

PROSPERITY
AND
VIOLENCE

THE POLITICAL ECONOMY
OF DEVELOPMENT

SECOND EDITION

ROBERT H. BATES



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THE FORMATION OF
STATES

A monarch is like "a robber permanently on the prowl, always probing, . . . always searching for . . . something . . . to steal."

—THIRTEENTH-CENTURY ENGLISH CHRONICLER,
QUOTED IN RALPH V. TURNER,
KING JOHN, 3

COERCION AND FORCE are as much a part of everyday life as are markets and economic exchange. In the process of development, however, coercion alters in nature. Rather than being privately provided, it instead becomes publicly provisioned. And rather than providing a means for engaging in costly acts of redistribution, it becomes a means for promoting the creation of wealth.

Drawing from materials on European history, this chapter traces the change from rural societies, based on agriculture and farming, to urban societies, based on commerce and manufacturing. It also traces the change from the private provision of

violence, based upon kin and community, to the public provision of coercion, based upon the monarchy and the state. These economic and political transformations, I argue, are intimately related. The rise of towns produced an increase in incomes and the new wealth incited increased conflict. Specialists in the use of violence needed revenues to fight their wars; and those who prevailed were those who allied their political forces with the economic fortunes of the towns. The result of this alliance was a new political and economic order—one based on capital and complex economic organizations, one in which prosperity profitably coexisted with peace, and one in which coercion was used not for predation but rather to enhance the productive use of society's resources.

WEALTH AND VIOLENCE

During the fourteenth and fifteenth centuries, the locus of economic growth in Europe shifted from the Mediterranean city-states of Italy to the shores of the Baltic and North Seas. The discovery of the so-called New World and the growth of the Atlantic trade accelerated this transformation and rendered it a permanent feature of Europe's economic geography. The rise of new cities both marked and promoted the rise of prosperity; it brought economic growth not only to the urban areas but also to the north European countryside. In accordance with the logic of the previous chapter, the rise in prosperity brought as well an increase in political violence. Limitations in the quality of political order supplied by the private provision of protection created a demand for a better system of providing it. And specialists in violence who tapped into the wealth of the cities secured the resources to provide political order.

THE RISE OF TOWNS

The Rhine and its tributaries drain a major portion of the interior of northwestern Europe; so do the Schelde and the Somme. Sweeping soils down from the highlands, the rivers built up the rich plateaus and lowlands that stand close to the sea. In Flanders, the Brabant, and the regions now united into the Netherlands, towns formed near the point where each river entered the ocean, helping to organize exchange between the populations that clustered along each river's banks with those who dwelt along the banks of others. By the fifteenth century, several of these cities—e.g., Bruges, Ghent, and Antwerp—numbered among Europe's largest. Because of the close links that it maintained with these towns, London too formed an integral part of this rapidly growing region.

The rise of urban centers closely intertwined with the rise of rural prosperity. By river and road, goods entered the cities from the countryside. In warehouses and on docks, wholesalers broke shipments into lots and consigned them to retailers, who reloaded them onto boat, barge, or wagon. The goods then disappeared back into the rural areas, where the majority of the consumers resided. As markets expanded, goods originated from more distant locations; it was often the burghers who provided the transport services, be it by wagon along the roadways, by barge along the rivers, or by boat across the seas. With the growth of trade, exchanges began to take place not only over greater distances but also over longer periods of time. And the burghers then added the provision of credit and the clearance of payments to the services they provided rural dwellers.

As the population of the urban centers rose, so too did the demand for agricultural products. The residents of the cities consumed but did not produce food. To secure food, the urban population therefore had to trade for it, thus strengthening the

role of markets in rural society. The growth of cities therefore fostered the commercialization of agriculture.

The value of land and the cost of transport shaped the response of farmers. Near town, land was expensive; urban dwellers competed with farmers for it, thus increasing its value. Farmers in peri-urban districts therefore specialized in the production of vegetables, pigs, and poultry, each of which made efficient use of land. They also produced dairy products that, being bulky, were expensive to transport or could quickly spoil and therefore were best produced close to the point of consumption. Farther from the city, farmers engaged in activities such as cattle raising that made more extensive use of the land or produced goods with high value-to-weight ratios, capable of withstanding high costs of transport.

