

PAYING FOR WAR AND BUILDING STATES

The Coalitional Politics of Debt Servicing and Tax Institutions

By RYAN SAYLOR and NICHOLAS C. WHEELER*

CHARLES Tilly memorably wrote that “war made the state, and the state made war.”¹ There is a compelling logic behind his maxim. According to bellicist theory, wars made states because wars were expensive. In a quest to survive these existential struggles, rulers would borrow money to fight wars and then afterward strengthen tax institutions to pay off their debts.² The key causal mechanism in bellicist theory—the revenue imperative—has a clear implication: for those polities that persisted in Europe’s martial crucible, one should find leaders who strengthened tax institutions and expanded the sources from which they obtained revenue.

Rulers have good reasons to repay their debts because rising debt loads have predictable ramifications, which include higher borrowing costs, downward pressure on currencies, and expectations of future inflation. Inflation can imperil rulers because it reduces people’s purchasing power and can spiral—two developments that leaders, especially those with limited capacity to contain popular uprisings, would like to avoid. In addition, inflation exasperates capitalists, the very people to whom rulers may turn for financing if hostilities break out in the future. Rulers can reduce these pitfalls by strengthening and diversifying tax institutions.

But when we analyze episodes of ferocious warfare in and beyond Europe, we find that despite similar strains on treasuries, not all

*We are thankful for the valuable suggestions and guidance to improve this article made by the editors and anonymous reviewers of *World Politics*, Cesi Cruz, Barry Gills, Matt Hendricks, Travis Lowe, Herman Schwartz, Chad Settle, Jeff Seward, Rudy Sil, Hillel Soifer, and Brian D. Taylor.

¹Tilly 1975, 42.

²See especially Tilly 1992.

World Politics 69, no. 2 (April 2017), 366–408

Copyright © 2017 Trustees of Princeton University

doi: 10.1017/S0043887116000319

governments built strong tax institutions to deal with wartime debt. We identify a type of political coalition that impeded the creation of strong, diversified tax institutions, even though such institutions help rulers and, by extension, their coalitional allies, to acquire the resources to win wars. Our finding is significant because it questions the ubiquity of the main causal mechanism underlying bellicist theory. We find a consistent coalitional pattern to account for why fiscal states sometimes failed to emerge amid circumstances that should have produced them.

The coalitional politics surrounding debt service can help explain why leaders may not strengthen tax institutions after costly wars. We posit that fiscal-institution building will occur when it assists the private economic interests of a country's ruling coalition. We differentiate between the "net creditors" (net lenders) and "net debtors" (net borrowers) in a country's credit market. Net creditors should support fiscal diversification and institution building because these actions help ensure debt service, stifle inflationary pressures, and support the value of creditors' outstanding loans. By contrast, net debtors receive a relative gain from inflation and currency depreciation because these things reduce the effective interest rate on their debts. Net debtors should therefore be relatively indifferent to debt servicing and less willing to strengthen tax institutions. The composition of a country's ruling political coalition can account in part for why leaders may not respond to the fiscal exigencies of warfare as expected by bellicist theory.

We examine a few historical cases and complement them with quantitative analysis to gauge how the politics surrounding debt service affects state building. First, we analyze three cases from early modern Europe. We juxtapose England and France—two archetypical examples of bellicist theory—to show how different political coalitions caused a dramatic divergence in fiscal policies and institutions during the momentous eighteenth century. Between 1688 and 1789, England underwent a fiscal revolution, while France stubbornly maintained outmoded taxing schemes. Yet the ruling coalitions in both countries included government creditors. The key difference was coalition members' other economic interests. In England, government creditors were also net lenders in the broader credit market, and they demanded prudent fiscal policy. But France's main government creditors—landed noblemen—were net debtors overall. They gained economically from the crown's fiscal disorderliness and feeble tax institutions. We then analyze the protracted collapse of the Poland-Lithuania Commonwealth (1600–1721), one of Europe's grand powers. Despite frequent and expensive wars, a ruling coalition of debtor nobles authorized only intermittent

taxes and refused to cede tax prerogatives to the crown. Their intransigence facilitated the commonwealth's implosion.

We buttress these case-study findings with some suggestive quantitative analysis of revenue extraction in six European polities between 1650 and 1800. We find a consistent link between net-creditor coalitions and the growth of per capita tax revenues. Our findings remain robust when considering factors such as warfare and urbanization rates, which are stressed in the existing literature. Our quantitative analysis implies that the coalitional dynamics we identify in England, France, and Poland-Lithuania may not have been restricted to those polities.

Last, we move beyond Europe to consider whether our framework enriches explanations of state building in the developing world. We present a case study of Argentina (1864–98) in the aftermath of the costly War of the Triple Alliance (1864–70), which approximated the geopolitical conditions of early modern Europe. We illustrate how a powerful group of debtor ranchers refused to overhaul tax institutions after the war, even though British merchants (the country's net creditors) pleaded with them to do so. As in our European cases, the private economic interests of the ruling coalition members swayed postwar fiscal policy. In Argentina, those interests stunted institutional development.

Our emphasis on the coalitional politics of fiscal policy extends insights on state formation. First, our conceptual distinction between net creditors and net debtors helps to explain why strong states did not emerge when geopolitical and fiscal pressures suggest they ought to have. Second, we analyze cases that other scholars have categorized in each of Tilly's state-building ideal types and find that their outcomes were not due to the relative balance of capital and coercion. Third, we build upon David Stasavage's insight that the coalitional inclusion of government creditors reduces borrowing costs for sovereigns.³ We study whether the coalitional inclusion of public creditors also results in fiscal-institution building and conclude that the latter hinges on their broader credit-market activity. In doing so, we identify conditions under which government creditors might welcome, or at least grudgingly tolerate, actions injurious to their public loans. Our conceptual distinction can help make sense of situations, such as ancien régime France, in which government creditors seem to behave oddly. Overall, our article strives to enrich bellicist theory, which is compelling, but somewhat functionalist.

³ Stasavage 2002; Stasavage 2007.

THE COALITIONAL POLITICS OF PAYING FOR WAR

Around 1500, warfare changed. Armies increasingly used gunpowder, muskets, and moveable cannons, giving offensive tactics an advantage over defensive strategies. The “military revolution” shifted warfare toward large and expensive infantry-based conflicts.⁴ When conflict erupted, rulers faced both a short-term and a long-term fiscal problem. In the short term, they needed to quickly raise funds to fight wars. War expenses outstripped ordinary revenue and could not realistically be paid with extraordinary taxes, so leaders turned to holders of liquid capital. Debt was the most important, though not the only, way that rulers financed their wars. At first, public debt had short-term maturities, but by the end of the sixteenth century, most European polities used long-term debt.⁵

After wars ended, rulers had to deal with their debt. Some leaders diversified and strengthened their tax apparatus to do so. By diversified, we mean the imposition of new types of taxes that expand the revenue sources available to the state. States that scholars recognize as weak tend to rely on easy-to-obtain revenue, such as tributes, rents, or trade flows. Strong states usually collect taxes that require more administrative prowess, such as consumption, property, or personal income taxes. By institutional strengthening, we mean increasing state oversight of revenue extraction. States that depend on easy forms of revenue often rely on nonstate agents, such as tax farmers, to collect taxes. Such situations are rife with principal-agent problems. As governments replace local elites with state agents as tax collectors, they enhance their ability to capture revenues that notables previously siphoned off for themselves. Governments also lay the groundwork for the administrative monitoring and enforcement needed to extract more elusive forms of revenue.⁶ Diversifying and strengthening tax institutions are momentous state-building projects.

These institutional developments were part of the ratchet effect in many countries, whereby wartime taxes and spending continued after hostilities ended. Debt-service obligations played a big role in the ratchet effect, and rulers had two compelling reasons to repay their debts. First, diligent debt service signaled to capital holders that a leader was a reliable borrower, which made it easier to get loans in the

⁴Tilly 1992, 76–83. “Military revolution” coined by Michael Roberts; see Roberts 1967.

⁵Stasavage 2011, 25–38. In addition to debt, rulers enacted extraordinary taxes, extracted forced loans, sold state property, and so on.

⁶Lieberman 2002; Tilly 1992, 87–89.

future.⁷ Second, growing debt loads can have negative macroeconomic ramifications, such as currency depreciation and inflation. (The main alternatives to debt financing, such as monetary expansion and currency debasement, have similar effects.) Inflation reduces people's purchasing power and can spiral, and may destabilize politics. Leaders want to avoid political destabilization, especially when they have limited capabilities to suppress popular uprisings. Rulers can mitigate the problems associated with rising debt loads by building a stronger and more diversified tax apparatus. Fiscal diversification promotes stable revenue flows, helps ensure debt service, and thereby dampens inflationary pressures.⁸ Hence, wars build states partly through the creation of new tax institutions.⁹ This logic is so widely accepted that many scholars argue that tepid bellicist pressures in much of the developing world explain why state building there has been underwhelming.¹⁰

But although leaders commonly used debt to finance military campaigns, they varied remarkably in their willingness to diligently service it once wars ended. Researchers have not thoroughly explained why. Tilly remarks that the ratchet effect did "not occur universally," but he does not delve deeply into the matter.¹¹ Miguel Centeno notes, "Many European countries initially used debt to pay for wars and later taxed in order to meet their obligations. What distinguishes Latin America is that the fiscal reckoning never came . . . [and instead] fueled unproductive cycles of speculation and ruin."¹² Why some rulers built tax institutions to deal with postwar debt while others did not remains an open question.¹³

We contend that the makeup of a country's ruling coalition permeates the politics surrounding debt service and the construction of tax institutions.¹⁴ After all, the social actors that form a political coalition can have a variety of economic interests that are affected differently by the

⁷ Rulers could try to signal their creditworthiness in other ways, such as providing capital holders political representation and influence over fiscal policy. But in the absence of such things, capital holders compensated by charging higher risk premia when lending or simply refusing to lend (Stasavage 2011).

⁸ Baldacci and Kumar 2010; Catão and Terrones 2005.

⁹ Tilly 1992, 89.

¹⁰ See Centeno 1997 and Centeno 2002 on Latin America, and Herbst 2000 on Africa. Some scholars maintain that the state-building exemplars outside of Europe, such as the United States and certain East Asian countries, fared well because they confronted more hostile external environments. Pollack 2009; Stubbs 1999.

¹¹ Tilly 1992, 89.

¹² Centeno 1997, 1586.

¹³ Yun-Casalilla 2012.

¹⁴ We have a mainstream view of political coalitions as groups of social actors who support a "leader" and tend to receive benefits in return. Riker 1962, 10–12, 102–8.

macroeconomic implications of rising debt loads. Some actors believe postwar debt service will assist their economic goals, whereas others believe their interests will be better served by halfhearted debt servicing. These preferences become manifest in fiscal policy and institutional outcomes.

Many studies demonstrate that ruling coalition members tailor policy to their distributive benefit. For instance, the United States has financed its wars differently—sometimes with taxes, other times with debt—depending on the partisan coalition in charge.¹⁵ And legislators' personal economic interests can affect their policy preferences. In a 2011 vote, US congressional members who had relatively more money invested in the stock market than their colleagues were more likely to vote to raise the country's debt ceiling, regardless of their party affiliation.¹⁶ Stasavage shows that in medieval and early modern Europe, when leaders of city-states gave merchants formal political representation, they borrowed more cheaply. When merchants could use representative assemblies to influence fiscal policy, they did not need to charge as high a risk premium.¹⁷ It mattered whether government creditors were politically powerful or marginalized.

We consider how public lending was situated among social actors' other economic pursuits. Social actors' preferences on fiscal policy were not influenced merely by whether they lent to the government because it was not their sole activity in the credit market. Government creditors naturally wanted their loans repaid, but other things weighed on them, too. We argue that the social actors' overall position in the credit market—whether they were net creditors or net debtors—more strongly affected their preferences on fiscal policy and institution building. The macroeconomic implications of fiscal policy, such as the inflation rate, mattered more than the repayment of particular public loans because macroeconomic changes affected all their credit-market activity.

Net creditors are net lenders in a credit market, meaning that they are owed more money than they owe to others. They fear inflation and currency depreciation because these things push down the effective interest rates on their outstanding loans and produce a relative economic loss. Net creditors therefore desire dedicated public debt service, even if they do not loan the government money. They should be disposed to fiscal diversification and institution building. Historically, merchants and other urban capitalists were prominent financiers of wars. Fiscal diversification would have buttressed their lending activities and shifted

¹⁵ Flores-Macías and Kreps 2013.

¹⁶ Grose 2013.

¹⁷ Stasavage 2011, 90–93; Karaman and Pamuk 2013 echo his finding.

the tax burden away from trade flows and toward landed wealth, which was often shielded from taxation. We expect that ruling coalitions that include net creditors will strengthen tax institutions after costly wars.

Net debtors—those who have borrowed more than they have lent—are less inclined to support fiscal institution building. Indifferent debt service can benefit them. Inflation and currency depreciation reduce a loan's effective interest rate and enable borrowers to pay off debt with money that is becoming less valuable. Borrowers profit in such circumstances. Consequently, net debtors should be relatively unconcerned with diligent public debt service, even if they have lent the government money. Landed elites are a prime historical example of net debtors, and they may be content with flimsy tax institutions for other reasons, as well. First, large landowners sometimes appropriate economic surplus directly from their tenant farmers, rather than through market mechanisms, and are sheltered from the corrosive effects of inflation.¹⁸ Second, when landowners export their produce, inflation and depreciation make their goods cheaper abroad. Third, in Europe and the developing world historically, landed wealth was taxed less than trade flows. Landed elites might fear that diversifying and strengthening tax institutions could mean new taxes for them and more government intrusion onto their estates. We expect that ruling coalitions led by net debtors will oppose, or at least not actively promote, strengthening fiscal institutions.

