

What factors encouraged the early modern growth of the fiscal-military state?

When considering the growth of the fiscal-military state as a model of political organisation in the early modern period, one cannot avoid considering the dramatic development of early modern warfare. It is a matter of broad historiographical consensus that revolutions in military technology and organisation, and the massive financing they demanded, were the principal drivers of increased government spending in this period. European governments adopted novel methods to meet the fiscal demands of war. In the interest of brevity, this essay will focus on the development of the English (and subsequently British) fiscal-military state. As this essay principally focuses on financial activity within cities, it is also worthwhile to consider Peter Wilson and Marianne Klerk's transnational focus on urban centres as the fundamental units of the fiscal-military state.¹

John Brewer distinguishes between holding military expansion ultimately 'responsible' for the growth of the fiscal-military state, a difficult proposition to contend with, and maintaining that the development of specific fiscal apparatuses of 17th-century states could be attributed to a broader range of factors.² This essay makes this distinction, taking as given that new forms of military organisation were preconditions for the growth of the fiscal-military state in the 17th-century. Rather than underplaying the importance of warfare, this approach allows for fuller consideration of the factors that encouraged the fiscal element of the early modern English state to take the particular form it did. The shift in the state's funding from demesne to state revenues, in Joseph Schumpeter's terms, enabled a transformation in the practice and theory of government.³ Taxes that

¹Peter H. Wilson and Marianne Klerk, 'The business of war untangled: cities as fiscal-military hubs in Europe (1530s-1860s)', *War in History* 29 (2022), 80-103.

²John Brewer, *The sinews of power: war, money and the English state, 1688-1783* (London: Unwin Hyman, 1989), p. 110.

³J. A. Schumpeter, 'The crisis of the tax state', in *J. Schumpeter, the economics and sociology of capitalism*, ed. R. Swedberg (Princeton, NJ: Princeton University Press, 1991), pp. 99-140.

once emanated from an individual and debts whose security once relied upon “the Breath in a Man’s Nostrils” instead depended upon the immortal and artificial person of the state.⁴ This shift was necessary for the fiscal state’s growth. The Glorious Revolution, that development of the 17th-century which did the most to establish permanent parliamentary control of state finance, has rightly been cited as a key factor in the growth of the fiscal state.⁵ However, although the establishment of many financial institutions of the British state were downstream of the Glorious Revolution, many still flowed from developments in state and private finance that had occurred within England earlier in the century. Michael Braddick attributes the shift from demesne to state revenue to two relatively interdependent innovations in the practice of state revenue-raising that precede William III’s invasion. One of these innovations was the conversion of national debts from short-term obligations to the king, secured against specific taxes, into longer-term, assignable obligations secured against the faith and credit of the state. This was done to facilitate deficit spending, spreading the cost of wars across many years.⁶ The other innovation which underpinned the market in government debt was the development of a powerful administration in the state’s revenue departments, enforcing parliament’s new schemes of taxation. Such an approach might cast the development of the fiscal state as a process of bureaucratic formalisation in line with Max Weber’s notion of the modern state’s development. This suggestion, buttressed by the fact that many of the institutions under consideration (the national debt, the Bank of England) still exist, is misguided. The inadequacy of financial technologies, the paucity of information, and, above all, the highly interpersonal and relatively informal manner in which business was transacted leave one in little doubt that these processes still belonged decidedly to the early modern world. This essay will focus on England (though it will stray beyond 1707). The path of the Scottish financial revolution, although with a rich historiography of its own, does not exactly match that of England.⁷ Although Britain was, as Patrick Walsh has argued, a ‘composite’ fiscal-military state, its component nations were not necessarily “subsidy states”, and retained complex and regionally-specific narratives of local taxation into

⁴M. J. Braddick, *State formation in early modern England: c. 1550-1700* (Cambridge: Cambridge University Press, 2000), p. 42.

⁵Henry Roseveare, *The financial revolution, 1660-1760* (London: Longman, 1991), p. 31.

