Fiscal Regimes for European States, 1650-1871

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Introduction

In this appendix, I provide (1) a description of how I characterized fiscal regimes for European states; (2) historical accounts of fiscal centralization and the emergence of limited government; and (3) a table which compiles this information. See “Weak and Strong States: Fiscal Development and Sovereign Creditworthiness in Continental Europe,” particularly section 4, for an analysis of the results that I derive in this appendix.

1. Methodology

I document a general pattern of political transitions within 18th and 19th century Continental Europe. Fiscal centralization, which created an undivided fiscal authority, occurred in most Continental states from 1789 to 1815. Limited government, which placed constitutional constraints on the ruler, typically began to emerge in the 1830s. As the table in section 3 of this appendix indicates, the two political transitions engendered three (i.e., sequential) fiscal regimes: (1) decentralized and non-limited; (2) centralized and non-limited; and (3) centralized and limited.

I have defined fiscal centralization and limited government in transparent ways. Fiscal centralization occurred when the state’s central government secured its revenues through a tax system with uniform rates throughout the country. Limited government arose when parliament gained the constitutional right to control the national budget. Following this change, parliament could constrain the ruler’s spending, actively

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1 This definition does not imply that the central government gains a monopoly over taxation after fiscal centralization. Indeed, there may still be competition between local and national tax (e.g., state and federal) agencies. In the United States, for example, fiscal centralization occurred with the Constitution of 1788, which gave Congress the power to ensure that individual states complied with national tax standards (beforehand, under the Articles of Confederation, Congress could only request funds from the states). States maintained the ability to levy taxes, however. See Edling (2003).
monitoring sovereign debts. To meet my definition, parliament’s power had to be stable, meaning that it held for at least ten consecutive years.²

2. Public Finance Histories

**Bavaria**

In 1804 Bavaria, along with Wurttemberg, struck an alliance with Napoleonic France. In 1806 Napoleon established the Kingdom of Bavaria. Administrative modernization, including fiscal centralization, proceeded during this period. In 1808, the Bavarian monarchy introduced a liberal constitution, though it was never put into practice. Constitutional monarchy was, however, implemented in 1818.³

**Belgium**

Revolutionary France annexed Belgium in 1795. Fiscal centralization proceeded under Napoleon in 1799. In 1830, Belgium – then part of the Kingdom of the United Netherlands, established at the Napoleonic era’s end in 1814 – declared independence from Dutch rule. Shortly thereafter, in 1831, Belgium established an English-style constitutional monarchy.⁴

² Dating of limited government is at times open to debate. In France, for example, I chose 1830, because the revolution that occurred in that year demonstrated that to endure the crown required the support of the National Assembly. Yet one could argue that limited government first arose in 1815 since the restored Bourbon regime that replaced Napoleon was a nominal constitutional monarchy. I did not select this year, however, because the French crown abused its royal powers during the 1820s. Nonetheless, if the Bourbon monarchy did in fact achieve limited government, then pre-1830 yields would have been lower than otherwise, which biases against my hypothesis that fiscal centralization increased mean yields. One could also claim that limited government did not emerge in France until 1871, since Napoleon III staged a coup in 1851, establishing an authoritarian regime (see Price 1993, chapters 4-6.) This, too, biases against me, for it increases the yield levels under the limited government regime, making my results more robust if I continue to find that limited government was associated with a significantly lower mean yield.


England (Britain)

In England, fiscal centralization occurred during medieval times. Parliament, however, remained an accessory of the English crown until the Glorious Revolution in 1688. At that time, it gained a regular veto over state expenditure, coupled with the right to monitor how such funds would be spent. Acts of Unions constitutionally assimilated England (including Wales) and Scotland in 1707 and Ireland in 1800.5

France

Fiscal centralization in France first succeeded under Napoleon in 1799. The Bourbon dynasty was restored in 1815 when Napoleon was forced to abdicate from France for the second and final time, signaling the end of the Napoleonic era. Abuse of royal power by King Charles X, who acceded in 1824, led to revolution in 1830, when the Duke of Orleans, known as “Louis Phillipe,” agreed to respect the principles of English-style constitutional monarchy.6

Naples

Fiscal centralization occurred in 1806 when the French, led by Napoleon, conquered Naples. Certain feudal tax privileges remained, however, until Italian unification in 1861. The Bourbon dynasty was restored in Naples in 1815. An attempt to enact a liberal constitution in 1848 failed, and Naples remained an absolutist state until the Kingdom of Italy was established as a constitutional monarchy in 1861.7