The commercialization of agriculture stimulated not only the provision of services from urban dwellers, but also infusions of capital. In the delta regions, investors financed the clearing of the land, the draining of swamps, and the transformation of silt into gardens and pastures. Engineering control over the level and flow of water and augmenting the quantity and quality of the land, they rendered the lowlands centers of both commerce and farming.

THE RISE OF VIOLENCE

With an increase in the profits from agriculture, families began to invest in and to improve their farms. To enhance the productivity of their holdings, they added to their household specialists in farming and others who provided skills in writing, in calculating, in breeding and training livestock, in managing laborers and tenants, or in forging implements. These additions to their households also provided muscle and brawn, enabling the landowners to enhance the security of their holdings. The

retainers served in indenture, laying claim to a lifelong stream of benefits—food and shelter, in the household of their employer—in exchange for their services and for the obligation, when called upon, to fight.

Family ties yield means for coping with risks arising from acts of nature. The accumulation of retainers provided a means for coping with risks arising from the actions of men. Working in the fields or at their trades or when idle, these employees could rapidly be mobilized for conflict. The provision of livings and the accommodation of muscular hangers-on assured a subsequent flood of men into battle, should anyone threaten the owner's rights in property. The growth of the economy of northwestern Europe was thus accompanied by the militarization of households.

The private provision of violence was costly. Only those who stood to lose much possessed an incentive to provide it. In practice, this meant that the political and economic elite became one in the rural areas, with households that were rich also becoming the households that dominated militarily the hinterlands of northwestern Europe.

It is notable that the locus of rural violence concentrated in the areas most deeply integrated with the new urban economies. Hechter and Brustein (1980, 1081) have provided a map of "peasant rebellions" in the fifteenth century; such conflicts were often led by elites, who mobilized kin and dependents to fight. Hechter and Brustein's map (Figure 3.1) suggests that the spatial distribution of rural conflict corresponded closely to that of commercial agriculture.

In their interpretation of their findings, Hechter and Brustein (1980) note further that it was in such areas that "feudalism" had emerged, as well as economic growth. The interpretation I provide suggests why economic growth, violence, and

