Parliament, Naval Spending and the Public

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Parliament, Naval Spending and the Public: Contrasting Financial Legacies of Two Exhausting Wars, 1689-1713

Daniel BAUGH*

Abstract. During the period from 1689 to 1713 England and France fought two long wars which put their financial capabilities to an extreme test. England met the challenge with a reliable system of long-term credit. Less well known but equally important was England's achievement in managing short-term debt (this article chiefly examines the navy's) by methods that were centralised and transparent. In France issuance of short-term paper during the 1702-1713 war proliferated, and arrangements for dealing with it – half-public, half-private, decentralised and obscure – became imbedded. The contrasting financial inheritances had notable consequences.

Keywords. England, France, Financial, Naval, Wars

Résumé. Le Parlement, les dépenses navales et le public. Conséquences financières contrastées d'une longue période de conflits, 1689-1713. Durant les années 1689-1713, l'Angleterre et la France se sont combattues dans deux longues guerres qui ont mis leurs capacités financières à l'épreuve. L'Angleterre a relevé le défi grâce à un système fiable d'endettement à long terme. Moins connu mais tout aussi important est le succès de l'Angleterre dans la maîtrise de la dette à court terme, principalement celle de la marine anglaise, par des méthodes centralisées et transparentes. En France, l'émission de papier à court terme pendant la guerre de Succession d'Espagne (1702-1713) a proliféré et les modalités pour y faire face – mi-publique, mi-privée, décentralisée et obscure – ont été intégrées au système de financement. Ces héritages financiers contrastés ont eu des conséquences notables.

Mots-clés. Angleterre, France, finance, marine, guerre

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The Royal Navy's administrators in the sailing-ship era estimated that about three-eighths of naval spending would be required for seamen's wages. This had to be paid in cash. Delays in payment were inevitable because ships at sea could not be paid, but delays meant that, in effect, the seamen were involuntarily lending money to the government. It could be a source of abuse, as members of parliament came to recognise.¹ This paper, however, deals mainly with spending that involved the issuance of bills. Because their payment was delayed when cash was unavailable – a common situation – they functioned as loans by merchants and investors to the government. In the latter years of the seventeenth century and early eighteenth century the English government developed a system, dependent upon transparency, to manage payment of these bills. The result was a fundamental underpinning of what is rightly called 'the financial revolution in England.'

1. Navy Bills, Victualling Bills and payment in course

The written financial instruments upon which the bulk of naval spending depended were called Navy Bills and Victualling Bills. These were issued by the Navy or Victualling Office to merchants upon their delivering goods or services. The bills served as payment but were almost never payable straightaway in cash. A key fact about them is that they were listed and briefly described in a ledger and numbered sequentially. In short, they were registered and dated, and it is crucially important that they were dated and numbered in sequence and that the ledgers were unalterable.

The practice of requiring the bills to be registered in this way, a practice that became permanent, arose during the reign of Charles II (1660-1685). Before this practice was adopted men who frequented the court and loaned money to the Crown could use their court connections to facilitate early payment. Persons who could be regularly counted on to lend the government money were also favoured. Such a man was Sir Stephen Fox. An admiring observer remarked on his 'renowned "dexterity" in ensuring that payments due to himself, or to others on whose behalf he was acting, were forthcoming from the Exchequer.'² Naturally, well-connected courtiers were content with such a proceeding. It was, however, not only unfair to other Crown creditors but also expensive. London goldsmith bankers, on whom the Crown often depended heavily, were charging 10% interest and sometimes more. In October 1665, Sir George Downing, Secretary to the

1. Parliamentary measures designed to limit the abuse were enacted in 1728 and 1758.

2. C. CLAY, 1978, p. 184.

Treasury, decided to make a change in the way Treasury Orders were paid. He persuaded Charles II to agree that (as recorded in the statute) 'all and every person and persons [holding them] shall be paid in course according as their orders shall stand entered in the said register book.' Although conservatives at court objected strenuously to this orderly method of making payments, Downing regarded it (in the words of Henry Roseveare) as 'the essence of his scheme – a cast-iron parliamentary guarantee to the small investor that the Treasury would honour its obligations without favouritism.'³ It widened the market for obtaining short-term loans and lowered interest rates on Treasury Orders.

The practice was soon adopted for Navy Bills at the suggestion of Sir William Coventry with similar results – perhaps more dramatic results because merchants supplying the navy would offer more competitive prices when they could make a reasonable calculation of when their bills would be cashed. The certainty that the bills would be cashed in the order in which they were registered – paid 'in course' to employ the language then adopted – was immensely important. (This is probably the origin of the expression 'in due course'.) They were assignable, and merchants who needed money quickly would sell them at discount to dealers and investors who gave them cash. Monied men could enquire at the Navy Office to learn where a particular bill stood in respect to bills currently being cashed. The 'length of the course' was a topic of conversation among investors and merchants; market prices of Navy Bills (reflecting the degrees of discount) were published in newspapers.

The course tended to lengthen in wartime when revenues did not rise nearly as fast as expenditures. The Treasury would inevitably delay issuing money for cashing Navy or Victualling bills. (There was a separate Victualling course.) It became a practice to pay interest on Navy or Victualling bills that remained unpaid after six months. They therefore functioned as notes, short-term but without a specified payment date other than determined by the length of the course. Because a market for them developed the public could form a rough opinion of the current condition and prospects of the government's finances.

3. H. ROSEVEARE, 1973, p. 24-25. Downing also persuaded Charles II to require that appropriations should originate in the House of Commons. The article on Sir George Downing in *The Oxford Dictionary of National Biography* is excellent.

2. Naval Estimates

The annual presentation of Naval Estimates was necessary for parliamentary approval of funding the navy. Without a favorable vote of the House of Commons on these estimates there could be no financial supply for the navy in the coming year. There were three naval estimates: the Ordinary Estimate covered institutional and maintenance expenses; these were itemised and usually regular and predictable, the annual amounts being somewhat greater in peacetime when large numbers of ships were laid up in reserve (ships ‘in Ordinary’) and many sea officers were on half-pay. The Sea Service Estimate involved far more money, especially in wartime. It was reckoned in terms of the number of seamen to be employed, and this number was determined each year by the Privy Council; the size of the navy that might be needed in the coming year was a matter for the highest political authority to decide. An Order in Council was issued to the Admiralty and Treasury boards, usually in October, and the Admiralty forwarded the number to the Navy Board. In December the Admiralty told the Victualling Board where to stock victuals and for how many men at Portsmouth, Plymouth or elsewhere. No formal request for money was made to parliament, yet somehow – the mode of communication seems to have been deliberately kept obscure – the House of Commons was informed of the number of seamen to be voted and passed a resolution approving it. Perhaps the reason for this covert proceeding was to prevent a potential enemy from knowing too many months in advance the British government’s thoughts about naval preparedness. This was especially important at times when war seemed possible but not certain. As for the Treasury, it did no more than ask the Navy Board to keep it informed about the funds it had on hand and to report its decisions concerning how the sums voted by parliament for the Sea Service Estimate were to be allocated.⁴

