

# HOLLOW VICTORY? BRITAIN'S PUBLIC DEBT AND THE SEVEN YEARS' WAR

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*This article addresses the implications of the cost of warfare and the debt burdens that typically arise from conflicts. It examines how much Britain's public debt rose during and after the Seven Years' War and the implications of this growth. While it considers the various reasons for the dramatic rise, the primary focus is military spending. The addition of the North American continent as a major theater of war created the need for higher spending and helped double the national debt from the pre-war total. As with modern economic issues, contemporary discussion of the debt crisis became a normal talking point in letters and political debates. Ultimately, this article supports the argument that the Seven Years' War contributed to the American Revolution via the unexpected fiscal pressures on Great Britain.*

“Osama (bin Laden) doesn't have to win; he will just bleed us to death.”<sup>1</sup> This statement comes from a former CIA counterterrorism agent who led the initial search for bin Laden, Michael Scheuer, who was lamenting the substantial amount of money spent by the United States government in order to defeat jihadists in Afghanistan and Iraq. Infusing Scheuer's comment was a message that rings true for nearly every war that has ever been fought anywhere: money is the main motor of war. As money is not always readily available to governments, they accrue national or public debt in order to prosecute wars and conflicts. Scheuer was not concerned with actual blood; he was concerned that the mounting US national debt arising from both the invasion of Afghanistan and the Iraq conflict would cripple the American economy. He stated this in 2005, a mere two years after the invasion of Iraq. Six years later, US debt continues to rise amid foreign wars and a domestic economic downturn, but America's international credit rating and bond market have remained solid.

A little over 250 years ago in Great Britain, Philip Stanhope, friend of William Pitt the Elder, Secretary of State for the Southern Sector under George II and de facto leader of the civilian government during the majority of the Seven Years' War, stated, "In my opinion, our greatest danger arises from our *expense*, considering the present immense National Debt."<sup>2</sup> Similar to Scheuer on the US situation, Stanhope recognized that Britain's debt already was at record highs and that going to war with France would heap on an unprecedented debt burden. The quote from 1756 plainly shows that citizens were deeply concerned with national debt before debt figures were as readily available as today. The issue of public debt was then, as it is in 2011, an important political issue.

This article examines how much Britain's public debt rose during and after the Seven Years' War and analyzes the implications of this growth. While this paper explores various reasons for the dramatic rise, the major focus is on military spending. Moreover, it seems that the addition of the North American continent as a major theater of war created the need for higher public spending. As we have discovered, the British debt nearly doubled from the pre-war total as a result of the draining war in which she was engaged. Ultimately, we find support for the argument that the Seven Years' War contributed to the American Revolution via the unexpected fiscal pressures on Great Britain.

Arguably, the current wars in which the United States is engaged have created high levels of spending and an unnatural strain on the budget of the federal government. Based on recent estimates on the overall public debt (January 2010) and nominal GDP (end of 2009), the US debt-to-GDP ratio amounts to 85.1 percent in the beginning of 2010. The level in 1999 was 61.1 percent, so there has been a definite uptick in the debt, although not as dramatic as during some conflicts.<sup>3</sup> Therefore, historical precedents can help explain further what may occur in a conflict situation, i.e. how much specific wars contribute to a nation's indebtedness and what were the consequences of the hypothesized increase — especially, who paid the piper, so to speak. Numerous studies already exist on 19<sup>th</sup> and 20<sup>th</sup> century military spending patterns, but fairly few address the fiscal behavior of states prior to the French Revolution and the Napoleonic conflicts.<sup>4</sup> The first part of the paper provides broad comparative figures on both the fiscal strain of wars by Britain as well as other states over centuries. Using Britain in the Seven Years' War as a case study, it is possible to focus on one pivotal event that contributed, as it is often claimed, to the separation of the motherland from the thirteen American colonies.<sup>5</sup> Not surprisingly, the majority of public spending (thus public debt burden) went to the military and navy. Therefore, it is necessary to examine the particular reasons for the higher military spending and address several key questions, such as: 1) Was the high cost due to the war being much broader in scope or the nature of the conflict as a multi-theater war? 2) Was military spending the primary cause of the increased indebtedness? 3) Was this increase more rapid than in other conflicts, thus forcing Britain to try to shift some of the burden to its colonies? If yes, why?

Great Britain used most of her income during the war on the war itself. Following the war's conclusion, however, British politicians spent much more than the national income in servicing that war debt. Thus, a drastic increase in the amount of income was devoted to public spending following rather than during the war. Britain was able to, in a fashion, purchase an empire following the victorious Seven Years' War by merely spending more and accruing lower interest rates on its debt than the enemy did. However, the massive empire gained by Britain was a hollow victory, since the obligations of gathering public debt also contained implicit promises of payback and/or return on investment for the buyer, which included many prominent British citizens. Thus, the government attempted to equalize the burden of debt. However, it became difficult for Britain to consolidate its new gains, and just a decade later it faced a new dilemma. Britain, because of its heavy debts incurred by the war, pressured also the American colonies, the least taxed part of the Empire, to help pay back that debt. This became a major reason, or at least a trigger mechanism, for the independence movement that created the United States of America.

