

Norman Schofield · Gonzalo Caballero · Daniel Kselman *Editors*

Advances in Political Economy

Institutions, Modelling and Empirical Analysis

This book presents latest research in the field of Political Economy, dealing with the integration of economics and politics and the way institutions affect social decisions. The focus is on innovative topics such as an institutional analysis based on case studies; the influence of activists on political decisions; new techniques for analyzing elections, involving game theory and empirical methods.

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2.1.3 Ephialtes, 462BC

In 461/2 Ephialtes proposed a reform to transfer power from the Areopagos—the main judiciary body and a bastion of the land owning aristocracy—to other institutions more representative of the Demos (mostly the Assembly). Opposers of these reforms included the Aristocracy and Cimon, an Archon and General of the Athenian Navy. The reform was passed while Cimon was away with a large Hoplite contingent to help Sparta suppress a Helot revolt. The conditions under which the reform was approved shows that a dispute over foreign policy was a key issue: those that proposed the political reforms were also against the willingness of Cimon to assist the Spartans. The other key element is that due to a large regiment of Hoplites being away, the Assembly was tilted towards the poorest citizens.¹⁷ The reforms resulted in bitter dispute with Cimon ostracized as he tried to reverse the reforms, and Ephialtes eventually assassinated. Raaflaub (2007, p. 122) explains these democratizing reforms and the support for a prominent Athenian naval role as a result of the empowerment of the Thetes, who were essential for the Navy, and who therefore benefited directly from Empire. Perikles's reforms followed soon after and allowed the Thetes to take a more active part in public life, as they started to be paid for it.

With Empire, Athens became the center of a large network of Mediterranean trade. Within Athens commerce was financed by maritime loans and a strong commercial elite emerged.¹⁸ The financing of the Navy was considerably different from that of financing a Hoplite regiment. An important component in financing the Navy was a liturgy (a rotating tax) that required the wealthiest citizens to pay for, maintain, and command (or hire another to command) a trireme for one year (in some cases rich individuals would pool together for this purpose).¹⁹ Of course, such systems were prone to free-riding problems, and tax avoidance was common. Christ (1990) describes in detail the extent of the tax avoidance problem and the attempted solutions.

For the wealthiest individuals in society to quasi-voluntarily finance Athenian foreign policy, we should expect that the Athenian political system gave the commercial elite some degree of control over foreign policy. Indeed, up to and including Perikles, the main political leaders in Athens were part of the Aristocracy. After Perikles they were often of lower birth, but still considerably wealthy. Hansen (1991, p. 39) gives the following examples: tannery-owner Kleon, lamp-manufacturer Hyperbolos, and lyre-maker Kleophon. This evidence suggests that we can interpret the political transition of Ephialtes within the model of De Magalhães and Giovannoni (2012). Ephialtes (himself an aristocrat) reduces the power of the Areopagos, the last bastion of the Aristocracy intent on alliance with Sparta. The transfer of power increases the relative weight of those who finance the Navy, and Athens goes

¹⁷See Raaflaub (2007, p. 113) for details and primary sources.

¹⁸See Raaflaub (2007, p. 118) and Millet (1983) for details and primary sources.

¹⁹See Hansen (1991, p. 110) for more details and primary sources.

on to pursue a policy of maritime hegemony and conflict with Sparta. Kyriaziz and Zouboulakis (2004) also argue that the rise of influence of the commercial class is linked to the financial needs of the Athenian Navy.

In summary, the political transition to democracy in Athens had a clear role in creating incentives for individuals to both participate and put effort into war as described in Ticchi and Vindigni (2009). However, as the Athenian Navy becomes the main military instrument and Athens' wealth starts to depend more and more on commerce, the model of De Magalhães and Giovannoni (2012) seems more appropriate to understand the consolidation of Athenian democracy and its stability until the Macedonian conquest. The commercial elite was indispensable in financing Athenian defences, and under constant foreign threats (Persia and Sparta) were able to gain and yield power to further their commercial interests.

3 Political Transitions in Medieval Venice and Genoa

3.1 Venice

There are two important dates in the Venetian transition from elected monarchy (with some degree of heredity) to a Republican system with considerable checks and balances on the executive: 1032 and 1172. The events around 1032 illustrate how the dodgeship came close to becoming a hereditary monarchy, but there were no clear institutional changes in 1032. The key political reform took place 1172, when the dodge was constrained to abide by the decisions of his council.