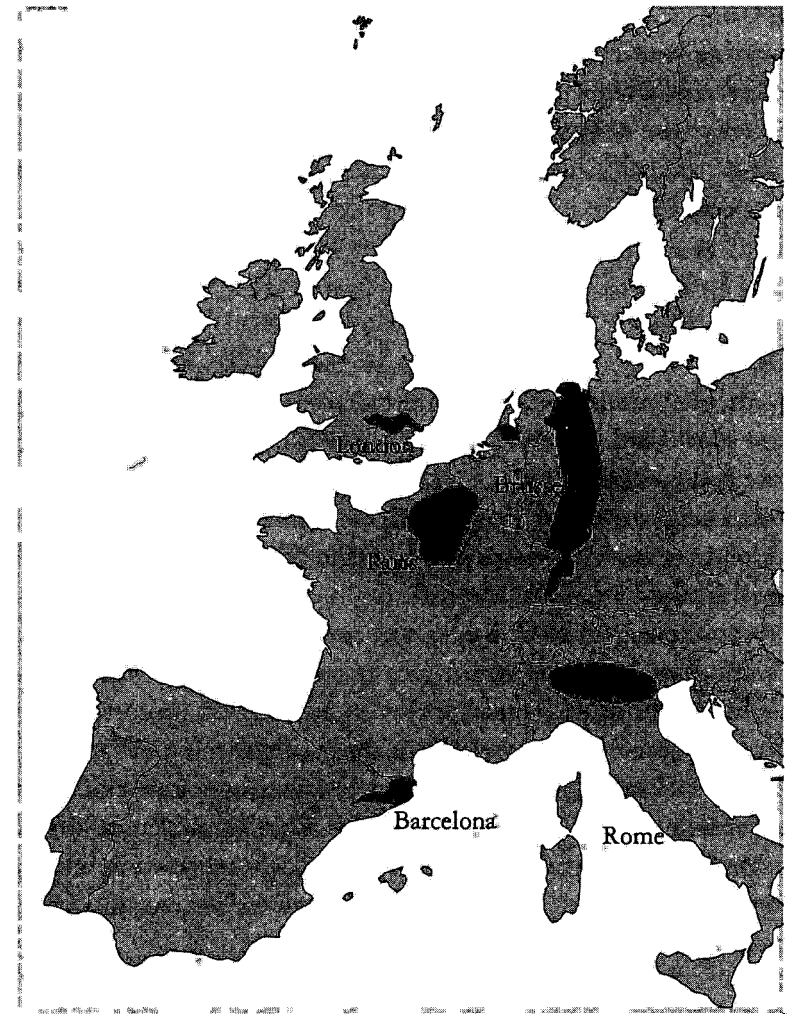


Figure 3.1 Principal Areas of Rural Conflict in
Fourteenth-Century Western Europe

Source: Adapted from Michael Hechter and Willam Brustein, 1980, "Regional Modes of Production and Patterns of State Formation in Western Europe," *American Journal of Sociology* 85, no. 5, p. 1081. Copyright 1980 by the University of Chicago.

the rise of feudal political organization would go together. By creating wealth, growth strengthened the incentives for violence; and it was landowning elites who had the incentive privately to organize the defense of property. Feudalism was based upon the militarization of rural households that sought to safeguard their property.

TAMING VIOLENCE

Prosperity spread inland along the river systems, up the Rhine and southward into France, and across the Channel to incorporate London, East Anglia, and the southern counties of England. But along with that prosperity came violence, privately provided by elite kin groups and households, with the support of their liveried retainers.

In the course of this violence, some kin groups did better than others. Those that prevailed formed ruling lineages and provided kings. Central to the emergence of these monarchies—and central, therefore, to the emergence of the state—was the alliance between militarized lineages and the new economic order. Driven by necessity, fighting lineages allied with the cities, using them as a source of finance with which to suppress and seduce elites in the countryside, and so transforming the political structure of Europe.

PREDATION

To pay for their wars, the heads of ruling lineages broke into the strongholds of subjects to seize gold and jewels placed there for safekeeping. They confiscated the wealth of their bankers, the estates of the church, and the possessions of their aristocrats.

And they attempted to live off the bounty that they could seize through fighting. "The great series of campaigns launched in Aquitaine, Brittany, and Normandy after 1341," it is said, became a "'joint-stock' enterprise" in which resources were ventured in expectation of subsequent shares (Ormrod 1990, 103).

In search of revenues with which to finance their military ventures, monarchs also tapped the income generated on their own lands. They sold timber from their forests; grazed livestock and grew grain; and excavated minerals from beneath their farms. They recruited and settled tenants on their domains, hired estate managers and supervisors; and, by collecting dues and fees, extracted income from the royal demesne.

Seeking to pay for their wars, the heads of ruling families also manipulated the rules of kinship. In pursuit of economic resources, monarchs charged fees for permission to marry. They sought to impose self-serving definitions of the rules of descent, demanding payment by sons to retain the lands of their fathers. And when those too young or too weak to meet their political obligations inherited estates, they became wards of the king; his bureaucrats then managed their lands, collecting incomes from them, or placed them under the control of those who allied with the king. By manipulating the rules of kinship, those with power thus acquired wealth and property in Europe's agrarian economy, and the resources by which to finance their battles.

SEDUCTION

In search of finances, monarchs also turned to the towns. But in their efforts to prey upon the wealth of the urban centers, they found seduction preferable to bullying as a means of securing revenues.

Urban centers could better defend themselves than could

rural centers of power. Both a walled town and a castle could neutralize armed horsemen. But in the face of the use of cannon, cities possessed an advantage. Endowed with greater wealth and numbers, they could construct protective embankments to absorb a projectile's shock. The rural warlord lacked comparable resources and a comparable level of defense.

