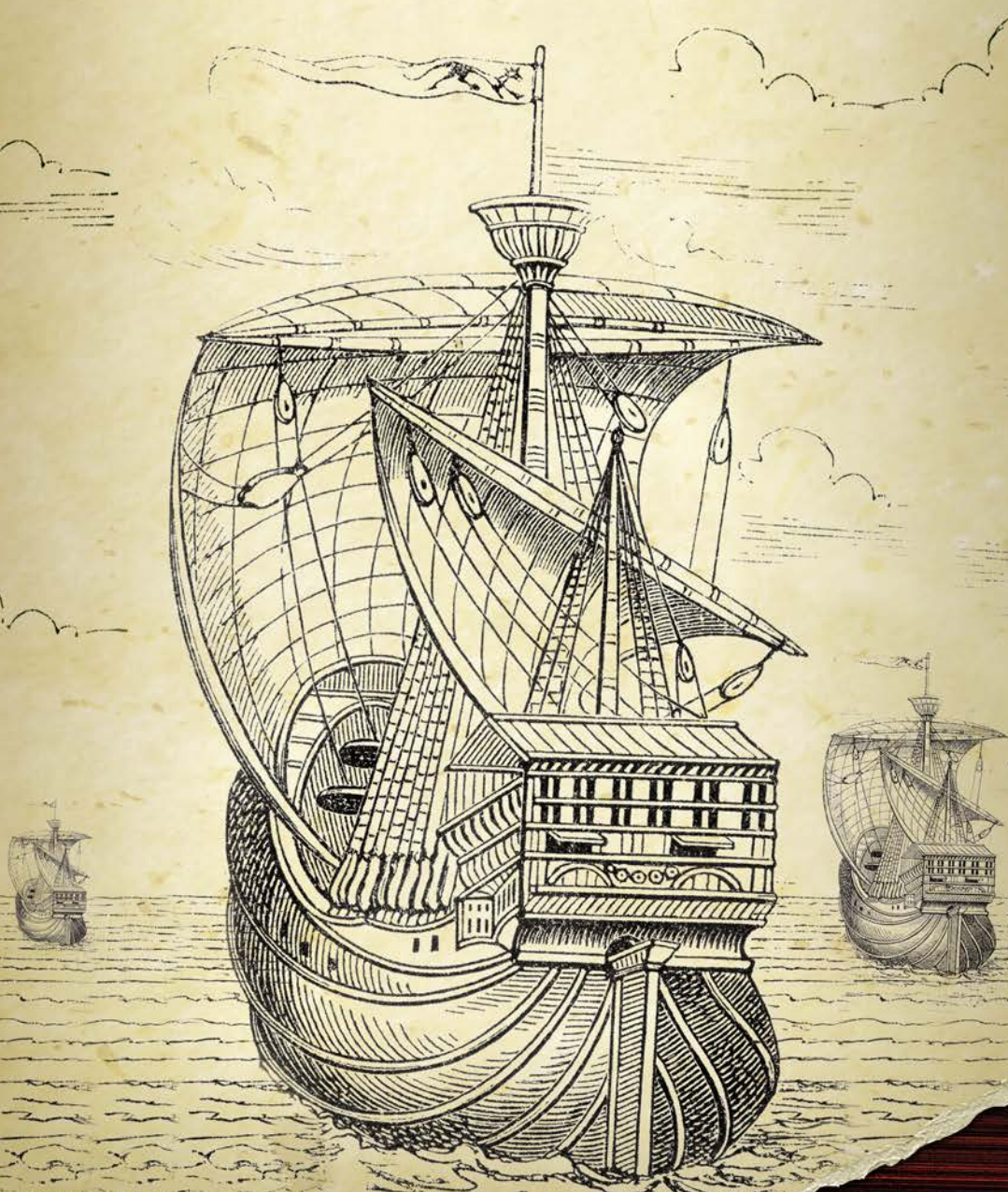


# THE CONTRACTOR STATE AND ITS IMPLICATIONS, 1659-1815

Richard Harding and Sergio Solbes Ferri (coords.)



