

Finances, Military

For most civilizations, the financing of military exertions has proven to be a key problem of governance. Among the river valley civilizations, financial administration and the government were inseparable, and the rulers possessed control over military decisions. Among such agricultural economies, supporting a large standing army was the principal expenditure item. The optimal size of an empire was determined by the efficiency of taxation, resource extraction, and its transportation system, as well as the supply of metal in certain key periods. These civilizations, nonetheless, paled in comparison with the military efficiency and economy of the Roman Empire. Military spending was the largest item of public spending throughout Roman history. During the first two centuries of Empire, the Roman army had about 150,000 to 160,000 men, in addition to 150,000 of other troops. For example, in republican and imperial Rome military wages consumed more than half of the revenue. During the Middle Ages, following barbarian invasions, a varied system of European feudalism emerged in which feudal, aristocratic lords provided protection for their communities. It was not until the 12th century and the Crusades that the feudal kings needed to supplement the ordinary revenues to finance their armies. Internal discontent in the Middle Ages often led to an expansionary drive due to elite pressure. The political ambitions of medieval kings, however, relied on revenue strategies that catered to short-term deficits and military campaigns. Innovations in the ways of waging war, aided by the gunpowder revolution of the 15th century, permitted armies to attack and defend larger territories. This also made possible the commercialization of warfare in the 14th and 15th centuries. Accordingly, medieval states had to increase their taxes to support the growing costs of warfare. The age of commercialization of warfare was accompanied by the rising importance of sea power. States such as Portugal, the Netherlands, and England, respectively, became the “systemic leaders” due to their extensive fleets and commercial expansion. The early winners in the fight for world leadership were usually supported by the availability of inexpensive credit. This pattern can be discerned in the English case. In the period 1535—1547, the English defense share (military expenditures of central government expenditures) averaged at 29.4 per cent, displaying large yearly fluctuations. However, in the period 1685—1813, its mean defense share increased to 74.6 per cent, never below 55 per cent. The newly emerging nation states began to develop more centralized and productive revenue-expenditure systems, especially in the absolutist era. This also reflected on the growing cost and scale of warfare: During the Thirty Years’ War between 100,000 and 200,000 men fought under arms, whereas fifty years later 450,000 to 500,000 men fought in the War of the Spanish Succession. The participants of these wars became even more dependent on access to long-term credit, as seen in the case of Spain in the 17th century. A new style of warfare, brought on by the French Revolution, and rapid population growth increased the European manpower and spending requirements in the 18th century. For example, the French army, based on conscription, grew over 3.5 times in size from 1789 to 1793, up to 650,000 men. Similarly, the British army grew from 57,000 men in 1783 to 255,000 men in 1816. The Russian army acquired a massive size of 800,000 men in 1816. This kind of mobilization, which became more or less permanent in the 19th century, required new sources of financing. The 19th century introduced reforms such as centralized public administration and direct taxation, which