⁶Brewer, *Sinews of power*, p. 205.

⁷A. McDiarmid, ‘The equivalent societies of Edinburgh and London, the formation of the Royal Bank of Scotland, and the nature of the Scottish financial revolution’, *Journal of British Studies* 60 (2021), pp. 88-114.

the later part of this period.⁸ Moreover, creditor funds were not drawn from Britain's component nations often enough for this to be a defining element of the British fiscal state by the early 18th-century.

It has been posited that the “secret of running the state over head and ears in debt” carried across the North Sea by William III in 1688, with the political settlement of the Glorious Revolution providing the state's creditors with the necessary peace of mind to invest and importing Dutch financial techniques into the state's arsenal.⁹ The 17th-century British state achieved the capacity to mobilise large sums of credit by collaborating with existing financial intermediaries, such as goldsmith bankers, underwriters, and long-distance merchants, and by creating a newly independent market for financial claims. This development, principally located in London, was ‘financial capitalism.’¹⁰ The emergence of a belief that state debt was a safe and reasonable investment was necessary for the development of the national debt. Douglass North and Barry Weingast suggest that more robust ‘credible commitments’ between 17th-century state institutions and their creditors were instrumental to this development.¹¹ They place responsibility for this squarely at the feet of the Glorious Revolution and the devolution of revenue-raising powers to parliament. Dutch antecedents can be found for many of England's new institutions of the 1690s, with the Bank of England likely modelled on the Dutch Amsterdam Exchange Bank.¹² This argument has proved so influential that it has seeped into the work of Nobel laureates Daron Acemoglu and James Robinson, who state matter-of-factly that the Glorious Revolution provided the ‘foundation’ for England's credible institutions’ in their 2012 book *Why Nations Fail*.¹³ Although ‘credible commitment’ well describes the process by which institutions absorbed financial risk for government creditors, Michael

⁸P. Walsh, ‘Enforcing the fiscal state: the army, the revenue and the Irish experience of the fiscal-military state, 1690-1769’, in *The British fiscal-military states, 1660-c.1783*, eds. A. Graham and P. Walsh (Routledge, 2016), pp. 132-133.

⁹P. G. M. Dickson, *The financial revolution in England: a study in the development of public credit, 1688-1756* (London: Macmillan, 1967), p. 39.

¹⁰Larry Neal, *The rise of financial capitalism: international capital markets in the age of reason* (Cambridge: Cambridge University Press, 1990), p. 4.

¹¹Douglass C. North and Barry R. Weingast, ‘Constitutions and commitment: the evolution of institutions governing public choice in seventeenth-century England’, *The Journal of Economic History* 49 (1989), pp. 803-32.

¹²Gerarda Westerhuis and Jan Luiten van Zanden, ‘Four hundred years of central banking in the Netherlands, 1609-2016’, in *Sveriges Riksbank and the history of central banking*, eds. Rodney Edvinsson, Tor Jacobson, and Daniel Waldenström (Cambridge: Cambridge University Press, 2018), pp. 242-64.

¹³D. Acemoglu and J. Robinson, *Why nations fail: the origins of power, prosperity and poverty* (Crown Business, 2012), p. 102.

Braddick and H.G. Roseveare have both convincingly argued that this was an earlier development, emphasising the impact of advancements in public credit from 1650-1688 on the eventual design of the fiscal-military state. Although much of the government's debt in the restoration period remained, as Braddick notes, "ultimately dependent on the creditworthiness of an individual [the monarch]", much of the financial infrastructure had already been laid, including through the invention of annuities, exchequer tallies and debts guaranteed through audit.¹⁴

