Introduction

CHAPTER 1

Studying fiscal regimes

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Entering the second decade of the twenty-first century and driven in part by current affairs, historians have put taxation and public spending back on the scholarly agenda. The New Fiscal History has begun to investigate intensively the origins and variations of modern fiscal regimes. In his seminal essay "The crisis of the tax state," Joseph Schumpeter reminds us that the term "tax state" may be a pleonastic one, because no state can be identified as such without the authority to collect tax revenue. He was well aware that it was not an exclusively modern phenomenon.[1] The chapters in this volume, which emerged from a symposium at Stanford University in May 2010, reveal that certain characteristics of the tax state recur almost universally in state-level societies as far-flung and as independent as Aztecan Mexico, early China, and the Fertile Crescent.

The New Fiscal History has furnished a valuable set of concepts and questions but so far its scope has been limited to post-classical Europe, tracing the path to modernity.[2] For example, Bonney's collaborative work, which culminated in several important volumes, represents one of the most pioneering attempts to integrate economic, political, and sociological perspectives on the history of European taxation.[3] A recent volume edited by Yun-Casalilla and O'Brien adds an essential global perspective to the rise of the fiscal state since 1500 CE that is likely to stimulate further research.[4] The chronological depth of our volume promises to complement and enrich this endeavor. While the question of how the dominant forms of public finance arose is an important one, a broader historical scope is needed to understand the basic factors shaping public finance as well as its effects on the economy and society.

[1] Schumpeter (1918).
[2] Bonney (1995a; 1999); Hoffman and Norberg (1994); Ormrod, Bonney, and Bonney (1999); Cavaciocchi (2008).
[3] Bonney 1995b). [4] Yun-Casalilla and O'Brien (2012).

It is common in these and other works to portray the rise of the tax state in Europe as a triumphal narrative. Amid pressure for states to modernize themselves, those with less intensive tributary and labor-extractive regimes often fell prey to conquering rivals that possessed more sophisticated and stable systems of public finance. Hence it is tempting to dismiss them altogether as dead ends along an evolutionary path. This narrative is closely tied to the vigorous debate about the West's ascent to military and economic superiority over the rest of the world.[5] The events of the past decades have shifted attention to East Asia, however, and raised doubts about the future of Western dominance. Meanwhile, exorbitant national debts and looming fiscal crises in the European Union and the United States have created apprehension in some quarters about the merits of the tax state. Bonney and Ormrod note a shift in attitudes in the late twentieth century that has only grown more acute in the past few years.[6] Just as the fiscal crisis in Austria after the First World War prompted Schumpeter to analyze its origins, the time is now ripe for an even more comprehensive evaluation of state revenue in world history.

Our volume is about premodern states, for which we take the significant cut-off to be the widespread appearance of sovereign borrowing. Bureaucratization and territorial sovereignty are other elements of modernity but these are also relevant to varying degrees for studying premodern states. Public debt was an innovation that allowed modern states to carry deficits and thereby temporally defer the fiscal burden of their spending. It enabled them to raise large amounts of money by non-coercive means in order to meet challenges that might have devastated premodern states. Admittedly, the ability of rulers to borrow money constitutes a fluid boundary, the significance of which varied by time and place. The phenomenon is not even unique to Western modernity. Short-lived experiments in public credit among the Greek city states make for illuminating comparisons with its development much later among small European polities. Several contributors, especially Stasavage, Deng, and Brown, do explore the more recent spread of public debt, but tracing the origins of institutions that characterize the modern tax state is not the primary purpose of this volume. The impossibility of excluding public debt from a volume on premodern fiscal regimes goes to show how tentative this criterion actually is. The chapters invite further discussion about whether states' dependence on it marks a significant turning point.

[5] See, for example, Diamond (1997), Landes (1999), Pomeranz (2000), and Morris (2011).
[6] Bonney and Ormrod (1999: 20–1).

A deeper and wider historical perspective reveals a larger range of repertoires and trajectories in the development of fiscal regimes than the post-1500 European experience suggests. The goal of this volume is to facilitate the study and comparison of the formation of fiscal regimes, the methods states used to implement them, and the effects they had on political and economic history. The comparative study of fiscal regimes can potentially reveal structural factors that explain similarities as well as differences across a number of independent cases. By making these cases accessible and by engaging with social scientific research, historians can improve the empirical basis for testing the explanatory power of competing theories.