Venice began its history under control of the Byzantine Empire. The first rulers in the area were Byzantine officials appointed by the Emperor in Constantinople (Lane (1973), Norwich (2003)). By the 8th century, Venice was electing their ruler in a general assembly (the *concio* or *Arengo*) most likely dominated by the powerful families.

With time, powerful dodges were able to raise their sons to rule together with their fathers, setting them for succession. With the Orsoleo family, Venice came close to becoming a hereditary monarchy. Pietro Orsoleo II was a very successful ruler and was able to marry his eldest son to the niece of the Byzantine Emperors. With the premature death of his eldest son in 1005, Pietro raised his third son, Otto, to the dodgeship and retired. Otto was made a dodge at 16 and married the daughter of King Stephen of Hungary. In 1017, Otto placed two brothers in the two most important religious positions in Venice, as Patriarch of Grado, and as Bishop of Torcello. Due to further contentious religious and political appointments, Otto was ousted and sent to exile in Constantinople in 1024. King Stephen swiftly attacked and conquered Venetian cities along the Adriatic. The Byzantine Emperor withdrew trading privileges granted to Venice that formed the backbone of Venetian wealth.²⁰ With such external pressure, the interim dodge

²⁰For a description of the self enforcing institutions that promoted trade in Venice in this period see Gonzáles de Lara (2011).

415 Centranico abdicated. Otto was called back, but died before his return to Venice.
416 An obscure member of the Orseolo family tried to seize the dogeship but was
417 ousted.²¹

418 The first important reform in Venice came as a response to the Orseolo family's
419 attempt to establish hereditary rule in Venice. The Venetians chose as their next
420 dodge Domenico Flabanico in 1032, a wealthy silk-merchant with no link to the old
421 powerful families of Venice. According Norwich (2003) there was no clear reform
422 in Venetian law then. Existing law already called for elections and described the
423 positions of councillors as a counterbalance to the dodge. There was a change in
424 what was acceptable behavior for a ruler, specially regarding nepotism. By choosing
425 a dodge with no dynastic pretensions the Venetians were sending a clear signal that
426 they did not favor a hereditary monarchy. From 1032 onwards, Norwich (2003)
427 notes that no fathers passed the dogeship to their sons. The executive power of the
428 dogeship, however, remained intact, and the dodge continued to rule as an elected
429 monarch.

430 Even with this aversion to a hereditary monarchy by 1172, Lane (1973) remarks
431 that the dogeship had been held by members of the Michiel family for sixty-two
432 out of the last seventy-six years. The change in the law that would consolidate the
433 constraints on the executive came in 1172 and would be linked to external threats
434 and to the financing of the Venetian Navy.

435 Norwich (2003, Chap. 8) describes how, in 1171, relations between Byzantium
436 and Venice were at the point of break-down. The Emperor blamed the Venetians for
437 an attack on the Genoese at Galata (the Genoese settlement opposite Constantinople)
438 and had all Venetian citizens and property confiscated in Constantinople and
439 other ports of the Empire.

440 Dodge Vitale II Michiel led the war preparation under strenuous financial condi-
441 tions. Norwich (2003, Chap. 8) mentions that all the revenues of the state for at
442 least a decade had already been pledged for previous debts. Dodge Vitale ordered a
443 forced loan: every citizen with means had to contribute, and all able men were ex-
444 pected to man the Navy. With the fleet already at sea, the Byzantine Emperor asked
445 a Venetian embassy to go to Constantinople and work out a peace plan. Dodge Vi-
446 tale accepted what turned out to be a ploy by the Emperor to gain time. During the
447 wait, the Plague spread in the fleet; and Vitale was forced to return to Venice in
448 humiliation. Not only did Vitale loose men and ships (that had to be burnt) to the
449 Plague, but he also brought the Plague to the city. He was ousted and murdered in
450 the streets.