Despite the historiographical focus on the impact of William III's accession, the period before the Glorious Revolution witnessed the easing of various incentive constraints on government borrowing. William Killigrew's 1663 proposal to make the "nation... vast gainers by all the sums of money given to the Crown" firmly established in the national political imagination the principle of the government extracting liquidity from individual subjects through paper instruments.¹⁵ Carl Wennerlind draws a direct line between Killigrew's proposal and George Downing's introduction in the 1660s of legally assignable Treasury Orders, repaid based on the date of issuance rather than on the monarch's whims.¹⁶ Killigrew and Downing's proposals bear analysis through North and Weingast's lens of 'credible commitment.' Killigrew believed the institutionalisation of state finance and bringing of credit into the "Security of the Whole Nation" would assuage investors' fears. However, they make no reference to the nature of the authority under which that Government raised revenue.¹⁷ Highlighting that the practice of assigning revenue ordinances to the service of particular debt instruments originated in the Long Parliament, D'Maris Coffman applies North and Weingast's framework of credible commitment some decades before the Glorious Revolution.¹⁸ Wennerlind suggests that the desire to inoculate the securities market against paralysing fears of future defaults animated many of England's financial innovators before the Glorious Revolution. Hugh Chamberlen, one of the restoration-era proponents of an 'Office of Credit', championed his proposal by claiming that, with it in place, "there will be no need of Trusting."¹⁹

¹⁴Braddick, *State formation*, p. 260.

¹⁵Sir William Killigrew, *An humble proposal shewing how this nation may be vast gainers by all sums of money, given to the crown, without lessening the prerogative* (1663).

¹⁶Carl Wennerlind, *Casualties of credit: the English financial revolution, 1620-1720* (Cambridge: Harvard University Press, 2011), p. 103.

¹⁷Killigrew, *Humble proposal*, p. 10.

¹⁸D'Maris Coffman, *Excise taxation and the origins of public debt* (Basingstoke: Palgrave Macmillan, 2013), p. 5.

¹⁹Wennerlind, *Casualties of credit*, p. 105.

The 1672 Stop on the Exchequer, during which the king suspended interest payments on approximately half his debt in anticipation of a war against the Dutch, provides further evidence of the vulnerability of a credit system which placed inordinate weight on a single person. In this instance, however, the market quickly formulated a solution without having to wait for a complete rebalancing of the state, with John Clapham observing that the Stop of the Exchequer made “almost unthinkable” the notion that investors would accept “a new sort of non-interest-bearing official promise to pay.”²⁰ As such, the need to insulate investors from potential risks was a further spur to the development of formalised, permanent solutions for national debt. Instead of credibility being won through the rebalancing of political responsibilities in the late 1680s, as North and Weingast argue, it was the site of continuous contest throughout the entire period. By tracking changes in the interest rate on British state debt in the 18th century, David Stasavage has challenged this, arguing that although the state became more creditworthy, credibility was not an irrevocable quantity, varying widely over the course of the period.²¹

Another criticism that can be levelled at North and Weingast is that they understate the degree to which private investors were responsible for the financial framework in which the government operated. There has been a tendency in histories of British public debt, including Dickson’s, to attribute a leading role to the government and, in doing so, understate the importance of the private markets in equities and credit in encouraging the development of the fiscal-military state. This has been challenged by historians who seek to centre creditors’ desire for a reasonable rate of return in their narratives of the financial revolution. Braddick rightly suggests that while Early Stuart governments were “handicapped by the inadequacy of existing credit instruments for government purposes, monarchs after the restoration were considerably aided by advances in private finance.”²² Although many of the financial techniques were deployed in 16th-century Holland long before they appeared in England’s commercial life, it does not follow that it required an invasion to transpose them to England.²³ Financial markets already began to assume a significant role in London’s economic life by the second half of the 17th-century. Growing

²⁰J. Clapham, *The Bank of England: a history* (Cambridge: Cambridge University Press, 1944), p. 13.

²¹David Stasavage, ‘Credible commitment in early modern Europe: North and Weingast revisited’, *The Journal of Law, Economics, and Organization* 18 (2002), 155-186.

²²Braddick, *State formation*, p. 266.

