model— fully funding interest payments but not paying the principal. By 1802 the war debt still stood at 77 million dollars, but it traded at face value, and the U.S. government was considered to have an excellent credit rating in European capital markets. Many scholars view this as the U.S. financial revolution that created, along the British model, a solvent and powerful national government that through its large-scale issuance of "safe" securities helped create, for the first time in the U.S., a national securities market where capital could be marshalled both privately and publicly. That the national war debt was supposedly turned into this national blessing is sometimes called Hamilton's miracle or Hamilton's blessing.

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[4] F. GRUBB, "The Net Asset Position of the U.S. National Government, 1784-1802: Hamilton's Blessing or the Spoils of War".

The above interpretation is challenged in this paper by estimating, for the first time anywhere, the net asset position of the U.S. government coming out of the war of independence through to 1802. The interesting-bearing war debt (above) is well known. What is sometimes forgotten, however, is that between 1784 and 1802 the U.S. government also acquired an empire of land —233 million acres between borders of the original 13 colonies and the Mississippi river. These lands were the spoils of war in the Treaty of Paris which granted the U.S. independence from Britain. When these land assets are included in a net liabilities estimate, the U.S. government was solvent. The excellent crediting rating of the U.S. government after 1790 may have had more to do with land-asset-backing –the spoils of war– than with any British-modelled Hamiltonian financial revolution.

In addition, the time-path of the solvency position of the U.S. government is tracked over time from 1784 through to 1802. This shows that the most important issue on the liabilities side enabling the U.S. government to achieve solvency was not the British-modelled Hamiltonian financial plan for handling the interest-bearing war debt, but was the defaulting on the non-interesting-bearing governmental bills of credit issued during the war (in direct violation of the new U.S. Constitution). If there was a Hamiltonian miracle it was getting away with defaulting on these national government financial claims without apparently damaging the future creditworthiness of the national government.

So, through calculation of a net asset position Grubb has shown us that other possibilities than a British-modelled financial revolution existed, at least until the end of the eighteenth century, to solve the problem of servicing the debt. The author stresses the importance given by the government to maintain external credit. This possibility was land, although the government had to negotiate with each state the use of that land for servicing the debt. As in Sweden, but in a different way, land as a security supported financial management and gave solvency to the government.

The Spanish case, as presented by Torres Sánchez[5], is another example of the use of "other possibilities" which in this case is related to a different fiscal structure. Torres tests the possibilities of the Spanish fiscal-military state in comparison with Great Britain. In both cases, war was understood as the fundamental function of the state, both countries devoted the greatest amount of their revenues to finance war oriented activities, and both countries developed an institutional transformation in terms of centralisation and government control. There were though some differences. In Spain, expenditure on the military was continuous but much lower than in Great Britain (less than 40% of the British figures) and Spain spent more on the army than on the navy. In Britain, military expenditure in peace time was lowered, but with the war the expenses grew to at least triple the peace-time rate. War was a real catalyst for the financial effort, which was increasingly more directed to the navy than to the army.

The most important differences between the two states rest in the fiscal structure which in the Spanish case placed a constraint upon the state's capacity to react to conflict. Great Britain was able to increase its revenues through increments in the excise duties and thanks to the public debt, whereas in Spain the only real possibilities of increasing its revenues lay in trade and monopolies like tobacco and American precious metals, especially silver. But in time of war trade was interrupted, so this important source of extra revenues could not be fully exploited. Before the 1779-83 war, Spanish governments could draw on money hoarded during moments of peace, but by 1779 all this treasure had been spent. That is the reason why Spain fell back on to use of public debt, and Torres argues that this was not the culmination of the development of a fiscal-military state, but rather a temporary solution to a financial crisis.

As a conclusion, Spain can be regarded as a fiscal-military state –very well organised with respect to the institutions, and not arbitrarily governed– but with a limited capacity to enhance its revenues since it was not possible for it to increase its excise duties, as

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[5] R. TORRES SÁNCHEZ, "Possibilities and limits: testing the fiscal military state in the Anglo-Spanish war of 1779-1783".

Britain did. Spanish governments were expecting that American silver arrived at particular moments to compensate for the funding deficit and they did not want to incur heavy expenses nor did they try to innovate more extensively in the fiscal system. Even so, this organisation of things worked reasonably well until the 1790s.

A second group of contributions refers more specifically to problems of tax revenues and expenditure. O'Brien[6] deals with a problem which emerged in Britain at the end of the eighteenth century when new war commitments not only demanded more money but also needed new ideas and adaptation to a changing situation. In this case, the solution represented a departure from the classic British funding scheme: no more debt, but a higher rate of tax on customs and excise and, in particular, the introduction of a new income tax.

