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Between State and Democracy:
The Historical Political Economy of Local Self-Government

by

Otto Kienitz

A dissertation submitted in partial satisfaction of the

requirements for the degree of

Doctor of Philosophy

in

Political Science

in the

Graduate Division

of the

University of California, Berkeley

Committee in charge:

Professor Jason Wittenberg, Chair

Professor Ruth Collier

Professor Sean Gailmard

Professor Victoria Frede

Summer 2024

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Abstract

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Doctor of Philosophy in Political Science

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Professor Jason Wittenberg, Chair

How do weak states build state capacity in the face of resistance from powerful local elites? This dissertation explores the historical struggle of weak states to mobilize resources, including (a) information, (b) human capital, and (c) fiscal revenues, due to the opposition of local landowning elites. During the late eighteenth and nineteenth centuries, rulers adopted new goals beyond waging war. The diffusion of political economic thought promoted the idea that state power was tied to long-term economic development, which required more efficient forms of resource mobilization and public goods provision to create wealth that could be taxed. However, state intervention in the economy threatened the power and privileges of local elites, who sought to shelter their private resources and monopoly on local rent-seeking from the central state.

In response, weak states experimented with local democratization to align local elites' interests with central state-building goals. By introducing institutions of local self-government, states incentivized elites to participate in state-building through representation in local assemblies, creating a new formula of "no representation, without taxation." I argue that local self-government served as an alternative state-building model to parliamentarization or bureaucratization that allowed rulers to overcome elite resistance and enhance state capacity through local participation. Focusing on the case of the *zemstvo* reform in the Russian Empire in historical comparative perspective, I demonstrate how local assemblies increased state capacity, highlighting the extractive origins of democratic institutions, and offering new insights into the local foundations of state-building and democratization in weak states around the globe.

For my parents, my grandmothers Mary and Marian, and my sunflower,
who all saw different parts of this journey from sunrise to sunset.

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I look forward to closing one volume and opening another as I prepare to write the book I always dreamed of writing.

In the words of Billy Contreras, “the first area of study is called the story”.

Chapter 1

Introduction

How do weak states build state capacity? Scholars of state-building have theorized that states gain the capacity to act effectively by establishing rational-legal bureaucracies (Weber, 1968) or democratic institutions (Stasavage, 2020). However, centralizing political power in a rational-legal bureaucracy or a national parliament is a costly endeavor. Historically, few states were able to do both beyond the “perfidious exception” of England (Boucoyannis, 2021, p. 13). Throughout the rest of the world, weak states struggled to mobilize resources including information, human capital, and fiscal revenues. The main factor constraining state-building was the resistance of local elites – provincial landowners including aristocrats, gentry, and nobility – who used their positions of power and privilege to undermine state-building reforms in an attempt to monopolize local rent-seeking. The challenge of state-building from a position of weakness confronted rulers throughout the eighteenth and long nineteenth centuries from the end of the Seven Years War (1756–1763) to the beginning of the First World War (1914-1918). During these roughly 150 years, historical structural changes, including industrialization, population growth, and international economic competition, created new challenges for rulers, expanding the range of state goals from a narrow responsibility for waging war to a broad portfolio of economic development and public goods provision. New state goals stretched the state capacity of the *ancien régime* to its limits.

The expansion of state goals occurred throughout the eighteenth and nineteenth centuries in response to international economic competition and the diffusion of political economic thought, which helped spread the concepts of capacity and development found in the writings of mercantilist, cameralist, and physiocratic administrators (the *économistes*). These new theories tied state power to the ability of states to promote long-term economic development and maximize the public good, arguing that rulers ought to extend their time-horizons in order to “make provisions for the future” and “take well-informed decisions to improve the economy and to promote stability and prosperity” or “to make provisions for the future by effective means” (Rossner, 2016, pp. 144-145).¹ Political economic thought diffused in

¹This perspective on future-oriented state-building comes from the father of cameralist economic thought, Johann Heinrich Gottlob von Justi, *Die Grundfeste zu der Macht und Glückseligkeit der Staaten; oder ausführliche Vorstellung der gesamten Policey-Wissenschaft* (1761) translated by Rossner (2016).

translation throughout the globe in the eighteenth and nineteenth centuries, when and where it was used by rulers and bureaucrats to justify novel forms of state intervention to mobilize resources and increase productivity in the local economy.

However, landowning local elites were the first to resist such changes, as they saw centralized state-building, and with it the collection of local information, the recruitment of human capital, and the extraction of fiscal revenues, as a threat to their local power. Therefore, local elites used their positions of power and privilege stemming from their control over local resources to resist centralization and stymie state-building reforms. In cases where rulers had effectively incorporated local elites into central institutions, such as parliaments or bureaucracies, landowners used their bargaining power in these central institutions to protect their privileged positions in the provinces. However, in cases where the relationship between the central state and local elites broke down, a conflict of interest between central state-building and local rent-seeking threatened to undermine state capacity and the competitiveness of the state in the international system. I argue that in response, states experimented with local democratizing reforms that introduced new institutions of local self-government as a means to align the interests of local elites with the ends of central state-building goals. Local democratization was designed to coax local elites into participating in local state-building by mobilizing information, human capital, and fiscal revenues in exchange for local control over public taxation and spending. Local self-government established a new formula of “no representation, without taxation,” which incentivized local elites to invest in local economic development by taxing themselves and sharing their private information and human capital with local self-government. In this way, the central state incentivized local elites to participate in state-building by tying resource mobilization to representation in local self-government, where local elites competed over control of the local budget with representatives of all social classes.

I claim that the origins of local self-government are extractive as much as they are participatory, serving as an alternative model of state-building reform in weak states. From the nineteenth century to today, when and where economic development is constrained by the resistance of powerful local actors, local self-government offers an institutional solution by giving local elites an incentive to share their private resources in order to best coordinate their investments in improving local economic conditions in ways that benefit themselves and serve the broader community as a whole. My dissertation develops local democratization as a novel state-building pathway in historical comparative perspective, uniting the study of state-building, democracy, and development in a way that explains the historical emergence of local self-government in weak and autocratic states. This dissertation offers a new perspective on the local foundations of state-building and local variation in state capacity and representative institutions offers new lessons for state-building and democratization in weak states around the globe.

1.1 State-Building

The State and State Capacity

The state is a centralized organization that makes binding rule-making decisions within a demarcated territory (Mann, 1984, pp. 187-188). States *claim* a monopoly on the use of legitimate force within this territory, which they use to mobilize resources, enforce their decisions, protect their borders, and provide public goods and services. State-building is the process by which states gain and improve their ability to act effectively to achieve their goals (Lindvall and Teorell, 2017). State-building is measured in terms of state capacity, a concept developed to capture the “the state’s ability to accomplish its intended policy actions” (Dincecco, 2018) canonically associated with “the administration of a basic set of services, the mobilization of manpower, and the extraction of revenue” (Tilly, 1975, 1990; Soifer, 2015, p. 10). State capacity reflects the power of the state to “formulate and pursue goals that are not simply reflective of the demands or interests of social groups, classes, or society” (state autonomy) and “pursue transformative strategies even in the face of indifference or resistance from politically weighty social forces” (state strength) (Skocpol, 1985, p. 9). In this way, state capacity and state strength are often used interchangeably to capture the efficiency with which states coerce, administrate, and extract to achieve their goals.

In pioneering work on state-building, Michael Mann introduced two broad dimensions of state capacity: despotic power and infrastructural power (Mann, 1984). Despotic power is the state’s power over society. Despotic power refers to the power of the state to make and enforce its decisions by “chang[ing] the fundamental rules and overturn[ing] the distribution of power within society” (Mann, 1984, p. 190). Despotic power is often linked to the coercive capacity of the state, which is integral to “the state’s ability to preserve its borders, protect against external threats, maintain internal order, and enforce compliance with the law,” including “the force necessary to contain threats... and evoke compliance from the population” (Hanson and Sigman, 2021, p. 1498).

Infrastructural power is the state’s power to mobilize society in order to achieve its goals. Infrastructural power refers to the power of the state to “penetrate and centrally coordinate the activities of society” and “implement logistically political decisions throughout the realm” (Mann, 1984, p. 189). States co-ordinate the activities of society by spending on public goods and services. These include (1) security: military defense and external aggression; (2) law and order: the maintenance of internal order through the supply of justice and the protection of property rights; (3) infrastructure: the maintenance of communication and transportation systems that reduce transaction costs; and (4) the creation and maintenance of an economic market: regulating domestic and international economic exchange and facilitating economic redistribution (Mann, 1984, pp. 189-192, 196-198). Infrastructural power is often linked to the extractive capacity of the state, since providing public goods and services requires the mobilization of resources, namely information (informational capacity), revenue (fiscal capacity) and human capital (administrative capacity). Administrative capacity “is an encompassing dimension that pertains to the state’s organizational capabilities” (Hanson

and Sigman, 2021, p. 1498), combining the mobilization of human capital (the recruitment of capable state agents) with the rules of the game that coordinate principal-agent relations (monitoring and sanctioning state agents).

In practice, however, state capacity is multivalent, meaning that it has many applications, interpretations, meanings, and values. State capacity can be compared across “outputs, outcomes, and institutional design” (Fukuyama, 2004, 2013), leading to disagreements over the best way to measure or operationalize all-purpose state capacity or disaggregate state capacity into its component parts, such as fiscal capacity (the ability of the state to extract revenues) (Ardant, 1975; Tilly, 1990; Bräutigam, Fjeldstad and Moore, 2008; Dincecco, 2018) or informational capacity (the ability of the state to collect information) (Scott, 1998; Lee and Zhang, 2017; Vom Hau, Peres-Cajías and Soifer, 2021). It is hard to escape that fact that coercion, administration, and extraction are “mutually constitutive and interrelated” (Hanson and Sigman, 2021, p. 1499). For example:

Without the resources generated by extractive capacity, a state cannot afford the bureaucratic institutions associated with coordination capacity. Meanwhile, coordination capacity minimizes transaction costs associated with extraction and helps states produce outputs that encourage compliance, such as the efficient enforcement of regulations and provision of goods and services. Finally, without compliance capacity, it becomes difficult to secure cooperation with the more coercive aspects of extractive capacity (Berwick and Christia, 2018, p. 73).

A challenge for the analysis of state capacity is therefore the circularity (or endogeneity) between resources (inputs) and goals (outputs). States need to mobilize resources to achieve their goals, but the ability of the state to extract effectively depends on prior state capacity to compel and coordinate social actors, which in turn depends upon the resources the state has at its disposal. The interrelatedness of state capacity dimensions means that state capacity generates state capacity, leading strong states to get stronger and weak states to get weaker over time. This vicious cycle has been referred to as a capacity or development trap and poses one of the central puzzles in the history of state-building. Since weak capacity tends to persist, when, where and how do weak states gain the capacity to act effectively (Bourdieu, 2004)?

Puzzle

How do weak states build state capacity? In other words, how do weak states pursue state-building reforms and what institutional changes can lead to more effective states? I answer this question by focusing on how states mobilize resources to pursue their goals. I focus on three types of resources all states mobilize within their territory in different ways: (a) information (land surveys and population registers) (b) human capital (techniques for administrative recruitment), and (c) fiscal revenue (methods for the assessment and collection of taxes). The infrastructural power of the state to “co-ordinate the activities of society”

(Mann, 1984, p. 189) depends on mobilizing (a) the information on what to extract and when, where, and how to intervene in society; (b) the effort and quality of state agents to “implement logistically political decisions throughout the realm” (Mann, 1984, p. 189); and (c) the fiscal revenues to fund the provision of public goods and services, ranging from defense (standing armies), education (public schools), infrastructure (roads, canals, dikes, and railways), and public health (hospitals, poor relief, veterinary services, and infectious disease control) among others. Equally important are the state’s goals, which determine the relative importance of different types of resources and the time horizon that states have to mobilize state-building resources. Variable goals and time horizons lead states to prioritize different resources and use different mobilization strategies to meet the demands of rulers and the imperatives of the international system.

If a strong state is necessary for establishing democratic and bureaucratic institutions, how do weak states build the capacity to mobilize resources in the face of elite resistance? What strategies can weak states use to generate the incentives for elites “to hold government accountable and therefore enough incentives to participate in public institutions” (Boucoyannis, 2021, p. 302)? My dissertation sets out to answer these questions by examining nineteenth century state-building reforms in historical comparative perspective. I hypothesize that weak states can pursue a strategy of creating local participatory and representative institutions – what I call “local democratization” – as a way to incentivize local elites to mobilize resources in pursuit of state goals and share their private resources with the state. Central states can facilitate this exchange by creating new venues for participation in local governance, which allow local elites to channel and direct resources into local economic development that benefits their private interests while aligning with the central state’s development goals. Local democratization gives rulers a state-building strategy consistent with local economic development by incentivizing the controllers of local resources, from noble landowners to peasant farmers, to work together to address the problems of underdevelopment by pooling their resources to build state capacity more effectively.

I study the decision of central states to introduce local self-government as a response to weak state capacity when other state-building strategies are blocked by the resistance of powerful local elites. Furthermore, I explain why democratic assemblies are introduced in some regions and not others, responding to the incentives of local elites to mobilize their private resources on behalf of state-building goals. In order to explain variation in the emergence of local self-government, I introduce a new theory of local democratization as state-building designed to compel local elites to participate in local self-government and ultimately tax themselves. I observe this state-building strategy, which I call “local democratization,” in states around the globe throughout the long nineteenth century between the French Revolution (1789) and the First World War (1914). In weak states, local democratization preceded the establishment of national parliaments, making the origins of local self-government critical for both state-building and democratization in the long run.

When, where, why, and how states pursue local democratization as state-building build on four layers of theory and evidence introduced in more detail in my research design below. First, I develop the concept of state capacity with respect to the state’s ability to mobilize

three different types of resources: information, human capital, and fiscal revenues. Second, I show how these resources were under-provided in the nineteenth century, severely limiting state-building efforts. Third, I identify the necessary and sufficient conditions for local democratization that emerged from historical structural changes in the global economy in the late-eighteenth and early-nineteenth century. These changes, including (1) an increase in international competition, (2) the development of an intellectual school of political economy, and (3) a sudden increase in land prices, put pressure on weak states to find ways to increase state capacity in the face of resistance from empowered local elites. In response to these changing conditions, weak states sought ways to incentivize the participation of local elites that would give the state access to their private resources in a way that was conducive to centralized state-building. Fourth, I introduce a new theory of state-building that explains why, as states looked for new ways to tap the information, human capital, and fiscal revenue of local elites, they opted for the creation of institutions of local self-government, rather than pursuing other alternatives. Ultimately, I confirm the existence of a state-building paradox: attempts at state centralization resulted in decentralizing democratic reforms, confirming the extractive origins of democratic institutions (Gailmard, 2024), and identifying a novel pathway from taxation to representation. Following Gailmard, I find that “what scholars sometimes take as paradigm cases of ‘inclusive’ institutions were designed in the first instance as ‘extractive’ ones” (Gailmard, 2024, p. 26).

1.2 Literature

From State-Formation to State-Building

The literature on the state is divided between how states are created and how they gain capacity over time. State formation dictates the “origins of state power” and state-building is associated with the “mechanisms for acquiring autonomous state power” (Mann, 1984). I will focus on the latter: how and why states augment their power by increasing state capacity to achieve their goals. The inaugural goal of rulers is typically self-preservation or survival. Theorists claim that one of the earliest public goods rulers sought to provide is collective security from anarchy (Hobbes, 1588-1679), the state of nature (Locke, 1632-1704), and international rivals (Machiavelli, 1532). Olson’s view of the state as a “stationary bandit” posits that rulers seek to maximize resource mobilization in order to survive, but will limit extraction and provide public goods and services when state-building allows rulers to reap increasing returns on their investment in society in the future (Olson, 1993). Therefore, the ruler and ruled have a shared interest in collective security that guarantees their survival and protects against over-extraction (preventing the state from devolving back into a “roving bandit” (Olson, 1993)).

At a minimum, all rulers engage in some form of state-building when their time horizons are long enough to derive some benefit from survival. The most common form of security is military defense and external aggression. The goal of survival leads rulers to mobilize

resources to protect the state's borders from international rivals by raising an army of elite warriors, soldier recruits, or trained mercenaries. How do states mobilize resources for self-defense? The answer to this question depends on who controls the resources and whether the state has the prior state capacity to mobilize resources unilaterally. Where states are weak and rely on local elites to mobilize resources on their behalf, rulers are unlikely to achieve their goals unless they find ways to compensate local elites for access to their private resources (Migdal, 1988; Bourdieu, 2004; Lachmann, 2010). This means that the road to state-building is paved by the "elite social terrain" – the "micro-founded insights about elite preferences" that explain when local elites will mobilize resources in pursuit of the state's goals or resist central resource mobilization when it challenges local elites' power and privileges (Wang, 2022, p. 9).

All around the world, most states were weak states (Epstein, 2000), meaning that rulers who *claimed* a monopoly on the use of legitimate force rarely possessed such a monopoly of violence in practice (Hoffman, 2015*a,b*; Dincecco, 2018; Dincecco and Wang, 2022). Indeed, "outside England – 'ruled by an ancient and forceful monarchy' and endowed with an unusually centralized state," most states did not accumulate the state capacity to coerce, administer, and extract on their own terms until the late-eighteenth and nineteenth centuries (Epstein, 2000, p.14). Throughout Europe and Eurasia, rulers laid claim to territories that were internally divided between the ruler's own domains (the royal demesne), the domains of the Church, and the lands of powerful local elites, including aristocrats, gentry, nobles, magnates, potentates, samurais, and warlords, among other privileged groups of provincial landowners. These local elites possessed a monopoly over private resources outside of the state's reach, including (a) information on local economic conditions and the distribution of fertile land and population on their estates, (b) human capital in the form of literacy, private education, and social mobility that made the landowning aristocracy one of the only sources of educated officials outside of the Church, and (c) fiscal revenues from direct and indirect taxes on land, labor, property, trade, and income, as well as providing a potential source for domestic borrowing and possessing the coercive power to assess and collect taxes from unwilling taxpayers. Local elites profited from their control over these resources and carefully guarded the sources of their power and privileges (Bush, 1983; Clark, 1995; Lachmann, 2000). Therefore, the main impediment to state-building around the world was and continues to be the tug of war over resource mobilization between central rulers and local elites (Boone, 2003; Irigoien and Grafe, 2013; Bardhan, 2016; Bräutigam, Fjeldstad and Moore, 2008; Moore, Prichard and Fjeldstad, 2018).

State-Building Strategies

Rulers can pursue different state-building strategies to mobilize resources to achieve their goals. When warfare was relatively cheap, states funded military defense and external aggression by relying primarily on resources mobilized from within their own domains (the royal demesne) or captured via military conquest (Bonney, Bonney and Ormrod, 1999). As the costs of warfare ratcheted upwards and state-building became driven by a resource

imperative to survive in the international system, rulers’ demands for information, human capital, and fiscal revenue outstripped the resources directly under the ruler’s control. This search for resources brought central rulers into conflict with local elites over strategies of resource mobilization (Tilly, 1975; Ardant, 1975; Downing, 1992; Ertman, 1997). The literature points to three state-building strategies that rulers used to mobilize resources to meet the demands of their state-building goals.