²³James Tracy, *A financial revolution in the Habsburg Netherlands: renten and renteniers in the county of Holland, 1515-1565* (University of California Press, 1985).

interest in speculative investments in joint-stock companies in the 1660s and 1670s, paired with the arrival of a class of professionals whose business revolved around capital flows (stock-jobbers and goldsmith-bankers), increased the market's liquidity. Anne Murphy posits that investment in public securities was simply another way for return-hungry investors to secure a reliable return.²⁴

By considering the high-risk premium the government offered on much of its early long-term debt products, it is clear how much the need to secure financing on private markets shaped the infrastructure of the fiscal state. It was a long-standing mission of 18th-century governments to reduce interest rates to a more favourable level. In 1717, the government succeeded in reducing the coupon on redeemables to 5%. Through successive conversions, by 1757 it had been reduced to 3.5%.²⁵ By the end of the 17th-century the movement of money between deposits and Government securities became an essential part of a goldsmith banker's work, illustrated by an 18th-century account from the goldsmith bank Hoare's, where the Duke of Somerset "came in good humour and with a large balance desired [of] £7,000 to be invested in Navy [bonds] when at 3% discount."²⁶ As Temin and Voth point out, the release of large amounts of high-yield government securities (typically during wartime) was often accompanied by banks limiting their provision of loans to individual and commercial concerns.²⁷ So great was their depositors' demand for government debt that many private banks, left without an adequate supply of deposits and unable to raise interest rates due to usury limits, were forced to ration credit. So significantly did demand for government debt distort the loan and mortgage market that, as one 18th-century wartime letter sent by a banker at Hoare's suggests, loans were being called in on account of the "uncommon supply of millions and millions granted and now raised [for the war effort]".²⁸ The degree to which private investing activity was central to the formation of this part of the fiscal state is also apparent in moments where investor support for the government was not forthcoming. Investors spurned issuances that were mispriced or faced an exogenous challenge to the debt's credibility. The failure of the 1697 Malt Lottery, which only sold 1,763 of its 140,000 tickets in the wake of a failed campaign

²⁴Anne Murphy, *The origins of English financial markets: investment and speculation before the South Sea Bubble* (Cambridge: Cambridge University Press, 2013), p. 38.

²⁵Brewer, *Sinews of power*, p. 124.

²⁶Peter Temin and Hans-Joachim Voth, *Prometheus shackled: goldsmith banks and England's financial revolution after 1700* (Oxford: Oxford University Press, 2013), p. 174.

²⁷Temin and Voth, *Prometheus shackled*, p. 163.

²⁸Brewer, *Sinews of power*, p. 165.

in the final throes of the Nine-Years' War and the defection of Savoy from the Grand Alliance, serves as an example of investors' risk sensitivity.²⁹ It appears unlikely the debtor state would have come into existence without such an engaged class of creditors.

Innovations in the corporate securities market, necessary to broaden participation in investing activity for anyone physically outside the City of London, such as printed lists of financial information, predated the arrival of assignable government securities. Applying George Stigler's theory of information economics to 17th-century English financial development, Larry Neal identifies the emergence of the printed stock price lists in London as a key factor in the rise of capital markets.³⁰ The proliferation of newsbooks following the lapse of the Licensing Act in 1679 created an opportunity for individuals to profit from the sale of price lists for goods and equities; the earliest example that Neal identifies is "Whiston's The Merchants Remembrancer" of 1681. The price list, developed before the emergence of the secondary market for public securities, became essential to attracting retail investors to government debt products. This is another example of the early modern English government leaning on pre-existing financial structures to construct the fiscal state.

One important qualification must be made to this argument, however. The introduction of the assignable government security to England, initially in the form of government-backed annuities issued in 1693 and 1694, was both legitimately transformative to the management of public finance and alien within existing English financial markets.³¹ A clear existing precedent for this form of debt management existed in Holland, and was likely leaned on by William's advisors.³² Allowing the trading of claims on repayment between third parties, and enabling individual creditors to extract liquidity at their own convenience, was fundamental to making public securities an attractive investment.³³ This change proved fundamental to the success of the secondary market in public debt, and encouraged a much wider group to provide credit to the state.

