

Conclusions Part II

STATE BUILDING AND INSTITUTIONS

The schools or disciplines of historical sociology, history, and the new institutional economics have shown particular interest in the state-building process that took place in Europe from the fifteenth century. In general, they have attempted to determine how medieval political formations lead to a type of modern state in which the central power monopolizes coercion and administration through a professional bureaucracy that governs a geographically coherent territory. In particular, scholars have noted how war brought about the construction of a military fiscal system that, in part by overcoming other corporate powers, was able to achieve centralization of resources and of coercive capacity in the hands of the central power, thus serving as a preliminary step towards Weber's model of the modern state. This narrative has almost always been compiled by projecting backwards the boundaries of the nation states that were consolidated during—and as a result of—the Congress of Vienna (1815) and have served as fundamental units of analysis for the early modern period. The perspective has certain logic if we consider that this type of state is, above all, a territorial one whose evolution we want to analyse retrospectively.

The problem emerges in another light if we follow the arguments set out in the above pages, through the analysis of the way in which the territorially dispersed composite monarchy developed, a network of geographically separated polities in which the relationship between the prince and each of the polities was based on a series of conflicts and agreements, with jurisdiction

shared with (or delegated to) elites, cities, and the Church, who in turn maintained horizontal relations—often conflictive—with each other.¹

Although his pivotal study hardly touches upon the Iberian countries, Downing (1992) provides some perspectives that may be useful to our understanding of composite monarchies.² Building on Tilly's argument for the 'exceptional case'—that in a context of sustained military pressure, access to abundant commercial income could cause a polity to avoid bureaucratization and even absolutism—Downing adds that the income extracted from conquered territories and external subsidies can have similar effects (Downing 1992, p. 9). These variables, and their very asymmetric forms, would create an enormous unevenness between the states of the Habsburg monarchy.

Around 1530, when Charles V was crowned Emperor at Bologna, the Habsburgs had established an unprecedented dynastic complex. In an area that was as politically fragmented as Europe, whose dynamics were governed by conflict and the balance between different polities (Jones 1981), this composite state posed a genuine threat to all. Within it, some states—including Castile, although this has not been recognized by historical sociology—had the requisites to create incipient bureaucratized and centralized systems: a relatively developed university system that allowed the Crown to recruit specialized personnel, an economy with a certain level of commercial development that created the bases of an efficient fiscal framework by the standards of the time, and a dynamic commerce and a customs regime that seemed to favour tax collection according to Tilly's model (1990).³ But to understand subsequent developments, it is necessary to take into account other aspects and factors.

In this respect, it is important to underline that—in contrast with the prevailing image that only emphasized the negative aspects—there was an evident complementarity between the various parts of this composite monarchy. Indeed, this complementarity created the conditions for the survival of this system. Thus, the fiscal possibilities of Castile and America were really made to work thanks to the financial skills of Genoa—a decisive

¹The idea of the composite monarchy encompasses two separate concepts or models: for Koenigsberger it was a polity 'including more than one country under the sovereignty of one ruler' (1986, p. 12); but this also implied a 'profound respect for corporate structures and for traditional rights, privileges and customs' (Elliott 1992, pp. 68–69).

²For an overview and discussion, see Ertman (1997, pp. 1–34)

³These are keys to a branch of historical sociology, Ertman (1997) or Tilly (1990), to justify the greater capacity to levy taxes in early modern states.

ally since 1528—and the German territories. In addition, this complementarity was possible insofar as these financial services were provided not by states (whose institutional impediments would have been very great) but by families such as the Welser, Fugger, Doria, or Spinola; that is to say, by informal networks whose cross-border character was an essential feature of their functioning. To this end, the role of the cash provided by the American mines was also vital. Flanders, Castile, Aragon, Naples, and Milan (from 1540) had very dynamic and growing populations, which enhanced the system's political and economic vitality. In the previous pages, we have emphasized the difficulties involved in the transfer of resources, a central argument in our reasoning, but it is obvious that technically the scope for the mobilization of capital and men was very developed for the standards of the time and that, in regard to previous arrangements, the composite monarchy signified a remarkable step forward. Soon the Habsburgs created a defensive barrier against their most important enemy, the Ottoman Empire. This firewall ran from Gibraltar to North Africa, Sicily, and Naples and stretched up to Vienna and the imperial territories, Bohemia and Hungary, with the complicity of Genoa and Venice. Both Venice and Genoa were independent republics whose policies fluctuated between obedience and disobedience, depending on circumstances. True, Muslim *corso* often penetrated this barrier, but the military capacity of this complex would be demonstrated at Lepanto: the forests of the Mediterranean; the iron of Iberia; the taxes of Castile, Naples, and Milan; the finances of Genoa, and soldiers and mercenaries from Castile, Switzerland, and the imperial territories; wheat from Sicily, Italian military, and naval technology; German mining technology; and so on. And, above all, the capacity with which the Habsburgs were able to combine these resources and tools was perhaps the ultimate expression of the strength of a system whose weaknesses are always stressed in relation to its distance from a modern state model.