Under the Sea Service Estimate parliament provided for the navy a total of £4 (80 shillings) per man for thirteen lunar months: 30 shillings were allocated for Wages, 27 shillings for Wear and Tear; and 19 shillings for Victualling; 4 shillings were set aside for the Ordnance department. A common wartime amount for 40,000 seamen would be almost £2 million per year. This may be considered an appropriation, but it was a very loose one. First, expenses under Wear and Tear could be whatever the naval authorities chose, whether repairs, new construction or improved dockyard facilities. Second, the Treasury Board, which could inspect how the money voted for the navy was spent, chose not to object if sums allocated for Wages were

4. W. A. SHAW, 1903, p. XXXVIII.

spent on Wear and Tear or Victualling, or vice versa. Third, in wartime the navy might recruit 50,000 seamen, as it did near the end of the war of 1739-1748, yet the estimate remained at 40,000.

As to borrowing from one category to meet demands under another, it became obvious that payments under the heading of Wages were much less at the beginning of a war than near the end when ships were being paid off. In contrast, scores of ships had to be refurbished, repaired or rebuilt at the beginning of a war and new ships were commonly added, especially frigates. Wear and Tear was therefore given money not needed to pay wages. Nevertheless, the estimate for Wear and Tear remained persistently below real costs both in war and peace. Some causes of this had to be obvious to naval authorities. They were well aware that ships of every size, from ships of the line to frigates, were becoming larger as the century progressed. Complements did not increase commensurately with the increased tonnage, yet for some reason (to be considered in a moment) the Sea Service Estimate was not adjusted to approximate the increasing costs of larger ships.

Attempts were sometimes made to meet the added costs, especially in time of peace after 1714 when the Sea Service Estimate rarely exceeded 10,000 men. The Navy Board sought permission to submit an Extra Estimate or, to use its full title, an Estimate for Extra Repairs. Unlike the Sea Service Estimate the Extra Estimate itemised the work to be done. For the most part the money was to be spent on making repairs to ships laid up in Ordinary and sometimes rebuilding them. As the Navy Board wrote to the Admiralty in March 1717, 'when but a few ships of the royal navy are employed at sea, and those of the smaller sort, it cannot be expected that the Wear and Tear of the sea ships can keep up the greater part of the fleet that continue in harbour'; nor could the Ordinary Estimate, which had been expected to cover these maintenance costs in centuries past. An accounting question arose as to whether money spent under the Extra Estimate would become mixed in with money that should be more properly spent under Wear and Tear. The Navy Board was asked to draw up cost-accounting rules. These were sent to all the dockyards on 30 March 1717, but it is to be doubted that the guidelines were followed in practice.⁵

Between 1715 and 1740 Estimates for Extra Repairs were submitted and approved in most years (though not from 1722 to 1729). They were not often requested in time of war. In the second half of the eighteenth century Extra Estimates were submitted occasionally but not consistently, almost

5. Navy Board to Lords of the Admiralty, 4 March 1717, D. A. BAUGH, 1977, p. 457-464.

always in time of peace. It should not be supposed that Extra Estimates, though they named ships to be repaired and specified the costs, described actual expenditures. In February 1778, after hearing an Admiralty Board member admit that ‘not one shilling had been laid out in repairing those ships, but ... [that] the money was applied to other naval purposes,’ Edmund Burke threw the book at the Treasury bench, ‘exclaiming that it was treating the House with the utmost contempt, to present them with a fine gilt book of estimates, calculated to a farthing, for purposes to which the money granted was never meant to be applied.’⁶ Undoubtedly it was the detailed Extra Estimate that provoked his anger.

Nothing could be more antithetical to the principle of appropriation than a deliberate understating of the total number of seamen voted as occurred in the 1740s and at other times. In the later 1750s the wartime Sea Service Estimate approached a more realistic figure and for 1762 it was 70,000 seamen. Still, the increase lagged behind the reality of expenses. It is likely that government ministers, knowing the navy’s popularity and confident that parliament would be willing to pay its accumulated debts, preferred each year to underestimate rather than face an immediate necessity of raising taxes to cover the cost of an additional 5 or 10,000 men. Raising taxes was the most painful political step that a ministry could take.⁷ Parliament’s attitude towards army expenses was quite different. Where immediate circumstances required the navy to take responsibility for military services in a theatre of operations (commonly to supply victuals to troops ashore) parliament generally insisted on paying off those expenses within a year. All in all, for purposes of financial transparency the naval estimates were of limited value.

6. J. B. HATTENDORF, R. J. B. KNIGHT, A. W. H. PEARSALL, N. A. M. RODGER & G. TILL (eds), 1993, p. 455-457.

7. D. A. BAUGH, 1965, p. 463-467. My speculation as to why the steady underestimating persisted differs from that of J. E. D. Binney, who stated that the ‘responsibility for this appears to rest upon successive Boards of Admiralty’ (J. E. D. BINNEY, 1958, p. 142-143). He believed that they were ‘inept’ and made no effort to ascertain the requirements; it fits his notion that they were all gentlemen amateurs – not true. Moreover, the Admiralty was well aware of the chronic deficiency of the Sea Service Estimate and had no reason to wish to underestimate the amounts needed. C. WILKINSON, 2004, p. 40-2, 57-58, emphasises legalistic constraints. Perhaps, but parliament favoured the navy and probably could have overcome such constraints.

3. Parliament and the exhausting war with France, 1689-1697

“No one who studies British history before and after the years 1688-1689 should fail to be aware that in passing from one period to the other we are crossing one of the great divides on the entire landscape of ‘early modern’ and modern times. Britain under William III and Queen Anne was [...] indelibly marked by [...] the Revolution which brought William, along with his wife Mary, to the thrones of England and Scotland, and the influence of the great wars against Louis XIV’s France”.⁸

Parliament’s determination to inspect royal government finances lay at the heart of this fundamental change. In the latter part of his reign Charles II had ruled without summoning parliament, thanks to customs and excise revenues granted to him for life. He also received hidden subsidies from Louis XIV. His younger brother, an avowed Roman Catholic who became King James II in 1685, soon undertook to remove Catholic civil disabilities in defiance of parliamentary statutes. These (dispensing and suspending) actions when combined with the birth of a son who would undoubtedly be brought up as a Catholic led to a revolutionary situation when leading English statesmen invited William of Orange, husband of Mary (James’s elder daughter who was brought up in the Church of England), to come to England. His successful invasion in late 1688 culminated in the assembling of a convention parliament, and after many long debates William and Mary were named king and queen of England and Scotland.