Although profit-seeking investors shaped the development of this part of the fiscal state, taking too keen a focus on market forces would obscure the decidedly un-

²⁹Georges Gallais-Hamonno and Christian Rietsch, 'Learning by doing: the failure of the 1697 malt lottery loan', *Financial History Review* 20 (2013), pp. 259-77.

³⁰Neal, *Rise of financial capitalism*, p. 21.

³¹Neal, *Rise of financial capitalism*, p. 14.

³²W. Fritschy, 'A "financial revolution" reconsidered: public finance in Holland during the Dutch Revolt, 1568-1648', *The Economic History Review* 56 (2003), pp. 57-89.

³³Dickson, *Financial revolution in England*, p. 460.

modern approach the 17th-century English state took to obtaining credit, willing to undermine market functioning to develop the state's financial capacity further. The focus of most histories of the financial revolution upon the development of recognisable, modern institutions has obscured the distinctly interpersonal nature of public credit markets during the period. Anne Murphy, for example, frames her work as an investigation of the "foundation of London's modern financial system."³⁴ The fiscal state had not taken on a recognisable or 'modern' form by the 18th-century. Early modern credit did not necessarily originate from rational calculations by informed investors. It was instead subject to a wide range of interpersonal, political, and cultural factors. Aaron Graham makes this case with reference to the chequered issuances of Exchequer Bills, a lesser-discussed credit instrument of the late 1690s.³⁵ These financial products, "not very skillfully designed" according to Dickson, offered a market-trailing rate of 5% interest and struggled to engage purchasers.³⁶ It is a sign of how much credit was influenced by political factors that, in response, the Chancellor of the Exchequer Charles Montagu quickly embarked upon a pressure campaign to make elites, the Privy Council, the Aldermen and Goldsmiths of London to purchase the stock, "either come in and assist or show their unwillingness to help the Government."³⁷ More than half of the first subscribers were major officials.³⁸ Indeed, the third-largest single subscription came from a man suspected of acting as the king's agent. Large joint-stock companies also had politically-coloured and murky interactions with the government's balance sheet, a phenomenon epitomised in the early 18th-century by the disastrous accumulation by the South Sea Company of an enormous amount of government debt.³⁹ No matter the degree of institutional formality, one must remember that these fiscal institutions were run upon early-modern lines.

Discussion of the 17th-century revolution in state finance, whose success depended on creditors purchasing debt with the expectation of returns from hypothecated taxes, cannot neglect the importance of reliable (and growing) tax revenues to the expansion of the fiscal state. Patrick O'Brien suggests that the political acceptance of effective

³⁴Murphy, *Origins of English financial markets*, p. 2.

³⁵D'Maris Coffman, Adrian Leonard, and Larry Neal (eds.), *Questioning credible commitment: perspectives on the rise of financial capitalism* (Cambridge: Cambridge University Press, 2013), pp. 1-19.

³⁶Dickson, *Financial revolution in England*, p. 368.

³⁷Aaron Graham, 'Credit, confidence and the circulation of exchequer bills in the early financial revolution', *Financial History Review* 26 (2019), p. 78.

³⁸*Ibid.*, p. 71.

³⁹Wennerlind, *Casualties of credit*, p. 202.