This ensemble of dispersed polities was woven into a highly adaptive system, with an awareness of dynastic legitimacy and the notable flexibility offered by the family as a system of government. The latter had its great weakness in the unpredictable vicissitudes of the life—or death—of its members and, consequently, of inheritances. But the dynastic family was also a very extensive and flexible institution that could prove to be efficient, as is clearly demonstrated by the division of the two branches of the House of Habsburg in 1558. This was plainly a proof of (obligatory) strategy if one takes into account the solidity of these personal bonds and the chance to use them to maintain dominion in the territories governed by each of these two

branches which were now united by bonds of solidarity and reciprocity as a way of facing their internal conflicts. The annexation of Portugal, again propitiated by the efficiency and fortune of family policy, would take this mosaic of states to an unprecedented situation: a territorial expansion perhaps only comparable to that of the Mongol empire in the thirteenth century. The system would be efficient for the Habsburgs and would last for decades; it was founded upon negotiations with the local political constitutions of the composite states, its remarkable capacity for propaganda, the imperial ideal (Dandeleit 2014), and the very solid kinship ties that justified the existence of this network. In short, the familial character of the composite monarchy was both the strength and weakness of this system.

But it had another strength and weakness that was sometimes forgotten: this was the confessional character that the Habsburgs would soon impose upon their dominions; this ethos was derived from their own political justification as heirs to both the empire of Charlemagne and the reconquest of the Iberian Peninsula. That they could present themselves, thanks to their policy of alliances with the Pope, as defenders of Christianity and the faith was important in holding together this federation of patrimonial states; no doubt, the fear caused by the Turks on the shores of the Mediterranean helped. This fact, much commented upon by historiography, has one crucial dimension. The Habsburg imperial complex lies between those empires in which political power and religious power are separated but are inextricably linked and depend on agents with not-always-identical agendas: the pontificate and the House of Habsburg, in this case. The monotheistic character of Christianity and the dogmatic component within it would be decisive in this context. The difference, for example, with the Ottoman Empire, is very illustrative. The Sultan exercised both religious duties and authority within Islam (Burbank and Cooper 2010) and could, therefore, complement them even by implementing some degree of tolerance if it was needed (Barkey 2008). But this division of powers would be the grounds for crucial tensions for the Habsburgs. The attempts of Charles V, influenced by Erasmus, to reach agreement with the German princes and the way in which they clashed with papal religious policy are very significant in this regard and represent the first line of rupture of the monarchical complex. When Philip II ascended the throne, the respective positions had been radicalized to such a degree that religion, up to that time the crucial cement of this composite monarchy, was henceforth also one of the most important causes of conflict, as would be demonstrated by the rebellion of the Netherlands. By this juncture, the defence of 'Christendom' (but, to be more precise, Catholicism) had become enmeshed

with political and, above all, fiscal theory, to the point that it was henceforth the only way to overcome what was the principal obstacle to the government of this dynastic complex—the transfer of funds from one state to another. The religious component, in turn, had reinforced the religious character of the political economy of states such as Castile, where the confessional argument justifying this transfer of funds had to be rehearsed exhaustively and so became part of the cultural beliefs that mediated the use of financial and military resources.