(1) Parliamentarization

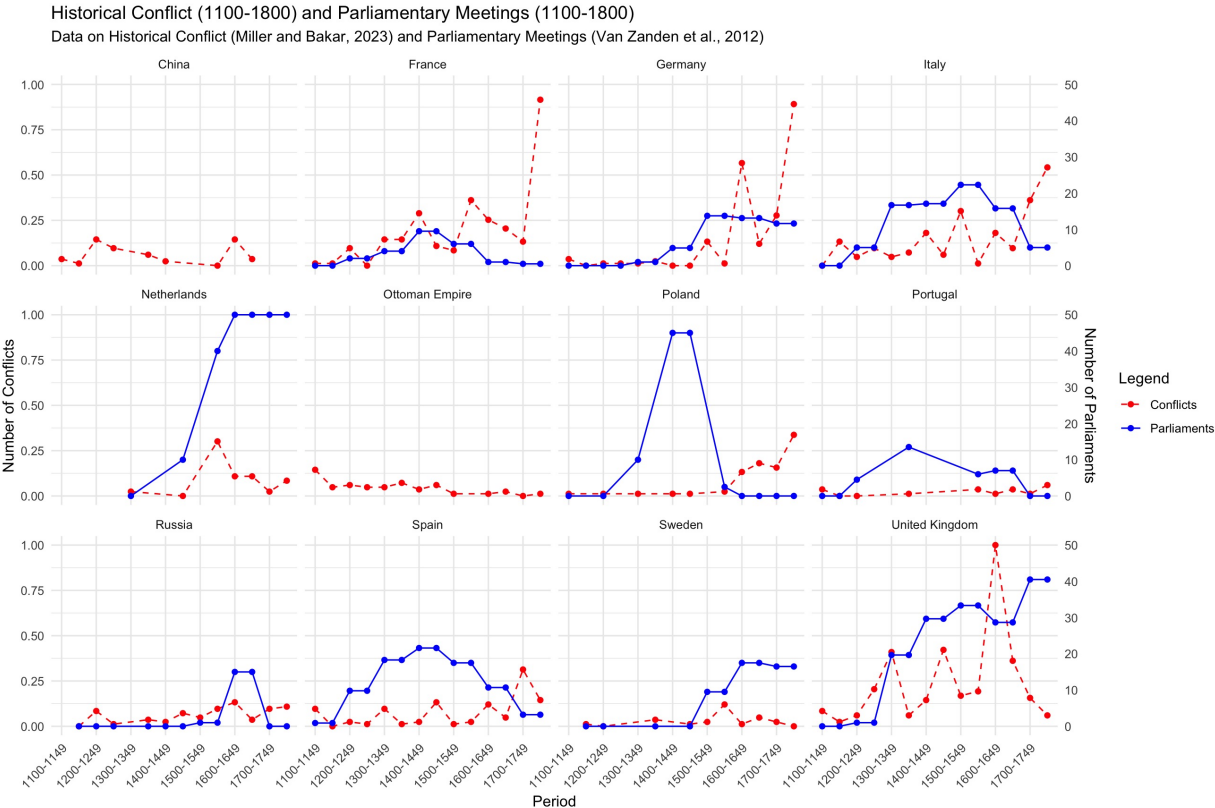


Figure 1.1: Historical Conflicts and Parliamentary Meetings (1200-1800)

One state-building strategy is the creation of central representative institutions (national parliaments) that incorporate local elites into a central institution in which they can share information on local conditions, provide administrative human capital by advising and consulting with the ruler, and grant the raising of new “extraordinary” taxes. The bargaining model of taxation and representation argues that rulers create central parliaments to raise fiscal revenue (Bates and Lien, 1985) by making taxation more legitimate and achieving “quasi-voluntary compliance” from taxpayers (Levi, 1988). The bargaining model assumes a

struggle over resource mobilization between a state-building ruler and powerful local elites. Bargaining theory suggests that “rulers lacking resources are forced to bargain with the societal actors who control them, usually under war pressures, thus conceding rights and representation” (Boucoyannis, 2015, p. 305). Scholars from Weber (1968) to Tilly (1990) have advanced prominent state-building theories under this assumption. However, the bargaining model suffers from a lack of microfoundations for state and elite behavior (Kiser and Powers, 2013). When states are sufficiently strong, why do revenue maximizing rulers “bother to trade representation for revenue, when they can simply exploit taxpayers” further (Herb, 2003, pp. 5)? When states are necessarily weak, why would strong local elites stop free-riding and subject themselves to central state institutions, especially when “institutionalized consent historically resulted not in more limited grants of taxation, but in higher per capita burdens” (Boucoyannis, 2015, p. 309)?

Examining the institutional origins of early modern parliaments, Barzel and Kiser observe that “assemblies were not forced upon monarchs by powerful subjects” (Barzel and Kiser, 1997, p. 254), but emerged when rich and powerful nobles imposed “taxes [on] themselves for joint ventures from which they presumably expected to gain” (Barzel and Kiser, 2002, p. 489). The development of consensual taxation expanded voting rights to all taxpayers based on a principle of “no representation, without taxation” (Barzel and Kiser, 2002, p. 493). However, representative institutions atrophied when rulers’ time horizons grew short. Rulers responded to war-driven revenue imperatives by granting tax exemptions to the nobility in exchange for their political support, leading to the “uncoupling of voting rights and tax payments” and severing the link between taxation and representation (Barzel and Kiser, 2002, p. 499). The paradox of parliamentarization as a resource mobilization strategy was that “as subjects became more powerful they got voting rights and were able to avoid paying taxes, while those becoming weaker were forced to pay taxes and were excluded from voting” (Barzel and Kiser, 2002, p. 476).

In light of these findings, a new consensus has emerged that parliamentarization as a state-building strategy depends upon a precondition of state strength to overcome the resistance of powerful local elites. Only initially strong states, such as England, were able to overcome elite resistance by “compelling” local elites to attend a central parliament and mobilize state-building resources (Boucoyannis, 2015, 2021). William the Conqueror inherited a strong Anglo-Saxon state in 1066 replete with centralized information (the Domesday Survey), local administration provided voluntarily by the landed aristocracy beholden to royal land grants, and fiscal revenues generated from taxes on land and commerce. English rulers were able to use their initial resource advantage to create a national parliament and build a fiscal-military state with the central coordination and cooperation of local elites in parliament (Brewer, 1988). However, parliament alone did not lead directly to more efficient resource mobilization; instead, it became a place where merchants and landowners could make deals to fund joint-stock companies or request loans from foreign lenders or other local elites (O’Brien, 2011). Parliament enhanced the war-making power of the state not by augmenting resource mobilization at home, but by increasing the ability of states to generate non-tax revenue abroad, including via colonial ventures funded by the crown. The success of

England in fighting wars before the mid-16th century was a direct result of its ability to raise money in the capital, even while local resource mobilization remained under the watchful eye of the English aristocracy. Parliament made central state-building so effective, that local administration was left to the domain of local elites, who monopolized local rent-seeking by controlling the assessment and collection of local taxes (Hopcroft, 1999; Daunton, 2001; Innes, 2009). Parliament gave the English aristocracy a central venue from which to block inroads to their local power, leaving England without a modern land survey (cadaster) before 1910 (Kain and Baigent, 1992, p. 264).

The majority of weak states that experimented with national parliaments incorporated local elites into central institutions – in the form of the Cortes in Spain, the Estates General in France, the Sejm in Poland, and the Zemsky Sobor in the Russian Empire – where local elites used their bargaining power to resist increases in taxation and instead imposed their will on the state in the form of exemptions and the granting of fiscal privileges. Rather than leading to strong states and strong democracies, institutionalized bargaining between weak states and strong elites led to the collapse of representation and a decrease in taxes – a “downward spirals in the development of voting institutions” (Barzel and Kiser, 1997, p. 249). Not only did representation historically result “not in more limited grants of taxation, but in higher per capita burdens,” but when weak states demanded taxes and strong elites demanded representation, “the outcome was not a bargain; it was a revolution” (Boucoyannis, 2015, p. 305). In fact, “where social groups had enough autonomy to bargain hard on taxation... rulers’ demands were resisted and representation never became the organizing principle of governance throughout the territory” (Boucoyannis, 2015, p. 305). These findings lead Boucoyannis to observe that “where the nobility was not taxed, they, as the group most capable of effectively countering the ruler in the long run, lacked the incentives to do so; representative institutions accordingly atrophied. No taxation of the powerful, no representative institutions” (Boucoyannis, 2015, p. 304). Unfortunately for weak rulers, the parliamentary road to state-building requires a central state with the capacity to tax the rich and powerful in order for taxation to lead to representation, which was simply not an option for rulers of weak states.

(2) Bureaucratization

Another state-building strategy is the creation of a central bureaucracy to mobilize resources directly, bypassing local elites in order to “‘mobilize’ in a coercive manner monetary and manpower resources held by a recalcitrant rural population” (Mann, 1986; Ertman, 1997). Weber’s definition of bureaucracy consists of state officials “(1) appointed and promoted on the basis of merit, (2) organized and monitored in a centralized hierarchy based on written regulations, (3) who do not own their positions, and who are (4) paid fixed salaries in money” (Weber, 1968; Kiser and Cai, 2003, p. 511). The strategy of bureaucratization involves the recruitment, employment, and monitoring of state agents by using a mixture of carrots (salary, benefits, promotion) and sticks (sanctions, demotions) to induce the efficient

mobilization of resources.² Agency theory suggests that “adequate monitoring capacity (the ability of rulers to gather information on the actions of officials) is a necessary condition for bureaucratization” (Kiser and Karceski, 2021, p. 709). When monitoring is costly, states are incentivized to pay agents higher salaries to ensure compliance, which can make bureaucratization prohibitively costly for weak states.

The success of bureaucratization as a state-building strategy depends on the precondition of low transaction costs. Throughout history, improvements in communication and transportation infrastructure and technology (including the foundational technology of the written word) have been associated with bureaucratic rule, along with the weakening of local elites and the diffusion and mimicry of bureaucratic models within the international system. Therefore, “prior to the development of efficient communications, transportation, and record-keeping technologies, size was one of the most important barriers to centralization and bureaucratization” (Weber, 1968; Ardant, 1975; Kiser, 1999; Stasavage, 2020; Kiser and Karceski, 2021, p. 709). Small states, such as England and the Netherlands, were the first countries in Europe to successfully bureaucratize their fiscal administrations (Brewer, 1990; ‘t Hart, Brandon and Torres Sánchez, 2018). The canonical case of bureaucratization as a state-building strategy is not found in Europe, but in ancient China, where technological improvements associated with writing, mapping, and surveying gave the state an informational advantage to form the basis of a strong central bureaucracy (Kiser and Cai, 2003; Stasavage, 2020; Chen, Wang and Zhang, 2024).

Beyond the transaction costs of monitoring state agents, bureaucratization also depends on “weakening of aristocrats’ power... [since] all empires were dependent on powerful aristocrats” who benefitted from local rent-seeking “and thus consistently opposed bureaucratization” (Kiser and Cai, 2003, p. 516). Bureaucratization was made possible in England and ancient China after conquest and devastating civil wars wiped out the aristocracy and made state service a viable career. The Warring States Period resulted in “the decimation of the Chinese aristocracy” and “facilitated the building of roads and the development of communications” together with a “dramatic increase in standardization of language, currency, and systems of measurement” that reduced the transaction costs to central bureaucratization (Kiser and Cai, 2003, pp. 519-522). The dramatic reduction in transaction costs led to the creation and diffusion of a bureaucratic system that “tried to limit the role of aristocrats by recruiting nonaristocrats internally... and by bringing in higher officials from abroad... [who] were either paid salaries or given an estate and were more dependent on rulers and thus easier to control than local aristocrats” (Hsu, 1965; Kiser and Cai, 2003, p. 528).

The creation of a centralized bureaucracy gave rulers the option to bypass local elites or co-opt them into the bureaucracy itself. State-building reforms in fifth century China were targeted at regions “controlled by local aristocrats... and deepened state penetration

²A more exhaustive Weberian definition of the characteristics of bureaucracy includes “offices defined by functional area with a clearly defined sphere of competence, organization of offices into a clearly defined hierarchy, candidates selected impersonally on the basis of qualifications, officials lacking an independent political base and subject to strict discipline within a hierarchy, and salaried offices treated as careers” (Weber, 1968; Fukuyama, 2011, p. 134).

especially in regions with aristocratic dominance” (von Glahn, 2016; Chen, Wang and Zhang, 2024, pp. 2-3). State-building was successful despite the presence of strong local elites, because “the ruler would directly compensate aristocrats... by giving them lucrative offices in the bureaucracy” (Chen, Wang and Zhang, 2024, pp. 2-3). Bureaucratic compensation gave rulers the resources to realign the interests of local elites by “inviting the aristocrat to develop a stake in the regime and to share the gains of a strong state, thereby incentivizing him to participate in activities that benefit the state as a whole” (Jha, 2012; Chen, Wang and Zhang, 2024, p. 7). This pattern of bureaucratic compensation can be found wherever central bureaucratization preceded the eclipse of elite strength, mainly due to exogenous shocks that gave the state a temporary advantage over local elites (Garfias, 2018). These cases include the development of the Prussian bureaucracy and the incorporation of the Junker elite after the Thirty Years’ War (Gillis, 1968) and the development of the Japanese bureaucracy and the incorporation of the Samurai elite after the Meiji Restoration (Howland, 2001).

(3) Patrimonialism

A final state-building strategy available to states that were too weak to create a central parliament – and where transaction costs were too high and local elites were too strong to bypass or compensate with a centralized bureaucracy – was the creation of a patrimonial administration. These conditions characterize most feudal and imperial states throughout the history of the world, in which the power of central rulers was constrained by the presence of “local elites with independent claims to local power and authority” (Wong, 1997, p. 109). The feudal state “governs largely indirectly, through infrastructure freely and contractually provided and controlled by the principal and independent magnates,” whereas the imperial state “possesses its own governing agents, but has only limited capacity to penetrate and co-ordinate civil society without the assistance of other power groups” (Mann, 1984, p. 191). This form of indirect rule is known as “patrimonialism”. Weber described the patrimonial state as embroiled in a “constant struggle between patrimonial rulers and various elite groups (nobles, clerics, educated laymen, financiers) over the control of the ‘means of administration,’” in an attempt to balance the pursuit of central goals with the centrifugal forces of local rent-seeking (Weber, 1968; Bendix, 1977; Ertman, 1997, pp. 7-8).³

³Ertman details the full range of patrimonialism in early modern Europe. “In some cases, an elite group in fact succeeds in transforming the administrative positions it occupies into the group’s private patrimony rather than that of the ruler. What results is a kind of state apparatus which Weber clumsily refers to as ‘stereotyped’ (or, as Bendix translates it, ‘typified’) patrimonial administration (*stereotypisierte Patrimonialverwaltung*). The ‘appropriation’ at the heart of this apparatus can take a variety of forms, depending on the elite group involved: ‘proprietary officeholding,’ where government officials gain legally recognized property rights over their administrative positions; tax farming and other kinds of ‘enterprising,’ in which private businessmen take over various state functions and run them for their own profit; and ‘local patrimonialism,’ where elites (usually landed nobles, but sometimes also urban oligarchs), acting through local government offices which they collectively monopolize, extend the authority which they already exercise over their own dependents to all inhabitants of a given region” (Ertman, 1997, p. 8).

Agency theory states that where information collection and central monitoring of local officials was difficult, a centralized bureaucracy was prohibitively costly, and so rulers were forced to outsource resource mobilization to local elites for information gathering, staffing administration, and the assessment and collection of fiscal revenues (Kiser, 1994; Kiser and Karceski, 2017; Kiser, 2022). Once states began to rely on patrimonial elites, they developed a structural dependency on local elites for resource mobilization. State-building imperatives in weak states led to the institutionalization of patrimonialism in the form of tax-farming, office selling, and the delegation of tax assessment and collection, substituting central state officials for contracts with local elites. In exchange for taking on the cost and effort of resource mobilization, local elites secured fiscal exemptions and the spoils of rent-seeking, including over-charging taxpayers, demanding bribes, engaging in corruption, and pocketing the “collection costs”, all without facing any responsibility to redistribute these resources among the local community.

The strategy of patrimonial state-building was driven by high transaction costs, short time horizons, and the lack of “transmission mechanisms” (Queralt, 2022) to convert short-term resource mobilization into long-term capacity building. Local elites had even shorter time horizons than the central state, since they competed over fixed-length contracts for control over local rents. Local elites’ time horizons vanished when their contracts expired, turning them into “roving bandits” with few incentives to limit extraction or provide public goods and services (Olson, 1993). Without oversight or sanctions to curb their rent-seeking behavior, local elites over-extracted from the population and undermined future resource mobilization by underproviding public goods such as infrastructure, health, and education. This created a vicious cycle, or a “low-capacity trap,” that stymied local development.

By the eighteenth century, most states used patrimonial administration to mobilize resources to keep up with ratcheting international pressures (Ertman, 1997; Kiser, 1997). Only the case of England partially defies this trend, when the English excise administration was bureaucratized in the 1640s, though the England land tax continued to be assessed and collected by local aristocrats (Brewer, 1990). Even China, which used its early state strength to build a large, centralized bureaucracy had devolved, by the time of the Qing Dynasty (1644–1911), into a patrimonial system that relied heavily on the local gentry to manage its large population and extensive territory (Chu, 1962; Wang, 1973; Huang, 1974; Zelin, 1984; Kiser and Tong, 1992). Ertman explains this variation in state-building strategies by pointing to the timing, rather than the intensity, of war-driven revenue imperatives (Ertman, 1997). States that faced early military threats were forced to cede power to local elites to mobilize resources on the state’s behalf. Once empowered, local elites were later able to resist further inroads from the central state by using their local monopoly to defend their power and privileges, creating a form of “path dependency... that determined the administrative forms of their states for the next five or six centuries” (Kiser, 1997, p. 753). States that faced later military threats had longer time horizons, which allowed them to invest in a central bureaucracy before war pressure aggravated the relationship between the central ruler and local elites.

Despite the fact that “existing histories have traditionally treated the ancien régime’s

choice of tax collection system as arbitrary and needlessly costly,” (White, 2004, p. 639) patrimonial administration was not just a second best option for weak states (Kiser, 1994, 2022). Many rulers found that “piece-rate payment instead of fixed salaries, and severe negative sanctions... could increase the effectiveness of administration in conditions of poor communications and record keeping” (Kiser, 1997, p. 754). Tax-farming contracts took many forms, but typically approximated a rental contract, in which “the tax collectors would pay a fixed rent to the government for the right to collect a tax and keep the remaining revenue” (White, 2004, p. 637). Rulers with short time horizons and high transaction costs favored shifting risk onto their agents, accepting the moral hazard associated with the “overuse or squeezing” of revenue sources in order to guarantee short-term resources (White, 2004). Tax-farming approximated a form of short-term financing, in which the state continuously borrowed from local elites (Butcher and Dick, 1993). Resources acquired through patrimonial resource mobilization strategies such as tax-farming and venal office selling were unable to be reinvested in future capacity building, since weak states lacked the democratic or bureaucratic “transmission mechanisms” to institutionalize resource mobilization. The example of ancien régime France illustrates this fact. Steps toward the centralization of fiscal revenue collection in the “transition to a salaried bureaucracy slowed and then stopped, as the Crown’s weakness as a credible borrower reappeared in the 1780s and a new default loomed... [the] movement towards a wage bureaucracy alienated the vested interests that profited from the tax farms and they were able to reassert themselves in the 1780s as part of a general reaction of the venal officer class threatened by the Crown’s reforms of the 1770s” (White, 2004, p. 640).

Old Regimes and New Goals

Until the late 18th century, weak states with patrimonial administrations were able to muddle through the international system with weak state capacity. These weak states outsourced the means of information gathering, human capital for administration, and the assessment and collection of fiscal revenues to local elites, who provided the state with short-term resources to meet short-term goals: security and survival. Resources were mobilized around wars, and the central state provided little in the form of public goods and services to expand the tax base or grow the domestic economy (Ogilvie, 2022). In fact, GDP per capita differed very little between states before the eighteenth century, reflecting that the priorities of the state lay elsewhere (above). A strong state at home was simply not necessary in order for states to survive in the international system, especially when states could rely on mercenaries, tax-farmers, and joint-stock trading companies to mobilize resources on their behalf (Hui, 2005; Lachmann, 2010). Before the mid-eighteenth century, “incessant warfare and dynastic competition had led the monarchs, princes, and oligarchies of early modern Europe down a path of dependence on patrimonialism clients and privatized administrations who virtually controlled the process of providing them with indispensable (and always urgent) means (taxes conjoined with loans) for renewed engagement in interstate rivalry” (O’Brien, 2002, p. 262).

Rulers were unconcerned by inefficient resource mobilization, since most spending on public goods and services were left to local elites themselves (Tanimoto and Wong, 2019).

