Part 4 Trade, Towns, and The Political Economy of Representation

# The Endogeneity of Trade: The English Wool Trade and The Castilian Mesta

Trade and mercantile interests have long played an important role in accounts of constitutional emergence.[[1]](#footnote-1) Capital mobility, in particular, has served as a mechanism that endowed merchants with great bargaining powers in their exchanges with the state. The logic appears so obvious that its origins and mechanisms are not well understood, despite contrary findings from modern studies.[[2]](#footnote-2) Scholars usually reference classics such as Montesquieu and Hirschman.[[3]](#footnote-3) The seminal articulation of this logic is the brief but classic statement by Bates and Lien. They aimed to show “dynamics whereby asset-owning elites can wrest control over public policy from revenue-seeking monarchs, thereby securing the triumph of democracy,”[[4]](#footnote-4) by analyzing thirteenth century England and France. More recently, Carles Boix had focused on macro forces, specifically the commercial revolution of the eleventh century.[[5]](#footnote-5) If these explanations hold, however, some mechanism must account for how commercial interests or growth translate into institutional outcomes.

Yet the emphasis on trade and economic growth runs aground a major fact: most regions that developed the most thriving commercial sectors in the early medieval period due to their high urbanization rates, especially Northern Italy and the modern Benelux region, did not evolve into constitutional regimes but drifted into principalities or fell into absolutism. Although Spain seems to share with those regions very high rates of urbanization, scholars typically treat Castile at least as emblematic of the parasitic mode of urban growth, relying on royal patronage rather than commercial growth. In neo-institutionalist literature, especially, the contrast between England and Spain is illustrative.[[6]](#footnote-6) In England, since Edward III (1327-77) and to this day, the Lord Chancellor sits on the “woolsack,” a cushion filled with wool, to symbolize wool’s central importance in the English economy.[[7]](#footnote-7) Yet for Spain, the wool trade exemplifies absolutist inefficiency, in which a constitutionally unconstrained regime acts arbitrarily to stifle economic growth. The paired comparison of the wool trade in these two cases allows us to assess the conditions under which trade can be observed to have constitutional political externalities. In the next chapter, the same analysis will be applied to the Flemish and Italian city-states.

In this chapter, I show that the wool trade did not spur the emergence of parliament in England. Representative practices and institutions had developed autonomously and prior to the expansion of mercantile activities in England. Instead, Parliament was instrumental in *regulating* the wool bargains of merchants with the crown. The impressive growth of trade was endogenous to a highly institutionalized political framework: merchants were given a separate political forum by the crown. Further, mercantile preferences do not naturally lead to support for representative institutions; they are opposed to those of the public at large, but only contribute to broader societal effects when they are constrained within a regulated institutional setting.

For Spain, by contrast, the key to explaining inefficient outcomes lies not in ruler preferences for predation, but, inversely, in state weakness: large parts of the economy remained beyond the extractive reach of the state. Historical scholarship has radically revised the conventional image about early modern Spain and shown how the weakness of the Spanish crown—rather than absolutist ideology or rent-seeking—forced suboptimal economic arrangements.[[8]](#footnote-8) With nobles exempt from direct taxation, the state resorted to exploiting politically weak groups, hence earning the characterization “predatory.” For the same reason, it was unable to impose the uniformity and homogeneity in the realm that is necessary for economic growth.[[9]](#footnote-9) These pathologies, not the structure of the wool trade, account for Spain’s economic stagnation. It was the prior political weakness that shaped the impact of the economy on both the political and the economic realms. Only an account of origins can assess whether mercantile growth in England and Spanish “inefficiency” were endogenous or not to pre-existing institutions.

## Capital Mobility, The English Wool Trade, and The Links to Representation

The English wool trade was at the center of the medieval English economy, especially the export trade to the Low Countries and to Italy.[[10]](#footnote-10) It also underlies some explanations of its constitutional regime. In this view, customs receipts produced an easily tappable source of wealth that obviated the need for coercive extraction, in such accounts.[[11]](#footnote-11) This mechanism is key for theories that link capital mobility to democratization, whereby expropriation by rulers is constrained by fear of capital flight.[[12]](#footnote-12)

The purpose in this section is to challenge the theoretical and empirical foundations of trade-related theories and to show the endogeneity of *politically consequential* trade to robust, pre-existing state institutions. My analysis of Catalonia in chapter 9 shows how institution-building preceded its commercial and imperial growth in the fourteenth century. Here, I will establish the same precedent for England in even greater detail.