According to O'Brien, at the start of the French Wars, the taxes available to the British state fell mainly on domestically produced commodities and services, the total amounting to nearly £18 million a year. Between 1793 and 1815 the government appropriated a further £12.6 million per annum in constant prices. Where did this extra money come from? The answer is that 55% of the new total net income came from changes in the rate of existing taxes and 36% came from new taxes, especially the income tax imposed in 1799, which alone amounted 28.5% of the total. Most new taxes were introduced without much political opposition. More difficult was the introduction of the income tax. The author studies in detail the process of introduction of this new tax remarking on the political difficulties, the problem of breaking from a tradition of not taxing properties, the process of implementation, and the fact that the new tax sought to tax the wealthy and thus contained an element of fiscal progression. The yield was not large at the beginning, but successive amendments to the law, reforms to the administration and the upward trend in nominal money incomes made the tax the most productive tax of the moment. Since it was virtually a property tax, especially a land tax,

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6 P. K. O'BRIEN, "The Triumph and Denouement of the British Fiscal State: Taxation for the Wars against Revolutionary and Napoleonic France, 1793-1815".

wartime agrarian prosperity helped to make the income tax very productive for the state and reasonable to the landed interest. Alongside the need for money was the requirement for better administration. During the war years, fiscal administration improved in several details, but the author remarks that traditional defects and inefficiencies of the fiscal organisation remained after 1815.

The other important issue addressed in the paper is the economic and social incidence of war taxation. Recent evidence suggests that during the war years the national economy grew at a slower pace than during the years previous to 1793 and after 1821, and this implies that the Industrial Revolution had only a limited impact on the tax base. Even in the decades previous to 1793, income from taxes increased because chancellors deployed political and administrative policies to extend the state's capacity to tax. This capacity was high even during war time years because part of the income and new taxes introduced after 1793 fell upon incomes, goods, and services experiencing growth. In view of this, the relevant question is: what forces operated to maintain production and consumption at surprisingly high levels? Nevertheless, since many rapidly growing industries escaped taxation, the relationship between industrialisation and war finance probably occurred more in terms of its effects on the general level of demand than through taxes affecting the expanding sectors of the economy. Alterations in the economic and social structure made possible changes in patterns of demand which worked in favour of an elasticity of the kingdom's fiscal base in the sense of a shift from excise on one product or the substitute. Rising excise duties prompted manufacturers to export, since exportation was not taxed, but with Napoleon's blockade manufacturers oriented themselves to domestic markets, thus helping government taxation.

From the point of view of social impact, rates of duty upon commodities consumed largely by the poor generally speaking remained constant and, with exceptions, tax rates on commodities consumed by affluent classes appear to have increased. O’Brien’s "statistical conjectures" suggest that up to 60 per cent of all additional tax revenue to wage war probably came from the more affluent classes of the society. This does not imply that the richer classes contributed a progressively rising proportion of their income.

In general terms, the years 1793-1815 marked a departure from the previous tendency to shift additional taxes required in wartime on to industrial commodities and commercial services. In these years, the share collected from levies on industry and trade declined, while there was a rise in the proportion collected in form of taxes on income and wealth. Nevertheless, the period was also a time when agriculture may finally have paid an increasing proportion of the costs of a major war.

On the subject of expenditures, the contribution of Jurado Sánchez[7] is important since it is the first time that we have a complete annual series of expenditure for eighteenth-century Spain, and this now enables long-term comparisons to be made with other countries. In Jurados' figures we see a continuous increase in Spanish expenditure. Spanish spending at constant prices grew at an average annual rate of 0.45 between 1714 and 1800. Of course, this rate was very irregular; the moments of the largest increments coincided with war periods, when the increment could be more than 40 per cent greater than in the peace years, and this marked the priority of military expenses in the budget.

The considerable financial requirements of the first half of the eighteenth century could be met thanks to the growth of the economy, following population expansion and the increase of demand, and to some reforms, like the modifications in the fiscal systems of the kingdoms of Aragón. During the second half of the century, armed conflicts were again the main source of expenditure, but by the 1780s the main part of the rise in the revenue could not be met through economic growth alone. New sources of income were looked for and the most important of them were the issue of *vales reales* which were a form of national debt.

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[7] J. JURADO SÁNCHEZ, "The Spanish National Budget in a Century of War. The Treasury Impact of Military Spending During the Eighteenth Century".