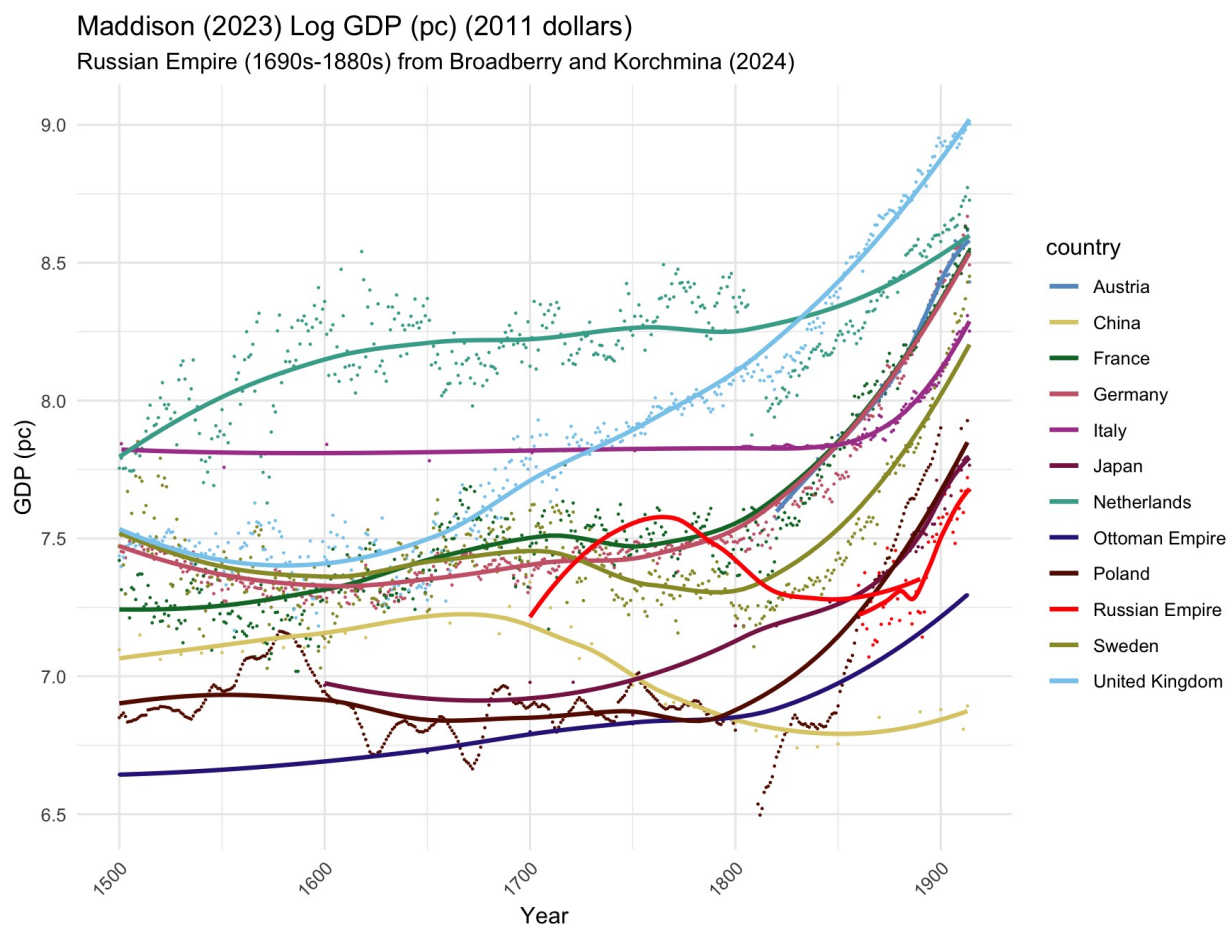


Figure 1.2: Historical GDP per capita (Bolt and van Zanden, 2023; Broadberry and Korchmina, 2024)

However, this situation changed when new goals of the state emerged and stretched state capacity to its limits. The primary change in goals occurred during the middle of the eighteenth century, when economic growth and development overtook survival as the most pressing goal for rulers. Early economic growth in England and the Netherlands caused economic “latecomers” to search for means to “catch-up” with the leading powers of the day. Since few countries possessed such favorable geographies for seafaring trade as the English and the Dutch, rulers were forced to look inward to develop the economy from the inside out instead of the outside in. During the mid-eighteenth century, new ideas of political economy were invented and diffused throughout the international system, spreading from post-Enlightenment Europe to the rest of the world in translation. These new ideas stressed

that the only way states could continue to compete and survive was to take a more active role in providing for domestic welfare, the public good, and ultimately economic growth. Growth and development required that the state centralize decision-making authority in order to intervene in the market and supply public goods and services as necessary to stimulate the productive forces of society, including improving agriculture, protecting the population and capital from natural and manmade disasters, and expanding the fiscal base to tap new sources of revenue.

The challenge and problem with this new state-building goal was that in most weak states the resources necessary for kick-starting economic growth were under the control of local elites. These local elites were beneficiaries of the patrimonial system; they had their own sources of local rents and central rulers had little to offer local elites to compensate them for their compliance with new state-building goals. By the nineteenth century, the new demands for industrialization and the need for large-scale growth to feed growing cities and raise mass armies created an imperative for more efficient forms of state-building that broke the reliance of the state on local elites or, better yet, realigned the interests of local elites to participate in central state-building by shifting the institutional incentives around local elites in favor of the mutual goal of local economic development, from which local elites stood to benefit in the long run, but which threatened their monopoly over local decision-making and unadulterated rent-seeking.

1.3 Research Design

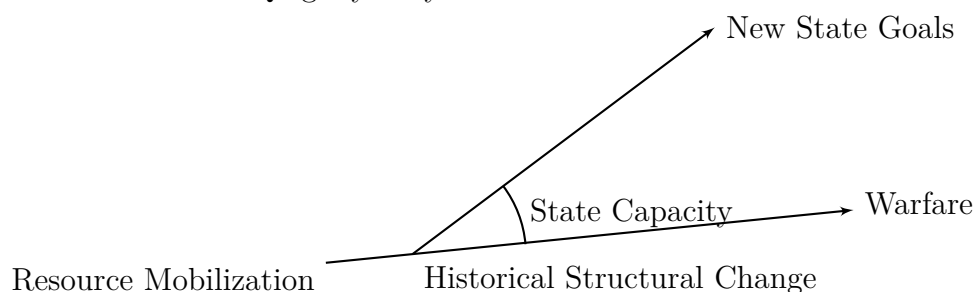
My research design is comprised of a nested analysis at the cross-national and sub-national level. First, I propose a cross-national theory of state-building that I use to explain variation in state-building reforms and the timing of local democratization in the eighteenth and nineteenth centuries. Second, I develop a sub-national theory of local democratization that I use to zoom-in on the Russian Empire to explain variation in local self-government assemblies in the *zemstvo* reform of 1864. Third, I zoom-out to compare local democratization as it unfolded in two most different weak autocracies, the Ottoman Empire and China, which pursued similar local self-government reforms when the necessary conditions fell into place in different sequences during the mid-nineteenth and early twentieth century. Finally, I compare these state-building trajectories to the timing of local self-government reforms in a wider sample of nineteenth century states to explore the scope conditions under which taxation leads to representation.

In the first stage of my analysis, I develop the necessary and sufficient conditions for local democratization as a state-building reform. Using historical process tracing and qualitative comparative analysis, I account for three state-building trajectories: parliamentarization, bureaucratization, and local democratization. I explain how nineteenth century state-building reforms were designed in response to historical structural changes that encouraged states to look inward to promote local economic development. The confluence of (a) international competition and rivalry, (b) the diffusion of political economic thought, and (c) the empow-

erment of landed elites were necessary conditions for local democratization, because they simultaneously (a) motivated states to pursue economic development, (b) provided a framework and justification for the centralization of resource mobilization, and (c) gave landowning local elites the incentives to resist.

The decision to pursue local democratization as a state-building reform was only taken where the relationship between the central state and local elites broke down over the conflict of interest between state-building and rent-seeking, pitting the goals of the central state against the profit motives of local elites. The combination of (1) persistent state weakness, (2) elite resistance, (3) historical structural change, and (4) the breakdown in state-local elite relations backed weak states into a corner in which the only way to guarantee local economic development was to coax local elites into cooperation with the state by empowering local elites to tax themselves by using the strategy of local democratization. I draw attention to the sequence in which these key variables were observed, explaining the time lag between historical structural change in the late eighteenth century and the introduction of local self-government in the nineteenth century until the critical breakdown in state-local elite relations. Other configurations of these key variables predict different state-building strategies in which local democratization plays little to no role.

In the second stage of my analysis, I look more closely at local democratization in the Russian Empire by analyzing the establishment of local self-government in the *zemstvo* reform of 1864. I bring novel archival data to bear on two questions: (1) how did rulers design local self-government reforms to maximize the returns of state-building and (2) what were the consequences of local democratization on a range of state capacity outcomes? I leverage sub-national variation in the timing and geography of local self-government reform to study (1) how the state designed incentives for local elite participation; (2) how local elites responded to reform incentives on the ground; and (3) whether elite participation in local self-government led to better development outcomes in terms of the mobilization of resources and the provision of public goods and services. Finally, in the third stage of my analysis, I compare the establishment of the *meclis* assemblies in the provincial reforms of 1840/1864 in the Ottoman Empire to the establishment of the *tzu-i-chü* assemblies in the provincial reform of 1907 in the Qing Dynasty.



Independent Variable #1: New State Goals

The necessary conditions for local democratization as a state-building strategy emerged out of the historical structural transformations of the late-eighteenth and early-nineteenth centuries. As the state took on new goals associated with promoting economic development, state goals created new incentives for state-building that were impossible to imagine, let alone initiate, prior to the Enlightenment, the invention of political economy, and with it the concept of state capacity (Rossner, 2016; Kaplan and Reinert, 2019; Rossner, 2020, 2023). Post-Enlightenment political and economic thought allowed for new justifications for intensive state-building strategies by (1) internalizing the stakes of international competition and rivalry into an (2) “economic reason of state” that used the language of political economy to rationalize domestic reforms. This historical structural transformation gave rise to the modern notion of development economics, which was responsible for redefining the ends and means of state-building in the nineteenth century (Jomo and Reinert, 2005).

International competition created winners and losers, driving the efforts of “latecomers” to devise new strategies for “catching up” in the aftermath of trade deficits, the costs of continental and colonial warfare, and the pressure to repay their international debts. The invention of “political economy” supplied states with a new set of justifiable ends, which made it necessary for rulers and their bureaucracies to strategize new means of state capacity building. The historical confluence of population growth and favorable growing conditions led to the revitalization of agriculture in the second half of the eighteenth century, which served to increase the price of grain and the value of land. This sea change in grain raised the importance of state management of the rural economy just as it gave landowning elites an influx of bargaining power. After years of disinterest in their estates, aristocrats, noblemen, and other local elites flocked to the countryside to protect their investments, giving landowners a new profit motive to defend their local resources. The clash of centralizing state-building goals and the resistance of local elites generated a “window of opportunity” for the establishment of local self-government as state-building reform.

This combination of necessary conditions – the pressures of international competition now on an economic as well as military grounds, the advent of political economy supplying a theory of the state’s role in economic development, and the resistance of landowning local elites to state centralization – created a common problem for eighteenth- and nineteenth-century states. As a result, rulers and their bureaucracies were incentivized to find ways to increase state capacity and devise strategies to raise revenue in the face of elite resistance. Because of the global spread of economic thinking and the transmission of ideas of political economy, the confrontation between state-building and elite resistance produced similar results throughout much of Europe and Eurasia. However, the timing as well as the details of the solution – local democratization enfranchising taxpaying elites in self-governing assemblies – varied across cases but reflected the same struggle refracted through local power struggles.

Previous studies of the influence of the Enlightenment on economic development have been centered around Britain (Mokyr, 2009, Chapter 4). My theory aims to expand the

study of the influence of ideas of political economy on historical comparative state-building by focusing on the network of diffusion and emulation leading to the exchange and reproduction of state-building strategies outside of Europe. The Enlightenment was a transnational movement “of both intellectual enquiry and practical reform” that was invigorated by “processes by which ideas were transmitted across Europe” citeRobertson1997. However, the transmission of ideas of political economy spread well beyond Western European publishing houses and university lecture halls, as reflected in the mounting number of economic translations throughout the late-eighteenth and early-nineteenth centuries, reaching the Russian Empire, the Ottoman Empire, the Qing Dynasty in China, and beyond.

The global dimension of these historical structural changes are important for evaluating the scope conditions. International competition was a global phenomenon, spanning the spread of trans-Atlantic and Indo-Pacific imperialism, the ramifications of early modern commercial and price revolutions, the global grain trade, the shipment and transfer of bullion, large-scale warfare on land and at sea, and the accumulation of international debt, which put pressure on rulers to assert more control over their domestic economies. Moreover, elite resistance was also a global phenomenon. In Western Europe, landowning elites clung to their feudal privileges. In Eurasia, military servitors monopolized tax assessment and collection as tax-farming intermediaries. Even in China, where the state had always held the upper hand in relation to its landed elites (Wickham; Wong; Wang), corruption on the part of the landed gentry undermined the moral economy of the Chinese countryside. All around the globe, the modern state was faced with the unenviable task of “rearranging the very regime of privilege it had helped build” (Kwass, 2000, p. 38).

I turn my attention to the causal forces unleashed by the invention of political economy, the diffusion and emulation of state-building strategies, and the resistance of landowning elites to centralized state-building. In Western Europe, this historical transformation was met by rulers and bureaucracies of Enlightened Absolutist regimes (Scott, 1990), in some cases advised and led by the same authors of the political economic texts themselves, including the Physiocrats in the French Ministry of Finance and the Cameralist advisors to the Habsburg crown. The timing of the publication and translation of political economic texts allows me to pinpoint the spread of ideas into “national contexts” and look for the observable implications of the necessary conditions for local democratizing reforms: (1) an impetus for “catch-up”; (2) a commitment to political economy; and (3) elite resistance in the face of centralized state-building.

Table 1.1: Pathways from State-Building to Local Self-Government

State Strength	State-Building	Local Self-Government	Examples
Strong	Parliamentarization	Delayed by Central Elites	England, Germany, Italy
Strong	Bureaucratization	Costly Centralization	Early Qing, Republican France, Meiji Japan, Sweden
Weak	Parliamentarization	Elite Resistance	Poland, Portugal, Spain
Weak	Patrimonialism	Local Democratization	Revolutionary France, Ottoman Empire, Russian Empire, Late Qing

Independent Variable #2: Local Democratization

My theory of local democratization as a state-building strategy depends upon the balance of power between the state and local elites at the time of the historical structural changes of the late eighteenth and early nineteenth century. In particular, I focus on the reliance of weak states on the cooperation of local elites to collect information, staff local administration, and raise revenue in order to meet new state-building goals. I offer a new theory to explain state-building in weak states where the incorporation of local elites is crucial for the means and the ends of state-building reforms. When the necessary structural conditions are in place, it is the alignment of the state and local elites that serves as the impetus for state-building reform. When and where the historical structural transformations are met, but the central state is still aligned with local elites who have captured positions within the central state, state-building reform will be blocked or indefinitely delayed. It is only when the state and local elite become unaligned, that central rulers consider radical new ways to align local elites with the center's state-building goals through the introduction of local representative institutions.

The most important contribution of my theory is therefore an emphasis on the agency of local elites to enable or constrain state-building by facilitating public access to private resources. Once state-building is considered in terms of resource mobilization, it is easy to see how states rarely possess unfettered access to information, human capital, or fiscal revenues (Mayer, 1981; Clark, 1995; Ertman, 1997; Wong, 1997; Rosenthal, 1998; Hopcroft, 1999; Lachmann, 2000, 2010). Despite the recognition of the limits of state autonomy outside of Europe (Herbst, 2000; Centeno, 2002; Mazzuca, 2021; Wang, 2022), the resistance of local elites to state-building in Europe and Eurasia has been overlooked in favor of a Whig history of cooperation between Crown and Parliament (Boucoyannis, 2021). I argue that the most important factor in determining state-building is the incorporation or resistance of local elites to the appropriation of their private resources. How states respond to local elite resistance, choosing to pursue local democratization as a way to unlock the cooperation of unaligned local elites, or accepting more costly alternatives, depends on the alignment between the central state and local elites at the time of reform, and thus varies along with the relationship between the state and local elites as it changes over time.

Local democratization refers to the creation or empowerment of local self-government institutions such as assemblies or councils that are responsible for governing a local territory and have both administrative and participatory dimensions. "Local" has been used to describe a range of sub-national units including states or provinces, countries or districts, and villages or communes (Tocqueville, 1969). I choose to focus my analysis on the "local" level found in-between states or provinces and villages or communes, what is commonly referred to as the second tier of local government in the form of countries or districts (Heinelt and Bertrana, 2011; Sellers, Lidström and Bae, 2020).⁴ The important feature of countries or dis-

⁴The first tier of local government is not local enough, as states or provinces take on administrative responsibilities of an entire territory with many lower-level subdivisions. The third tier of local government institutions is too local, as villages or communes take on too few administrative responsibilities beyond the

tricts is that they cannot be reduced to urban governments, since they often span both rural and urban landscapes featuring towns and rural settlements. Despite the growing interest in local government in the social sciences, the vast majority of research has concentrated on the problems of urban governance (Ziblatt, 2008; Ansell and Lindvall, 2020), thereby overlooking local institutions linking the central state and rural economic development in the countryside.

Local self-government varies to the extent that assemblies or councils are (1) participatory and (2) integrated with the national state (Sellers, Lidström and Bae, 2020). Local democratization is tied to a change along the participatory dimension, making local self-government more inclusive by introducing elections to representative assemblies or councils that expand local suffrage, include new groups of voters, and encourage participation in the electoral process and assembly meetings. Changes along the participatory dimension expand inclusion in local self-government from national and local elites to non-elite societal groups, elected and other elites, non-elites, and finally disadvantaged non-elites (Sellers, Lidström and Bae, 2020, p. 41)

Before the nineteenth century, local self-government was the domain of powerful non-democratic local elites. However, it was not always this way. Stasavage (2020) argues that “early democracy” in the form of assemblies or councils emerged as a functional substitute for information collection in weak states without the resources to invest in a centralized tax-collecting bureaucracy. Before the advent of medieval principles of representation (*quod omnes tangit*), local participation was the primary mechanism through which states generated cooperation and compliance (Stasavage, 2020; Grzymała-Busse, 2023). All states have ancient traditions of local government that have more or less disappeared. These participatory traditions were undermined when and where military competition gave rise to feudal lord-vassal relations, in which military servitors were turned into local landowning elites with special privileges including exemptions from taxation, coercion, and inherited primogeniture (Bush, 1983; Clark, 1995; Haldén, 2020).

Upon the threshold of state formation, rulers were forced to bargain with empowered feudal elites, who entrenched their position as the gatekeepers of local government (Lynch, 1991, 1992; Ertman, 1997; Wong, 1997; Hopcroft, 1999; Lachmann, 2000, 2010). Local government thus became domain of local elites, who resisted state-building unless they were either bought off by central rulers (Chen, Wang and Zhang, 2024) or removed by temporary shocks to the relative balance of power between state and elites (Garfias, 2018; Wang, 2022). Where powerful local elites remained entrenched in local institutions, early state administration evolved as a form of patrimonialism in which the privileged developed a vested interest in “vitiat[ing] any attempt at rationalizing the administration” in order to maintain their control over local rent-seeking (Hintze, 1970; Weber, 1968; Ertman, 1997, p. 1038).

Given this long history of assembly governance, or what Stasavage refers to as “early democracy,” since the beginning of human civilization, local democratization should be understood as a process of democratization rather than decentralization (Muhlberger and Paine,

household.

1993; Stasavage, 2020). Democracy delimits how power is shared and the number of people who can meaningfully influence how power is used. Democracies are contested through elections and protect the rights of voters to make their choices freely and without coercion. However, no democracy is perfect, since “no large system in the real world is fully democratized,” (Dahl, 1971, p. 8). In practice, democratic institutions have been assembled “asynchronously” in a “protracted and punctuated ‘one institution at a time’ process” in a variety of institutional sequences (Capoccia and Ziblatt, 2010, p. 940). The multiplicity of paths to democracy has led scholars to consider any “episode” of institutional change that expands the scope of democratic institutions, including parliaments, suffrage, and civil liberties (Collier, 1999), as democratization (Tilly, 2007; Ziblatt, 2017, p. 5).

Evidence in favor of the creation of local democratic institutions as a tool for central state-building has been corroborated by a small but budding research agenda spanning 1990s China, contemporary sub-Saharan Africa, nineteenth century Brazil, and the American South (Martinez-Bravo et al., 2022; Balán et al., 2022; Pardelli, 2022; Jensen, Pardelli and Timmons, 2023). Because local government is often the main site of interaction between state and society, and is therefore vulnerable to capture by local elites seeking to enrich themselves (Tsai, 2007). However, local government continues to play an outsized role in generating state capacity today, and has become the institution directly responsible for both the extraction of resources and the provision of public goods in developing contexts around the world (Tendler, 1998; Bardhan and Mookherjee, 2006; Sokoloff and Zolt, 2006; Bardhan, 2016; Bahl and Bird, 2018; Blanton et al., 2021).