451 Before immediately electing a new dodge, the Venetians decided to impose po-
452 litical reforms. They were now at war with both the eastern and western Roman
453 Empires, in dire straits financially, and had a Navy in difficulties. The institutions
454 that followed were designed to constrain the power of the dodge, whose uncon-
455 strained power was blamed for the position Venice found herself in. A Great Coun-
456 cil of 480 was to be nominated by the neighborhoods of Venice to hold office
457

458
459 ²¹For more details see Norwich (2003, Chap. 5).
460

461 for one year and thereafter nominate the chief officials of the state, including the
462 dodge (until then officially elected by the Arengo, and comprising all citizens of
463 Venice). Instead of nominating the dodge directly, the Great Council nominated
464 11 electors to choose the dodge and present their choice to the people as a done
465 deal (see Norwich (2003, Chap. 9) for details and Lane (1973, pp. 95–101)). The
466 other reform was to increase the number of councillors from two to six. The coun-
467 cillors were also given power to restrain the dodge. The Senate gained power in
468 foreign affairs. Norwich (2003) interprets the effect of these reforms to ‘weaken
469 both the apex and the base of the administrative pyramid while strengthening its
470 center’.

471 The choice of the next dodge clearly reflected a change in power towards the
472 financiers of the Republic. Dodge Sebastiano Ziani was one of the wealthiest men
473 in Venice. According to Norwich (2003, Chap. 9), Ziani suspended payment on the
474 new government bonds (from the forced loans to finance the Navy). It seems there
475 was little resentment, which demonstrates a willingness of the creditors (Venetians
476 themselves) to finance the State under the new dodge. Venice also immediately sued
477 for peace with Byzantium, who refused to accept the terms, so that the consolidation
478 of the new regime was done under considerable foreign threat at a point when Venice
479 was militarily weakened.

480 The political reform in Venice of 1172 can be best understood in light of the
481 model in De Magalhães and Giovannoni (2012). These reforms seem to be designed
482 to transfer power to the financiers of the state, the wealthy merchants, and away from
483 the old quasi-nobility, and the populace. During a period of high external threat and
484 dire financial straights, the power over foreign policy was entrenched in the hands of
485 those who could afford to finance the defence of the state. Once in power, they would
486 decide over foreign policy with their interests in mind, and not with the objective
487 of setting up a hereditary monarchy, or of antagonizing the foreign powers essential
488 for the wealth of the state.

489 490 491 **3.2 Genoa** 492

493 Genoa has no clear historically accepted date for a transition to rule by council or
494 parliament. The best candidates are the rise of Guglielmo Boccanegra as Captain of
495 the People in 1257 and Simone Boccanegra as the first Dodge of Genoa in 1339. In
496 between Genoa was ruled by podestas, foreign rulers, and the aristocracy. None of
497 these forms of government proved stable.

498 Throughout its history, Genoa is well known for internal strife that would reg-
499 ularly escalate into civil war between different noble families (clans). Since power
500 never consolidated with any of the key clans, the families agreed by 1190 (under the
501 influence of the Holy Roman Emperor) to be ruled by a Podesta, a foreigner who
502 would rule Genoa with a mandate of one year.²²

503
504 ²²See Epstein (1996, p. 88) for more details and Greif (2006) for a game theoretic analysis of the
505 podestaria.
506

Besides the conflict between different noble families, there was also a conflict between the noble families and the people, in particular what Epstein (1996, p. 206) called the *popolo grasso*, the rich merchants who were not part of the nobility. Epstein (1996, p. 137) describes the events of 1257: after a crash in the economy a popular revolt elected Guglielmo Boccanegra as Captain of the People and a new council of 32 Anziani. The new regime's policies were geared towards 'the people who put him in office, the middling traders and master artisans, not the poor or the traditional elite' (Epstein 1996, p. 138). Interestingly, one of the financial reforms of Boccanegra was aimed at preventing the default on state debt and led to the creation of a 'precautions markets for public securities' to finance the Genoese state (p. 147). Guglielmo Boccanegra was to stay in office for five years before he fell (probably due to a coup by some of the nobles).

In 1339, after a period under foreign rule by Robert Anjou, King of Naples, and a period of unstable rule by the old nobility, the people revolted and created a new position of Doge electing Simone Boccanegra (grandnephew of Guglielmo).²³ Again, this was the rule of the merchant classes and not of the nobles. Epstein (1996, p. 205) notes that we have details for 16 of the 22 ducal councillors: none is a noble; and there are 'two drapers, three butchers, a shield maker, and a master of the wool guild' of those that identified themselves by profession. The new governor strengthened Genoese defences and again had to consolidate public debt without repudiating any old debt. By 1340, a new fleet was out to Pera for commercial ventures. Epstein (1996, p. 207) notes that these policies reflected a 'turning away from civil war to the more congenial task of making money'. Simone Boccanegra was also to fall by 1344 under the imminent attack of an alliance made up of nobles who had been excluded from power.²⁴

Another characteristic of Genoa was that it was repeatedly ruled by foreigners. Not because they were conquered, but by choice. The podesta is the key example, but Henry VII ruled in 1311, the King of Naples from 1331–1335, and later France and then Milan.