### Research on the Fiscal Aspects of Conflicts and the Seven Years' War

Efforts to study 20th century conflicts and spending patterns exhibit certain characteristics among different fields of science — mainly in history, economics, and political sciences. Often the focus has been on both the largest conflicts in human history as well as long-run development patterns, which would enable us to understand broad patterns and theories.<sup>6</sup> A good example of recent work combining the theoretical aspects of economics with historical circumspection is *The Economics of World War II*, edited by Mark Harrison, as well as another collection of essays on World War I.<sup>7</sup> Even though some cycle theorists and conflict scientists have been interested in the formation of modern nation states and the respective system of states since 1648, they have not expressed any real interest in long-run historical analysis of the causes of warfare, or smaller wars that may have had large consequences for world history.<sup>8</sup>

Another, more specified area of interest for scholars has been economic warfare, which assumes a multitude of forms, from fairly benign policy measures and sanctions to outright warfare in the context of total war.<sup>9</sup> Lance Davis and Stanley Engerman, for example, have studied naval blockades that occurred over several centuries. Their approach is to study a multitude of conflicts and make informed comparisons about the impact of blockades. As they point out, the success of a blockade is often difficult to assess.<sup>10</sup> A resurgence of conflict scholarship has focused on pre-20<sup>th</sup> century conflicts, especially the revolutionary and Napoleonic wars. For example in his recent influential monograph, David Bell certainly puts the revolutionary wars and the ensuing Napoleonic conflicts into the same category as the world wars.<sup>11</sup>

One of the main questions for most of these scholars is the economic impact of wars and military spending. Scholars like Paul Kennedy often argue, for example, that uneven economic growth levels cause nations to

compete for economic and military prowess. A leader nation, like Great Britain in the 19th century, thus has to allocate more and more economic resources to maintain a military advantage, while the follower/challenger nations can possibly benefit from greater investments in other areas of their economies. Since outspending an opponent is a form of economic warfare, a built-in assumption in this hypothesized development pattern is that military spending eventually becomes harmful for economic development.<sup>12</sup> Yet, in order for military spending to hinder economic performance, it would have to become a massive burden on the economy, more than 10 percent of GDP, such as is often the case during wartime. However, the long-run fiscal consequences of conflict and/or excessive military spending can be substantial, depending on the way that those expenditures were financed. In particular, if most of the funding were made possible by increasing public debt levels, those consequences can be far-reaching indeed.

Several scholars have produced several significant works on public debt patterns.<sup>13</sup> James MacDonald and Niall Ferguson offer broad overviews of the evolution of the practice of public debt and levels of debt over centuries. As both point out, the development of practices with which representative governments were able to borrow money domestically (i.e., via government bonds) was a crucial element in the fiscal rise of powerful states like the Netherlands and Great Britain. Their governments were able to borrow more cheaply, since there were constraints on what the sovereigns could do with the money, or at least what they could do about taxes to finance the repayment. Thus the middle classes in these countries were linked symbiotically to their emerging quasi-democratic governments; in England, this was true particularly after the Glorious Revolution of 1688.<sup>14</sup>

This study examines a smaller conflict, one that has been little studied, but had far-reaching consequences. As Niall Ferguson and others have claimed, the Seven Years' War contributed to the separation of the motherland from the thirteen American colonies. Great Britain attempted to impose part of the cost of this expensive conflict onto her colonies, of which the thirteen colonies were the least taxed part.<sup>15</sup> What do we know currently about this conflict, which turned into a truly global war with multiple theaters?

Scholars, when writing on the Seven Years' War, have tended to focus on the political and military events rather than the cost of the war. In 1884, Francis Parkman wrote an account of the war titled *Montcalm and Wolfe* that romanticized the Battle of Quebec as the climax of the war and glorified Wolfe's role in the battle. Yet, the war was much more than just the Battle of Quebec. In fact, historians across the 20th and early 21st century have attempted to counter Parkman's portrayal. Fred Anderson has written several works on the Seven Years' War and its effects on the North American continent. *The Crucible of War* is perhaps the most complete book on the Seven Years' War to date. He argues that the war led to the independence of the thirteen colonies but did not necessarily make the Revolution inevitable.

104 Anderson contends that American colonists gained a more bitter hatred

for the Native Americans following the war, and Britain's efforts to stop westward expansion to keep settlers and Indians separate further enraged the colonists. However, initially the American Independence movement may only have been an attempt to change the imperial relationship between the colonies and Britain that was soured by the end of the Seven Years' War. Furthermore, American colonists did not imagine that following the end of the Seven Year's War they would fight the very same king that had helped them defeat the French on the North American continent.<sup>16</sup>

Anderson maintains that the war was the single most important event in the 18th century for the entire North American continent. Nonetheless, some scholars have treated it with a type of mild neglect as a precursor to the American Revolution, a myth Anderson attempts to dispel. Although it was a significant event in American history, it was much more significant to the history of Europe and the Atlantic world in general. Rather than treating the Seven Years' War as a backdrop for the American Revolution, Anderson regards the American Revolution as a direct consequence of the defeat of France. As he emphasizes, the American colonists and British ministers alike did not foresee the coming of the Revolution. Following the war, Americans no longer dealt with the French, just the Native Americans. Thus, Britain alienated its own people by eliminating the binding factor that held the two in close companionship.

While Anderson's perception of the relationship between the Seven Years' War and the American Revolution is fairly unique, his argument that the Seven Years' War has at least some effect on the American Revolution is not. Many scholars, such as J.R. Pole, Harrison Bird, A.G. Bradley, and Herbert Osgood, have argued likewise. Though they differ in detail, all have argued that without the Seven Years' War there could have been no American Independence, given the British attempts to stem westward expansion and recoup their financial losses, leading to the American disillusionment with the British policies.<sup>17</sup>

Most scholars have, however, neglected or given little attention to the economic issues pertaining to the Seven Years' War. It was the economic problems and consequences, not the political or military debates that drove the decision-making process vis-à-vis the funding of this conflict. As a result the substantial increases in public debt created extremely difficult conditions to overcome when consolidating a new and expanding empire, and it would be beyond temptation for politicians not to impose some of the cost of such a conflict onto the colonies, whether justified or not.