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**CONTRACTOR STATE GROUP (CSG)**

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*(editors)*

The relationship between private enterprise and the state has been one of the master narratives of European history. Whether it is an examination of the emergence of the modern state, the economic development of Europe, the distribution and exercise of power among its elites or the conduct of war between states, the links between states exercising power over defined territorial units and the production of wealth within those units are fundamental to an understanding of events. In the last quarter of the twentieth century historians' interest in these links intensified and reflected a similar interest among political scientists and economists in the development of the modern state system. Positivist assumptions about economic systems and political rationality are increasingly challenged by world events and the development of theory. Two world wars had called rationality into question, while the trajectory of events in Western and Eastern Europe undermined a faith in both Anglo-Saxon economic exceptionalism or communist determinism.

The modern study of state formation has come a long way since the 1970s and has depended heavily on historical analyses of different states and their paths to '*modernity*'. A major contribution to the debate came in 1989 with John Brewer's concept of the Fiscal-Military State as an identifiable stage in the emergence of the British state between 1688-1783 (Brewer, 1989). He turned the traditional liberal idea of British political and economic development on its head. Instead of highlighting the relative weakness of the British state, which provided the political space for private enterprise to flourish and influence policy, he noted the strength of the state bureaucracy in being able to mobilise resources and deploy them to meet the ends of state policy, which in this period of European competition were almost exclusively military. This close

connection between fiscal strength and military resources produced a military force out of all proportion to population and domestic natural resources.

The elegance of Brewer's explanation of British development provoked a major response among scholars interested in testing his proposition with more detailed studies of British history and those who wished to test it against the experience of other states. The results have been very fruitful. Brewer's original thesis has been refined by some, restated or reframed by others. It remains a contested, but useful concept to shape research and debate.

Part of the process of engaging with Brewer's thesis is a long-term project started in 2004 by a group of scholars from Spain. They assembled an international group of historians interested in various aspects of the Fiscal-Military State and its relationship to economic and military development. The Contractor State Group (CSG) is now an international researching team with the objective of studying the process of growth and development of nation states. This present collection of essays is the result of their fourth conference which took place at the University of Las Palmas de Gran Canaria (Spain) between 16<sup>th</sup> and 18<sup>th</sup> November 2011.

From the first conference of the group, it was clear that while a great deal of attention had been paid to how states raise money for war, much less was known about how they spent that money, how the economic-political systems within which the spending occurred responded and, consequently, what impact this had upon military success. The first collection of essays shed light on all these matters (Bowen and González Enciso, 2006). By the time the second collection of essays was published it was time to reflect on the concept of the Fiscal Military State and, as Professor Torres' introduction made clear, re-connect it to the key issues of economic development and fiscal flexibility; themes that echoed throughout that volume (Torres Sánchez, 2008: especially pp. 13-44). Recently, the third publication of the CSG has been published in which reflected on the spending of the states, the different ways of using national wealth and its economic consequences (Conway and Torres Sánchez, 2010).

This fourth volume, the results of the conference held at Las Palmas, is like its predecessors in that it reflects the state of the debate at the present moment. The main objective was, in this case, to analyse state activity as a contractor and the impact this had on stimulating the productive activity in each country. None of the volumes have tried to construct a rigidly confined comparative history, but instead to bring forward exemplars of issues facing historians interested in the development of the Fiscal-Military State. The title of the conference — *'The Contractor State and Its Implications'*— and

its proceedings indicates one important feature of that current debate. Over the years, the term Fiscal-Military state has lost its precision. The lowest common denominator of its definition—that of a state whose primary function is warfare being resourced principally via a state bureaucracy—is capable of application to almost any state in Western and Central Europe between 1500 and 1815 as well as some states outside Europe. While this debate continues and the term continues to evolve, the idea that it can be usefully used to explain a distinct, let alone necessary, phase in state formation remains illusory. For scholars of eighteenth century Europe it remains extremely important concept, but one whose explanatory powers are currently limited.

