The Sovereign State and Its Competitors
In many ways the city-state resembled the sovereign, territorial state. Like the French monarchy, the city-state developed notions of sovereignty and the public realm. Roman law figured prominently. And like the sovereign state, the city-state had territorial parameters. Nevertheless, there were differences between the two. The city-state did not integrate its surrounding countryside and the subjected towns. This shows, for example, in the lack of citizenship privileges for the inhabitants in these subjected areas. Not all members within its territorial parameters were thus full members of the city-state.\(^{113}\) This lack of integration of different interests likewise shows in the inherent factionalism of many Italian towns. In France, the king could claim to be a mediator of interests, since he stood to benefit from the overall welfare of the kingdom. The Italian city-state lacked such a political actor. The government was simply perceived as the extension of a specific factional interest. As we will see, this proved to be an institutional weakness in the long run.

PART III

Competition, Mutual Empowerment, and Choice: The Advantages of Sovereign Territoriality
The Victory of the Sovereign State

Sovereignty simultaneously provides an ordering principle for what is "internal" to states and what is "external" to them. It presumes a system of rule that is universal and obligatory in relation to the citizenry of a specified territory but from which all those who are not citizens are excluded.¹

In the preceding chapters I have argued that the economic transformation of the Late Middle Ages inspired individuals to create new forms of organization in Western Europe. Universalist empire, Roman theocracy, and feudalism gave way to the sovereign, territorial state, the city-league, and the city-state.

These new institutional forms differed from each other in their degree of internal hierarchy and in whether or not their authority was demarcated by territorial parameters. Sovereign, territorial states contained a final locus of authority. Although my main emphasis has been on France, the same was true for other states such as England. Sovereignty need not imply absolutism. Even Hobbes recognized that sovereignty could take the form of parliamentary rule. But within sovereign states there existed a final decision-making structure which brooked no outside interference and which gradually claimed a monopoly on violence and justice. In addition, the sovereign state confined itself territorially. That is, sovereigns claimed hierarchy within borders and recognized no higher authority.

The city-league formed the antithesis of the sovereign, territorial state. Because of its confederated nature, its locus of final decision making was ambiguous. Did it reside with individual cities or with an executive body of the league of towns? Confederation, as in the case of the Hansa, left this highly unclear. Moreover, the city-leagues were nonterritorial in character. Although individual towns were surrounded by city walls, the leagues were not only noncontiguous, they lacked borders altogether. They were functionally but not territorially integrated for mutual defense of liberty and commercial interests. In short, unlike the sovereign state, the Hansa did not differentiate its authority by territorial specification, nor did it recognize a final locus of authority, either internally or externally.

The city-state formed an intermediate category of institutional structure. With the sovereign, territorial state it had in common a strict demarcation of jurisdiction by fixed borders. Also, externally the dominant city acted as the focal point for internecine contacts. But like the city-league, the city-state was internally divided. Given that the city-state consisted of one city dominating
other towns, the latter always contested the rule of the leading center. Sovereignty in the city-state, to use Tilly’s terminology, was fragmented.

These two facets of organization, internal hierarchy and territorial demarcation, can be used to examine all the systems of rule discussed so far (see Table 8.1).

As I have already argued, feudal organization, with its crosscutting and overlapping jurisdictions, lacked both a clear center as well as territorial borders. Empire and church both claimed final decision-making power but lacked clear territorial specification of their authority. In theory all other political actors were their subjects.

It is clear that the Hansa, the Italian city-states, and the French state all cued in to the new market opportunities created by the transition from local in-kind trade to long-distance monetarized commerce. Yet from these three synchronic alternatives, only one survived. By the middle of the seventeenth century, the city-league no longer proved to be a viable competitor to the sovereign state. The Hanseatic League basically ended in 1667, when the last diet convened. And although the decline of the city-states proved to be less dramatic, they, too, gradually fell by the wayside.2

What happened in the three centuries preceding Westphalia that allowed sovereign states to become the constitutive elements of a global state system? The historical literature on the rise and decline of specific types of units often emphasizes the importance of unique and critical developments. Particular policies, changing fortunes in war, shifting trade routes, and idiosyncrasies of rulers all provide plausible explanations. For example, the changing location of the herring schools, the silting of the harbor in Bruges, or the opening of the transatlantic routes are sometimes presented as explanations for the waning of the Hansa.4 Likewise, some believe that the discovery of African circumnavigation struck the fatal blow to the Italian city-states.5 Others see the influence of the guilds or the pursuit of landed interests as reasons for their decline.

No doubt many of these observations are pertinent and contribute to the explanation of why the Hansa and the Italian city-states drew to a close. But can we elicit general lessons from their demise? That is, although the descent of the Hanseatic League, or of Venice and Florence, are interesting in their own right, the broader and theoretically more challenging question is, why did they die out as institutional alternatives to the sovereign state? The diminishing fortunes of the Hansa and Venice do not fully explain why city-leagues and city-states, as particular logics of organization, should have disappeared. After all, sovereign states have also risen and declined, but that has not led to the disappearance of the sovereign state as an institutional form. Quite the contrary. We need, therefore, to go beyond the historically particular to theorize about the general implications of certain institutional arrangements.

This chapter suggests that organizational types have particular properties, which in the case of city-states and the Hansa contributed to their decline. I shall use the Hansa and the Italian city-states as institutional cases from which we can deduce certain general consequences. To be specific, we need to examine what consequences the presence or absence of internal hierarchy and territorial demarcation had for the survivability of those types of institutions.

The sovereign, territorial logic of organization replaced the alternative modes of authority in Europe because of several major factors. Institutions that internally had a final decision-making authority were in a better position to overcome the feudal remnants of economic and legal particularism. The king’s interest in rationalizing and improving the overall economy coincided with the interests of the mercantile elements in society. Such institutions were, comparatively speaking, more effective and more efficient in curtailing freeriding and defection, and hence they were better at mobilizing the resources of their societies.

But there were additional reasons why sovereign, territorial institutions spread. Given the existence of a final decision maker, sovereigns could credibly speak on behalf of their constituencies. One knew that the kings, or the kings-in-parliament, could force their subjects to follow through on agreements they had reached. Moreover, because of their territorial character, states were compatible with one another. Their respective jurisdictions could be precisely specified through agreement on fixed borders. So not only could sovereigns speak on behalf of their subjects, they could also precisely specify who their subjects were. And by extension, perhaps even more importantly, borders enabled sovereigns to specify limits to their authority. City-leagues in particular were unable to do so, and hence they were difficult to incorporate in a system of states. Sovereignty, therefore, also spread by mutual recognition.

Finally, institutional selection occurred by mimicry and exit. Attractive institutions were copied by political elites.6 In addition, societal actors voted with their feet. They left institutions that were less to their liking and sought entry into those that best met their interests and belief systems.

THE CONVENTIONAL EXPLANATION: DARWINIAN SELECTION BY WAR

For some, institutional selection in international politics occurs primarily, perhaps even solely, through war. Given the anarchical nature of the international system, force is viewed as the final arbiter regarding the viability of any institution. In this Darwinian milieu those less able to defend themselves are annihilated. The small fall prey to the large.
One body of literature that has closely studied how war operates as a selective mechanism is the hegemonic rivalry literature. It argues that dominant actors in the system are periodically challenged and defeated. Thus, Spain gave way to the Netherlands and England. In turn, the Netherlands lost its position to England. But a closer look at this literature reveals that it focuses on a different set of issues than the one with which we are concerned. The hegemonic rivalry literature largely focuses on rank order change between similar types of units. It explains, in Gilpin's terms, rank order, or systemic change. War determines position. My work, however, focuses on the selective process between dislike units. Specifically, why did sovereign states prove to be superior to city-states or city-leagues? This form of selection is constitutive rather than positional. To use Gilpin's terminology again, it is a systems change, a change in the character of the constitutive units of the international system.