### **Military Spending and the British Public Debt**

The English political and fiscal expansion was a long process that began in the Middle Ages and especially accelerated during the early modern period. England made substantial investments in its military forces, especially the naval forces, in the 16th century. The technological innovations introduced during Henry VIII's reign, such as heavier cannons and gun ports, 105

increased their fighting capacity. In a way England epitomized the transition toward a more permanent, commercialized military management system. From 1535 to 1547, the English *defense share* (i.e., military expenditures as a percentage of central government expenditures) averaged 29.4 percent, with large fluctuations from year to year. However, in the period 1685-1813, the mean English defense share was 74.6 percent, never dropping below 55 percent in this period.<sup>18</sup>

Figure 1. English Defense Share in Comparison with the Low Countries in the Early Modern Period

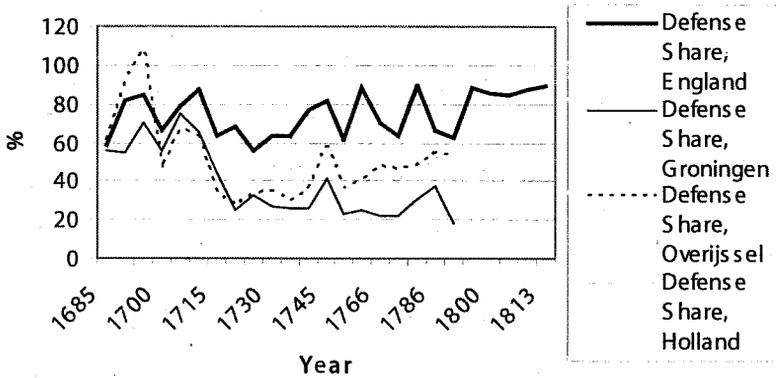
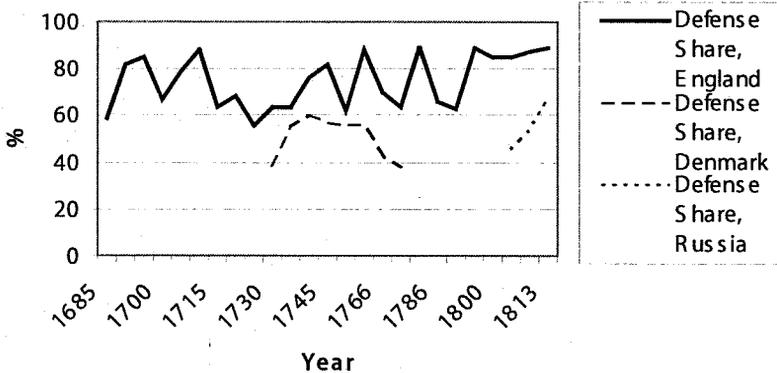


Figure 2. English Defense Share in Comparison with Denmark and Russia in the Early Modern Period



Sources: Figure 1 Calculated from the various sources in *European State Finance Database (ESFD): England* (data compiled by P. O'Brien: <http://www.le.ac.uk/hi/bon/ESFDB/OBRIEN/obrien.html>); *Low Countries* (data compiled by L. van der Ent, W. Fritschy, E. Horlings & R. Liesker: <http://www.le.ac.uk/hi/bon/ESFDB/NETH/neth.htm>); Accessed February 20, 2010. Figure 2 Calculated from the various sources in *European State Finance Database (ESFD): England* (data compiled by P. O'Brien: <http://www.le.ac.uk/hi/bon/ESFDB/OBRIEN/obrien.html>); *Denmark* (data compiled by B. Poulsen: <http://www.le.ac.uk/hi/bon/ESFDB/POUL/poul.html>); *Russia* (data compiled by R. Bonney: <http://www.le.ac.uk/hi/bon/ESFDB/RUSSIA/russia.html>). Accessed February 20, 2010.

How does this compare to other nations? As evident in Figures 1 and 2, the English defense share was substantially higher than those among the Low Countries in this period, especially during the 18th century. It was even higher than the defense shares of Austria<sup>19</sup>, Denmark, and Russia—all states with substantial involvement in the great power wars of the 18th century.

As Table 1 indicates, France allocated a substantially lower share of its budget toward military spending, and only Prussia really compared to the English military spending effort. Moreover, whereas Prussia's defense share was continuously high, the English defense share went up and down, influenced by the scale and scope of the conflicts in this period.

**Table 1.**  
**English, French, and Prussian Defense Shares in the 17th and 18th Centuries**

<i>England</i>		<i>France</i>		<i>Prussia</i>	
Year(s)	Defense Share	Year(s)	Defense Share	Year(s)	Defense Share
1690	82	1620-1629	40	..	-
1700	66	1630-1639	35	..	-
1710	88	1640-1649	33	..	-
1720	68	1650-1659	21	1711-1720	78
1730	63	1660-1669	42	1721-1730	75
1741	77	1670-1679	65	1731-1740	82
1752	62	1680-1689	52	1741-1750	88
1760	88	1690-1699	76	1751-1760	90
1770	64	1726	35	1761-1770	91
1780	89	1751	41	1771-1780	91
1790	63	1775	30	1781-1790	78
1800	85	1788	25	1791-1800	82

Sources: Calculated from the various sources in *European State Finance Database (ESFD): England* (data compiled by P. O'Brien: <http://www.le.ac.uk/hi/bon/ESFDB/OBRIEN/obrien.html>); *France and Prussia* (data compiled by M. Körner: <http://www.le.ac.uk/hi/bon/ESFDB/KORNER/korner.html>). Accessed February 20, 2010.