Dependent Variable: Local State-Building

The predominant “bellicist” theory of state-building argues that war is the main variable responsible for revenue pressure that incentivizes states to increase capacity (almost exclusively taxation), leading to bargaining between the state and elites and the emergence of power-sharing institutions such as national parliaments that credibly commit the state to future redistribution (Levi, 1988). While this narrative is widespread, “less familiar is the argument about taxation and state capacity,” which follows that “revenue demands fostered reform of tax systems, shifting from tax farming to permanent, modern bureaucracies” (Brautigam, 2008, pp. 2-3). The missing link is the assumption that revenue pressures lead to broad general taxation and through broad general taxation lead to democratization (Moore, 2015*b*).

Broad general taxation is associated with three positive outcomes for state-building and democracy: (1) it increases state capacity by “oblig[ing] the state to invest in the creation of a relatively reliable, uncorrupt, professional career public service to engage widely with the public, collate information from many sources, assess and collect dues, and then hand them over to the state treasury,” (2) it generates responsiveness by giving states greater “incentives to promote the general economic prosperity of their country and citizens” by investing in public goods provision, and (3) improves accountability by constraining the state with the “need to govern with the consent of at least their wealthier subjects, and obliged to respect

at least the property rights of their citizens, if not their civil rights” (Moore, 2015*b*, pp. 231-233). Broad general taxation is associated with democracy because “the experience of being taxed engages citizens politically” and incentivizes taxpayers to monitor state expenditures, debate public policy, and participate directly in the policymaking process (Moore, 2015*b*, pp. 231-233).

The problem with “war made the state, and states made war” (Tilly, 1975, p. 42) is that warfare does not necessarily lead to broad general taxation, since most early modern states lacked the ability to tax the population directly (Kiser, 2022). In fact, warfare-induced revenue pressures incentivized states to hollow-out fiscal, administrative, and informational capacity in favor of timely “expedients” to meet the demands of geopolitical survival (Ertman, 1997; Hui, 2005, p. 33). One common reason warfare-induced revenue pressures failed to result in state-building was due to the obstruction of local elites who either voted down new taxes or resisted old ones. When parliaments were created, they often protected local elites’ fiscal privileges by promising exemptions, which led states to shift the tax burden onto those least able to resist by way of indirect taxes targeted primarily at the poor (Webber and Wildavsky, 1986). Nuanced accounts of this “fiscal linkage” submit that revenue pressures forced states to take the path of least resistance by bypassing elite taxation rather than bargaining over it (Levi, 1988, pp. 113-117). Lacking the informational capacity to survey local conditions to design new policies, the administrative capacity to train and monitor a professional bureaucracy, and the fiscal capacity to assess or collect new taxes, weak states turned to patrimonial solutions (Weber, 1968; Ertman, 1997).

Where states depend upon what Weber (1968) called “patrimonial administration,” states are forced to rely on local elites to collect information and raise revenue in exchange for rent-seeking. Patrimonialism is one type of extensive state-building strategy that generates short-term rents to meet pressing fiscal needs. However, rent-seeking by local elites will ultimately undermine the ability of the state to collect information or raise revenue in the future. Accounts of early modern taxation emphasize how “premodern rulers compensated for poor monitoring in three ways: using stronger sanctions, relying on agents they personally trusted, or using extreme forms of decentralization... [all] aspects of what Weber called patrimonialism, a broad concept referring to several different types of administrative forms, including tax farming and slave agents (both provide stronger sanctions); recruiting kin and agents with patronage ties (personal trust); and using feudalism, prebendalism (e.g., the Ottoman *timar* system), or local notables, e.g., English justices of the peace (extreme decentralization)” (Kiser and Karceski, 2017; Kiser, 2022, p. 80). Information on the value of assets, ability to pay, and the location of taxable resources is lost when intermediaries hand over revenue without the presence of “transmission mechanisms” (such as a bureaucracy or democracy) (Queralt, 2022) to invest short-term revenues into long-term institutions like a bureaucracy or a cadaster to codify information into know-how and knowledge (Kain and Baigent, 1992; Emigh, Riley and Ahmed, 2016, 2019). Moreover, intermediaries that benefit from such a system have little incentive to change it, further limiting opportunities for long-term investments in state capacity (North, 1990; Chaudhry, 1997; Mahoney, 2000; Mazzuca and Munck, 2020; Yamada, 2020).

If democratization theoretically shapes state-building through broad general taxation, but weak states struggle to tax powerful local elites, what role does local democratization play in generating state capacity for state-building? Importantly, the link between local self-government and taxation is not through representation, but through participation. Following scholars of development (Olson, 1965; Oates, 1972, 2005; Bird, 2010; Bahl and Bird, 2018), I argue that local self-government generates a “fiscal interest” in local participation by creating “incentives to collect information about citizen needs and to respond to them... [in order to] increase productivity in its territory... [and] secure or raise future earnings” (Poschl and Weingast, 2015, pp. 164-165).

Local self-government creates incentives for local elites to mobilize resources on behalf of the state. Beginning with information, participation in local self-government has historically been tied to tax requirements, forcing prospective candidates to publicize information on their private wealth and landowning to qualify for different electoral tiers, as was the case in Prussia and Russia. Moreover, once voted into the assembly, participation encourages local elites to reveal their private information on themselves and each other to design more effective policies, such as where to build roads or schools or how to distribute the tax burden for the community. Enfranchised local elites are also more likely to acquiesce to information collection in the form of statistical surveys like cadasters and censuses, since they now benefit from the information to design local policy, rather than viewing information collection as a threat of extraction on behalf of the central state (Emigh, Riley and Ahmed, 2016, 2019).

Additionally, local self-government promotes human capital investment in two ways. First, local self-government encourages local elites to join public service, standing for election and becoming a local elected official. Before local democratization, local government was often considered a backwater or dead-end job with little promise of promotion or status. Transforming poorly paid administrators into elected representatives encourages wealthy elites to become involved in their community to protect their own interests, which spills over into wielding their own resources on behalf of the community. Elites who boycott local self-government risk allowing the poorer median voter to make policy against the best interests of local elites, or allow rival local elites to share in the spoils. Paradoxically, local elites may even join local self-government in order to defend their own privileges. In this case, the state must balance the participation of generally well-educated and well-endowed local elites with their parochial interests. If the state can align incentives for local elites to capture local self-government while still being accountable to the elected assembly if they dare overstep their bounds, then the state can maximize resource mobilization while ensuring some level of accountability and monitoring on behalf of the greater local-government.

Third, local self-government is intimately tied to the mobilization of fiscal revenues, primarily through the expansion of the tax base to include local elites who were heretofore exempt from local taxes. In addition, the information generated by the local assembly or council can be reinvested in the assessments and collection of taxes, especially land, income, and property taxes that lose value over time as assessments become outdated, incomes change, and properties change hands. All proportional taxes are only as good as the information necessary to assess them (Seligman, 1905), making the link between taxation and

participation strongest at the local level where information on who, what, when, where, and how much to tax is unknown to the central state or extremely costly to gather by central administrators. It is no coincidence that almost all cases of local democratization coincided with the adoption of new direct taxes on voters and the abolition of old indirect taxes that lined the pockets of tax collecting intermediaries.

Beyond resource mobilization, local self-government also reduces the transaction costs for monitoring and oversight by holding local elites democratically accountable for local taxation and spending. Local governments generate reports of their activity to publicize their decision to local voters, which can be collected by the central state and forge a new link in the chain between the center and the periphery. Moreover, appeals by local governments or groups of dissatisfied voters to central judicial institutions can threaten local actors from overstepping their bounds, and hold local government accountable for delivering public goods and services for the community at large.

1.4 Scope Conditions

My analysis features three substantive, temporal, and geographical scope conditions. First, I limit my analysis of state-building to weak states. In Chapter 2, I develop an original conceptualization of state capacity, rooted in the ability of the state to mobilize three types of resources: (a) information, (b) human capital, and (c) fiscal revenue. My focus on weak states presupposes two features that limit the ability of the state to raise revenues: the resistance of powerful local elites and the lack of national representative institutions. In these cases, weak states face a vicious circle, creating a “low capacity trap” between “limited governance capabilities and clientelistic forces... that hinder the transfer of power to the state and that hence hinder governance improvement” (Yamada, 2020, p. 33). I argue that local democratization offers one way out of the “low capacity trap” by offering rulers a form of “institutional upgrading” designed to align the incentives for state-building between the central state and local elites (Yamada, 2020, p. 34).

Second, I limit my analysis to the late-eighteenth and nineteenth centuries to study local democratization in the formative era of modern state-building. This period raises questions about the scope and sequence of state-building and democratization. The “first wave of democratization” throughout the nineteenth century has recently received more attention by scholars interested in “reading history forward” to understand the origins of democratic systems (Ziblatt, 2006; Capoccia and Ziblatt, 2010; Ahmed, 2010, 2013; Ziblatt, 2017; Ahmed, 2021). Just as studies of political parties and electoral systems have looked back into the nineteenth century, I use the state-building dilemmas of eighteenth and nineteenth century rulers to understand the origins of local self-government and the long-run effects of local democratization on state capacity and state-building during this formative era of the modern state.

Surprisingly, the relationship between state-building and democratization in the nineteenth century has largely been overlooked in favor of the revolutionary origins of mass

democracy in the wake of 1848 and the growing socialist threat after 1917 (Capoccia, 2005; Ahmed, 2013). A growing literature on state-building during this period (Cardoso and Lains, 2010; Monson and Scheidel, 2015) has focused primarily on the process of fiscal centralization and parliamentary oversight (Dincecco, 2009, 2011; Karaman and Pamuk, 2013; Dincecco, 2015; Beramendi, Dincecco and Rogers, 2019), rather than taking a look at the decentralizing reforms of the same period. As Ogilvie argues, “ignoring revenues collected by lower levels of the state ignores an important component of state resources” that only increased throughout the nineteenth century (Ogilvie, 2022; Spoerer, 2004, 2008, 2010). Studies of taxation and representation in Europe have continued to approach the “state-democracy nexus” through the origins of early modern parliaments (Van Zanden, Buringh and Bosker, 2012; Cox, Dincecco and Onorato, 2023, 2024), while scholars of state and democracy in China have focused primarily on state-building tradeoffs during the Medieval period (Wang and Xu, 2018; Chen, Wang and Zhang, 2024). I join pioneering work on taxation and representation in the nineteenth century in cases as diverse as Prussia (Mares and Queralt, 2015, 2020), Brazil (Pardelli, 2022), and the American South (Jensen, Pardelli and Timmons, 2023) to develop my theory of local democratization in weak states during this pivotal era of modern state-building.

Third, I limit the geographical scope of my analysis to Europe and Eurasia, selecting cases of state-building through local democratization in the Russian Empire compared with similar reforms in the Ottoman Empire and Qing Dynasty as well as broader trends throughout Western and Eastern Europe. As a matter of scope, I aim to move the study of state and democracy forward outside of Western Europe. I focus on weak states that lacked central representative institutions and struggled to finance their foreign and domestic affairs. Despite their status as empires, the Russian, Ottoman, and Chinese states faced the same obstacles as their European neighbors: international rivalry, strong local elites embedded in semi-feudal power relations, patrimonial rule in the provinces, and the lack of central national representative institutions. Following Boucoyannis, I take the absence of central representative institutions as an important indicator of state weakness, since sustaining a national parliament “required strong and effective centralizing powers” (Boucoyannis, 2021, p. 12). Contrary to theories highlighting an elective affinity between small states and democratization (Stasavage, 2010), the organization of large empires differed more in scope than in kind from their national counterparts. Throughout the early modern period, travel was costly and centralized rule was resisted by powerful local elites, creating similar administrative challenges in large and small states alike (Kiser and Schneider, 1994).⁵

Despite a prevailing attitude in the literature to treat European states as centralized, rational-legal, and bureaucratic by following Tilly’s selection of a few success stories (“national states”) (Tilly, 1990), I draw attention to the fact that most nineteenth rulers in Europe and Eurasia squared off against powerful local elites who effectively constrained

⁵It is worth noting that “England failed in its attempt to annex Scotland, made only slight headway in Ireland and spent several centuries in gaining full control of so small a province as Wales” (Strayer, 1969, p. 5).

their state-building efforts, especially at the local level. In this way, the record of resource mobilization in Europe is not so different from that of Latin America (Centeno, 2002; Kurtz, 2013; Soifer, 2015; Mazzuca, 2021), East Asia (Kim, 2020; Wang, 2021), and Africa (Boone, 2003, 2014) where central states were bankrolled by foreign lending or lucrative exports from a few central ports while the provincial political economy was controlled by powerful local elites. Finally, extending my analysis to nineteenth century China allows me to exploit the Qing Dynasty's sudden collapse in state capacity in the aftermath of the Taiping rebellion (1850-1864), which shifted the conditions under which Chinese rulers looked for state-building strategies to keep up with their international rivals. Local democratization only presented an alternative state-building strategy to the Chinese state after the diffusion of political economic thought and the breakdown in state-elite relations, but reform arrived too late to put the centrifugal forces back in the bottle of centralized state-building.

Last but not least, focusing on Eurasia instead of Europe allows me to evaluate the importance of ideational diffusion as theories of political economy and local democracy travelled from European publishers to foreign newspapers and coffeehouses. Pinpointing the date of publication of important translations of political economic thought allows me to establish the timing of necessary conditions for establishing “no representation, without taxation”. As I develop these conditions for local democratization in Chapter 2, I emphasize how the circulation of ideas mattered in setting the stage for state-building strategies in the nineteenth century. Every major reform was preceded by meticulous research by state bureaucrats, including tours of foreign countries, exhaustive reviews of institutional design, and most importantly, the discussion of foreign texts on administrative, fiscal, and political theory, promising institutional solutions to pervasive state weakness. Rather than being lead astray by early outliers in state strength such as England, studying the emulation and diffusion of state-building strategies allows me to study the interaction between the recipients of ideas and the strategic behavior on the part of rulers searching for alternative pathways to building strong and effective modern states.

Chapter 2

Theory

In this chapter, I present my theory of local democratization as a state-building reform, a strategy used by weak states to mobilize resources when constrained by weak institutions and resistance from local elites. I develop the necessary and sufficient conditions for states to pursue local democratization as a state-building strategy and situate these variables in the historical structural changes of the late-eighteenth and early-nineteenth centuries. My theory consists of three components: (1) background conditions of state weakness and elite resistance; (2) macro-economic historical structural changes that gave states the reason to reform and elites the power to resist; and (3) the micro-economic costs and benefits of reform that made local democratization an appealing state-building strategy to align the interests of local elites with state-building goals.

2.1 State Capacity

Conceptualization and Measurement

State capacity is the ability of the state to achieve its goals. A weak state – a state with low state capacity – is a necessary but not sufficient condition for a ruler to undertake state-building reform. How can state weakness be conceptualized and measured? State weakness refers to a state that struggles to mobilize resources or mobilizes resources inefficiently. Weak states find it prohibitively costly to mobilize resources intensively, and are therefore forced to rely on extensive forms of resource mobilization that outsource information collection, human capital, and fiscal revenues to private actors. Extensive resource mobilization generates short-term gains to meet short-term goals. The shortcomings of extensive resource mobilization do not enter the calculations of rulers until states begin to elongate their time horizons and begin adopting long-term goals. When the ends of state capacity become at odds with the available means of resource mobilization, this friction leads rulers to look inward and evaluate their own state capacity. Therefore, state capacity is not just a social scientist's metric, but a historically informed concept wedded to the notion of development (Mata and

Psalidopoulos, 2001; Chang, 2002; Hont, 2005; Jomo and Reinert, 2005; Kurz, Nishizawa and Tribe, 2011).

My conceptualization of state capacity offers an institutional or “thick” perspective on the ability of the state to mobilize resources.¹ It focuses on the relationship between the state and local elites who constrain or enable the ability of the state to “penetrate and centrally coordinate the activities of society” (Mann, 1984, p. 190). This institutional approach contrasts sharply with other measures of state capacity that focus on only a single dimension (Hanson and Sigman, 2021). The most popular dimension in the literature on state capacity is fiscal capacity, often measured by central state revenues (Dincecco, 2015, 2018). However, weak states raise considerable revenues, they just do so extensively in ways that fail to generate positive externalities for future goals. This observation is at the heart of the literature on rentier states (Chaudhry, 1997) and informs recent studies of the detrimental effects of external finance on state-building (Queralt, 2022). Moreover, states depended heavily on non-tax and non-central revenues. Non-taxed revenues included forced labor, payments in kind, joint stock companies, and overseas colonies. Non-central revenues included a panoply of local taxes that were often collected by local elites themselves. Therefore, as Ogilvie argues, “an apparent gap in fiscal capacity between rich and poor economies may thus not reflect true differences in the resources the state has at its disposal but rather approaches to measurement, specifically measuring fiscal capacity through the lens of advanced rich economies” (Ogilvie, 2022, p. 35). This insight is crucial for studying state-building in the nineteenth century, when states depended not only on local taxes, but on local public goods, in order to promote the economic foundations for industrialization.

¹One of the few studies of state capacity to take such a similarly “nuanced approach to the measurement of state capacity” is Soifer (2015), who offers in-depth case studies of “service provision, extractive, and coercive dimensions” by looking closely at the “the power of the state to provide and administer basic public services” in nineteenth-century Chile, Mexico, Columbia, and Peru (Soifer, 2015, p. 9-11, Chapters 4-6). A “thick definition” of state capacity need not be strictly a qualitative endeavor. For an example of a quantitative approach to a “thick definition” of state capacity, see Costa, Henriques and Palma (2024) for a statistical dissection of state capacity early modern Portugal.