The moment of highest spending was the period of the Revolutionary Wars, from 1793 onwards. Between 1793 and 1800, spending was 55 per cent greater than in the previous decade. The Army and Navy got a 73 per cent of the increase in the expenditures and the principal sources for it were extraordinary loans and National Debt.

Taking the period as a whole, the average spending on the Army and Navy from 1717 to 1800 was 60.3 per cent of the total, or 73 per cent if we include the National Debt because it was a form of deferred military spending. The *per capita* spending rose from 24.4 at the beginning of the period, to 34.3 at the end of the century. Nevertheless, not all spending was military, since civil expenditure also grew in the last third of the century.

With regard to the military items (Army and Navy), the Army was the most expensive item of the budget in every decade of the century, even if its proportion experienced a reduction through the century. The most costly corps of the Army was infantry (59%), and service corps and logistics accounted on average for a third of the total costs of the Army. The Navy was gaining in budgetary importance through the century, from 9 per cent of the total expenditure at the beginning of the century, to a level of about 25 per cent from the 1740s, but the percentage of naval spending was usually a little lower than the Army percentage.

The paper by Solbes Ferri[8] tries to explain how the money collected from taxes reached the army, and it addresses the problem of administrative organisation and financial effectiveness. The chain was like this: the provincial tax revenue administrators, who received the yield of taxes in each province, had to send the money to the General Treasurer in Madrid, and then this high official would earmark the money for the Army provincial treasurers. The money could be sent in

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[8] S. SOLBES FERRI, "Territorial Availability of Financial Resources of the Spanish Royal Finances: The Army Treasuries of the Kingdoms of the Crown of Aragón (1755-1765)".

coins, which was not the most usual way in the eighteenth century, or by means of credit instruments.

Solbes studies the particular cases of the Army treasurers of the provinces of the old kingdoms of the Crown of Aragón, where, according to the author, 77 per cent of the money received by the army treasurers actually came from the yield of taxes collected in the same province. The other 23 per cent of the Army treasurer's income came from money sent directly by the General Treasurer in Madrid, or from transfers from other Army treasurers, or even from royal patrimony in the province. With respect to the income from yield taxes, the most important tax was the *equivalente*, a direct tax introduced by the Crown of Aragón with the reforms made by Philip V during the War of Spanish Succession. This tax amounted for almost half of the total of the income, the other half coming from custom taxes and monopolies (namely tobacco and salt).

What we can see in this paper is how more and more, the money collected by the provincial tax revenue administrators was handed out directly to the correspondent provincial army treasurer and the General Treasurer would approve the delivery afterwards. This procedure meant that the tax system became militarized, not only in quantity, but in the administrative practice as well. Since most of the yield of the taxes was supposed to go to the army, army treasurers who administered the payments needed to have a priority, so the payments chain was organised in such a way that the money could reach the army treasurers as soon as possible. Solbes' paper is interesting because is the first detailed study we have of the army treasurers, a key figure in the chain for the supply of money to the army.

Another very different problem is posed by Conway[9] whose paper deals with the important question of controlling state expenditure. Control could be a way to effect greater efficiency in the spending of money, and this is a subject about which very little is

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[9] S. CONWAY, "Cheking and Controlling British Military Expenditure, 1739-1783".

known. According to Conway, the first general element performing a controlling function was public opinion. There is abundant evidence that public opinion was becoming significant in British politics during the eighteenth century and military spending was an important element within the debate conducted in the public sphere.

The elements of the public debate were many, from different aspects of taxation to the sustainability of the national debt. The very existence of the regular army was resented by many because of financial concerns. A consistent objection was to the alleged squandering of public money on foreign allies, especially German troops. The army's commissaries and contractors were attacked no less frequently on the grounds that they had exploited their positions to appropriate part of the military budget.

The second element in the control of expenditure was Parliament. Contemporary opinion regarded the House of Commons as a vital check to the executive, especially in controlling government expenditure. Individual MPs raised concerns on many occasions, but the parliamentary events most likely to stimulate discussion of military questions were the presentation of the army estimates and accounts of the army's extraordinary expenditure. On those occasions the topics discussed could be very varied, and they included the excessive profits of the contractors, the money handed out to foreign troops and commanders, or any situation considered to be a threat to the public interest.