Theories based on capital mobility start with “demand for taxes,” usually due to war. Rulers “find it to their advantage to strike bargains with citizens” and these bargains “become more beneficial from the citizen’s point of view the more mobile the assets the citizens hold.”[[13]](#footnote-13) The benefits of collective bargaining become obvious on all sides, leading to the institutionalization of societal consent. Two mechanisms can be highlighted here: one is the explicit bargaining dynamic that gives “greater voice over the policy choices of governments” and the other is the self-restraint of the ruler who anticipates exit of capital holders. Ruler self-restraint implies secure property rights and low taxes.[[14]](#footnote-14)

Greater voice, on the other hand, implies substantive input to the nature of the regime. This implies that capital-holders necessarily have a preference for representation and/or better governance and therefore demand such goods in negotiations with the state. Even in Barrington Moore’s sophisticated account, which eschews any simplistic economic determinism, a capital-holding class is at least necessary for more representative or democratic outcomes.[[15]](#footnote-15)

A number of problems exist for this approach. First, mobile capital is the necessary mechanism for such bargaining arguments to work, but the origins of the English parliament (and others as we shall see) is not tied to this form of wealth, though it did become central as the institution evolved. Second, whatever bargaining occurred for the creation of institutions, as this book is arguing, was between the ruler and the *landowning* classes. In this chapter, I will show how the mercantile interests, though important, operated outside this political framework originally. Third, it is assumed that mercantile groups necessarily have preferences that align with the development of constitutional practices. Typically, this view focuses on the need to constrain royal authority and protect property rights. But there is no a priori reason why mercantile interests would organize this way, rather than to restrict the market, or why their interests would correspond to those of the general public. Finally, no argument is made as to why often deeply conflictual mercantile interests from different sectors would solve their collective action problem and constrain the ruler in any way.

No such assumption is justified for wealth-maximizing actors: they should, instead, be demanding private, not public, goods. In the early stage of institutional formation, capital holders’ interests were opposed to broader societal ones and, therefore, to representative institutions and practices in the early stage of institutional formation. Although the mechanisms highlighted here are focused on the historical micro-logic, all of them appear relevant for the developing world.

### Taxes on Mobile Capital not the Key for Representation

Mobile capital was not the key either for institutional growth or for the concession of rights in the medieval English case. Capital that was mobile, deriving mainly from the wool trade, was not tied to the origins of representation. Trade generated two sources of revenue: “the largest item of regular income” around 1300 and still in 1433 was customs.[[16]](#footnote-16) These were duties on imports and exports, named after their customary nature: “consuetudines.”[[17]](#footnote-17) They were thus ordinary royal income until the seventeenth century and not subject to negotiation after their initial grants in 1275 and 1303 by Parliament.[[18]](#footnote-18) Moreover, they were “accepted as the price of royal protection,” primarily for travel by sea.[[19]](#footnote-19) There was thus no *constitutional*, as opposed to sector-specific, bargain with broad social groups regarding wool customs.

The wool trade incurred one more tax, the “subsidies,” which in medieval times were financial aid provided by the subject to the ruler, typically for emergencies. Subsidies were usually short-term loans from the merchants.[[20]](#footnote-20) However, it was not Parliament that granted them originally, but the Estate of Merchants. Parliament took *de facto* control of subsidies after prolonged conflict in the 1340s and then *de jure* after the 1360s.[[21]](#footnote-21) Yet, Parliament, as we have seen, was formed by 1295, with a prehistory going back decades.[[22]](#footnote-22) It thus took over subsidies when the wool trade was declining[[23]](#footnote-23) and some historians argue that this decline, rather than royal weakness, urged the king to cede control over it.[[24]](#footnote-24) Negotiations over wool taxes therefore did not contribute to the *emergence* of representative institutions or rights in the English case, though it certainly was central in their growth.

Some scholars apply the concept of mobile capital with a different referent. The point is thus partly definitional. Bates and Lien correctly identify “moveable property” as the tax base, as property that “could be hidden,” such as “cows, oxen, grain, household goods.”[[25]](#footnote-25) Yet tax assessments were performed by the sworn inquest of neighbors, who had good information.[[26]](#footnote-26) Enforcement was also simpler: 22 cattle were seized from the Earl of Marshal’s manor at Dovercourt in 1296 by the Constable and oxen were arrested by the sheriff to get the Constable of Framlingham to pay.[[27]](#footnote-27) Owners of ‘moveable property” thus did not necessarily have greater bargaining powers—although corruption was always a concern. Such taxes were indeed, as historians show, the basis of “national” taxation and were decided in Parliament;[[28]](#footnote-28) but their effects were due more to the greater enforcing and monitoring powers of the English crown than to any bargaining advantage of taxpayers.[[29]](#footnote-29)

### Bargains over taxes on mobile capital lead to sectoral privileges, not constitutional rights

That bargaining between state and economic actors will result in sectoral rather than public privileges is a commonplace in the developing world, especially in the literature on clientelism and neopatrimonialism.[[30]](#footnote-30) In Haber et al.’s study of Mexico, for instance, economic actors do not demand *public* goods; “first and foremost [they] care about the sanctity of *their* property rights”.[[31]](#footnote-31) This is not simply a non-Western pathology, I argue; it’s the dynamic in the foundational European case.