There were limitations imposed on them. First, by a newly crafted Coronation Oath William III and Mary were solemnly bound to govern ‘according to the Statutes of Parliament agreed on.’ The revenue granted them by the convention parliament was not generous, even for ordinary purposes of governing let alone the costs of waging war. James II, at the outset of his reign, had maneuvered parliament into granting continuance of his brother’s lifetime revenue.⁹ Mindful of the mistake they had made in 1685, the members decided that they would vote William III’s revenues annually. Therefore parliament had to be summoned each year to vote ‘supplies’ (revenues) and William was compelled to consult with members of both houses. In the King’s Speech opening a session he actually asked them for their advice. In sum, the Revolution Settlement of 1689 made the monarchy unalterably dependent upon parliament for its financial support; the change proved to be permanent.

8. G. HOLMES, 1993, p. 212.

9. J. R. WESTERN, 1972, p. 104-108. When summoning parliament in 1685 he had no intention of summoning it again and received a grant from Louis XIV with this in mind.

Parliament wanted a strong navy, particularly after the defeat of the Anglo-Dutch fleet off Beachy Head in the summer of 1690. There were, however, four sources of difficulty. First, members of the House of Commons were suspicious of royal government. Notwithstanding the revolution, a tradition of mistrust persisted. Second, most members disliked the grand strategy that William favoured. He wanted to wage war in the Low Countries – to defend his native land and keep his commitment to support the continental alliance system that opposed France; in this alliance the Dutch Republic was a significant participant. Very few members of the House of Commons approved of this line of strategy: ‘it is running our heads against a wall.’¹⁰ Yet they knew the king was adamant about it and that in making him their king they had tacitly accepted its likelihood. William won many of them over, at least temporarily, when he put Flanders on hold in 1690 and went to Ireland to defeat the rebellion that was led by the exiled James and assisted by the king of France. But after May 1692 when a much strengthened English navy soundly defeated a French fleet at Barfleur and La Hougue, William continued to employ the navy chiefly for alliance purposes, for instance by sending a fleet to the Mediterranean and maintaining it there for more than two years. Members of the House of Commons judged that the navy was not doing enough to protect trade, and they were right. English seaborne trade helped generate customs revenue and cash for investment in government securities, yet it suffered heavy losses from French privateers, some of them attacking in squadrons using ships leased from the French navy. All in all, this war was a dire challenge to England; the satisfactory outcome in 1697 was achieved by heavy sacrifices. Seaborne trade was never well protected.¹¹

Third, members found it difficult to grasp the true cost of rapidly building up the navy to a size necessary to confront the navy that Jean-Baptiste Colbert had provided for France. The amounts required would quickly become staggering, yet the parliamentary instinct for restraining royal budgets persisted. For instance, in November 1691 an estimate presented by the Admiralty requested special funds to build four new 4th-rate ships (48-guns each) but the members denied the item; some wished to believe that the war would be over by the time these ships were ready. A year later a member, hearing complaints about the loss of trade, reminded the House of Commons that the ‘cause of these mischiefs complained of proceeds from the want of cruisers and convoys, of which sort of ships there is great want. I told you so the last year that your service would suffer for

10. H. HORWITZ (ed.), 1972, 3 Dec. 1692, p. 288.

11. See generally D. W. JONES, 1988.

want of them when you denied the building four of them.' Two weeks later the House approved a request for building eight 4th-rate ships.¹²

Somehow the members, torn between hoping to keep expenses down and desiring a strong navy, had to be persuaded to trust the figures presented by government authorities. Many lacked experience of parliamentary business because they were new to it; during the preceding decade parliament had rarely been summoned. The key to a solution lay in acquiring valid information, but if members were to be persuaded to trust the information, it had to come from members of the House of Commons who were known not to be under royal influence yet somehow familiar with Crown business. The remedy was to form a committee for examining naval accounts. A bill for creating a Commission of Public Accounts was signed by the king and the first commission was appointed in January 1691. Some historians have denigrated these commissions, pointing out that their achievements were marginal and taking note of the strong political bias of their membership against the government. Those criticisms are deserved, but they miss an important point. The commissioners served a useful purpose. They were nominated and elected by the House of Commons, paid a salary and expected to work hard. Many of them did, pouring over account books and trying to match the accounts to naval requirements and expenditures. As a result, the House when discussing naval matters in a committee of the whole could get answers based on knowledge obtained by fellow members who had tried to learn.

Naturally, the executive departments often resisted supplying the information requested, and government allies in the House of Lords tried to discontinue the commission in January 1692. The Commons thereupon tacked a clause to the poll tax renewing it, which the Lords dared not vote down. Although the commissioners were disposed to be politically motivated, their contribution to parliamentary knowledge of the navy's business was genuine.¹³ At the very least the members were put in a position to know whether the sums voted had been employed for current services or applied to the paying of old debts – not a trivial matter. Perhaps most important was the precedent that was set: the House of Commons could

12. H. HORWITZ (ed.), 1972, p. 19, 245, 279.

13. J. A. DOWNIE, 1976, p. 44, 46. See also C. BROOKS, 1984, p. 135-146, and J. BREWER, 1989, p. 151-152, where the 'several valuable services' of the commissions are discussed. See also J. HOPPIT, 2002, p. 273.

examine with a measure of understanding not only naval spending but also Crown finances generally.¹⁴

The fourth source of difficulty was that of obtaining an adequate revenue. By law the Treasury confined its issues of cash (or cash equivalents) to amounts 'within the sums voted by Parliament' and those were limited by the amounts specified in the naval estimates.¹⁵ So, obviously, the system of registering Navy and Victualling bills and paying them in course, sometimes after considerable delay, would not have worked unless investors could assume that the bills would be covered by parliamentary action. Such action involved more than simply voting to approve the naval estimates. The House of Commons then had to raise the needed money, and there were only three ways to do it: by inviting and accepting money from a joint-stock company in return for granting it special privileges; by public long-term loans (usually annuities); by new taxation. In fact, long-term loans required a dedicated stream of revenue to meet the interest payments, so two of the three methods necessitated the painful task of levying new taxes. The 1689-1697 war put the problem to an extreme test.

England's naval finances began the war on a very bad footing. By September 1689 the navy's total debt since the beginning of the year had tripled. Debts incurred before the revolution were not repudiated – how could they be since almost 60% consisted of wages owed to seamen? Payment in course sustained credit for buying naval stores until March 1690, but then the merchants lost patience. The Baltic merchants met together and refused to tender contracts for the coming year unless payment of their bills was speeded up. The Navy Board was helpless. The biggest problem was that of obtaining cash for paying seamen and dockyard workers. Victualling agents also needed cash because they often bought from small purveyors who must discount their bills right away and would therefore raise prices or refuse to engage. Shipbuilders who were constructing fireships that had recently been ordered feared non-payment or payment in tallies that were unlikely to be cashed within a year. They told the Navy Board that they would not launch the completed ships unless they were paid with tallies based on a revenue source which would produce cash within a few months and would yield 6% interest until they were cashed.

