



Stephen Conway (Ed.)  
Rafael Torres Sánchez (Ed.)

# The spending of states

Military expenditure during the long eighteenth  
century: patterns, organisation, and  
consequences, 1650-1815

This book aims to bring state expenditure into the debate over the construction of modern states. It has traditionally been argued that the differences in state development could be put down to the state's particular systems and methods for raising warfare resources. Historians have long stressed that the different levels of state development on a world level should be explained in terms of the origin and management of fiscal and financial resources. But this historical research did not pay the same attention to how that income was spent. This book aims to redress the balance by focusing on expenditure. As the book shows, there were glaring inter-state differences in expenditure management and analysis that may help to explain the patchy development of modern states. A wide-ranging trawl of national cases, all centred on the long eighteenth century, shows the consequences of different expenditure policies and management methods on the underlying state and economy. This book offers a broad panorama of national cases to show how warfare expenditure could become a source of problems for some states and a source of opportunities and growth for others.

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# Introduction

*Stephen Conway*

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## Coercion or Efficacy?

In the midst of the Seven Years' War an English political pamphleteer, Israel Mauduit, wrote: "Money may, in a qualified sense, be allowed to be the sinews of war; but it must find men to make up the flesh and substance of our armies"<sup>1</sup>. This historical caveat is all the more telling as it came from the most successful country at raising warfare-funding resources and was made in a climate of veritable euphoria after the recent and spectacular military successes (Mclynn, 2006; Conway, 2006: 149). Money was without doubt one of the sinews of war but the state also depended on many more factors for transforming this money into true means of action. Mauduit focused on the problem of mobilising and deploying soldiers capable of fighting in an effective way using precise tactics and weapons, but the idea could be broadened to take in all the materials and items that the state had to muster, organise, distribute and control to meet its warfare needs. In the final analysis it was the state that spent the money and decided how to convert the money into the means to win wars. This state capacity of transforming money into public goods (including in this concept soldiers, increased citizen protection or improved administration) could be vital in the development of European states. This book aims to delve precisely into this issue: how military expenditure could influence or affect the development of those states and the societies they governed.

There have been many historical studies of the development of the state and military activity but they have all left a glaring hole. Our interest in

<sup>1</sup> Mauduit (1760: 68), cited by Charters (2009: 921).

studying the conditions and consequences of the states' military expenditure is intended to fill this gap. Throughout the twentieth century, the approach dubbed by Philip Gorski as "bellicist" held sway, i.e., the argument that military activity is the key factor for understanding the development of states (Gorski, 2001). If we take John Brewer as representative of this view, we find that the secret of England's eighteenth-century success on the battlefield lay in its superior warfare financing capacity. Brewer argues that what he himself called the British "fiscal-military state" based its worldwide supremacy mainly on a greater efficiency in raising resources to finance the wars it waged. He stresses the British state's efficiency in obtaining these resources, finally concentrating on the consequences of this expenditure in terms of a greater administrative and institutional development of the state. Brewer argues that the English state's triumph lay in its seemingly limitless ability to increase the financing of its military activity (Brewer, 1988). From this viewpoint what mattered was how money was raised rather than how the money was spent or the consequences of this expenditure.

Strictly speaking there was nothing new in Brewer's emphasis on the financial capacity to explain the state-warfare association; it fed into the well established historical idea that capital and coercion have always gone hand in hand. Only with more economic resources could states obtain more instruments of coercion to ensure the expansion of the state and in turn obtain more economic resources. Asking why Europeans waged war so much, Charles Tilly responded with an essentially economic appreciation: because "coercion works" (Tilly, 1990: 57, 114). According to this view Europeans were bellicose because they had found the way of uniting capital and coercion, by means of more highly developed states. What is not so clear is why they waged war so efficiently. The moot point here is why other non-European states and even empires also showed a notable fund raising capacity but could not match European efficiency on the battlefield: witness China or Turkey (Vries, 2002: 78).

The priority given by historians to the financing of war has downplayed the importance of the expenditure efficiency sought or achieved. The fact that the state raised the money was no guarantee that this would be transformed efficiently into a public good or an instrument of coercion nor that it would be used efficiently. States needed not only consensus and collaboration in obtaining the funds and a public debt to tap into; they also depended on the cooperation of social, political and economic agents in spending the money. Everything seems to suggest that the states' effi-

ciency in transforming their economic wherewithal into means of political action did not depend solely on economic factors.