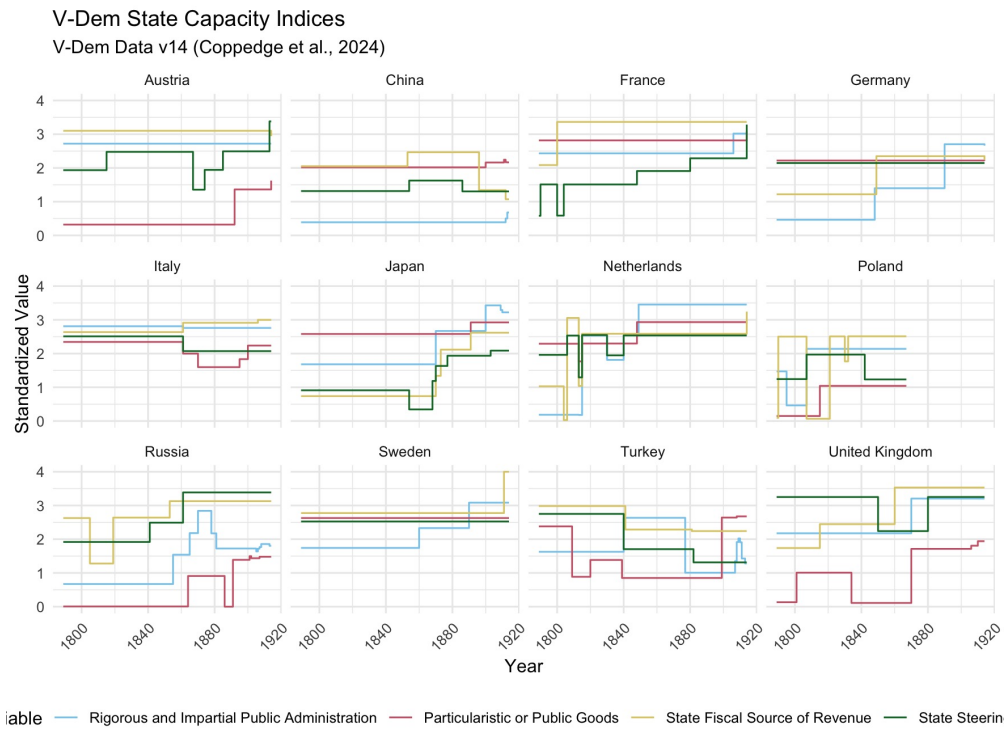


Figure 2.1: Varieties of Democracy State Capacity Indicators (Coppedge et al., 2024)

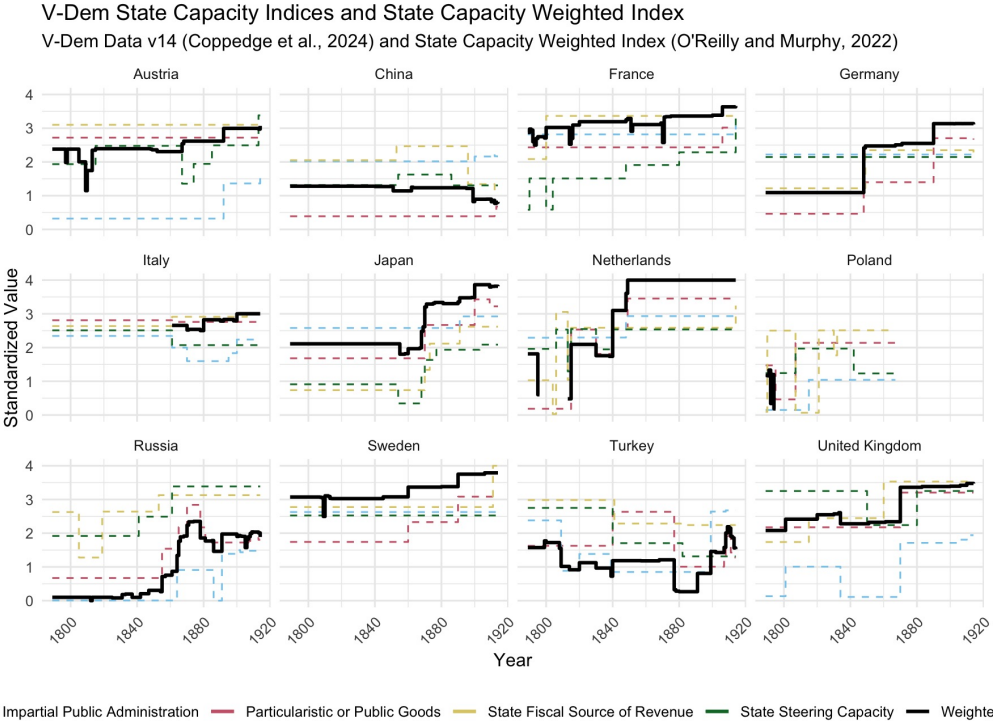


Figure 2.2: Varieties of Democracy State Capacity Index (O’Reilly and Murphy, 2022; Coppedge et al., 2024)

Disaggregating state-building into different types of resource mobilization challenges the Weberian model of state-building, which understands state development as a linear transformation from traditional patrimonial administration to modern rational-legal administration, eventually resulting in bureaucratic rule (Weber, 1968). Bureaucratization has long been considered part and parcel of how states “tighten their political and fiscal grip on their territory” (Mazucca, 2021, p. 46) by centralizing resource mobilization within a “rule-governed, formalized, and hierarchized” bureaucracy (Sule, 1988; Anter, 2014, p. 25). However, focusing only on central bureaucratization “overlooks the centuries of work that states did both to acquire resources and to win people over so that the cost of ruling... would not be prohibitive” (Hoffman, 2015a, p. 307).² Recently, scholars have demonstrated that states do not necessarily pursue state-building in the form of central bureaucratization. Some states prefer cheaper alternatives to resource mobilization that forgo rational-legal state-building altogether (Stasavage, 2020; Mazucca, 2021). For example, throughout nineteenth century

²Weber’s interest in ideal types betrays an ahistorical bias towards the modern state (Anter, 2014). Anter suggests that “the ‘modern state’ is in itself a tautology, since if we accept Weber’s position it is only the modern state that is a state” (Anter, 2014, p. 152). Weber’s state wields legitimate authority derived from the rule of law and implemented by a rule-following administration. Thus, for Weber, “state rule *is* administration” (Anter, 2014, pp. 56-57).

Latin America, state-building elites found it prohibitively costly to build a rational-legal administration to incorporate peripheral territories. Instead, rulers simply abdicated the state's territorial reach in favor of mobilizing resources from a few mining or port cities (Centeno, 1997, 2002; Saylor, 2014; Soifer, 2015; Mazzuca, 2021; Queralt, 2022).³ In addition, where state capacity is low, "it may be too costly to provide citizens' desired public goods... lead[ing] governments to systematically underinvest in fiscal capacity rather than tax and increase accountability" (Martin, 2023, p. 192). Put simply, when the costs of state-building are higher than the returns to less efficient forms of resource mobilization, rulers prefer to forgo state-building reforms. Developing a rational-legal bureaucracy is not the only path to the modern state (Ang, 2017).

Strategies

The costs and benefits of state-building offer a complex strategic choice to rulers (Garfias and Sellars, 2023). Operationalizing state-building as resource mobilization, I find that some methods are more costly than others and accrue value over different time horizons. I differentiate between two broad strategies of resource mobilization: intensive and extensive forms of state-building. Intensive strategies concentrate resource mobilization within state institutions in order to generate returns to scale over longer time horizons. Extensive strategies deconcentrate by delegating resource mobilization to private actors outside of the state in order to deliver returns over shorter time horizons. Intensive and extensive forms of state-building resemble the contrast between "self-strengthening" and "self-weakening" reforms Hui (2005). Intensive "self-strengthening" reforms are more costly, but generate positive spillover effects, making it easier to mobilize resources in the future. However, "it is also possible that states take the easier course of relying on intermediate resource holders rather than the harder course of building up administrative capacity," especially when "the establishment of efficient institutions involves much higher transaction costs in the short-term" (North and Thomas, 1973; Hui, 2005, pp. 32-33). In these cases, extensive "self-weakening" reforms offer timely returns, which are particularly valuable when rulers are risk averse or have short time horizons.

Table 1 merges intensive and extensive strategies of resource mobilization with Hui's work on "self-strengthening" and "self-weakening" reforms Hui (2005), denoting how states mobilize information, human capital, and fiscal revenues via different state-building strategies.

³Latin America pursued a "trade-led path" of state formation based on "securing abundant flows of international trade [and] the consolidation of a small number of international seaports" rather than incorporating peripheries to extract taxes as in feudal Europe (Mazzuca, 2021, p. 46). The snapshot of "a few soldiers in the main ports" (Centeno, 2002, p. 125) contrasts vividly with Mann's image of a state's "central and radial institutions penetrating its territories" (Mann, 1993, p. 59).

Table 2.1: State-Building Strategies and Resource Mobilization

State-Building Resources → ↓ State-Building Strategies	Fiscal Revenue	Human Capital	Information
Intensive	Imposition of direct taxes & promotion of economic productivity	Replacement of aristocracy by meritocracy	Conduct population censuses and land cadasters
Extensive	Reliance on indirect taxes & external finance (foreign loans)	Sale of public offices to private capital holders	Tax farming for assessment, collection, and monitoring

Intensive state-building strategies transform temporary “flows” of resources into “stocks” of state capacity by creating institutions that manage and reproduce resource investments, generating additional information, expertise, and compliance for resource mobilization in the future.⁴ Intensive state-building strategies can be expensive and may generate resistance from society in the form of non-cooperation or non-compliance, but their long-run benefits tend to outweigh the costs by providing the organizational or technological advances necessary for “institutional upgrading” (Yamada, 2020). For example, conducting land surveys (cadasters) or population censuses can have high up-front costs, but are necessary for implementing new forms of taxation, such as property or income taxes, that allow states to tax wealth proportionally. Other costs may be imposed by social resistance, such as replacing nepotism with meritocratic recruitment criteria, but once established, intensive state-building generates incentives “to safeguard organizational survival” (Queralt, 2022, p. 17). Crucial for intensive state-building is a long time horizon, which allows states to invest in returns to scale, while insulating resource mobilization from short-term rent-seeking.

Extensive state-building strategies, on the other hand, mobilize resources by using contracts and monopolies to incentive the behavior and effort of private actors. Extensive state-building forgoes the cost of institution building in favor of securing resources quickly. Extensive state-building strategies, including tax-farming, the granting of monopolies, and the outsourcing of administration to private actors, involve contractual negotiations that promise the state a fixed sum (“stock”) in exchange for control over future resources (“flows”). The state shifts the costs and risks of resource mobilization onto private actors, who in turn can recoup the costs by setting their own prices. In this way, extensive state-building can be extremely efficient in the short-term, but is often associated with over-extraction, corruption, and mismanagement in the long run.

Resources

My institutional definition of state capacity depends on three resources: information, human capital, and fiscal revenues. In the following section, I outline why each of these resources (1) is crucial for state-building goals; (2) depends on the compliance of local actors; and (3) is mismanaged in weak states.

⁴I am grateful to the late Bob Powell for suggesting this metaphor for institutional capacity.

Information

Information is the life blood of the state. According to Scott, the main task of the state is to “make a society legible” in order to achieve its goals (“of taxation, conscription, and prevention of rebellion”) (Scott, 1998, p. 8). Recent work has emphasized how the legibility of agriculture served as the impetus for ancient state organization (Scott, 2017). However, “the premodern state was, in many crucial respects, partially blind; it knew precious little about its subjects, their wealth, their landholdings and yields, their location, their very identity” (Scott, 1998, p. 8). Therefore, one of the central challenges of resource mobilization is the central collection and management of information, that makes information critical for all other forms of state capacity (Vom Hau, Peres-Cajías and Soifer, 2021).

A type of information particularly valuable to the central state is the location and value of taxable resources, mostly notably land or property values. Information on land ownership and agricultural productivity “was very limited... [and] difficult to assess... [but] essential if agrarian wealth, the bulk of national resources in most countries, was to be taxed successfully” (Black, 2008, p. 97). All around the world, the best practice for collecting and storing information on land values was through a land survey, otherwise known as a cadaster (Kain and Baigent, 1992). A cadaster is a “methodically arranged inventory of data concerning land and land ownership” that enables the state to assess the value of land and propertied assets for taxation, record land ownership, and enforce property rights (D’Arcy and Nistotskaya, 2017, 2022; D’Arcy, Nistotskaya and Olsson, 2024, p. 198). However, cadasters are notoriously intensive forms of informational capacity that require a combination of technology (map-making and surveying), local knowledge (land productivity and value), and local compliance (shared interests between the state and local landowning elites whose private property is subject to assessment) (Emigh, Riley and Ahmed, 2016, 2019, p. 407).

Historically, the ability of the state to conduct land surveys was heavily dependent upon local elites, such that “the distribution of political power shaped what information could be collected” (Emigh, Riley and Ahmed, 2016, p. 59). Where landowners held formal veto power, such as in early modern parliaments, they could stymie the valuation of their property. Elsewhere, landowners acquiesced to information collection on their property, but primarily when cadasters were not linked directly to state taxation, which reduced the obstacles faced by the state.⁵ In early modern Europe, cadasters were the enterprise of the Holy Roman Church, which based its authority to survey land for a land tax (*tributum*) on “Justinian law and the Holy Scripture” (Mannori, 2001, p. 29). However, “in spite of the benefits that this technique seemed to offer, none of the European financial systems made use of it on a large scale, at least until the 18th century” in large part due to the “the total inability of the state to get any information about the income of its subjects” (Mannori, 2001, pp. 30-31). Cadasters were only successful when and where states struck bargains with local elites by buying-off their compliance with tax concessions (Emigh, Riley and Ahmed, 2019, pp. 418-419). As Yun-Casalilla makes clear, “for the cadasters to work not only had social

⁵For example, in the early United States, land surveys were linked to frontier expansion rather than property tax assessment (Emigh, Riley and Ahmed, 2019, pp. 412-426).

resistance to be overcome, but central rulers needed to negotiate with local authorities that usually sold this information for economic, social or political advantages... [making] the dependence of central rulers on local elites for information... an essential prerequisite for taxation” (Yun-Casalilla, 2012, p. 18).

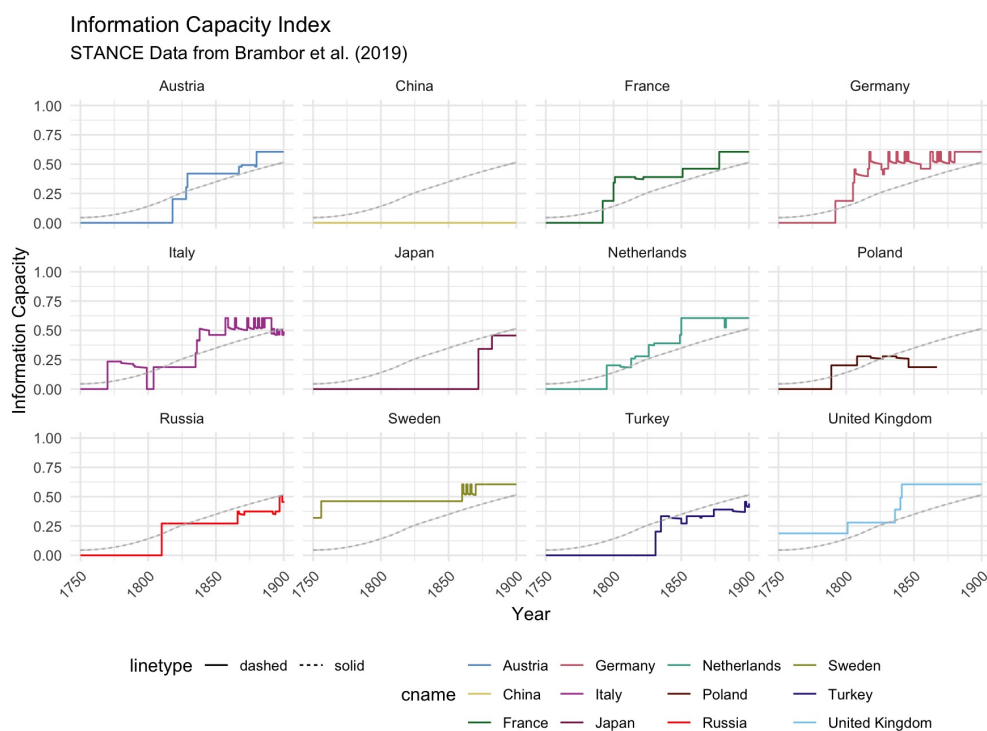


Figure 2.3: Informational Capacity Index (Brambor et al., 2020)

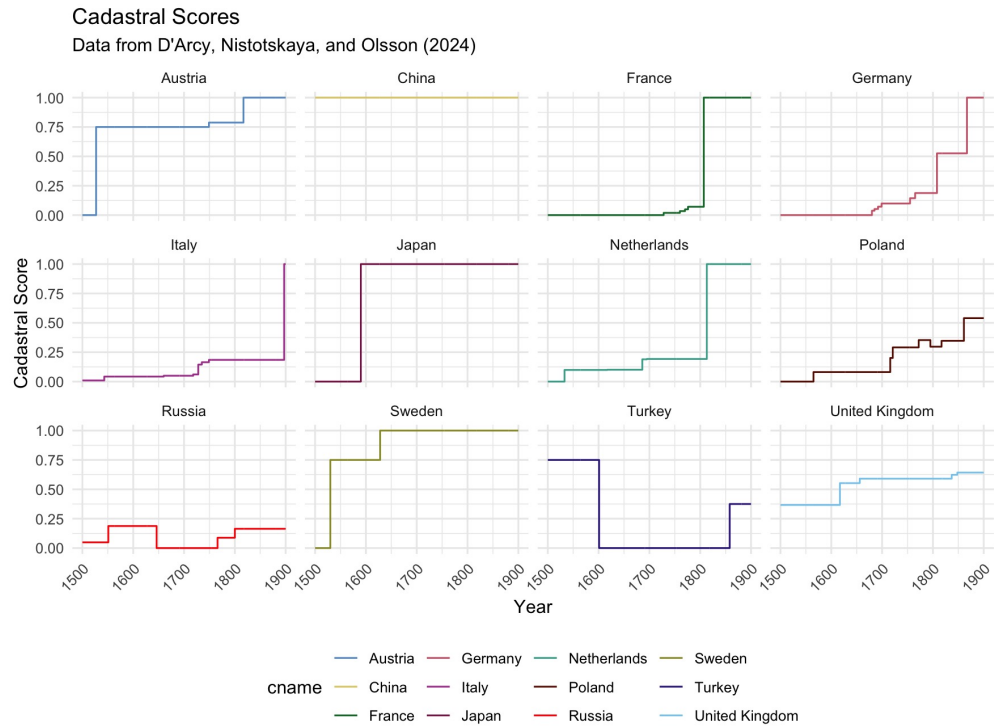


Figure 2.4: Cadastral Scores Index (D'Arcy, Nistotskaya and Olsson, 2024)

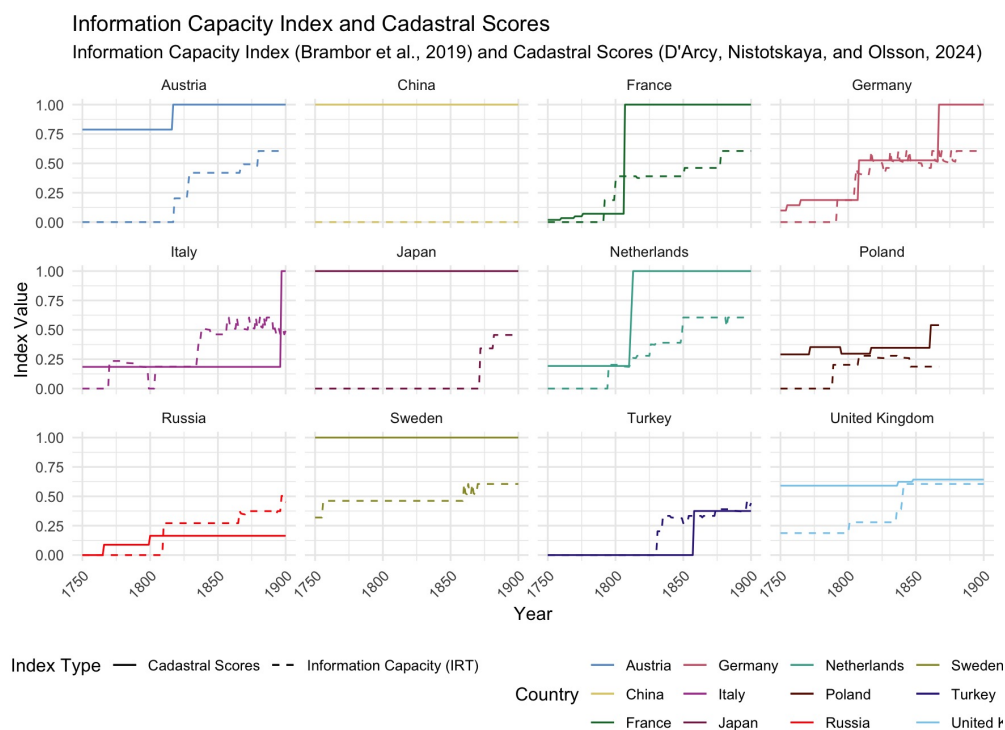


Figure 2.5: Combined Information Capacity Indices (Brambor et al., 2020; D’Arcy, Nistotskaya and Olsson, 2024)

Human Capital

Human capital refers to the “‘professionalization’ of administrative elites,” including their education, training, recruitment, and promotion (Karila-Cohen, 2022, p. 10). The main dichotomy in the literature has followed Weber’s distinction between patrimonialism and rational-legal bureaucracy, focusing on the “social recruitment of these administrative elites, that is, on the proportion of nobles or, on the contrary, the arrival of new social classes rising up through their ranks” (Karila-Cohen, 2022, p. 30). Debates over human capital have emphasized the trade-offs of rotating versus embedded elites, weighing “the need for keeping competent officials in specific posts long enough for them to become thoroughly familiar with the territory” with the possibility that “too strong a local attachment might not only lead to patrimonial regression, but to obstruction of vital central resource mobilization” (Armstrong, 1973, pp. 254-255).⁶

⁶In one extreme case, “local power-holders in nineteenth-century Sicily resisted administrative centralization... from inside the local-government structure” by using the “important powers delegated to local government by the centre – such as the allocation of public-works contracts, local tax collection and... the implementation of land reform... as the basis for an impressive web of patronage” (Riall, 2003, pp. 34-35).

A central challenge to the mobilization of human capital was low levels of education and literacy, forcing the state to rely on local elites or members of the clergy who had access to private education (Clark, 1995; Haldén, 2020). Ideally, states could “hire on the basis of merit, usually based on the results of formal exams taken after specific training” (Kiser and Schneider, 1994, p. 194). An illuminating example comes from Prussia, where “merit played a part in the hiring and promotion decisions in Prussia, but with two main exceptions: (1) permanently injured ex-military men were favored for many lower offices... (2) nepotism was common... [and] exams were not used for administrative positions until 1770” (Hintze, 1911; Kiser and Schneider, 1994, p. 194). In the absence of meritocracy, Frederick the Great favored local agents in the form of “permanently injured veterans” who depended on the state for social welfare, making them easier to control with the threat of dismissal (Kiser and Schneider, 1994, p. 195).