14. For a recent study involving the Commission of Public Accounts in these years that looks closely at the political context of its origins, its difficulties in making sense of various public accounts, and its wider role in bringing numerical calculations into English political disputation, see W. P. DERINGER, 2013.

15. J. E. D. BINNEY, 1958, p. 140.

The basic problem was lack of cash (in the form of gold and silver coins or tickets that must be paid with coin at sight). The severity of the problem was increased by confusion amidst post-revolutionary turmoil. A question arose regarding whether certain expenditures were the responsibility of the Crown or parliament. The House of Commons assumed that some naval costs were payable out of the annual revenues provided to William and Mary according to the Revolution Settlement, but it was not possible to pay for most of the navy's expenses that way. In addition, after the naval disaster at Beachy Head the House of Commons voted (July 1690) a very large block appropriation for the navy. It was done suddenly, without any formal estimates having been received, and it paid for a huge expansion of the fleet during the next two years, but the absence of accepted procedures sowed confusion. Clarifying measures were needed and caused delays. 'One of the results of the crisis... was to increase the detailed control which the Treasury exercised over naval finance. Instead of assigning sums simply to the Treasurer of the Navy, as had mostly been the case hitherto, the Board now appointed specific amounts for specific purposes.' During this surge of expansion naval expenditures continued to mount faster than estimates approved by the House of Commons. Despite their mistrust of William III and his strategic choices, and their endemic suspicion of the executive, the members knew they needed a strong navy. It was under these circumstances that the Commission of Public Accounts was first established. But in spring 1692 it was known that James II, supported by a French fleet, intended to invade England. In the face of so dire a threat parliament understood that it could not allow accounting efforts to impede the supply of funds for the navy.

There was another, more disturbing problem: a lag between theoretical and actual supply of funds. Between autumn 1688 and autumn 1691 total expenditures recorded by the Exchequer amounted to £11.7 million (of which almost £9 million was spent on the armed forces) while revenues produced only £8.7 million. Appropriations from the Treasury for naval requirements came in the form of tallies. The particular information – date, amount, revenue source – was inscribed on wooden sticks which were then split, one part kept by the Exchequer, the other given to the recipient. Tallies given in return for loans were transferable upon assignment, but most tallies were not. All depended for payment upon a designated revenue source. In the early 1690s the scramble among the navy's suppliers to receive tallies upon funds (taxes and duties) that reliably brought income and avoid those where the income was dubious or played out became frenetic. It was understood that payment in course for bills written against the latter would be at best distant. For example, everyone hoped for tallies dependent on the

Land Tax when it was reconstituted in 1692. A continuing hazard for those who delivered supplies was the navy's need for cash to pay seamen and dockyard workers and also to meet the urgent demands of the Victualling department when large squadrons had to be provisioned. The requirements for Wages and Victualling thus cut into the funds that might have been made available for Wear and Tear. In retrospect it is evident that the huge expansion of the fleet in the early 1690s was supported by the patience of the contractors. Their patience was sustained by the system of paying in course, which offered a degree of fairness (although the Treasury's choice of revenue funds might sometimes seem unfair); they also knew that eventual payment was guaranteed, not by the Crown but by parliament.¹⁶

As the amounts of unpaid bills mounted higher and higher, patience and confidence were shaken. In the first half of 1694 the Treasury made no payments for satisfying contractors' bills at all. Something had to be done. Fundamentally, what enabled the war to continue and naval strength to be sustained was the wealth of the City of London. Parliamentary discussions with City merchants led to the enactment of legislation that incorporated in May 1694 the Bank of England. The Bank pledged to lend £1.2 million to the government at 8% interest, £720,000 in cash, £480,000 in guaranteed notes. The money came from subscriptions for shares of Bank stock. Astonishingly, the £1.2 million was pledged in twelve days; the king and queen were among the subscribers. Over half the money came in before the end of the year. With this money the Bank bought tallies. They were literally dead wood: 'By the end of 1694, there was a great deal of money locked up in the large bundles of wooden sticks with their owners awaiting redemption.' The Bank acquired these at discounted prices and thus created for its shareholders a source of profit when at some future date, it was assumed, they would be cashed by the Treasury. The problem of short-term indebtedness was thereby transformed, and the navy was the chief beneficiary. Over 90% of the cost of mobilising the fleet for 1695 was met by the Bank's loan.¹⁷

The directors found that the public would buy and be able to transfer without discount the Bank's own notes, issued only on their own credit, not backed by an Act of Parliament. This form of currency enlivened trade and manufacturing; it also led to a speculative boom in small-company shares on the stock exchange. The issuance of these banknotes proved to be

16. J. EHRMAN, 1953, p. 325-340, 461-490, quotation p. 331.

17. *Ibid.*, p. 540-543, quotation p. 489. See generally p. 537-544, 575-595. Ehrman's book is the main source for these paragraphs.

excessive, mainly because of the uncertainty of procuring hard money. On 6 May 1696 there was a run on the Bank and it lacked sufficient coin to cash its notes. The obvious and immediate cause was a bungled recoinage. By 1695 existing silver coins were being clipped so blatantly that they could no longer be passed at their nominal value. The practice of clipping accelerated so rapidly that the government was forced to undertake in the middle of a war a recoinage, and the process of minting new coins with milled edges was painfully slow. Not only were banknotes affected: suddenly there was no way to cash Navy and Victualling bills and they had to be re-assigned to a subsequent year's revenue fund, a postponement that signaled government bankruptcy of a sort. Casting anxiously about for a solution parliament created a Land Bank to make a loan similar to that made by the Bank of England, but there were few subscribers. The Treasury issued Exchequer Bills, which should have been acceptable but were shunned.

The rapid acceleration of clipping was a consequence of the particular demands of a war in which England deployed troops overseas and subsidised allied armies. Most of the English army's needs, especially food and fodder, were purchased from the Dutch. Because shipping and trade were restricted by the successes of French privateers English exports diminished. This meant that military expenses in Europe had to be met by specie instead of trade balances. A great deal of the silver clipped from English coins was sent to Antwerp. In the absence of a viable circulating medium the English economy fell into depression. At first, the Bank of England's notes filled the need, but this could not last.¹⁸ In 1696 it was hoped that the Land Bank or Exchequer Bills would come to the rescue, but even without their flaws (partly remedied a year later in the case of Exchequer Bills) potential investors lacked cash to participate.