Not only was it therefore difficult to seize a town; but also the benefits were few. Because of the mobility of urban assets, the physical seizure of the towns yielded few rewards. In England, for example, Edward II broke into the vaults of the Knights Templars to seize gold and plate, and thus finance his wars; centuries later, Charles I seized gold that had been deposited for safekeeping in the Tower. But Londoners then simply moved their wealth, transferring it from central points of storage to the vaults of private goldsmiths scattered about town. And in the mid-sixteenth century, the Spanish army benefited little from seizing Antwerp, as the merchants and those that financed them simply decamped to Amsterdam. The short-term benefits of preying upon cities therefore came at high cost; and because urbanites could reallocate their wealth so as to elude predation by monarchs, the benefits proved few.

In the face of the urban economy, specialists in violence therefore had to alter their strategies for securing revenues. In the words of Montesquieu, the monarchs had "to govern with greater wisdom than they themselves had intended" (quoted in Hirschman 1977, 72). Rather than plundering wealth, they had instead to elicit its creation. They had to nurture, rather than to despoil, the new economy. They had to adopt policies that facilitated the growth of towns.

Protection Under what is called "mercantilism," ruling lineages actively promoted the growth of manufacturing in towns. They limited the importation of finished goods, thus protecting

local manufacturers from competition from abroad. By imposing tariffs and quotas on the import of textiles, cloth, fabrics, and other items, they allowed the prices of these goods to rise. Governments also limited the exportation of raw materials; by placing barriers on the export of wood, iron, copper, fibers, and other items used in manufacturing, they reduced the domestic price of the raw materials used by urban industry. These mercantilist policies—raising prices for finished products and reducing the costs of production—increased the profits that could be earned by manufacturers in town.

Not only did ruling lineages protect manufacturers from competition from abroad; they also protected them from competition in the domestic market. Particularly in France, the government licensed the production of key consumer goods, restricting the privilege of their manufacture to master craftsmen and their guilds. By regulating apprenticeships and training, and by imposing restrictions on the materials used and the processes employed by manufacturers, they restricted entry, limited output, and thereby created the power to raise prices above the level that would have prevailed in competitive markets.

Procurement Governments also promoted the fortunes of urban manufacturers by lowering the costs of food and raw materials. Whereas the producers of textiles and other manufactured goods received protection from imports, the producers of grain, fibers, timber, and other products received none. Urban dwellers, who consumed the food, and manufacturers, who used the raw materials, could thus purchase the products of farmers at the lowest prices available, be it at home or abroad.

Policies of "provisioning" illustrate the favor shown urban industry. Governments built and maintained warehouses; superintended marketing of grain and the baking of bread; and oversaw the purchase, storage, and distribution of food. While

allowing the restriction of supplies by urban manufacturers, they branded similar efforts by merchants and farmers "fore-stalling," declaring it a violation of law. Governments thus intervened in agricultural markets in ways that lowered food prices to urban consumers and protected the welfare of urban consumers.

Government policies thus enhanced the well-being of urban dwellers. Promoting on the one hand "high price" policies for manufactured goods, governments took measures on the other that lowered the prices paid by urban consumers for goods purchased from farmers.

Empowerment A third measure characterized the mercantilist policies of government: the exchange of the right to govern for the payment of taxes. Monarchs permitted urban centers to purchase their "liberties"; by making payments to the treasury, merchants and burghers could purchase charters from the king that granted them the authority to make and enforce laws, construct public works, set and collect local taxes, and allocate public revenues.

In most instances, to be a "citizen" of a town, a person had to be a member of a guild; he had to be a member of an association of merchants or artisans who specialized in a particular trade. The delegation of power to the citizens of the towns thus constituted a conferral of power upon the members of industries.

Viewed one way, the charters provide confirmation of the favorable bargaining position of the towns; the liberty of the towns provides visible evidence of the political limits that they could impose upon resource-starved kings. Viewed another way, the charters do not signal a negative check upon monarchical power; rather, they suggest a positive political investment. The investment was not of wealth; it was of power. By delegating to

the citizens of the towns the power to govern their affairs, the monarchs empowered them to form economic organizations capable of promoting the growth of the urban economy—and thus the government's revenue base.