We do not claim that all postwar fiscal behavior can be reduced to our coalitional distinction, but we believe that this distinction can enrich current theories. First, there is no functional relationship between war, fiscal pressures, and state building. The geopolitical context in our case studies should have fostered what Timothy Besley and Torsten Persson call “common-interest” states—states in which rulers devote substantial resources to build fiscal capacity; yet we detail how ruling coalition members' interests instead often led to meager fiscal-capacity investments.¹⁹ Europe's endemic wars in the early modern period might have inclined governments to build fiscal states, but they did not guarantee it. Second, the missing ingredient is not social structural, such as the balance of capital and coercion. English and French state building diverged in the eighteenth century despite shared geopolitical pressures and broadly similar social structures.²⁰ Our coalitional analysis moves beyond functionalism and structural determinism.

¹⁸ Schwartz 1989, 13–14.

¹⁹ Besley and Persson, 2011, 56–62.

²⁰ Tilly 1992, 151–59, considers both countries to be part of the “capitalized-coercion” state formation trajectory.

Last, although we use Stasavage's research as a point of departure, we analyze different outcomes. He concentrates on how coalitional politics affected leaders' borrowing costs, as well as on how public debt promoted greater political representation.²¹ He shows that England's borrowing costs declined not because of the institutional changes from the Glorious Revolution, but rather because government creditors were later brought into the ruling coalition.²² We examine related developments: the diversification and strengthening of fiscal institutions. In England, once government creditors gained power, they moved toward a fiscal state. This development aided public debt service and buttressed their position as net creditors. We highlight this broader credit market position to make sense of seemingly perplexing behavior in other cases. In France, for instance, the government's creditors who were nobles tolerated defaults and currency debasements because they were simultaneously net debtors and they could gain from such actions, even if their public loans were annulled. French merchants, who lent less to the crown but were net creditors, bemoaned these actions. Overall, our distinction between net-creditor and net-debtor coalitions can help to explain why similar wartime fiscal pressures may yield divergent post-war state building.

THE POLITICS OF DEBT SERVICE AND FISCAL INSTITUTIONS IN EUROPE

Our evidence comes from four comparative historical case studies, England, France, the Poland-Lithuania Commonwealth, and Argentina, and a quantitative analysis of revenue extraction in early modern Europe. The politics surrounding debt guided fiscal policy in our case studies. In England (1688–1789), the key public lenders were net creditors in the broader credit market who pressed for fiscal reform once they gained power. But in France (1688–1789), the key public creditors were net debtors overall who eschewed reform because they benefitted from the state's fiscal debility. We go beyond this archetypical comparison to examine our claims outside of Western Europe. In the Poland-Lithuania Commonwealth, debtor magnates were the crown's main wartime creditors, yet they refused regular, institutionalized taxation to buoy the treasury. Following our quantitative evidence on Europe, we analyze the aftermath of the War of the Triple Alliance, Latin America's grandest war. We show how debtor ranchers in Argentina (1864–98) spurned

²¹ Stasavage 2002; Stasavage 2003; Stasavage 2007; Stasavage 2011.

²² Stasavage 2002; Stasavage 2007; cf. North and Weingast 1989.

fiscal reform despite the state's mounting debt service obligations and associated macroeconomic problems. We find a consistent relationship between coalition type and fiscal development.

One way to read our case studies is as a parallel demonstration of theory that seeks to "repeatedly demonstrate [a theory's] fruitfulness" in different historical settings.²³ Or, from the standpoint of causal inference, our analyses conform to what John Gerring calls a set of "diverse" cases, which vary on independent and dependent variables.²⁴ On the basis of Monte Carlo experiments, Michael Herron and Kevin Quinn conclude that diverse case studies are among the best strategies to uncover tendencies in a broader population of interest.²⁵ The English case provides longitudinal variation because the change to a creditor-led coalition impelled fiscal diversification and institutional strengthening. The French and Polish-Lithuanian cases highlight our conceptual distinction between actors' public lending and their overall credit-market position. The key public creditors in these cases were content with flimsy fiscal institutions because they were net debtors overall. And the Argentine case illustrates how net debtors and net creditors clashed over fiscal policy, even as they agreed on most other issues.

Across these cases, prevailing theories, such as the intensity of warfare or the balance of capital and coercion, cannot account for their fiscal trajectories. For instance, each polity we examine was enmeshed in perilous military conflict. Bellicist theory expects that a stronger tax apparatus should have emerged in each case. The wars in eighteenth-century Western Europe were "unlike anything England [and France] had experienced since the Hundred Years War, and they placed the central government under tremendous financial and administrative pressure."²⁶ Seventeenth-century Poland-Lithuania was engaged in repeated and weighty conflicts, including the Thirty Years' War, which "became the benchmark to measure all later wars."²⁷ And although interstate war has been less common in Latin America, the War of the Triple Alliance's "length, intensity of passion, logistical challenges, and consequences . . . (have) no equal" in Latin American history. It was "the one dog of war that definitely did bark."²⁸

In terms of social structure, England and France were in Europe's zone of "capitalized coercion," where capital-rich cities existed alongside

²³ Skocpol and Somers 1980, 176–78.

²⁴ Gerring 2007, 97–99.

²⁵ Herron and Quinn 2016.

²⁶ Ertman 1997, 208.

²⁷ Wilson 2009, 5.

²⁸ Centeno 2002, 56.

sizable agrarian hinterlands. They were broadly similar when compared with sprawling “coercion-intensive” agrarian realms or tiny “capital-intensive” city-states. Nevertheless, England and France diverged during the momentous eighteenth century. Poland-Lithuania epitomized Europe’s coercion-intensive zone, in which warfare should have spawned a bulky tax apparatus.²⁹ Instead, ruling nobles’ internecine squabbles doomed the commonwealth. As for Argentina, Fernando López-Alves judges that it “came the closest to [the capital-intensive] pattern” of state building in Latin America because Buenos Aires did not secure its supremacy over the interior provinces until 1862.³⁰ Before then, “Argentina” was effectively coterminous with the capital city and nearby countryside. The balance of capital and coercion may have differed markedly in France, Poland-Lithuania, and Argentina, but their net debtor coalitions responded analogously to postwar fiscal pressures. We present this evidence in three stages: (1) our European case studies, (2) our quantitative analysis of early modern Europe, and (3) the case study of Argentina, which extends our analysis to the developing world.

NET CREDITORS PROPEL FISCAL INSTITUTION BUILDING IN ENGLAND, 1688–1789

We begin our case studies by examining England’s fiscal revolution from 1688 to 1789.³¹ During this era, England fought three substantial wars: the Nine Years’ War (1688–97), the War of the Spanish Succession (1701–14), and the Seven Years’ War (1754–63). The wars propelled major increases in government spending, the growth of long-term public debt, and a dramatic change in fiscal policies and institutions.³² We emphasize how the Whig Supremacy (1715–60) marked the ascent of net creditors as leaders of the ruling political coalition and spurred England’s fiscal development—similar to how Stasavage shows this political watershed greatly reduced the Crown’s borrowing costs.³³ (From 1688 to 1714 no party dominated politics.) The Whig Party represented the “monied interest,” the London-based merchants and financiers who invested in government debt, often through corporations such as the Bank of England. They were England’s net creditors. By contrast, landed interests were the core of the Tory Party. Tories did not typically purchase

²⁹ Tilly 1992, 137–39, 159.

³⁰ López-Alves 2001, 158–59.

³¹ England became part of the United Kingdom of Great Britain in 1707, but we use “England” throughout for consistency.

³² Brewer 1989, 38–41.

³³ Stasavage 2007.

government debt and were net debtors in the private credit market.³⁴ We illustrate that two key fiscal developments, placing tax collection in the hands of state agents and proto-rationalization within the state, occurred once the Whigs solidified control.

In terms of fiscal administration, the English state was fairly weak in 1688, despite having formally ended tax farming of customs in 1671 and excise taxes in 1683. Yet the Crown continued to raise revenue in ways akin to tax farming. It appointed financiers to revenue agencies who, in turn, lent “large sums to the monarch in return for access to the constant flow of revenue remitted into their office.”³⁵ Although this practice ended around 1694, the excise and customs administrations were not immediately rationalized. Politicians considered them patronage outlets: “The struggle between whigs and tories to control public appointments, especially in the newly enlarged revenue departments, obstructed the proper workings of the bureaucracy.”³⁶ The “customs service . . . continued to be handicapped by patronage and the survival of sinecures among all echelons of its higher management. . . . Opportunities for corruption seem to have been built into the system.”³⁷ And from 1693 to 1713, land taxes were the government’s largest revenue source. But administration of the land tax “was in the hands of local dignitaries . . . (who) were not answerable to a central board or office in London.”³⁸ The state’s institutional prowess did not change significantly in the first two decades after the Glorious Revolution.³⁹

At the start of the case-study period, England’s fiscal state was embryonic. England’s tax ratio (taxes ÷ national income) was around 3.5 percent during the 1670s and 1680s.⁴⁰ Mark Dincecco calculates that England extracted 3.07 gold grams per capita in 1688, similar to France’s 2.94 gold grams per capita that same year.⁴¹ This level of taxation was insufficient to fund England’s wars, which spurred extensive borrowing between 1689 and 1714.⁴² The feebleness of the fiscal institutions worried public creditors; they wanted assurances that the Crown could

³⁴ Stasavage 2007, 125–30. See also Carruthers 1996, 49; De Krey 1985, 127–36; Dickson 1967, 249–303, 453.

³⁵ Brewer 1989, 94.

³⁶ Brewer 1989, 74. See also Plumb 1967, 126–27.

³⁷ O’Brien and Hunt 1999, 74.

³⁸ Brewer 1989, 147; Brooks 1974.

³⁹ Plumb 1967, 118, characterizes “the English system of finance and taxation” during the reigns of William III and Anne (1689–1714) as “incompetent, corrupt, ramshackle, antiquated, and ill disciplined.”

⁴⁰ O’Brien 1988, 3.

⁴¹ Dincecco 2011, Appendix A.1.

⁴² Carruthers 1996, 71–79.

repay its debts.⁴³ Fiscal reform was therefore vital to attracting investment in creditor institutions, such as the Bank of England.⁴⁴

The causes of England's spectacular fiscal and financial developments are intensely debated. As we note above, Tilly stresses that England's balance of coercion and capital produced an "uneasy alliance between landlords and merchants" that "fortified state power."⁴⁵ Douglass North and Barry Weingast, however, emphasize institutional changes. They contend that new parliamentary oversight of the Crown following the Glorious Revolution enabled the government to credibly commit to debt repayment. Parliament controlled the budget, explicitly approved loans from the Bank of England, and earmarked taxes for their repayment. These institutional changes facilitated England's sudden and massive growth of public debt.⁴⁶ But Patrick O'Brien, a leading historian of the English fiscal state, judges that Parliament was yielding: "Neither the House of Commons nor the Courts played anything other than entirely circumscribed roles in the formulation and execution of the kingdom's strategic, foreign, and imperial policies with their associated fiscal implications."⁴⁷

We maintain that party politics, not warfare or parliamentary oversight per se, forged England's fiscal revolution. In 1694, the government created the Bank of England, which became the key government wartime lender. It was a particularly "Whiggish" institution because it was heavily subscribed by Whig Party partisans, especially merchants.⁴⁸ The Whigs were "preoccupied by methods of financing" the bank, and sought new excise taxes to that end.⁴⁹ By contrast, the Tories were less enthusiastic about wars, the bank, and taxation. Landowners, the core of the Tory Party, were England's net debtors. They found that nothing "was easier to turn into coin than land," and hence some landowners faced "the crushing, inexorable burden of debt."⁵⁰ Tories often opposed

⁴³ Brewer 1989, 91–94; Carruthers 1996, 56–68; Dickson 1967, 39–45.

⁴⁴ Brewer 1989, 89; Ertman 1997, 214; O'Brien 2011. Yun-Casalilla and O'Brien 2012 emphasize that fiscal revolutions are a prerequisite for financial modernization.

⁴⁵ Tilly 1992, 159.

⁴⁶ North and Weingast 1989, especially 819–24. See Cox 2011 for a related, but distinct, explanation based on ministerial responsibility rather than on veto points.

⁴⁷ O'Brien 2011, 427. Plumb 1967, 113, n. 1, writes, "unlike all other government business, Treasury business scarcely, if ever, came before the Cabinet. In more than one thousand Cabinet memoranda that I have studied I have only come across two or three doubtful examples. Treasury business was settled directly with the monarch by the Lord Treasurer or First Lord."

⁴⁸ Brewer 1989, 207; Carruthers 1996, 139–46; De Krey 1985, 156–62; Ertman 1997, 211–16; Stasavage 2003, 108–12.

⁴⁹ Plumb 1967, 148–52.

⁵⁰ Plumb 1955, 814; Cannadine 1977, 627–28; Mingay 1963, 36–37.

wars because they led to higher taxes, which stressed landowners' estate operations. And higher taxes, in turn, increased the landowners' demand for credit.⁵¹ Yet at this time, war-making crowded out funds for mortgage lending.⁵² To landowners, the Bank of England and the burgeoning public debt market implied higher taxes and tighter credit, which together harmed their economic interests. As a sign of this strain, land sales tended to increase at the end of wars.⁵³ In short, England's parties differed on debt and taxation due to the interests encapsulated within them.