Take the following illustrative example. During the eighteenth century British and French sailors clashed on many occasions under diverse circumstances with a result almost always clearly favourable to the British. The gap between them widened during the century, especially after the Seven Years' War. At the end of the century, during the Napoleonic wars, the British lost 17 frigates and the French 229; the British suffered 5749 dead or injured sailors while the figure for the French was 16,313 plus 22,657 sailors captured (Allen: 2004: 207). According to Douglas Allen, the fact that the British navy had twice as many men as the French does not explain why the French lost thirty times more ships, especially in view of the fact that their navies were the two most equally matched in the world in terms of construction capacity and equipment. This striking inequality in warfare success cannot be put down solely to economic resources. The English were more efficient than the French in spending the funds raised. The mobilisation of sailors, the procurement of foodstuffs and ship repair were all more efficiently done in Britain, without sparking off social protest, economic crisis or even the collapse of the state. Money was no doubt the sinew of war, but just as a social consensus was required to raise the money, a consensus was also needed for spending it. The proven knock-on benefits for the rest of society coaxed them into collaboration. Military expenditure came to be seen as a fountainhead of opportunities for a large part of that society, becoming a real fulcrum of wealth and not only for the state itself. If the British navy was more efficient than the French, therefore, it was largely because the state's military expenditure was backed up by more social involvement than in any other country. In other words the true British success lay in ensuring that the taxes raised produced benefits for the society that had paid them.

### **Why did the states spend all their resources on military activity?**

Regardless of the political or constitutional regime of the state under consideration, until the mid-nineteenth century all states spent the vast majority of their entire resources on warfare. Attempts to pinpoint differences between the states in terms of political structure or type of expenditure have served only to reinforce the conclusion that the state's military expenditure was always top priority. Philip T. Hoffman and Jean-Laurent



Rosenthal remind us that exercises of this type are largely pointless. In any state, whatever its political structure, nearly all available resources were normally spent on the military activity because the three main goals in sight were all closely bound up with war: firstly, the armed forces and the administration of the state that raised the funds and then spent and controlled them; secondly, foreign subsidies, by which a state's own armed forces could be augmented, and foreign policy, whereby the state gleaned information mainly for warfare purposes; and, thirdly, debt "which paid for war past" (Hoffman and Rosenthal, 1997: 35). In truth the real difference between the diverse states lay in their varying ability to spend money on diplomacy and, especially, sustain the public debt. It therefore turned out that all available resources were spent on items directly linked with military activity: armed forces and fund-raising administration, diplomacy and subsidies and public debt. The question is why nearly all the states' resources were allocated to military expenditure.

First and foremost the budget did not stretch to much else. The option of diverting part of military expenditure towards other types of political action did not seem reasonable until the nineteenth century, mainly because the available resources for military action in most countries always fell short (Le Goff, 1999). Europe's historical war-funding experience shows that no state carried out fiscal policies to prepare for future wars, only to sustain each conflict once broken out or ensure debt repayment. The main reason was the social and, above all, diplomatic justification. As Joël Félix points out, "raising taxes in peacetime would have been immediately interpreted... as a declaration of war" (Félix, 2006: 55). History shows that increasing taxes to boost state functions and actions was feasible only in times of war and then all available resources were inevitably siphoned off towards the war itself (Kiser, 2001).

Secondly, the states found it very hard to justify tax increases apart from the supreme argument of meeting warfare urgencies. Early Modern European states needed to account to their societies for any increase of their revenue. They therefore depended on political consensus and the firm support and cooperation of a large part of their societies, not only in terms of accepting the tax increase but also collaborating in the revenue raising process. As Leonard Seabrooke argues, without this social backing the state could not have mobilised its fiscal or financial resources (Seabrooke, 2006: 28). The problem was that, until the mid-nineteenth century, this social backing could be engendered in European states only through a political-religious discourse related to the state's warfare

capacity. War was the only ideological justification that the society of that time was prepared to hear and support. There was precious little leeway otherwise for justifying tax increases in terms of expenditure on healthcare, education, pensions or infrastructure. As Peter Lindert points out these state functions were always sidelined in budget terms, justified more in terms of what might be called a “paternalist state” or the king’s concerns for this subjects (the political debate in Great Britain about “poor relief” is a telling example of this) (Lindert, 2004: 67). The upshot was that the “fiscal-military” state depended on another type of social legitimisation for increasing state functions and its expenditure options. Building up any other source of legitimisation would need a new political and social consensus, in which, as Philip Harling and Peter Mandler have suggested, the role of the state was redefined on the basis of a new policy towards economic development and citizen protection (Harling and Mandler: 2006). Until the end of the eighteenth century, however, the only feasible legitimisation for state expenditure was its protection capacity. For Early Modern states military expenditure was not just one more expenditure option; it was the only way of guaranteeing the state’s social legitimacy.

