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***Introduction to special issue: Wars, states and economic change in the Scandinavian countries, 1600-2000***

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Introduction

Most of the contributions of this special issue on “Wars, states and economic change in the Scandinavian countries 1600-2000” were presented at a workshop with a similar title at BI Norwegian Business School on 26 November 2010. The workshop was financed by the Norwegian Research Council (NRC) as a follow up of its evaluation of Norwegian historical research headed by Bo Stråth in 2008. The evaluation committee particularly criticized Norwegian historical research for its “methodological nationalism” as well as insufficient transnational contacts.<sup>i</sup> The Centre for Business History at BI Norwegian Business School applied for and received funds from the NRC to create new networks and strengthen comparative perspectives through seminars and workshops. This special issue should be seen as one of many responses to NRC’s initiative.

The workshop in 2010 and the guest editors of the current issue were inspired by the session, “On war and economic history: a global perspective in the centuries before World War I” at the XVth World Economic History Congress in Utrecht in 2009, which was organized by Philip T. Hoffman. Hoffman (and Patrick O’Brien) raised questions of fundamental historical importance. In line with Charles Tilly’s classic thesis on the close interrelationship between warfare and state building, Hoffmann argued that by the end of 19<sup>th</sup> century, the European countries had conquered large parts of the world due to peculiar form of military competition, a kind of permanent tournament that induced European rulers to invest significantly and successfully in military innovations such as gunpowder weapons between 1500 and 1800. For various reasons, similar conditions for innovations in military technology through continuous military competition based on repeated and relatively limited wars, were absent in Japan, India, the Ottoman Empire and China in this period. Thus the European countries achieved a significant advantage in military technology, especially in gunpowder weapons, which had originally been developed in China and utilized skillfully by the Ottomans. This advantage was underpinned by significant productivity improvements in weapons production lowering their cost.<sup>ii</sup> The creation of fiscal-military states, with Britain as the most successful one both in terms of economic growth and creation of a global empire, was an integrated element in the development of the European military superiority.<sup>iii</sup>

Presenting a number of selected cases and putting the war-and-economy question to contemporary history as well, the ambitions of this special issue are more modest and more ambitious in some respects. The economic and political consequences of war and the relationship between wars and nation building are classical themes in the historiography and national narratives of the Nordic countries. We have attempted to combine a long term perspective with contributions from all the Nordic countries, except Iceland. Warfare as such is not a topic; rather, we are interested in the economic impact of war on the Nordic states and their ability to survive as political units.

One important aspect presents itself in the military, economic, technological and logistical preparations for war as treated in the articles of Gunner Lind, Finn E. Johannessen and Masako Ikegami. Gunner Lind deals with the development of the military industry of the Danish- Norwegian state 1500-1814, which was located in Copenhagen and its proximity because of its close links to military operations. Short supply lines and the need for protecting the industry against enemy operations seem to have been crucial determining factors. Departing from the existing literature, Lind is able to map gunpowder mills, arms works and naval shipyards and sketch their development in a long term perspective, showing how a strongly mercantilist environment made for the establishment of varying degrees of public-private partnerships, although the military manufactures maintained a higher degree of self-sufficiency than other types of government supported industries. Three groups are identified: the navy dockyards (comprising hardly any private incentives), government owned manufactures managed by private contractors, and privately owned enterprises with large government capital participation and long term contracts – although the period around 1660-1750 marked an exception, the state taking charge of almost every military industrial establishment. Attracting foreign experts and pooling technological and managerial skills, the defense of the realm turned military manufactures into important centres of knowledge production.

Turning to the northern part of the Danish-Norwegian military state, Finn Erhard Johannessen presents his micro study of the building of galleys at the small, state owned naval shipyard in Fredriksvern in Norway in the second part of 18<sup>th</sup> century. The arms race that followed the Great Northern War 1709-20 forced the kingdoms of Sweden and Denmark-Norway to invest in navies that could match the Russian ships, and as a countermove to the establishments of naval bases at Gothenburg and Karlskrona on the Swedish west coast, the Danish-Norwegian king decided on similar strongholds at Stavern ('Fredriksvern') in southeast Norway in 1750 and at Nivå north of Copenhagen in 1752. While the latter was

abandoned soon thereafter, Fredriksvern was completed and equipped with a fleet of galleys, just like the Swedish rival at Gothenburg, and remained the main Norwegian naval base for a century. The short-lived renaissance of the galley in European maritime warfare was, however, coming to an end, the Norwegian galleys were overtaken by the naval technological development, and as war broke out between Denmark-Norway and England in 1807, the naval commands had given up their galley fleets in favour of the more flexible gun sloop which, in the Danish-Norwegian case, would serve as an efficient weapon against any larger man-of-war in the right circumstances. The case of the Norwegian galleys reveals some significant economic problems that faced the decision makers, who, despite the military priority of the project, had to counter serious problems recruiting personnel for the Fredriksvern shipyard and providing timber for the galleys in competition with clandestine dealers for the English and the Dutch navy. Eventually, timber was provided from across the Baltic, and the vacancies were filled up by Danish ship builders, but the case shows how even a significant military matter such as Fredriksvern was subject to some tough economic priorities.