Despite the fact that hegemonic rivalry literature and long-cycle literature pay little attention to the type of competing units, it is still worth examining whether their causal explanation might also hold true for competition between different forms of organization. That is, could selection between dislike units be explained by success in war? Because of the predatorial nature of the international realm, all units have to be able to wage war in order to survive. Accordingly, if particular forms of organization fall by the wayside, this must be explainable by their inability to wage war as effectively as their rivals. It is simply a matter of Darwinian survival of the fittest.

There are several variations to this type of explanation. One variant compares sovereign states to the preceding feudal mode of organization. According to this explanation, sovereign states could raise more revenue and larger concentrations of troops than their feudal predecessors. In short, efficiencies of scale made sovereign states superior in waging war. The problem with this type of account is that the synchronic alternatives to the sovereign states, that is, city-leagues and city-states, were also superior to feudal forms of organization. As we have seen in the past few chapters, the ability of states to develop new military technologies, hire mercenaries, and use artillery were also part of the repertoire of the states' rivals. The Hansa had the ability to raise considerable numbers of troops and to equip large fleets. Its successes against Denmark, England, Holland, and Sweden attest to that. When Libeck aided Denmark against Sweden in the sixteenth century, it did so with some of the largest and most advanced ships of the time. City-states were even closer to the cutting edge of military developments. Italian military engineers were eagerly sought after. For example, Italians were hired by the English Crown to build its fortifications against the Scots. The city-states also institutionalized the condottieri, the professional captaincy with its specialized military entourage. In short, the question remains as to why the sovereign state proved to be superior to these synchronic rivals, not why it was superior to feudal organization.

A second variation correctly compares the sovereign state to its synchronic rivals and argues that the state surpassed city-leagues and city-states because of its command of a larger territorial space and greater population. The successful invasion by France of the Italian peninsula in 1494 is thus explained in this fashion.

This argument is more powerful than the first, but again success or failure does not depend simply on efficiency of scale, whether construed in terms of territory or size of population. As previously shown, some Italian city-states could muster equivalent amounts of resources for long periods of time. Although it is true that France had a population ten times larger than that of Venice, Venetian revenue in the middle of the fifteenth century was 60 percent higher than that of the French Crown. In a day and age before the levée en masse, when revenue bought troops and fleets, revenue mattered more than population size.

If some forms of organization failed because of comparatively inadequate territory and population, how, then, could the Dutch success against Spain or France, or the rise of the Portuguese, be explained? The Dutch Republic and Portugal each had populations of about 1.5 million—comparable to Venice—yet they succeeded in becoming leading powers of the international system of the early sixteenth and seventeenth centuries.

Another perplexing puzzle to solve is why many small sovereign, territorial states continued to survive. The continued existence of many small German principalities is the most stark example. Furthermore, one may ask why the Hansa disappeared whereas some of the individual towns that had been members continued as independent actors in the international system. The traditional story that the militarily strong simply annihilated the weak does not hold. Weak individual German cities continued to operate in the international state system—as it took form after Westphalia—whereas stronger city-leagues disappeared.

If size and population are only crude and sometimes incorrect predictors of the ability to raise resources for warfare, what does explain the success of the sovereign state? I submit that competitive success lies in the particular institutional makeup of different forms of organization. What was it about the Venetian institutional arrangement, or for that matter of the Dutch Republic, that made such territorially small units such powerful actors?

Warfare is thus an important selective mechanism, but success in warfare is only an indicator which itself needs to be explained. No doubt there are many variables that matter. The organizational skills and training of the Dutch armies under Maurice of Nassau propelled the Dutch to the forefront of military prowess. The success of the Swedes might not be explainable without the specific abilities of Gustavus Adolphus. The legendary capabilities of the Swiss pikemen derived, to considerable extent, from their village independence and poor countryside. One variable, however, namely the nature of institutional arrangements, has often been neglected.

The analysis developed in this chapter suggests that the different institutional logics of city-states, city-leagues, and sovereign states had long-term
consequences for their ability to raise revenue and troops for war. That is, the institutional choices of individuals in the Late Middle Ages produced long-term consequences for the ability of some of these units to compete. The argument that in the sixteenth and seventeenth centuries sovereign states were able to wage war more successfully than their institutional rivals is thus correct, but it tends to beg the question, why could they do so?

The long-term effects of the different logics of organization were also weighed by actors in terms of systemwide organizational outcomes. That is, some forms of organization were more preferred partners than others. We can thus solve the puzzle of the survival of small states by analyzing why they, unlike other forms of organization, might be more acceptable to their fellow actors in the international system.

Given that the French state and Hanseatic League were the most distinct cases, the consequences of these two different ways of structuring political order provide us with the clearest insights. By concentrating on these logics of organization, we can draw conclusions that can then be applied to the Italian city-states.

ADVANTAGES OF SOVEREIGN TERRITORIALITY OVER THE CONFEDERATED CITY-LEAGUE

Selection in international politics occurs basically through three mechanisms. First, selection operates through Darwinian survival of the fittest. The intentionality of the agents who have created and continue to favor particular institutions is largely irrelevant. As in biology, some species are more adept at surviving in their new environment whereas less-suited species die out. Similarly, not all institutions that are created following changes in their social environment will be equally successful in the long run. Thus, city-leagues proved to be less effective and less efficient than sovereign, territorial organization on a variety of dimensions.

Second, I will argue that selection occurs by mutual empowerment. Here social selection differs from the unintentional biological process. Unlike what happens in natural selection, individuals create their own environment by preferring and tolerating only certain types of institutions. Sovereign, territorial actors had reasons to prefer similar systems of rule elsewhere. Although this process is thus less structural than Darwinian selection, the iterative choices of individuals limit the opportunities and possibilities for others. In that sense a structural situation is created as well, albeit from a more sociological perspective.

Third, selection also occurs by deliberate mimicry and exit. Political elites copy institutional forms that they perceive as successful. At the same time, social groups switch their allegiance to those types of organization that better meet their interests.

STANDARDIZATION AND CERTITUDE

One advantage of sovereign authority was the existence of an actor, whether a king or king-in-parliament, who could tackle the legacies of feudal particularism. Sovereigns had a vested interest in rationalizing the overall economy because it led to higher revenues and larger military capacity. "It was in the common interest of the king and the middle class to remove the barriers, physical and feudal, which obstructed internal trade."21

One of those feudal barriers to trade was the lack of standardization. Medieval measures and weights were of a mind-boggling variety. Ronald Zupko notes that in late tenth-century England there were fifty major measures. By the Late Middle Ages this had increased to several hundred major measurements with 25,000 local variations.22 The situation in the rest of Europe was no better.

This multitude of measurements had several causes. It sprang first of all from seigneurial control over measurements. After the decline of the Carolingian Empire, many of the lords had taken over the rights to issue specific measures and weights. Such lordships were reluctant to surrender their authority because control over measures provided income through, for example, charges for use of scales. Moreover, many of the payments to the lords were still in-kind, and hence manipulation of such measures yielded direct benefits. Lordly monopoly over the only legal measures and scales also provided a means of social control. A second cause for this diversity was that measures were representative rather than abstract. Measures often reflected human body parts (the foot, the ell/ell, bow) or particular structural contexts of human labor.23 A third cause lay in the odd duality of measurement. There were different measures for buying and for selling.24 We have also seen, for example, in the case of the Hansa, that measures became smaller and lighter the farther the point of origin of the product. Merchants thereby obtained profit, while circumventing the church’s demands for a just price; prices might remain the same, but the quantity delivered diminished. Modern consumers will unfortunately recognize that practice as alive and well.