deferred taxation, where revenues “collected in interludes of peace from 1688 to 1815 were transferred to holders of the national debt”, was critical to the fiscal state’s success.⁴⁰ The handing-over of the state purse to parliament as a consequence of the Glorious Revolution crystallised the long-term structure of fiscal relations in the state, with the monarch’s link to tax revenue finally snipped by legislation in 1697 to codify the civil list.⁴¹ However, O’Brien and Phillip Hunt argue that the basis for significant tax reform had “been introduced and had developed a long way before, during the Interregnum and Restoration.”⁴² Braddick, leaning on Schumpeter’s model of the tax state, has similarly placed stress on the impact of the English Civil Wars and the structural changes of the interregnum, as a significant encouragement for the development of the fiscal state in England in the 17th-century.⁴³ Taxation in the earlier part of the 17th-century had been of a ‘prerogative’ character, with Braddick pointing to examples such as ship money, the forced loan, purveyance, as well as other sources of crown income like Distraint of Knighthood fines.⁴⁴ This underwent a significant change over the period, with the proportion of non-parliamentary incomes going from around ¾ of crown revenues in the period 1560-1640 to around 3% at the end of the 17th-century.⁴⁵ Where “the manor of England” had been an apt way to describe the relationship of the sovereign to the national purse in the earlier part of this period, it was not by the end of it.⁴⁶

The introduction of excise tax was proposed even before the outbreak of the Civil War, in a proposal submitted to the Long Parliament in 1641 by no less prominent a figure than John Pym.⁴⁷ This proposal involved replacing the land tax with an excise duty. The issuance of a ‘Declaration of the Commons’ in October 1642, explicitly repudiating “divers publick Rumours” of an impending excise, suggests that the excise had entered the common political imagination.⁴⁸ By the end of the Long Parliament, a large swathe of prerogative

⁴⁰Patrick O’Brien, ‘The political economy of British taxation, 1660-1815’, *The Economic History Review* 41 (1988), p. 4.

⁴¹E. A. Reitan, ‘From revenue to civil list, 1689-1702: the revolution settlement and the “mixed and balanced” constitution’, *The Historical Journal* 13 (1970), pp. 571-588.

⁴²Patrick K. O’Brien and Philip Hunt, ‘The emergence and consolidation of the excises in the English fiscal system before the Glorious Revolution’, *British Tax Review* (1997), pp. 35-58.

⁴³Schumpeter, ‘Crisis of the tax state’, pp. 99-140.

⁴⁴Michael J. Braddick, *The nerves of state: taxation and the financing of the English state, 1558-1714* (Manchester: Manchester University Press, 1996), p. 14.

⁴⁵Braddick, *State formation*, p. 13.

⁴⁶Braddick, *Nerves of state*, p. 15.

⁴⁷Conrad Russell, *The fall of the British monarchies, 1637-1642* (Oxford: Oxford University Press, 1991), p. 252.

⁴⁸CJ, vol. 2, 8 October 1642, pp. 800-801.

taxes had been replaced by two new principal measures. These were the quota tax and the formalised excise. Direct taxation rested on a series of (predictable) quotas and on excises on goods, which grew in relative importance over the period. Parliamentary taxation came in two principal forms: the quota system and the assessment-based system. Both relied on the cooperation of agents within the affected localities. Still, the assessment-based tax stipulated that a proportion of the assessed wealth of subjects in a given locality be levied. These levies were quickly associated with the period of their origin, with the Marquis of Halifax complaining in 1693 that the assessment was “taken up in the civil war, and proportion to the condition of the kingdom as it then stood forty years ago.”⁴⁹

The increasingly formalised collection of taxes implied the creation of new relationships between subjects and their government, as newly-created bureaucratic institutions transferred revenue-collecting powers away from local officeholders, that group of people Mark Goldie famously dubbed the “unacknowledged republic.”⁵⁰ The eccentric form of tax collection that had emerged by the middle of the 17th-century led to a particular state of social relationships around tax. Taxes were regularly subject to negotiation. This was, Braddick suggests, a process of “informal but legitimate arbitration by tax commissioners or farmers.”⁵¹ When local officeholders such as magistrates enforced revenue collection, they were particularly prone to leniency or even corruption. Not only were many assessors inclined to favour their friends or family in assessments, but many also knew that the fastest route to peaceable local social relations lay through low valuations. This was acknowledged in law. In the collection of the forced loan, which was, in practice, negotiable at the point of contact with individual taxpayers, the Privy Council empowered deputy lieutenants to divide one person’s burden between several local people.⁵² In the case of ship money, at least one officeholder tasked with collecting the fee, Richard Knightley of Northamptonshire, had a history of organising opposition to the very same charge.⁵³

It was thus an encouragement to the development of a reliable fiscal state that officeholders were increasingly bypassed during this period, and specific agents were

⁴⁹Braddick, *Nerves of state*, p. 213.