### **The Bases of Military Expenditure: Legitimacy, Sovereignty and Competition**

The idea that military expenditure legitimised the state is crucial for understanding the nature of this military expenditure, i.e., as essential rather than optional. Above all it can help us to understand the state’s expenditure policy. Many crucial decisions had to be taken. Spending on the navy or army, undertaking a defensive or offensive war or the strategic decision of whether to make or buy the vital ingredients of military success were all resolved in the political arena, either involving public opinion or simply in closed circles of power. Above all these decisions had to be taken in such a way as to shore up the sovereign’s legitimacy and ensure grassroots support or at least head off any widespread protest.

This ongoing quest for legitimacy probably had a more telling influence on military expenditure than the much-vaunted and strictly economic dynamic of capital-coercion. Everything seems to suggest that political and ideological ideas such as sovereignty and authority, with widespread religious support, were the main factors legitimising state action and ipso

facto the need of continually increasing military expenditure. Throughout Europe as a whole states were built up and knitted together by imposition of royal sovereignty in increasingly broad and unified areas. Only from a position of unimpeachable authority could the state carry out its tasks efficiently. Among the mechanisms developed by the state to achieve this sovereignty and unimpeachable authority the direct management of armed forces loomed large, together with factors ranging from the nurturing of a collective sense of state supremacy to a religious underpinning of group identities.

Within this general dynamic of the expansion of state authority, government action centred from the beginning on military activity and foreign policy. If the state began to factor in questions of internal economic and social organisation, this was largely due to the need of finding resources for the true areas of interest, which were always international relations and warfare. The very shift in international relations from dynastic and religious questions to economic and colonial factors simply spurred on the state's overriding interest in military activity and foreign policy.

In any of the Early Modern European states, therefore, there was hardly any leeway in the expenditure policies for anything other than increasing the armed forces and building up the greatest possible influence in international relations. Any institutional or administrative development achieved by the state could be understood and justified only in terms of the essential objective of improving the efficiency of state diplomacy and its military capacity. The lion's share of state revenue was always spent on military activity and foreign policy as instruments of ongoing validity for imposing royal sovereignty. There would therefore not seem to be much point in trying to describe national differences in the makeup of state expenditure when every European state, whatever its constitutional or political regime, spent the vast majority of its available resources on sustaining the armed forces, the state's administrative and diplomatic set-up and paying off the debts carried over from past wars.

Why was it that European states were all so equally determined to keep up this expenditure pattern when it was becoming increasingly demanding and complex to sustain it? The most obvious answer is the competition between the Europeans themselves. In a geographical area of fluid international relations and rapidly gelling nations, clashes between states became the norm for reasons of a dynastic, religious and economic nature.

But it is no less true that the principle of imposing royal sovereignty that lay behind the very origin of the state was still operative in the field of international relations, albeit increasingly under the prism of imposing sovereignty of an imperial character. All Early Modern European states strived more or less to project their aspirations of royal sovereignty into the field of international relations. The idea of imperial authority was alive and decisive in the policy of European states. Empire building, on a dynastic or economic base, thus became another factor complicating international relations even more and egging on states to keep even bigger armed forces.

Competition stoked up the rivalry of European states but the expansion was based on the efficiency of the Europeans. There was a copycat effect: the resource-mobilising feats of each European state for military and diplomatic action ended up being mimicked and often outdone by other states. New instruments of revenue-raising, administrative and accounting management and public financing, together with new tactics, resources or institutions of military training fuelled an expansion of fiscal-military states, spurred on continuously by competition among the Europeans. The result was that European states spent more on war century after century because they were capable of mustering more efficiently more human, material and economic resources.

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### **How did the contracting states work?**

The papers presented herein are fruit of several academic meetings held to analyse the subject of military expenditure (Las Palmas de Gran Canarias, 2008 and Utrecht, 2009). Our main aim was to examine and analyse the states working in an area that was a *sine qua non* of their very existence as such, i.e., military expenditure. To do so we chose a broad and international viewpoint. It was not a question of comparative history, but rather of weighing up the host of different approaches that could be applied to the study of military expenditure. The papers brought together here stand witness precisely to the sheer vitality of this research subject; our desire is that they may serve to inspire further studies into the *modus operandi* of states.

## I. Military Expenditure and Institutional Development

*The state's need to back up its expenditure by social consensus and legitimacy*

Recent research has unearthed one of the keys of success in mobilising warfare resources, focussing not so much on the state's particular type of political or constitutional regime but rather the grassroots consent to continuing collaboration in raising the resources the state required. A wide array of private and collective vested interests came together and criss-crossed to enable resources to be mobilised with the least possible opposition and greatest efficiency. The winning or defending of privileges, or the desire for social promotion, political clout or religious support were key factors in sustaining cooperation and collaboration with the state's desire to raise warfare resources. Without this collaboration and the society's willing participation in the state's military projects, the resource-raising process would have been much dearer and less efficient, and it would probably have called for more financial input and more muscle and coercive force by the state.