Furthermore, some authorities were competent in setting standards, others had rights to enforce them, and still others had rights to lease public weights and measures to private actors. Needless to say, this proliferation of measures was hardly conducive to commerce, and the bourgeois sought means to overcome this variety. What kinds of institutions managed best to overcome the consequences of feudal decentralization?25

The Hansa did not manage to standardize a system of measurements. The confederated nature of the league left considerable autonomy to the towns, and they were unwilling to relinquish their authority regarding weights and measures. Attempts to introduce particular measurements of volume, for example,
by using the size of the Wismar or Rostock barrel as an indicator of a particular quantity, proved to be illusory. Many towns continued to use their particular customary measurements. At one point the Hansa tried to induce standardization by requiring the regional groups, the quarters, to follow the measurements of the dominant town of that group. The Dutch, Prussian, and Westphalian towns, for example, were thus supposed to follow Cologne. This was to little avail. The Rostock barrel did make some inroads as a measure of volume but only for certain products. All in all, the process of standardization was of dubious success. "But with the other measures such standardization was not achieved. . . . The same must be said for measures of length. . . . With regards to measures of weight, there was no standardization either." Merchants of course made the most of local control over measures. In other words, cheating was not beyond Hanseatic traders. They would, for example, use a smaller barrel or a double-bottomed barrel but put the Rostock benchmark on it. The common saying was that the Dutch preferred to sell wood rather than butter because of their use of extremely thick barrels.

Enforcement of Hanseatic decisions rested with municipal councils. But such councils were often dominated by the very merchants who were responsible for their violations. Enforcement of standardization therefore remained problematic. The German cities lacked a sovereign authority who could exercise such justice. Although all towns would have benefited from standardization, they had individual incentives to freeride.

In France, kings took it upon themselves to attempt to standardize measures as early as the twelfth century. Philip Augustus tried to standardize measures for the water merchants of Paris. Attempts to introduce some standardization throughout the kingdom date from Philip the Long (1316–1322) and started again after the Hundred Years War with Louis XI (1461–1483). Their policies were pursued by many successive kings. Louis XII tried reform in 1508. Francis I issued an edict in 1540 claiming royal control: "But the supreme authority of the King incorporates the right to standardize all measures throughout his kingdom, both in the public interest and for the sake of promoting commerce, among his subjects and with foreigners." Henry II decreed in 1557: "All lords in the city, suburbs and environs, who hold the privilege of measures, are obliged to furnish the names of their weights and measures. . . . Old standards not harmonizing with our measures, shall be broken up. . . . All shall be required to regulate their measures according to ours." Charles IX, Henry III, and Louis XIV all continued with these attempts to control and standardize measures.

The royal attempts met strong opposition. The actors who opposed standardization were the old enemies of the bourgeoisie: clergy and nobles, who opposed this loss of seigneurial control. At the outbreak of the French Revolution there were thus still hundreds of different measurements throughout France, particularly in agricultural areas. In the towns, by contrast, standardization was more successful. Robin Briggs's overall assessment is that by the beginning of Louis XIV's reign, considerable strides had been made in economic regulation and codification of customs.

Despite the fact that standardization of weights and measures did not succeed as far as the burgheers wanted, this was not perceived to be a problem endemic to the type of rule in France. Indeed, here the merchants and traders preferred more authority for the king rather than less. The Cahiers de Doléances, the letters of grievances sent to the court before the revolution, clearly indicate that people thought that the only authority that could end this haphazard system was the French king. There were literally hundreds of petitions for standardization—most of which demanded standardization on a national level. Moreover, although the king had only limited success in changing this situation, he did manage to institutionalize methods of converting different measures. Kings tried to draft tables of conversion to make it easier for commoners and traders to deal with the plethora of measurements. The Hansa lacked an actor that could enforce such standardization on relatively independent towns.

As if this plethora of measures and weights was not enough to give merchants considerable grief, they also had to contend with a large assortment of coinage issued by the same particularistic authorities. The private accounts and letters of Thomas Betson, a Merchant of the Staple of the late fifteenth century, gives new meaning to the term transaction costs. How did the various institutions fare in reducing this assortment?

The French state fared better than the Hansa in centralizing the minting of coin. The league did not manage to standardize a particular coinage, and many towns continued to mint their own. "They [attempts at reform] remained without significant success until the great coin reform movement of the sixteenth century, and then only in a very limited way. In France, by contrast, the Crown, since Louis IX, had successfully curtailed the coining privileges of the lords, and took coining back into its control."}

Although a few towns adopted the Lübeck coinage, many others adopted different standards. Such diffusion of coinage dated from the decline of the Holy Roman Empire. Historically the issuance of coinage was a regalian right, only to be exercised by the highest authority. Consequently, during the Roman Empire and the Carolingian period, the issuance of coinage occurred only under strict supervision of imperial administration. Although the German emperor tried to maintain such control, this became increasingly impossible in the face of his failed Italian strategy and his surrender of Germany to the feudal lords. From then on, coining passed into the hands of dukes, to many of the counts, even to the level of viscounts, and to individual towns. "The number of issuers in the thoroughly fragmented Empire of the thirteenth century seems as infinite, and many of them as insignificant, as the wave of 'feudal' denier [penny] strikers in Post-Carolingian France." The surrender of such regalian rights was formally acknowledged in the Golden Bull of 1356 but had in fact started a good deal earlier. By the sixteenth century the situation had gotten
worse. By then there were roughly 2,500 local and regional authorities, and although not all of these minted, the chaotic currency and money conditions continued to greatly hamper German commerce. The diversity of mints thus had two consequences. First, merchants and tax collector had to develop some way of comparing different currencies. In addition to other currencies, the Hanseatic merchant had to contend with Lübeck, Pomeranian, Prussian, and Riga marks, Brandenburg thalers, Rhenish guilders, Flemish pounds, and English pounds sterling. Second, the actual value of the coin might vary depending on its regional place of origin. Different coiners used different metal contents. Needless to say, this lent itself to considerable abuse by the minter.

In France, coinage became regulated by the king. Louis IX decreed in 1265 that royal coin should be good throughout the realm, whereas baronial currency was only to be used within their domains and had to be of equal value. "The barons heedless to say were outraged at this systematization."

Philip V’s program of 1321 tried to repress the unpopular currency issued by the nobility and revalued the royal coinage. Even prior to that, by 1300, the French kings had reduced the number of vassals claiming the right to issue coin from three hundred to about thirty who actually minted their own currencies. The kings managed to standardize metal content and institutionalized a system based on the pound, the shilling, and the penny (livre, sol, denier), a system that originated first in the Carolingian Empire. The king thus reduced the number of mints in the kingdom and thus increased ceritude in transactions. "So that in the later Middle Ages the only effective non-royal coinages in France were those issued by a handful of the greatest, near-autonomous princes... such as the duke of Brittany and the duke of Guyenne who was also the king of England."

One might counter at this point that increased hierarchy also has a negative consequence. Central control over coinage should also lead to debasement. It is true that the French king, just as feudal minters, would debase coinage to obtain revenue. But the king was not unconstrained. Continued debasement would lead to lack of confidence in such currency and raise the ire of merchants. Empirical evidence suggests that the general tendency was the more consolidated the central government, the less debasement of coinage. Furthermore, it could be argued that the level of tolerance toward debasement is at least equal within all systems of rule, whether league, city-state, or territorial state, because capital always had the option to exit. French kings had an interest in establishing exchange rates to prevent such flight from occurring. The burghers at times could put a halt to debasing. In any case, on the issue of variation in minting, the French king brought some standardization to the multitude of mints and coinage types.

Likewise, French royal justice centralized the legal system more so than the Hansa. The Hansa continued to exist with a variety of legal codes on the municipal level. Since the enforcement of Hansa decisions had to be carried out by the individual town councils, implementation varied greatly. Furthermore, the Hansa did not have any formalized system for determining whether particular issues called for municipal, regional, or Hanseatic decisions. Part of this was due to the absence of a formal constitution for much of the Hansa’s existence. The members of the Hansa refrained from drafting such a constitution because they believed that a formal list of membership, which would consist of the signatories to that constitution, would prompt states to cut deals with individual towns and encourage freeriding. Paradoxically, then, the Hansa feared that a formal organizational listing would dilute its power to act as an organization for all the towns.

In France, by contrast, one of the tasks that kings early on reserved for themselves was the right of adjudication. Going back to feudal claims of arbitrator and judge, the newfound power of the kings transformed these ancient rights into factual exercise of royal power. At the highest level, justice was meted out by the royal high court, i.e., the Parlement. Thus Philip Augustus (1180–1218) argued that the king was the highest legislator. Louis IX outlawed trial by combat in 1258. Kings also started to enforce property rights and contracts under the motto pacta sunt servanda. In short, the king rationalized juridical procedure.