The challenge of recruiting local administrators are manifold: peripheral regions are unattractive locations for skilled administrators, pay is poor and monitoring is costly, and impoverished localities rarely supply their own pool of candidates (Kiser and Tong, 1992). Ambitious sons or daughters moved to cities for education or to the capital or the front for military service, which typically paid more and offered more status to aristocratic families than local administration. This void was filled by landowning elites who held land in the locality, and more often than not, states simply delegated the responsibilities of tax assessment and collection as well as substantial police and judicial functions to local landowners. When local administrators did arrive from the center, they were far from the oversight of the central state, which encouraged rent-seeking in the form of bribery and corruption.

Tax-farming auctioned off the right to collect taxes from a certain revenue source to the highest bidder, the tax farmer, in exchange for an up-front payment to the state. The tax-farming contract typically had a fixed length during which the tax-farmer paid an annual sum to the state and kept any profits that exceeded the fixed costs of the contract (including any additional collection costs). If the revenue fell short of the amount promised to the state (i.e., the tax-farmer suffered a loss) and was not repaid, the state was prepared to respond with severe sanctions (e.g., imprisonment). Tax-farming gave little incentive to re-invest in the local economy, as the tax-farmer’s profit margins were always on the line, leading to “over-exploitation of the tax source, extortion, and lack of long term investment” (Çizakça, 1996, p. 141).⁷ Tax-farmers could use their informational advantage to seek better returns against the state, since “knowledge accessible to [tax-]farmers about the volumes of local production, trade, and consumption available for taxation, the income and price elasticities of demand, for taxable commodities, as well as their potential to provoke evasion and hostility, was deliberately withheld from states in order to avoid competition and the framing of more productive contracts for the delivery of tax revenues” (O’Brien, 2011, p. 424).

⁷There are some exceptions. In Medieval Egypt, tax-farmers were encouraged to forward half their earnings to the treasury and invest the other half in local irrigation and other infrastructural projects, while in Mughal India tax-farmers were expected to “invest in agriculture in return for the potential surplus” (Çizakça, 1996, pp. 137-139). As one might expect, this rarely happened in practice.

Therefore, while tax-farming provided predictable revenues and shifted collection costs onto the private sector, patrimonial administration was not cost free (Ma, 2003). Over time, tax farmers grew in wealth and power, resulting in rampant rent-seeking. As Ma suggests, “the state’s use of tax farming to save administrative costs was at the price of a full claim on its own taxes, which had a disastrous long-term impact on the state’s finances” (Ma, 2003, p. 442). To take but one extreme example from the Ottoman *malikane* system, the state received only 24 percent of the total taxes collected by the tax-farmer, who earned more than the state (30 percent of total tax revenues) after paying a sub-system of private contractors (Çizakça, 1996, p. 166). Even in China, where the central bureaucracy had developed more oversight over tax collection through the county magistrates, officials did not have the local knowledge to collect taxes alone, and began sub-contracting with “clerks, ‘runners’ and, most of all, the knowledgeable local gentry... [who] squeeze worse than bureaucrats” (Copland and Godley, 1993, pp. 55-57).

Fiscal Revenue

Revenue is a powerful indicator of state capacity and is a vital resource for enabling state action. Studies of fiscal revenue have highlighted how different revenue sources provide different benefits to the state (Ardant, 1972, 1975). Direct taxes, such as land taxes, are “administratively complex, requiring higher levels of record keeping, transparency, and a more sophisticated bureaucratic apparatus than other revenue sources,” whereas indirect taxes “are much easier to collect and, like rents from mineral resources, do not require significant enforcement capacity” (Lieberman, 2002; Hanson and Sigman, 2021, p. 1499-1500). Direct taxation requires sustainable and often local information to update assessments in order to account for changes in ownership and value. Indirect taxation, on the other hand, is typically collected at the point of sale or ports of customs, requiring few tax officials and little information on local conditions. Another crucial difference between direct and indirect taxation is proportionality. Direct taxes require careful assessments of value, but allow states to tap income more dynamically. Indirect taxes, on the other hand, are typically fixed, and may even be disguised in value-added tax at the point of sale. The large literature on fiscal revenue sources finds that direct taxes are generally preferable to indirect taxes, but suffer from the potential costs of assessment and the resistance of taxpayers.

Direct taxation was once “the basis of the state and the key element in the whole economic system, the institution that determined the direction of the economy and defined the dominant mode of production” (Wickham, 1984, p.). The Roman Empire exemplified the spirit of direct taxation, levying a land tax based on careful assessments of the area of land each man possessed. The land tax was the primary means of raising revenue, and other taxes, including indirect taxes on merchants and customs duties “produced a tiny proportion of imperial revenues” (Wickham, 1984, p.). In the Roman Empire, “taxation dominated the economy and was the economic foundation for the state” for it “needed all the money (or food) it took in taxes... it had a lot to spend it on: the army, first and most obviously, particularly with the beginning of the major period of Germanic invasions in the late fourth

century; the vast central and provincial bureaucracy too; also the provisioning of the great cities of the empire (especially Rome and Constantinople); many public works (decorative as well as military); and extras such as the corn reserves for famine relief maintained by most responsible governments” (Wickham, 1984, p. 13).

The collapse of the Western half of the Roman Empire ended its tradition of direct taxation. Throughout the late Roman period, “as the rich obtained land... they also obtained tax liability... [and] their private interests as landowners were thus in contradiction with their interests as rulers and clients of the state” (Wickham, 1984, p. 15). Therefore, when the central state collapsed, “the rich began systematically to evade taxation” and “a vicious circle ensued, a fatal involution of the state” (Wickham, 1984, p. 18). Wickham relates the end of taxation in Europe:

“Globally, the economic dominance of taxation had vanished. And popular assumptions about the legitimacy of taxation were utterly changed too; even a tax level as relatively light as this was unacceptable. The Merovingians were strong and taxed as long as they could, which is to say throughout most of the seventh century at least. But they could not hide the fact that taxation no longer had any purpose except the exaggerated enrichment of the kings; this must indeed explain its ever-decreasing legitimacy. There was barely anything to spend it on any longer. The army was landed; the administration (except the tax collection mechanism itself) was rudimentary by Roman standards; the vast fiscal lands which the kings controlled were enough for their everyday needs. The only thing that the tax system was good for was to give away in gifts, particularly as exemptions to the church, for short- (or long-) term political gain” (Wickham, 1984, p. 22).

Without a legitimate claim on direct taxation, early modern states extracted revenue primarily from state-owned land (the royal demesne), and approached the direct taxation of powerful landowners hesitantly, appealing for “extraordinary” taxes only in times of emergency, which were often refused by local elites (Bonney, Bonney and Ormrod, 1999). However, the commercial revolution and the rise of long-distance trade gave states an opportunity to start taxing sales and customs. The shift from direct to indirect taxation “prolonged traditional alliances between old elites and the state because they reduced the latter’s need to instigate fundamental changes in social and institutional systems” (Yun-Casalilla, 2012, pp. 10-11).⁸ New flows of foreign trade made customs taxes both lucrative and politically convenient, because “these tax instruments tended to shift the burden of taxation to foreigners and a relatively small number of merchants... avoid[ing] the political cost of negotiating with Parliament” (t Hart, Brandon and Torres Sánchez, 2018, p. 6). Where merchants did

⁸This bargain is also highlighted in Van Zanden et al. who note that “after the financial and the military revolutions of the late medieval period and the sixteenth century, kings did not need parliaments any more to raise new taxes, but parliaments of course defended their privilege that no taxes could be introduced without their approval” (Van Zanden, Buringh and Bosker, 2012, p. 852).

hold political power, as in the Dutch Republic, the state “instead chose the instrument of excises, since raising customs was unpopular with the politically powerful merchant communities, who were keen to keep the costs of trade as low as possible” (‘t Hart, Brandon and Torres Sánchez, 2018, p. 6).⁹ Excises on consumption goods, commonly alcohol (beer, wine, and spirits), tobacco, and salt, became paramount in state budgets as indirect taxes quickly became “the mainstay of almost all early modern states” (O’Brien, 1988, p. 26). As Adam Smith recognized, “the impossibility of taxing the people, in proportion to their revenue, by any capitation seems to have given occasion to the invention of taxes upon consumable commodities” (Smith, 1976, p.).

The rise of indirect taxation allowed rulers to shift state extraction onto those with the least ability to resist, since “there was little political cost in levying a tax as long as it fell only on outsiders” (Webber and Wildavsky, 1986, p. 197). The new taxes were “imposed on imports by sea or through city gates,” placing the tax burden on consumers of salt, grain, bread, meat and wine. Without a tax bureaucracy to collect indirect taxes, the same local elites who shifted taxation away from themselves were hired as tax-farmers to collect indirect taxes on behalf of the state. The state sold tax-farming contracts to elites, who paid up-front to collect indirect taxes over a set period, creating incentives to line their own pockets by extracting the maximum yield for these least investment. The timing of early parliamentarization and fiscal immunities before the wide-scale adoption of indirect taxes meant that “the shift to indirect taxation that nobles largely avoided [coincided as] nobles began to vote on taxes that they did not pay” (Barzel and Kiser, 2002, p. 49). Having “failed to acquire power to tax,” the state “fell back on indirect techniques for mobilizing resources” (Webber and Wildavsky, 1986, p. 203) that transformed the fiscal system while leaving elite privileges in place with long-standing implications for the social origins of state-building. In cases that retained a reliance on personal taxes, “regular direct taxation was possible essentially because it fell only on the peasantry” (Bush, 1967, pp. 334-335).

2.2 Preconditions for State-Building in Weak States

The Origins of State Weakness

Territorial conflict during the early stages of state formation in Europe helped entrench feudalism by empowering local elites with land and labor in exchange for military service (Bloch, 1961). A weak ruler under external military threat, “lacking the resources to pay and equip a centrally administered force... spoliated Church land and distributed it as benefices to his cavalry” (Downing, 1992, p. 23). The ruler distributed a parcel of land and/or labor to a military elite, typically an armored cavalryman, to pay for the upkeep of his horse and arms. In exchange, the vassal owed military service to his lord, while receiving

⁹The Dutch East India Company, for example, “paid hardly any customs, for instance, whilst monarchs elsewhere used such monopolistic trading agencies as milking cows for the state treasury” (‘t Hart, Brandon and Torres Sánchez, 2018, p. 6).

an “exemption... from the direct effects of public authority” (Hintze, 1975, p. 311). In practice, the feudal system molded an elite social terrain that allowed the state to meet its external military needs while creating a system of exceptions and immunities for local elites, who “felt themselves equally compelled to combine and to form a united front to maintain their liberties and privileges within the consolidating state” (Hintze, 1975, p. 313). Under geopolitical anarchy, feudalism became entrenched early in continental Europe beginning in the ninth century, while delayed integration into the international system only postponed “the process of aristocratization” as the “growth of cavalry-based armies drawn from the tax-exempt landowning aristocrats” spread throughout the European periphery in the 12th-13th centuries (Poulsen, 1995, p. 108). Similar feudal systems can be found across Eurasia in the Russian Empire, Ottoman Empire, and Japan, wherever weak states were dependent upon the recruitment of “officials granted land and bound in personal fealty to a lord” (Hintze, 1975, pp. 169-170).¹⁰

Feudalism prevented most early modern states from developing the ability to tax effectively. This left European monarchies with “the medieval reality” of a “system of feudal and seigneurial relations [with] no general sovereignty to impose universal taxes for the sakes of the realm” (Isenmann, 1995, p. 34). Instead, rulers taxed their own domains, generated revenue from natural resources (especially mining), or captured wealth during military campaigns in the form of plunder or tribute from conquered communities. The private power of feudal elites limited the reach of the state to the royal domain, land that was rented to peasants who worked the land and provided payments in kind. In addition, the ruler’s monopoly “over essential capital facilities”, from flour mills to breweries and distilleries, generated revenue in the hands of the state, rather than extracting from others. As the case of early state strength in England made clear, increasing extraction was only possible where the expansion of the royal domain came at the expense of the old elite and the conditional landholding of the new, which generated revenue in the form of military service and scutage from the dependent noble lords.¹¹ In continental Europe, ordinary revenues came from farming on demesne lands and levies from the judiciary and state forests, while in the Nordic kingdoms “only defeated rebels, conquered territories and outlying regions were liable to taxation” (Poulsen, 1995, p. 106).

When weak states attempted to tap new revenue sources, such as the Crusade taxes in France during the twelfth century, they were resisted by powerful local elites. In general, “in those areas where the aristocracy enjoyed much greater jurisdictional rights... the king’s direct fiscal authority was inevitably much more circumscribed” (Ormrod and Barta, 1995, pp. 72-73). With the feudal fiscal system imposing high transaction costs on extraction, and without other revenue sources available, states adopted a strategy of territorial aggrandize-

¹⁰Hintze argues that feudalism “was, as it were, an extensive kind of political formation in which there was an obvious discrepancy between the extent of the area to be governed and the available means of intellectual and political control” – an attempt by a weak state to survive in the international system (Hintze, 1975, p. 170).

¹¹Ormrod and Barta use the more provocative title of “tenants-in-chief” in the king’s own “suzerain” to describe the position of the English nobility after 1066 (Ormrod and Barta, 1995, p. 61).

ment in search of tribute and natural resources (including gold and silver). This strategy explicitly avoided taxing elites, making the nobility a “conditioning, and usually limiting, factor in the development of state finance” (Ormrod and Barta, 1995, p. 79). The social origins of state development precluded state-building in favor of revenues “which were accessible without sophisticated levels of fiscal capacity” (Cantoni, Mohr and Weigand, 2022, p. 7).

Slow-moving historical structural changes in the geopolitical environment and fiscal systems of early modern states shifted the balance of power between rulers and elites over the course of the 13th-15th centuries. The ratcheting cost of warfare created new revenue problems for the state, leaving rulers with two options: “to exploit their existing fiscal systems more fully, or to develop fundamentally new forms of revenue” (Ormrod, 1995, p. 125). Despite external military pressure, war did not lead directly to state-building, as “the administrative burdens of war, coupled with the need for political support at home, could in the short term at least act as a real disincentive to fiscal development” (Ibid.). The search for new revenue sources created an incentive to directly tax the principal sources of wealth in the national economy. However, those in possession of taxable wealth had been granted tax exemptions through traditional feudal privileges or military service, so that “where social groups had enough autonomy to bargain hard on taxation... rulers’ demands were resisted” (Boucoyannis, 2021, p. 305).

Against this backdrop of heightened geopolitical competition, rulers were in desperate need of revenue. Some turned to the international credit market, but “in the absence of long-term credit structures... medieval states could only continue to raise loans if they had large, reliable and easily realizable assets out of which creditors could be repaid” (Ormrod, 1995, p. 128). There was no escaping direct taxation, and this unrelenting fiscal pressure forced rulers to unilaterally impose taxes on the population for the first time. However, rulers “lacked the powers – a bureaucracy, a centralized system of taxation – to impose their will, and therefore had to negotiate with other power-holders” (Van Zanden, Buringh and Bosker, 2012, p. 846). It was this incapacity to tax that led rulers to bargain with local elites, summoning them into representative assemblies to approve extraordinary taxes for war-time spending, transforming consultative assemblies into early modern parliaments. However, early modern parliaments did not lead to increases in direct taxation. Parliamentary representation transformed local elites into national elites, giving them the power to protect their private incomes and shift the tax burden onto those least able to resist. The next section explores the second background condition: the resistance of local elites to state-building reforms. This section examines the origins of elite resistance, the involution of patrimonial rule, and the constraints placed on information, human capital, and fiscal revenues.

Elite Empowerment and Resistance

Elite empowerment and subsequent resistance to central state-building was a byproduct of the way in which states mobilized resources in the wake of state formation. When and where rulers established a claim over the monopoly of violence within a delimited territory,

they faced external threats from neighbors and rivals. Rulers depended primarily on their extended household for administration and captured resources either through military conquest or by extracting from their own domains (the royal demesne) (Bonney, Bonney and Ormrod, 1999). As such, rulers lacked the power to make claim to resources beyond their own reach. The ratcheting cost and frequency of warfare put pressure on states to mobilize new resources. States turned to landowning men to provide military service and hand over tax revenue from their estates. In exchange, the state granted them special status, transforming landowners into local elites with a range of exemptions and privileges (Bush, 1983; Clark, 1995; Haldén, 2020). As rulers developed a dependency on their private resources, local elites grew attached to the rights they were granted and defended them from the encroachment of the central state. This development resembles the process of “involution” coined by Duara (1987), which describes a “variation of the state-making process wherein the formal structures of the state grow simultaneously with informal structures... [w]hile the formal state is dependent upon the informal structures to carry out many of its functions, it is unable to extend its control over the latter” (Duara, 1987, pp. 132-133).

State involution challenges the record of war-driven state formation in Europe (Wong, 1997; Rosenthal, 1998; Rosenthal and Wong, 2011). It is undoubtable that warfare created incentives to mobilize resources, but “it also increased the dependence of still-fragile polities on the small group of elites in possession of the administrative, judicial, military, and financial knowhow and resources vital to state expansion... [who] were in turn able to exploit their strong position... to lay the groundwork for the future appropriation of vital state functions” (Ertman, 1997, pp. 36-37). External threats shortened rulers’ time horizons, leading states to prioritize quick, cheap, and extensive forms of resource mobilization that embedded local elites in a system of patrimonial rule. Local elites “succeeded very soon in their insistence that the ruler’s local official be an owner of landed property in the district and thus that he be taken from the stratum of local land-owning notables” (Weber, 1968, p. 1057). Patrimonial administration ensured that private resources flowed to the center in exchange for the monopolization of local resources by local elites.¹²

Patrimonial rule led to “the monopolization of offices by status groups” who were compensated by “benefices in kind and fees” for their services (Weber, 1968, pp. 1027-1031).¹³ Under patrimonial rule, elites are given “lucrative rent-seeking opportunities in return for their political support”, which in turn creates interest groups of “clientelistic, rent-seeking

¹²Examples of these patrimonial officials include “the English sheriffs and justices of the peace as well as of the Prussian Landräte... [whose] nominating committees were controlled by the large landowners of a county... [and] succeeded in usurping de facto the office patronage of large areas” (Weber, 1968, p. 1057).

¹³In his more comprehensive definition of patrimonialism, Weber identifies a longer list of compensatory privileges provided to local elites in exchange for the delivery of resources, noting that “the local patrimonial lords are guaranteed authority and economic control over their retainers insofar as this is compatible with the ruler’s interest in taxation and military recruitment; that they completely control the local administration and the lower courts which have jurisdiction over their retainers; that they represent the latter vis-a-vis the prince and his officials; that all state offices or at least a large percentage of them, especially all or almost all officers’ posts, are reserved for them; that they do not pay personal or real estate taxes, and that as ‘nobility’ they enjoy extensive status privileges” (Weber, 1968, p. 1064).

forces” (Yamada, 2020, p. 33) who “seek to maximize profits from their economic assets, which entails avoiding expropriation as well as minimizing their future tax burden” (Garfias, 2018, pp. 340-341).

Local elites soon developed a vested interest in “vitiat[ing] any attempt at rationalizing the administration” in order to hold on to the rents accessed through their privileged positions (Weber, 1968, p. 1038). Patrimonial rule deepened the structural dependency of the state on private capital because weak states lacked the “transmission mechanisms” (Queralt, 2022) to transform “flows” of resources into “stocks” of state capacity. It follows that “under the general conditions of patrimonialism... and thus of an administration which requires ‘experience’ and at most concrete skills (such as writing), but not rational specialized knowledge, the position of the local official was determined by the weight of his own social prestige... [allowing the] property owning, especially the land-owning stratum of the subjects [to] easily monopolize the local offices” (Weber, 1968, p. 1040). Patrimonialism became entrenched where local elites were able to “cut off the direct relationship between ruler and common subjects and to direct both exclusively to the local office incumbent for their respective claims – for taxes and military service, on the one hand, and for legal protection on the other” (Weber, 1968, p. 1058).