In this context, the standard national histories are of very little use to any understanding of the political economy of the Habsburg domains. Today the aberrations and anomalies that can lead to a simplistic analysis of the tax revenues of the states of the Old Regime are widely appreciated. Although we cannot confuse the gross income and the net income of the state, it is significant that the gross entries of it is significant that the net income of the Habsburgs in Castile had not only grown faster than that of any other European country in the sixteenth century, but by 1600 it were twice the size of that of the King of France. If we add in the incomes of Naples and Milan, it turns out that these three states alone enjoyed gross incomes superior to those of their three principal rivals: France, England, and Holland combined.⁴ The costs of the Castilian debt also create the appearance of an efficient complex (Drelichman and Voth 2014; Yun and Ramos 2012). Portugal had followed a very different path. The House of Avis had remained a secondary lineage in European politics, partly because after the Catholic Kings the policy of the Habsburgs had been to ‘neutralize Portugal and isolate France’ (Maltby 2011, p. 29), by seeking an Iberian union that the avatars would delay to 1580 and that would only be possible through violence. The result was a composite monarchy in Portugal but not in the sense commonly used by Machiavelli, who emphasized the variety of distant and separate states under one dynasty: rather, what emerged here was a kingdom made up of superimposed jurisdictional corporations that were often in conflict with one another. Portugal would not become an element of instability in Europe. Looking at the Atlantic, Portugal’s great competitors (and potential ally) were Castile and, by extension, the Habsburgs. As we have seen, following Tilly’s model, the chances of building a military fiscal state in Portugal were considerable. And if we allow ourselves to be carried away by some of the ideals that are now frequently enunciated by certain historians of the economy, it could be argued that

⁴These calculations, very approximate, are based on Comin and Yun (2012, pp. 235–238) and the previous pages above.

this was the most ‘absolutist’ state in Europe: the parliament met only rarely in the sixteenth century, and yet the system of resource mobilization functioned with considerable efficiency. But Portugal is really more a case of external resources that fits some of Downing’s reasoning and model. The first steps towards European globalization—manifested in the expansion into the Atlantic—endowed the king with abundant resources, but, critically, these originated from outside the kingdom and for a long time rendered unnecessary the transformation from a domain state to a tax state; rather, Portugal remained a *rentier* state until well into the sixteenth century (Yun 2012). It helped that its military needs in Europe were smaller in relation to its income, and, therefore, the system of indebtedness that forced other states to obtain taxes with which to attend to the imbalances between the king’s income and his military needs did not lead to an extraction of fiscal resources as massive as that of Castile.

Portugal, on the other hand, is the counterexample that allows us to better understand Castile and the composite monarchy of the Habsburgs, to which it would be incorporated in 1580, increasing Madrid’s power but also its problems. In fact, the Habsburg complex was only possible thanks to the impact of globalization. American silver allowed the operation of the international financing system (while putting it to the test at the constitutional level). But this was not because of the availability of silver in itself but because Castile found a way of converting silver into military spending by resorting to the loans taken out from contractors (*asentistas*), and this allowed it to consolidate its debt, which would not have been possible had the Castilian economy not been a relatively advanced mercantile one. This would, in any case, be the most important factor in understanding the military fiscal state in Iberia and in the Habsburg domains. In Portugal, the local power of the cities and seigniorial lordships and their autonomy with respect to the Crown would be notable, but this did not translate into an increase in incomes similar to that of Castile in terms of its fiscal capacity and the extraction of resources. In Castile, this fiscal state operated through a conflictive pact with the elites, the cities, and the Church that resulted in the enduring—indeed, even growing—power of the urban oligarchies. At the same time, local defensive needs brought about a reinforcement of local (seigniorial and urban) militias, which contributed to maintaining a system of dispersed coercion and permanent negotiation and overlap with the king’s own forces. This political system had little or nothing in common with the model of the centralized military state and the uncontested imposition of its authority. And this process

created a model that was different from the image of Iberian absolutism described by Acemoglu, Johnson, and Robinson.

But, above all, this conjunction of global and local forces increased the asymmetry in the Habsburg composite monarchy. States such as the Crown of Aragon or Sicily and some imperial polities evolved towards 'rentier states' and experienced few changes in their political-fiscal contexture. In the imperial territories, 'the fiscal and political structures remained stable from the sixteenth-century to the early eighteenth-century' (Pieper 2012, p. 168), and the kingdom of Hungary remained under the control of the 'states' until the end of the empire. Although these were not immobile structures, the shift from the domain state to the tax state (as defined by Schumpeter) was postponed (not coincidentally, Schumpeter was working on the Austrian case). However, the escalation of war costs meant that this situation could not last forever, and, above all, it signified that other polities more exposed to military conflicts for geostrategic reasons or with more favourable constitutions and more scope to forge different pacts with their respective elites found themselves compelled to pay more. One recurring tradition in Spanish historiography is to think that only Castile contributed to the war efforts. Nothing could be further from the truth. Certainly, Castile became the backbone of the empire. But Naples had to contribute with increasing amounts during the sixteenth century and after 1600 (Chap. 8), and the pressure on Flanders was unrelenting, which meant that their contributions continued to grow even in relative terms to those of Castile. Along with the fact that the pact with Castile was not at all stable, due in part to rising costs and the decline in the marginal profitability of taxes everything led to the first breakdown of the system in Flanders. It is very significant that the rebellion of the Netherlands coincided with the resistance of the Cortes of Castile to the revision of certain taxes (the *encabezamientos*), the bankruptcy of 1557, and, very importantly, the diffusion of Calvinism that put to the test one of the crucial elements of the Habsburg system: the religious rigidity that it had acquired and which made it impossible to maintain the dialogue and pact with elites, the two pillars of its existence. It is in this context that the most important reconversion in the history of this system took place: the division of domains between the two branches of the family.