When trade groups granted taxes in late thirteenth century England, no constitutional bargain was involved, just a sectoral one. Merchants would exchange taxes for commercial *quid pro quo*s: the 1275 tax was granted for the resumption of open trade with Flanders that the crown had stopped; in 1336, at the start of the Hundred Years' War, the merchants granted another tax in exchange for a monopoly on the export of wool; in 1363, a small group of traders obtained the monopoly of exports to England, the Staple of Calais, then under English control, in exchange for taxes; and foreign merchants received the *Carta Mercatoria*, granting free trade, in 1303, in exchange for the Petty Custom on wool. It was suspended between 1311 and 1322, but after that “became permanent without ever being confirmed by Parliament.” [[32]](#footnote-32)

Even when Parliament acquired the right to approve wool taxes, by the 1370s, again, they did not generate a constitutional gain, only a positional one. Members had “clearly recognised that unless Parliament was prepared to continue the subsidy it would be obliged to vote the king larger and more frequent amounts of direct taxation. On the whole the former course of action was preferred…History was to prove that a higher rate of wool subsidy was a lesser evil than the poll tax.”[[33]](#footnote-33) Parliament was thus not exchanging taxes with rights, but avoiding a direct tax on all with an indirect one on wool. This does imply greater bargaining power on the part of certain groups in Parliament. However, this power moved the tax regime into an increasingly regressive direction by the end of the fourteenth century. It also reflected the weakening power of the crown that resulted in the greater political instability that came with the increased power of nobles in the localities. [[34]](#footnote-34)

### Mercantile interests contrary to public welfare

Merchant interests diverged from those of broader groups represented in Parliament and that they were themselves fragmented—this was clearly understood at the time. Merchants selling wool on the Continent granted taxes to the king easily because, as a result of their monopoly powers, “they were able to pass on a good deal of the tax…[either] in the form of higher prices to the continental purchaser…[or] in the form of lower payments to the English grower.”[[35]](#footnote-35)

Mercantile interests had constitutional effects through a logic diametrically opposed to the capital mobility model. Wool merchant concessions generated a “solidarity of interests” in groups *opposed to them* in parliament: “the lay and ecclesiastical magnates and the knights of the shire. They were wool growers—the former the large producers…and the latter the small ones.”[[36]](#footnote-36) In other words, groups that would have been otherwise opposed by economic and social divisions acquired a common front *in opposition* to merchants. Historians have shown that non-merchant groups did not had convergent interests either, but this only undermines any constitutional effects of the wool trade even more.[[37]](#footnote-37)

This should not be surprising. Adam Smith emphasized that the interests of “those who live by profit,” of the merchants and manufacturers, are not *naturally* aligned with those of the community as a whole and that parliaments should never accept their demands, except after prolonged consideration and critique.[[38]](#footnote-38) And Robert Brenner showed how it is merchants with outsider status (and thus limited profits) that aligned against the English king in the seventeenth century.[[39]](#footnote-39) The conventional view, of a natural, rather than context-specific, affinity between mercantile interests and constitutionalism stems from nineteenth-century bourgeois historiography, but is not well-supported.[[40]](#footnote-40)

### Mercantile interests and collective action endogenous to state capacity

The constitutive role of politics for the economy is at the core of modern historical institutionalist accounts of political economy; the English wool trade offers an early instantiation of it.[[41]](#footnote-41) It shows that it was the crown’s stronger position over the merchants that enabled it to constitute merchants into a politically organized group in the first place. “The key to the king’s control over [the merchants] was his right to stop overseas trade at will”[[42]](#footnote-42)—and, I would add, his capacity to do so. Moreover, during the Hundred Years' War, the crown could dictate which cities on English-occupied territories on the northern coast of Europe (such as Dordrecht, Bruges, or Calais) were authorized to handle exports of English wool and enforce such ordinances effectively—a remarkable feat for a medieval monarch that was critical for the trajectory of the English trade, though it did not stem its decline.[[43]](#footnote-43)

The implications of this advantage were multiple. It was both constitutive and limiting of mercantile power. By forcing merchants to bargain with him collectively through the Estate of Merchants, the king endowed them with an institutional presence in the English political structure. Furthermore, the monopoly privileges to trade through a single Staple, such as Calais, consolidated their economic power in the international market. In short, the state gave a corporate identity to the very class of people—wool merchants—who are claimed to have induced the state to concede representation and limits on state power. Their capacity to act in a coordinated manner cannot be assumed to be exogenous to the state—specifically a strong state that can penalize defectors.

In short, the English case was distinguished by: (1) a Parliament that pre-dated bargains with capital-holders and had exogenously acquired enough institutional strength to control mercantile wealth; (2) a central authority with the capacity to enable the emergence and consolidation of Parliament in the first place, through the legal mechanism of proctorial representation presented above. Medieval England thus does not support a causal connection between demands for taxation from capital-holding groups and the *origins* of representation. Pre-existing institutional structure and legal practices, rather, enabled representation to consolidate. This is the key difference with the continent. As I will show, without a central bargaining institution in Castile, the main economy as a whole and its wealthiest actors remained mostly out of the extractive reach of the crown, pushing it into ever more oppressive policies towards the weakest social groups, and earning it the “predatory state” label as a result.