The differences in fiscal policy before and after the start of the Whig Supremacy illuminate this divide. England had three main taxes: land taxes, customs duties, and excise taxes. Before 1715, land taxes were the single most important source of government revenue.⁵⁴ But local notables controlled the land tax, and partly because of underassessments, land taxes could not realistically solve the state's fiscal dilemma. Neither could customs duties, because higher rates provoked smuggling. So Whigs advocated for new excise taxes.⁵⁵ Tories, however, "opposed them with such ferocity that the expansion of excise in William III's reign [1689–1702] was limited to a few new articles . . . and a small increase was . . . made in rates." From 1706 to 1710, "when the Tory party was in the ascendant . . . no new excises were imposed."⁵⁶ Stasavage notes that rather than raise more revenue, "some Tories on occasion spoke openly of defaulting on government debt."⁵⁷

The Whig Supremacy ushered in two important fiscal changes. First, the Whigs diversified taxes and emphasized excise and stamp taxes, which became the backbone of the treasury (typically, about 50 percent of revenue).⁵⁸ Whigs wanted to reduce uncertainty surrounding public debt service. In policy debates, they "emphasized the necessity of dealing honourably with the national creditors,"⁵⁹ and they used excise taxes to convert the state's ballooning short-term unfunded obligations into long-term funded debts. Until 1710, about 70 percent of the national debt was unfunded. By 1720, only 10 percent of it was unfunded. The "new taxes imposed to fund the debt became firmly embedded

⁵¹ Mingay 1963, 38, 83, 116.

⁵² Mingay 1963, 40, 82; Quinn 2001.

⁵³ Mingay 1963, 38.

⁵⁴ O'Brien and Hunt 1999, 62–64; Brewer 1989, 95, 98.

⁵⁵ O'Brien 1988.

⁵⁶ Plumb 1967, 149–50.

⁵⁷ Stasavage 2007, 129.

⁵⁸ O'Brien 1988, 9; O'Brien and Hunt 1999, 62–64; Brewer 1989, 95, 98.

⁵⁹ Dickson 1967, 31. Stasavage 2007 shows that England's borrowing costs declined significantly once the Whig Party established political dominance.

in the fiscal fabric of the state.”⁶⁰ John Brewer notes that the repeal of an indirect tax, which was typically connected to particular long-term obligations, “would have been a gross breach of public confidence and a threat to the security of public credit.”⁶¹ The dominance of the Whig Party and the invigoration of the excise signaled that public debt would be met with ardent fiscal policy.

Second, fiscal institutions grew stronger during the Whig Supremacy. The state’s declining reliance on land taxes meant that state agents, rather than local notables, extracted revenue. This development lessened principal-agent problems. And as England’s fiscal apparatus grew, the new bureaucrats were more beholden to rational-legal precepts than were existing officeholders. The excise office became especially rationalized and constituted “one of the most professional and efficient bureaucracies available to any government in Europe.”⁶² Also, single-party dominance ended the bureaucratic purges that accompanied oscillations in power. Although the Whigs purged about 5 percent of excise officers in 1717, they refrained from doing so following the antigovernment, Jacobite plot in 1723 and rebellion in 1745–46. George III was likewise modest in his 1763 housecleaning, which partly aimed to remove old sinecurists from office.⁶³ Although the English bureaucracy included plenty of patronage, the character of fiscal administration had fundamentally changed.

These developments spurred a tremendous growth in tax revenues. England’s tax ratio went from about 4 percent in the 1670s–80s to 12 percent in the 1790s.⁶⁴ Dincecco likewise estimates that England extracted four times the revenue, in gold grams per capita, in 1788 compared with 1688 (12.87 versus 3.07).⁶⁵ Fiscal diversification and an increasingly rational-legal apparatus, especially in the excise, were behind the growth in revenue. The bulk of these changes came during the Whig Supremacy, when net creditors dominated politics. Furthermore, it mattered that England’s public creditors were also net creditors in the broader credit market. The usefulness of this distinction is best seen by juxtaposing England and France, where the key public creditors in the latter were net debtors overall.

⁶⁰ Brewer 1989, 116–21, quotation 119.

⁶¹ Brewer 1989, 119.

⁶² O’Brien 1988, 28; Brewer 1989, 69–70; Plumb 1967, 108–18.

⁶³ Brewer 1989, 65–79, 95–114.

⁶⁴ O’Brien 1988, 3.

⁶⁵ Dincecco 2011, Appendix A.1.

DEBTOR NOBLES BALK AT FISCAL REFORM IN FRANCE, 1688–1789

France did not match the fiscal development of its geopolitical rival. France and England squared off in the Nine Years' War and the War of Spanish Succession, which "brought the French crown to the point of bankruptcy."⁶⁶ To finance these wars, public debt ballooned to 600 million livres by 1715, roughly 350 percent of annual revenue and 100 percent of the gross national product.⁶⁷ But after these conflicts France neither embarked on a fiscal revolution nor transformed its financial sector.⁶⁸ Compared with England, France faced higher (and growing) borrowing costs and could not match its rival's per capita military spending.⁶⁹ We contend that France's coalitional politics was the reason it did not strengthen its fiscal institutions. A powerful group of debtor nobles defeated the merchants—France's net creditors who wanted fiscal reform—and stymied efforts to modernize the fiscal apparatus. After contextualizing the politics of debt and taxation in France, we illustrate these struggles during two fiscal crises: the debates over a fleeting income tax in the 1710s and over a proposed land tax in the 1760s.

At the start of the case-study period, 1688, France's institutional capacity was similar to England's. France relied on tax farmers, thus its fiscal institutions were rife with principal-agent problems. Tax farmers "had considerable autonomy. The Crown was heavily dependent on these tax collectors."⁷⁰ A number of leaders had tried to curtail the power of tax farmers, particularly with the introduction of non-venal intendants in the seventeenth century. Intendants were meant to more directly control tax administration, but "by the 18th century, most of the intendants had been co-opted by local powerholders and no longer served crown interests." French sovereigns proved unable to dislodge this "privatized administrative system" of taxation.⁷¹ As of 1688, France and England faced substantial limits to their extractive capabilities. They also had similar tax hauls. As noted above, France extracted 2.94 gold grams per capita in 1688, while England collected 3.07 grams.⁷² Overall, France's fiscal institutional prowess was insubstantial.

⁶⁶ Lachmann 2000, 138.

⁶⁷ Debt figure from Boshier 1970, 15. Government revenue was 166 million livres in 1715. Data from Bonney 1993b.

⁶⁸ Velde 2008, 165, and Bonney 1999, 148, respectively.

⁶⁹ The unweighted average yield spread between French debt and British consols rose from 170 basis points (1750s) to 353 basis points by the 1770s. Dincecco 2011. Military spending from Velde 2008, 165.

⁷⁰ White 2006, 66–75, quotation 66.

⁷¹ Kiser and Kane 2001, 202–6, quotations 203, 202.

⁷² Dincecco 2011, Appendix A.1.

Despite sizable bellicist pressure over the next hundred years, French fiscal institutions stagnated and became increasingly outmoded. One explanation, epitomized by North and Weingast, emphasizes the lack of institutional checks on French rulers.⁷³ Thomas Sargent and François Velde speculate that if the Estates General, France's representative assembly, had been called in 1715, France may have overhauled its fiscal apparatus and forged credible commitments, similar to England.⁷⁴ But Stasavage doubts that calling the Estates General would have done much. He believes that doing so might have encouraged public default and fiscal disorder because few government creditors were part of the Third Estate.⁷⁵ We believe our conceptual distinction can help to resolve this disagreement. It is true that France's main public creditors—landed nobles—were represented through the Second Estate, yet they were net debtors in the broader credit market and had little interest in fiscal reform. France's net creditors—merchants—were part of the Third Estate. They supported fiscal invigoration, but were politically marginalized. We believe that this coalitional difference accounts for why English and French fiscal institutions diverged in the eighteenth century.

To distinguish between France's net creditors and net debtors, we draw on Philip Hoffman, Gilles Postel-Vinay, and Jean-Laurent Rosenthal's extensive notarial sample of the Parisian credit market between 1730 and 1788. Merchants were responsible for 23 percent of all medium- and long-term public and private lending but only 8 percent of such borrowing, giving them a net-creditor balance in the overall credit market. Nobles were responsible for 62 percent of lending and 85 percent of borrowing, meaning that they were net debtors. One qualification about these balances is that they exclude short-term loans, which tended to be among merchants; merchants therefore accounted for a larger portion of total credit-market activity than we report, but they were still net creditors. In sum, the Parisian credit market "shifted funds within the wealthy elite, with a net flow from merchants, bourgeois, and financiers to the state and to officers and the nobility."⁷⁶

In drawing a distinction between merchants and nobles, we nonetheless recognize that these groups intermingled and overlapped historically. Mercantile activity was a route of upward mobility in France, with many merchants divesting their assets, purchasing land, and joining

⁷³ North and Weingast 1989, 830.

⁷⁴ Sargent and Velde 1995, 474–76, 489–90.

⁷⁵ Stasavage 2003, 132–38.

⁷⁶ Hoffman, Postel-Vinay, and Rosenthal 2000, 7–8, 163–66, quotation 166.

the nobility during the sixteenth and seventeenth centuries. But after 1650, merchants and other bourgeoisie found this route into the nobility increasingly foreclosed. Nobles embarked on a deliberate campaign to close ranks. This hardening social distinction mirrored politics. Nobles dominated the ancien régime and merchants were marginalized. Merchants' political exclusion extended to local town councils and the provincial *parlements* (chief law courts), which were dominated by the nobility.⁷⁷ By the eighteenth century, merchants and nobles had distinct economic profiles and differed in their political weight, and the boundary between them was growing less permeable.

In the credit market, merchants and nobles differed in terms of whom they lent to and for what purpose. The merchants' credit-market activity was straightforward. Mostly, they extended short-term credit (usually bills of exchange) to other merchants. About half of their longer-term loans went to nobles, and nearly 40 percent went to the state. Merchants did not invest heavily in venal offices, tax farms, or government bonds. In their public lending, they favored government annuities (*rentes*), probably as a way to diversify their portfolios.⁷⁸

The nobles' credit-market activity was more complicated. They lent mostly to the state and other nobles.⁷⁹ First, nobles were the state's key lender and fiscal backbone, particularly through purchases of venal offices and tax farms. Nobles made lump-sum payments to the state (in effect, loans) and gained the right to collect taxes (their annual payments).⁸⁰ The government depended on nobles for such "inside" credit during wartime.⁸¹ For example, Louis XIV funded the Nine Years' War by selling venal offices, *rentes*, and lifetime exemptions from the *taille*, France's main direct tax. He also imposed forced loans on some officeholders by demanding payment of future anticipated tax revenues.⁸² Although in popular discourse the nobles intimated their differences from the government's financiers and often decried the financiers' purportedly humble origins, the state's financiers were overwhelmingly from the nobility.⁸³

⁷⁷ Barber 1955, 60–63, 108–15; Collins 2009, 50, 301; Parker 1996, 136–44.

⁷⁸ Hoffman, Postel-Vinay, and Rosenthal 2000, 137, 161–62.

⁷⁹ Roughly 30 percent of nobles' loans went to the state and 65 percent to other nobles. Calculation based on data in Hoffman, Postel-Vinay, and Rosenthal 2000, 164–65.

⁸⁰ White 2004, 648–55. Venal officeholders (and some tax farmers) received annual salaries from the state.

⁸¹ Velde 2003, 3–6; Velde 2008, 144.

⁸² Ertman 1997, 135–39.

⁸³ Parker 1996, 136–37. Alternatively, Matthews 1958, 238–48, typifies an earlier view when he writes that the Company of General Farmers, France's main tax farmers, comprised "men of diverse social, often humble, backgrounds" (240). But Parker notes that nobles commonly used *prête-noms* (front men, or straw purchasers) when acquiring tax farms. Indeed, Matthews remarks that capital

Second, nobles lent heavily to other nobles. A typical borrower was a young nobleman who borrowed funds, often from older nobles, but sometimes from merchants, to purchase a tax farm or venal office. The loans were start-up funds. The most popular of these arrangements was the *rente perpétuelle* (perpetual annuity), under which borrowers made annuitized interest payments to the lender. Borrowers repaid the principal only when they wanted to end the annuity; lenders could not recall their loans. The *rente perpétuelle* was therefore commonly a transaction whereby older nobles secured an income stream for themselves and their heirs, whereas younger nobles used borrowed funds to purchase a riskier but more lucrative tax farm.⁸⁴ Tax farms often returned upward of 20 percent annually, whereas private credit-market transactions had interest rates capped at 5 percent.⁸⁵

The distributive implications of nobles' and merchants' credit-market activities can be seen in their attitudes toward fiscal institutions and macroeconomic instability. First, nobles liked tax farms because they were profitable. Merchants disliked the hodgepodge system of tax farms, venal offices, and in-country tolls because it obstructed commerce and dampened internal demand, given the regressive nature of tax policy.⁸⁶ Another downside of tax farms was that the state sometimes behaved capriciously and annulled obligations or withheld payments to venal officeholders. These actions would seem to hurt nobles more than merchants, and while annulments did hurt nobles, the state targeted politically weak financiers whenever possible. Nobles compensated for these risks by charging large risk premia when purchasing tax farms or making public loans.⁸⁷ Merchants were less able to insure against erratic state behavior. When the state annulled obligations or withheld payments, there was "a devastating effect on the subordinate credit market which took years to repair."⁸⁸

invested in the Company of General Farms principally came from "wealth already accumulated by families long engaged in the royal financial service" (i.e., the nobility), and that "there is little evidence of commercial or industrial capital seeking investment in the Company; conversely, there is little evidence to indicate that the General Farmers invested their profits in industrial or commercial enterprises" (247, n. 45). Finally, the authoritative study of this topic finds that the overwhelming majority of tax farmers came from office-holding noble families. Dessert 1984, 82–109. Dessert notes that the myth of a "financial lackey," an upstart and rapacious tax farmer from humble origins, served noble elites well.

⁸⁴ Hoffman, Postel-Vinay, and Rosenthal 2000, 15–22, 70–71, 100, 109–13, 158–66. See also Dewald 1993, 50–52.

⁸⁵ White 2004, 648–55.

⁸⁶ Parker 1996, 29–31, 36, 43–45.

⁸⁷ Collins 2009, 209–10; Hoffman, Postel-Vinay, and Rosenthal 1995, 270–75; Lachmann 2000, 138–39.

⁸⁸ Bonney 1999, 154; Hoffman, Postel-Vinay, and Rosenthal 1995, 271.