The managers of the affairs of the industries used these powers to promote the formation of capital. Through the apprenticeship system, they restricted competition in the labor market; they also shaped the time profile of wages, so that the master craftsmen paid low wages to those in training and higher wages to workers when fully skilled. By thus organizing the market for labor, the guilds rendered credible the employees' pledges that, were their employers to invest in their training, they would not then defect to the workshop of a competitor. The regulations on apprenticeship therefore strengthened the capacity of industry to upgrade the skills of its workers.

The industrialists also used their power to build reputations for their products, thus promoting their sale at home and their export abroad. Under the powers conferred by the municipal charters, they prescribed the use of particular inputs and the use of particular production methods. They thereby sought to prevent "chisellers" from profiting from the use of lower-cost methods to produce goods of lower quality that they could then market under the "brand names" built by others. By securing the power to threaten sanctions, urban manufacturers secured the capacity to create a reputation for quality.

The industrial organizations took further steps to shape the conduct of their members. They created offices and ceremonial positions that were deeply desired. By creating such posts, they rendered prominence and standing conditional on not only private wealth but also the provision of public service. The guilds maintained lodges and common eating-places for their members and organized collective activities, such as celebrations of

saints' days, pageants, festivals, and feasts. Their officeholders governed life in the halls and commons of the guild. And they acted as policemen and regulators, prosecuting malefactors in industrial courts. Among the greatest of the penalties they imposed was expulsion from the fellowship of the community—and from the trade it organized.

The liberties conferred on towns thus put the power of the state in the service of nascent industries, and of the communities built up around them. By investing their power in the hands of urban "citizens," the monarchs enhanced their capacity to organize productive activity. And by exchanging money for liberty—the power to regulate industry—the towns helped to increase the revenues of the monarch.

POWERFUL TIES OF SELF-INTEREST thus ran from the making of wars to the search for revenues and thence to the promotion of urban-based economic activity. On the one hand, mercantilism constituted a cluster of policies aimed at the promotion of urban manufacturing; on the other, it constituted a means for paying for the king's wars. The desire to prevail—and the necessity of prevailing—in combat shaped the economic role of government in the development of Europe.

PEACEKEEPING

The rise of manufacturing promoted the growth not only of towns, but also of rural economies. The increase in rural wealth produced in its train an increase in private violence, and the formation of private armies, led by rural elites, that sought to encroach upon the wealth of others. The demilitarization of

these kinship groups took place when, on the one hand, rural dwellers came to demand it and when, on the other, monarchs could afford to impose order.

THE DEMAND

With the commercialization of agriculture, land became valuable and fighting therefore increased; such conflicts, once launched, were difficult to terminate. Fighting interrupted farming and destroyed crops, livestock, property, and human life. With the rise in demand for rural products, peace became increasingly valuable. Evidence is provided by the behavior of rural magnates in the Parliament of England, who repeatedly put forward proposals for rural disarmament: they approved bills calling for the disbanding of liveried companies—groups of warriors, wearing their colors, that they themselves had originally assembled (Hicks 1995, 128). On the Continent, local notables and clergy organized peace movements, calling on monarchs to enter their troubled districts and to put an end to the fighting (Duby 1991, 187ff).

In England, where the process has perhaps best been studied, monarchs responded by mobilizing the local system of justice. Under the system of the feud, kin possessed a collective obligation to revenge wrongs inflicted upon one of their members; under the system advanced by the monarchs, they again bore collective responsibility, but now to surrender one of their members had he inflicted a wrong upon others. Failing the surrender of the offender, the kin group itself then became subject to the mercy of the king. The new system thus tapped into the social structures that had animated the old; however, it altered the incentives that governed these structures, resulting not in reprisals and further fighting but in the apprehension of felons and their delivery to the courts of the king.