If a consensus between the states and their societies was important in raising resources for military activity, was there a similar consensus on how these resources should be used? Richard Harding considers this question in his study on the political justification of the British state's military expenditure during the 1739-1748 war. In his opinion the states were to some extent held accountable by society for the way the money was spent. He analyses the British parliamentary debates about the results of the army and navy's campaigns during this war and the justification given for army and navy expenditure, drawing the conclusion that the British state enjoyed a certain social consensus founded mainly on ideological and religious grounds. The British state did not act arbitrarily or with complete impunity when deciding how to spend its funds. At all moments the ministers and opposition showed a clear interest in winning the support of the public at large. Neither the government nor the opposition broached the real efficacy of the expenditure in the parliamentary debates, i.e., whether the military operations met the objectives posed beforehand. The debates tended rather to be consensus-focussed, basing their arguments on a goal considered to be ideologically acceptable by one and all, i.e., the need to maintain the balance of power in Europe and the efficiency of the navy. Harding argues that the success in reaching this consensus about military expenditure gave the British fiscal military state a notable edge over its competitors.

*The Development of the Centralist State. The Difficulty of the Changeover*

One of the most firmly rooted ideas about the consequences of military expenditure is that it directly boosted the state apparatus and its capacity for action. In other words the increase in military expenditure during the Early Modern Period called for a parallel increase in the state's institutions and administration. The states thus increased their powers of intervention, thereby accelerating the processes of state control and centralisation.

The idea has been widely corroborated in a host of national cases. Nonetheless a number of features do not quite fit in with this theory and should warn us against applying it across the board unreflectively. It is often forgotten that the state's main aim was to achieve the greatest possible efficiency in mobilising resources for its military and diplomatic activity. The stress should be laid on the word "efficiency". This implies that if there was a method whereby the state could obtain a resource more efficiently, this would be preferred over every other. To put it another way, if the state could raise a resource quicker and with fewer short-term problems by resorting to instruments outside the immediate state orbit, it would not hesitate to do so. The state therefore showed not the least qualm in drawing on private spheres or attracting the collaboration of other institutions if the objective could be achieved more efficiently. At the same time the state was not always in a position to implement administrative reforms and revamp existing structures and do so in ways that kept pace with the increase in military demands. New administrative instruments often clashed head on with vested interests, rendering them ineffective, or at least reducing their effectiveness.

A good example of how the increase of military expenditure did not necessarily boost state institutions, its powers of intervention and centralism in general is offered by Pepijn Brandon's study of the system for paying the Dutch armed forces in the seventeenth and eighteenth centuries: "military soliciting". Brandon argues that Holland's increasing warfare activity during the seventeenth century was not accompanied by changes in the payment systems, based on brokerage by private financial intermediaries. Like many other European countries the Dutch state wished to reform this system with the aims of reducing fraud and increasing direct control over its troops. Although the Dutch state tried on several occasions to replace the financial middlemen with state functionaries, the system survived with no great alterations until the end of the eighteenth century. The Dutch state's desire for reform and centralisation was not enough to

win the day over the old system. Holland's dwindling financial stock and the running up of a sizeable public debt made the financial middlemen even more necessary. Moreover, the "solliciteurs" were unfailingly efficient in raising the money and paying the troops on a regular basis. It was precisely the existence of a powerful private credit market that ensured the persistence, solvency and finally the efficiency of "military soliciting". The Dutch state could fall back on a thriving set of "solliciteurs" to meet its demand for regular troop payments at low cost and with high reliability. In the end the political desires of reform and centralisation had to bow to the historical pragmatism of a private system that allowed the Dutch state to obtain what it really wanted: i.e. that its troops were paid regularly and at low cost.

### *The Logic of Military Expenditure*

The huge effort made by historians to understand the economic capacity of states to meet their military expenditure needs has not been accompanied by a parallel interest in understanding the logic of military expenditure itself. It often seems that the only plausible logic behind the policy was to spend as much as they could at the lowest immediate cost for the state's coffers, doing so either through the offices of private and public agents (nobles, entrepreneurs, councils or guilds) or by the state itself setting up better expenditure control mechanisms. In any case, the military expenditure is interpreted as an unavoidable necessity and the state's remit seems to be limited to an attempt to reduce its cost. Nonetheless there are grounds for believing that the states could in fact have a decisive influence on military expenditure by imposing a logic that was not necessarily economic.