Parliament's greatest success came with the appointment of commissioners to examine the public accounts in 1780, but MPs were not very effective in controlling military expenditure in this way; first, because this commission, though approved by Parliament, was promoted by the government; and, second, because MPs were probably unable to make much sense of military accounts which contained many complicated details. There were also political obstructionism and, at times, voting was conducted in a hasty way without careful examination of particular cases. The political background of the accounts was more important for the MPs than the figures themselves, and when expected political issues did not materialise MPs often seem to have allowed the army's estimates and extraordinaries without much adverse comment. This is not to say that Parliament was an ineffectual check, since there were members who scrutinised figures very carefully and made motions or recommendations accordingly, but it was not as effective as an optimistic constitutional theory supposed.

And, finally, the third element in the control of public expenditure lay in the administration itself. In fact, the most effective checks to military expenditure were offered by the different agencies of the state. The monarchs, in the first place, introduced on crown authority a whole host of reforms relating to military finance. The key changes were the ending of the practices putting fictitious names on regimental rolls. For its part, the Treasury supervised through commissaries all other supplies not contracted by the colonels of regiments. It was the Treasury, furthermore, that initiated inquiry into improper practices in the army's ancillary services. This is not to say that every corrupted practice disappeared altogether; besides, the state agencies were not operating in a political vacuum since the chancellors were aware of potential parliamentary attack, but there was also a real concern for economy that seems to have been generated from within the Treasury itself.

How successful were these controls when considered collectively? Some recent research tells us that the most remarkable feature of the contracting system was not corruption, but inefficiency and that fraud was comparatively rare. In spite of this, however, Conway points out that controlling the army at home was much easier than doing so when it was abroad. The scale of abuse and peculation is impossible to judge, but there are some compelling indications of fortunes having been made and thus, for all the efforts made, there does appear to have been significant fraud and waste in military expenditure. Nevertheless, very important comparisons could be made with the checks and controls that existed in other armies of the time.

A final group of six papers look beyond the fiscal-military state to consider how powers drew on and made use of extra-European resources; and how they then organised the projection of military and naval power into the wider world. With one exception, the papers in this group relate to Britain, but the issues raised can inform analysis of how all states harnessed resources and organised for war far beyond Europe. Thus the focus might be on the 'British way in war', but we need to know more about whether all states instinctively attempted to act in more or less the same way, but were then constrained in their military actions by the size and variety of the resources at their disposal, by the geographical distance at which they stood from overseas theatres of conflict, and by the relationships they had with private agencies.

Building on previous work, Cuenca Esteban undertakes a detailed quantitative examination of the fiscal contribution made to the British state by the regulated Asiatic trade conducted by the monopolistic East India Company[10]. Instead of focusing, as most historians have done, on intermittent or ad hoc contributions to the state made by the Company, Cuenca explores the extent to which customs and excise payments on East India goods represented the most routine and regular contributions to national war efforts. Among a range of important statistics, the headline figure produced by his calculations is that over a long period of extraordinary growth in revenue, the share of Britain's tax income represented by duties on Asian goods stood moved narrowly around 10 per cent of the total. This in itself is important as a vital constant component of government income, but equally interesting is that the fiscal burden on the Asia trade was far greater than the shipping tonnage and volume of trade might lead us to expect; a circumstance arising from the fact that Asian goods usually carried duties that were much greater than those imposed on goods imported from elsewhere in the world. This is explained through an examination of the commodity profile which, despite the identification of some important moderating influences, nevertheless generally points up heavy duties on teas and Indian foodstuffs, and in part this is explained by the preferential treatment secured by Atlantic merchants for goods such as sugar and coffee that were increasingly found in the East India as well as the West India trade. One implication to be drawn from this, of course, is that rates of commercial tariff could be set less according to the overriding

[10] J. CUENCA ESTEBAN, "Fiscal and Military Dimensions of Britain's Regulated Trade with Asia, 1765-1812".

financial strategic goals of governments, and more as a result of political pressure exerted by powerful commercial lobby groups, such as the West India interest.

This gives rise to a series of questions that can be asked about the specific influences and interests that were shaping ministerial policy-making on fiscal matters at any given moment in time. But what has Cuenca has shown very clearly is that, in financial terms, the British state derived far greater support from the East India trade than it ever received directly from the territorial revenues of the Company's expanding Indian empire. The overriding question is thus whether this was achieved through the implementation of a carefully thought out policy, or whether it came about almost by accident. In other words, as with so much else in the EIC's relationship with the state, was the fiscal contribution, large and important though it undoubtedly was, made by the East India trade ultimately based upon a series of *ad hoc* arrangements which actually had little to do with informed development of an integrated imperial economic policy.