The system of private justice had inflicted losses, not only in terms of physical damage but also in terms of uncertainty and delay, as disputes reverberated through time. The new system too posed dangers, most notably that of generating decisions and rulings of low quality. While those who imposed law and order made efforts to inform themselves, as by empaneling juries, they were nonetheless outsiders and therefore less likely to possess the detailed information than would neighbors and kin. Given the possibility of costly mistakes, the preference for the new system must have derived not from the accuracy of the outcomes it rendered, then, but rather from their speed. Particularly in disputes over land, the system was designed to deliver quick rulings.¹

Providing grain, meat, timber, and above all wool to the towns, England's farmlands generated such a high rate of growth of income that rural dwellers appear to have preferred a system that generated rapid outcomes, freighted with possible losses, over one that may have been better able to generate correct outcomes, but ones long delayed. Economic growth led to increased demands for an official system of justice and a willingness to pay for it. The court fees collected by the king more than covered the costs of the legal system, and fees from the provision of justice soon grew into a major source of government revenues.

THE SUPPLY

Upon assuming the throne, Henry I proclaimed: "I place strong peace on all my kingdom and order it to be held henceforth"

¹ And where the parties sought such accelerated rulings, they had first to agree not to appeal the resulting decisions. Note the discussion of "novel disseisin" in Hudson (1996).

(quoted in Hudson 1996, 82). As he, like other monarchs, learned, however, peace cannot be simply proclaimed. Rather, it has to be organized. On the "supply side," the monarch had to deploy coercion and inducements—things he was now better positioned to provide, given his access to new sources of income.

Repression The demobilization of kin groups and communities required careful coordination. No party dared unilaterally disarm. And once a party did disarm, it could no longer threaten lethal reprisals. Just at the point where arms were to be surrendered, then, each was most reluctant and most vulnerable.

In situations so laden with distrust, it was therefore crucial that each party to a dispute be able to depend upon the power of the king. In particular, it was crucial that each believe that the king could, and would, hunt and harry those who might violate the peace. It was crucial that each party believe that the king was so powerful that no one would emerge unscathed should he renege upon an agreement forged in the process of pacification.

With their growing access to the wealth of the new economy, monarchs were able to assemble armies of sufficient size and power to provide the assurances necessary to demilitarize kin groups and communities. While rural warlords may have been able to mobilize retainers, the monarch could pay for armies, train them, and keep them in the field. Private armies could feud; those of the monarch could campaign. As a result, the monarch possessed the power to impose "the institution of the peace," as it was known: "Everyone living [under the institution] was strictly bound to keep the peace. . . . Agreements of this kind were gradually established, point by point, across the country by the king" (Duby 1991, 141).

It is notable that during the creation of the new political order, criminal law became separate from civil. Rather than being subject to civil proceedings, with possibilities for compensation and the reconciliation of the contending parties, murder, assault, and grievous attacks were now defined as crimes. They were treated as offenses against the state. The redefinition of such acts as felonies thus signaled the end of the private provision of security and the beginning of a new political order.

Enticement As previously noted, elites had already expressed weariness with fighting, passing legislation that imposed limits on private armies. The interests of the rural elite often failed to coincide with those of their retainers. Obligated to punish harms inflicted upon members of their households, local warlords found themselves, in the words of Hicks, "drawn into conflicts on issues of little concern to themselves" (1995, 151). From the monarch's point of view, the elites were therefore ripe for co-optation. Once again, the wealth of the monarchs came to play an important role in the reorganization of violence.

Replete with revenues, the court had become a fountain of privilege (see Peck 1990; Root 1994). By judiciously targeting her favors, the monarch could make, or break, the fortunes of a clan head, and so render it in the interests of agrarian elites to withdraw from their rural redoubts and to attach themselves to the center. In this manner, too, kings secured the demobilization of the countryside.

An example is provided by the taming of the Percys, who had long intrigued with rivals to the English throne, helping to split the royal lineage and threaten the reigns of the Plantagenets and Lancasters alike. Throughout much of England's history, the cry "A Percy, a Percy," arising in the north, spread fear throughout the south, even in the court of the king. As the revenues of the

monarch swelled, however, so too did the king's capacity to tame the Percy clan. The monarch showered favors upon its members, leasing them crown property on favorable terms, bequeathing to them the estates of traitors or estates in conquered lands, and conferring upon them annuities, fee farms, and trading privileges. Like other local clans, the Percys found their fortunes increasingly dependent upon their ties to the throne (Stone 1965, 250ff).