Finally, as discussed in Chapter 5, the French king institutionalized the means of raising revenue. The two largest taxes were the royal taille—from the 1460s responsible for about two-thirds of revenue—and the gabelle, the salt tax. Although these may have had some negative influence on the level of business, they were at least standardized and could thus become part of the regular business calculations of those engaged in commerce.

The ad hoc nature of Hanseatic revenue precluded such business certitude. The incidental tolls and customs, which the Hansa allowed some of its towns to raise, duplicated the very problem that feudalism had previously posed for mercantile pursuits. To sum up, the Hansa proved to be less efficient in reducing transaction costs and providing collective goods than the sovereign state. It did not manage to provide standardization of weights and measurements, enforce centralized justice, establish a general system of coinage, or establish a regular means of raising revenue for a general fund.

PREVENTING FREERIDING AND THE KING AS PUBLIC ACTOR

The federated nature of the Hansa led to continuous freeriding and defection. There were always incentives to disavow the edicts of the diet. Defection from international agreements, for example, by engaging in piracy, led to deterioration of relations with trading partners such as England. The gains accrued to the individual town and merchants engaging in that particular practice. But the costs were borne by the entire Hansa. Although there were means of dealing with defectors—the most serious was exclusion from the Hansa—these mechanisms did not always work. Enforcement still required detection of the perpetrator—not easy to come by on the high seas—and a majority of Hansa members voting for punishment of the defecting party.
Such defection also included reneging on contributions to military campaigns and individual bargaining with non-Hanseatics. For example, the Saxon towns did not wish to contribute to the military defense of the Wend towns. When the Wend towns fought the Danish in the 1420s, members of the Saxon group agreed to send help. However, they procrastinated in sending troops until Lübeck had effectively defeated the Danes by itself.67 Likewise, the Dutch towns on the Zuiderzee were unwilling to support campaigns against the Hollanders who were not members of the Hansa.68 Similarly, when the Hansa was at war with the two Dutch provinces of Holland and Zeeland in 1438, the Prussian regional diet continued to authorize voyages to those areas.69

In economic matters, towns such as Hamburg and Elbing were all too willing to defer from Hansa stipulations that no privileges were to be granted to English traders using the Hansa ports on the Baltic and the North Sea. Hamburg granted English traders special privileges from 1568 to 1577.70 It finally withdrew these privileges when threatened with exclusion from the Hansa. Elbing was eager to give the English a base in Prussia. Likewise, Danzig became a major port for English trade in corn and flax.71 Cologne was yet another town willing to pursue its individual interests in trade with England at the expense of the Hansa. The effect of all this was a gradual erosion of Hanseatic trade hegemony. In 1570—well after the peak of the Hansa—Hansa merchants still shipped 25 percent of English trade. But by 1600 this had been reduced to 3 to 4 percent.72

Defection and freeriding in the Hanseatic League were driven by mutual distrust between the towns and the decentralized institutional arrangements of the Hansa. Although the league had towns, such as Lübeck, that could sometimes override collective action problems, other towns did not view Lübeck’s interests as necessarily compatible with their own.73 The Prussian towns, for example, distrusted the treaty that the Wend towns, primarily Hamburg, Bremen, and Lübeck, had signed with the Danish king in 1435.74 Although the Wend towns had actually negotiated the treaty on behalf of all the Hansa, the Prussian towns believed that the Wend towns had only sought to further their own particularistic interests.

Sovereign actors capitalized on this mutual distrust. The Danish king only recognized the treaty for ships flying the flag of the Wendish towns, in the hopes of creating a rift. The king exacted tolls on the Prussian ships that crossed through the Sound but took care not to demand tolls from Wend ships. Similarly, England was eager to close deals with individual Hansa towns and thus circumvent the protectionism of the entire league. When obstructed from access to Bruges, where the Hansa had a major trading office (Kontor), the English moved their trade to Antwerp which was a relay station for trade with Cologne, thus fostering competition between Cologne and other Hansa towns.75

The centralized role that the general Hanseatic might have played was further eroded by the regional Tage. Although the regional Tage represented one way of coordinating policy in a more manageable geographical size and issue-specific manner, regional interests tended to erode the general policy of the league. When English merchants began to make inroads into the eastern Baltic, they were welcomed by the Prussian towns which wanted to sell grain to the English. The Wend towns, however, opposed this since they had made money as middlemen between England and the Prussians.

In France, by contrast, the interests of the subjects of the realm and the interests of the king largely coincided. What was good for France was good for the royal coffers. The king, as a political entrepreneur, had his own reasons to provide collective goods and control freeriding. "Making peace prevail, therefore, served a variety of interests: those of merchants, the fiscal advantage of princes and the presumed obligation of the latter to pursue the common good."76

This is most clear in the activist policies of the French Crown from the later fifteenth century on through the mercantilist era. Aside from seeking to improve economic efficiency by the standardization and regulation which I have already mentioned, the crown engaged directly in manufacturing and commerce.77 Louis XI (1461–1483) is thus regarded as the "father of French mercantilism" and was "Colbertian before Colbert."78 He tried to standardize measures, attract foreign craftsmen, and protect domestic industry. In the sixteenth century, the French Crown also engaged in salt peter mining and industry that was relevant for the manufacture of munitions.79 It also protected by means of patents the profitability of new inventions. By the seventeenth century, mercantilism had come into full swing with the policies of Colbert (1661–1683). The crown regulated the movement of bullion, tried to reduce imports, and fostered internal efficiency by reducing the large number of tolls.80 It also engaged in a sustained effort to improve land transport.81 No doubt royal absolutism was not always appreciated, certainly under Louis XIV’s imperialist policies. But in general, many towns also profited from the slow and difficult unification of the realm.82

Most noteworthy, perhaps, defense became defense of the realm.83 The standing army, since the late fifteenth century, thus became an instrument of the state rather than an instrument for the defense of the king’s private property. The king’s ambitions and the fate of France were closely tied, and the army was no longer based on the system of feudal service owed the king in exchange for grants of land.

The development of the king as protector of the realm was closely tied to the dissociation of the realm and the royal domain.84 For the Franks, "the kingdom of France was the king’s thing: . . . there was no ‘public thing’; the state belonged to him."85 With the later Capetians, the royal domain, which had originally been synonymous with private property, became an unalienable entity. Unlike a feudal estate, it could not be estranged by inheritance or sold. Hence the argument that the English king could not acquire part of France even if the French king so wished. Through the subtle transition from royal domain, which
was simply the personal holdings of the king, to the public realm, the quality and functions of the king had changed. The private domain became the public state.

The kingdom had two bodies—the person was gradually distinguished from the office. Whatever might happen to the individual as king did not affect the status of the crown. Although this was originally justified within the medieval mentality which perceived duality as pervading many physical phenomena, it was increasingly grounded in Roman law, wherein the king was the fountain of law. Ecclesiastical kingship was transferred to law-centered kingship, thereby opening the way to national states and absolute monarchies. Salisbury could, therefore, already plausibly argue in the twelfth century that the king “is, and acts as, a persona publica. And in that capacity he is expected to consider all issues with regard to the well-being of the res publica, and not with regard to his privata voluntas.”

Although this theory was especially articulated in England, similar ideas took root in France. Louis VII (1150) argued that the magnates owed service “to realm and Crown.” Philip Augustus asked for military support “for the defense of our head as well as of the crown of the realm.” In short, the king acquired public status. The Hansa, by contrast, lacked a theory legitimating sovereign power. This was partially due to the absence of clear internal hierarchy and diffuse demarcation of non-Hansa authorities. There simply was no clear center that could operate as a sovereign.

There were thus specific reasons why social groups perceived that the king might have the interests of the realm at heart. The king benefited from the overall welfare of the state, whereas the leading towns of the Hansa did not necessarily gain from the overall welfare of the league. Individual towns rightly perceived that the disparate members had various interests which were not always served by the actions of the diet.