⁵⁰M. Goldie, ‘The unacknowledged republic: office-holding in early modern England’, in *The politics of the excluded, c.1500-1850*, ed. T. Harris (Basingstoke: Palgrave, 2001).

⁵¹Braddick, *Nerves of state*, p. 185.

⁵²Richard Cust, *The forced loan and English politics 1626-1628* (Oxford: Oxford University Press, 1987).

⁵³Alison Gill, ‘Ship money during the personal rule of Charles I: politics, ideology and the law, 1634 to 1640’, unpublished PhD thesis, University of Sheffield (1990), p. 477.

appointed with the express purpose of raising revenue. By 1690, there were 1,211 full-time employees in the excise department. In 1688, there were 1,313 full-time officers in the customs administration.⁵⁴ This somewhat Weberian-bureaucratic turn was key to the development of the fiscal state, reducing collusion between taxpayers and collectors. From the 18th-century onwards, there were few instances in which local violent opposition determined the shape of taxation. Although the window tax replaced the hearth tax because of the danger to collectors implied by the need to enter people's homes and count fireplaces, this hardly constitutes a 'negotiation' in the same sense as it did in the 17th-century. The taxman assumed a new role as an implement of the state, rather than as someone who negotiated with it on behalf of their neighbours.

The development of excise taxation presents a narrative of institutional development and the growth of reliable fiscal commitments relating to the government. By providing parliament with a consistent revenue source, it aligns with North and Weingast's narrative that institutional development was a key factor in the growth of the fiscal state in England. This does not mean that the model of taxation achieved after the Glorious Revolution was free of personal or political interference. Because it promised to cause the least political trouble, the land tax was pushed till the "pips squeaked" in the 1690s, according to a contemporary assessment.⁵⁵ However, in the latter part of the period, they were less vulnerable to legal challenges and faced fewer popular challenges. This was a consequence of consent being mobilised more effectively in favour of permanent taxation. The replacement of prerogative rights with institutional forms of revenue collection was necessary for the fiscal state to grow.

In a broad sense, the early-modern fiscal-military state might be described as a response to the disruptions of the 17th century. Eric Hobsbawm famously argued that, "the 17th century crisis resulted in a considerable concentration of economic power", achieved in part through the "growing power of centralised states".⁵⁶ The principal disruption behind the fiscal-military state was war. A clear military purpose animated the financial institutions of the early modern British state. So far as the Bank of England Act 1694 provided an explicit mandate to the fledgling central bank, it was to raise money for "the carrying on the Warr against France."⁵⁷ Although military spending was

⁵⁴Braddick, *State formation*, p. 261.

⁵⁵O'Brien, 'Political economy of British taxation', p. 19.

⁵⁶E. J. Hobsbawm, 'The crisis of the 17th century, II', *Past & Present* 6 (1954), pp. 44-65.

⁵⁷Bank of England Act, 1694 c. 20 5 & 6 Will. & Mar.

the factor that encouraged the development of the fiscal-military state as a whole, its component institutions were developed through a much murkier process of negotiation and experimentation between the state and its subjects. The chaos of the English Civil War and the need for much greater military spending (with huge episodic spikes) demanded great advances in the technology of the state, particularly in how it collected revenue and issued credit. This process was accelerated by the Glorious Revolution and the permanent devolution of certain powers to parliament, but ultimately depended on the cooperation of existing financial interests. The state would not have been able to run a wartime deficit had investors not trusted that its government securities would be honoured, nor would it have been able to honour these commitments had tax collectors not been respected. In Britain, the fiscal-military state was not imposed upon the tax-paying populace, but sprang up through a process of collaboration with its monied elite.

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