The term ‘Contractor State’ was used, following the example of the title of the 2010 monograph by Roger Knight and Martin Willcox on the work of the British Navy’s victualing service, between 1793-1815 (Knight and Willcox, 2010). In this work they highlight the fact that the private contractors were the primary suppliers, not just of victuals, but of almost all the resources, including warships, for the Royal Navy during this period. The state was primarily a purchaser and consumer (first tier and second tier) of the resources provided by private contractors, not a producer. This has been well known to historians, in that it was the common way of waging war since the decline of feudal obligations and the changes in military technology made specialist skills essential to the conduct of war in the latter part of the Middle Ages. Also, the difficulties with these contractors have been at the centre of the state formation debate since its inception (Parrott, 2010: 74-95). The contractor never disappeared, but as recent scholarship has conceded, the focus on the centralising state, absolutism, and coercion has led to a neglect of collaboration, co-operation and accommodation. As these last elements have come back into interpretations of the early modern state, so it seems important to re-examine the contractor-state relationship. It makes us incorporate more explicitly the commercial infrastructures within which these states inter-acted. The fact that it poses as many problems as it resolves is evident from Patrick O’Brien’s essay. Professor O’Brien’s decades of work on the comparative fiscal performance of early modern states has, with John Brewer’s concept of the Fiscal-Military State, been the one of primary foundations of this series of conferences and publications. He reminds us of the need to find a means of making judgements about comparative fiscal bases, both quantitatively and in terms of the factors that underpinned policy development. He deliberately emphasises the Eurasian context, rather than the Western European experience. The conduct of war is a common denominator among the European cases, but as Tamaki Toshiaki points out, the cultural-political imperative of exploiting war

or warrior traditions to preserve a regime can be a major influence on policy despite its absence in reality. Without imperial expansion, economic development had to come from domestic reform under the Tokugawa shogunate between 1716-45.

Wherever contactors and state performance meet, contemporary political rhetoric almost universally highlights corrupt systems, profiteering and sub-standard quality. Detailed research on specific examples of these relationships has produced more nuanced conclusions. Generalisations are not yet possible, far less, as Knight and Willcox accept in their contribution to this volume, is it possible to suggest that 'Contractor State' is a tight concept that will have analytical force. Only time will tell, but in the meantime, the idea of focusing on contractual relations and their implications for military success, thereby deepening the data we have, is one that unites most of the scholars represented by this volume.

Contracts do not exist in the abstract, but are responses to a specific need, which both client and contractor believe can be fulfilled with an agreed price and quality of service. For the client, in this case the state, the contract is part of constructing the supply chain of resources towards the outcome of an effective military force. These were not simple contracts. They involved the provision of large quantities of goods, over long distances, for prolonged periods. They were agreed in wartime for delivery in war-zones. Price fluctuations could be significant and needs could change dramatically. They involved the provision of goods that were paid for by the state (first tier consumer), received by an army or navy administration (second tier consumer) and distributed for final consumption by a soldier or a sailor (third tier consumer). Between the contract and the needs of the various consumers many expectations and assumptions could be inadvertently built in. The political power of the consumers on the contract varied considerably over time and place. Similarly, the 'upstream' supply chain was equally complex.