In short, sovereign, territorial rulers were recognized as political entrepreneurs who had vested interests in decreasing the remnants of feudal economies. In standardizing coinage, reducing the number of weights and measures, and creating more legal certitude, they reduced transaction and information costs. The greater degree of internal hierarchy was also more suited to control freeriding and defection. This in turn affected their ability to wage war more effectively than city-leagues. Arguably, the Hansa of the seventeenth century was less able to wage the type of war that the French state could engage in at the time. But this was due to the organizational flaws of the Hanseatic League, not to any inherent lack of size or population. Scholars of the Hanseatic League repeat the same theme. There was “no effective governing body to coordinate the Hansa’s interests.” Consequently, when sovereign, territorial rulers started to increase their powers, they could prey on individual towns and regions that lacked united opposition.

Nevertheless, the demise of the Hansa was long and protracted. There was no decisive battle that sealed its fate. Decline was relative, not absolute. Indeed, the tonnage of Hanseatic shipping was 50 percent higher in 1600 than it was in 1500. This tonnage was equal to the total owned in the Mediterranean and larger than that of England. But the Hansa had lost ground relative to the Dutch who by 1600 had a fleet of almost three times the tonnage of the Hansa. Overall there was an economic revival after 1550, and the Hansa tried to remedy some of its institutional defects by agreeing on yearly assessment and a constitution in 1557. Like the Italian city-states, it lingered for a long time. By some accounts even the Thirty Years War did not ruin the Hansa’s economic prospects. But there were other forces at work as well. The European world was gradually shifting to a system of sovereign, territorial states, and in that system the Hansa had no place and its towns lost their desire to maintain the league. Consequently, the last Hanseatic diet convened in 1669.

Selection by Mutual Empowerment: Credible Commitments and Territorial Jurisdiction

International exchange requires a modicum of domestic stability on the part of the contracting parties and at least some expectation that each will adhere to the terms of the agreement. Internal stability is required to guarantee that the negotiating partner can indeed commit the individuals on whose behalf he or she is negotiating. The direct correlate of that condition is that the party that is committing itself to particular agreements can be expected to continue the terms of the bargain over a period of time. In short, can the other party engage in iterative behavior over time?

The Hanseatic diet did not clearly specify on whose behalf it was negotiating or to what extent its members were bound by the terms of certain agreements. Because of this, as well as the Hansa’s inability to curtail defection, the league was an unattractive partner to international agreements. An illustrative example is provided by the conflicts and negotiations between England and the Hansa. The Merchant Adventurers, an English association of traders, argued in 1551 that privileges for the Hansa should be rescinded because “none of their charters named particular individuals or towns so that there was no way of knowing who ought to enjoy the pretended privileges.” This was also perceived to be greatly detrimental to the king, and the Merchant Adventurers claimed that the crown lost 17,000 pounds sterling in customs duties because nonleague members enjoyed league privileges. One of the primary demands of the Privy Council in the negotiations of 1560, in the "Moderatio in commercio," was that the Hansa provide an explicit list of the members entitled to such privileges. Nevertheless, by 1589 the problem still was not resolved and once again the English insisted that the Hansa provide them with a specific membership list. The English Crown wished to know which ships docking in English ports could legitimately claim the benefits that would follow from the treaty. Otherwise any trader could claim affiliation with the Hansa. The league, however, refused to provide such a list. It feared that such a list would make individual towns the target of English encroachment. A state might provide
benefits to individual towns and thus encourage their defection from the league, or conversely, it might impose costs on some others, hoping that the league as a whole would not take action.

The Hansa furthermore argued that it could not be held responsible for infringements of treaties by individual towns. Although the Hansa claimed that privileges were obtained for all its members, and thus acted as a legal body, it suspended such uniform legal status when costs were imposed. The Hanseatic diet absolved itself from responsibility for towns that violated agreements, yet at the same time it argued that benefits negotiated by representatives of the Hansa should fall to all members. The problem was that agreements were negotiated and ratified with the Hanseatic diet, but enforcement depended on the further ratification of the individual town councils. Thus, when the Prussian towns refused to sign the 1437 treaty, England wanted to suspend privileges for them. The Hansa, however, claimed that privileges should be given to all Hansa towns, including the Prussians, regardless of their individual position on the treaty.

Even when agreements could be obtained, the Hansa was not able to prevent individual towns from defecting from agreements once they had been reached. The drawn-out trade wars with the Hansa and England were thus driven by the continued defection of Hanseatic towns.

This also meant that territorial lords were able to gain concessions by negotiating with individual towns directly. During the conflicts of the fifteenth century, Cologne pursued several negotiations on its own, despite the fact that external representations were supposed to be handled by delegates of the Hanseatic diet. When England obtained privileges from Hamburg, against the wishes of the Hansa, Hamburg claimed to be a free city “which had the right to adopt any policy.” In addition, this lack of agreed membership highly complicated the nature of warfare. If a state went to war with the Hansa, this did not automatically mean that one was at war with all the Hansa members. For example, the Dutch towns that were Hansa members tended to excuse themselves from fighting Holland and Zeeland.

In sovereign states, by contrast, the responsibility for redress of violations by subjects was put on the shoulders of the sovereigns.

They strictly controlled all “letters of mark” and reprisals against foreign merchants, and in their place substituted due process of law, or agreed procedures. By means of registered obligation they also tried to guarantee the authenticity, validity and execution of trading agreements. In lands ruled by custom the contracts were enforced by the affixing of public seals.

Sovereign authorities thus took it upon themselves to regulate trade. Without sovereign assistance, merchants had to rely on self-help. When a merchant had been defrauded by an alien, it was standard practice to take revenge, by violent means if necessary, on other aliens from the same place of origin as the perpetrator. The result was not uncommonly a spiral of mutual retaliations. Sovereigns, however, started to create focal points for institutionalized redress. Only their subjects would obtain benefits from such regulation, and likewise they would punish members of their own society who violated agreements. Defectors were subject to royal jurisdiction, and hence, unlike the Hansa, there was a clear enforcement mechanism to prevent freeriding. Sovereign authorities provided specific loci of authority through which cooperation could be organized. From the early Middle Ages on, kings started to reserve the right to represent their subjects in foreign affairs. The provision of such trade regulation was one of the facets that made sovereign, hierarchical authority attractive.

In correlation to the king’s claim to represent the subjects within a given territorial space, the exercise of private external actions was curtailed. Admittedly this was not a sudden process. As Thomson notes, private subjects who were nominally subject to a sovereign continued to exercise violence for many centuries. Piracy, for example, was a recognized means of foreign policy, and blurred all distinction between private and public violence. Increasingly, however, such practices became incompatible with sovereign authority. Such a system of rule implied that there could only be a single principle source of foreign relations.

The inability of the Hansa to credibly commit had several consequences for the league’s survival. Because the league could not control defection, it could not credibly consign itself to long-run agreements with joint gains. Game theory corresponds here with some of the sociological literature. Institutions originate where repetitive behavior occurs between two actors. The more this repetition occurs, the more the actors expect a typical pattern of behavior from the other. Social roles develop which signal what type of behavior one may expect. When these roles are passed on to actors not immediately involved in the initial interactions, these roles become externalized. Actors should, therefore, prefer those types of institutions that clearly indicate the type of behavior one might expect from that actor. In short, political elites should prefer systems of rule in their environment that can commit their members. The representatives of the Hanseatic Diet were often not able to give such guarantees.

MARKET VERSUS TERRITORIAL STATE

The Hansa and the sovereign state were ultimately driven by different principles regarding their preferred extension of political order. The nonterritorial Hansa resembled, in a way, the imperial form of organization. Although it lacked the central authority of imperial control, it shared with the classical empire the objective of having the widest possible extension of political control over its sphere of economic interactions. Commerce would be organized by incorporating as many towns as possible in the league. Political control would thus ideally correspond with this sphere of economic extension.