Moreover, the cost and scale of warfare increased rapidly in the early modern period. For example, during the Thirty Years' War between 100,000 and 200,000 men fought, whereas twenty years later in the War of the Spanish Succession roughly 450,000 to 500,000 men fought on both sides.<sup>20</sup> With the increasing scale of armed conflicts in the 17th century, the participants became more dependent on access to long-term credit, because whichever government ran out of money first had to surrender. For example, even though the causes of Spain's supposed decline in the 17th century are still disputed, the lack of royal credit and the poor management of government finances certainly resulted in heavy deficit spending amidst continuous military exertions. Therefore, the Spanish Crown defaulted repeatedly during the 16th and 17th centuries, and on several occasions forced Spain to seek an end to its military activities.<sup>21</sup>

A key question for France was the financing of its military campaigns. According to Richard Bonney, the cost of France's armed forces in its era of "national greatness" was stupendous, with expenditures of the army between 1708-1714 averaging 218 million livres, whereas during the Dutch War of 1672-1678 it had averaged only 99 million livres in nominal terms. This increase was due to both growth in the size of the army and the navy, and the decline in the purchasing power of the French livre. The overall burden of war, however, remained roughly similar in this period: war expenditures accounted for roughly 57 percent of total expenditures in 1683, whereas they represented approximately 52 percent in 1714. As for all the main European monarchies, it was the expenditure on war that brought fiscal change in France, especially after the Napoleonic wars.<sup>22</sup>

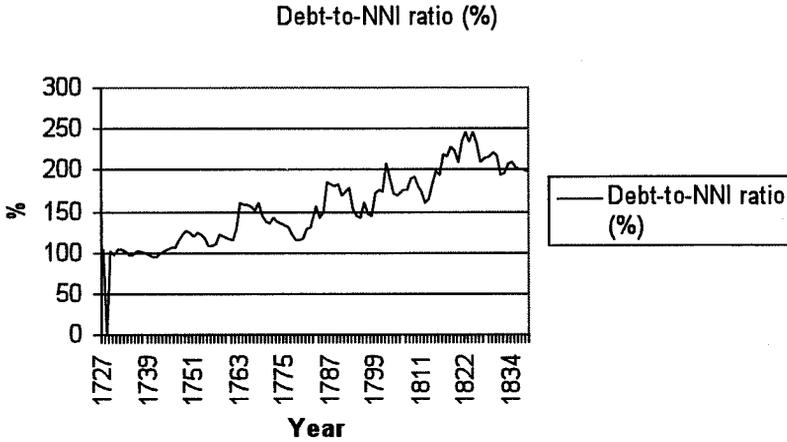
Respectively, in the 18th century, with rapid population growth in Europe, armies also grew in size. In Western Europe, a mounting intensity of warfare with the Seven Years War (1756-1763) finally culminated in the French Revolution and Napoleon's conquests (1792-1815). The new style of warfare brought on by the Revolutionary Wars, with conscription and war of attrition as new elements, can be seen in the growth of army sizes. For example, the French army grew over 3.5 times in size from 1789 to 1793, to 650,000 men. Similarly, the British army grew from 57,000 in 1783 to 255,000 men in 1816. The Russian army acquired the massive size of 800,000 men in 1816, and Russia also kept the size of its armed forces at similar levels in the 19th century.<sup>23</sup>

As Niall Ferguson has pointed out, British military burden and, correspondingly, military spending rose and fell based on whether or not she was at war. The military burden levels in the 18th century varied between 4 and 18 percent. Such levels were rarely achieved in the 19th and 20th centuries.<sup>24</sup> Britain's massive military outlays and her quest for supremacy over her rivals, including extensive colonization, exerted growth pressures on her public debt as well. (Figure 3)

For example, after 1715, the British public debt represented more than 80 percent of its GNP; the French level exceeded 100 percent at that time. Whereas the English fiscal system, with its more democratic political system, and more advanced financial system, enabled her to bear such a burden, France was not quite as fortunate. By the eve of the French Revolution, in 1788, France had a debt-to-GNP ratio of only 65 percent, and Britain as high as 182 percent. Nonetheless, debt servicing in the French case amounted to 4.4 percent of the GDP, yet Britain only paid 6.0 percent of the GDP on interest payments. After 1815, the British debt-to-GNP ratio exceeded 300 percent, but the broad commitment to paying the public debt across the nation (if not the Empire) enabled them to avoid default.<sup>25</sup>

As illustrated in Figure 3, the British debt-to-NNI ratios experienced a ratcheting up effect from the early 18th to the 19th century. The Seven Years' War exerted the first upward push, then the American Revolution, and finally the French Revolutionary and Napoleonic conflicts. The breakpoint analysis displayed in Figure 4 suggests that it may in fact be that the Seven

**Figure 3. British (Public) Debt-to-NNI (Net National Income) Ratio (%), 1727-1838**



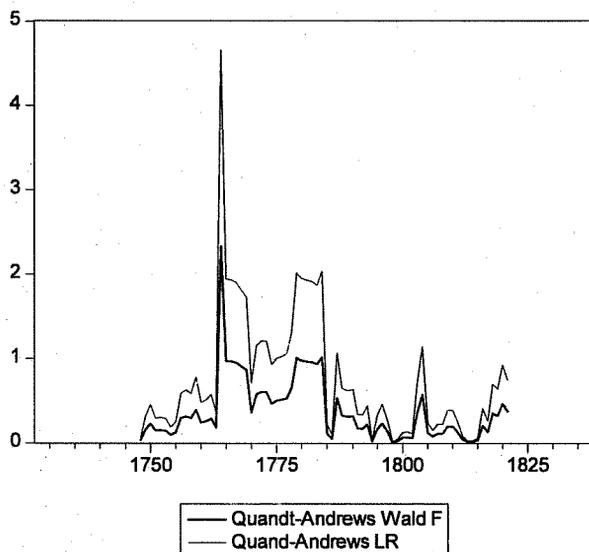
Sources: Data graciously supplied by Gregory Clark. For more details, see Gregory Clark. "The Macroeconomic Aggregates for England, 1209-2008," (Davis, California, 2010), 78-159.