## The Castilian Mesta and the Inefficiencies of Political Weakness

Spain is in many places, not to say most, very thin of people, and almost desolate. The causes are: 1. A bad Religion. 2. The tyrannical Inquisition. 3. The multitude of Whores. 4. The barrenness of the Soil. 5. The wretched laziness of the people, very like the Welsh and the Irish, walking slowly and always cumbred with a great cloke and long Sword. 6. The expulsion of the Jews and Moors. 7. Wars and Plantations.[[44]](#footnote-44)

This testimony from the 1600s is enlightening by what it omits: amongst the many causes the English traveler mentions, no mention is made of the Mesta, the Castilian wool trade that flourished from the twelfth to the seventeenth century. This omission is not accidental, since few at that time saw the Mesta as a baneful institution. In twentieth century scholarship, by contrast, the Mesta was the chief pathology of the Castilian economic and political system.[[45]](#footnote-45) Most scholarly treatments presented the Mesta as an instrument of mercantilist policy by the Castilian kings, a monopoly that produced suboptimal returns to the economy as a whole, or as the result of the irrational or corrupt preferences of the crown.[[46]](#footnote-46)

This view has been jettisoned by Castilian historians.[[47]](#footnote-47) But some basic flaws of the conventional story remain current outside the field of specialists, thought to typify the political economy contrast between constitutional and absolutist states.[[48]](#footnote-48) In what follows, I will show how Castilian conditions were in some respects more open than those of England, how the role of the Castilian Crown was less interventionist, how similar developments in the two countries are interpreted in contrasting light, and how the suboptimal outcomes observed in Castile owe more to the weakness we have analyzed in chapter 5 than in any preference towards absolutism.

First, the Castilian Mesta was not a monopoly or a cartel, not least because it was an export industry that had to compete on the international market.[[49]](#footnote-49) It was a collective body in which “all owners of transhumant flocks were automatically members.”[[50]](#footnote-50)

The Mesta acquired its “national” form under Alfonso X, king of Castile and Léon from 1252 to 1284—though it existed informally before that. Inevitably, large producers, especially of merino wool, like the monasteries and military orders, received privileged treatment. But the purpose of intervention by Alfonso was not to confer exclusive privileges to any one seller; instead, from his time, royal policy aimed to reduce the extremely high transaction costs in securing pasture lands throughout the kingdom, due to the intense conflicts that arose with local communities. Kings granted the rights necessary for the support of flocks and exemption from *montazgo* fees, which were fines charged by local communities to outsiders needing to graze on local hills. Kings aimed to balance local interests and establish a clear hierarchy of rights that diminished the need for constant private negotiation and, inevitably, conflict.

In short, royal “intervention” aimed to secure conditions which were already operating in the English economy due to the unchallenged authority of the English kings. Commerce throughout England was not subject to tolls, thus effectively creating “free-trade” areas that accelerated commercial activity.[[51]](#footnote-51) Moreover, as Drelichman has intriguingly shown, royal enforcement of Mesta privileges varied not due to ruler arbitrariness or need, but following international wool prices: only when the price rose did the crown intervene to secure greater pasture privileges.[[52]](#footnote-52) “Since property rights were being modified in a way consistent with the evolution of relative comparative advantage, it is hard to maintain the view that the supposedly asphyxiating privileges [of the Mesta] were damaging the Castilian economy.”[[53]](#footnote-53)

The narrative of pasture as a regressive economic activity sustained by a monopoly-granting monarchy in pursuit of quick revenue has been further strengthened by claims assessing pasture as economically suboptimal compared to agriculture.[[54]](#footnote-54) Once again, the same economic policy is assessed differently due to the pre-existing political framework. After all, support of pasture was fundamental to England’s agricultural revolution. The Enclosures movement is typically considered key to the urban and proto-industrial growth of the eighteenth century and later. Enclosures gradually partitioned communally owned lands to allow clearly delimited rights to pasture; they started started in the fifteenth century.[[55]](#footnote-55) That “sheep ate men” was the necessary step in modernizing the English economy, despite its profound social dislocations.[[56]](#footnote-56) Yet, in the Castilian case the same process, the displacement of agriculture by pasturelands, is considered socially and economically regressive.

The most comprehensive modern study of the Mesta has made the powerful argument that support of the Mesta was not a suboptimal policy for the Castilian crown.[[57]](#footnote-57) As Phillips and Phillips showed, the opportunity costs of supporting the Mesta did not exceed expected gains from agriculture, given the ecology of the Castilian countryside and the price of wool. At times when the price of wool fell, kings shifted in their support towards local farming interests, returning lands for cultivation and limiting grazing rights. Though rents were clearly extracted in all these transactions, this does not mean that rent-seeking was the *cause* of these arrangements, or that they represented suboptimal decisions given the allocation of resources and prices.

The real contrast with the English wool trade shows up in comparing revenues secured by the crown from it. Although wool customs provided increasingly high returns to the English crown in the fourteenth century (until the wool trade itself declined), the Mesta actually provided very little income to the Castilian crown, contrary to expectations. The bulk of crown revenues came instead from the *alcabala*, a tax of a tenth on the value of goods exchanged. This may have provided about 90 percent of royal income in the late fifteenth century.[[58]](#footnote-58) By the end of the sixteenth, sales tax revenues had declined to about 30 percent of total, but even then, the Mesta accounted for no more, on average, than about 3 percent of revenue.[[59]](#footnote-59)

In short, the importance ascribed to the Mesta in most (non-specialist) accounts is unsupported by the facts of the Castilian economy. The pre-existing narrative of a predatory state seeking rents from private actors and using its jurisdictional powers to block an efficient allocation of resources for its own private gain has been projected onto the Mesta without empirical foundations.

The incapacity of trade to play a bigger role in the Castilian economy, leaving it vulnerable to the fluctuations of American silver, was thus endogenous to the political weakness analyzed in chapter 5. Not only were substantial parts of the kingdom immune from tax demands, but royal bureaucracy had limited capacity to enforce its will on the rest of the realm, due to the overwhelming power of local lords and cities.