Second, nobles' tax farms were more sheltered from macroeconomic fluctuations than were merchants' market-based investments. Ultimately, a tax farmer's haul depended on his zealotry in collection.⁸⁹ We are not claiming that tax farms were unaffected by economic conditions. Rather, we mean to emphasize that nobles' loans to the state were not "opportunities of acquisition afforded by the market" in the modern capitalistic sense. They were, as Max Weber put it, "other chances of acquisition, such as those based on power relations, as in the case of tax farming or the sale of offices."⁹⁰ Indeed, Jonathan Dewald concludes that "venality thus placed money—but not the market—at the center of public life."⁹¹ In addition, when tax farmers invested their liquid capital, it tended to be for short-term speculation. They avoided long-term fixed capital investments.⁹² As a result, nobles were relatively insulated from macroeconomic instability.

Third, there were the implications of macroeconomic instability as seen through the lens of the popular *rentes perpétuelles*. Inflation or currency devaluation let borrowers (typically nobles) make payments to lenders (including merchants) with cheaper money, and creditors could not recall their loans. Merchants "denounced currency manipulations" because they harmed their outstanding loans and undercut macroeconomic stability.⁹³ The Crown nevertheless altered the value of the *livre* forty-one times between 1695 and 1715⁹⁴ and then deeply devalued it in the wake of the colossal monetary expansion under John Law's System (1716–20).⁹⁵ Devaluations "were in fact disguised defaults [and] . . . redistributed enormous amounts of wealth in the private credit market."⁹⁶ They wrecked the state's reputation. Even though the silver value of the *livre* remained constant after 1726, rumors of impending devaluation persisted until at least 1751.⁹⁷ The monetary system shifted risk onto creditors, and after 1720 France began a period of sustained inflation, which further harmed creditors.⁹⁸ Overall, net debtors benefitted from France's unsteady economy.

We illustrate the impact of net debtors' and net creditors' interests on fiscal policy amid two crises. First, during the War of the Spanish

⁸⁹ White 2004, 647–48.

⁹⁰ Weber 1972, 90–91.

⁹¹ Dewald 1993, 51.

⁹² Parker 1996, 203; Matthews 1958, 247, n. 45.

⁹³ Collins 2009, 219.

⁹⁴ Ertman 1997, 137. Sometimes the state decreed changes to the value of circulating coins and then assessed a coin-changing tax (*seigniorage*) to reduce its liabilities (Velde 2003, 9).

⁹⁵ Velde 2003.

⁹⁶ Hoffman, Postel-Vinay, and Rosenthal 2000, 23.

⁹⁷ Hoffman, Postel-Vinay, and Rosenthal 2000, 108–9.

⁹⁸ Riley 1986, 180.

Succession, France was virtually bankrupt and turned to forced loans and “outright coercion” for funding.⁹⁹ In 1710, Nicolas Desmaretz, Louis XIV’s finance minister, sought to address the situation with an income tax, the *dixième*, which was contentious because it taxed personal wealth and therefore would tax nobles, who were largely exempt from taxation.¹⁰⁰ Desmaretz wanted to “attract the confidence of the business community” and believed that the *dixième* could be “both an assured revenue source and a way to restore credit.”¹⁰¹ The tax aimed to invigorate lending to the Crown by creating a predictable revenue stream for debt repayment, and probably “staved off a seizure of credit” in 1710.¹⁰² But nobles fiercely opposed the *dixième*, even though they were able to self-report their wealth (leading to perhaps an 80 percent underassessment overall).¹⁰³ Opposition by the nobles provoked the Crown to repeal the *dixième* in 1717. Fiscal policy reverted, as the Crown revalued the currency, cancelled obligations, levied fines, and deepened its reliance on noble tax farmers.¹⁰⁴ In this instance, there was no ratchet effect; instead, the Crown substituted a tax that buttressed net creditors’ interests with actions that damaged them.

A fiscal crisis at the end of the Seven Years’ War illuminates similar tussles. The war was enormously expensive. The Crown elected to fund it with debt, and public debt grew by 75 percent. In 1764, government debt equaled “two-thirds of agricultural and manufacturing output,” and debt service consumed 39 percent of tax revenues.¹⁰⁵ A debate over fiscal reform ensued. A popular, but controversial, plan proposed a simple progressive tax system that would replace many existing taxes, eliminate internal customs and some tax farms, and arguably retire the public debt.¹⁰⁶ After studying other European countries, the government concluded that a cadastral survey was the best way forward.¹⁰⁷ The plan had a plain implication: nobles’ land would be taxed.¹⁰⁸ The proposal pitted the Crown against the parlements, which had prerogatives over new taxes. The parlements were filled by the *noblesse de robe*, local elites

⁹⁹ Ertman 1997, 137–39.

¹⁰⁰ Bonney 1993a; McCollim 1979, 262–344.

¹⁰¹ McCollim 1979, 263, 306. Desmaretz insisted on honoring payments to creditors in 1709, which Rowlands 2012, 47, judges probably averted a financial meltdown.

¹⁰² Rowlands 2012, 174.

¹⁰³ Bonney 1993a.

¹⁰⁴ Boshier 1970, 18–19; Lachmann 2000, 138–39; Matthews 1958, 58–62.

¹⁰⁵ Riley 1986, 184, 191; White 2006, 89.

¹⁰⁶ Riley 1986, 194–98, 205.

¹⁰⁷ Bonney 1995, 63–64; Riley 1986, 213. The government also recommended removing internal customs, which would have freed “commerce from one of the great impediments of the *ancien-régime* political structure.” Bonney 1995, 77.

¹⁰⁸ Riley 1986, 203.

who typically had landed interests and who “rarely had an immediate contact with the mercantile bourgeoisie.”¹⁰⁹ Ultimately, the parlements thwarted the cadastral,¹¹⁰ and the Crown resorted to selective defaults to deal with its wartime debt.¹¹¹ Richard Bonney judges that “the failure to introduce a national *cadastre* was a decisive setback . . . to the creation of an efficient revenue raising system in eighteenth-century France.”¹¹²

The failures of the proposed land survey and the dixième decades earlier epitomized French fiscal policy. The nobles opposed diversifying or strengthening fiscal institutions, while the merchants pleaded for a simplified system and more taxation of landed wealth.¹¹³ But fiscal institutions remained weak. Tax farmers controlled much of the revenue extraction and “precluded clear administrative solutions to fiscal problems since [they] could block reforming measures.” Intendants gradually became more involved in local tax administration, though they were drawn overwhelmingly from the nobility and became co-opted by local notables.¹¹⁴ The “effect of venality of office was to create an enormous administrative apparatus which was largely outside the direct control of the crown.” Most taxes collected never made it to Paris.¹¹⁵ Consider the contrast with England. Between 1688 and 1788, England quadrupled taxation (from 3.07 to 12.87 gold grams per capita), while France struggled to double its revenue haul (from 2.94 to 5.47 gold grams per capita).¹¹⁶ Political differences caused this gap. Powerful debtor nobles recognized that thoroughgoing reform would have exposed them to taxation and required convening the Estates General for the first time since 1614, which would thereby increase the power of merchants.¹¹⁷ They balked, and it would take a revolution before French fiscal institutions palpably would begin to change.¹¹⁸

DEBTOR MAGNATES IN THE POLAND-LITHUANIA COMMONWEALTH INSIST ON FISCAL DEBILITY, 1600–1721

In Poland-Lithuania we also find a ruling coalition of debtor nobles thwarting fiscal institution building, despite being enmeshed in a series of formidable wars. Between 1600 and 1721, the commonwealth was

¹⁰⁹ Riley 1986, 207–17; Collins 2009, xlvii.

¹¹⁰ Bonney 1995; Collins 2009, 50, 287, 301, 338; Riley 1986, 215.

¹¹¹ Parker 1996, 219; White 2006, 78, 94.

¹¹² Bonney 1995, 79.

¹¹³ Parker 1996, 30–31, 36.

¹¹⁴ Barber 1955, 115; Bonney 1999, 130–31, 160–61, quotation 152; Kiser and Kane 2001, 202–3.

¹¹⁵ Bonney 1999, 152–55, quotation 152. Matthews 1958, 31, writes that the “proprietaryship of venal offices was the antithesis of bureaucratic tenure.”

¹¹⁶ Dincecco 2011, Appendix A.1.

¹¹⁷ Hoffman, Postel-Vinay, and Rosenthal 2000, 91–95.

¹¹⁸ Tilly 1992, 107–14.

involved in nearly a dozen conflicts, including the Polish-Muscovite War (1605–18), the Second Northern War (1655–60), and the Great Northern War (1700–21).¹¹⁹ Despite bellicist pressures to centralize, diversify, and strengthen tax institutions, successive Polish monarchs failed to wrest control from the powerful landed magnates. Tax collection remained decentralized, revenue shortfalls persisted, and macroeconomic conditions deteriorated.¹²⁰ We emphasize how these circumstances did not fundamentally threaten the commonwealth's dominant force: large landowning magnates. The biggest landowners were generally debtors in the credit market and were well served by the problems attendant on a weak fiscal system.¹²¹ Ultimately, however, fiscal underdevelopment and institutional debility prevented the commonwealth from repelling its rising neighbors.

The commonwealth's structure of tax revenue indicated its extractive frailty. Land and other direct taxes predominated, although they were administered by the nobility and imposed on the peasantry. Indirect taxes were used sparingly and were collected by leaseholders, that is, tax farmers. The government experimented with an excise tax in 1657, 1659, and 1673, but it was short-lived each time. Leaseholders and tax collectors who were nobles operated with "relative impunity."¹²² Around 1600, the commonwealth depended on nobles to extract operating revenue and possessed inchoate fiscal institutions. There was an "almost total appropriation of public authority by the nobility."¹²³ And despite unrelenting geopolitical pressures, the state's revenue haul declined over time.¹²⁴

Poland-Lithuania's enervation challenges the war-makes-states model, particularly since the commonwealth was a formidable power in 1600. Tilly considers Poland-Lithuania to be "the exception that proved the rule."¹²⁵ Thomas Ertman judges that the late onset of geopolitical conflict in Poland-Lithuania meant that the nobles had already consolidated power, leaving the monarch impotent to centralize revenue collection.¹²⁶ Yet a cornerstone of bellicist theory is that the existential threat of war provokes rulers and social actors to do things that they otherwise would not. Brian Downing is perplexed that once

¹¹⁹ The Poland-Lithuania Commonwealth was arguably at war more than any other early modern European polity. Majewski, Nowak, and Teodorczyk 1990.

¹²⁰ Filipczak-Kocur 1999.

¹²¹ See especially Mączak 1976, 94–98.

¹²² Filipczak-Kocur 1999, 454–77, quotation 473.

¹²³ Ertman 1997, 266.

¹²⁴ Filipczak-Kocur 1999, 454.

¹²⁵ Tilly 1992, 139.

¹²⁶ Ertman 1997, 285, 292–300.

was began, the commonwealth refused to meet its wartime exigencies. He blames the nobles' "widespread irresponsibility" and "intransigence" toward state building.¹²⁷ Although we agree that the nobles behaved obstinately, we want to emphasize how fiscal underdevelopment benefitted them, even as it undermined the embryonic state.

Since Poland-Lithuania was a coercion-intensive polity, power was based in the countryside, where there were sharp distinctions. The commonwealth's noble class was divided into three tiers: the largest and wealthiest landed magnates, the middle nobility, and the lesser nobility. There were a small number of magnate families who each typically controlled hundreds of properties. By contrast, members of the middle nobility, who accounted for approximately one-third to two-fifths of all nobles, usually possessed properties that totaled around twenty hectares. The lesser nobility often did not own any land and lived on fragments of larger estates.¹²⁸ In addition to these economic differences, the nobility was divided in terms of military power and ideological affinities. Many magnates had private militias in which middle and lesser nobles served as officers. Magnates also tended to be staunch Catholics, whereas middle and lesser nobles embraced the ideas of the Reformation. Politically, magnates dictated policymaking; they dominated the local diets (regional assemblies known as *sejmiki*) and the powerful upper house of the bicameral diet (*Sejm*), with nobles of middling and lower status relegated to the subordinate lower house.¹²⁹

Landowning magnates were the government's key creditors.¹³⁰ When magnates lent to the state during wartime, they usually demanded immediate repayment in crown lands (*królewszczyzny*). They then leased out their new lands because it was "the easiest way to accumulate income in the form of ready money and also to increase incomes." In effect, the magnates' wartime loans were repaid through new leases on royal lands—a safer option than depending on the disorderly state treasury for monetized repayment. And if economic conditions changed, magnates could alter lease terms to the poorer nobles who lived on their

¹²⁷ Downing 1992, 145, 155.

¹²⁸ Magnatial estates were primarily organized as latifundia, with property scattered throughout a region and linked to a specific administrative area. Because of this structure, the latifundia were often run as a single economic system in which the contributions from the disparate parts could be used to benefit the whole. See Davies 2005, 156–96.

¹²⁹ Wheeler 2011, 28–32. See also Mączak 2005. Because of nobles' influence, their estates were largely immune from taxation. Filipczak-Kocur 1999.

¹³⁰ For instance, nobles contributed nearly 10 million zlotys to defend the commonwealth against Tartar and Turkish invasions in the first half of the seventeenth century, plus 4.3 million zlotys for the Smolensk War with Russia (1632–34), and 2.4 million zlotys to fight the Swedes in 1635. Filipczak-Kocur 1991.

land, so lessees ultimately bore the risk associated with the magnates' lending to the state.¹³¹ Magnates were insulated against the downside of serving as the state's principal creditor.