Years' War impacted the British economy more than Figure 3 suggests. It is quite possible that this shocked Britain's fiscal system into an upward trend towards more indebtedness due to the cost of transnational conflicts. This seems to have been the trigger toward deficit-spending and public debt as the main source for funding the British war efforts, and it also appears that the British got more used to this tool over time. If so, it was quite reasonable for British decision-makers, who were aware of the growing debt burden and inherent dangers, to expect the rest of the Empire to share the costs as well. This had serious positive and negative consequences. The superpower Britain would become in the 19th century, and its survival during the lengthy and grueling Revolutionary and Napoleonic Wars, would not have been possible without this fiscal expansion. On the other hand, the increasing use of debt to finance conflicts would tempt the British politicians with the idea of recouping the costs from their colonies, which would incur resistance especially among the North American colonists. (Figure 4, next page)

### British Debates about the Public Debt and the Seven Years' War

As Niall Ferguson has argued, the current financial system that governments operate in the modern era developed because of the shortfall of national treasuries in times of conflict. Thus, the British government solicited loans from private citizens and other countries in order to continue prosecuting war. Yet the Seven Years' War was much more expensive than previous wars in Britain's history. Consequently, the war placed a heavier burden on British taxpayers, and eventually the thirteen colonies.

Figure 4. Quandt-Andrews Breakpoint Tests, Differencing (I(1))



Sources: Data graciously supplied by Gregory Clark. For more details, see Gregory Clark. "The Macroeconomic Aggregates for England, 1209-2008," 78-159. Technical details available from the authors by request.

At the start of the war, Britain's debt amounted to £74,600,000 (Table 2), an enormous figure at the time but a manageable sum. However, by the end of the war, Britain's debt had nearly doubled to £132,600,000.<sup>26</sup> Britain's tax revenue and other sources of income were not enough to cover the cost of the war. Thus, Britain borrowed the funds, amounting to approximately £58 million. Soon, prominent citizens were questioning the reasons for entering the war with France and debating the war's necessity. Philip Stanhope, the Earl of Chesterfield and a political ally of William Pitt the Elder, wrote a letter to a friend in which he expressed his concern over public debt, and then continued, "Where can France annoy us then? I see but two places; in America by slipping over in single ships a considerable number of troops; and next, by keeping us in a state of fear and *expense* at home."<sup>27</sup> In his opinion, the war with France was essentially a no-win situation. Whether Britain won or lost, the cost of fighting the war would only exacerbate the debt issue. (Table 2)

The debt also became a heated topic of debate in Parliament. William Pitt, Britain's Secretary of State of the Southern Sector for most of the war, faced serious opposition in the Parliament. Pitt maintained that his main objective was to secure the French colonies in North America, especially Canada. Thus, his office pursued the war in North America more

Table 2. British Public Debt: 1689-1784 (in British Pounds, £)

<i>War</i>	<i>Average annual expenditure</i>	<i>Average annual tax revenue</i>	<i>Debt</i>	
			<i>Begin</i>	<i>End</i>
1689-97				
<i>Nine Years War</i>	5,456,555	3,640,000	--	16,700,000
1702-13				
<i>War of Spanish Succession</i>	7,063,923	5,355,583	14,100,000	36,200,000
1739-48				
<i>War of Austrian Succession</i>	8,778,900	6,422,800	46,900,000	76,100,000
1756-63				
<i>Seven Years War</i>	18,036,142	8,641,125	74,600,000	132,600,000
1775-84				
<i>American War of Independence</i>	20,272,700	12,154,200	127,300,000	242,900,000

Source: Brewer, *Sinews of War*, 30.

fiercely than on the European continent. In fact, he allied with Frederick the Great of Prussia in an effort to limit the actions of the British military on the continent.<sup>28</sup> In speeches deriding Pitt's overall strategy for victory, members of Parliament insisted that the continuation of the war would be economically ruinous to the country. They maintained that it was "perfect suicide to go on conquering what must be surrendered."<sup>29</sup> Parliament argued that the colonies were not worth the heavy financial burden, suggesting that any gains would have to be returned.

Furthermore, the Whigs insisted that the main concern of the war should be the European continent. They submitted a proposal to establish an alliance of European powers in the war against France, arguing that British expenditures should be used to buy allies in the war. Pitt adamantly refused to consider such a proposal, reiterating that the major objective should be North America. Responding to the proposal, Pitt exclaimed, "This unsizable [*sic*] project, impracticable and desperate as it is... will, if fully pursued, bring bankruptcy upon Great Britain." He added that the amount of money necessary to fulfill such a proposal would greatly harm "the maintenance of our just and necessary war in North America."<sup>30</sup> Greatly concerned with the amount of debt that already existed before the war's inception, he stated, "And when we consider that such immense issues of money, out

measuring any experiment of past time, are to be supplied by new loans, heaped upon a debt of eighty millions, who will answer for the consequence, or insure us from the fate of the decayed states of antiquity?"<sup>31</sup> Basically, he questioned the necessity of an alliance when the war in North America was more important in his view, and if a war that large was already occurring across the Atlantic, there was no reason to increase the already problematic debt for an unworthy cause. Additionally, he believed that a free country would not "load our posterity with intolerable burdens."<sup>32</sup> Thus, even the men exclaiming the worthiness of the war against France were concerned with the impact the war had on the national debt. Ultimately, Pitt caused Britain to spiral into deficit spending and larger public debt.