Stephen Conway's work provides an example of the horizons opened up by studying military expenditure in terms of the actual historical context in which it occurred. According to his study the British state did not apply an overridingly economic logic in mustering the soldiers it needed for the War of American Independence. The decision to hire German soldiers was not due to their lower cost or even the lack of other alternatives. The British state in fact had many troop-raising options for fighting the American insurgents. Yet the state preferred to defray the cost of the more expensive German mercenaries. The ultimate reason for this decision, according to Conway, was the application of an eminently political logic. It

was taken at the personal behest of the king, George III, who saw in this action a means of increasing his authority over warfare matters and fostering the general strategy of maintaining royal power, or at least avoiding the patronage of other political agents. The king, as Duke of Brunswick-Lüneburg and Elector of Hannover, drew on his prestige with German princes to facilitate the recruitment and mobilisation of German mercenaries; as British sovereign he used his clout to impose this option. The result was a higher than desired expense and the flow of British resources to Germany in the form of direct payments and subsidies to military entrepreneurs and princes. To put it another way the state spent more than it should have and also curbed the multiplier effects that this expenditure would otherwise have had in Britain's national economy. This example therefore flies in the face of the received idea that military expenditure has to be explained from a mainly economic logic. Other logics were also in play, and it would seem only right and proper to try to understand them in the historical context in which the military expenditure occurred.

#### *Military Expenditure and Institutional Development*

One of the most interesting aspects of military expenditure is its impact on the development of the state itself. Maria Cristina Moreira has analysed how a specific case of military expenditure helped to create new government authorities and institutions. She has thoroughly documented British military support to the Portuguese army during the Peninsular War. According to Moreira, the Portuguese government was keen right from the start to set up specific institutions for keeping a strict account of these British donations. The vitality of these new means of managing military expenditure was boosted by the dual control demanded by the English themselves. The British were ready to send donations to the Portuguese exchequer providing that the latter demonstrated control over the allocation of military expenditure. Moreira suggests that the success of this control helped Britain to increase the level of donations offered to the Portuguese. According to the figures that she puts forward by, nearly one third of the nearly 100,000 soldiers making up the Portuguese army were paid by the British government. Aid came not only in money form but also as bills of exchange or direct shipments of uniforms. The British donation fuelled a new military demand that could then be met by British producers.



It seems a commonplace to say that states needed institutions and an administration for carrying out their expenditure. But it is not so obvious to state that this expenditure could be conditioned by the efficiency and development of these institutions. How military expenditure was distributed or manifested itself depended heavily on the institutions involved in its management and control. The relationship between institutional development and expenditure management is a factor that has been little explored by economic and institutional history. Institutions are regarded as valuable public assets that favoured economic development. This analysis could be rounded out by a consideration of whether or not they were effective expenditure managers.

This is where Sergio Solbes's research proves especially valuable, providing us with an analysis of the institutions involved in eighteenth-century Spain. Centring his analysis on 1765, he offers us a snapshot of all the main institutions and treasuries involved in the public debt management system. This approach helps us to understand how money circulated through the Spanish state. Solbes also stresses that all these institutions were complemented with control systems that, he concludes, were effective. The payment and charging system was necessarily complex due to the sheer size of the area involved and the huge variety of payments to be made. Solbes concludes, however, that the Spanish state made a notable effort to set up special institutions. New state institutions and accounting controls were the keys to a complex but necessary payment and charging system.

Historians have stressed that the state's main expenditure objective was military because war was sooner or later inevitable. Peace was not a historically realistic option. No state could avoid war and there was a steady accumulation of reasons for taking part in any war during the Early Modern period. Religious reasons were soon joined by political, economic and, finally, national reasons. States therefore spent money on their armed forces because they lived in a context of constant warfare. Nonetheless, there were cases of enforced peace, for instance in Japan during the Tokugawa period (1630s-1850s). Such cases give us the chance to check whether a prolonged period of peace had any effect on military expenditure.

In 1630 Japan cut its ties with the outside world. According to Toshiaki Tamaki, this enabled it to avoid wars but did not spell the disappearance of military expenditure. What actually happened, Tamaki shows, is that a military regime was built up. The government was striving to centralise the government structure with military personnel always to the fore. The cost of this military-based government was met from a particular taxation

system based on rice production. New institutions and more taxes were the result of the survival of a militarized regime, even though it was not actively employed against any external enemy.

Japan followed a similar path to Europe's, but fell behind the war-inspired European pace of development. In 1850 Japan was a backward country with a military regime and a militarised state. The case of Japan shows that military expenditure was consubstantial with the state but it was warfare that periodically prompted the state to test its mettle and preparedness. This kick-starting effect, arising from the almost constant and escalating state of war in Europe, was missing in Japan.

### *Individuals and Change*

One of the least known aspects of military expenditure is the role played by individual leaders in the expenditure arrangements. Historians have often sought to analyse expenditure in terms of structural economic possibilities or political strategies, but historical reality shows that it was specific individuals who determined expenditure. The particular personality and ideas of one politician could therefore affect the size and type of military expenditure. Thus, the arrival at the British Admiralty of Lord St. Vincent in 1801 marked a turning point in the organisation and efficiency of the "Victualling Office". Roger Knight has shrewdly called it "a change of culture in the offices of the Navy". The change of a politician with government responsibilities could give rise to a completely different military expenditure phase, and political changes did not always coincide with warfare cycles. It might therefore be enlightening to bring the individual leader and government politician into the military expenditure debate.