Historical studies of taxes and other revenue tend to get buried in obscure publications, especially in the fragmented academic disciplines that deal with ancient and non-European societies.[7] Scholars working in these areas have tended to be somewhat impervious to interdisciplinary trends and have not developed the kind of collaborative research agenda analogous to the New Fiscal History and sociology for Europe and the modern world. Many remain implicitly grounded in the concepts of redistribution and reciprocity that Polanyi introduced to ancient studies in the 1950s. We hope to remedy the situation to some extent with this volume, which brings together chapters by specialists in geographically and chronologically diverse societies. Two disclaimers are in order, however, before we set out the conceptual framework that has guided the preparation of the volume.

First, the editors have not aimed for comprehensive coverage of all periods and regions of the world, much less of all premodern states. We did solicit a few additional chapters but it was preferable to rely mainly on those who revised their contributions based on discussions at the symposium, which inevitably included only a sampling of relevant cases. For some periods there is simply not enough evidence, and for others there are few scholars with the relevant expertise. Some who accepted our invitation had to take it upon themselves to provide the first synthesis of the topic. Thus it is premature to expect a comprehensive survey of every important facet of premodern fiscal history.

Second, the chapters represent a variety of styles and methods of writing about fiscal regimes. Several authors have chosen to present a detailed historical survey, describing basic institutions, their development over time, and the sources for studying them. Others have adopted a more

7 The volume by Klinkott, Kubisch, and Müller-Wollerman (2007) is one of the rare exceptions.

analytical approach, presenting an abstract model and using historical evidence from their particular period to evaluate it. An earlier version of this introduction was circulated before the symposium, and to contributors who joined the project afterwards, as a bibliographical essay to encourage comparisons. All the authors have touched upon these theoretical questions in one way or another in their chapters, but the editors have considered it a virtue to let them adhere to their own methodology and to address whatever issues arise from their sources. This defers the inevitably controversial task of testing grand theories across multiple cases to the reader. The editors can do no more than provide some preliminary observations about the patterns that emerge.

Concepts and definitions

The methodological diversity of the chapters extends to the definition and application of key concepts, for which no universally agreed set has been adopted. Defining the state itself is notoriously tricky. For the purpose of delimiting our scope, it may be sufficient to define the state by what it is not.[8] We deliberately exclude chiefdoms and similar forms of social organization with less complexity than states even though they may involve some redistribution.[9] Deng (Chapter 10) characterizes the state by the exclusivity of its authority to maintain social order within its territory, to protect it from external interference, and to monopolize violence and information. This is broadly in keeping with Weber's succinct and judicious definition, implicit in many of the chapters of this book: that a state is a continuous and compulsory political organization whose "administrative staff successfully upholds the claim to the monopoly of the legitimate use of physical force in the enforcement of its order." A political organization, he adds, is an organization that protects by force its own "existence and order. . .within a territorial area."[10] Thus states must be distinguished from rival coercion-wielding organizations that have state-like properties, such as criminal organizations. Bandit theories of the states are popular in the social sciences (see below) but Weber's definition reminds us that legitimacy is also essential for a state's recognition.

The concept of fiscal regimes appears throughout this volume in a very broad sense. The Latin word *fiscus*, literally "a basket" (for holding money), was used figuratively to refer to various funds available to the Roman

[8] See Tilly (1992: 1–3). See most recently Scheidel (2013) for the scope of premodern states.
[9] See Earle (1997; 2002) for the political economy of chiefdoms. [10] Weber (1978: 54).

emperor or subordinate officials for expenditure, and by extension to the financial administration of the empire as a whole.[11] It therefore included virtually every type of state revenue, including rents on imperial estates and direct and indirect taxes, as well as fines and confiscations. Hence it is well suited for abstract generalization. The notion of a fiscal *regime* evokes a systematic order or institutional structure. For understanding fiscal regimes it is not enough to give an account of the assortment of taxes, rents, tolls, etc. that generated state income. One should regard them ultimately as a related set of measures that both arises from and profoundly affects the state's political, economic, military, and social development. Thus there is close correspondence to what Bonney, following Brennan and Buchanan, labels the "fiscal constitution."[12]