Lenk also looks at the utilisation of resources generated by trade and empire, but whereas Cuenca has focused on the general contribution to the domestic war-making capacity of a European state, he examines how locally generated resources were deployed locally in order to meet the threat posed by another colonial power[11]. As such we are presented with a very detailed account of how in practical terms the Portuguese countered Dutch aggression in Salvador in South America during the first half of the seventeenth century. In particular, we are told how the key garrison of Bahia was supported by finances and supplies garnered from local sources, and Lenk maps out how ad hoc local taxes became permanent, and were then supplemented by extraordinary measures at times of crisis. He shows through analysis of local commercial policy where the burden of taxation fell in the colony, and this underpins discussion of local political relationships and the influence exerted by local interest groups.

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[11] W. LENK, "State and Warfare in Portuguese Brazil During the Dutch War (!624-1654)".

Much of the paper addresses the perennial problem faced by all of the European colonial powers: how were colonies to be made to pay for their own defence without fuelling local political hostility. But as far as the main themes of the session were concerned, what is of interest is that the central government in Lisbon does not loom at all large in this paper. Instead, much responsibility was devolved upon the local administration and it was that which devised fiscal policy. There seems always to have been the vague hope that the enhanced garrison would be underwritten in some way by the Crown, but this did not happen. More needs to be known about this arrangement, and the principles, if any, upon which it was based. Does it arise from a general model of Portuguese colonial administration or simply from a pragmatic view of circumstances in which it was felt that local sources of finance and supply were sufficient for the task at hand? Equally interesting is the level of autonomy exercised by the local administration, notably in its dealings with the government backed General Company of Commerce to Brazil, and in view of this and other independent lines of action, it would also be interesting to know more about how those in Lisbon brought the colony in line with what were seen to be the wider strategic interests of the empire. Or did they simply rely upon the Dutch threat to remind the colonists of where, ultimately, their loyalties should lie?

Stern examines how precisely the EIC came to be central to the growth of Britain's fiscal-military state, but in a strongly revisionist analysis he does not see the seventeenth century EIC as being either subordinate to, or an extension of, the English state[12]. By eschewing a teleological approach which sees the state remorselessly and effortlessly gathering in or extorting private resources, Stern looks in detail at working out of state-Company relationships, and throws down a robust challenge to received wisdom by asking who in fact held the upper hand in the relationship. The core of the analysis is devoted to the 1690s, which is seen a key decade when turbulent political circumstances, and especially pressures from rivals and the emergence of a parliamentary state, saw a shift away from a situation

[12] P. STERN, "The English East India Company, the British State, and the Fiscal Politics of Co-option, 16570-1757".

in which the Company largely dictated financial relations with the state on its own terms to one in which it was expected routinely and formally to contribute to the nation's pool of resources. As is set out in great detail, the Company's corporate outlook and actions of the 1680s were very different from those of the 1720s, and Stern alerts us to the danger of applying an unchanging template to Company-state relations over the long run.

Most important of all, Stern underlines the extent to which, before the relative stability of the eighteenth-century regime, the state's gathering of private resources did not take place according to some grand, coherent scheme, but instead was dependent upon the interplay of a host of unpredictable political variables. In this case, the 'co-option' of the East India Company was neither straightforward nor inevitable, but in the face of the evidence marshalled by Stern no-one could deny that the events of the 1690s had 'rapidly reoriented the role of East Indian affairs in England'. What is unclear, however, is the extent to which the events of the 1690s had similarly reoriented the role of all chartered enterprises in England. Clearly, there was much that was unique about the role and resources of the EIC, but was the parliamentary state, under the acute pressure of war, simply working out a new set of relationships with all its major commercial partners. Were, to a lesser or greater degree, other companies and institutions finding themselves also formally co-opted so that they too became an arm of the state? Are we in danger of paying too much attention to the EIC, and thus ignoring a wider realignment of private-public interests?

Paul does in fact look beyond the EIC to the Royal African and South Sea Companies, and thus she also considers the interface between private and public enterprise, although she rightly prefaces her remarks by pointing out that in the mercantilist era modern distinctions between the public and the private do not easily apply[13]. Her focus is, however, on working relationships between the two companies and the Royal Navy, and she sees the three forming part of

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[13] H.J. PAUL, "Joint-Stock Companies as the Sinews of War: The South Sea and Royal African Companies".

an 'integrated system' as if all were part of the state's apparatus which underpinned its Blue Water Strategy. In the financial sphere, the companies acted to service the navy's debts, but Helen argues that co-operation between all three was habitual and she demonstrates that in a good number of ways resources were often shared, in peacetime as well as war, after the South Sea Bubble of 1720.