The government of William III was fortunate to make peace on reasonable terms in 1697 – the English, Dutch and French, all three, experienced financial exhaustion – because it was scarcely able to deal with the acute shortage of hard money; £200,000 in cash was urgently needed to keep the army of Flanders in the field. The Treasury told the Bank's directors 'that they knowe if the Creditt of the Bank be not maintained, no other Creditt can be supported.' At this time the market price of Bank stock descended below 70% of par. After numerous meetings of the General Court of shareholders the Bank came to the rescue and agreed that more money should be called in from them. In October the stock's price fell to 60% of par and banknotes were discounted 17%. During the winter of 1696-1697 it was

18. D. W. JONES, 1988, p. 224-247.

agreed that the Bank would open an unlimited subscription and allow 80% to be paid in heavily discounted tallies and notes. Securities valued at £65 would therefore be accepted at par for £100 worth of stock. Customs duties were increased to cover the cost. It was a desperate step. The subscription raised over £1 million. As part of the agreement it was stipulated by Act of Parliament that ‘no other Bank or Constitution in the nature of a Bank be erected or established... during the Continuance of the Bank of England.’¹⁹ When peace was made in September-October 1797 the shareholders reaped a great benefit.

4. The challenges of two long wars, 1689-1713

England

Everyone in England who cared about the financial situation in 1696-1697 – the king, members of parliament, merchants who sold supplies to the navy, dealers and investors – knew about the inadequacy of revenue, the deep discounts on tallies, and the courses on Navy and Victualling bills becoming so long as to suggest that the system might collapse. And in every town and village, in every regiment and on board every warship, the shortage of acceptable coins caused frustration and distress. Yet it is especially interesting for our purposes that the transactions by which the Bank of England rescued a desperate Treasury were played out in the public sphere. The General Court of shareholders met 29 times in 1696 and often met again in 1697, numbers in attendance commonly exceeding 200. There were opportunities to criticise parliament’s acceptance of the terms in an open forum. The transparency proved to be important because during the long war that began in 1702 the Bank, solidly established, became highly useful to the government notwithstanding the undying resentment of its opponents.

The impressive English financial achievement after 1689 has been properly called ‘the financial revolution in England.’²⁰ Its prominent feature was the successful conversion of short-term indebtedness into long-term government securities that were trusted and durable. The process was called ‘funding.’ Some elements of the financial revolution were introduced in the 1690s, but, as we have seen, the war ended with England in dire financial

19. Sir J. CLAPHAM, 1970, I, 34-50, quotations p. 37-38, 41, 47.

20. The pioneering history is P. G. M. DICKSON, 1967. A useful, succinct account is found in J. BREWER, 1989, p. 114-124.

straits. During the war of 1702-1713, under the leadership of Sidney, earl of Godolphin at the Treasury, offerings of long-term annuities paying interest at a rate considerably lower than what was paid in the 1690s were readily taken up by the public. Towards the end of the war, when tax revenues faltered and the course of Navy Bills became dangerously long, a newly created South Sea Company converted £4 million in bills to stock, parliament supplying the means of paying future interest to the company. This urgently needed remedy was of course similar to the rescues provided a decade earlier by the Bank of England. It was engineered with political skill and financial knowledge by a new head of the Treasury, Robert Harley (he had served on many Commissions of Public Accounts) after an electoral upheaval which, among other things, brought opponents of the Bank of England into power. The South Sea Company was a reward to these opponents, but Harley, mindful of the Bank's usefulness, managed a compromise that preserved its monopoly of note issues and deposit accounts.²¹ The importance of annuities remained, however; they were the chief ingredients of the increasing long-term debt funded by parliament. The result became called the National Debt. Its capacity to enable eighteenth-century Britain to sustain long wars became the wonder of Europe.

The financial revolution in England further centralised the system. Significant steps had been taken before 1688 in the revenue departments. Direct collection of customs duties was introduced in 1671; the Excise was taken away from farmers in 1683.²² In both cases the Crown had borrowed regularly from the farmers, and in the early years of direct collection it continued to borrow from its commissioners, but this practice was soon ended. Most important, the sums assessed and collected were now known with precision by the Treasury, and the new bureaucrats had no profit-making share in them. It was a truly public revenue.

But would it survive the pressure of a long and expensive war? We have seen how the navy's payment of bills in course was thrown out of balance by uncertainties arising from poorly performing tallies issued to it by the Treasury. The varying quality of tallies was inevitable because those that relied upon customs duties experienced fluctuations in revenue according to the fortunes of certain foreign trades and others, commonly collected by the Excise department, depended on new and experimental levies on goods of everyday consumption. Yet the system basically remained unbroken.

21. B. W. HILL, 1988, p. 144-145.

22. J. R. WESTERN, 1972, p. 100-103. The customs had been under royal control for centuries, but collecting was subdivided and farmed during much of the seventeenth century.

When the navy's courses grew too long during the war of 1689-1697 the Bank of England came to the rescue, twice, and during the war of 1702-1713 funding by annuities was highly successful, though near the end the South Sea Company played an essential role.

The system's resilience and the effectiveness of these remedies ultimately depended upon public confidence in parliament. The distinction between the Crown's hereditary revenues for which no account needed to be rendered and the money voted by parliament which had always required an accounting became less important. The new Coronation Oath of 1689 had required William and Mary and their successors to acknowledge that an English monarch must rule according to acts of parliament where applicable. This firmly established parliament's power. The many interests and voices in the House of Commons could, however, generate distractions. In an effort to diminish these Lord Treasurer Godolphin persuaded the members in 1706 to resolve 'to receive money bills only from the Crown, a decision translated into a standing order in 1713. Thereafter, ministerial control of public-finance initiatives and the primacy of the Treasury within this was considerable.'²³ More immediately important to the progress toward centralisation was the role of the Bank of England. By handling transactions at known and predictable costs to the Treasury it obviated the need for middlemen whose performance and charges in times past had been unpredictable and expensive.

The Bank expertly facilitated the public's use of the new instruments of credit, but it could not do much to alleviate the huge burden of taxation that the long-term annuities entailed. This was the chief drawback of the financial revolution. Funding of long-term annuities towards the end of the war of 1702-1713 called for 'duties on coffee, tea, books, playing cards, calicoes, candles, coal, hackney coaches, linens, leather, paper, parchment, soap, silks and Irish salt, to raise over £8.5 million.'²⁴ Until a particular annuity was redeemed the tax or duty supporting it could not be terminated. Parliament even began to approve funding for perpetual annuities. These practices enabled England to finance a long war, but interest on the National Debt absorbed 50% of net income during the post-war years from 1715 to 1724.