Sovereign states, by contrast, are delimited by explicit territorial parameters. Although states might very well seek expansion, their claim to authority is limited by their recognition that authority only extends to their borders. They can coexist with similar types of units in segregated territorial spaces and yet interact extensively across these borders. Although certain border areas, provinces,
or previously held areas might be in dispute, states are not logically predisposed to extend their political control to other areas. Sovereignty is based on the principle of juridical equality.\textsuperscript{115}

Imperial modes of organization, such as Frederick II’s claim to universal rule or that of the Roman theocracy, did not recognize formal borders as limits to their extension. Although the Hansa of course made no claim to world rule, it, too, did not limit its political authority by formal borders. It tried to extend its control transterritorially, and thus “it had no territorial boundaries, but spread out over wide areas on both land and sea.”\textsuperscript{116} In non-Hansa towns where the league had important trading interests, it would seek special privileges and rights of jurisdiction over its members within the given areas of such towns.\textsuperscript{117} In London, for example, the Hansa controlled the Steelyard area and had jurisdiction there. Until 1556 the Hanseatic traders paid fewer duties in England than English citizens engaging in trade.\textsuperscript{118} The territorial contiguity of the state with its fixed borders was thus at odds with the nonterritorial character of the Hansa.

Moreover, league membership included towns within sovereign states, thereby reintroducing the feudal problem of crosscutting jurisdictions. Thus, when England seized a large fleet of Hanseatic ships, the ships from the Dutch town of Kampen were released with the other ships from the Burgundian Netherlands, with which England had no quarrel. However, since Kampen was also a member of the Hanseatic League, and since the league’s ships were not released, England could have decided otherwise.\textsuperscript{119} Towns could simultaneously be subject to a territorial lord, albeit sometimes nominally, and subject to the dictates of the league. Thus the Dutch towns on the Zuiderzee, of which about twelve were members of the Hansa, had to divide their loyalties between the Hansa and the Dutch towns of Holland and Zeeland, who often fought the Hansa.\textsuperscript{120}

Consequently, the Hansa did not fit well within a system of sovereign states. This clarifies its precarious position at the Peace of Westphalia where the league sought representation.\textsuperscript{121} The league had considerable difficulty obtaining standing at the conferences in Osnabrück and Münster. The German princes particularly wished to deny the Hansa legal standing. They argued that 1. The Hanseatic cities are either intermediate cities, who are represented by their lords, or imperial cities, and in that capacity naturally represented at the conference. 2. The Hansa cities were not mentioned in the religious treaty of Augsburg of 1555. 3. One does not really know what the Hansa in essence is.\textsuperscript{122}

Although the Hansa was eventually mentioned in the final draft, the towns were only consulted on the issue of repayments. Because its nonterritorial logic of organization did not mesh with that of the state system, and because the league could not bind all its members to the agreements, the Hansa was not acceptable as a player in international politics.

The issue of Hanseatic recognition was not simply a matter of material resources. If it were, why would the independent imperial cities gain standing?

The individual cities certainly did not have more resources than the league. The answer is that imperial cities, such as Lübeck, could be regarded as small states. Individual towns such as Lübeck, Bremen, and Hamburg could therefore participate in the Peace negotiations. The issue was whether the league as an organization of towns could participate in the new order of international politics which was hammered out during the negotiations in Osnabrück and Münster. The answer was negative. Scarcely twenty years later the Hansa dissolved itself.\textsuperscript{123}

Selection of particular types of units thus also proceeds by empowerment. International actors determine who is to count as a legitimate international participant. The Peace of Westphalia made the territorial lords of the basically defunct Holy Roman Empire full participants in the international system.\textsuperscript{124} The ministrates were acknowledged as legitimate participants in the international realm and would continue to play that role into the nineteenth century.\textsuperscript{125}

Selection by Directed Adaptation: Mimicry and Exit

Students of organization theory and scholars of international relations have been vexed by a similar question: Why are institutions similar, or at least why do they become similar over time? One explanation, quite analogous to my own, suggests that institutional isomorphism occurs through competitive pressures and noncompetitive mechanisms.\textsuperscript{126} We have just discussed how the first operated in early modern Europe. The latter process explains how less efficient organizations can continue to persist. I have already suggested one noncompetitive mechanism in international politics—the mechanism of mutual empowerment.\textsuperscript{127} A second process consists of agent-driven choices. Political entrepreneurs copy institutions that they perceive to be successful in reducing uncertainty and achieving objectives such as a larger revenue and increased military capacity. Copying thus increases one’s chances at relative success. It also enables such elites to be recognized as equals within the state system, by mutual empowerment. In a material sense, they are then more suited to pursue long-run gains through treaties. From an ideological perspective, they are perceived as the equals of the leaders. Social actors at the same time vote with their feet. They prefer to exit the less successful system and switch their loyalties to that system of rule that is more likely to meet their goals.

Thus, the German lordships, once they perceived the revenue and strength of sovereign state competitors, started to copy that kind of institutional makeup. Like their royal counterparts, they established hierarchical control within their borders. Within these principalities, weights and coinage were increasingly standardized, and princely adjudication became the norm.\textsuperscript{128} In effect, these lordships became increasingly like miniature sovereign states. After the Peace of Westphalia, they were officially recognized as such.\textsuperscript{129}

Furthermore, as I discussed above, there were advantages to sovereign statehood. Externally, states could credibly commit themselves and engage in long-
run iterative relations. As the advantage swung in favor of sovereign states, only similar forms of organization were recognized. Domestically, sovereigns proved to be better at reducing transaction costs and providing for collective goods. As a consequence, sovereign states eventually managed to raise more revenue than their alternatives. For example, although French revenues in the second half of the fifteenth century were not vastly larger than those of city-states, they increased dramatically in the sixteenth century. The Hansa, despite its attempts to levy an annual tax on each town, succeeded far less in mobilizing such resources.

All of these factors suggested to the German lords that sovereign, territorial statehood was the most preferable form of organization. The Hansa similarly tried to copy institutional forms that were more successful. In the sixteenth century they pursued closer cooperation with the emperor, in an attempt to create the royal-urban alliance that had faltered centuries earlier. By then, however, the emperor lacked the power to override the territorial lords of Germany. The Hansa also entertained the idea of forming a tighter association incorporating all German cities or even forming a government along the lines of the Dutch Republic. Although this would still have left the towns considerable autonomy, the tighter association would have allowed closer cooperation and have prevented defection. The idea failed because of the towns' disparate interests. In short, the Hansa could not be transformed into a territorial state with a sovereign.

Town, perceiving the benefits of territorial entities, increasingly defected from the league. This went beyond freeriding. They allied with local lords, now increasingly acting as sovereign, territorial rulers. The estates basically agreed with the princes to construct states made up of contiguous territories. The tasks of organizing long-distance commerce were increasingly taken over by cities and their consular services, thereby making the Kontors and offices abroad less necessary.

Some Hansa towns simply failed to appear at the diets or refused to pay their dues. Rather than remain part of the transterritorial league, towns were incorporated within the borders of existing sovereign states or became small territorial states in their own rights. Hamburg, Bremen, Lübeck, and other German cities became independent actors and signed treaties just like any other state. Although these were later incorporated into the united Germany after 1870, Bremen, Hamburg, Danzig, and others maintained some residue of independent decision-making as Länder (in the Federal Republic) or free cities, even after 1870.

**Fragmented Sovereignty in the Italian City-states**

The previous discussion of the Hansa and France presented the starkest contrast between two distinct logics of organization. The sovereign state had two specific traits: external, territorial definition and internal hierarchy. The Hansa lacked both those elements. The city-state demarcated itself externally from other authorities by territorial borders—therein it resembled the sovereign state. Internally, however, it lacked a clear sovereign. Although the dominant city monopolized external contacts, internally its jurisdiction over the subject towns was always contested. Sovereignty, in other words, was fragmented. Given that we have discussed the consequences of such institutional facets above, we can now briefly apply these insights to the Italian city-states.

**Darwinian Selection: The Consequences of Contested Sovereignty**

As seen, medieval commerce was bedeviled by a variety of measures, weights, and coins, irrational means of trial, and a bewildering collection of local customs. This feudal particularism was combatted internally by the king, who also tried to become the external focal point for transnational interactions. The surviving mercantile manuals of Mediterranean commerce reveal that Italian merchants had to combat problems similar to those of their northern counterparts, internally as well as abroad.