It is very important to consider that the study of political formations and political economies of the time cannot be undertaken simply from the perspective of formal institutions (states, courts, cities, etc.) that maintained sovereignty and projected it. Any study must also take into account relationships that appear to be informal (family, dynasty, fidelity, patronage,

etc.) but that were as important as formal institutions when determining political behaviour, state-building processes, and the use of resources. As much as a system of cities, principalities, and dominions, composite states were a network of informal but decisive families, lineages, and social networks (Yun 2009). Although implicit in Ertman's (1997) vision of patrimonial state or Mousnier's work on the venality of offices (1971), not many authors interested in state building have taken time to explore this aspect of them. An exception is J. Adams (2005), who has emphasized the interest of elite families in converting 'positions of sovereignty into the prosperity of their descendants' (2005, p. 81). This is explained in reference to the relations of conflict and solidarity that occurred within these family formations and were manifested in the need to find an outlet for younger sons, women, and even bastards.⁵ One of the most interesting aspects of Adams's study is that she refers mainly to Holland, apparently a modern republic state, and focuses not only upon the aristocracy but also on the commercial bourgeoisie that would control the VOC and was a group in which the nuclear family was predominant.

The above pages have explored a double—and different—direction. They wanted to demonstrate that the state and in particular the empires were in part areas into which these elites projected themselves and that this method allowed them to overcome the depreciation of a part of their income (this was the case for quite a few aristocratic families) and, on the other hand, also advanced their efforts at social consolidation and expansion. This also implied a series of agreements with, in spite of the structural conflicts also inherent to those agreements, the Crown that bound them to it by relational ties that would facilitate the maintenance of the social order and the political system and that would also condition the changes within the latter. It is to be remembered that a good number of these conflictive pacts, which implied the assignment of quotas of coercion on behalf of the king, were made thanks to *absoluta potestas* and the supreme power of the monarch (this was even set down in the documents and licences granted to the nobles and aristocracy for these measures). Absolutism as a political practice was not necessarily alien to the multiplication and reinforcement of corporate powers. It is these kinds of processes that would explain what Ertman called the 'patrimonial state', regardless of the appropriateness of this term (1997, pp. 110–125). On the other hand, none of these processes were at odds with practices of

⁵ See also Adams (2005, pp. 84–85).

restricting tension within the elites that were mostly achieved by celibacy and membership in the Church, a trend whose effects on the economy would be decisive.

But, above all, I have wanted to show that such developments, although asymmetrical according to imperial spaces and social groups, led to the reinforcement of the cross-border character of the elites. They found very different spaces in which to expand themselves. America could not become the most important area for the promotion and projection of Castilian aristocratic houses, although it offered them notable economic benefits and additions to their social and political capital. Indeed, the empire provided their Portuguese counterparts similar benefits overseas. In both cases, the chances of fusing the great families with local elites were very limited, and this would lead to the formation of colonial elites who, for a long time, were well outside the dynamics of the European aristocracies. This process of fusion, slow and really based on the reaching out of American families to peninsular ones rather than on an expansion of the Iberian aristocracies towards the colonies, would not occur until the emergence of an American nobility, which was only beginning to be noted at the end of the period under study and whose ability to link with the old Castilian families would be limited (Maruri 2007). In the meantime, America certainly would provide an outlet—sometimes only temporarily but often by creating transatlantic families for a couple of generations—for many mid-ranking nobles, bastards, clerics, lawyers, and even some heads of lineages; a similar process was also present in Portugal with the peculiarity that the number would have to be smaller given the size of the empire and the country itself.