Nevertheless, after the war parliament was determined to keep the navy's ships in reserve maintained and to replace them as necessary. It also approved of the deployment of cruisers to protect trade from piracy. In

23. J. HOPPIT, 2002, p. 272.

24. J. BREWER, 1989, p. 119, based on P. G. M. DICKSON, 1967, p. 64-75.

support of diplomatic concerns a half-dozen mobilisations of large squadrons were undertaken. From 1715 to 1739 expenditure on the navy per year averaged £1,125,000. This was a large sum, almost half the annual wartime expenditure on the navy during 1702-1713 war (about £2,500,000).²⁵ Still, everyone shied away from meeting the full cost annually. When the Navy course grew too long it had to be funded every few years by large grants often based on augmented taxes.

Because it was expensive to maintain ships in reserve and to deploy cruisers to protect trade from piracy peacetime naval expenses regularly exceeded estimates, even when Extra Estimates were approved. Unpaid Navy Bills therefore accumulated. When, in 1711, the South Sea Company took over the accumulation of Navy Bills, there had been astonishment in the House of Commons on learning the amount. At that time Harley had seen to it that henceforth a statement of the Navy Debt (showing wages owed and bills not yet funded) must be presented to parliament each year and entered in the House of Commons Journals. After the war questions sometimes came up. On 9 February 1726 an opposition spokesman wondered whether certain sums appropriated for the navy might have been 'applied to other uses' and made 'a motion to appoint a committee to state the debt from 1714; it was objected [that] all the accounts were laid before you and that you might see them,' and the motion failed.²⁶ Thus, although the naval estimates were not an accurate guide to naval spending, by receiving the statement of Navy Debt the House was kept informed of what had been spent during the preceding year, and the statements could be consulted in the journals.

On the whole, however, serious questions about naval spending did not arise in the decades following 1714. Annual reports of estimates and the Navy Debt were presented, a record of past reports was available, and detailed accounts could be requested (but seldom were).²⁷ Parliament was mainly interested in the navy's readiness and performance. The financial reports were trusted, and parliamentary unconcern was exhibited. There was an attempt to improve the accuracy of the naval estimates in the later

25. Calculations are based on statistics in B. R. MITCHELL & P. DEANE, 1962, p. 389-390, for income and debt service; 389-90 for naval expenditures. I have added 2/3 of Ordnance expenditure (an estimated proportion) to naval expenditure. During the war of 1702-1713 army expenditures claimed 54%; navy: 46%. During the long peacetime period sums spent on the navy slightly exceeded sums spent on the army.

26. A. N. NEWMAN (ed.), 1963, p. 50-51. The diary contains other instances when questions about naval spending arose.

27. Beginning in the mid-eighteenth century the House of Commons Journals were printed. See D. MENHENNET, 1971, p. 21-22.

1760s, but it did not receive sustained support and a new Admiralty Board set it aside.²⁸

France

France managed to finance the war of 1689-1697 reasonably well despite enormous damage to her economy and revenues by a dreadful harvest failure in 1693. Dearth was particularly devastating in regions that were compelled to buy food from elsewhere. Shortage of coin, commonplace in country districts and far worse when wartime taxes tended to take it away, was aggravated by harvest failures.²⁹ A much needed broad tax, the *capitation*, was instituted in January 1695, but this and other taxes drained the countryside of hard money. A significant feature of French finance during this war was the sale of offices (*vénalité*). The offices often carried an exemption from taxes, so, in effect, the purchase price functioned as a loan whereby the Crown received cash in return for a sacrifice of future revenue. Annual salary payments could be considered interest.

The French monarchy's total income in 1689 has been estimated at about eight times that of the English monarchy. France's large army, however, dwarfed that of England's and until 1694 France kept up a large navy. Louis XIV and his ministers were disposed to think that France was not only a rich country but also one that produced an impressive revenue. Nevertheless, throughout the century after 1689 French finances repeatedly failed to cope with the challenges of war, and the reason commonly given was insufficient revenue arising from a system of taxation that allowed too many wealthy and privileged people to avoid paying an appropriate share. This explanation has dominated historical discussion. Undeniably, many such people did manage to escape taxation; *vénalité* was just one way. This reluctance was especially evident in the earlier part of the eighteenth century when avoiding disputes with the *Parlement* of Paris and provincial *parlements* was not yet a prime concern.

In 1698 Louis XIV ended collection of the *capitation*. It had been instituted as an 'extraordinary' tax for waging war. Yet the king re-instituted it in 1701 after he had re-mobilised his army. When war was declared in May 1702 the army numbered 220,500 men, about four-fifths of its peak wartime strength. The truth was that when the war began French military expenditures were already at a high level. The peacetime army had already

28. C. WILKINSON, 2004, p. 147-154.

29. J. MEUVRET, 1970, p. 321.

been substantially augmented, and the French Mediterranean fleet was soon fully mobilised. In early August 1704 after the British captured Gibraltar from Spain the French attempted to recover it, but their fleet was defeated at the battle of Malaga. After this, the French navy received very little money. Since military expenditures were high from the outset, prudence dictated a need for more taxes, but Louis had reasons to be hesitant, among them a concern to retain support of influential members of the nobility, his desire to maintain the French king's image as father to his people, and fear of popular insurrections. Advisors may also have told him that taxes commonly took hard money away from the countryside and thus deprived the kingdom, heavily dependent on agriculture, of a circulating medium so necessary for its economic vitality.

By reorganising the king's financial administration Colbert had accomplished some centralising reforms, most notably a consolidation of a portion of revenue collection under the General Farm (1681). But the system he bequeathed made no provision for centrally supervised public borrowing. The sale of offices was one expedient. Until about 1704 a system of *assignments*, appropriation orders issued by the Controller General of Finances drawn on a particular revenue source, worked reasonably well, but when revenues began to fall short payments became intolerably delayed. (A comparison to discredited tallies in the English case is warranted.) The *trésoriers* who were responsible for meeting the demands of war grew desperate, for they were expected to employ their own funds, often funds they had to borrow, in order to support the service. The holders of *assignments* were urged not to transfer them lest they lose face value, but as the situation worsened it was done. The war was being financed by paper and by 1706 practically every kind of paper instrument was affected. Discounts of up to 80% were not uncommon, especially when an immediate need for cash was involved – a frequent occurrence because Louis XIV fought this war to secure his grandson's hold on the vast inheritance of the Spanish dominions, and therefore large outflows of specie were necessary for supporting troops beyond the borders of France. Soldiers needed to be paid in cash or they would desert. Northern Italy and Spain witnessed major campaigning, and opportunities for living off foreign lands by plunder or forced contributions were limited by a concern to avoid distressing people who would, it was hoped, eventually be ruled by a Bourbon monarch friendly to France.