Why focus on Pitt rather than other major players in the government like the Duke of Newcastle? For one, Pitt held an unusual amount of power among the political elite. He was extremely popular with the citizens of Britain as well. In any case, it is Pitt who proposed, along with several of his supporters, that North America be the primary objective. Though he mistrusted the Prussian state, he suggested that Britain pay Frederick the Great and his army to wage the continental war with France, freeing Britain's navy and army to do battle with France on the oceans and in the colonies.

As Howard Peckham has pointed out, the usual cycle of "conquest and return" in North America was the main strategy in the beginning of the war under Newcastle. However, when Pitt joined the ministry to form the Pitt-Newcastle ministry, the strategy changed drastically. Pitt pushed for permanent control once an area or objective was taken. Thus, it became state policy to pressure France on all corners of the globe, not just on the frontier. As a result, the fighting was not left to frontiersmen and colonists, but the professional military. It became clear that new expenses came with the expansion of the military's role in a global war.<sup>33</sup>

While there is no completely accurate way to measure the impact of the addition of North America as a major theatre, it is possible to compare the Seven Years' War total expenditures with the War of Austrian Succession, which was not a conflict contained on the European continent. The Seven Years' War cost the British Empire £161,000,000 while the War of Austrian Succession cost £96,000,000, nearly £70,000,000 less than a war that was two years shorter (Table 3).<sup>34</sup> What then caused the Seven Years' War to be so much more expensive for Britain than the War of Austrian Succession? One theory is the global nature of the Seven Years' War. In fact, many historians call it the first global war. According to William Nester, the Seven Years' War was the first fought on several continents at once. Battles were fought in North America, Europe and on the high seas. Both Britain and France used their alliances in Europe and their colonies across the globe for soldiers, supplies, and raw materials.<sup>35</sup> Yet, the War of Austrian Succession was also fought on the high seas. Not only were the navies involved, but Britain and France attacked and invaded colonies across the globe, especially in India and the West Indies.<sup>36</sup> Therefore, it is incorrect to argue that the global nature of the Seven Years' War is the *only* reason for the disparity in total costs.

Table 3. Cost of Major British Wars: 1689-1815

<i>Name, years of war</i>	<i>(millions of pounds, £)</i>
Grand Alliance (1688-97)	49
Spanish Succession (1702-13)	94
Austrian Succession (1739-48)	96
Seven Years' War (1756-63)	161
American (1776-83)	236
Napoleonic Revolution (1793-1815)	1,658

Source: Brauer and Tuyll, *Castles, Battles, and Bombs*, 140.

Yet, as Peckham and Middleton maintain, the Seven Years' War was the first war that the British colonies in North America were backed by the British Treasury. Pitt promised the colonies that whatever monies were spent in the effort to defeat France would be reimbursed. Furthermore, Pitt and Newcastle sent larger contingents of soldiers to North America in order to fight France.<sup>37</sup> It is important to note that the American colonies were no longer the sole source of money and soldiers to prosecute the war on the frontier for Britain. Finally, Britain pursued the defeat of France in North America with the appropriate economic resources necessary to achieve this goal. The colonists were more willing to cooperate with Britain when promised a return of their monies spent.

## Conclusions

As a result of the high levels of military spending by Pitt and his government, Britain's debt doubled from earlier peacetime levels. Consequently, the high military spending became the catalyst for the expansion of taxation throughout the British Empire, to pay down this debt. Politicians and civilians were extremely concerned about the public debt before the war, and they saw their fears realized immediately after the war. Since the war debt exceeded the net public income of Britain in the decade following the war, politicians pressured the colonies for more revenue to help cover the shortfall. As previously noted, the Seven Years' War led to a period of ratcheting up in the size and the severity of wars. It is not necessarily the global nature of the war that led to such high expenditures during the Seven Years' War, since the War of Austrian Succession was fought on a very similar scale. It is the addition of the American continent as a major theater of war that increased the expenditures to the point of fiscal explosion.

The major cause of the fiscal pressure was the substantially higher defense share England maintained when contrasted with other European 113

powers. Especially during the 18th century, Denmark, Russia and Austria all had lower defense shares than England though each was substantially involved in the great power wars of the 18th century. Consequently, the Seven Years' War was the trigger towards debt-funded wars and conflicts. As major wars increased in size and severity, public and public debt, particularly Britain's, increased dramatically. But the war seemed to impact the nation harder than the American Revolution and the Napoleonic wars, because the politicians had yet to figure out a method in order to pay the war debt. Therefore, the Seven Years' War and the period of unrest afterward suggest that the British economy developed the ability to shoulder the burden of heavy war debt as a kind of "normalcy," using the war as an example for future wars and conflicts. Britain began to spread the costs of the war among the rest of the Empire, yet pushed American colonists away by expanding taxes on a mostly autonomous region. Though India and other areas of the Empire faced much higher levels of taxation and exploitation, the American colonies were accustomed to preferential treatment. Though there are many causes for the American Revolution, none are held more dearly by Americans than "taxation without representation." Though the British government suffered from higher debt arising from the Seven Years' War later during the Empire as well, the British economy eventually thrived, enabling Britain to achieve decisive victory over France in 1815.

Military conflicts usually involve significant costs, and any attempt to fight major conflicts without spreading out the cost of the war via a combination of taxation and borrowing would be precarious at best. Over-reliance on public debt can lead to a pattern of fiscal behavior that will be difficult to change, a path dependence of sorts, whereas the attempt to fund the conflict via taxation alone can lead to societal disharmony and even chaos. Ultimately Britain found the balance and emerged as the military-fiscal superpower of the 19th century. In the short-run, though, she lost a significant chunk of her empire to a rebellion sparked by the Seven Years' War.