The papers in this volume shed light on a range of dimensions of the supply chain and contract management. One of the most difficult problems for historians dealing with this subject is the imbalance of the surviving evidence. To understand a supply chain it is essential to understand the parties who made and executed the contracts. Unfortunately, our knowledge is at best unbalanced. In some states, for example Tokugawa Japan, central administrative records are almost entirely absent. In most other states under consideration in this volume, state papers relating to contracts have survived in almost all cases far better than those of the contractors themselves. For the most part these contractors remain shadowy characters. It is often easy to identify

the contractors, but far less simple to understand how their businesses operated. Nevertheless, in some cases correspondence does survive, often in the state archives, which sheds light on their view and actions. For example, Joel Felix is able to give a balanced shape to the contracting system for military supply to the French Army during the wars of 1741-48 and 1756-63, with reference to correspondence from the director of the *Munitionnaires généraux des vivres de Flandres et d'Allemagne* Jacques Marquet de Bourgarde. Knight and Willcox have been able to make extensive use of correspondence within the Victualling Board papers to construct a picture how the Board's relations with contractors changed over the period of war between 1793-1815. Margrit Schulte-Beerbühl's article on German merchants who broke Napoleon's continental blockade to facilitate trade between Britain and the Continent is another example of the value of merchant records in understanding economic warfare.

Another group who have largely been ignored are the commissaries. They were formally part of the state administrative structure, managed the distribution of supplies and sometimes were contractors in their own right, but had less permanence or continuity than those officials who served in the metropolitan offices. These men experienced at first hand the quality of the output from contracts, but like the contractors themselves, they were very often the butt of discontent from the soldiers or administrators. The contemporary accounts of their activities are coloured by this hostility and their own correspondence is consequently often defensive or self-justificatory. Nevertheless, as Stephen Conway's paper on the supply to the British forces in North Germany 1758-63 has shown, they can provide valuable evidence of how contracts worked and the obstacles in the way of smooth execution. While the issue of surviving evidence bedevils most of the essays in this collection, there is enough to encourage further study of supply chains. At the heart of any supply relationship is the trust which the purchaser must put in the supplier. This influenced many decisions by state administrators as to whether the state should produce for itself or purchase products from the market. Whichever decision is made, there has to be confidence in cost, quality and the reliability of both product and producer. The greater the levels of trust there is, the greater will be the flexibility on the parts of state and contractor to adjust as conditions change.

However, decisions to change a contract or move to state production were reliant on good information about the market and the potential suppliers, effective monitoring and risk management. As this collection shows, so much of this information was missing at the point of decision and an understanding of changing markets had to be built-up during the execution of a contract. The Spanish state's reaction to this problem is

traced in three essays. Agustín González Enciso clearly demonstrates a number of these issues in relation to the supply of cannon to the Spanish Navy. Domestic production of cannon was never adequate for an expanding navy so contracts had to be placed with French, British and Swedish manufacturers. Some reliance had to be placed on domestic production, but the stability of private manufacture was doubtful and it was decided to take the factory into state control. However, despite all that was done to secure the quality and quantity of cannons from foreign and domestic sources, a major problem was unmasked when a mass proofing of the guns in 1772 revealed massive failures. Despite an explicit commitment to the mercantilist doctrine, the Spanish state proved unable to stimulate domestic production or manage foreign supply. Rafael Torres demonstrates that similar problems beset the supply hemp, rigging and sailcloth. The direct intervention of the state as a producer in a fragile market caused major disruption to the private producers of sailcloth. It seems the state was not powerful enough to manage contracts effectively within an international market, and yet too strong when intervening for domestic production.

As this suggests, flexibility was a key problem in state-contractor relations. Large scale, effective and efficient supply depended on being able to manage people ranging from wealthy domestic and foreign financiers, foreign merchants and intermediaries, domestic craftsmen to small scale farmers. States were not necessarily good at dealing with this range. However, as Sergio Solbes's paper on the supply of wardrobe to the Spanish Army during the eighteenth century shows, there were aspects of supply which could be flexible and controlled, moving to and from monopoly in the supply and between centralisation and decentralisation in the budgets. He emphasizes the different decisions on this matter between the different reigns —and the different governmental machinery it required, arriving at the conclusion that there is not a consistent policy of contracting the wardrobe in Spain during the eighteenth century.