The events in Genoa highlight two important aspects of the model in De Magalhães and Giovannoni (2012). The first is the clear conflict between the nobility's dynastic concerns and attempts to impose aristocratic rule versus the merchant classes interests in a stable government with stable finances and following commercial objectives abroad. De Magalhães and Giovannoni (2012) model this conflict with the choice of a misaligned (dynastic) war versus an aligned (commercial) war. The second aspect is the will of the merchant classes to support foreign rule. A necessary condition for political transitions in De Magalhães and Giovannoni (2012) is a credible outside threat, someone ready to replace the current monarch (or aristocratic families in the case of Genoa). For the threat to be credible it must be that the commercial elite prefer a foreigner to their sitting ruler. This seems to have been the case repeatedly in Genoa.

²³See Epstein (1996, p. 204).

²⁴See Epstein (1996, p. 208).

553 Why was there no stable transition to rule by assembly in Genoa? Within the
554 logic of De Magalhães and Giovannoni (2012), there seems to have been no clear
555 moment when the country faced a hostile foreign threat and financial difficulties (as
556 Venice did in 1172). An alternative explanation is to recognize a shortcoming in the
557 model in De Magalhães and Giovannoni (2012) where the aristocracy is modeled as
558 a single ruler. It seems clear that a divided aristocracy with competing dynastic ob-
559 jectives played a key role in preventing a stable form of government from appearing
560 in Genoa.

561 562 563 **4 Final Remarks** 564

565 A picture emerges of different driving forces for political transitions. One driving
566 force is the creation of representative institutions as a response to economic condi-
567 tions: either in order to help solve a time inconsistency problem in the economy—
568 olive oil production in Athens, and international trade in Athens, Venice, and
569 Genoa—or due to a relative growth in importance of the economic sectors with
570 high tax elasticity. The papers of Bates and Lien (1985), Levy (1988), Fleck and
571 Hanssen (2006), and De Magalhães and Giovannoni (2012) predict that represen-
572 tative governments are more likely to arise where trade flourished. The evidence
573 seems to support this prediction. The cities in the ancient and medieval worlds that
574 developed representative institutions with considerable constraints on the executive
575 were the leading trading cities of those times. Moreover, they seem to have had little
576 choice but to turn to the sea. As Fleck and Hanssen (2006) notes, ancient city-states
577 like Athens had insufficient and inadequate soil for grain production; this was also
578 true for Venice and Genoa.

579 Political transition may also come as a solution to a problem of how to motivate
580 an army manned by the state's own citizens. This motive seems to have been key for
581 the creation of the Great Rhetra in Sparta, and also for the political inclusion of the
582 Hoplites and later of the landless class (the Thetes) in Athens. Similar forces must
583 have played a role in how the populace was given a voice to chose their dodges, both
584 in Venice and later in Genoa. The model that best helps us understand these driving
585 forces is Ticchi and Vindigni (2009).

586 A transition may also come about as an established aristocratic elite chooses to
587 hand over power either to the people or to the commercial elite, so that the state
588 can raise enough funds to defend itself against a foreign threat. This seems a plausi-
589 ble interpretation of events in Athens, in which members of the aristocracy (Kleis-
590 thenes, Ephialtes, and Perikles) proposed the institutional reforms discussed above.
591 In Venice, the powerful families proposed the institutional changes of 1172 and in
592 both key moments (1032 and 1172) chose dodges who were wealthy merchants of
593 lower birth. The model that best explains this aspect of political transition is De Ma-
594 galhães and Giovannoni (2012).

595 We also found evidence to support two aspects of political transitions that are
596 specific to the model of De Magalhães and Giovannoni (2012). The first is that a
597 transition to rule by parliament should be preceded by an unstable period where the
598

599 ruler goes to war without the support of the citizens or the merchants. The Tyrant of
600 Athens, Hippias, for example, had to rely on mercenaries to defend the city against
601 Sparta. Later, Cimon's assistance to Sparta in containing a Helot revolt was a con-
602 tentious foreign policy move opposed by Ephialtes and his supporters. In Venice,
603 the Doge Vitale II Michiel followed policies that put Venice's key commercial in-
604 terests in both the Byzantine and the Western empire in jeopardy. The doge had to
605 eventually resort to forced loans in order to fund the Navy against Byzantium.