## Conclusion

In this chapter, I have questioned some central assumptions of the literature claiming to link economic growth, especially trade, with political institutions. Such arguments can only be demonstrated through the mechanisms translating changes in the economy to changes in the institutional structure. Case studies are therefore appropriate means of testing them, especially since they allow the careful tracing of temporal precedence. When the biggest threat to growth and development is taken to be a predatory state unwilling to protect the property rights of its subjects, the implications of state weakness are missed.

The prior assumption of rent-seeking as the main problem in state-economy relations dictated the answer to the problem of Castilian growth, leading to a serious misunderstanding of the true dynamics in place. Instead, I suggested, the pathologies of the Castilian crown lay in its meager control over the population and its economy and in its incapacity to distribute the taxation burden onto the most powerful classes. By emphasizing the pathologies of “predatory” states, existing accounts have misconstrued the state’s role: they suggest that the key lies in making the state “smaller.” My analysis suggests it lies in providing the state with more secure resources to perform its public tasks.

By contrast, I showed how the greater capacity, already presented in the previous chapter, of the English crown was critical for the observed effects of the wool trade in the English case. Process-tracing establishes the precedence of Parliament and the role of the crown in constituting mercantile groups as a political force capable of bargaining in the first place—an early instance of the structuring role of institutions in political economy.[[60]](#footnote-60) Merchants only acquired a political profile because the Crown had established an assembly for that purpose. Their early interests were not only not constitutional in nature, they were often contrary to public welfare and, as a result, any bargains with political authority only aimed at sectoral privilege, not the common good. In any case, the core mechanism in the capital mobility logic, as applied to this early case, founders on a simple fact: the wealth that was mobile and which related to the wool trade was not part of the regular parliamentary negotiations to start with.

In the next two chapters, I pursue the same questions through the paired comparison of the Flemish and Italian regions and the precocious city organization they displayed, as well as the case of Catalonia, known as a mercantile republic, with high economic growth, as well as proto-democratic institutions of executive constraint and accountability. I show how they were all endogenous to prior executive strength and judicial centralization.

References

Acemoglu, Daron, and James A. Robinson. 2005. *Economic Origins of Dictatorship and Democracy: Economic and Political Origins*. Cambridge: Cambridge University Press.

Allen, Robert C. 1992. *Enclosure and the Yeoman: The Agricultural Development of the South Midlands, 1450-1850*. New York: Clarendon Press.

Anderson, Perry. 1979. *Lineages of the Absolutist State*. London: Verso.

Bach, Daniel, and Mamoudou Gazibo. 2012. *Neopatrimonialism in Africa and Beyond*. London: Routledge.

Bartlett, Robert. 2000. *England under the Norman and Angevin Kings, 1075-1225*. Oxford: Oxford University Press.

Bates, Robert H., and Da-Hsiang Donald Lien. 1985. "A Note on Taxation, Development, and Representative Government." *Politics and Society* 14 (1):53-70.

Boix, Carles. 2003. *Democracy and Redistribution*. Cambridge: Cambridge University Press.

———. 2015. *Political Order and Inequality: Their Foundations and Their Consequences for Human Welfare*. New York: Cambridge University Press.

Bolton, J. L. 1980. *The Medieval English Economy, 1150-1500*. London: J. M. Dent.

Brenner, Robert. 1993. *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653*. Princeton, N.J.: Princeton University Press.

Brown, A. L. 1989. *The Governance of Late Medieval England 1272-1461*. London: Edward Arnold.

Carus-Wilson, E. M., and Olive Coleman. 1963. *England's Export Trade, 1275-1547*. Oxford: Clarendon Press.

Casey, James. 1999. *Early Modern Spain: A Social History*. London: Routledge.

Coss, Peter R. 1989. "Bastard Feudalism Revised." *Past & Present* (125):27-64.

Drelichman, Mauricio. 2009. "License to Till: The Privileges of the Spanish Mesta as a Case of Second-Best Institutions." *Explorations in Economic History* 46 (2):220-240.

Drelichman, Mauricio, and Hans-Joachim Voth. 2010. "The Sustainable Debts of Philip II: A Reconstruction of Castile's Fiscal Position, 1566–1596." *The Journal of Economic History* 70 (04):813-842.

———. 2014. *Lending to the Borrower from Hell: Debt, Taxes, and Default in the Age of Philip II*. Princeton: Princeton University Press.

Ekelund, Robert B., and Robert D. Tollison. 1997. *Politicized Economies: Monarchy, Monopoly, and Mercantilism*. College Station: Texas A&M University Press.

Epstein, Stephan R. 2000. *Freedom and Growth: The Rise of States and Markets in Europe, 1300-1750*. London: Routledge.

Freeman, John R., and Dennis P. Quinn. 2012. "The Economic Origins of Democracy Reconsidered." *American Political Science Review* 106 (01):58-80.

Fryde, E. B. 1952. "Edward III's Wool Monopoly of 1337: A Fourteenth-Century Royal Trading." *History* 37:8-24.

———. 1996. *Handbook of British Chronology*. 3d ed. Cambridge: Cambridge University Press.