This was not unique to the Spanish state. Pierrick Pourchasse shows that the supply of naval stores from the Baltic for the French navy suffered from the limited direct engagement with the Baltic market. Despite a thriving trade to the Baltic, there were few French merchants resident in the Baltic and Scandinavian towns. At one level French trading interests were served extremely well by Dutch carriers and middlemen, but the cost was that France's most persistent enemy during the century, Great Britain, was able to build up a huge advantage by direct trading links to these ports and, effectively, control the supply naval stores to France. The contrast between the French and British commercial networks in Northern Europe is evident and it is difficult not



to conclude that the strength and flexibility of those networks had a significant impact on the Franco-British naval balance in war.

It is possible that the Anglo-French commercial structures in Baltic and Scandinavian market gives a hint of something that defines a 'Contractor State'. The focus here is less on the state administrative system that enables effective fiscal policies to be turned into tax revenues and then into the weapons of war, and more on the state's ability to work with a sophisticated supply chain, both domestic and international. The focus of the 'Fiscal-Military State' is on control of resources by direct state control. The 'Contractor State' seeks to control resources by the indirect influence of commercial interest. Of course, this implies an effective administration that understands the supply chain, but it also implies a network of suppliers who are capable of understanding and meeting the changing needs of the state. These suppliers might make large profits in times of war, but have got to be flexible enough to survive the retrenchments of peace. For the state, the indirect influence on commercial interest is just another policy with the same aim as any Fiscal-Military State policy: the effective mobilisation of resources to meet the military objectives of the state.

The essays in this volume concerning Britain and the United Provinces suggest that this idea might be worth some further investigation. Britain seemed to be operating in an environment in which supply chain management was much easier than in Spain or France. The situation was far from perfect, but, as Knight and Willcox indicate, having accepted that the Royal Navy would depend substantially on private contractors, a great deal of effort was put into monitoring and controlling the contracts. By the beginning of the war in 1793 there was enough trust in the reliability of contractors to commit the state to the process on a large scale and attention was focused on making adjustments in performance demands as the war expanded in scale, scope and costs. There was fraud and failure, but not on a scale that significantly hindered operations. This reliance on the market was not new. As Richard Harding's essay shows, the British state had expanded its navy to meet the demands of war between 1739 and 1748 by engaging the private shipbuilders. Britain had relied upon private warship building throughout most of the seventeenth century, but turned to production in its own yards at the end of the century and into the first decades of the eighteenth century. The decision to buy completed vessels from merchant shipbuilders and contract for bespoke warships was a pragmatic response to the need to expand a balanced fleet rapidly. The decision relied on the trust the state reposed in the shipbuilders' ability to fulfil the demands of the contract. Only one contract had to be taken over by a

royal yard during the war. By the end of the war a contract had been even placed for a major ship of the line, a 74, and by the end of the eighteenth century, almost all British warships were built in private yards. It was the success of the industry as much as the quality of the administrators that made private provision of warships possible.

The maturity of the supply base, the merchant and industrial infrastructure, was a key factor in the capability and flexibility of any contracting system. That infrastructure ranged from the local to the national and international and the quality of the state's connections with the various levels was important. As Pepijn Brandon shows in relation to the Dutch Admiralties' supply networks, their global naval reach was facilitated by blending good, national, accounting arrangements which monitored and controlled contracts, with systems that enabled captains to connect to their own local merchant markets to ensure the supply of credit and victuals for their ships. Like other systems, it was imperfect, but it was a supply chain that made the most of rich local resources by good comparative monitoring and control.