Agustín Guimerá has made an interesting examination of how a political change might lead to a corresponding change in military expenditure, in the case of late-eighteenth-century Spain. In Guimerá's view, the soaring naval expenditure in Spain can best be explained in terms of the ideas and personality of the naval secretary Antonio Valdés, who came to office when the American War of Independence was over. He might therefore have been expected to be a minister who would dismantle the navy, given that the war urgencies were over. It turned out quite otherwise. Valdés keenly promoted all institutions that might be needed by a navy that wished to vie with the British. His orders to step up the shipbuilding rate and his concern for the technical training of naval of-

ficers ushered in a real golden era for the Spanish navy. In time nearly the whole Spanish military expenditure switched over to the navy, mainly because of the efforts of this strong-minded minister. Nonetheless, all his determination to increase navy expenditure was not enough to persuade the government of the need to finance this expenditure. This leads Guimerá to conclude that Spain was not a Fiscal-Military State because the government was not able to back up the naval secretary's projects in the long term. Nevertheless, the achievements under this minister were striking. A thoroughgoing technical, organisational, productive and even educational renovation is a sign of capacity, development and modernity. If these reforms could not be carried beyond a certain point, this was not due to a lack of this technical and organisational reaction capacity. The real reason was that there was not enough time to modify the state's fiscal and economic bases, although some steps were indeed taken in this direction. The true limit of the Spanish Fiscal-Military State was set by an insufficient political will to modify the state's financial and fiscal bases to support a higher level of public debt. There was a glass-ceiling debt level that the government was not prepared to break through, especially in times of peace, just when the naval secretary was calling for an increase in expenditure.

The advent of an individual leader like Antonio Valdés, therefore, represented a new stage in the level of military expenditure. Above all it meant a notable change in the composition and quality of the expenditure, because it allowed a profound technical, organisational and strategic transformation of the navy. If this stage of high expenditure and quality was not prolonged it was because higher spending called for a broader economic base and more financial resources.

## II. Military Expenditure and Economic Development

### *Competition as a driving force of military expenditure*

Helen Paul's research clearly shows the effect of competition on an expenditure item that met fierce opposition from the society of the time: the construction and maintenance of forts along the African coast to support the slave trade. Using the example of the British forts on the western coast of Africa, the author brings out the glaring disproportion between, on the one hand, the high cost and scant usefulness of the forts

and, on the other, the fierce struggle waged by the Europeans to build as many forts as they could along the coast. Much of the history written on the slave trade had already drawn attention to the criticism made by early eighteenth century merchants and politicians of this pointless fort-building race. The forts called for a heavy construction outlay, then prolonged in time with the payment of leases to the African kingdoms and high cost of maintenance and provisioning. Everything seems to suggest that there was a considerable overkill in the number of forts and far fewer would have sufficed to serve the function in view and protect the European slave trade.

Nonetheless the Europeans threw themselves into a breakneck race to build forts along the whole Guinean coast. Portuguese, Dutch, French and British expended huge sums of money on these forts, many of them too small to have any justification in economic terms. Even though this was an eminently private business the British government participated actively in this fort building race and even upped the ante, involving the Royal Navy in tasks of fort protection and supplies. The British state, like the other states with merchants in this business, felt bound to take part, not so much to protect its own merchants but rather to prevent any other European state from setting up a trading monopoly in the area. This threat was effectively headed off. The upshot was a long string of resource-hungry, expensively maintained forts, built by the state under the stimulus of foreign competition.

### *Expenditure Information*

One of the least appreciated aspects of state expenditure, probably because it is the least known, is expenditure forecasting and control. All the European states made some headway in information management, to gauge their needs and control the cash flow, but this progress was surprisingly slow. If we look at the most highly developed administrative and military machinery of that time, the British navy, the information to hand for estimating naval needs and costs was still wanting even by the end of the eighteenth century. As Roger Knight shows in his study on the Victualling Board, expenditure forecasting procedures in the 1790s were years out of date and bore little relationship to current reality; they were therefore of little use for the desired aim of forecasting and controlling expenditure. In other European countries the situation was even worse,

with flawed estimates based on past experience and insufficient control after the event.