Grafe, Regina. 2012. *Distant Tyranny: Markets, Power, and Backwardness in Spain, 1650-1800*. Princeton N.J.: Princeton University Press.

Gras, Norman Scott Brien. 1918. *The Early English Customs System: A Documentary Study of the Institutional and Economic History of the Customs from the Thirteenth to the Sixteenth Century*. Vol. 18. Cambridge: Harvard University Press.

Guizot, François. 1861. *History of the Origin of Representative Government in Europe*. Translated by A. R. Scoble. London: H.G. Bohn.

Haber, Stephen H., Noel Maurer, and Armando Razo. 2003. *The Politics of Property Rights: Political Instability, Credible Commitments, and Economic Growth in Mexico, 1876-1929*. Cambridge: Cambridge University Press.

Hall, Peter A. 1986. *Governing the Economy: The Politics of State Intervention in Britain and France*. New York: Oxford University Press.

Harriss, Gerald L. 1975. *King, Parliament, and Public Finance in Medieval England to 1369*. Oxford: Clarendon Press.

Hirschman, Albert O. 1977. *The Passions and the Interests: Political Arguments for Capitalism before Its Triumph*. Princeton, N.J.: Princeton University Press.

Hough, Jerry F., and Robin M. Grier. 2015. *The Long Process of Development: Building Markets and States in Pre-Industrial England, Spain, and Their Colonies*. New York: Cambridge University Press.

Jewell, Helen M. 1972. *English Local Administration in the Middle Ages*. Newton Abbot: David and Charles.

Kaeuper, Richard W. 1988. *War, Justice, and Public Order: England and France in the Later Middle Ages*. Oxford: Clarendon Press.

Kamen, Henry. 1983. *Spain 1469-1714: A Society in Conflict*. London: Longman.

Kitschelt, Herbert, and Steven Wilkinson. 2007. *Patrons, Clients, and Policies: Patterns of Democratic Accountability and Political Competition*. Cambridge: Cambridge University Press.

Klein, Julius. 1920. *The Mesta: A Study in Spanish Economic History, 1273-1836*. Cambridge: Harvard University Press.

Levi, Margaret. 1988. *Of Rule and Revenue*. Berkeley: Berkeley University Press.

Lloyd, T. H. 1977. *The English Wool Trade in the Middle Ages*. Cambridge: Cambridge University Press.

Maddicott, John Robert. 2010. *The Origins of the English Parliament, 924-1327*. Oxford: Oxford University Press.

Mahoney, James. 2010. *Colonialism and Development: Spanish America in Comparative Perspective*. New York: Cambridge University Press.

Mares, Isabela. 2006. *Taxation, Wage Bargaining and Unemployment*. Cambridge: Cambridge University Press.

McFarlane, K. B. 1962. "England and the Hundred Years War." *Past and Present* 22:3-18.

Meltzer, Allan H., and Scott F. Richard. 1981. "A Rational Theory of the Size of Government." *Journal of Political Economy* 89 (5):914-927.

Miller, Edward. 1975. "War, Taxation and the English Economy in the Late Thirteenth and Early Fourteenth Centuries." In *War and Economic Development: Essays in Memory of David Joslin*, ed. J. M. Winter, 11-31. Cambridge: Cambridge University Press.

Montesquieu, Charles de Secondat. [1748] 1989. *The Spirit of the Laws*. Cambridge: Cambridge University Press.

Moore, Barrington. 1967. *Social Origins of Dictatorship and Democracy: Lord and Peasant in the Making of the Modern World*. Boston: Beacon Press.

Morgan, Shepard Ashman. 1911. *The History of Parliamentary Taxation in England*. New York: Moffat, Yard and Co.

Neeson, J. M. 1993. *Commoners, Common Right, Enclosure and Social Change in England, 1700-1820*. Cambridge: Cambridge University Press.

North, Douglass C. 1981. *Structure and Change in Economic History*. New York: Norton.

———. 1990. *Institutions, Institutional Change, and Economic Performance*. Cambridge: Cambridge University Press.

North, Douglass C., and Robert Paul Thomas. 1973. *The Rise of the Western World: A New Economic History*. Cambridge: Cambridge University Press.

Nugent, Jeffrey B., and Nicholas Sanchez. 1989. "The Efficiency of the Mesta: A Parable." *Explorations in Economic History* 26:261-84.

Ormrod, W. M. 1995. *Political Life in Medieval England, 1300-1450*. New York: St. Martin's Press.

———. 1999. "England in the Middle Ages." In *The Rise of the Fiscal State in Europe, C. 1200–1815*, ed. R. Bonney, 19-52. New York: Oxford University Press.

Phillips, Carla Rahn, and William D. Phillips. 1997. *Spain's Golden Fleece: Wool Production and the Wool Trade from the Middle Ages to the Nineteenth Century*. Baltimore: The Johns Hopkins Press.

Pincus, Steven Carl Anthony. 2009. *1688: The First Modern Revolution*. New Haven: Yale University Press.

Polanyi, Karl. 1962. *The Great Transformation*. Boston: Beacon Press.

Pollard, A. F. 1920. *The Evolution of Parliament*. New York: Longmans.

Power, Eileen Edna. 1942. *The Wool Trade in English Medieval History*. London: Oxford University Press.