In the private credit market, magnates were net debtors. The lack of a robust merchant class in Poland-Lithuania meant that the most important transactions occurred between landowners.¹³² Magnates borrowed from other magnates and members of the middle nobility to buy land from middling nobles who were financially distressed. (Poland-Lithuania was in economic decline during the seventeenth century.) Middling nobles would often loan money to magnate elites in hopes of attaining increased standing in the eyes of their more powerful neighbors. For example, at the important Lwów fairs from 1676 to 1686, magnates borrowed twice as much as they lent, with the middle nobility serving as net creditors. Magnates likewise purchased twice as many properties as they sold, whereas middle nobles were net sellers of property. There were evident divides between the types of nobles and their credit-market activity. Overall, magnates were net debtors, and middling nobles were net creditors. This credit-market activity held distributive implications: it facilitated "the further extension of the large estates, which was . . . at least partly financed by the principal losers, the middle nobility." By 1700, most middle nobles had lost their hereditary land rights and leased their estates from magnates.¹³³

These developments in the commonwealth's rudimentary credit market increased the magnates' relative power. As magnates acquired royal lands from the state and estates from distressed middle nobles, they solidified their hegemony over the political system. Central authority weakened, since each successive coronation amounted to nobles auctioning the monarchy to the (often foreign) candidate that best placated them.¹³⁴ Magnates dominated the powerful upper house of the Sejm and decided key policies, including the size of the army, fiscal policy, and any related state building.¹³⁵ Magnates also gained perpetual control over crown lands and their accompanying revenues, which made it increasingly difficult for the government to fund a functional state.

Each royal election resulted in more limitations being placed on the monarch, including provisions that any change to fiscal policy had to

¹³¹ Mączak 1976, 85–88.

¹³² Wyrobisz 1989, 611, notes there was a "lack of capital in the hands of the burghers." Politically, merchants had no "access to any office (except municipal ones), their representation in the Sejm was . . . of an exclusively symbolic nature."

¹³³ Mączak 1976, 70–72, 94–98, quotation 98; Mączak 1982, 124–25.

¹³⁴ Bobrzyński 1974; Gierowski 1996; Konopczyński 1958–59; Plaza 1985.

¹³⁵ Wheeler 2011, 28–32. See also Mączak 2005.

be approved by the magnates in the Sejm. But they tended not to do so. Alongside their status as net debtors, magnates had two other reasons to balk at fiscal reform. First, ongoing currency depreciation aided the nobles' grain exports to Western Europe, so fiscal disorder could benefit their economic interests. Second, many magnates no longer had their peasants pay monetized rents. During the price revolution of the sixteenth century, magnates had shifted to nonmonetized serfdom to insulate themselves against inflation.¹³⁶ The magnates' monetized income came from two sources: grain sales (which were assisted by currency depreciation) and leases (the terms of which were alterable). Consequently, reckless fiscal policy and its corrosive macroeconomic by-products did not injure magnates.

Thus the commonwealth's structure of tax revenue remained undiversified, and its institutions stayed feeble. Most taxes were direct taxes administered (and often embezzled) by magnates. Many taxes were temporary levies, and most fell heavily on the rural masses. Noble estates and the city of Gdańsk enjoyed immunities. The Jewish community was also largely outside the state's fiscal purview. And when nobles did contribute revenue, such as their voluntary inclusion in the poll tax in 1662, they usually demanded expanded authority over royal domain lands in return. There were some attempts to improve fiscal capabilities during and after the Deluge, when Russia and Sweden separately attacked the commonwealth in 1654–55, such as the aforementioned ephemeral excise taxes. But growing elite conflict scuttled any hope of a fiscal state, and "fiscal reform was abandoned." A hodgepodge of taxes and dues that had existed from medieval times constituted the treasury.¹³⁷ Between 1655 and 1715, the central treasury's revenues dropped by more than 50 percent.¹³⁸ This feeble fiscal structure contributed to Poland-Lithuania's implosion.

Poland-Lithuania became increasingly vulnerable to outside attack due to the magnates' growing autonomy, and underfunding of the military. The Deluge exacerbated tensions among nobles and brought the commonwealth to the brink of collapse. Rather than join in collective defense, as bellicist theory would expect, the magnates engaged in internecine disputes. Some elites, such as the powerful Radziwiłł family from Lithuania, sought to form a compromise with Charles X of Sweden and recognize him as the new king of Poland. Other elites in southern and eastern Poland viewed the Russian tsar as the best option

¹³⁶ Filipczak-Kocur 1999, 446–48; Gigliotti 2009, 71.

¹³⁷ Filipczak-Kocur 1999, 454–66, 473–75, quotation 474.

¹³⁸ Frost 2004, 53–58.

and pledged their allegiance to Muscovy. Elite conflict flourished, undermining any hope for coherent fiscal policy. The commonwealth was “totally unprepared for the onslaught of Charles XII” in the Great Northern War.¹³⁹ By 1720, Poland-Lithuania was firmly under Russian control, where it remained until its partition in 1772.

A QUANTITATIVE EVALUATION OF COALITIONAL POLITICS AND TAX REVENUES

In this section, we complement our European case studies with suggestive quantitative evidence on the link between political coalitions and revenue extraction in early modern Europe. We examine six polities between 1650 and 1800: England (1650–1800), France (1650–1800), the Netherlands (1720–95), Prussia (1688–1800), Spain (1703–1800), and Sweden (1750–1800). This period marked Europe’s formative state-building era, when rulers increasingly erected permanent tax institutions to fund war-making and finance debt.¹⁴⁰ According to Tilly’s typology, our sample includes one capital-intensive state (the Netherlands), four examples of capitalized coercion (England, France, Prussia, and Spain), and one coercion-intensive state (Sweden).¹⁴¹ We analyze these cases because they were central to European state formation and because data on them are available.

DATA

We evaluate the impact of net-creditor coalitions against Dincecco’s data on central government tax revenues, as measured in gold grams per capita.¹⁴² His data are the best time series on revenue collection in early modern Europe, but data availability in the period before 1800 is nonetheless limited, so our findings should be regarded as tentative. Dincecco’s data series depicts an upward secular trend in per capita revenue hauls, which is consistent with the conventional wisdom on European state formation: warfare and urbanization created both the rationale and economic resources to increase revenue extraction. In addition, although most countries continued to rely on tax farming during this era, tax farmers were becoming more adept and efficient at extracting revenue.¹⁴³ We want to be clear that these data assess overall

¹³⁹ Frost 2004, 53–58; Filipczak-Kocur 1999, 474–75, quotation 475; Gierowski 1996, 42–53.

¹⁴⁰ Tilly 1992, 29, 53; Centeno 1997, 1568.

¹⁴¹ Tilly 1992, 133–60. Tilly considers Sweden and other Nordic countries to be a subset of the coercive trajectory.

¹⁴² Dincecco 2011, Appendix A.1. The descriptive statistics for our data are in the appendix to this article.

¹⁴³ Kiser 1994.

changes in revenue collection but do not reveal changes in fiscal institutions, because even though tax farmers became more effective, using them nonetheless signaled state institutional paucity.¹⁴⁴ Unfortunately, there are no well-developed cross-national time series on changes in fiscal institutions in early modern Europe. We therefore encourage the reader to regard the following regressions as suggestive complements to our case studies, which better illuminate institutional stasis and change.

We indicate variation in political coalitions, our independent variable, with Daron Acemoglu, Simon Johnson, and James Robinson's "protection of capital" measure (*protect capital*). *Protect capital* assesses merchants' formal political rights on a scale of 1 to 7, including "no effective protection against arbitrary confiscation by the ruler" (1), to situations in which merchants "have effective parliamentary representation" (5), to governments that were "formed by and largely influenced or controlled by merchants" (7).¹⁴⁵ We find this variable compelling because although net creditors need not necessarily be merchants, urban merchants held much liquid capital in early modern Europe. They were disposed to becoming net creditors in a country's debt market,¹⁴⁶ which was true in England and France (and also in Argentina). *Protect capital* does well to get at our underlying concept of interest, net-creditor coalitions. We expect this measure to be positively associated with revenue extraction, given capital holders' inclination to want predictable revenue streams in part to lower uncertainty over public debt repayment.¹⁴⁷ Consequently, the protection of capital should manifest itself partly in stronger fiscal regimes.

Acemoglu, Johnson, and Robinson's scores correspond fairly well to the coalitional changes we discuss in our case studies. They code England as 3 in 1600, 5 in 1700, 6 in 1750, and 7 in 1800. England's jump from 3 to 5 between 1600 and 1700 represents the gains in parliamentary oversight due to the Glorious Revolution. The rise between 1700 and 1750 is likely the result of the Whig Supremacy, and the score in 1800 reflects the "steady strengthening of Parliament."¹⁴⁸ France scores a 1 from 1600 until 1800, when its code changes to 5, an indication of the coalitional inclusion of the Third Estate due to the French Revolution. In addition, although Poland-Lithuania is not part of our quantitative evaluation, Acemoglu, Johnson, and Robinson code Poland as 1 throughout this era, which is

¹⁴⁴ Saylor 2013, 372–74.

¹⁴⁵ Acemoglu, Johnson, and Robinson 2002, 35.

¹⁴⁶ Stasavage 2011, 37.

¹⁴⁷ Bordo and Cortés Conde 2006, 4–8; Brewer 1989, 114–34.

¹⁴⁸ Acemoglu, Johnson, and Robinson 2002, 61.

consistent with our analysis.¹⁴⁹ We think that their conceptualization and country scores approach our interest in net-creditor coalitions.

We prefer *protect capital* to two other potential proxies for net-creditor coalitions. First, one could conceivably indicate net-creditor coalitions with urbanization rates, under the assumption that areas with higher levels of urbanization would grant merchants and urban capitalists (presumably the country's net creditors) more political influence. This relationship probably holds in general, though there were polities, such as Spain, that featured considerable urbanization but where leaders favored landed elites over mercantile interests.¹⁵⁰ Second, and similarly, one might indicate net-creditor coalitions via the presence of representative assemblies, given that representative institutions were more common in city-states, in which capital holders tended to be stronger.¹⁵¹ But as our Poland-Lithuania case illustrates, representative assemblies sometimes worked against creditor interests, depending on the interests encapsulated within them.¹⁵² Overall, we believe the protection of capital proxy best approximates our interest in net-debtor versus net-creditor coalitions.

We include two control variables in our regressions to address the influence that warfare and social structure may have had on revenue extraction. The first control indicates the intensity of warfare (*war deaths*). These data come from Dincecco, who estimates the "average military deaths per conflict year sustained by participant countries."¹⁵³ Dincecco calculates total war casualties and an annual average of them based on the length and number of belligerents in a particular war. All participants in a conflict share the same annual war-death average. Kivanç Karaman and Şevket Pamuk judge that such apportioned casualty figures better approximate the intensity of warfare experienced by warring parties than do country-specific casualties because losing sides usually featured higher casualties. We then divide Dincecco's estimates by a country's national population to approximate a war's relative intensity for individual countries.¹⁵⁴

¹⁴⁹ Acemoglu, Johnson, and Robinson 2002, 34–37, 59–61, code early modern European polities in 1600, 1700, 1750, and 1800, so there is often a lag between actual political events and coding changes.

¹⁵⁰ Lachmann 2000, 150–54.

¹⁵¹ Stasavage 2011, 47–65.

¹⁵² Acemoglu, Johnson, and Robinson 2002, 60, emphasize that their variable gauges the protection of capital, not simply institutional constraints on rulers.

¹⁵³ Dincecco 2011, 206.

¹⁵⁴ Dincecco 2011, 86–88, 206; Karaman and Pamuk 2013, 609. The population statistics also come from Dincecco. The results reported in Table 1 remain essentially the same if we do not divide war death estimates by a country's national population. Also, it is conceivable that the willingness to wage war was endogenous to a polity's fiscal prowess. Although we recognize this possibility, we want

A second control addresses the effect of urbanization on revenue extraction (*urbanization*). *Urbanization* reflects concentrated wealth and should be positively correlated with tax revenues, because it was logistically simpler for governments to collect taxes in urban areas than in the hinterland. In addition, urbanization entailed structural economic changes, including the development of urban economic activity, the attendant growth in commercialized agriculture, and the overall rise of real per capita income.¹⁵⁵ This control helps to address the generic rise of per capita tax revenues throughout Europe. Controlling for urbanization also helps to isolate the influence of coalitional politics, as more urbanized polities typically accorded capital holders more political sway. We use estimates of urbanization rates from Dincecco, who draws on Jan de Vries.¹⁵⁶ De Vries' data are generally considered to be the best estimates of urbanization in early modern Europe.¹⁵⁷ We prefer using estimates of urbanization rates to a blunter control, such as Tilly's judgments about the relative distribution of coercion and capital in a given polity.

RESULTS AND DISCUSSION

We find a positive and consistent association between *protect capital* and *per capita tax revenue* (Table 1). Following Dincecco, our dependent variable is the natural logarithm of central government tax revenues per capita, as measured in gold grams. In columns 1 through 4, the estimation technique is a Prais-Winsten generalized least squares regression, with a common AR(1) term to correct for serial autocorrelation and panel-corrected standard errors to account for heteroskedasticity and contemporaneous error correlation in the data.¹⁵⁸ This model employs advice from Nathaniel Beck and Jonathan Katz and follows related studies by Dincecco and Karaman and Pamuk.¹⁵⁹ Our specifications include year fixed effects but not country fixed effects, because the model is not robust to their inclusion. Because we have a small country sample but relatively long time series, and because *protect capital* changes slowly, we cannot estimate the latter's parameters precisely while also using country fixed effects. It is therefore possible that country-specific,

to underscore that interstate war was endemic to Europe between 1650 and 1800, and was in some ways akin to a background condition. Tilly 1992, 70–76; Levy 1983.

¹⁵⁵ Karaman and Pamuk 2013, 609.

¹⁵⁶ Dincecco 2011, 207; de Vries 1984.

¹⁵⁷ Stasavage 2011, 79–80.

¹⁵⁸ Beck and Katz 1995.

¹⁵⁹ Dincecco 2011, 83–84, 100–101; Karaman and Pamuk 2013, 611–13.