In other cases the dearth of expenditure information might be a political question. As Martti Rantanen has suggested for the Swedish case, “for tactical and political reasons” the budget of the Swedish state during the eighteenth century was only a partial reflection of the actual expenditure. Spending on forts in times of peace and the increase in navy expenditure from the 1770s onwards were not duly reflected. A detailed review of the Swedish state’s accounting data prompts him even to conclude that “a sizeable part of Swedish wartime spending occurred outside the main Budget in the eighteenth Century”. Two things seem clear: firstly not all countries were able to exert a reliable control over their expenditure and secondly they did not all show the same interest in making this information public. The former is a technical problem, gradually ironed out as better administrative practices were introduced. But the second is clearly a problem of political legitimacy. More attention will have to be paid in the future to the state’s ongoing problem of ensuring legitimacy and consensus in its military expenditure.

### *The Limits of Military Expenditure*

Spending power depended on the ability to mobilise financial resources but also on the available economic base. This is an obvious fact but is often forgotten by historians. The most highly developed economies offered the biggest and best opportunities for financing military expenditure. The institutional and administrative developments facilitated the mobilisation of resources. It is equally obvious, however, that if these institutions’ decisions were not underpinned by developed economies, governments’ leeway for manoeuvre was seriously cramped. On the other hand, the incapacity of some institutions in developed economies to adapt themselves swiftly and efficiently to warfare-caused demand changes could be partially offset by overspending, providing there was a sufficient economic base for this disproportionate expenditure. The economic level of each belligerent therefore serves as an obvious frame of reference for tackling and understanding the subject of military expenditure.

Javier Cuenca-Esteban’s paper is especially insightful in exploring this idea of each belligerent’s spending power depending on its underlying economic base. He makes an interesting comparison between Britain and

Spain to situate the analysis within this frame of reference. There were huge economic differences between Britain and Spain even before the outbreak of the late-eighteenth-century French wars. Britain had more than managed to offset Spain's fiscal advantages deriving from its American colonies; indeed, Britain's spending power nearly tripled Spain's even before the wars began. Britain's economy supported far higher military spending levels and could also adapt with great flexibility to warfare demand. By the early years of the nineteenth century, Britain's expenditure level was almost five times that of Spain.

The difference is to be explained, according to Cuenca-Esteban, by different taxation structures. Britain's superiority was based on internal economy taxation and import duties rather than export taxation. Her advantage lay in an expanding market economy, which could yield higher levels of taxation. The expenditure limitations in Spain, on the other hand, in terms of the amount of this expenditure and the possibility of increasing it, are to be explained, according to Cuenca-Esteban, by the government's over-dependence on American trade. Reliance on the American empire stemmed from the weakness of Spain's internal economy. The result was not only a limited tax base, but also, as a consequence, a limited ability to build up a substantial national debt – the key feature, arguably, of Britain's eighteenth-century success.

### *The Contracting State in Action: Free Market or Monopoly?*

Military demand was insatiable and highly variable; decisions taken on how to satisfy it had weighty consequences for the economy and distribution of power within society. These decisions therefore took on an essential strategic value and might even bear on the existence of the state itself. The state could make a telling contribution to the final efficiency with which the funds raised were transformed into instruments of action, producing reap-back benefits for the society that had paid them over.

The options for raising military resources were manifold and well known, but they all had their consequences. Resorting to the international markets might be the cheapest option but was also the least sure. These markets were only loosely knit together and this option also implied spending the funds abroad with a greater exposure to diplomatic surveillance. Turning to the national markets, on the other hand, had the advantage of directly stimulating national output but implied an exercise of faith in the local

economy's production capacities. In both cases, moreover, the states had to fall back on middlemen capable of matching state demand with supply possibilities. The temptation of the state was always to cut out this middleman and replace him with functionaries or even directly mobilise or produce the resource it needed. But the strength of the intermediaries and the weakness of the state (usually based on its indebtedness) meant that replacing them was no easy task. Often the state even saw itself obliged to shore up the middleman, granting him privileges and monopolies to ensure supply of the goods needed.

The most crucial decision the contracting state had to take was whether to plump for the market or monopoly. Rafael Torres analyses this dilemma and its consequences in the case of the Spanish naval expedition sent out to win back Minorca during the War of American Independence. The value of this test case is that the Spanish state had to change course several times in a short period of time, moving back and forth from one form of expenditure to another to obtain what was needed by the expeditionary force. The Spanish army first tried to tap into an active market on the island of Minorca itself to supply the expeditionary force, while other merchants and producers contributed to a lesser extent from the Spanish Mediterranean coast. This initial confidence in the local market was thwarted by the actual supply difficulties the army encountered. The state's reaction was to intervene directly in the supply arrangements. Monopolies were granted and certain merchants were given trading preferences and privileges. These privileged merchants distorted the workings of the market and stifled the activities of the producers and merchants who had hoped to make hay from the state demand for the expeditionary force. The result was even greater supply difficulties. The privilege-protected merchants found it increasingly difficult to come by the supplies and this increased the prices. The state was trapped in a vicious circle in which supply efficiency and quality fell, prices soared and the complaints of the military grew increasingly bitter. The state's response was to step up its intervention and tighten the monopoly, exacerbating the problems. The supply difficulties became so acute that the Minorca population itself even began to run short of their own supplies. For the Spanish government the problem began to be strategic, since there was a real threat of rebellion from the local population. The state decided to pitch in even more strongly behind the monopolist merchants, allowing them to widen their purchase trawl to foreign countries and offering the support of governmental diplomatic services for financing and facilitating these purchases.