As with Stern, this paper demonstrates the extent to which the state routinely drew on private resources, but what is stressed here is the element of partnership which in relatively simple ways enabled the companies to derive benefit from their close working relationship with the navy. This again raises the question of where the line is drawn between the public and private, and in addressing this issue Paul sees the status of the companies as not really being private companies at all but rather 'quasi-public enterprises'. Yet, with the companies in theory being joint-stock concerns with shareholders one wonders how co-operation was achieved when, as must have happened from time to time, there was a marked divergence between the interest of a company and the interest of the navy. Surely, this was not a relationship in which all parties were equal partners in a joint endeavour, and thus more information is needed on how, and by whom, this 'integrated system' was ultimately regulated and controlled. Were relationships of an ad hoc nature worked out at local level, or were they based on strategic decisions negotiated and implemented at the centre, by ministers and company directors? And on a number of occasions, it is noted that the two companies seem to have secured privileges that were not extended to the EIC. Why was this so, in view of the fact that it too could be considered as a partner in a joint endeavour?

In mapping out a research agenda for an important new project Knight places victualling, or the supply of the Royal Navy, at the very heart of the processes that enabled Britain to project maritime power on a global scale by the end of the period under review[14]. Interestingly, given the greater number of colonies and territories coming under British control, it seems that the navy was still heavily

[14] R. KNIGHT, "Victualling the British Navy, 1793-1815".

dependent on the supply of provisions from London, which is a useful reminder that imperial acquisitions did not necessarily ease the burden of supporting a world-wide war effort. Clearly, in view of the size of the task in hand, the coordinating efforts of the Victualling Board were of central importance to this complex operation, but much more evidently needs to be known about the Board's relationships with, and the operations of, the merchant contractors.

Certainly the measure of performance will be a formidable task for the reasons outlined in the paper, and getting past the high profile cases of scandal and corruption will be important if a working definition of 'normal' service is to be established. But this promises much, and the concept of 'contractor state' offers much because it has the potential to have applications in many different contexts. Clearly, the model being established is born out of Britain's particular administrative and commercial circumstances, but since every state is, to a lesser or greater degree, a 'contractor state', and a comparative dimension is essential to an understanding of different paths of development among the European states.

Also, in the working of the contractor state, it is intriguing that it was the contractors themselves who were dominating decision-making in local centres of power far away from the administrative heart of the fiscal-military state in London. Detailed examples are needed of this, because if it was the case then it would seem that in practical terms the reach of the state was very much being was being restrained by private interest groups, no matter what the ambitions and goals of those at the centre who were planning and acting in the national interest. This has very important implications for discussions where the real locus or loci of power lay in the British imperial state.

Following on from this, Harding does in fact focus very much on the heart of the state by examining how ministers prepared for a transoceanic expedition, but then abandoned it[15]. A case-study of a proposed expedition to Canada in 1746 is used to explore the

[15] R. HARDING, "An Expedition to Canada 1746: The Ideology and Organisation of Maritime Warfare".

development of the means by which a network of factors was translated resources into effective military power. The key question posed is: at a time when the ministerial grasp on knowledge and information was often only limited and partial, how had the state managed to develop the capacity to bring real resources into line with the political vision of the conduct of the war, as appears to have happened in Britain by 1759.

In addressing this matter, a generally favourable assessment is made of the planning, organisation, and logistical arrangements that lay behind the proposed expedition of 1746; in other words, the factors that lay within the *direct* control of ministers. What is evident however is that a combination of other uncontrollable factors –the actions of the French fleet, unsuitable weather, and uncertainty about the mobilisation of local American forces– was sufficient to undermine confidence in the belief that the operation could be brought to a successful conclusion. Yet, as Harding argues, while the standing down of the expedition in the early summer of 1746 could be seen as a failure, it was not translated into an all-consuming political crisis; and this in itself demonstrated how, in contrast to earlier debacles, 'the ideology of maritime war' had become resistant to failure. Thus, it is argued, the expedition of 1746 has importance as a staging post in the fusing together of the ideology and organisation of maritime war, a process which underpinned the upward drift of the state's operational capability.

Harding's case-study invites analysis of other operations that were never actually launched –those that did not advance beyond the planning stage or those that were diverted away from their intended purpose– with a view to assessing the points of no return when ministers were sufficiently confident to believe that the immediate circumstances of operations pointed to eventual success.