However, unlike in the sovereign state, hierarchy in the Italian city-state was ambiguous as "power inside the city-state was always being challenged from within." In this it resembled the city-league. This fermentation within the Italian cities and city-states left them, in the long run, in a disadvantageous position vis-à-vis their territorial counterparts in rationalizing their economies. The lack of a clear sovereign authority in Italian city-states was due to several causes. First, the formation of the Italian states occurred through the annexation of other towns by dominant cities. Thus the two hundred to three hundred independent communes of the thirteenth century were amalgamated into roughly a dozen small states by the end of the fifteenth century. All these towns, however, had considerable autonomy before such incorporation, and many did not relinquish their local autonomy even within the framework of a larger city-state. "Large responsibilities were left to cities—a distribution of power that some historians have called a diarchy." Although the dominant city would appoint a governor or local elites to subject towns, any attempts to bring them fully under the dominant city's rule were negated by the towns' long history of independent development.

From the angle of the dominant city, subject cities were looked upon as vanquished areas at the disposal of the victor. "For a long time the relationship of Venice and its dominions was probably that of a conquering city-state and a conquered exploited empire. It was not that of a capital and provinces." The Venetian relation to its Terra Ferma (the mainland) was not unique. The organization of the Florentine city-state was similar.

Moreover, it never occurred to the Florentine republicans to adopt one measure... namely transforming their city-state into a territorial state... For them, Florence existed for the sole benefit of some three thousand privileged Florentines; and the Florentine dominion existed solely to be governed and exploited by the Dominante,
the "Dominant City." Having refused to enfranchise the vast majority of their compatriots... they were not surprised when every one of the subject cities surrendered to the Imperial Army in 1529-1530 the moment it was abandoned by its Florentine garrison.145

This attitude and lack of integration are thus evident in the slow extension of citizenship by the dominant city to its subject towns and rural areas.146 Even in later centuries citizenship was only conferred on the leading elites of the subject towns rather than the towns as a whole.147 In short, the subject towns had little incentive to acknowledge the sovereign authority of the dominant city.

Second, hierarchy of authority was also less pronounced because of endemic factionalism within the dominant city itself. Town government continually fluctuated between despotic, oligarchical, and democratic regimes. Each of these would use government to serve its particular ends. Unlike the French system, where increased centralization benefited the towns, and paid off the nobles and clergy, the Italian system was set up in a more exclusive manner. The exercise of sovereign authority was thus always inclined to further particularistic rather than collective ends.

Moreover, various factions claimed for a long time the legitimate right to exercise violence. In France, by contrast, the king came to be the common provider of protection. He embodied the national interest and his private interest in expanding the welfare of the realm coincided with the interests of individuals within the realm. In the Italian case, no actor could be plausibly identified as an unbiased provider of collective goods. Just as in the case with the leading towns of the Hansa, the provision of public goods was tainted with particularistic interests. What was touted as being for the good of the city-state in reality most often benefited only the dominant city or often only the elite of that city.

A disproportionate share of the tax burden was placed on the surrounding countryside and subject cities.148 Legnano, subject to Verona, constantly contested its taxation and duties. Later it was Verona's turn to protest domination by Venice on similar grounds. Although the share of tax on trade declined dramatically in the course of the seventeenth century, the amount of taxes provided by the Terra Ferma went up dramatically.149

In the previous discussion of the Hansa and the French state, I suggested that because of its confederated institutional nature, the Hansa was less successful in rationalizing the economy, preventing defection, providing for collective goods, and reducing transaction costs. The fragmented sovereignty of the Italian city-states had difficulties dealing with these problems as well.150 Standardization of weights, measures, and coinage seems to have come relatively late to the Italian city-states. Venice attempted to suppress local mints, but by 1490 there was still a prevalence of local patron saints on coinage, indicating that such mints were still operative.151 Subject towns had previously exercised these regalian rights themselves, and they were unwilling to give up their control. Consequently there continued to be a large variety of coins, which differed in name and intrinsic value.152

Despite the presence of Roman law, many towns judiciously guarded their privileges. They raised their own revenue and levied their own customs duties. Consequently, economic integration proceeded slowly. In Florence, internal trade barriers continued to exist, despite efforts by the Medici to curtail these in the sixteenth century. Venice was remarkably late in eliminating internal customs barriers (1794).153 Although the evidence is anecdotal, in general there was "no planned action to create a more economically integrated region with deliberate policies to favour freer patterns of internal flows of goods."154

Given their inferior status and the burdens placed upon them, the subject cities were eager to defect when such an opportunity arose. Pisa preferred domination by the French king to that of Florence. The Siennese likewise preferred the French or Ferraro to domination by Florence. Venice destroyed one of its subject cities, Adela, in 1509 for prematurely admitting the French.155 Subject cities welcomed foreign invaders. There was little if any identification with the dominant town. _Patria or Nazione_ referred only to the city of birth.156 Subject cities referred to Venice as the city of "The Three Thousand Tyrants."157 For these reasons the capital cities kept their subject towns heavily garrisoned.158

In short, city-states looked internally somewhat like city-leagues. There was an absence of a central actor who had incentives to further the overall interest of the city-state. The dominant town exploited the subject cities as it saw fit. Conversely, subject towns judiciously guarded their autonomy and were willing to defect from the city-state whenever the opportunity presented itself. Consequently, rationalization and standardization came relatively slowly to the Italian city-states. Although such processes took a long time in France as well, there were at least political entrepreneurs who had vested interests in furthering the consolidation of a more unified national economy and social groups which benefited from the process.159

**Mutual Empowerment: Fixed Boundaries and Transnational Focal Points**

I can be short on this point. City-states behaved no differently in international affairs than sovereign, territorial states. Externally the city-states resembled sovereign states rather than city-leagues. Because their authority was bound by specific territorial parameters, they were able to participate as equals with states. The dominant Italian actors had recognized the territorial status quo among themselves after the Peace of Lodi in 1454, and they made elaborate lists identifying which towns were allies (amici e collegati) of specific dominant towns. There were thus circumscribed spheres of jurisdiction. It has been argued that Venice started the first systematized diplomatic service in history.160

Moreover, the dominant city monopolized the foreign relations of the subject towns.161 As far as the other actors in the system were concerned, the city-state provided a clear focal point for negotiations. With the league, by contrast, it was
ambiguous whether individual towns or the Hanseatic Diet were the most appropriate channels for diplomacy. That was not the case with the Italian city-states.

City-states, therefore, survived for a long time within the state system. The diplomatic role of Venice, for example, lasted well past its relative economic decline. Like the German principalities which converted themselves into miniature states, the Italian city-states were logically compatible with the state system, as it emerged after Westphalia. Again, this was not a reflection of their material power or geographic size. Instead this was the result of their empowerment as equivalent actors on the international scene, because of their external similarity to sovereign, territorial states.

Institutional Mimicry and Exit

The benefits of sovereign authority were not lost on the rulers of the Italian city-states. Especially after the incursions of the French and Spanish, which began in the later part of the fifteenth century, political leaders tried to restyle the city-states into sovereign, territorial states. In Florence, for example, the Medici began to perform many regalian tasks during the sixteenth century. They tried to regulate the manufacture of goods, stabilize the metal content of coins, bring internal peace, centralize jurisdiction, and provide more certitude in the tax environment.

The success of these initial efforts is unclear. Economically the subject cities seem to have declined after annexation by the dominant city. Although the differences between subject towns and dominant city were lessened, even the Medici did not grant them equal status. As said, only leading citizens of subject towns obtained citizenship, and internal barriers remained in existence. Even by the beginning of the eighteenth century, there had been little progress in eliminating economic localism. And although the Venetian Council attempted to bring Venetian statutes “in conformity with the principles of clarity, simplicity and rationalization… the terra ferma continued to be ruled according to Roman law codes very different from the law observed in the metropolis.”