Ramsay, James Henry. 1925. *A History of the Revenues of the Kings of England, 1066-1399*. 2 vols. Vol. 1. Oxford: Clarendon Press.

Ruiz Martín, Felipe, and Angel García Sanz. 1998. *Mesta, Trashumancia Y Lana En La España Moderna*. Madrid: Fundación Duques de Soria.

Sacks, David Harris. 1994. "The Paradox of Taxation: Fiscal Crises, Parliament, and Liberty in England, 1450-1640." In *Fiscal Crises, Liberty, and Representative Government, 1450-1789*, ed. P. T. Hoffman and K. Norberg, vi, 392. Stanford: Stanford University Press.

Smith, Adam. [1776] 1976. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edited by R. H. Campbell, A. S. Skinner and W. B. Todd. Oxford: Oxford University Press.

Stasavage, David. 2011. *States of Credit: Size, Power, and the Development of European Polities*. Princeton: Princeton University Press.

Stubbs, William. 1880. *The Constitutional History of England in Its Origin and Development*. 3d ed. Vol. II. Oxford: Clarendon Press.

Summerhill, William R. 2008. "Fiscal Bargains, Political Institutions, and Economic Performance." *Hispanic American Historical Review* 88 (2):219-233.

Swank, Duane, and Sven Steinmo. 2002. "The New Political Economy of Taxation in Advanced Capitalist Democracies." *American Journal of Political Science* 46 (3):642-655.

Unwin, George. 1918a. "The Estate of Merchants, 1336-65." In *Finance and Trade under Edward III* 179-255. Manchester: University Press.

———. 1918b. *Finance and Trade under Edward III*. Manchester: University Press.

Vicens Vives, Jaime. 1969. *An Economic History of Spain*. Translated by F. M. López-Marillas. Edited by J. Nadal. Princeton, N.J.: Princeton University Press.

Wallerstein, Michael, and Adam Przeworski. 1995. "Capital Taxation with Open Borders." *Review of International Political Economy* 2 (3):425-445.

Wilkinson, Bertie. 1937. *Studies in the Constitutional History of the Thirteenth and Fourteenth Centuries*. Manchester: Manchester University Press.

Willard, James Field. 1934. *Parliamentary Taxes on Personal Property, 1290 to 1334: A Study in Mediaeval English Financial Administration*. Cambridge: Mediaeval Academy of America.

Willughby, Francis. 1673. *A Relation of a Voyage Made through a Great Part of Spain*. London.