Harding's paper also points to an aspect of the private-public relationship not touched on elsewhere, because he frames his discussion with a reminder that the state was often in possession of very little knowledge or information about its own military capability. In Britain much information was in the hands of private individuals, which created obvious problems, so knowledge gained from failed ventures such as the operation of 1746 had the potential to offer much to the state, but this could only be achieved within a bureaucracy that had developed an institutional memory, and which could retrieve plans and blueprints from its own archives. It is unclear when this developed into a system that existed beyond the lifetime of individual ministers, but it needs to be considered as a means towards the more effective mobilisation of resources over time.

Taken together, the papers allow for general observations to be made on the mobilisation of resources in early modern Europe, and they generate important questions that help to map out an agenda for future research activity.

First, it is evident that the analysis of fiscal-military state is all about the study of institutions, but there are different kinds of them: political, administrative, and economic. All of them underpin government activity, but they play different roles. As we have seen, the administrative dimension seems more important than the political or even the economic, at least until mid eighteenth century, roughly speaking. The importance of a good administration in Britain and in Spain, each with so different political regimes, or of Sweden in the seventeenth century, stresses the relevance of well managed institutions, even more than politics.

But the political ability of individuals was also a fundamental factor influencing the successful mobilisation of resources. The ability of Swedish politicians in the seventeenth century, or of Hamilton in the U.S., were important for the success of their countries. In the U.S case, Hamilton's blessings would have not been possible without a political negotiation between the government of the nation, the Congress and the states, for the government to obtain land, sell it and use that money to serve the debt.

Both in Britain and in Spain the work of particular ministers was also of great importance. So, the persons, either in particular (ministers, kings), or in groups (members of parliaments, members of social or professional groups), had a great significance in the development of the fiscal-military states. What may surprise us is that the effective economic control was exerted in fact by the bodies of the administration, and in particular by the Treasury. It is true that governments were more or less pressed by the fact that a political control existed (in the form of Parliament or political factions), but more than that, people in the government did have an economic concern, a desire for effectiveness. In this respect, Conway's study shows the importance of a mature administration, improving itself simply because it has to or because governments needed and demanded that improvement to reach their political goals. But that was true also in a non-parliamentary regime like Spain. Modernisation and professionalisation were concepts implied in the administrative machines of the early modern states, no matter the political regime was. Conway poses also the problem of where the control of resources most effectively lay: with representative bodies or the political authorities. The answer here seems to be the authority; the administration improved from within and reforms were pushed forward by the Parliament.

But economic institutions were also very important. We already know the difference between the role played by the Bank of England, the Bank of Amsterdam or the Riksbank in Sweden. The work of all of them was related to respective capital markets, although they were working for the government in different ways, and with different success.

And of course resources must exist in the first place before they can be mobilised by the state. So another important point discussed in these papers is the source of revenue. Debt has been pointed out as the best money resource, and there is a long history behind that. But Torres points out that, at least for eighteenth century Spanish Exchequer, debt was not the culmination of the evolution of the fiscal-military state, but something needed at a particular moment. Debt was not enough in the Netherlands in the eighteenth century, maybe because necessary changes were not implemented, and even in Britain in 1799 ministers preferred not to incur more debt, for the moment. On the other hand Sweden was active again to the international capital market from 1766. So, debt was an integral part of the fiscal-military state, but does not seem to have been a key component.

These papers identify the great variety of resources needed by states, with the variety being used according to the countries' fiscal traditions, the range of fiscal schemes, and the ability to change from one resource to another, when necessary. The ability to do that was an indicator of the success of the fiscal military state. But this ability has also a quantitative check to it. In this respect what is really impressive is the much superior capacity of Britain in terms of the growth of indebtedness and expenditure, particularly in the second half of the eighteenth century, at least if we compare Britain with the evidence relating to Spain and the Netherlands presented in these papers. The fact is that Britain was able to generate more money for waging war than did her rivals. Was this capacity based on the elasticity of the country's fiscal base, as suggested by O'Brien? In fact, if the industrial revolution was not a direct cause of an increase in fiscal capacities at the times of large-scale conflicts, the economic growth previous to that could be the prerequisite necessary for enhanced fiscal capability. From this point of view, the economic growth of Britain during the century was a base for the increment of the purchasing power of the people, and thus for its capability as a fiscal subject.

A further question related to the fiscal military-state concept is that related to different levels of successes experienced by the European powers. Not all fiscal-military states were successful, and thus does failure call into questions a state's position as a fiscal-military state? Countries other than Britain made their way: the Netherlands, and maybe Sweden, resisted and survived; Spain was still a great power at least until 1797, maybe until 1808. So those systems were successful in different ways, although they finally found their limit. Since a fiscal-military state is ultimately tested in armed confrontation, the limits of each fiscal-military states were related to the resource mobilisation capacity of the enemy state.