## NOTES

1. As quoted in James Sterngold, "Casualty of War: The U.S. Economy," *San Francisco Chronicle*, July 17, 2005.
2. Letter from Lord Chesterfield to Solomon Dayrolles, printed in John Bradshaw, ed., *The Letters of Philip Dormer Stanhope, Earl of Chesterfield* (London: Swan Sonnenschein and Company, 1905), 1146.
3. US nominal GDP for 2009 was obtained from: [http://www.bea.gov/newsreleases/national/gdp/2010/xls/gdp4q09\\_adv.xls](http://www.bea.gov/newsreleases/national/gdp/2010/xls/gdp4q09_adv.xls); US nominal (total) public debt. January 2010 can be found at (including also historical data going back to 1955): <http://www.treasurydirect.gov/govt/reports/pd/mspd/mspd.htm>. Both accessed February 26, 2010.

4. On 19th and 20th century military spending, see e.g. Jari Eloranta, (2007), "From the great illusion to the Great War: Military spending behaviour of the Great Powers, 1870-1913," *European Review of Economic History* II, 255-283, Niall Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000*, (New York: Basic Books, 2001), M. Harrison, ed., *The economics of World War II. Six great powers in international comparisons*, (Cambridge, UK: Cambridge University Press, 1998). On long run comparisons in the early modern period, see esp. R. Bonney, ed., *The Rise of the Fiscal State in Europe c. 1200-1815* (Oxford: Oxford University Press), 1999. On public debt patterns, in addition to Ferguson, see J. Macdonald, *A Free Nation Deep in Debt. The Financial Roots of Democracy* (New York: Farrar, Straus and Giroux, 2003).
5. See e.g. Niall Ferguson, *Empire: The Rise and Demise of the British World Order and the Lessons for Global Power* (New York: Basic Books, 2003).
6. See Paul Kennedy, *The Rise and Fall of the Great Powers. Economic Change and Military Conflict from 1500 to 2000* (London: Fontana, 1989). Other examples of long-run explanations can be found in Maurice Pearton, *The Knowledgeable State: Diplomacy, War, and Technology since 1830* (London: Burnett Books, 1982). Studies of similar scope include Jeremy Black, *European Warfare, 1660-1815* (New Haven: Yale University Press, 1994); Jeremy Black, "War and the World, 1450-2000," *The Journal of Military History* 63, no. 3 (1999), Jeremy Black, "Britain as a Military Power, 1688-1815," *Journal of Military History* 64 no. 1 (2000); Jeremy Black, *Western Warfare, 1775-1882* (Bloomington: Indiana University Press, 2001); Jeremy Black, *Introduction to Global Military History: 1775 to the Present Day* (London: Routledge, 2005).
7. See Mark Harrison, *The Economics of World War II*. See also Stephen Broadberry and Mark Harrison, eds., *The Economics of World War I*. (Cambridge: Cambridge University Press, 2005).
8. For a good overview of the defense economics literature, see Todd Sandler and Keith Hartley, *The Economics of Defense*, ed. Mark Perlman, Cambridge Surveys of Economic Literature (Cambridge: Cambridge University Press, 1995). On conflict studies, see Edward D. Mansfield and Brian M. Pollins, "The Study of Interdependence and Conflict: Recent Advances, Open Questions, and Directions for Future Research," *The Journal of Conflict Resolution* 45, no. 6 (2001), 834-859. A classic study of war from the holistic perspective is Quincy Wright, *A Study of War* (Chicago, Ill.: The University of Chicago Press, 1942).
9. See e.g. Alan S. Milward, "Economic Warfare in Perspective," in *East-West Trade and the Cold War*, eds. Jari Eloranta and Jari Ojala (Jyvaskyla: University of Jyvaskyla, 2005); R. Thomas Naylor, *Economic Warfare: Sanctions, Embargo Busting, and Their Human Cost* (Boston: Northeastern University Press, 2001). On the variety of methods for engaging in economic warfare, see T. E. Førlund, "The History of Economic Warfare: International Law, Effectiveness, Strategies," *Journal of Peace Research* (1993), 151-162; James P. O'Leary, "Economic Warfare and Strategic Economics," *Comparative Strategy* 5, no. 2 (1985), 203.
10. Lance E. Davis and Stanley L. Engerman, *Naval Blockades in Peace and War: An Economic History since 1750* (New York: Cambridge University Press, 2006).