With so much paper being issued by a wide variety of persons, whether for advances on revenues or promises of reimbursement to those who loaned money for goods and services, there were inherent difficulties in keeping track of it. In 1699 Louis XIV had chosen Michel Chamillart to be

Controller General. He was an intelligent man and honest administrator but unsuited, it seems, to the formidable task of monitoring the myriad of paper transactions. Perhaps no one could have done it.³⁰ When the king added Secretary of State for War to his duties, it can only be considered a mistake; the controller's duties were already a heavy burden. Was Louis XIV more interested in seeing that priority would be given to supporting his armies than in the management of financial affairs?

In 1707 came the inevitable crisis and the king could not avoid replacing Chamillart. His successor, Nicolas Desmaretz, was familiar with financial matters and tried to apply remedies, both fiscal and administrative, but the situation was beyond repair. Economic and monetary conditions had reduced yields on indirect taxes to very low levels and payments had to be postponed again and again. The institution of a broad tax, the *dixième*, in 1710 was a necessary step. The king's appeal to his people when the English and Dutch tried to force a truly humiliating peace on him lifted morale, and silver from Peru combined with ministerial change in Britain brought peace on acceptable terms. Nevertheless, in 1714 money owed on unpaid bills plus debt service on long-term borrowings equaled the Crown's entire ordinary income.

A banker estimated that France's holding of 534 million *livres* of specie in 1689 dropped to 125 million in 1705.³¹ The outflow could not be offset by French exports. Facing dire shortages of cash the French monarchy became ever more dependent on the personal capital of the officials who managed its income and expenditures, and those officials in turn relied more widely on private investors. With so many opportunities for profit on offer (not without risk of bankruptcy) any attempt to reform the situation would face an uphill battle. And what was to be done about the huge hangover of post-war debt? At war's end Louis XIV resisted pressures to terminate the *dixième*, pointing out that its revenue had been pledged to support loans, but in 1717, two years after his death, its collection ceased. The Bourbon monarchy also invoked its traditional practice of instituting *chambres de justice* to investigate all persons who handled royal funds. One edict spoke of the 'immense and sudden fortunes of those who have grown rich in criminal ways, their excessive luxury and pomp, which seems to insult the misery of the majority of our subjects, and are already in advance a manifest proof of their misdeeds (*malversations*).’ The *chambres* of 1716 did not condemn anyone to death (as had occurred in the past) but made effective use of

30. G. ROWLANDS, 2012, p. 36-46, 162-174.

31. P. G. M. DICKSON & J. SPERLING, 1970, p. 303.

threats of incarceration and banishment: 4,410 persons were required to pay 220 million *livres*.³² The monarchy could rely on intense popular loathing of everyone involved in the conduct of royal finances. But the scapegoating – often deserved – targeted the sorts of men on whom borrowing in time of need would inescapably depend, unless the system was reformed.

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Contrasting legacies

Between 1689 and 1815 France and Britain (England before 1707) fought seven long wars involving armies and navies that were larger than either had hitherto employed. In five of the seven Britain financially outlasted France. The exceptions were 1689-1697 and 1793-1802 where both sides were equally exhausted.

When explaining France's financial difficulties historians have fixed their attention on inadequate tax revenues. The emphasis is understandable. France was a wealthier country than Britain and many of the king's richest subjects were exempt from paying ordinary taxes. The monarchy's efforts during the eighteenth century to impose taxes broad enough to encompass most of these men invited heated political disputes, not least because the principle of inclusive taxation contradicted the practice of granting immunity from taxation to regional ruling elites by which before Bourbon monarchy had consolidated its rule. Yet, although the king was a devoted supporter of hierarchical privilege, the financial demands of warfare after 1689 rendered the imposition of broad taxes unavoidable. The *capitation* was introduced in 1695 and became permanent in 1701, the *dixième* in 1710, but political and social struggles persisted.

In the case of Britain historical attention has been focused on the successful development of long-term borrowing. The British government's ability to finance its wars by this means was the wonder of Europe in the eighteenth century. P. G. M. Dickson explained how it was accomplished in his book *The Financial Revolution in England*.³³ It seemed magical. French statesmen believed its structure to be frail – likely to collapse if shaken by an invasion of the British Isles. British taxpayers, however, came to understand the merits of what became known as the National Debt and

32. J. F. BOSHER, 1970, p. 17-19. But this was the last time the *chambres de justice* were used.

33. P. G. M. DICKSON, 1967, note 20.

were readily disposed to invest in the securities of which it was composed, especially because ownership could be terminated on the stock exchange. But they were fully aware of its painful aspect: a new loan offering usually required a new tax that would in most cases continue to be collected in peacetime as well as wartime, in other words perpetually.

If there was magic in the British fiscal system, it arose from economic growth, for unlike the rulers of France, who tended to presume that the vast resources of their kingdom if properly mobilised would be adequate, the rulers of England had understood for many decades that the country must become ever more prosperous. It was no accident that 'wealth' was placed alongside the 'safety, and strength of this kingdom' in the opening words of the Navigation Act, 1660. And because seaborne commerce was essential to the increase of England's wealth, a strong navy for protecting it had to be preserved in peacetime. These goals were universally accepted.

Obviously, an abundant wartime revenue would solve most problems in both Britain and France, but this was never the case. Wars were fought year by year, and new taxes were a last resort. The 'absolute' Bourbon kings were extremely reluctant to impose broad taxes. The *dixième* of 1710 was a desperate measure, undertaken by Louis XIV after negotiations for obtaining a reasonable peace had failed. In fact, he and his courtiers considered it a weapon of war, believing as they did that his resolve and ability to impose it had persuaded his allied opponents that France truly intended to keep fighting.³⁴ Even when the situation did not seem desperate, the king might choose to avoid imposing such a tax in the hope that a war just begun would be over within a couple of years. This thought probably led Louis XV to believe that he did not need more than a second *vingtième* at the start of the Seven Years War in 1756.

Because abundant wartime revenue was almost never available, both sides met the costs day by day, year by year, with paper – bills or notes which were transferable, usually at discount.³⁵ After stating that the development of long-term financing 'attracted the most contemporary notice,' P. G. M.

34. M. Kwass, 2000, p. 35-36.

35. A French *assignation* resembled a bill, a *rescription* a note or *chèque*. As seen above, the English government of the 1690s sometimes used tallies – wooden sticks – to pay merchants, some of which could be sold for cash, some not. It should also be noted that some goods and services had to be paid for in coin, for example: food and fodder purchased by an army in foreign territory or wages paid to soldiers and seamen. There were occasions when specie was scarce, and this scarcity could have important consequences. See generally D. W. JONES, 1988.