The most important questions therefore are why was Britain so consistently successful during the eighteenth century, and why were her enemies were not capable of such a performance? These questions make us consider the wider perspective, the whole organisation of the society and economy, and indeed relationships with the wider-world. Britain seems to have had a better access to capital markets, a richer society, and a higher social class more identified with the interests of the government and willing to invest in the financial market to the ultimate benefit of the state.

When in the second part of the eighteenth century a much greater economic effort was demanded of states, the only possible way to meet all the increasing pressures was to secure the active collaboration of more people. The British social model is one which seems to have permitted the participation of more persons in the gathering of resources, and the political system was the most inclusive in terms of political and economic participation. With weak institutional barriers in Britain it was possible to secure the integration of private and public economies. A strong government and a free economy, a trust in market forces, gave Britain, in the end, a more flexible mercantile and industrial economy that responded when it was necessary. If British citizens supported the heaviest tax burden in Europe it means that they were also the richest citizen of Europe. Only an affluent society could generate and deploy resources on the scale that Britain did over a long period of time.

It also seems evident from these papers that Britain was successful in her attempts to gather resources from, and then deploy them in, the wider world. But, in a comparative context, we need to know much more about the extent to which Britain's rivals were able (or unable) to utilise extra-European resources to war efforts. Lenk has shown us how the Portuguese were able to shore up a fragile position in South America, by drawing on local resources, in both a regular and *ad hoc* fashion. It seems desirable that we havea more rigorous analysis of the potential overseas resources that were available, directly and indirectly, to all of the European powers, together with a measure of how, and with what effectiveness, those resources were then harnessed by the various states.

There is a distinction to be drawn between the state's direct wartime use of overseas resources –i.e. manpower and tax revenues– and the indirect strengthening of the state that occurred through the expansion of trade and empire which caused long-run growth in government income from customs duties and so on. The first was often short-term and born out of crisis; the second resulted from the development of broader policy and strategy objectives. Yet, the extent to which ministers were able to factor in overseas resources into their calculations of national strength remains unclear. In the British case there were certainly plenty of general comments about trade and empire adding to the resources of the state, but it is likely that Cuenca's conclusions would have come as something as a surprise to ministers, and they would have been unaware of how precisely the Indian empire was a source of strength to Britain. Certainly, there is little detailed discussion of this in ministerial papers, and there were no plans developed for the systematic exploitation of the empire in support of war efforts. We need to know whether this is in fact correct, and what the case was in other European states.

The discussion of trading companies by Stern and Paul raises the general question of where the boundaries of the eighteenth-century state should be drawn. Certainly the EIC came to be described as an arm of the state, and, although less well-documented, the cases of the South Sea Company and the Royal African Company, as Paul indicates, suggest that for the early eighteenth century at least, these companies can be conceptualised in similar terms. Yet while Paul talks of working partnerships between companies and the state, Stern tracks an evolving relationship was increasingly far from being a partnership of equals. He talks of 'co-option', and consideration needs to be given to the extent to which Britain was becoming a 'co-optive' state, systematically incorporating interest groups on the basis of mutually beneficial partnerships, but which nevertheless were formalised in terms that were increasingly unequivocal in terms of serving the national interest.

The whole issue of the boundaries of the state is raised in another way by the concept of the 'contractor state', as it is deployed in Knight's paper. This is because we are invited to consider the practical limits that were imposed upon direct state action, and the performance of the navy is seen as being ultimately dependent upon the actions of a whole host of private agents spread across different localities. Yet, Harding's paper indicates that we should not minimise the effectiveness of central control over the gathering and deployments of resources. Of course the two positions are not mutually exclusive, but the papers raise the key question of the reach of the state, and where and when exactly private commercial interests began to exert influence on the deployment of resources. Here, we need to know much more about the mechanics, physical movement, and ownership of resources prior to deployment in the theatres of conflict.

Above all, perhaps, these papers reveal that much is now known about how states gathered financial resources that were used in support of war efforts at home and abroad. Finely detailed work throws much light on fiscal regimes, government borrowing, and financial administration. By sharp contrast, very little work has been done on how effectively the European states actually spent the money they had at their disposal. Much more needs to be known about spending decisions, the control of expenditure, and how precisely finanacial resources were translated into the financial and human resources that were deployed in arenas of conflict in support of national interest. With this in mind, it is very much to be hoped that the research collaborations that underpinned the success of Session 69 at the IEHA congress at Helsinki can now be extended into a comparative study of how the early modern European states spent the resources that were mobilised for the express purpose of waging war.