These early, general and special studies of the military-industrial complex in the Danish-Norwegian monarchy can be contrasted to Masako Ikegami's study of the Swedish defense industry after the end of the Cold War in 1989 and the impact of globalization of a different time and scale. In contrast to the mostly state controlled military industry of the absolutist and merkantilist early modern state, the defense industry, or 'military-industrial complex' of the 20<sup>th</sup> century became detached from the state and the national interests vested in it. Ikegami's study shows how the end of the Cold War presented the Swedish military industry with serious challenges in the shape of severe cut-downs on the national defense budgets but nevertheless managed to survive – and, indeed, improve its prospects. Sweden's industrial and technological capabilities were sufficiently well founded – and had been for centuries – to meet the challenges in the shape of commercialization and globalization. The way to deal with the new situation with no immediate geopolitical threat at hand was to accept foreign mergers and acquisitions, which secured and strengthened its position. The dilemma facing not only the Swedish military-industrial complex but many other's as well lies in the basic change of what used to be a traditional public-private enterprise into a definite private business world: States are national by definition, while capital is not. National competitive advantages within military technology are easily dissolved as the international market takes over. So far, however, it would seem as though the most crucial international company integration and co-operation is kept within international defense organisations such as NATO.

Patrik Winton's article on the financial challenges facing Sweden and Denmark-Norway during and after the Napoleonic Wars makes a contribution to the continuous debate on the fiscal and military states from the 16<sup>th</sup> century to World War I. Winton's article is also the most comparative of the contributions in this issue. While Denmark-Norway tried to keep out of the war but was eventually drawn into it on the side of Napoleon Bonaparte (and losing its entire fleet to the British as a result), Sweden chose to join the anti-French alliance, which turned into a war against Denmark and Russia as well, losing Finland to Russia but gaining Norway from Denmark. In Sweden, internal conflicts over war finances resulted in the military overthrowing the king in 1809 and making for a new constitution that strengthened the power of the Diet, while the Danish monarchy survived both military defeat and an ensuing default of war debts (in Denmark known as the state bankruptcy of 1813). Because of divided fiscal authorities, Swedish society was unable to mobilize a maximum of resources to finance the war, while the Danish king embarked on a course that financed both the war and the debt, but was eventually to hyperinflate the economy. In this scenario, institutions, thus, are very much at play. Both states were middle sized European military powers struggling to maintain their position in the Baltic and overseas, but, as Winton's article reveals, the different ways of organizing the state must account for the asymmetrical strategies with which the two governments handled the question of how to finance the wars. The Danish-Norwegian king, as head of a traditional absolutist regime, had a monopoly of deciding power, while Sweden displayed a more 'modern' type of monarchy which involved popular representation of the four estates and hence a divided fiscal authority.

As we leap forward to the 20<sup>th</sup> century, three articles deal with the impact of World War II on Denmark, Norway and Finland. Exactly as in the Napoleonic Wars, geopolitics saw to it that Denmark together with Norway was trapped with the continent's great power – this time Nazi Germany – while Sweden was left to decide its own policy and Finland remained the target of an expanding Russian state.

In 1940-1945, in contrast to conditions during the Napoleonic Wars, two of the countries in question – Denmark and Norway – were occupied and had to succumb to a kind of forced public spending, imposed by the occupation regime. The isolated problem of financing is thus overshadowed by the question of macro economic effects. By way of a generous price policy and the channeling of strategic resources, the German authorities were able to target those sectors of the two societies it regarded as most important. Joachim Lund discusses the relative importance of the Danish food supplies for the German war economy which has been the subject of considerable debate in Denmark. During World War II,

Germany was not only fighting a war; it was also struggling to feed its population. Despite continuous efforts by the Nazi regime to make the country self-sufficient, it still needed to import 17 % of its food. The occupation of Denmark proved profitable in this respect. The small country with its advanced meat, dairy and fish production turned out to be able to supply Germany with much larger amounts of food than expected, and the Danish government did not hesitate to bring the Germans' attention to the need for a peaceful development, since a direct German occupation regime and the elimination of the Danes' own administration would ruin the lucrative food exports. Since German and Danish interests coincided on this point, there was never any fundamental change in the German occupation regime or economic policy, and even after the Danish government had stepped down in August 1943, Danish deliveries of pork, butter and fish continued to pour across the border. Although Germany did provide some goods in return, such as fodder, fertilizer and coal, the deficit that arose was paid for by the National Bank of Denmark, which made for a redistribution of income in favour of the farmers, combined with a price development that was difficult to contain. Similar to the situation during the Napoleonic Wars and the Danish war with Britain 1807-14, thus, the severance of overseas supplies – his time combined with the intruder's vast economic activities and agricultural procurements – created a strong inflationary pressure, but in contrast to 1914, the Danish state dealt with the problem by invoking a deflationary policy.<sup>iv</sup>