TABLE 1
POLITICAL COALITIONS AND TAX REVENUES^a

	(1)	(2)	(3)	(4)	(5)
Protect capital	0.110*** (0.041)	0.094** (0.046)	0.202*** (0.034)	0.097** (0.039)	0.166* (0.077)
Urbanization	4.567*** (0.915)	4.577*** (1.391)	4.627*** (0.813)	4.539*** (0.857)	2.654 (1.402)
War deaths	1.833 (3.585)	3.306 (3.542)	-3.545 (6.642)	4.156 (3.566)	4.148 (5.914)
Protect × war deaths	0.429 (1.070)	-0.857 (1.685)	1.333 (1.600)	0.433 (0.970)	-2.584 (1.572)
Constant	-0.141 (0.310)	-0.123 (0.341)	-0.317 (0.255)	-0.123 (0.251)	-0.313 (0.594)
Dropped from sample		Netherlands	Prussia	Sweden	
Observations	640	564	527	589	640
R-squared	0.271	0.241	0.431	0.295	0.589

* $p < 0.10$; ** $p < 0.05$; *** $p < 0.01$

^aThe dependent variable is the natural logarithm of per capita tax revenues, as measured in gold grams by Dincecco 2011. In columns 1 through 4, the estimation technique is a Prais-Winsten generalized least squares regression with year fixed effects, panel-corrected standard errors, and a common AR(1) term to correct for serial autocorrelation. Column 5 uses an ordinary least squares regression, with year and country fixed effects and robust standard errors clustered by country. The country sample comprises England (1650–1800), France (1650–1800), the Netherlands (1720–95), Prussia (1688–1800), Spain (1703–1800), and Sweden (1750–1800).

time-invariant, unobserved characteristics, such as geography or culture, may bias our findings.¹⁶⁰

Column 1 includes the full sample, but we drop certain cases from our sample in columns 2 through 4 to address potential concerns that our results are driven by extreme observations. In column 2, we exclude the Netherlands, the sole capital-intensive polity in our sample. Capital-intensive polities had high levels of commercialization and urbanization, which facilitated revenue extraction. In column 3, we omit Prussia because scholars conclude that Prussia was extraordinarily efficient at extracting revenue, in spite of inauspicious structural economic conditions.¹⁶¹ In column 4, we exclude Sweden, the only coercion-intensive state in our sample. Alternatively, in column 5 we use ordinary least squares regression, with year and country fixed effects and robust standard errors clustered by country. The country fixed effects

¹⁶⁰ Beck 2001, 283–85.

¹⁶¹ Dincecco 2011, 60–63; Kiser and Schneider 1994.

help address potential bias due to country-specific unobserved characteristics, though this model does not address contemporaneous error correlation or serial autocorrelation.

Across these specifications, the protection of capital is positively associated with revenue extraction and surpasses conventional levels of statistical significance. As for the control variables, the urbanization proxy exhibits a positive and generally significant association with per capita tax revenues, which is consistent with received wisdom. Alternatively, the warfare proxy and an interaction between the protection of capital and the warfare control (*protect capital* × *war deaths*) are signed inconsistently and do not meet conventional thresholds for statistical significance.¹⁶² In sum, we find a persistent association between the protection of capital indicator and revenue extraction. We regard these findings as suggestive because our data set covers only six countries and because of other aforementioned limitations. Even so, these results imply that our case studies of England, France, and Poland-Lithuania may indeed reflect a common political dynamic in early modern Europe.

DEBT POLITICS AND FISCAL INSTITUTIONS IN LATIN AMERICAN PERSPECTIVE

Our final case study examines how Argentina grappled with the aftermath of the War of the Triple Alliance (also known as the Paraguayan War). We use this case to suggest that the dynamics we emphasize may not be bound solely to early modern Europe. We selected Argentina for a few reasons. In general, Latin America experienced considerable warfare during the nineteenth century, its formative state-building era.¹⁶³ In particular, the War of the Triple Alliance was substantial; Centeno likens it to the “total” wars fought in early modern Europe.¹⁶⁴ Argentina was also simultaneously enmeshed in geopolitical rivalries with

¹⁶²The fact that the interaction term is not statistically significant is consistent with our theoretical argument. A strong association between this interaction term and per capita tax revenues imply that net creditor coalitions pressed for fiscal development during wars but stopped once the wars ended, only to restart fiscal capacity-building once hostilities broke out again. But Tilly 1992, 89, and others refer to a “ratchet effect” in early modern Europe, whereby wartime debts prompted the gradual accretion of extractive capacity afterward. In addition, our findings are robust to the exclusion of this interaction term. We also considered the possibility that the ramifications of warfare did not manifest themselves immediately, but did so later, once policymakers began to grapple with the fiscal consequences of war. We therefore ran our regressions with the warfare control and interaction term lagged by one, two, and five years. Lagging these variables did not materially alter the regression results.

¹⁶³Centeno 1997, 1570–73.

¹⁶⁴Centeno 2002, 56.

Brazil and Chile, which arguably should have provoked deeper revenue extraction.¹⁶⁵ Finally, merchants were stronger in Argentina than most elsewhere in Latin America, so they should have been politically consequential.¹⁶⁶

The War of the Triple Alliance pitted Argentina, Brazil, and Uruguay against Paraguay, the aggressor.¹⁶⁷ The *Economist* estimates that the war cost Argentina £9.4 million, more than 100 percent of its foreign trade value circa 1860.¹⁶⁸ It also marked Argentina's first substantial growth of long-term public debt. In some ways, the war affirmed aspects of bellicist theory. For example, afterward Argentina began to professionalize its military.¹⁶⁹ But the war had few fiscal ramifications. Argentina continued to rely on volatile trade duties for revenue, even as macroeconomic problems grew.

We attribute the lack of fiscal institution building to the preferences of the export-oriented cattle and sheep ranchers (*estancieros*) in Buenos Aires province who dominated the ruling political coalition. Estancieros "were unusually dependent upon foreign communities for capital . . . hence they were a debtor class."¹⁷⁰ British merchants were their main source of credit and the country's net creditors.¹⁷¹ Merchants and other British investors also purchased much of Argentina's public debt directly or indirectly through firms such as the London-based bank, Baring Brothers.¹⁷² In general, the *estancieros* and British merchants had a symbiotic relationship that centered on foreign trade, but sometimes they clashed over monetary and fiscal policy.¹⁷³

The War of the Triple Alliance followed a decade of momentous change in Argentina. From 1852 to 1862, "Argentina" was divided between the Buenos Aires provincial government and the Argentine Confederation, a rival conglomeration of the country's other provinces. In 1857 a global wool boom destabilized this precarious status quo. Estancieros in Buenos Aires felt that they were losing out to upstart ranchers in the confederation, so they moved to militarily subdue them to maintain their supremacy.¹⁷⁴ Ranchers also had a growing appetite

¹⁶⁵ Thies 2005.

¹⁶⁶ López-Alves 2001, 158–59.

¹⁶⁷ Centeno 2002, 54–56.

¹⁶⁸ Centeno 2002, 228; McLynn 1984; Platt 1983, 46.

¹⁶⁹ Oszlak 1982, 100, n. 14.

¹⁷⁰ Ferns 1960, 144–45; see also Sabato 1990, 243–74.

¹⁷¹ Reber 1979.

¹⁷² Ferns 1960, 327–28, 439–42.

¹⁷³ Reber 1979, 19, 29.

¹⁷⁴ Saylor 2014, 98–102.

for credit because raising sheep was more capital intensive than cattle ranching.¹⁷⁵

After reunification, the monetary system was in disarray. A variety of currencies circulated, and between 1859 and 1861, the Buenos Aires government had nearly doubled the money supply. The *peso corriente*, the nonconvertible currency used for everyday transactions, was virtually worthless. (It circulated alongside the metallic *peso fuerte*.) In early 1863, merchants lobbied the treasury minister, Dalmacio Vélez Sarsfield, for monetary stabilization.¹⁷⁶ He declared that the “nation has a first order interest to avoid ruin” of the paper peso. The government retired the defunct confederation’s floating debt, gave the Banco de la Provincia de Buenos Aires exclusive note-issuing privileges, and contracted the money supply by 10 percent.¹⁷⁷ Like the monetary situation, the fiscal system was disorderly: “The tax collection apparatus . . . was weak and scattered . . . with incompetent personnel.”¹⁷⁸ In 1863, trade duties made up 94 percent of state revenue.¹⁷⁹ Argentina had weak fiscal institutions.

The War of the Triple Alliance and its aftermath illuminate the differing visions for monetary and fiscal policy by Argentina’s net debtors and net creditors. Argentina began the war with its budget more or less balanced, but the war began an era in which the state took on debt to run deficits.¹⁸⁰ Argentina partly financed the war with a £2 million bond issue through Baring Brothers in 1866 and 1868, which accounted for 20 percent of the war’s expenses. It was “subscribed, chiefly for investment among merchants and capitalists connected with Argentina.”¹⁸¹ The war began a penchant for debt financing as the central state and Buenos Aires’ provincial government acquired over £9 million more in public debt between 1870 and 1873.¹⁸²

¹⁷⁵ Sabato 1990, 243–74.

¹⁷⁶ Scobie 1954, 37–38.

¹⁷⁷ Cortés Conde 1989, 19–30; Vélez Sarsfield quotation 29. Estimates of the money supply vary, but everyone agrees that it contracted during 1862–65. Chiaramonte 1971, 58, estimates that the money supply was 340 million paper pesos in 1862. Cortés Conde 1989, 42, calculates that it had contracted to 305 million pesos by 1864. They agree that the money supply was 298 million pesos in 1865. Adelman 1995, 245, calculates a starker contraction, from 378 million paper pesos in 1862 to 230 million by 1865.

¹⁷⁸ Oszlak 1982, 194.

¹⁷⁹ Oszlak 1982, 204–205.

¹⁸⁰ Platt 1983, 33. Argentina’s only outstanding foreign debt before the war was its 1824 loan, which had been in default but was rescheduled in 1857. Ferns 1960, 319–20.

¹⁸¹ The state funded remaining war expenses by issuing promissory notes to military men and borrowing from the Banco de la Provincia de Buenos Aires. Platt 1983, 33–40, quotation 37; Marichal 1989, 92–93.

¹⁸² Marichal 1989, 93–94, 243.

During the war, the government halted the valorization of the peso. The monetary situation had stabilized, but as the peso gained value, money became tight. The estancieros' advocacy group, the Sociedad Rural Argentina, argued in 1866 that an appreciating peso "ruined the country's source of wealth: the countryside" and would mean the estancieros' "inevitable" ruin "in short time."¹⁸³ By contrast, the newspaper *La Nación*, a mouthpiece for mercantile interests, desired further strengthening of the peso to promote imports, the more valuable part of Argentine trade.¹⁸⁴ (Imports always outpaced exports between 1861 and 1875.) To stop valorization, the estancieros sought an official peg, which they received in 1867 with the formation of the Oficina de Cambios.¹⁸⁵ Yet despite the peg and chronic trade deficits, the money supply expanded considerably during the war—from 316 million to 583 million paper pesos—because Argentina helped supply the Brazilian army, and the influx of Brazilian capital enabled emissions from the Oficina de Cambios. In addition, the Banco de la Provincia de Buenos Aires started issuing (and the state began accepting) metallic notes in 1866.¹⁸⁶ Monetary policy thereby facilitated the estancieros' economic goal of access to credit for wool production.¹⁸⁷ Meanwhile, fiscal policy remained centered on trade duties, which accounted for 95 percent of ordinary income during the war.¹⁸⁸

After the war, monetary policy continued to favor the estancieros. In 1872, the government established a mortgage bank in Buenos Aires province. The bank issued interest-bearing letters of mortgage credit (*cédulas*), which functioned like revolving lines of credit, encouraged land speculation, and promoted inflation.¹⁸⁹ In addition, the Banco de la Provincia de Buenos Aires, which was not bound by the Oficina de Cambios' peg, continued expanding the money supply. *La Nación* objected, but to no avail.¹⁹⁰ When peacetime ended the influx of Brazilian capital, Argentina's chronic trade deficits quickly depleted the Oficina de Cambios' metallic reserves, from \$F15 million (pesos fuertes) in 1872 to less than \$F3 million in 1875.¹⁹¹ The government exhausted

¹⁸³ Quoted in Chiaramonte 1971, 59.

¹⁸⁴ Chiaramonte 1971, 60.

¹⁸⁵ Chiaramonte 1971, 57–61; Panettieri 1980, 389–93. The peg was twenty-five paper pesos to one peso fuerte. Adelman 1995, 245, and Reber 1979, 32, note, however, that the growing scarcity of paper pesos bothered merchants, too.

¹⁸⁶ Panettieri 1980, 392–94; Cortés Conde 1989, 42, 47–50, 94.

¹⁸⁷ Cf. Sabato 1990, 255–62.

¹⁸⁸ Oszlak 1982, 204–5.

¹⁸⁹ Ferns 1960, 370–71.

¹⁹⁰ Cortés Conde 1989, 82–84. Ranchers were prominent among the directors of the Banco de la Provincia de Buenos Aires and the provincial mortgage bank. Sabato 1990, 273–74.