606 The second aspect is that the model in De Magalhães and Giovannoni (2012)
607 predicts that we should observe political transitions only in states of intermediate
608 military strength. This is because there must be a credible external threat. Athens
609 faced clear threats from both Persia and Sparta (to whom it would eventually lose
610 the Peloponnesian war), and Venice was under direct threat from both Byzantium
611 and from the western Roman Empire when the power of the doge was constrained
612 in 1172.

613 Finally, Genoa provided an example that showed the limitations of the model in
614 De Magalhães and Giovannoni (2012). An important aspect of the Genoese political
615 system was internal strife between different clans with dynastic interests. Genoese
616 leaders never consolidated power in the way that the tyrants of Athens or the doges
617 of Venice were able to. This could suggest that the centralization of power (as de-
618 scribed in Tilly (1990), Hoffman and Rosenthal (2000), Besley and Persson (2009),
619 Gennaioli and Voth (2011), and Arias (2012)) may be an important and counter-
620 intuitive step towards constraining the executive through rule by parliament. Cen-
621 tralized power may have to be established before it can be handed-over.
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623 624 625 **References**

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A Collective-Action Theory of Fiscal-Military State Building

Luz Marina Arias

Where benefits are not earmarked, 'somebody else should pay' is always a powerful motivation in tax policy. Alt (1983, p. 194)

The emergence of the fiscal-military state in the eighteenth century granted the central government new and unprecedented roles. In England, fiscal collection was increasingly centralized and put in the hands of a new and efficient fiscal bureaucracy, an army was created, and the navy acquired world-renown reputation (O'Brien 1988 and Brewer 1989). Tax proceeds as a percentage of national income rose from 3.5 percent in the 1670s to over 12 percent by the end of the eighteenth century.¹ Even though parallel attempts at fiscal modernization in Spain met with limited success until the early nineteenth century, in colonial Mexico public officials succeeded at strengthening the central administration with fiscal bureaucrats and a proficient accounting system. Mean growth for the Mexico City Treasury averaged almost 60 percent in each of the decades between 1770 and 1800.² Other European states followed in the late eighteenth and early nineteenth centuries.

Prior to this transition, most monarchs depended to a large extent on economic and local elites for the collection of tax revenue and defense. Fiscal capacity was

¹O'Brien (1988, Table 2).

²Klein (1985, 566–574).

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47 fragmented. The central ruler invested minimally in monitoring and enforcement
 48 capacities to collect taxes. Treasuries and fiscal institutions at the national level
 49 functioned primarily as recipients of the monies collected by the local elites. Provin-
 50 cial authorities or economic actors organized in corporations—such as aristocrats,
 51 merchants or ecclesiasts—were responsible for the collection and dispatch of taxes.
 52 Rulers negotiated monetary transfers and loans with these elites and corporations,
 53 and granted them exemptions and other privileges in return.³ For instance, in France
 54 the provincial Estates, the assembly of the clergy, and tax farmers had tax author-
 55 ity and transferred funds to the Crown.⁴ The Spanish crown protected the merchant
 56 guild from foreign competition in the colonies, provided them with defense in
 57 the form of convoys, and had a contract with them for the collection of the *alcabala*
 58 (sales) tax in colonial Mexico.⁵

59 The fiscal-military state, then, implied losses of fiscal and other privileges for
 60 different elites. Why did fiscally and politically powerful elites allow the ruler to in-
 61 crease fiscal centralization and build-up militarily? To the extent that a ruler lacked
 62 the ability to unilaterally increase revenue to provide an army or to strengthen fis-
 63 cal administration, the compliance of at least a fraction of the elites was necessary.
 64 Indeed, all across early modern Europe “provinces, estates, ecclesiastical domains,
 65 privileged cities, and corporations, as well as noble families [...] and city states,
 66 maintained privileges and defences against the imposition of more modern, central-
 67 ized, universal, equitable, and potentially more productive systems of taxation and
 68 finance.”⁶