Elite resistance blocked intensive forms of state-building, leading the state to pursue extensive forms of resource mobilization. The following section details how elite resistance impacted the collection of information, the recruitment of human capital, and the extraction of fiscal revenues. Insecure rulers “[bought] the support of the nobility by exempting them from taxes... in effect, [buying] the support of the nobility with resources confiscated, albeit indirectly, from other taxpayers” (Barzel and Kiser, 2002, pp. 499-500).¹⁴ As Kiser aptly notes, “class power limited state revenue... premodern autocrats needed the support of aristocratic landowners (and often the leaders of religious organizations) to maintain their power, and they purchased that support almost everywhere by giving them an exemption from (at least direct) taxation” (Kiser, 2022, p. 19). These representative assemblies participated directly in the administration and collection of taxes, providing “a practical alternative to the development of a bureaucratic machine by the state” (Carsten, 1959, p. 429) and creating an “estate tax system, administered by a bureaucracy of the estates” (Schumpeter, 1954, p. 15). The timing of early parliamentarization with respect to the shift from direct to indi-

¹⁴Once empowered in central or provincial parliaments, “the individual estates for the most part saw themselves as defenders of group privileges”, further resisting the centralization and rationalization of state capacity (Ertman, 1997, p. 87). Members of the corporate estates quickly found that they had “acquired certain ‘freedoms’ as a result of negotiations with the king, privileges that they carefully protected” (Ertman, 1997, p. 87). Ertman documents “the pervasiveness across much of the continent until the 19th century and beyond of patrimonial practices like proprietary officeholding, tax farming, and ‘inside’ finance, with their accompanying inefficiency, arbitrariness, and diversion of substantial public revenues into private hands, underlines just how difficult it is to construct effective and honest administrative and financial infrastructures as part of the process of political development” (Ertman, 1997, p. 321). Boucoyannis also concludes that “the bargaining that occurred under severe war pressure thus indeed led to a ‘permanent system of taxation’... however, this did not lead to enduring representative institutions; it led to noble privileges instead” (Boucoyannis, 2021, p. 140).

rect revenues also coincided with another transformational historical structural change: the growing redundancy of feudal elites as military servitors. As the Military Revolution shifted the nature of warfare from heavy cavalry to large standing armies, the reliance of the state on its military elites came under threat. Fearing obsolescence, elites turned back to the land to protect their income, accepting their position as powerful landlords. Noble landownership came with commensurate privileges; for example, “in Hungary, the Danubian Principalities, Livonia, Poland, Electoral Saxony, much of the kingdom of Prussia, Lower Saxony, and Denmark, the state levied no taxes on land registered in the rolls as noble land” (Blum, 1978, p. 21). Elites were also responsible for collecting the taxes owed by the peasants who worked the land, turning landlords into tax collection agents of the state who “profited from their fiscal responsibilities by levying more than the state asked for and pocketing the surplus” (Ibid., pp. 23-24).

2.3 Historical Structural Change

International Competition and Rivalry

The relative weakness of European states throughout the early modern period (Stasavage, 2020) was conducive for creating a international system filled with competition, mimicry, and emulation. Just as rivalries between church and state led to one form of institutional isomorphism in the form of state functions (Grzymała-Busse, 2023), competition in the international arena encouraged rulers to find ways to “catch up” and “get ahead” by copying the leading economic powers of the age (Jomo and Reinert, 2005). This impulse, coined “jealousy of trade” (Hont, 2005) unleashed a flurry of publication on economic theory and praxis, changing how rulers conceptualized their role in “furnishing the state with ready means” (Magnusson, 2016, p. 62).

An important theme found in the earliest political economic texts was the development of an “economic reason of state” that justified an active role for the state in promoting economic growth. The “economic turn” in Enlightenment Europe (Kaplan and Reinert, 2019) introduced and popularized the concept of “political economy” between the late Renaissance and the late Enlightenment, spanning the first mention of political economy in Montchrestien’s *Traité d’économie politique* (1615) to the establishment of the first university chairs of economic science (cameralism) in continental Europe in the 1720s. By the 1750s, “‘economic affairs,’ ‘economic descriptions,’ ‘economic government,’ and ‘the economy of states’” were debated in economic periodicals ranging from the Iberian Peninsula to the Baltic Sea (Kaplan and Reinert, 2019, pp. 3-4).

The rise in economic thinking reflected a new understanding of state policy as something independent of the household economy of the ruler. Earlier conceptions of economic affairs were rooted in a moral economy of “good government” of the “common wealth” or “common weal” (Hobbes, 1588-1679). The early modern economy was seen as an extension of the patriarchal tutelage of the ruler. As Rossner notes, “the idea of a benevolent-proactive ruler

as their country's *oekonomus* or steward... had [its] roots in Aristotelian texts, circulated in Roman legal theory, and [was] early infused with Christian teaching" (Rossner, 2023, pp. 48-59).

Beginning with Machiavelli's *Il Principe* (1532), "the pursuit of national advantage and princely glory" justified international competition over territory, which gave rise to the accumulation of economic resources and a *raison d'état* based on the increase of military power (Hont, 2005, pp. 11-17). By the late sixteenth century, Botero's *Della Ragion di Stato* (1589) offered a clear separation between the ruler and the state in the name of "stable rule" using "the means by which such a dominion may be founded, preserved and extended" (Horcher, 2016, p. 193). Botero related wealth to the power to act, inverting Machiavelli's assumption that "power" led to "plenty" by making "plenty" the key to "power". This formulation founded the idea that "good government relied on a prosperous economy" (Magnusson, 2015, p. 55).

As competition between states was realized in terms of economic growth, relative late-comers looked towards the leading economies in the international system to devise catch-up strategies. The first economic treatises in English envied the Dutch economy, including Mun's *England's Treasure by Foreign Trade* (1664), Temple's *Observations upon the United Provinces of the Netherlands* (1673), and Cary's *Essay on the State of England* (1695). All three foundational texts argued for the creation of wealth through state intervention in the economy by stimulating trade and protecting domestic manufacturers with state controls over quotas and tariffs and the distribution of monopoly rents (Ekelund, XXXX, pp. 388-390). This strategy became the theoretical basis for a broad economic theory known as mercantilism. Similar strategies were echoed in Spain by Ortiz's *Memorial* (1558), in Naples by Serra's *Breve Trattato* (1613), and in Austria by Becher's *Politischer Discurs* (1668), all looking for ways for backward regions to emulate the leading trade trading powers of the time: the Netherlands, Venice, and Genoa.

The analysis of mercantilism as state-building (Roscher, 1974; Schmoller, 1884; Heckscher, 1931) and even as a form of development economics (Magnusson, 1993, 2009, 2015; Reinert, 2006, 2007) has challenged long-standing views of mercantilism as a myopic theory of balance of payments by hoarding bullion and specie – the critique levied by Adam Smith in *The Wealth of Nations* (1776). Mercantilism can be understood as a broader strategy to "to boost the wealth and power of a state within an integrated world economy through trade restrictions of a selective kind that were strategically designed to support specific domestic economic sectors, particularly local industry" (Rossner, 2023, p. 10). However, not all states could pursue the same policies of catch-up as the Atlantic trading states. The continental response to Hume's "Jealousy of Trade" (1758) was the theory of cameralism, broadly understood as a strategy to "create wealth, substituting manufacturing for silver mines as sources of the wealth of nations: productive subjects, well-governed markets, cohesive states and integrated market economies... oriented at state formation and consolidation" (Rossner, 2023, p. 17). Cameralism also developed out of competition and emulation of economic success stories, the subject of Seckendorff's *Teutsche Fursten-Stat* (1665), written in the wake of Saxony's defeat in the Thirty Years' War (1618-1648). Saxony was left with a "peace offer

promising large demobilization payments” despite the fact that the state “had no resources in the way of mining yields... no access to any waterways... [nor was] prone to any commercial crossroads, and did not have customs fees of any significance” (Backhaus, 2009, p. 3). This left cameralists to look inside of the state for new sources of development:

“Cameralists aimed to create wealth, substituting manufacturing for silver mines as sources of the wealth of nations: productive subjects, well-governed markets, cohesive states and integrated market economies... oriented at state formation and consolidation this entailed the spatial ordering and regional subordination of economic peripheries... [and the] reduc[tion] [of the] social powers and privileges of the nobility” (Rossner, 2023, p. 17).

Seckendorff’s treatise was directed at state administrators whose responsibility was to grow the treasury (camera) by finding ways to add value to production. Cameralism developed into a full-fledged administrative science combining Wolff’s model of “states actively engineering social and economic development” in *Grundsätze des Naturund Völkerrechts* (1754) with Justi’s landmark publication *Staatswirtschaft* (1758) that focused on “creating, rather than destroying or simply redistributing someone else’s wealth” to maximize the “Public Happiness” (*Gluckseligkeit*) (Rossner, pp. 59-61). Cameralist texts were translated widely in the second half of the eighteenth century, reaching from German into Portuguese, Spanish, Swedish, Danish, Norwegian, and Russian.

The Rise of Political Economic Thought

The destruction wrought by the Seven Years’ War (1756-1763) devastated Europe’s economies, engorged states’ debts, and gave urgent necessity to new forms of economic growth. The German states, England, Austria, France, Russia, and Sweden were swept into a continental war, while England, France, and Spain competed over their colonial possessions in the New World. According to Scott, “in each country the fighting had overwhelmed the established and essentially patrimonial system, which could not handle the new levels of debt with sufficient speed, and so made it essential to overhaul the entire... system” (Scott, 2011, p. 433).

In the period from 1763, which followed the Seven Years War, most European states’ finances were extremely strained and the threat of ‘general bankruptcy’ loomed over Europeans’ thoughts. The war escalated a long-standing structural problem: the ‘increasing expansion of public and particular state activities’ could no longer be accommodated within the existing fiscal framework. This was also the contemporary view. ‘In all advanced countries’, noted Voltaire, ‘the taxes are very high because the tasks of the state are very heavy.’ (Schui, 2007, p. 38).

Following the Seven Years’ War, most states attempted to recover by either raising more in taxes or borrowing on foreign markets. Raising post-war taxes was unpopular, mainly

affecting the exhausted peasantry, and barely touched those landowning elites with the ability to pay. Therefore, most states turned to borrowing, which was an effective solution for short-term recovery, but placed severe stress on post-war public finances (Riley, 2009; Scott, 2011). However, borrowing did not simply allow states to escape the responsibilities of raising taxes, since “Without a reform of the tax system and a tax plan, [the state] could not convince the capital markets to lend to it at low interest rates” (Legay, 2009, p. 190).

The main political tension handicapping economic recovery was the reliance of ancien régime states on a system of patrimonial administration in which landowning elites retained traditional fiscal privileges including tax exemptions, monopolies on tax collection (tax-farming), offices for rent, and a general resistance to share information with the state. This portrait of a mercantilist economy interspersed with rent-seeking elites led Ekelund and Tollison (1980, 1981, 1997) to characterize eighteenth century economies as “rent-seeking societies” leading them to argue that “mercantilism was a process of rent seeking on the part of monarchs, aristocrats, entrepreneurs, local regulators, large landowners, and other interest groups... [in which] the outright venality and attempt to monopolize segments of the economy where it was profitable was at the heart of royal, aristocratic, entrepreneurial and business motives for internal policy in the powerful economies of England, France and Spain as they emerged from feudalism and the medieval period” (Ekelund and Thornton, 2020, p. 141).

Ekelund and Tollison’s view of mercantilism has been critiqued by economic historians for blurring the lines between economic theory and practice (Magnusson, 1993; Rossner, 2015), but it is hard to deny that the “economic reason of state” as developed in mercantilist and cameralist thought was in tension with feudal elites. Justi’s cameralist doctrine explicitly “aimed to reduce social powers and privileges of the nobility” since the landowners’ “exaction of feudal levies and other rents including compulsory labor services directly infringed upon peasants’ productive capabilities and thus state capacity” (Rossner, p. 17; 48).

Nonetheless, administrative reforms proposed by the new paradigm of mercantilist and cameralist political economy battered up against the political resistance of privileged elites, who blocked attempts at cadastral surveying (), public auditing (Legay,), and the construction of rational-legal bureaucracies on the basis of meritocracy rather than traditional status hierarchies (). Resistance to reform slowed down the translation of mercantilist and cameralist political economy into institutional change, since as Scott describes, “there were in practice real limitations on the authority of central government in later eighteenth-century Europe... [that] arose from two particular circumstances: the structure of European states and the relatively small size of the administrations which sought to implement the changes” (Scott, 1990, p. 21).

The most extreme case can be found in Spain, where bureaucrats were well aware of Spain’s economic deficiencies, attempted to seize control through a policy of mercantilist growth, and were systematically defeated. As Grafe writes, “mercantilist policies threatened to make the state fiscally weaker rather than stronger in Spain, and they thus were a practical impossibility in a time of extreme fiscal distress” as “attempts to reform and unify the tax system not surprisingly stumbled time and again... [as] reforms aimed at simplifying and

unifying the Castilian tax system collapsed in the face of concerted resistance” (Grafe in Stern and Wennerlind, 2014, p. 248, 255).

Political economy (oeconomy) has its origin in the marriage of two Enlightenment discoveries: the independent sphere of the economy – separate from the management of household affairs of the ruler (oikonomia) – and the conviction that wealth could be created by design by investing in the common good, rejecting the “zero-sum model of the universe” codified by Aristotle in favor of a scientific model of economic growth (Jomo and Reinert, 2005). The Enlightenment gave birth to new conceptions of the future as “principally open, plannable and manageable,” which allowed economic policymakers to extend their time horizons and make long-run investments in state capacity (Rossner, 2023, p. 18).

By the mid-1750s, it was common place for political economists to write about “how a state [polity] should be furnished, whose inhabitants were not only to preserve their yearly income, but in fact make them reasonably grow.... The Policey science has wealth as its main aim, to avoid poverty and increase people’s wellbeing” (Darjes, *Erste Gründe der Cameral-Wissenschaften* (1756) in Rossner, 2023, p. 42). The focus on common good reflected a growing awareness of the people’s (or public’s) economic happiness (Glückseligkeit) – a term popularized by Justi (). Rossner summarizes this trend as “public happiness, individual wealth and state power were intrinsically linked... healthy, wealthy and happy subjects would pay taxes sufficient to maintain powers of state” (Rossner, 2023, p. 59). The connection between public happiness and the condition of taxpayers betrayed the inconsistencies in feudal privileges. “The nobility with their exaction of feudal levies and other rents including compulsory labour services directly infringed upon peasants’ productive capabilities and thus state capacity” (Rossner, 2023, p. 48). Accordingly:

No nobleman ought to use their prerogatives of birth in the common way by sucking the blood out of their feudal subjects; best would be to abolish noble privileges altogether. Tax farming – the practice of handing over the administration and collection of taxes to private entrepreneurs in return for lump-sum annual payments of cash – should be aborted. The state apparatus should be slim and bureaucracy effective. The state could borrow money but must always be a safe and reliable creditor. (Justi, 1761 in (Rossner, 2023, p. 60).

I draw attention to a deeper structural transformation that precedes both the industrial revolution and the Napoleonic Wars, and can therefore be more meaningfully applied to cases outside of Western Europe. I focus on the interaction between competition, diffusion, and reform in creating an “economic reason of state” that outlined a long-term perspective on economic growth and the future returns to investing in state capacity (Rossner, 2023). As states sought to take an active role in economic development (“the visible hand”) to catch up to their rivals and pay back their debts, they looked for new ways to stimulate economic growth, which in turn depended on ensuring the provision of public goods and regulating an increasingly complex market environment bridging town and countryside. This task confronted nineteenth century states across Europe, Eurasia, East Asia, and the New

World, and as competition drove diffusion and innovation, intensified the political friction between rational-legal state-building and the feudal privileges of patrimonial elites.

The dissemination of political economy provided rulers and their bureaucracies with a common framework linking political and economic reform, which conditional on “falling behind” in terms of economic growth and rising debts, gave states new solutions which could not have been envisaged before. The rest of this chapter will discuss the rise in political economic thinking, how it was disseminated to the Russian Empire, and how the solution it provided was implemented in the wake of a post-war debt crisis.

The Empowerment of Local Elites

Many scholars depict an eclipse of the feudal aristocracy with the rise of centralized states with sweeping statements such as “as the threat of conquest by the largest states grew more serious, ever more rulers bypassed, suppressed, or co-opted old intermediaries and reached directly into communities and households to seize the wherewithal of war” (Tilly, 1990, p. 104). While the power of the feudal aristocracy had waned in the early modern period, three trends reinforced the power of landowning elites during the late eighteenth century: a rapid increase in Europe’s population, growing demand for food in cities and the resulting increase in grain prices and land values, and favorable climactic conditions between XXXX-XXXX that as Voltaire cited “turned to reasoning about grain.”

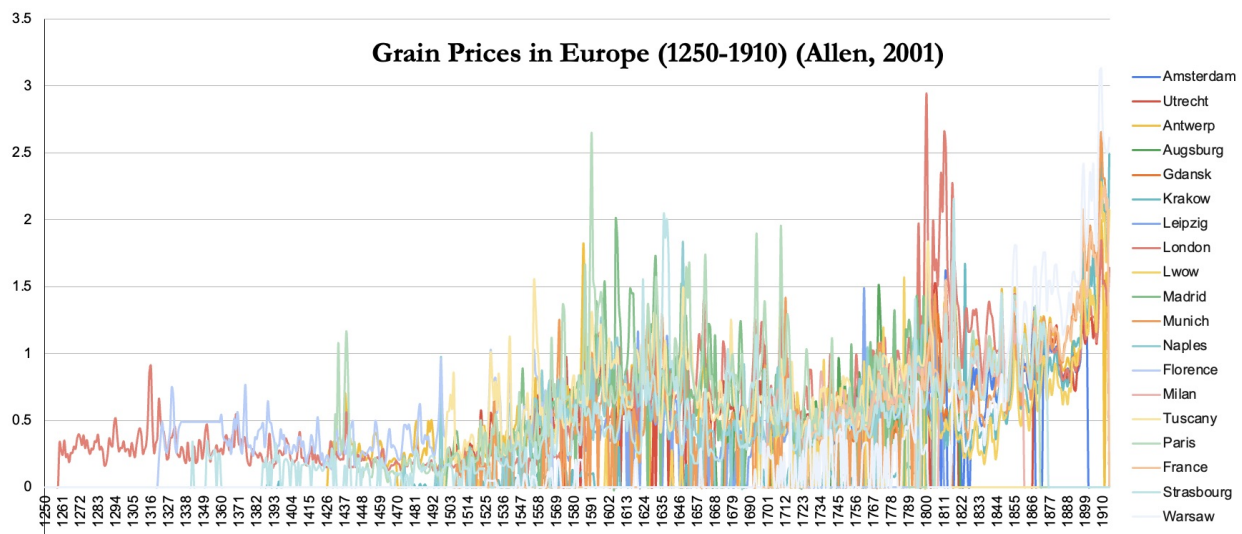


Figure 2.6: Global Grain Price Movement (1250-1910) (Allen, 2001)

Blum finds that “between the 1730’s and the first decade of the nineteenth century, cereal prices went up by 283 per cent in Denmark, 259 per cent in Austria, 210 per cent in Germany, and 163 per cent in France... with agricultural prices going up on the average by

an estimated 580 per cent during the eighteenth century [in Russia]" (Blum, 1978, pp. 242-243). As mercantilist and cameralist economics grew the money supply, and trade barriers increased foreign demand for grain, "mounting farm prices... created a heightened demand for farm land" (Ibid.). The concomitant rise in agricultural products "brought increases in the income of landowners" that were buoyed by "prices [that] remained high until the middle years of the second decade of the nineteenth century" (Ibid.).

In Austria, Joseph II's attempt to do away with the nobility "led only to their spontaneous coming together in 1790 and the near-collapse of the state" (Lukowski, 2003, p. 44). Indeed, "All over Europe, local elites in general were determined to maintain and protect their social ascendancy... those who were in a position to do so minimized, avoided and evaded taxation as best they could... [even] the English land tax was, or at least came to be, a classic example of tax avoidance and manipulation by the gentry and aristocracy, precisely because they controlled its administration and collection at local level" cite[p. 47-48]Lukowski2003. The problem of noble taxation was one of compliance and information.

The political economy of grain, and the associated school of French political economy known as Physiocracy, quickly became the axis of political competition between bureaucratic reformers and traditional elites in the years after the Seven Years' War (Kaplan, 1976). The high prices for grain were critiqued by the Physiocrats, among them Quesnay, Mirabeau, Turgot, and Condorcet, who argued for free trade in grain as part of their *économie* principles. The Physiocrats sought to reverse the course of Colbert's legacy of mercantilism by advocating for *laissez-faire* agriculture accompanied by a universal tax on the land. Physiocracy posited that land was the primary source of wealth, leading the "tax burden should naturally be borne by the owners (not by the users) of land" (Christensen in Sundberg, 2004, pp. 90-91).