The important role of compulsory services in some early states stretches this definition but ultimately enriches our understanding of fiscal regimes. These include forced labor, conscription for military duty, and various other public liturgies. States that rely heavily on them in lieu of taxes or other payments may seem deficient in their fiscal capacity. The case of Egypt and early Mesopotamia, however, discussed by Moreno García and Jursa in Chapter 4, shows an accounting system by which state officials could convert any sort of revenue into its equivalent value in one of the three media – labor time, grain, and money – as well as these into one another in order to determine total revenue and collect amounts due. Thus labor time was conceived as revenue and integrated into a sophisticated system of state finance. The same was evidently true of the Inka and Aztec regimes.

A starting point for the New Fiscal History is Schumpeter's analysis of the transition of European feudal domains before 1500 into the so-called "tax states" that gradually emerged thereafter. As alluded to above, he is reticent to call feudally organized principalities *states* because the rulers hardly differed from feudal lords or other landowners except in the practical disparities of power. For revenue they had to rely on their own patrimony, just like the others. Only as European rulers – under the pressure of military competition – asserted sovereign rights and penetrated the private resources of their subjects by virtue of their public authority could one justly speak of the state.[13]

Some contributors to this volume have found it useful to engage with the typology and the models of fiscal development inspired by

[11] Jones (1950: 25). [12] Bonney (1995b: 6–7); compare Brennan and Buchanan (1980).
[13] Schumpeter (1991: 102–4, 108–11).

Schumpeter's approach. Bonney and Ormrod have supplemented the domain and tax states with two further types: tribute states and fiscal states. The main criterion is the percentage of state revenue that came from the payments of conquered subjects (tribute states), from the ruler's personal property and perquisites (domain states), and from demands on the property of others by the ruler's authority (tax states). The fourth (fiscal states) are defined as states that experience "self-sustaining growth" by using fiscal policy, especially public credit, to stimulate the economy and thereby generate higher revenue. Although they admit that most states possess attributes of several types and have the potential to develop from one into any of the others, they identify one dominant type for each state, and they seem to regard tribute–domain–tax–fiscal to be the overall sequence in European history.[14]

The notion of the "fiscal state" in Bonney and Ormrod's typology is not easily applicable to premodern states, since it implies an important role for public credit. England at the time of the Napoleonic Wars is commonly regarded as the first state to have reached this level. Yet some scholars use the term more generally, sometimes synonymously with Schumpeter's "tax state."[15] Others have introduced the term "fiscal-military state" to highlight a key characteristic of states in competitive military environments that had to drastically increase revenue.[16] Only Deng in this volume (Chapter 10) adopts the term "fiscal state," but he does so merely to designate a state whose rulers strive to maximize its revenue.

Revenue maximization is, of course, an economic concept akin to profit maximization that is derived from rational choice theory. Assuming that rulers wish to maximize revenue can help explain the behavior of rulers under some circumstances. Rational choice theory is a powerful analytical tool when one can establish the agents' preferences or when it deals with fungible commodities that can be converted easily to satisfy a wide range of preferences.[17] Increasing revenue indefinitely may have undesirable consequences that outweigh the benefits, however. Some economists favor the term "satisficing" over "maximizing" because, due to cognitive and practical constraints, people's appetite for what they putatively want has a limit, after which other preferences gain priority.[18] The advantages of higher revenue for rulers may seem boundless but their preferences could also be influenced by ideological or political factors, such as maintaining

[14] Bonney and Ormrod (1999). [15] Yun-Casalilla (2012: 2–3 n. 4).
[16] Daunton (2001: 32–57); Glete (2002); compare Moore (2004: 299–301).
[17] Kiser and Hechter (1998). [18] Simon (2008).

stability or promoting economic growth. Nevertheless, there may be certain historical circumstances in which rulers are more prone to maximize revenue than in others, such as when expenditure is rising out of control or when short-term exigencies push aside other considerations.[19]