Harald Espeli discusses the immediate and longer term economic, political and institutional consequences of the German occupation of Norway and the national narrative that emphasized the economic destruction of the war. Immediately after the invasion of Norway in April 1940, the German authorities opened an account in Norway's central bank, which, during the subsequent five years of occupation, financed Germany's local expenses. By May 1945 the total German withdrawals had amounted to 11.341 million NOK. The money had to a high degree been employed in Norway's economy by way of an extensive, institutionalized cooperation which included the Norwegian Administrative Council and the Committee for Industry and Trade (Nemnda for industri og omsetning) and the German Reichskommissariat and Chamber of Commerce on the other, promoting and legitimising comprehensive inclusion of local business in the economic schemes of the occupation authorities. While the short term economic effects of the German activities, which included huge investments in infrastructure, efficiently did away with unemployment and kept the wheels turning (until a slowdown from 1944 due to a lack of energy and raw materials), the longer effects become visible when postwar statistics are taken into consideration: GDP

surpassed the 1939-level as early as 1946 and GDP per capita in 1947 was higher than in 1939. By 1948, the huge real capital loss claimed had been replaced. The evidence makes it difficult to sustain the hitherto predominant assertion that in 1945, the Germans left a Norwegian economy behind that had been thoroughly exploited and destroyed. The 11,3 million German debt on the Wehrmacht account in 1945 should be contrasted to the fact that Norway actually maintained an import surplus with Germany during the five years. Espeli's conclusions are well in line with recent research on the impact of occupation on other western European countries, which do not appear as economically devastated after the war as the immediate postwar accounts would have us believe, and some of which actually experienced an economic boom as a result of a massive German building activity and order placements in the local industry. The Keynesian effects of a forced expansion of economic activities are striking. They help to explain the rapid recovery of those economies in postwar Europe.<sup>v</sup>

The article by Ylimauno et.al is a special one, taking on a slightly different aspect of the impact of World War II on a local environment. Just like in the Norwegian and the Danish cases, the German presence in Finland during the war involved vast construction schemes and economic collaboration with local contractors, employing up to 12.000 construction workers. Adding roads and bridges to the local infrastructure and building barracks, officers' clubs etc., the German army and Waffen-SS made their own contributions to the development of northern Finnish towns, and although many buildings were demolished, other constructions and parts of local "Little Berlins" in the towns of Oulo and Tornio survived well into the postwar years to become an integrated part of modern Finland's urban structure and street- and landscapes. Historical archeology is in the process of revealing these features, which, because of the problematic sides to Finland's relations with Nazi Germany, have until recently hardly figured in public remembrance culture.

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<sup>i</sup> [http://evalueringsportalen.no/evaluering/evaluering-av-norsk-historiefaglig-forskning-bortenfor-nasjonen-i-tid-og-rom-fortidens-makt-og-fremtidens-muligheter-i-norsk-historieforskning/Evaluering%20av%20norsk%20historiefaglig%20forskning%20.pdf/@\\_@inline](http://evalueringsportalen.no/evaluering/evaluering-av-norsk-historiefaglig-forskning-bortenfor-nasjonen-i-tid-og-rom-fortidens-makt-og-fremtidens-muligheter-i-norsk-historieforskning/Evaluering%20av%20norsk%20historiefaglig%20forskning%20.pdf/@_@inline), esp.5 and 170 ff.

<sup>ii</sup> Tilly, 'War Making', Tilly, *Coercion*, Hoffman, 'Why Was It', Hoffman, 'Prices, the military revolution'.



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<sup>iii</sup> Eg. O'Brien, 'The nature and',---. O'Brien and Yun-Casalilla, *The Rise of fiscal states*. Jan Glete has made a number of important contributions to the research on fiscal-military states such as Glete, *War and the state*.

<sup>iv</sup> Lund, J. 'Det økonomiske forhold mellem Tyskland og Danmark 1940-45', in *Danske tilstande - norske tilstande. Forskelle og ligheder under tyske besættelse 1940-45*, eds H.F. Dahl, H. Kirchhoff, J. Lund and L.-E. Vaale. Copenhagen: Gyldendal, 2010: 151-74.

<sup>v</sup> Klemann, H. and S. Kudryashov. *Occupied Economies. An Economic History of Nazi-Occupied Europe, 1939-1945*. London/New York: Berg, 2012, pp. 433-9.