¹⁹¹ Panettieri 1980, 392–94.

its reserves shortly thereafter and made its quarterly debt payment in June 1876 with paper pesos (not gold). It avoided default by securing a short-term loan from Baring Brothers.¹⁹² Convertibility was suspended in 1876, and the paper peso lost more than a quarter of its value by the end of the 1870s.¹⁹³

Argentina was in an economic crisis, which greatly worried the country's net creditors. The paper peso depreciated by about 20 percent in the months immediately following the end of convertibility.¹⁹⁴ Inflation accelerated.¹⁹⁵ British capitalists were most exposed to these problems; indeed "currency depreciation threatened the profits of import-export merchants far more than any government device to raise revenue."¹⁹⁶ British investors also held large amounts of public and railroad debt; about 80 percent of all British investment in Argentina pivoted on the government's ability to repay them.¹⁹⁷ Yet the state's fiscal foundation seemed increasingly precarious. Consider three changes between the years 1865–69 and 1870–76. Argentina's budget deficits as a proportion of exports doubled. The share of debt service to overall expenditures grew from 21 percent to 38 percent. And perhaps most important, debt service as a proportion of state revenues increased from 28 percent to 61 percent.¹⁹⁸

In 1875–76, policymakers debated remedies to the fiscal crisis. The two main proposals were (1) raising import duties, or (2) suspending debt payments.¹⁹⁹ Argentina's net creditors were frustrated that significant fiscal diversification and taxes on landed wealth were nonstarters. *La Prensa*, a newspaper sensitive to British interests, questioned the logic of proposals to raise import duties while lowering export duties. It argued that exporters were better able to absorb higher taxes than were consumers, who bore the brunt of import duties.²⁰⁰ The *London Times* was blunter, editorializing that the problems caused by revenue shortfalls would not abate "unless the capacities of the country to bear internal taxation . . . can be extensively brought into play to fill up the deficiency." Merchant firms in Liverpool, London, and Manchester published a letter alongside the editorial and advocated more internal

¹⁹² Ferns 1960, 380; Marichal 1989, 105.

¹⁹³ Panettieri 1980, 394–95.

¹⁹⁴ Panettieri 1980, 395.

¹⁹⁵ della Paolera and Taylor 2001, 13–14. There had been a modest rise in price indices under the convertibility regime.

¹⁹⁶ Reber 1979, 29.

¹⁹⁷ Ferns 1960, 327–28.

¹⁹⁸ Calculations based on data from Chiamonte 1971, 38–39, 90; Cortés Conde 1989, 33, 86, 112; Oszlak 1982, 204–5, 262.

¹⁹⁹ Chiamonte 1971, 112–16, 181–203.

²⁰⁰ *La Prensa* 1875; *La Prensa* 1876.

taxation because “the Argentines, as a nation, [are] a very lightly taxed people.”²⁰¹ Yet Argentine policymakers were not persuaded. They raised import duties and added some taxes on consumer goods but left landed wealth untouched.²⁰² The estancieros had “managed to paralyze” such desires.²⁰³ The state’s fiscal configuration did not change remarkably.

Policymakers reaffirmed this orientation a few years later. In 1880–81, the budget deficit widened despite growing exports, which sent President Julio Roca scrambling for short-term financing.²⁰⁴ Rather than diversify taxes, the government initiated a bonds-for-land swap with estancieros. Ranchers loaned the government money as a stop-gap and later redeemed their bonds for 20 million hectares that the state was then adding to the national domain through the Conquest of the Desert (the subjugation of Indian tribes in southern Argentina). The state received some one-off revenue, but not a new perennial tax, while the estancieros added massively to their landholdings.²⁰⁵ Rodolfo Ortega Peña and Eduardo Luis Duhalde, in their history of Baring Brothers in Argentina, conclude that the government guaranteed its foreign debt payments through the bond program.²⁰⁶

The predilection for debt financing accelerated in the 1880s. As ranchers were taking part in the bonds-for-land swap, they were deepening their position as debtors through the growing use of cédulas, the letters of mortgage credit. Much of the financing for these mortgage bonds came from unsuspecting British subscribers.²⁰⁷ Gerardo della Paolera and Alan Taylor characterize the 1880s as “at worst . . . a highly leveraged government-backed Ponzi scheme.”²⁰⁸ In the 1890s, Argentina experienced the Baring Crisis (an acute recession), two attendant defaults, massive inflation, and currency depreciation. Yet the decade was a boon to estancieros, as “public funds (had become) a favored instrument for private accumulation.”²⁰⁹ Through it all, the fiscal apparatus remained flimsy. Some new taxes in the 1890s targeted foreign firms and workers, through taxes on alcohol for example, but estancieros remained shielded.²¹⁰ In sum, Argentina did not lack stimuli for fiscal development; the country fought a grand war, took on lots of

²⁰¹ *Times* 1876.

²⁰² Cortés Conde 1989, 117–20.

²⁰³ Oszlak 1982, 214.

²⁰⁴ Cortés Conde 1989, 147, 149–54.

²⁰⁵ Oszlak 1982, 214–15.

²⁰⁶ Ortega Peña and Luis Duhalde 1968, 186–87.

²⁰⁷ Ferns 1960, 370–71.

²⁰⁸ della Paolera and Taylor 2001, 58.

²⁰⁹ Marichal 1989, 139–70, quote 158.

²¹⁰ Oszlak 1982, 204–5; Schwartz 1989, 217–21.

debt, and scarcely taxed key portions of the economy. In addition, there were vocal advocates for fiscal reform—they simply lacked the political strength to propel much change.

CONCLUSION

There is an intuitive logic that war-making leads to state building. Yet some polities that went to war in early modern Europe were torpid in the face of acute fiscal pressures. Similarly, warfare in the developing world has not produced the fiscal states anticipated by bellicist theory. It is clear that war does not functionally result in centralization or institution building. We try to supply part of the answer to the question, *when* does warfare lead to state building? The composition of ruling coalitions helps elucidate why some countries strengthen tax institutions to deal with their wartime debts, while others do not. Ultimately, rulers are supported by a political coalition, and the interests of coalition members can go far to explain why bellicist pressures may not result in fiscal diversification and institution building, even when it seems manifestly sensible.

APPENDIX

DESCRIPTIVE STATISTICS

<i>Variable</i>	<i>Observations</i>	<i>Mean</i>	<i>Std. Dev.</i>	<i>Min.</i>	<i>Max.</i>
Per capita tax revenue (in gold grams)	640	4.76	3.88	0.33	21.65
Protect capital	640	2.43	1.88	1	7
Urbanization	640	0.117	0.080	0.042	0.324
War deaths	640	0.003	0.008	0	0.046
Protect × war deaths	640	0.006	0.017	0	0.092

REFERENCES

- Acemoglu, Daron, Simon Johnson, and James Robinson. 2002. "The Rise of Europe: Atlantic Trade, Institutional Change and Economic Growth." NBER Working Paper no. 9378. Cambridge, Mass.: National Bureau of Economic Research. doi: 10.3386/w9378.
- Adelman, Jeremy. 1995. "The Politics of Money in Mid-Nineteenth-Century Argentina." In John Harriss, Janet Hunter, and Colin M. Lewis, eds., *The New Institutional Economics and Third World Experience*. London, UK: Routledge.
- Baldacci, Emanuele, and Manmohan S. Kumar. 2010. "Fiscal Deficits, Public Debt, and Sovereign Bond Yields." IMF Working Paper 10/184. Washington, D.C.: International Monetary Fund. At <https://www.imf.org/external/pubs/ft/wp/2010/wp10184.pdf>, accessed December 21, 2016.

- Barber, Elinor. 1955. *The Bourgeoisie in 18th Century France*. Princeton, N.J.: Princeton University Press.
- Beck, Nathaniel. 2001. "Time-Series-Cross-Section Data: What Have We Learned in the Past Few Years?" *Annual Review of Political Science* 4: 271–93. doi: 10.1146/annurev.polisci.4.1.271.
- Beck, Nathaniel, and Jonathan Katz. 1995. "What to Do (and Not to Do) with Time-Series Cross-Section Data." *American Political Science Review* 89, no. 3: 634–47. doi: 10.2307/2082979.
- Besley, Timothy, and Torsten Persson. 2011. *Pillars of Prosperity: The Political Economics of Development Clusters*. Princeton, N.J.: Princeton University Press.
- Bobrzyński, Michał. 1974. *Dzieje Polski w zarysie* [Polish Happenings at a Glance]. Warsaw, Poland: Państwowy Instytut Wydawniczy.
- Bonney, Richard. 1993a. "Le Secret de leurs Familles": The Fiscal and Social Limits of Louis XIV's *Dixième*." *French History* 7, no. 4: 383–416. doi: 10.1093/fh/7.4.383.
- . 1993b. "Total Royal Revenue in France and in England from Various Sources, 1660–1775, Converted into Livres Tournois." In *Data on Seventeenth-Century French Revenues and Expenditure Supplied by the Project Director, Professor Richard Bonney Drawing upon Malet (1789) and the Extant Malet MSS*. European State Finance Database. At <http://www.esfdb.org/table.aspx?resourceid=11779>, accessed December 21, 2016.
- . 1995. "Comparative Fiscal Systems on the Eve of Modernity: The French Enquiry of 1763." In Richard Bonney, *The Limits of Absolutism in ancien régime France*. Aldershot, UK: Variorum.
- . 1999. "France, 1494–1815." In Richard Bonney, ed., *The Rise of the Fiscal State in Europe, c. 1200–1815*. Oxford, UK: Oxford University Press.
- Bordo, Michael, and Roberto Cortés Conde. 2006. "Introduction." In Michael Bordo and Roberto Cortés Conde, eds., *Transferring Wealth & Power from the Old to the New World: Monetary and Fiscal Institutions in the 17th through the 19th Centuries*. Cambridge, UK: Cambridge University Press.
- Bosher, J. F. 1970. *French Finances, 1700–1795: From Business to Bureaucracy*. Cambridge, UK: Cambridge University Press.
- Brewer, John. 1989. *The Sinews of Power: War, Money and the English State*. New York, N.Y.: Alfred A. Knopf.
- Brooks, Colin. 1974. "Public Finance and Political Stability: The Administration of the Land Tax, 1688–1720." *Historical Journal* 17, no. 2: 281–300. doi: 10.1017/S0018246X00007755.
- Cannadine, David. 1977. "Aristocratic Indebtedness in the Nineteenth Century: The Case Re-opened." *Economic History Review* 30, no. 4: 624–50. doi: 10.1111/j.1468-0289.1977.tb00286.x.
- Carruthers, Bruce. 1996. *City of Capital: Politics and Markets in the English Financial Revolution*. Princeton, N.J.: Princeton University Press.
- Catão, Luis, and Marco Terrones. 2005. "Fiscal Deficits and Inflation." *Journal of Monetary Economics* 52, no. 3: 529–54. doi: 10.1016/j.jmoneco.2004.06.003.
- Centeno, Miguel. 1997. "Blood and Debt: War and Taxation in Nineteenth-Century Latin America." *American Journal of Sociology* 102, no. 6: 1565–605. doi: 10.1086/231127.
- . 2002. *Blood and Debt: War and the Nation-State in Latin America*. University Park, Pa.: Pennsylvania State University Press.

- Chiaromonte, José Carlos. 1971. *Nacionalismo y liberalismo: Económicos en Argentina, 1860–1880*. Buenos Aires, Argentina: Solar/Hachette.
- Collins, James. 2009. *The State in Early Modern France*, 2nd ed. Cambridge, UK: Cambridge University Press.
- Cortés Conde, Roberto. 1989. *Dinero, deuda y crisis: evolución fiscal y monetaria en la Argentina, 1862–1890*. Buenos Aires, Argentina: Editorial Sudamericana.
- Cox, Gary. 2011. “War, Moral Hazard, and Ministerial Responsibility: England after the Glorious Revolution.” *Journal of Economic History* 71, no. 1: 133–61. doi: 10.1017/S0022050711000052.
- Davies, Norman. 2005. *God’s Playground: A History of Poland*, 2 vols. Oxford, UK: Oxford University Press.
- De Krey, Gary. 1985. *A Fractured Society: The Politics of London in the First Age of Party, 1688–1715*. Oxford, UK: Oxford University Press.
- della Paolera, Gerardo, and Alan Taylor. 2001. *Straining at the Anchor: The Argentine Currency Board and the Search for Macroeconomic Stability, 1880–1935*. Chicago, Ill.: University of Chicago Press.
- Dessert, Daniel. 1984. *Argent, pouvoir et société au Grand Siècle*. Paris, France: Fayard.
- de Vries, Jan. 1984. *European Urbanization 1500–1800*. Cambridge, Mass.: Harvard University Press.
- Dewald, Jonathan. 1993. “The Ruling Class in the Marketplace: Nobles and Money in Early Modern France.” In Thomas Haskell and Richard Teichgraber, eds., *The Culture of the Market: Historical Essays*. Cambridge, UK: Cambridge University Press.
- Dickson, Peter George Muir. 1967. *The Financial Revolution in England: A Study of the Development of Public Credit, 1688–1756*. London, UK: Macmillan.
- Dincecco, Mark. 2011. *Political Transformations and Public Finances: Europe, 1650–1913*. Cambridge, UK: Cambridge University Press.
- Downing, Brian. 1992. *The Military Revolution and Political Change: Origins of Democracy and Autocracy in Early Modern Europe*. Princeton, N.J.: Princeton University Press.
- Ertman, Thomas. 1997. *Birth of the Leviathan: Building States and Regimes in Medieval and Early Modern Europe*. Cambridge, UK: Cambridge University Press.
- Ferns, H. S. 1960. *Britain and Argentina in the Nineteenth Century*. Oxford, UK: Oxford University Press.
- Filipczak-Kocur, Anna. 1991. *Skarb koronny za Władysława IV, 1632–1648* [Crown Treasury of Władysława IV, 1632–1648]. Opole, Poland: Pedagogical University of Opole.
- . 1999. “Poland-Lithuania before Partition.” In Richard Bonney, ed., *The Rise of the Fiscal State in Europe, c. 1200–1815*. Oxford, UK: Oxford University Press.
- Flores-Macias, Gustavo, and Sarah Kreps. 2013. “Political Parties at War: A Study of American War Finance, 1798–2010.” *American Political Science Review* 107, no. 4: 833–48. doi: 10.1017/S0003055413000476.
- Frost, Robert I. 2004. *After the Deluge: Poland-Lithuania and the Second Northern War 1655–1660*. Cambridge, UK: Cambridge University Press.
- Gerring, John. 2007. *Case Study Research: Principles and Practices*. Cambridge, UK: Cambridge University Press.
- Gierowski, Józef. 1996. *The Polish-Lithuanian Commonwealth in the Eighteenth Century: From Anarchy to Well-Organized State*. Krakow, Poland: Nakładem Polskiej Akademii Umiejętności.