69 Explanations for fiscal centralization emphasize the need to increase military es-
 70 tablishments as the major impetus for the growth of European states’ administrative
 71 apparatuses. There are two approaches in the literature. One approach highlights the
 72 role of military conflicts.⁷ Military conflicts facilitate fiscal reform because wars
 73 unify a diverse population (Huntington 1968; Herbst 2000; and Kiser and Kane
 74 2001), or the benefits of taxation become more salient to citizens (Levi 1988; and
 75 Besley and Persson 2009) or capital investors (Mann 1988). Explanations in the
 76 second approach underscore the need to constrain rulers upon granting them higher
 77 fiscal revenues. The establishment of political institutions of representation, like a
 78 parliament, increases fiscal cooperation by making commitments on public expendi-
 79 tures credible (North and Weingast 1989; Hoffman and Norberg 1994; and Dincecco
 80 et al. 2011).⁸

81
 82 ³See, for instance, O’Brien (2011, 421–423), Brewer (1989), and Levi (1988).

83 ⁴Rosenthal (1998, 68).

84 ⁵Marichal (2007, 76–77) and Smith (1948).

85 ⁶O’Brien (2011, 432). See also Bonney (1999) and Storrs (2009).

86 ⁷See for instance Weber (1922), Skocpol (1979), Tilly (1990, 1993), Bonney (1995), and Brewer
 87 and Hellmuth (1999). For a synthesis, see Campbell (1993) and O’Brien (2011).

88 ⁸A number of studies have expanded this argument and included qualifications. See for instance
 89 Stasavage (2002, 2003), and Cox (2011). Ertman (1997) maintains that it is the timing of represen-
 90 tative institution-building relative to the onset of wars what explains the variation in fiscal capacity
 91 centralization.

Both of these approaches contribute to our understanding of the growth of the fiscal-military state. Military conflicts provide a window for monarchs and governments to negotiate fiscal centralization by making salient the benefits of taxation. The second approach highlights, however, that increases in the benefits of taxation may not translate in fiscal cooperation because of commitment problems. A ruler with more fiscal and coercive powers may have incentives to expropriate elites or renege on its debts.⁹ Some monarchs, however, succeeded at increasing fiscal centralization with no institutions of representation in place. The evidence in Dincecco (2011, 27) shows that in many European states fiscal centralization came before the formation of parliaments. Marichal (2007, 51) highlights that colonial Spanish America lacked representative assemblies yet Spanish officials successfully implemented fiscal and military reforms in some regions in the eighteenth century.

In this chapter, I underscore the collective action problem present in fragmented fiscal regimes that impeded the cooperation of the elites with the contribution of men and resources for the defense of the territory. As such, the chapter emphasizes a commitment problem among the fiscally powerful elites, rather than between the elites and the ruler, in the process of fiscal-military state formation.¹⁰ In fragmented regimes, the ruler's fiscal income rested on earmarking benefits to elites. In the face of a threat of military conflict, fiscal fragmentation then led to a collective action problem: each elite group had incentives to free ride on the contributions of others, thereby contributing less than the socially optimal amount to military protection. The elites and the ruler were stuck in a low-contribution and low-public-good-provision equilibrium. I argue that fiscal centralization provided an institutional framework that allowed elites to commit to contribute to military protection by ensuring others were contributing as well.¹¹

That collective action problems are inherent to fiscally fragmented states has been well documented. Ertman (1999, 50) notes about the Estates in Germany that: "the structure of the assemblies, divided as they were into separate *curiae* of elite groups each with their own distinct privileges, tended to inhibit cooperation among the *curiae* and lead the nobility, clergy, and the towns to focus on the defense of their narrow group rights." Bates and Lien (1985, 57) quote from Henneman (1971) that "fiscal jealousies led towns to make subsidy grants conditional upon similar grants from other towns" in France. Summerhill (2008, 224–225) notes that because rulers bargained separately with each group, fiscal fragmentation led to free riding and lower fiscal revenues.¹²

⁹Further, in times of war, the ruler may discount the future more than other citizens (Levi 1988).

¹⁰Many scholars have emphasized the role of collective action and free-rider problems in preventing the compliance of actors with welfare-enhancing cooperation. See, for instance, Olson (1993), Greif (2006) and Greif et al. (1994).

¹¹Emerson (1983) provides a similar insight regarding state formation at an earlier stage in Baltistan. Greif (1998, 2006) also highlights the importance of military threats and the need for elite cooperation in shaping the internal organization of the state.

¹²See also Levi (1988, 56–57).