- See also F. Crouzet, "Wars, Blockade, and Economic Change in Europe, 1792-1815," *Journal of Economic History* (1964), 567-588.
11. David Bell, *The First Total War: Napoleon's Europe and the Birth of Warfare as We Know It* (New York: Houghton Mifflin Harcourt, 2007). See also: Kevin O'Rourke, "The Worldwide Economic Impact of the French Revolutionary and Napoleonic Wars, 1793-1815," *Journal of Global History* 1, no. 1 (2006), 123-149.
  12. Kennedy, *The Rise*, 1-20; G. Modelski and W. R. Thompson, *Seapower in Global Politics, 1494-1993* (Houndmills, Basingstoke, Hampshire: Macmillan Press, 1988).
  13. See especially Bonney, ed., *The Rise of the Fiscal State in Europe C. 1200-1815*, Barry J. Eichengreen and Peter H. Lindert, *The International Debt Crisis in Historical Perspective* (Cambridge, Mass.: MIT Press, 1989), John Maloney, *Debt and Deficits: An Historical Perspective* (Cheltenham, UK ; Northampton, MA: Edward Elgar, 1998).
  14. Ferguson, *The Cash Nexus: Money and Power in the Modern World, 1700-2000*, Macdonald, *A Free Nation Deep in Debt. The Financial Roots of Democracy*, Douglass C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge; N.Y.: Cambridge University Press, 1990), D. C. North and B. R. Weingast, "Constitutions and Commitment: The Evolution of Institutional Governing Public Choice in Seventeenth-Century England," *The Journal of Economic History* 49, no. 4 (1989), 803-832. On the discussion of why it is better to borrow domestically, see also the classic article by James Buchanan, "External and Internal Public Debt," *The American Economic Review* 47, no. 6 (1957), 995-1000.
  15. Ferguson, *Empire*, 69-83.
  16. Fred Anderson, *Crucible of War* (New York: Alfred A. Knopf, 2000), xx-xxi. Also found in Fred Anderson, *The War That Made America* (New York: Viking, 2005), 1-15.
  17. J.R. Pole, *Foundations of American Independence, 1763-1815* (Indianapolis: The Bobbs-Merrill Company Inc., 1972); Harrison Bird, *Battle for a Continent* (New York: Oxford University Press, 1965); A.G. Bradley, *The Fight with France for North America* (New York: Arno Press and The New York Times, 1971) and Herbert Osgood, *The American Colonies in the Eighteenth Century, Volumes 1-4* (Gloucester, Massachusetts: Peter Smith, 1958).
  18. Jari Eloranta, "National Defense," in J. Mokyr, ed., *The Oxford Encyclopedia of Economic History* (Oxford: The Oxford University Press, 2003), 30-33.
  19. Austrian data compiled from various published sources in <http://www.le.ac.uk/hi/bon/ESFDB/AUSTRIA/austria.html>. The data is sporadic and thus not used in Figure 2.
  20. C. Tilly, *Coercion, Capital, and European States, AD 990-1990* (Cambridge, Mass: Basil Blackwell, 1990), 165; H. Kamen, "The Economic and Social Consequences of the Thirty Years' War," *Past and Present* April 1968, 44-61. These figures represent the peak military strengths of the armies during this period.

21. Eloranta, "National Defense," 30-33; Henry Kamen, *Empire: How Spain Became a World Power, 1492-1763*. (New York: HarperCollins, 2003); D. C. North, *Institutions, Institutional Change, and Economic Performance* (Cambridge: Cambridge University Press, 1990).
22. Richard Bonney, "France, 1494-1815," in *The Rise of the Fiscal State in Europe C. 1200-1815*, ed. Richard Bonney (Oxford: Oxford University Press, 1999), 123-175. War expenditure percentages (for the 17<sup>th</sup> and 18<sup>th</sup> centuries) were calculated using the so-called Forbonnais (and Bonney) database(s), available from *European State Finance Database*: <http://www.le.ac.uk/hi/bon/ESFDB/RJB/FORBON/forbon.html> and should be considered only illustrative.
23. Ioranta, "National Defense," 30-33.
24. Ferguson, *The Cash Nexus*, 45.
25. Macdonald, *A Free Nation Deep in Debt*, 241-242.
26. J. Brewer, *The Sinews of Power: War, Money, and the English State, 1688-1783* (Cambridge: Harvard University Press, 1988), 30. Though Brewer's work is exceptional, his debt figures differ from J. J. Grellier's figures in his book: J. J. Grellier, *The History of the National Debt from the Revolution in 1688 to the Beginning of 1800* (London: B. Franklin, 1810). Grellier shows that by January 5, 1757 British debt stood at £76,480,886 and by January 5, 1763 its debt had risen to £135,691,313, slightly higher than Brewer's figures. Brewer's figures are based on Parliamentary papers from 1868-1869, and Grellier's book was originally published in 1810, much less removed from the Seven Years' War than Brewer's source. However, during the early 19th century British politicians were obsessed with the national debt problem and the Napoleonic Wars. Thus, in the interest of simplicity and historical accuracy, Brewer's figures are used for this section of the article.
27. Letter from Lord Chesterfield to Solomon Dayrolles, printed in Bradshaw, ed., *The Letters of Philip Dormer Stanhope, Earl of Chesterfield*, 1146.
28. Richard Middleton, *The Bells of Victory: The Pitt-Newcastle Ministry and the Conduct of the Seven Years' War, 1757-1762* (Cambridge: Cambridge University Press, 1985), 57-63. See also G. Williams, *The Expansion of Europe in the Eighteenth Century: Overseas Rivalry, Discovery, and Exploitation* (New York: Walker Company, 1966), 78-79. It must be noted that the British paid an annual subsidy to Prussia for her services during the war, further exacerbating to the debt problem beyond just the aspects discussed in this article.
29. Speech Given before Parliament 13 November 1755, printed in John Almon ed., *Anecdotes of the Life of the Right Honorable William Pitt, Earl of Chatham: And of the Principal Events of His Time: With His Speeches in Parliament, from the year 1736 to the year 1778* (London: Printed for L. B. Seeley, 1797) Rhinehart Collection, Appalachian State University, 239-241.
30. *Ibid.*, 239.
31. *Ibid.*, 240.
32. *Ibid.*, 241.
33. Howard Peckham, *The Colonial Wars, 1689-1762* (Chicago: University of Chicago Press, 1964) 161; Middleton, *The Bells of Victory: The Pitt-Newcastle Ministry and the Conduct of the Seven Years' War, 1757-1762*, 9-13.

34. J. Brauer and H. van Tuyl, *Castles, Battles, & Bombs: How Economics Explains Military History* (Chicago: University Of Chicago Press, 2008), 140.
35. W. R. Nester, *The First Global War: Britain, France, and the Fate of North America, 1756-1775* (Westport, Connecticut: Praeger, 2000), viii-ix.
36. M. S. Anderson, *The War of the Austrian Succession, 1740-1748* (London: Longman Publishing Group, 1995), 178-92.
37. Peckham, *The Colonial Wars*, 161, 165-68.