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**Netherlands**

The Dutch Republic (1584-1795) possessed an extreme form of limited government prior to fiscal centralization. Each province was in principle sovereign and had its own systems of administration, taxation, and representation. Cities were also autonomous. Within this framework, the authority of the Dutch “ruler,” or *statholder*, was in large part a matter of individual political prowess. It was not until 1798 that, backed by the French military, the province-based government structure was replaced by a centralized state. Fiscal centralization occurred in 1806. By 1815, the Batavian Republic had emerged as the Kingdom of the United Netherlands. Indeed, the Constitutions of 1814 and 1815 invested king Willem I with hereditary autocratic powers. English-style constitutional monarchy arose in 1848 amid the revolutionary fervor which swept the Continent.⁸

**Papal States**

Napoleon incorporated Rome into the French Empire in 1810. Political and economic centralization, including fiscal reforms, was carried out then. As in Naples, however, certain feudal tax privileges remained intact. In 1848, Pope Pius IX introduced a progressive constitution. Yet the College of Cardinals, as well as the pope himself, retained veto control over parliamentary findings. Constitutional monarchy did not emerge until 1870, when Rome was acquired from France and incorporated into the Italian Kingdom.⁹

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⁹ Hearder (1983), 101-102, 113-114, 244-246.
Piedmont

France annexed Piedmont in 1802, and fiscal centralization proceeded thereafter. In 1814, the Kingdom of Piedmont was restored under Vittorio Emanuele. Unlike rulers in Naples or the Papal States, Piedmont wholeheartedly retained Napoleon’s centralized administration. In 1848, King Carlo Alberto established a constitutional monarchy, which was to form the institutional basis for the Kingdom of Italy in 1861.\textsuperscript{10}

Portugal

Though Napoleon invaded Portugal in 1807, he did little to introduce political and economic reforms. A liberal revolution in 1820 failed, and it was not until 1832 that comprehensive changes, including fiscal centralization, were carried out. The Revolutionary era, which lasted for 31 years, was brought to an end with the establishment of constitutional monarchy in 1851.\textsuperscript{11}

Prussia

Crushing defeat by the French in 1806 induced the Prussian leadership to quickly carry out political and economic reforms, including fiscal centralization. Prussia remained an absolutist state until 1848, however, when King Freidrich Wilhelm IV granted a liberal constitution. In the 1860s, the government operated without legislative approval of the military budget, revealing the weakness of limited government in Prussia.\textsuperscript{12}

\textsuperscript{10} Heider (1983), 51-52, 60-61, 245-246.
Spain

Napoleon invaded Spain in 1808 in an attempt to convert it into a French satellite state. As in Portugal, however, he did little to generate modern laws and administrative practices. Indeed, fiscal centralization did not occur until 1844. After decades of failed constitutional initiatives, constitutional monarchy was established in 1876.  

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3. Table

**Timeline of Political Transitions for European Sovereigns**

<table>
<thead>
<tr>
<th>Country</th>
<th>Fiscal Centralization (NCNL → CNL)</th>
<th>Limited Government (CNL → CL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Britain</td>
<td>1066</td>
<td>1688</td>
</tr>
<tr>
<td>Belgium</td>
<td>1800</td>
<td>1831</td>
</tr>
<tr>
<td>France</td>
<td>1799</td>
<td>1830</td>
</tr>
<tr>
<td>Piedmont</td>
<td>1802</td>
<td>1848</td>
</tr>
<tr>
<td>Bavaria</td>
<td>1804</td>
<td>1818</td>
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<tr>
<td>Naples</td>
<td>1806</td>
<td>1861</td>
</tr>
<tr>
<td>Netherlands</td>
<td>1806</td>
<td>1848</td>
</tr>
<tr>
<td>Prussia</td>
<td>1806</td>
<td>1848</td>
</tr>
<tr>
<td>Papal States</td>
<td>1810</td>
<td>1870</td>
</tr>
<tr>
<td>Portugal</td>
<td>1832</td>
<td>1851</td>
</tr>
<tr>
<td>Spain</td>
<td>1844</td>
<td>1876</td>
</tr>
</tbody>
</table>

Within 18th and 19th century Continental European states, I document the following sequence of fiscal regimes: (1) decentralized and non-limited (NCNL); (2) centralized and non-limited (CNL); and (3) centralized and limited (CL). I define fiscal centralization to have occurred when the state’s central government secured its revenues through a tax system with uniform rates throughout the country. I define limited government to have emerged when parliament gained the constitutional right to control the national budget that lasted for at least ten consecutive years. In France, for example, fiscal centralization occurred in 1799 and limited government in 1830.
4. References