From the perspective of the composite monarchy, this phenomenon would accentuate the asymmetry within it. The families of the Castilian high nobility became the hierarchical centre of the European Catholic nobility and its marital market. But this relationship would not—and could not—become a definitive or homogeneous system of links and ties. Where these links were intense, bonds were created that tended to stability; where they were not, things tended to be more precarious. Looked at this way, a rupture was almost inevitable with areas such as the Protestant United Provinces, where marriage ties with the Castilian nobility were more tenuous in contrast to those with the leading Flemish families (Vermeir 2009; Fagel 2009). Moreover, we must suspect that the distance between the great Castilian families and the nobility of the northern Netherlands—and with it, the obstacles to their incorporation into the

imperial system as a whole—may have been one of the keys that led to a rapid change within the latter and the development of bourgeois forms of management to overcome their problems of social consolidation and expansion, with everything that this would mean and entail for the country's economy (see Van Nierop (1984) and the next chapter). At perhaps the opposite end of the scale was the Neapolitan nobility. With their old connections to the Aragonese families, they found in the monarchy an important support and a guarantor of their forms of social dominion to the extent that these cross-border relationships were increasingly directed towards the great families of Old Castile (Muto 2009). In the Iberian kingdoms themselves—increasingly, this included Portugal—the marital entanglement of aristocratic elites was a way of bringing these societies closer together and a factor in the process of state formation and the establishment of relationships between the various centres of the composite monarchy (Yun 2009). And this was not because it was a frictionless process, as it often led to divisions within the regional nobility or between it and local society. It should be borne in mind that these cross-border aristocracies did not have as their basic agenda the formation of political states; rather they sought principally to serve their own house and lineage and, in cross-border situations, would seek to secure resources and to send out free riders, as would be evident on many different occasions.

The conflictive pact in tax matters and the elites' ability to overcome their problems through various procedures ranging from the obtaining of royal *mercedes* to the use of privileged forms of credit and admission to the Church largely explain the political stability of those states upon which the weight of the empire fell most heavily, in particular Castile. This was also the case in Portugal. Catholic orthodoxy pointed in the same direction, until becoming an essential element of the political economy of the time and of the patrimonial management norms and guidelines. In the case of these families, entry into the ranks of the Church was at the same time a strategy of reproduction for the elites, a part of their moral economy, and a component of what we have defined as their economy of legitimization. All this resulted in a permanent jurisdictional fragmentation and the survival of private militias and armies, which reproduced the capacity of elites to exercise coercion.

It is not, therefore, surprising that all of this propitiated a series of characteristics in Spanish and Portuguese societies that have reinforced an image of exceptionalism. But such images do not stand up to comparison. On the other hand, the result of these developments was that these informal institutions and the internal solidarities of the elites permeated the

entire institutional system. Thus, forms of wealth management would be created and reinforced: these were not aimed at wealth creation but rather at rent-seeking, or, at least, those institutions could lead to any outcome. And while these institutions would not themselves determine the course of economic development, they would have a significant bearing on it at a time when productive resources were becoming less abundant in relative terms. In turn, this would have an impact on the formation of the market, investment and the forms of seigneurial management, and so on, especially in the centre of the monarchy.

The internal dynamics of the composite monarchy were thus reaching a certain blockage point. The pacts between the elites had made it possible to overcome the structural tensions of the political and social system. But they had consolidated a political fragmentation that absolutism, itself a part of the process, could not easily overcome in its attempt at centralization. Moreover, institutions once taken by historians to renovate or renew society—above all, the king's justice—actually emerged in a way that did not conform to the model of a third party capable of making decisions on the basis of a strict and impartial application of the law. It is worth remembering that Iberian historiography has long drawn attention to the difficulties of applying the term 'modern state' in this period (Clavero 1981, 1986). The capacity of these networks to exercise family solidarity, kinship, patronage, and friendship would pervert—a loaded term, it is true—an institutional system whose very nature was far from that of modern societies. The king's own justice would itself fall prey to this situation, as is shown by the evolution of the *Chancillerías*. And, importantly, the 'military revolution' had not given rise to a state that monopolized the exercise of violence. The most effective armies, like the famous Spanish *tercios*, were sometimes dependent on private contractors like Ambrosio Spinola. But, furthermore, they were contemporaries—and sometimes complementary—of local armies of a stately or urban character. Nor did the military revolution lead to a military tax state that would completely control the tax collection system. The result was a set of political economies that were far from the ideal type of open society designed as *desideratum* by the new institutional economics (North, Wallis and Weingast 2009).