The Venetian government moreover remained locked in a system in which only noble families who had centuries before been entered into the Golden Book were allowed to participate. Only after 1646 were 127 new families admitted. Even so, the absolute size of the patriciate had only increased by 100 members when the patriciate was closed again in 1718. Only in 1775 was it reopened again, at which time membership could be purchased at a very high price. As a consequence, the patrician ruling class declined from 2,500 members in the 1550s to 1,100 in 1797.

Few families from the mainland gained any influence in Venetian government. Moreover, administration continued to be the privilege of noblemen rather than of “men raised from the dust,” as in France and England. Hence, unlike the government of the French king, commoners and lesser nobles gained little access to the system. Consequently, there was little room for the development of the notion of a sovereign as a neutral arbiter who could advance the interests of a variety of groups. Government was closed and operated for the benefit of the few who had consolidated their positions centuries earlier.

The implications of this imperfect territorial integration have yet to be uncovered. For example, despite this type of government, Venetian coinage was relatively stable, and it is unclear how far mainland economies were sacrificed for Venice. There were cases wherein Venice forbade mainland production of, for example, silk, because the Venetians wished to restrict competition with Venice proper.

In any case, it is clear that Venice never fully integrated the Terra Ferma. And although many city-states tried to centralize government in the eighteenth century, they failed. “Nobles and ecclesiastics, cities and communes… resisted, in the name of their legal and customary rights, the encroachments of the central administration.” They clung to their historically developed, local, and particularistic self-rule.

Continued local particularism and the turn from mercantile pursuits to landed interests brought the Italian economy full circle. Refeudalization occurred throughout Italy. Some believe this happened because the nobility was always involved in Italian commerce. The bourgeois movement in northwestern Europe, by contrast, had separated itself from this aristocratic mode of life. In Italy, that avenue always remained open. Whatever the explanation might be, the turn to landed pursuits accompanied by considerable autonomy became a reality. Like the feudal aristocracies of the past, leading families claimed illustrious genealogical ancestries. Even the confusing crosscutting jurisdictions that we know so well from feudal France returned. “The notion of borders between political entities vanished as well… since many of the same feudatories held contiguous domains on both sides of what was supposed to be the border.”

Only after the second half of the eighteenth century did centralization achieve some measure of success. Intellectuals looked abroad to foreign rulers such as Frederick and Catherine the Great and argued that only princes (that is, sovereign authorities) could be effective agents of reform. In summary, the city-states slowly transformed themselves into sovereign, territorial states. Nevertheless, even then the unification of weights and measures was not completed. That only occurred under Napoleonic occupation in 1807.

I argue, therefore, that city-states, unlike city-leagues, were compatible with a system of sovereign states. Consequently they survived with the German principalities for many centuries after Westphalia. They acknowledged territorial delimitation of their political control and a final locus for external interactions.

However, because of their imperfect territorial integration and absence of a fully articulated sovereign authority, they proved to be less competitive than their sovereign, territorial counterparts. Local autonomy and factional interests prevented an effective and efficient mobilization of the city-states’ resources.
Although attempts were made to transform city-states from a system in which dominant cities exploited their subject territories to one that was territorially integrated, such efforts largely failed. Historically developed privileges, and the intrusiveness of elites in the dominant cities to relinquish their position, made such development impossible. By the end of the eighteenth century the city-states looked for alternative models of rule. The model they turned to was that of the consolidated, sovereign state.

**The General Nature of Institutional Selection**

The prevalent view that war is the all-decisive selective mechanism needs to be amended. Warfare did not obliterate the alternatives to the state. There were no decisive battles to end the Hanseatic League or the Italian city-states. Although it is true that the Thirty Years War (1618–1648) devastated many individual towns, it was not the war that led to the demise of the Hansa. That process had started much earlier. Similarly, one cannot argue that the Spanish and French invasions after 1494 ended the existence of the city-states. Some city-states went through an economic revival in the late sixteenth century. They continued to exist until the Napoleonic era. War, therefore, was not the dramatic decisive selective mechanism. The city-leagues and city-states were not like the Incan Empire crumbling before the Spanish.

Success in war, however, may indicate the effectiveness and efficiency of types of organization. Although Venetian defeat at the hands of the French was not such that Venice disappeared as an institutional type, it did prove that some forms of organization were institutionally superior. Sovereign states were better, in the long run, in raising more revenue and larger numbers of troops. War did not work as an evolutionary process that selected among types of units, but it did indicate to political elites and social groups which type of organization was the more efficient, and they subsequently adopted the most competitive institutional form.

Moreover, the ability to wage war needs to be explained. I have suggested that size and population are at best imperfect predictors of military power. The argument that the Italian city-states had to give way to territorial states because they were too small neglects the rise of Portugal and the Netherlands which were no larger in terms of territory or population. Instead, I have advanced the argument that the ability to wage war was a function of institutional arrangements. Organizational types that were fraught with freeriding and factionalism, that had problems rationalizing their economies and reducing transaction costs—in short, those that could not make the transition to consolidated national economies—were less effective and less efficient in mobilizing resources than sovereign states. The ability to wage war operated as an intermediate cause of selection but was ultimately propelled by the consequences of particular institutional logics.

Selection was thus partially driven by competitive efficiency. It also advanced, however, by the process of mutual empowerment. Sovereign actors only recognized particular types of actors as legitimate players in the international system. Because the Hanseatic system of rule proved to be incompatible with that of territorially defined states, and because it was less able to credibly commit itself to international treaties, it was not considered to be a legitimate player in international relations. As I mentioned, it was barely recognized in the Peace of Westphalia. Yet very small entities, which were organizationally compatible with sovereign states, were considered to be legitimate. The miniature states of Germany and Italy continued in the international system until their respective unifications.

During this process of competition and empowerment, social and political actors engaged in institutional learning. First, actors tried to create institutions that corresponded with their belief systems and best met their economic and political interests. This occurred with the formation of new institutions during the Late Middle Ages in response to economic expansion. Over time some of these institutional choices proved to be better than others, and the lesser ones were structurally weeded out by competition and the process of mutual empowerment. There were good reasons to prefer systems of rule that could make credible commitments and systems that would not encroach upon one’s own jurisdiction. Simultaneously, social actors instrumentally switched their allegiances to their newly preferred form of organization, and political entrepreneurs copied the more successful institutional logic.

The gradual institutionalization of a system of sovereign states thus imposed a certain nonhierarchical order on transnational interactions. The old possibilities of political control over the primary market (the empire) or of leaving social actors to fend for themselves (a self-help system) were replaced by diplomatic focal points. Sovereigns spoke on behalf of their subjects. To use Nettl’s words, they became gatekeepers for international transactions.

This description should not be understood as introducing an element of teleological development into my view of institutional evolution. I continue to maintain (like Gould) that evolution is adaptation, not progress. Although attribution of the less competitive occurs, this only leads to the development of the “most competitively efficient” institution for that particular environment. Efficiency is thus historically contingent. Selection occurs among the synchronic rivals that emerge after a broad environmental shift. Had the institutional form of the sovereign state not emerged—and it did not outside Europe—then the selective process might have operated between city-states and city-leagues. Moreover, with another dramatic transformation, the contemporary “winner” of this process of selection and empowerment—that is, sovereign, territorial authority—might prove to be susceptible to change itself.

**Conclusion**

The evolution of the state and the development of a state system were mutually reinforcing processes. On the one hand, the emergence of sovereign states had direct consequences for the other types of institutional arrangements in the
system. The system selected out those types of units that were, competitively speaking, less efficient. In other words, the competitive nature of the system determined the nature of the constitutive units. At the same time, sovereign states preferred similar modes of organization in their environment. Actors intentionally created a system of sovereign, territorial states. They preferred a system that divided the sphere of cultural and economic interaction into territorial parcels with clear hierarchical authorities.

The entire process can thus be seen in micro-macro or agent-structural terms. In the first phase the variety of units form the elements of a system. Because of competitive pressure between these dislike units, and through mutual empowerment as well as individuals’ choices, the system is gradually transformed into a network of similar actors. At that point the system imposes structural limits on the type of units that are possible and will be recognized by the other actors as legitimate forms of organization in international politics. With that in mind, we might sensibly speculate on the development of the state in the future.