1. Brenner (1993), Pincus (2009), Bates and Lien (1985). Hough and Grier (2015) offer a bold revision of this contrast, although their treatment of the English case differs from mine, by postulating a role for London as a city-state. [↑](#footnote-ref-1)
2. Wallerstein and Przeworski (1995). [↑](#footnote-ref-2)
3. Montesquieu ([1748] 1989, ch. XX, XXI), Hirschman (1977). [↑](#footnote-ref-3)
4. Bates and Lien (1985, 54, 53). The authors refer to democracy, but only representation is relevant to their period. [↑](#footnote-ref-4)
5. Boix (2015). [↑](#footnote-ref-5)
6. North and Thomas (1973, 4, 128-30), North (1981, 151), Anderson (1979, 72-3), North (1990, 116). North’s views on Spain changed over time, as he discarded assumptions about the efficiency of existing institutions; see the excellent analysis of his trajectory in Hough and Grier (2015, 1-64). [↑](#footnote-ref-6)
7. Pollard (1920, 22-3). [↑](#footnote-ref-7)
8. Grafe (2012), Summerhill (2008), Drelichman (2009), Drelichman and Voth (2014). [↑](#footnote-ref-8)
9. This is the conclusion of the most recent masterful treatment of the Castilian economy; Grafe (2012). [↑](#footnote-ref-9)
10. Lloyd (1977), Power (1942), Unwin (1918b), Unwin (1918a), Moore (1967). [↑](#footnote-ref-10)
11. Bates and Lien (1985), Levi (1988). [↑](#footnote-ref-11)
12. Capital mobility is central to multiple areas of research, such as distributive and welfare politics, trade, and development; Swank and Steinmo (2002), Boix (2003), Mares (2006), Freeman and Quinn (2012). The English wool trade is perhaps the earliest studied instance. [↑](#footnote-ref-12)
13. Bates and Lien (1985, 53). [↑](#footnote-ref-13)
14. Meltzer and Richard (1981), Boix (2003), Acemoglu and Robinson (2005). [↑](#footnote-ref-14)
15. Moore (1967). [↑](#footnote-ref-15)
16. Brown (1989, 65). [↑](#footnote-ref-16)
17. Morgan (1911, 113). [↑](#footnote-ref-17)
18. Sacks (1994, 42). [↑](#footnote-ref-18)
19. Harriss (1975, 425-6), Gras (1918, 59ff, 257ff). \* [↑](#footnote-ref-19)
20. Brown (1989, 67), Harriss (1975, 426). [↑](#footnote-ref-20)
21. Power (1942, 37-48, 41), Ormrod (1999, 32), Harriss (1975, 429). [↑](#footnote-ref-21)
22. Fryde (1996, 533), Maddicott (2010, 157ff). [↑](#footnote-ref-22)
23. Carus-Wilson and Coleman (1963). [↑](#footnote-ref-23)
24. Harriss (1975, 446, 448). [↑](#footnote-ref-24)
25. Bates and Lien (1985, 55). [↑](#footnote-ref-25)
26. This capacity was strong up to the 1350s, by which time parliament was established; Stubbs (1880, 223-6), Bartlett (2000, 151-2, 165-7), Brown (1989, 71-2). Sworn inquest of neighbors was also employed in Castile and it was obligatory; I thank M. Drelichman for the point. [↑](#footnote-ref-26)
27. Miller (1975, 18-9). [↑](#footnote-ref-27)
28. This is commonly referred to as “lay taxation;” Willard (1934), Harriss (1975), Kaeuper (1988). [↑](#footnote-ref-28)
29. Jewell (1972), Bartlett (2000, 159-76). [↑](#footnote-ref-29)
30. Kitschelt and Wilkinson (2007), Bach and Gazibo (2012). [↑](#footnote-ref-30)
31. Haber*, et al.* (2003, 10). However, the dependent variable in Haber et al. is economic growth (which is predicated on “credible threats of retaliation by investors”), not the long-term development of institutions examined in this book. [↑](#footnote-ref-31)
32. Power (1942, 41, 43, 46), Fryde (1952, 12-4), Ramsay (1925, 281), Brown (1989, 66), Harriss (1975, 430, 443, 444, 447-448)\*Check Harris for embargo. [↑](#footnote-ref-32)
33. Lloyd (1977, 236). [↑](#footnote-ref-33)
34. \*Bastard feudalism also Coss (1989). [↑](#footnote-ref-34)
35. Power (1942, 41), Wilkinson (1937, 72-6), Ormrod (1995, 93). Objections to this thesis (by McFarlane (1962), Harriss (1975, 421), emphasize that the English shifted the burden onto Flemish buyers; they don’t deny that the merchants were the least affected by the tax they freely granted. [↑](#footnote-ref-35)
36. Power (1942, 41-2). [↑](#footnote-ref-36)
37. Lloyd (1977). [↑](#footnote-ref-37)
38. Smith ([1776] 1976, I.xi.p.10). [↑](#footnote-ref-38)
39. Brenner (1993). [↑](#footnote-ref-39)
40. Guizot (1861). Stasavage (2011) showed that merchant dominance in Italian and Dutch city-state assemblies explains better terms of credit compared to territorial states. However, assemblies are an independent variable in his account, unlike here. [↑](#footnote-ref-40)
41. Hall (1986, 19), Mahoney (2010, 17). [↑](#footnote-ref-41)
42. Lloyd (1977, 174). [↑](#footnote-ref-42)
43. Power (1942, 61-62). [↑](#footnote-ref-43)
44. Willughby (1673, 493). [↑](#footnote-ref-44)
45. Klein (1920), Vicens Vives (1969), North and Thomas (1973), Ekelund and Tollison (1997). [↑](#footnote-ref-45)
46. North and Thomas (1973, 4, 128-30), North (1981, 151). [↑](#footnote-ref-46)
47. Nugent and Sanchez (1989), Phillips and Phillips (1997), Ruiz Martín and García Sanz (1998), Drelichman (2009), Ruiz Martín and García Sanz (1998). [↑](#footnote-ref-47)
48. Grafe (2012, 104). [↑](#footnote-ref-48)
49. North and Thomas (1973, 4-5). Ekelund and Tollison use monopoly and cartel interchangeably; (1997). [↑](#footnote-ref-49)
50. Phillips and Phillips (1997, 37). The median size of flocks was small, moreover. Of the flocks that went through Calatrava pastures in 1560, which may be considered a representative sample according to Klein, two-thirds of the flocks consisted of under 100 head of sheep; Klein (1920, 60). But large flocks could number hundreds of thousands of sheep. [↑](#footnote-ref-50)
51. Bolton (1980, 130-1), Epstein (2000, \*). [↑](#footnote-ref-51)
52. “It was the variation in the efficiency of each sector alone that ultimately determined the change in the amount of resources available to transhumant shepherds relative to what farmers and towns could keep for themselves;” Drelichman (2009, 235). [↑](#footnote-ref-52)
53. Drelichman (2009, 235). [↑](#footnote-ref-53)
54. Klein (1920), Vicens Vives (1969), North and Thomas (1973), Ekelund and Tollison (1997). [↑](#footnote-ref-54)
55. Neeson (1993), Allen (1992). [↑](#footnote-ref-55)
56. Polanyi (1962). [↑](#footnote-ref-56)
57. Phillips and Phillips (1997), see also Nugent and Sanchez (1989). [↑](#footnote-ref-57)
58. Kamen (1983, 48). [↑](#footnote-ref-58)
59. Casey (1999, 81-2). In the sixteenth century, the *alcabala* still generated over three-fourths of the crown revenue; Kamen (1983, 87). As Drelichman has shown with new data, this proportion declined even further after the sixteenth century, with an average of 2.9% of fiscal revenue between 1555 and 1596; Drelichman and Voth (2010). The other major source after the Armada disaster in 1588 were the *millones,* which fell on basic foodstuffs and thus severely hit the rural population. [↑](#footnote-ref-59)
60. Hall (1986). [↑](#footnote-ref-60)