were also supported by the spread of industrialization and rising productivity. The 19th century, moreover, made possible the industrialization of war and armaments production. The economic consequences posed by these changes differed. In the French case, the mean defense share remained roughly the same in 1870—1913, circa 35 per cent, whereas its military burden (military expenditures of GDP) increased circa one per cent to 4.2 per cent. In the British case, the mean defense share declined two per cent to 36.7 per cent in 1870—1913 compared to the early 19th century. However, the strength of the British economy actually enabled a slight military burden decline to 2.6 per cent, a similar figure incurred by Germany in the same period. For most countries the period leading to the First World War meant comparatively higher military burdens. The United States, the new economic leader, had a meager 0.7 per cent average military burden, similar to the interwar period. In the First World War, this military potential was unleashed in Europe, with a war of attrition causing millions of casualties. In the interwar period, especially in the 1920s, public spending was often static by nature, plagued by budgetary immobility. However, although among democracies defense shares dropped noticeably, their respective military burdens stayed either at similar levels than before the war or even increased — for example, the French military burden rose to a mean level of 7.2 per cent. Also in Great Britain, the defense share mean dropped to 18.0 per cent, yet the military burden mean actually increased. For these countries, the mid-1930s marked the beginning of rearmament, yet their authoritarian challengers had begun earlier. Hitler's Germany increased its military burden from 1.6 per cent in 1933 to 18.9 per cent in 1938. Mussolini was not quite as successful in his efforts, with military burdens fluctuating between four and five per cent in the 1930s. The Japanese rearmament drive was perhaps the most impressive, amassing a military burden as high as 22.7 per cent in 1938. In the Second World War, the initial phase from 1939 to early 1942 favored the Axis as far as their strategic and economic potential were concerned. After that, the war of attrition and its economic demands, with the United States and the USSR joining the Allies, turned the tide in favor of the Allies. The burden of the war was unprecedented, as for example the maximum British military burden of circa 27 per cent in 1918 was dwarfed by the over 50 per cent level maintained throughout the Second World War. This war also brought with it a new military-political leadership role for the United States, especially within the NATO. The USSR, rising to new prominence in the war, established the communist Warsaw Pact to counter these efforts. The war also gave impetus to welfare states and programs that grew in size rapidly from the 1950s onwards. Military spending levels followed suit and peaked during the early Cold War. The American military burden increased above 10 per cent during the Korean War, and the United States retained a high mean value of 6.7 per cent for the post-war period. Great Britain and France followed the American example. The Cold War embodied a relentless armaments race between the two superpowers, with the USSR, according to some figures, spending circa 60 to 70 per cent of the American equivalent in the 1950s. Most figures suggest a dwindling American lead and eventual Soviet advantage in the 1970s. Yet, there seems to have been a 2-to-1 advantage in favor of the NATO countries over the Warsaw Pact. Part of this armaments race was due to technological advances that produced a mean annual increase in real costs of circa 5.5 per cent. Yet, spending on personnel and operation has remained the biggest spending item. The world military spending levels began a slow decline from the 1970s onwards, with the exception of the

Reagan years. In 1986, the American military burden was 6.5 per cent, whereas in 1999 it had dropped to 3.0 per cent. In France in 1977—1999, the military burden has declined to an average of 3.6 per cent. This has mostly been triggered by the reduction of tensions between the rival groups and the subsequent downfall of the Soviet Union. The Soviet military burden remained high up until the end of the 1980s, being 12.3 per cent in 1990. In the Russian Federation, with a declining GDP, this level has dropped rapidly to 3.2 per cent in 1998. Similarly, other nations have downscaled their military spending in this period. For example, German military spending in constant USD in 1991 was over 52 billion, whereas in 1999 it had declined to less than 40 billion USD. Overall, there was a reduction of circa one-third in real terms in world military spending in 1989—1996, with small gains again in 1999. In the global scheme, world military expenditure remains highly concentrated, with the 15 major spenders accounting for 80 per cent of the world total in 1999.

Jari Eloranta

References:

European State Finance Database (ESFDB) [online]. Maintained by Richard Bonney.

[quoted 22.11.2000]. Available in www-format: <URL:

<http://www.le.ac.uk/hi/bon/ESFDB/dir.htm>.

Hobson, J.M. “The Military-Extraction Gap and the Wary Titan: The Fiscal-Sociology of British Defence Policy 1870—1913”. The Journal of European Economic History. 22.3 (1993), 461—506.

Kennedy, Paul. The Rise and Fall of the Great Powers. Economic Change and Military Conflict from 1500 to 2000. London: Unwin Hyman, 1988.

McNeill, William H. The Pursuit of Power. Technology, Armed Force, and Society since A.D. 1000. Chicago: University of Chicago Press, 1982.

Singer, J. David, and Melvin Small. National Material Capabilities Data, 1816-1985 [Computer file]. Ann Arbor, MI: Inter-university Consortium for Political and Social Research [distributor], 1993.

SIPRI Yearbooks of World Armaments and Disarmament. Stockholm and Oxford: Almqvist & Wiksell and Oxford University Press, 1969/70—2000.

The economics of World War II. Six great powers in international comparison. Ed. by Mark Harrison. Cambridge: Cambridge University Press, 1998.

The Rise of the Fiscal State in Europe c. 1200—1815. Ed. by Richard Bonney. Oxford: Oxford University Press, 1999.

Webber, Caroly, and Aaron Wildavsky. A History of Taxation and Expenditure in the Western World. New York: Simon & Schuster, 1986.

See Also: Babylonian Empire, Roman Empire, Crusades, Thirty Years' War, Spanish Succession, War of the, French Revolutionary Wars, World War I, Hitler, Adolf, World War II, Korean War, Soviet Empire, United States Empire, Arms Control, Conscription, Disarmament, Economic Warfare, Military Money