Sophisticated international market networks could not be controlled by a single state and their operations are not easily reconstructed by historians. In the early nineteenth century this worked to Britain's advantage as Napoleon failed to impose his Continental System upon the European economy between 1806 and 1812. About a hundred years ago Gustav Schmoller remarked that the history of the eighteenth-century trade was actually a history of smuggling. M. S. Beerbuehl's paper analyses the strategies German merchants adopted to undermine the blockades to supply Britain and the Continent with the contraband goods. German merchants also participated, with British consent and support, in the bullion trade from Mexico to Spain. However, the clandestine nature of the trade hid the involvement of German merchants or German shipping from the state records. Germans were often hidden either under the label of Dutch or not mentioned because they had settled abroad in countries like Britain or Spain from where they organized the secret trade. Beerbuehl's paper is a major step towards identifying participation in a crucial trade network.

Despite British dominance in the trans-oceanic trading networks, not all clandestine networks worked to the advantage of the British state. Huw Bowen's paper shows that they could equally work against Britain. While as a local and national level in a mercantilist system, contractors' interests were generally closely aligned to the interests of their national governments, the international networks of trade created opportunities for merchants that were not necessarily consistent with the aims of states. The Dutch carrying trade was ubiquitous in the early eighteenth century, but not always consistent

with Dutch policy objectives. British merchants supplied French and Spanish navies with cannons and naval stores. To the dismay of the Honourable East India Company, large quantities of British small arms and cannons found their way into the hands of their enemy Tipu Sultan of Mysore. Some of these weapons leaked out through the Company's own supply chain from Europe, transferred by the Company's servants or ships' masters to other vessels. Others were taken out by ships sailing with false colours and manifests. Merchants who were happy to contract with their own states were also willing to trade with others and despite the declarations and penalties of the law it was a practice impossible to eliminate.

The state was not the only large consumer in the early modern economies. Chartered companies, like the British Honourable East India Company and the Dutch VOC were major consumers and their relations with contractors might shed light on contractor relationships to compare and contrast with state-contractor relations. Helen Paul's study of the Royal African Company's (RAC) contractors provides an example of this, giving insights into a contractor relationship that can be compared to that of the Royal Navy and its contractors. The RAC, like all joint-stock companies, was a hybrid between a private company and a government department. It operated on a far smaller scale than the Royal Navy or the East India Company but it faced many of the same problems of supplying ships and it might be expected that its experience of contractors would be similar to the Royal Navy. Paul explores the level of mutual dependence between the Company and its contractors. Her findings suggest that the Company did have some monopsonist power, but did not or could not behave like the state in the payment of its bills. Similarly, like the state, it also experienced problems over the quality and timeliness of its supplies.

Returning to the European Continent, Moreira and Eloranta's paper explores the Portuguese military supply system during the Peninsula War, a critical period of conflict and dislocation for the Portuguese state. Like other states, Portugal required a management structure that ensured the provision of supplies, guaranteed their quality, and ensured price controls. Particularly interesting in this case is the transfer of organisational systems between states. Britain played a critical role in financing the Portuguese war effort and this was reflected in the supply management system that was created. It was not just the purchase of supply that was important. The system was required to supply the Portuguese Army, made up of 80,000 men and militia, but this essay also highlights the significance of transportation in the supply infrastructure.

In so far as these essays help to illuminate the supply chain in resourcing warfare in the early modern period, they take us beyond the traditional territory of the Fiscal-Military State debate. It broadens the set of actors that we need to consider when thinking about the precise relationship between state formation, administrative systems, fiscal bases and military success.

The task of developing our understanding of the Fiscal-Military state continues. Without more detailed studies of specific states over defined periods, it is unlikely that we will achieve a consensus on exactly how it contributed to modern state development. This collection has not taken us nearer to that consensus, rather it suggests that we must widen the net and try to understand these states in the context of commercial networks that are local, regional, national and international, as well as competitive and collaborative.

The Contractor State Group intends continue its fruitful research activity in the future. It would have been impossible to get this far without the generous support of sponsors. They have supported the conferences and the dissemination of the results. We are particularly grateful to the Gobierno de España (Ministerio de Ciencia e Innovación) and the University of Las Palmas for all the assistance they provided in latest congress at Las Palmas and the publication of the papers.

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