The term "political economy" in our title recalls the traditional designation for the study of economics, which in the course of the twentieth century became increasingly divorced from political science. The New Institutional Economics contributed to a reversal of that trend in the last generation, spawning many applications of economic methods in political science and sociology. It furnishes us with an array of additional concepts for studying fiscal regimes that recur throughout the chapters of this volume. Institutions are the formal or informal rules that align individuals' expectations about the consequences of any social behavior.[20] Given some basic human needs, it is possible for similar institutions to evolve independently, but generally they constitute a historically specific environment in which agents form their preferences and pursue their goals. The institutional approach reminds us to be cautious about assuming that states behave as rational actors or that rulers raise or lower revenue at will to match resources and expenditures without regard to political constraints. Schumpeter himself regarded fiscal regimes as symptomatic of the social relations and mentalities that prevail within states.[21]

Historians will inevitably find fault with concepts at this level of generality, but they raise a number of issues that ought to be central to the historical analysis of fiscal regimes. One may also quarrel over definitions of what one means by "high" versus "low" taxes. Those specializing in different areas will sometimes use the terms with implicit assumptions that are not valid when one attempts to make comparisons across states or periods. It may be impossible to agree on a historical benchmark for the "normal" rate of taxation in premodern history, for example, as a percentage of harvests or subsistence income, but more effort could be made to ensure that there are explicit points of reference.[22] The following sections of this introduction highlight several approaches that provide a thematic overview of the chapters in this volume: the effect of institutions on fiscal regimes; the role of bargaining and collective action; the influence of war-making on tax structures; and, finally, the effects of collection methods themselves on state revenue.

19 See Monson, Chapter 5 in this volume, and Kiser and Levi, Chapter 19.
20 This definition combines North (1990) and Greif (2006). 21 Schumpeter (1918).
22 Monson, Chapter 5, defines tax rates on land exceeding 10 percent of the yield as high; compare Wickham (2005: 64–5).

Transcending the European model

One of the priorities that our volume sets for the New Fiscal History is to move beyond the "rise of the tax state" framework that has guided previous research. The unit of analysis in this literature tends to be the nation state, while premodern states exhibit various imperial or hegemonic structures as well as republican or tribal forms of social organization. There is no telling how states will develop in the future but it is unlikely that European nation states have rendered such alternatives obsolete. Rather than seeing fiscal history as advancing in stages, as in the model of Bonney and Ormrod described above, new models of fiscal evolution are needed that recognize the "modern" features of ancient and non-European states.[23] The European trajectory does not necessarily apply to the development of systems elsewhere. By including premodern regimes in the study of fiscal history we deploy a wider range of cases and types of evidence for testing the implications and predications of competing social scientific theories, some of which are outlined in the next section below.

Bonney and Ormrod briefly attempted to apply their concepts to the Roman Empire, concluding that it combined aspects of a tax and domain state but could ultimately be classified as a "tribute state," because Roman citizens in Italy were exempt from direct taxes until Late Antiquity. Yet this puts the Roman Empire into the same category as the post-classical Germanic kingdoms that succeeded them, despite the enormous differences in their fiscal structures highlighted by Haldon (Chapter 11).[24] Bonney and Ormrod also suggest, rather vaguely, that ancient Near Eastern states such as the "Egyptian and Persian Empires" were predominantly tribute states.[25] Jursa and Moreno García (Chapter 4), however, find much more resemblance to "domain" and "tax states." Thus, to the extent that the contributors have found such ideal types useful for studying premodern states, it was chiefly to highlight the hybrid nature of all fiscal regimes.[26]

Hudson has offered a sketch of ancient fiscal evolution, emphasizing the role of revenue from public assets and labor services, which reduced demand for market transactions and the taxation of crops and goods. In his view, the principal characteristics of ancient fiscal regimes were military conscription, reliance on temple and palace lands, tribute-taking, civic

[23] France (2007) provides an exemplary study of Roman fiscal evolution; see also Corbier (2007).
[24] See Wickham (2005) for the rupture in fiscal systems between late Roman and early medieval Europe.
[25] Bonney and Ormrod (1999: 11–12).
[26] Especially Smith, Chapter 3, and Brown, Chapter 14.