Dickson added that ‘the arrangements made for government short-term finance were of equal, though less conspicuous, importance.’ He went on to observe that:

“The issue of short-dated paper beyond the capacity to redeem it regularly... was a perennial fiscal temptation. The French government, for example, fell prey to this temptation to such an extent that its whole machinery of credit was soon virtually ruined. The English seemed likely in the 1690s to tread a similar path, but recovered in time.”³⁶

Indeed, as we have seen, the English government’s solution to the problem in the 1690s called for a parade of rescues. The situation in that decade was chaotic – unavoidably, because William III was not widely trusted, party strife and political intrigue were endemic, and parliament was groping its way in unfamiliar conditions. In the war that began in 1702 England had the good fortune to have Godolphin at the head of the treasury, not a great leader but a man who understood what had to be done and, with the unwavering backing of Queen Anne, did it. He not only perfected the system of long-term borrowing but also carried out with great perception the task of putting short-term borrowing on a regular basis. This involved countless complexities. As Dickson observes: ‘Godolphin was playing a very difficult game with coolness and skill, making up the rules as he went along.’³⁷ In all this he was able to rely on the invaluable assistance of the Bank of England. His scope of responsibility was not just financial. He had to pay attention to urgent military and naval needs. Although the treasury did not directly manage naval credit, it carefully supported it and, as we have seen, annual statements of the Navy Debt were presented to parliament and entered in the House of Commons Journals.

When hostilities ceased in 1713, although treasury control was far from complete, treasury and parliamentary knowledge of the financial position and level of spending was comprehensively centralised. This enabled a remarkable degree of transparency; vital financial information could be made available to the public. Money markets could easily be disturbed by rumors, and this was the best antidote. We have noted that parliamentary enquiries about naval spending were few and far between in the decades after 1714.

36. P. G. M. DICKSON, 1967, p. 341.

37. *Ibid.* p. 360-361. Dickson’s scrutiny of the problems and the remedies is extensive (p. 341-453).

Yet towards the end of the century parliament demanded detailed investigations of how the taxpayers' money was being spent. Committees of enquiry probed the functions of Crown officers and the fees they received. Some of these officers continued to follow rules and procedures that had been established in the middle ages or sixteenth century, rules that had been by-passed by more recent and efficient administrative arrangements. The object of the enquiries was to clear away such waste. The investigations were partly motivated by fear that the British public would grow tired of the burden of taxation and form an opinion that the ruling classes were quietly content to nourish themselves, without any sign of caring, on excise taxes paid by poorer people. Among taxpayers 'trust in government had to be both won and maintained. Consequently, the increasing volume and sophistication of information about and enquiry into public expenditure after 1780 was driven partly' by a need to retain the confidence of 'the wider political nation.'³⁸

French financial arrangements had survived the 1689-1697 war rather well. During the war of 1702-1713, however, France's whole machinery of credit was (as Dickson remarks) virtually ruined. Paper instruments multiplied without restraint. They were supposed to be short-term obligations but, remaining uncashed, became at best long-term and at worst worthless. In many cases payment was guaranteed by the king; in others the loan was arranged by a desperate *trésorier de la marine* or a supplier of food for troops in the field. Such men were privately responsible for making urgently required payments for wages or provisions regardless of whether public money came to them in time. Naturally, they hoped to profit eventually, but there was no reliable way to keep track of the proliferating payments and debts. The king was reluctant to institute a broad tax and an increase in consumption taxes would have been counterproductive. While in England consumption taxes, collected by an efficient Excise department, were growing in importance, in economically distressed France their yield was diminishing.

All this added up to a pernicious financial legacy. Reformers like Nicolas Desmaretz saw what needed doing, but it was too late. The French monarchy again chose to pursue the popular path of punishing people who had participated by establishing *chambres de justice*. Soon John Law was permitted to try his scheme, which would have achieved a measure of centralised supervision, but it collapsed. The reformers were struggling against an array of royal officials and wealthy men who functioned, in

38. J. HOPPIT, 2002, p. 291.

effect, as the monarchy's bankers and wished to retain their functions and opportunities. Perhaps the influence of these men explains why the Bourbon monarchy kept the facts and figures of royal finance out of the public eye. Mere neglect or aristocratic disdain for money matters may have played a role, but the monarchy's conduct was not merely careless: it forbade publication of government accounts. None appeared in print until Jacques Necker's *Compte rendu au Roi* was published in 1781.³⁹ It appears that the motive whether it guided the king himself or the interested parties, or both, was the opposite of transparency. No doubt, the prevailing idea that royal credit required key financial officeholders to be wealthy reinforced such a situation. Presumably these men and their associates did not want anyone to have a clear view of the monarchy's finances, for it could not be obtained without examination of their accounts and transactions.

After 1713 France avoided engaging in a major war for almost three decades. The kingdom was rich and productive, and overseas trade, particularly with the French islands in the Caribbean, flourished and generated profitable re-exports. But the navy was neglected; its peacetime budget allowed very few ships to be put in commission, one result being that when fleets were needed for expeditions in the 1740s only two or three senior officers with sea experience were healthy enough, though very old, to be put in command. France did not lose, but did not win, the war with Britain in 1744-1748; her losses overseas were recouped at the peace table by agreeing to withdraw the army that had occupied the Austrian Netherlands.

The financial legacy of 1702-1713 was plainly evident in the war of the 1740s. Although there was more orderly management of short-term debt, it mounted swiftly and became so large that the *vingtième* of 1749, the first broad tax instituted in time of peace, could hardly reduce it while also supporting the naval building programme. On the eve of renewed hostilities in 1754 debt payments were cutting deeply into funds needed for current naval needs. In the Seven Years War that followed the French government became desperate for money as early as 1758. In that year the navy's 'total unpaid expenses had become greater than the entire fund allotted to the current fiscal year.'⁴⁰ In the same year France's lucrative trade with her Caribbean colonies was completely shut down. A seemingly inevitable bankruptcy enveloped royal finances near the end of 1759 when news

39. J. F. BOSHER, 1970, p. 126.

40. J. PRITCHARD, 1987, p. 197. Pritchard's chapter on 'Naval Finance' (p. 184-205) exhibits the *trésoriers'* ceaseless quest for money and their hard choice of deciding whether to cover some unpaid debt (to preserve naval credit) or meet current expenses.

of General Montcalm's defeat at Quebec reached Paris. Payments were temporarily stopped on almost all short-term paper. From 1760 onwards the war was sustained, without success, by new taxes and numerous expedients.

It is a matter for wonder that the successful measures for meeting the expense of long wars which Britain developed between 1689 and 1713, though they constituted an essential foundation of its national strength, are seldom mentioned in books on English constitutional history. Nor does the Bourbon monarchy's half-public, half-private system of financing its wars find a prominent place in histories of France, even though that system's self-destruction brought on the French Revolution.

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