Those that the monarch thus favored, the monarch could also destroy. When Elizabeth I turned against Robert Devereux, Earl of Essex, for example, she first canceled his monopoly on imports of sweet wine. Without this monopoly, Essex could no longer secure credit from banks or acquaintances; he therefore had to dismiss his retainers, reduce his household, and retire from the court (Stone 1965, 481ff).²

In sixteenth-century England, when the monarch surveyed the political landscape, she saw Bedford in the southwest, Pembroke in Wales, Arundel in Sussex, Norfolk in East Anglia, Derby in the northwest, and Northumberland in the northeast. By the seventeenth century, each magnate and his family had been defeated or seduced by the center. Possessing greater revenues, the monarchy mobilized greater force. And by channeling wealth through politics, the monarch was able to transform the behavior of rural kin groups; when their standing came to depend less upon "territorial power than upon influence in London" (Stone 1965, 257), the heads of such groups invested less in rural domination and more in playing the game of court politics.

The economic transformation of the countryside thus

² It is important to note that not only did the Tudors use the conferral and withdrawal of privileges to domesticate the Percys and Essex, they also used their power to coerce. Elizabeth savagely crushed the last of the Percy rebellions, and had Essex executed for treason.

inspired a quest for new ways of structuring political life. In response to the demands for peace, monarchs transformed the local order, demilitarizing kinship, co-opting elites, and incorporating local communities into a system that terminated, rather than exacerbated, conflict.

In addition, monarchs innovated new ways of tapping the private wealth of their citizens. Among the most significant was the creation of parliaments—*fora* in which they could trade concessions in public policies for the payment of public revenues.

The magnitude of the monarch's concessions depended, of course, on the bargaining power of the taxpayer. When the monarch taxed land, he had little need to make concessions; being immobile, land could be seized and returned only after accounts had been settled. But when goods were "mobile," in the phrasing of the time, then the monarch needed to engender a willingness to pay, for such property could be moved and hidden and taxes thereby evaded. As commerce replaced farming and the economy became monetized, private citizens found it still easier to elude the tax collector. And parliaments then became even more important, as monarchs trimmed their political programs the better to fit the preferences of private citizens, whom they wanted to contribute to the costs of their wars. By thus surrendering a portion of their sovereign powers to the people's representatives, kings augmented their military might.

Wars imparted sharp shocks to the economy, however; the magnitude of those shocks increased with the sophistication of military technologies. Monarchs therefore could not rely on taxes alone; they could not hope to wring from their economies the resources necessary to pay the full costs of a war. What they could not raise through taxation, they needed to borrow.

When governments borrowed, the loans were of much greater magnitude than those sought by private borrowers. The

debts incurred by merchants were short term, often merely covering a particular transaction. By contrast, the debts of government were of long duration, at least those of military campaigns, and sometimes those of protracted conflicts. In addition, loans to commerce could be made at low risk: lenders could seize the goods of a debtor. But loans to governments were made at greater risk: monarchs, being sovereign, could renege on their obligation to repay.

To increase the willingness of those with capital to lend, governments therefore sought ways to offer security to their creditors. They allowed bankers to become "tax farmers," collectors of customs or the managers of conquered lands; title to the taxes and incomes provided security for their loans to the treasury. Alternatively, monarchs granted monopolies to their creditors: assured of high profits from monopolies created by the government, chartered companies and licensed purveyors were willing to run the risks of lending. Such measures only went partway toward addressing the concerns of investors, however; for just as monarchs could renege on their debts, so too might they abrogate such agreements. The costs of borrowing therefore remained high, because creditors demanded compensation for lending large amounts for long durations to governments that could renege with impunity.