This all came to naught and the state ended up decreeing a new drastic change in the purchase conditions. The Spanish state dismantled the monopoly and allowed the free entry of any merchant, national or foreign, who could come up with the supplies. In just a few months the supply situation turned around completely. The increased number of merchants and suppliers sent prices tumbling and considerably increased the quality. The expeditionary army began to enjoy a good supply line at last and the cost for the state plummeted. Trade and production along the Spanish Mediterranean coast was also stimulated once more.

### *Fulcrum of Wealth. Entrepreneurial Promotion*

Historians have often stressed the knock-on economic benefits of military spending. One of the main arguments put forward was that military demand acted as an extraordinary stimulus to be added to the demand generated by the rest of the economy. At the same time this extraordinary demand boosted company business and allowed expansion and growth. From this viewpoint military spending was a real driving force for the economy. This optimistic view of the consequences of military expenditure has been called into question by Agustín González Enciso. He argues that military demand and military expenditure did not necessarily have a positive effect on the economy. He analyses the impact of munitions demand on the management of a particular Spanish factory. He concludes that this military expenditure did not provide any direct spur to the Spanish economy in terms of entrepreneurial promotion and expansion. Enciso argues that the reason why this military demand fell short of its expected effect is to be found in the state demand itself. He points out that the mere existence of the demand does not guarantee positive consequences, arguing that we also need to look at how the state passed on this demand to the economy. In the case under study the Spanish state relied on a system of entrepreneurial monopoly to ensure output. The reason was twofold. Firstly, this enabled the state to control and sustain the entrepreneur at the same time. There was no other demand besides the state's, so the entrepreneur came to depend entirely on state demand. The only possible market was the state. Secondly this dependence gave the state the leverage to force down prices. But all this control ended up rebounding back on the state. The entrepreneur was shackled by erratic munitions demand and state payment defaults. The



constant uncertainty looming over these new entrepreneurs weakened them until they came to depend on state support. Under these conditions this demand was unlikely to draw in new entrepreneurs or breed new entrepreneurial initiatives. In the end the downward spiral ended up with a solution that was even worse for entrepreneurial promotion. The state took over the factory itself. From the entrepreneurial promotion point of view, the Spanish state's munitions demand did not create new opportunities or broaden Spain's entrepreneurial base.

The moot point here, however, is that Spain's eighteenth century armed forces needed munitions and there were only two ways of getting them: either buying them abroad or making them in Spain. The decision to rely on the national market to produce them fits in perfectly with mercantilist tenets. It was also the best solution in view of the loosely knit and insecure international armaments market. The true problem was not so much the decision on where to produce the munitions, or even how to do so; it was how to finance this demand. The entrepreneurial monopoly and the price cutting policy in military supplies were the logical result of the Spanish state's alarming economic weakness and the small size of the Spanish armed forces. Solid financing and regular demand would have been the only way to break the vicious circle of a military demand that never became a true source of wealth.

### *The Geography of Military Expenditure*

The importance of analysing the geographical aspects of military expenditure has also been stressed by Farley Grubb. He argues that there was a notable geographical distribution of financial and military resources during the American War for Independence from Great Britain. This had significant consequences for the future of the United States. The problem derives from the US Congress's inability to mobilise the necessary warfare resources without falling back on the collaboration of the diverse American states. Adhesion of the states was voluntary so there could be no top-down imposition from the Congress about the quantity of these resources or the way in which they should be raised. The solution was to establish a voluntary contribution in proportion to each state's population share. The problem arose when funds raised in one state ended up being spent in another. There was a risk of some states refusing to collaborate further, on the grounds that they were receiving few, if any of the benefits. States

receiving more military inputs from the congress, on the other hand, were encouraged to support the new union.

Grubb's study clearly shows that there was a geographical redistribution of financial and military resources among the American states during the war. The Middle States received the lion's share of these resources, while the Southern States hardly received any. His conclusion is that this redistribution affected the development of the United States after the end of the war. But spending was not always beneficial. Grubb argues that most of the military expenditure was through Congress's issuing paper money, which became concentrated in the Middle States. The result was strong inflation in these states and sharp devaluation. Grubb reminds us, then, that the impact of spending on the wider economy varied greatly from place to place, and according to local circumstances.