- Gigliotti, Joseph. 2009. "The Role of High Inflation in the Decline of Sixteenth Century Poland-Lithuania's Economy." *Polish Review* 54, no. 1: 61–76. At <http://www.jstor.org/stable/25779788>, accessed December 21, 2016.
- Grose, Christian. 2013. "Risk and Roll Calls: How Legislators' Personal Finances Shape Congressional Decisions." University of Southern California CLASS Research Paper no. CLASS13-7; USC Law Legal Studies Paper no. 13-20. Los Angeles, Calif.: USC Gould School of Law. doi: 10.2139/ssrn.2220524.
- Herbst, Jeffrey. 2000. *States and Power in Africa: Comparative Lessons in Authority and Control*. Princeton, N.J.: Princeton University Press.
- Herron, Michael, and Kevin Quinn. 2016. "A Careful Look at Modern Case Selection Methods." *Sociological Methods & Research* 45, no. 3: 458–92. doi: 10.1177/0049124114547053.
- Hoffman, Philip, Gilles Postel-Vinay, and Jean-Laurent Rosenthal. 1995. "Redistribution and Long-Term Private Debt in Paris, 1660–1726." *Journal of Economic History* 55, no. 2: 256–84. doi: 10.1017/S002205070004105X.
- . 2000. *Priceless Markets: The Political Economy of Credit in Paris, 1660–1870*. Chicago, Ill.: University of Chicago Press.
- Karaman, K. Kivanç, and Şevket Pamuk. 2013. "Different Paths to the Modern State in Europe: The Interaction between Warfare, Economic Structure, and Political Regime." *American Political Science Review* 107, no. 3: 603–26. doi: 10.1017/S0003055413000312.
- Kiser, Edgar. 1994. "Markets and Hierarchies in Early Modern Tax Systems: A Principal-Agent Analysis." *Politics & Society* 22, no. 3: 284–315. doi: 10.1177/0032329294022003003.
- Kiser, Edgar, and Joshua Kane. 2001. "Revolution and State Structure: The Bureaucratization of Tax Administration in Early Modern England and France." *American Journal of Sociology* 107, no. 1: 183–223. doi: 10.1086/323656.
- Kiser, Edgar, and Joachim Schneider. 1994. "Bureaucracy and Efficiency: An Analysis of Taxation in Early Modern Prussia." *American Sociological Review* 59, no. 2: 187–204. doi: 10.2307/2096226.
- Konopczyński, Władisław. 1958–59. *Dzieje Polski nowożytnej* [The History of the Modern Polish]. London, UK: B. Swiderski.
- Lachmann, Richard. 2000. *Capitalists in Spite of Themselves: Elite Conflict and Economic Transitions in Early Modern Europe*. New York, N.Y.: Oxford University Press.
- La Prensa* (Argentina). 1875. "Agitación en el comercio." September 23: 1.
- . 1876. "Proyecto de Ley de Aduana para 1877." July 27: 1.
- Levy, Jack. 1983. *War in the Modern Great Power System: 1495–1975*. Lexington, Ky.: University Press of Kentucky.
- Lieberman, Evan. 2002. "Taxation Data as Indicators of State-Society Relations: Possibilities and Pitfalls in Cross-National Research." *Studies in Comparative International Development* 36, no. 4: 89–115. doi: 10.1007/BF02686334.
- López-Alves, Fernando. 2001. "The Transatlantic Bridge: Mirrors, Charles Tilly, and State Formation in the River Plate." In Miguel Centeno and Fernando López-Alves, eds., *The Other Mirror: Grand Theory through the Lens of Latin America*. Princeton, N.J.: Princeton University Press.
- Mączak, Antoni. 1976. "Money and Society in Poland and Lithuania in the 16th and 17th Centuries." *Journal of European Economic History* 5, no. 1: 69–104.

- . 1982. "The Structure of Power in the Commonwealth of the Sixteenth and Seventeenth Centuries." In J. K. Fedorowicz, Maria Bogucka, and Henryk Samsonowicz, eds., *A Republic of Nobles: Studies in Polish History to 1864*. Cambridge, UK: Cambridge University Press.
- . 2005. "Rzeczpospolita szlacheckich samorządów." *Przegląd Historyczny* 96, no. 2: 169–93.
- Majewski, Wiesław, Tadeusz Marian Nowak, and Jerzy Teodorczyk. 1990. *Polskie tradycje wojskowe* [Polish Military Traditions]. Warsaw, Poland: Wojskowy Instytut Historyczny.
- Marichal, Carlos. 1989. *A Century of Debt Crises in Latin America: From Independence to the Great Depression, 1820–1930*. Princeton, N.J.: Princeton University Press.
- Matthews, George. 1958. *The Royal General Farms in Eighteenth-Century France*. New York, N.Y.: Columbia University Press.
- McCullim, Gary. 1979. "The Formation of Fiscal Policy in the Reign of Louis XIV: The Example of Nicolas Desmaretz, Controller General of Finances (1708–1715)." Ph.D. diss., Ohio State University.
- McLynn, F. J. 1984. "Consequences for Argentina of the War of Triple Alliance 1865–1870." *Americas* 41, no. 1: 81–98. doi: 10.2307/1006949.
- Mingay, G. E. 1963. *English Landed Society in the Eighteenth Century*. London, UK: Routledge.
- North, Douglass, and Barry Weingast. 1989. "Constitutions and Commitment: The Evolution of Institutional Governing Public Choice in Seventeenth-Century England." *Journal of Economic History* 49, no. 4: 803–32. doi: 10.1017/S0022050700009451.
- O'Brien, Patrick. 1988. "The Political Economy of British Taxation, 1660–1815." *Economic History Review* 41, no. 1: 1–32. doi: 10.1111/j.1468-0289.1988.tb00453.x.
- . 2011. "The Nature and Historical Evolution of an Exceptional Fiscal State and Its Possible Significance for the Precocious Commercialization and Industrialization of the British Economy from Cromwell to Nelson." *Economic History Review* 64, no. 2: 408–46. doi: 10.1111/j.1468-0289.2010.00538.x.
- O'Brien, Patrick, and Philip Hunt. 1999. "England, 1485–1815." In Richard Bonney, ed., *The Rise of the Fiscal State in Europe, c. 1200–1815*. Oxford, UK: Oxford University Press.
- Ortega Peña, Rodolfo, and Eduardo Luis Duhalde. 1968. *Baring Brothers y la historia política Argentina: La banca británica y el proceso histórico nacional de 1824 a 1890*. Buenos Aires, Argentina: Editorial Sudestada.
- Oszlak, Oscar. 1982. *La formación del estado argentino*. Buenos Aires, Argentina: Editorial de Belgrano.
- Panettieri, José. 1980. "La Ley de Conversión monetaria de 1864 y la Oficina de Cambio de 1867. Causas y consecuencias económico-sociales." *Desarrollo Económico* 20, no. 79: 383–412. doi: 10.2307/3466436.
- Parker, David. 1996. *Class and State in Ancien Régime France: The Road to Modernity?* London, UK: Routledge.
- Platt, D. C. M. 1983. "Foreign Finance in Argentina for the First Half-Century of Independence." *Journal of Latin American Studies* 15, no. 1: 23–47. doi: 10.1017/S0022216X0000955X.

- Plaza, Stanisław. 1985. "Changes in the Political System of the Polish Commonwealth after the Extinction of the Jagiellonian Dynasty." *Acta Poloniae Historica* 52: 65–86.
- Plumb, John. 1955. "Nobility and Gentry in the Early Eighteenth Century." *History Today* 5: 804–17.
- . 1967. *The Origins of Political Stability, England 1675–1725*. Boston, Mass.: Houghton Mifflin.
- Pollack, Sheldon. 2009. *War, Revenue, and State Building: Financing the Development of the American State*. Ithaca, N.Y.: Cornell University Press.
- Quinn, Stephen. 2001. "The Glorious Revolution's Effect on English Private Finance: A Microhistory, 1680–1705." *Journal of Economic History* 61, no. 3: 593–615.
- Reber, Vera. 1979. *British Mercantile Houses in Buenos Aires, 1810–1880*. Cambridge, Mass.: Harvard University Press.
- Riker, William. 1962. *The Theory of Political Coalitions*. New Haven, Conn.: Yale University Press.
- Riley, James. 1986. *The Seven Years War and the Old Regime in France: The Economic and Financial Toll*. Princeton, N.J.: Princeton University Press.
- Roberts, Michael. 1967. "The Military Revolution, 1560–1660." In Michael Roberts, *Essays in Swedish History*. Minneapolis, Minn.: University of Minnesota Press.
- Rowlands, Guy. 2012. *The Financial Decline of a Great Power: War, Influence, and Money in Louis XIV's France*. Oxford, UK: Oxford University Press.
- Sabato, Hilda. 1990. *Agrarian Capitalism and the World Market: Buenos Aires in the Pastoral Age, 1840–1890*. Albuquerque, N.M.: University of New Mexico Press.
- Sargent, Thomas, and François Velde. 1995. "Macroeconomic Features of the French Revolution." *Journal of Political Economy* 103, no. 3: 474–518. doi: 10.1086/261992.
- Saylor, Ryan. 2013. "Concepts, Measures, and Measuring Well: An Alternative Outlook." *Sociological Methods & Research* 42, no. 3: 354–91. doi: 10.1177/0049124113500476.
- . 2014. *State Building in Boom Times: Commodities and Coalitions in Latin America and Africa*. New York, N.Y.: Oxford University Press.
- Schwartz, Herman. 1989. *In the Dominions of Debt: Historical Perspectives on Dependent Development*. Ithaca, N.Y.: Cornell University Press.
- Scobie, James. 1954. "El desarrollo monetario de la República Argentina durante el período 1852–1865." *Revista del Museo Mitre* 7: 15–44.
- Skocpol, Theda, and Margaret Somers. 1980. "The Uses of Comparative History in Macrosocial Inquiry." *Comparative Studies in Society and History* 22, no. 2: 174–97. doi: 10.1017/S0010417500009282.
- Stasavage, David. 2002. "Credible Commitment in Early Modern Europe: North and Weingast Revisited." *Journal of Law, Economics, and Organization* 18, no. 1: 155–86. doi: 10.1093/jleo/18.1.155.
- . 2003. *Public Debt and the Birth of the Democratic State: France and Great Britain, 1688–1789*. Cambridge, UK: Cambridge University Press.
- . 2007. "Partisan Politics and Public Debt: The Importance of the 'Whig Supremacy' for Britain's Financial Revolution." *European Review of Economic History* 11, no. 1: 123–53. doi: 10.1017/S1361491606001900.

- . 2011. *States of Credit: Size, Power, and the Development of European Politics*. Princeton, N.J.: Princeton University Press.
- Stubbs, Richard. 1999. "War and Economic Development: Export-Oriented Industrialization in East and Southeast Asia." *Comparative Politics* 31, no. 3: 337–55. doi: 10.2307/422343.
- Thies, Cameron. 2005. "War, Rivalry, and State Building in Latin America." *American Journal of Political Science* 49, no. 3: 451–65. doi: 10.2307/3647725.
- Tilly, Charles. 1975. "Reflections on the History of European State-Making." In Charles Tilly, ed., *The Formation of National States in Western Europe*. Princeton, N.J.: Princeton University Press.
- . 1992. *Coercion, Capital, and European States, AD 990–1992*. Cambridge, Mass.: Blackwell.
- Times* (London). 1876. "Money-Market and City Intelligence." March 16 (28, 578): 7.
- Velde, François. 2003. "Government Equity and Money: John Law's System in 1720 France." Federal Reserve Bank of Chicago Working Paper 2003-31. Chicago, Ill.: Federal Reserve Bank of Chicago. doi: 10.2139/ssrn.486983.
- . 2008. "French Public Finance between 1683 and 1726." In Fausto Casselli, ed., *Government Debts and Financial Markets in Europe*. London, UK: Pickering & Chatto.
- Weber, Max. 1972. *Economy and Society: An Outline of Interpretive Sociology*. In Guenther Roth and Claus Wittich, eds. Berkeley, Calif.: University of California Press.
- Weir, David. 1989. "Tontines, Public Finance, and Revolution in France and England, 1688–1789." *Journal of Economic History* 49, no. 1: 95–124. doi: 10.1017/S002205070000735X.
- Wheeler, Nicholas. 2011. "The Noble Enterprise of State-Building: Reconsidering the Rise and Fall of the Modern State in Prussia and Poland." *Comparative Politics* 44, no. 1: 21–38. doi: 10.5129/001041510X13815229366480.
- White, Eugene. 2004. "From Privatized to Government-Administered Tax Collection: Tax Farming in Eighteenth-Century France." *Economic History Review* 57, no. 4: 636–63. doi: 10.1111/j.1468-0289.2004.00291.x.
- . 2006. "France and the Failure to Modernize Macroeconomic Institutions." In Michael Bordo and Roberto Cortés Conde, eds., *Transferring Wealth & Power from the Old to the New World: Monetary and Fiscal Institutions in the 17th through the 19th Centuries*. Cambridge, UK: Cambridge University Press.
- Wilson, Peter. 2009. *The Thirty Years War: Europe's Tragedy*. Cambridge, Mass.: Harvard University Press.
- Wyrobisz, Andrzej. 1989. "Power and Towns in the Polish Gentry Commonwealth: The Polish-Lithuanian State in the Sixteenth and Seventeenth Centuries." *Theory and Society* 18, no. 5: 611–30. doi: 10.1007/BF00149494.
- Yun-Casalilla, Bartolomé. 2012. "Introduction." In Bartolomé Yun-Casalilla and Patrick O'Brien, eds., *The Rise of Fiscal States: A Global History 1500–1914*. Cambridge, UK: Cambridge University Press.
- Yun-Casalilla, Bartolomé, and Patrick O'Brien, eds. 2012. *The Rise of Fiscal States: A Global History 1500–1914*. Cambridge, UK: Cambridge University Press.