Insofar as the European governments "solved" the problem of financing public debt, they did so by building upon the institutions that they had forged to levy taxes, that is their parliaments. Seventeenth-century England offers the most compelling example. As had the Habsburgs before them, the French coveted the wealth of the lowlands; the Dutch therefore feared the renewal of war. Surveying the polity that lay across the Channel, the Dutch spied both opportunity and danger. They found the wealth of the English economy attractive. But they were disturbed by the danger posed by the polity, and, in par-

ticular, by the Stuarts, the ruling lineage, who possessed religious preferences and financial needs that rendered them susceptible to pressures from France. Building a fleet that rivaled the Spanish Armada in size, Dutch invaders joined English opponents to Stuart rule, drove the Stuarts from the throne, and replaced them with their own ruling lineage, the House of Orange. The House of Orange had long since learned how to finance, raise, and equip a disciplined army. The Dutch polity consisted of a federation of urban-based assemblies. The most efficient way to mobilize revenues, its ruling family had learned, was to bargain for them in parliaments.

To address the concerns of creditors, William of Orange therefore acknowledged the sovereignty of England's Parliament, which meant, in this context, two specific things. The first was parliamentary control over policy. The second was parliamentary control over public finances, which implied control over taxation and the financing of the public debt. In effect, those who controlled the wealth of the nation would now finance only those ventures for which they were willing to pay. By thus limiting his power, the monarch reduced the risks faced by lenders and so lowered the costs of borrowing. As canny in devising political solutions to financial problems as they were in fighting wars, the Dutch transformed English political institutions in ways that gave political assurances to investors and augmented the flow of capital to the state and revenues to its military.

The need to secure finances from citizens in order to pay for wars therefore produced a characteristic structure of political institutions in early modern times: parliamentary government.

THE LEGENDS, BALLADS, AND POETRY that depict the process of state making emphasize several major themes. One is

that of betrayal, as elites callously abandon rural retainers while turning their energies to the more profitable prospects offered by kings and courts. In Japan, we encounter tales of wandering samurai, whose services were no longer needed or honored by their clans; in Great Britain, we encounter the lamentations of the Scots, whose chiefs abandoned warfare for farming, cleared their lands of retainers, and forced kin and dependents to quit their homelands for settlement abroad. Henry V, once he became king, let Falstaff hang. Memories of abandonment darken the glow that infuses romantic images of a life before the great transformation.

As illustrated by *The Song of Roland*, which celebrates the royal lineage of medieval France, the literature of state building advances a second theme. The ballad recalls how, in the midst of battle, Ganelon, like Roland in service to Charlemagne, seized an opportunity for private vengeance and, in so doing, placed the army of the king in mortal peril. Put on trial for his actions, Ganelon appeals to the code of family honor. While initially appearing to be swayed by his appeals, his jurors end by rejecting his defense and convicting him of treason.³

The change in position of Ganelon's peers marks a shift from the ethic of vengeance. It proclaims the arrival of a new political order—one based not upon the private provision of violence, but rather upon the primacy of public institutions. Reading the ballad, one notes that violence has not been ended; Ganelon dies a horrible death. But with the rise of the state, coercion is now deployed for new purposes.

Public order thus replaces private vengeance. The creation of states is marked by new means of securing rights in life and property. With the creation of order at home, the monarch was

³ See Anonymous (1990). *The Forty-seven Ronins* explores a similar conflict of loyalties in early modern Japan (Mitford 1966).

better able to fight abroad, if only because citizens were more willing to invest, to produce, and thereby to enhance the capacity of his kingdom to bear the costs of his military ventures.

In historical Europe, then, states emerged from war. Governments pursued policies that promoted the growth of the economy and the rise of parliamentary institutions not because they wanted to but because they had to, the better to secure the resources with which to fight. In what was to become the advanced industrial world, as states developed, coercion therefore did not disappear. States fought abroad. Neither did they forswear the use of force at home; rather, they altered the purposes for which force was employed. To a greater degree than before, they employed it to terminate feuds and secure property rights; to promote the creation of wealth rather than to plunder it; and to exchange policy concessions for public revenues from private citizens. As states developed, then, coercion served new purposes. It provided the political foundations for development.