However, it was no surprise to the Physiocrats that the those with the means to resist would be the first to oppose the equalization of the tax burden. Numours bemoaned that taxation was but "the law of the strongest, to which there is no other reason to yield than their powerlessness to resist... everyone tries to cheat [royal] authority and pass his social burden on to his neighbors... incomes are hidden, and can only be discovered very imperfectly by a kind of inquisition which would lead one to say that Your Majesty is at war with his people" (cited in Kwass, 2000, p. 258). In order to appease the landowning elite's appetite for new direct taxes on their net product, the Physiocrats proposed enfranchising the landowners to encourage their compliance with taxation (Kwass, 2000, Chap. 6).

Political Economy and Economic Development

The liberalization of the grain trade was one of the first observable indicators of state intervention, Grain connected all sectors of the economy ranging from international trade to the moral economy of subsistence. As Grab attests, "food provision and distribution was one of the chief concerns of governments in the preindustrial era" (Grab, 1985).

A steady rise in cereal prices, caused primarily by an increase in population,

called the effectiveness of the system into question. At the same time economists, most notably the Physiocrats, and reforming ministers began to advocate lifting the old restrictions, and an intense struggle developed between proponents of free grain trade, who favored the interests of grain producers, and opponents of grain liberalization, who favored those of consumers. Several European governments, including those of France, Spain, and Tuscany, began abolishing many of the old restrictions on the grain trade in the 1760s and 1770s. The enlightened Habsburg despots Maria Theresa and Joseph II also launched a program of reform to deregulate the grain trade in various parts of their empire (Grab, p. 185). In Austrian Lombardy the deregulation of trade in grain should be understood both as an important illustration of the efforts of the Austria rulers to increase their revenues and centralize their rule... the main problem [being] how to reconcile the commercialization of grain, which benefited landowners, with the need of the lower classes for cheap and abundant bread.... The depleted royal treasury caused by the huge military expenses in the Seven Years' War and the failure to regain Silesia from Prussia stimulated Maria Theresa and her government to launch deeper and more comprehensive reforms than the ones they had initiated following the War of Austrian Succession. Their goals were to improve the monarchy's economic performance, thus increasing taxable wealth, and to centralize its authority.

Stimulating economic development led to a confluence of political economic reforms that reshaped the relationship between state and elites. The first such reform was the liberalization of the grain trade, in which policymakers “presented a free domestic grain market as both a better alternative to traditional policies in meeting the needs of the urban masses and a necessary condition for agricultural growth and international competitiveness” (Agir, 2013, p. 573). The centralization of authority in the hands of the central state paradoxically led to deregulation, since only a centrally coordinated fiscal administration could overcome local barriers to establish the “free interplay of market forces in the grain trade to be a necessary condition for agricultural growth and international competitiveness... reflect[ing] an attempt to emulate more developed states” (Agir, 2013, p. 573).¹⁵

State intervention via deregulation would have been blocked by powerful landowners if not for the fact that deregulation also increased grain prices by abolishing price controls and connecting producers to international markets. Deregulation was also aimed at bypassing the patrimonial elites who profited off of grain provisioning in the ancien regime. In the Ottoman Empire, the reformer “Grand Vizier Koca Yusuf Paqa also focused at length on the abuses of the requisition agents assigned for grain procurement... point[ing] to the

¹⁵“In fact, both attempts were justified by the need to establish a more efficient network of grain provisioning, in that they aimed to create incentives aiming to close the gap between private returns and social returns of grain trade. Furthermore, this concern for efficiency was related with not only the recent challenges presented by the economic conjuncture of the era common to both cases but also with the new aspirations towards creating a national market that would induce agricultural production” (Agir, 2009, pp. 113-114).

intermediaries' abuses as one of the main problems of the public purchasing system" (Agir, 2013, pp. 586-588).¹⁶

Grain liberalization was pursued in England in 1774, Russia in 1767, the Ottoman Empire in 1793, Spain in 1763, France in 1763-1764, Austria in 1786, Sweden in 1775, and Germany in 1811. Another indicator of the spread of political economy was the rise of economic societies. In England the Society for the Encouragement of Arts, Manufactures and Commerce (1754) and the Political Economy Club (1821), in Russia the Free Economic Society (1765) and the Political Economy Society (1856), in Spain the Reales Sociedades Económicas de Amigos del Pais() and the Sociedad libre de economía politica (1856), in Germany the Economic Society of Berne (1759) and the Verein für Sozialpolitik (1872), in France the Societe Royales d'Agriculture (1757) and the Societe d'Economie Politique (1842), in Sweden the Royal Swedish Agricultural Academy (1811) and eventually in Japan in the Tokyo Political Economy Club (1887) (Augello and Guidi, 2001).

2.4 Local Democratization as State-Building

A Macro Theory of Local Democratization

In weak states with strong elites, elite incorporation saw "the ability of the state to tax increase while its local control decreased" (Barkey, 1994, p. 16). Lack of local control meant a lack of investment in the local economy, since local elites had little interest in funding local development themselves. However, local development was not important for states when the primary goal of the state was to wage wars. However, the historical structural changes led the state away from military competition and towards the promotion of domestic economic growth. All of a sudden, the state confronted rampant undergovernance at the local level and an uncooperative local elite that became more protective of its property values as global prices rose over the course of the century. Along with new paradigms of political economy, including physiocracy and liberal economics, the changing "ends" of state-building was reflected in a search for new "means" to incorporate local elites and promote economic growth.

A sea change in the fiscal system of the 18th century created new windows of opportunity for changing the goals and orientation of the state. In the middle of the seventeenth century, population growth and urbanization increased the price of grain. According to Blum, "between the 1730's and the first decade of the nineteenth century, cereal prices went up by 283 percent in Denmark, 259 percent in Austria, 210 percent in Germany, and 163 per cent

¹⁶"To encourage rural re-population and agricultural output, which were considered the basis of political and military stability as well as the only remedy for the overpopulation of Istanbul, they advocated policy measures such as raising grain prices and reducing compulsory procurement quotas.... Describing how freedom in grain trade ensured abundance in Austria, Ratib Efendi linked the ease with which the state agents were able to procure goods and collect taxes to the welfare of the subjects and the freedom that they had over the use of their commodities: "No one intervened with what they produced or consumed." (Agir, 2013).

in France” (Blum, 1978, p. 242). Historical net exporters become net importers to meet demand, and the inflation of prices drove up the price of farm land. The scramble for land in the mid-to-late eighteenth century put a new premium on agricultural production. As a result, new theories of political economy emphasizing the productivity of land as a source of state revenues became highly influential. This new brand of political economic thought was labelled Physiocracy by the French school of *économistes*. The idea that land was the source of all economic production was a direct assault against the monopolistic orientation of mercantilism.

The nineteenth century also brought about other structural changes including population growth and industrialization, which created a more sophisticated tax base along with unforeseen social problems and tragedies of the commons. States could no longer get by with “making society legible” (Scott, 1998) and were forced into “making society productive” in order to compete in global markets on the international stage (Foucault, 1991). In order to raise revenues from new sources and create wealth that could be taxed well into the future, states sought to directly stimulate the economy and break the monopoly of elite fiscal privilege and control over local revenues and expenditures. As the frequency of inter-state war declined, the time-horizon of nineteenth century states shifted from the short-term to the long-term.¹⁷

In order to invest in future state capacity, states faced the twin challenge of removing elite exemptions and replacing the roles and responsibilities those exemptions entailed – including the premium on local information and elite private provisioning of goods and services. Despite the fact that local governments existed in many cases for decades or centuries, they were controlled by local elites who appointed or oversaw local taxation and spending directly. Local elites remained in charge of local government because they were either aligned and incorporated into the central state (where they were able to defend their wealth and privilege) or alternative revenue sources provided the state with a way to circumvent elites altogether.¹⁸

Changing historical structural conditions at the beginning of the nineteenth century, including the Industrial Revolution, population growth, and increased economic competition, made the population itself a valuable resource in the form of land, labor, and capital. In order to make the economy more productive to generate more taxation in the future, investments had to be made in protecting the population from nature (public health, insurance, and public welfare) and themselves (law and order) as well as making investments and resources more

¹⁷Karaman and Pamuk conclude that “the determinants and dynamics of early modern state-building were significantly different in the later period... while early modern states raised and spent taxes mainly for warfare, the frequency of wars dropped sharply in the 19th century and domestic concerns induced states to spend part of their revenues on public services” (Karaman and Pamuk, 2013, p. 604).

¹⁸The circumvention of local elites was possible under “trade-led state formation” in Latin America, and is discussed in the conclusion under alternative models of state-building reforms (Mazzuca, 2021). In these cases, weak states never empowered local government at all due to bargains between aligned local and central elites to forgo local state capacity and fund the state through a continued reliance on indirect taxation alone (Saylor, 2014; Soifer, 2015; Saylor and Wheeler, 2017).

productive (through transportation networks in the form of roads, canals, and eventually railroads). States thus faced a strategic tradeoff between leaving local government in the hands of local elites or taking on elite privileges by either investing in a central bureaucracy to collect information, raise revenues, and target local expenditures or find a way to hold local elites accountable within representative assemblies in which their economic interests could be aligned with the state and channeled through local democratic institutions.

The growing tension between patrimonial administration and long-term investments in state capacity was not felt immediately everywhere. It took critical junctures to open the “window of opportunity” for reform. I identify critical junctures in state capacity as sudden shocks that made the state acutely aware of its fiscal capacity and its long-term inability to raise revenues or repay foreign loans. In some cases, this was triggered by the Napoleonic invasion, such as in Prussia (1806-1807). In other cases this was triggered by a loss in an inter-state war, such as the Crimean War in the Russian Empire, an intra-state rebellion, such as the Taiping Rebellion in China (1850-1864), or some combination of the two, such as the Egyptian-Ottoman Wars (1831-1833/1839-1841). No matter the critical juncture, the same tensions dominated the local political economy of nineteenth century states.

When states turned to local governments to raise new taxes and provide public goods, they were met with either cooperation from aligned elites or resistance from unaligned elites, resulting from earlier rounds of state-building. In the subsequent chapters, I trace the breakdown in state-local elite relations resulting in unalignment at the critical juncture. Where the state had few resources to keep local elites in check, and where initial land grants devolved into administrative burdens on landlords and landowners, local elites retrenched to guard their property from the burden of direct taxation (Blum, 1978; Bush, 1983). It was in these cases, where state-building trajectories met elite resistance at the critical juncture of the early nineteenth century that local self-government was created.

A unique convergence of variables led to local democratization as state-building in centralized and decentralized states. Where states attempted to raise new revenues and elites were unaligned (presenting an obstacle to local state capacity building) the state created new institutions of local self-government to incentive local elites to participate in taxation and spending. Direct taxation required information that was too costly to collect unilaterally and paying elites directly risked the same principal-agent problems as the inefficient equilibrium of tax-farming they were trying to escape. Local self-government gave elites an incentive to reveal their own information and invest in the collection of the information of others through land surveying and the creation of local registers. An influx of local revenues meant that elites who participated in local assemblies and councils could shape their usage. Local self-government aligned state and elite interests, because it guaranteed that the taxation of elites would result in direct local benefits, with positive spillover effects for the local community and economy. It shifted the equilibrium from one of extraction (under tax-farming) to mutual investment, leveraging parochial gains for public good. Access to markets incentivized investments in roads and infrastructure, public education increased human capital, doctors and veterinarians cared for the population, and fire departments and insurance organizations helped to guard the value of private property. Islamoglu labels this

solution the “coupling of the revenue concern with that of increasing the productive capacity of the population, of land, of industry... to create further wealth to be taxed” (Islamoglu, 2009, p. 123).

A Micro Theory of Local Democratization

What makes local democratization a strategic state-building response to state weakness and elite resistance in the nineteenth century? I argue that local self-government creates micro-economic incentives for local elites to participate in local governance in ways that reinforce, rather than reduce, intensive resource mobilization. In particular, local self-government reforms can be designed to collect previously guarded information, attract previously disinterested human capital, and tap previously unexploited fiscal revenues.

Local democratization incentivizes local elites to bear the costs of local governance in exchange for control over local spending. In addition, local self-government holds local elites accountable in two ways: the threat of redistribution posed by the collusion of rival elites and the median voter within the local assembly and the direct accountability of the local assembly to local voters.

From the perspective of the central state, local democratization presents a trade-off between administrative costs and central control. Expanding the central bureaucracy is costly but results in increased oversight and control over local agents. Local democratization reduces administrative costs but leads to a loss of central control over local outcomes. However, there is more to local democratization than a classic agency problem. The administrative costs to state centralization are outpaced by the efficiency gains from local democratization. This disparity is due to the fact that local elites have much more knowledge of local resources than the central state, and in some cases, possess the resources themselves.

Why would local elites acquiesce to increasing local state capacity when they resisted other state-building reforms that threatened to increase extraction? If the state could align local elites’ interests in local development, they could incentive local elites to tax themselves, when investing in public goods will increase the value of their assets and enhance future profits (McGuire and Olson, 1996; Vollrath, 2013; Pardelli, 2022). The simple idea that incentivizing local elites “to pursue their spending goals while spreading their costs broadly across the population” has been identified as a kind of “capacity-enhancing” form of local capture” (Pardelli, 2022). The underlying mechanism is that local elites will favor the development of local state capacity when increasing access to information, human capital, and fiscal revenues will lead to improvements in market access, transportation infrastructure, public health, and other essential public goods for local economic development. Crucially, “when such investments raise property values—then elites with extensive holdings may benefit more than smallholders from increased public goods provision,” giving elites an incentive to tax themselves (Wallis, 2003; Vollrath, 2013; Pardelli, 2022; Jensen, Pardelli and Timmons, 2023).

Elites taxing themselves is not the only positive outcome for local democratization. In addition, improving resource mobilization also makes extraction more efficient on non-elites,

and is often tied to raising taxes across the board, thanks to the increases in informational, administrative, and fiscal capacity bolstered by elite participation. Local self-government leads to an increased tax burden justified by two promises: public participation in spending decisions and more proportional assessment, made possible by increased local capacity. While local elites may favor more regressive taxes, raising the tax burden on non-elites to compensate is met by the constraint of the assembly, which allows the poor median voter to push back against over-extraction, and the constraint on taxable resources. Elites will favor more proportional taxes when they actually need the revenue to benefit themselves.

Local democratization allowed the state to shift from fighting wars to providing public goods to spur economic growth and development. It allowed states looked for new revenue sources to supplement their long-standing reliance on regressive indirect taxes on the poor. As Seligman notes: “For a long time... almost the only aims of government are security and defense. But as economic conditions develop and various classes of society differentiate, more attention must be paid to matters of general welfare. Expenditures for commerce, industry, and transportation arise. The need is felt for better roads, for more canals, for improved methods of communication through the postal service. Then the less material ends of government are recognized. Education must be provided, hospitals and asylums must be erected, and the sanitary conditions must be looked after.... These new functions mean fresh expenditures; and expenditures mean increased taxes” (Seligman, 1905, pp. 7-8).

Under these conditions, direct taxation provides an attractive source of revenue for local public goods provision by tying land and property values to local investment. The major obstacle to direct taxation – accurate and up-to-date information on changing land values – can be overcome by incentivizing local elites to share information with the state in exchange for greater autonomy over local spending. Institutional commitment can be achieved to prevent local elites from capturing local government by holding landowners accountable to a democratic assembly. The democratization of local self-government serves as a “carrot” to incentivize local elite participation and the sharing of private information (often through a property registry tied to voting eligibility) and as a “stick” to hold local elites accountable for the provision of public goods and services. Poschl and Weingast (2015) label this a government’s “fiscal interest” relating the “incentive to increase productivity in its territory in order to secure or raise future earnings” to the “incentives to collect information about citizen needs and to respond to them” (Poschl and Weingast, 2015, pp. 164-165).

Information

Starting with information, a state may conduct a population census or land survey (cadaster) to centrally collect information, but both census enumeration and land surveying require the compliance of local elites. Without previously establishing some form of “quasi-voluntary compliance,” central information collection will be more costly than the loss of central control plus the efficiency gains to local elites from surveying or reporting the information themselves. How does local self-government incentivize information collection on behalf of local elites? First, many self-government assemblies had tax requirements, which limited participation in

the assembly. This tax requirement served an important role in generating information for the central state, as eligibility was determined through a public process of self-reporting and registering land values. New research on registration, taxation, and access to the state shows that this process is widespread in weak states (Bowles, 2024). Subjects and citizens may weigh the costs and benefits of revealing their private information to the state, and only do so when they expect some return to their private information. Local self-government promises two such returns: control over local spending and the resulting public goods provision. Tax requirements incentivize local elites to share their own information to claim the distributional benefits up for grabs in the local assembly and prevent others from doing so on their behalf, whether rival elites or the poorer median voter within the assembly.

Human Capital

In terms of human capital, most weak states have an administrative recruitment problem. Patrimonialism made local elites the lowest rung in a ladder of state administration. However, high monitoring costs made it difficult for the central state to monitor its local officials, leading to rampant corruption at the local level. When states tried to counteract local rent-seeking by re-centralizing power in the hands of provincial leaders, local administration became a backwater of incompetent officials with poor pay and status (Kiser and Schneider, 1994). As local elites viewed local administration as a career dead end, states struggled to find competent and literate officials to work on behalf of the central state.

Fiscal Revenues

In order to increase state capacity, states needed access to new revenues, human capital to assess and collect those revenues, and information on the location of taxable wealth. Under the patrimonial administration of decentralized states, informational capacity was relinquished in favor of a steady stream of revenues. Tax-farmers exerted the effort to locate taxable goods, but most customs taxes were collected at ports or checkpoints and excise (consumption) taxes were collected at the point of sale (at the tavern or distillery). When tax-farmers faced informational shortages, they used their current contracts as collateral to invest in sub-contractors or private security forces to combat smuggling or contraband. On the other hand, states that expected to increase long-term revenues by taxing wealth (land) directly needed to ascertain who controlled what land, where land was more or less productive, and update their assessments over time to take into account floods, fires, frosts, and other natural disasters resulting in poor yields. While most governments recognized that direct taxation was a more efficient and progressive way of raising revenues, most admitted they did not have the capacity required to update their assessments every year (Seligman, 1905). Thus, a key difference between dependence on centralized versus decentralized revenue collection was the informational capacity required to carry out the the technology of tax assessment (Martin, Mehrotra and Prasad, 2009). On the expenditure side, local elites were supposed to oversee spending on local infrastructure, public health, and other public goods.

However, tax-farmers had little incentive to invest in the local economy, as they might be replaced in the following year when their contract was bought out by a higher bidder. Under patrimonial administration, local government was dominated by elite interests that shielded their own wealth from taxation and thus had little incentive to participate in public goods provision. This gave local governments meager resources with which to finance public welfare, despite the growing demand for public spending inaugurated by exogenous structural change.

Across cases, most spending on transportation, infrastructure, public health, and public education was left to non-democratic local governments, and this share of local spending increased over time. In the case of England, “most working-class voters still viewed the state as a source of spending on war and waste rather than on socially desirable expenditure, which was largely left to local government” (Daunton, 2010, pp. 40).¹⁹ English local government was dominated by the Justice of the Peace, an appointed magistrate charged with setting county rates (direct taxes) who ensured that “the old ruling class still maintained its predominance in county government” (Redlich and Hirst, 1903, p. 172).

With the realization that future state capacity would rely on the development of the local economy, tapping new revenue sources, attracting better human capital, and collecting information from powerful local elites, states were faced with three options: either invest in a costly process of central bureaucratization to facilitate local development on their own, allow local elites to maintain their monopoly over local government in exchange for continuing the supply of central loans and rents, or create new institutions of local self-government to incentivize accountability and compliance of local elites over local taxation and public goods provision. The latter offered an institutional commitment device, using local accountability provided by a democratic assembly to incentivize local elites to participate while constraining their rent-seeking behavior that undermined local provision.

Sub-National Variation in Local Democratization

The sub-national theory of local democratization predicts both the behavior of the central state in designing local self-government and the subsequent response by local elites. The challenge of local self-government is to optimize local state capacity by making participation incentive compatible with the power of local elites. By varying the threshold to enter the assembly, the state can manipulate the incentives of local elites to tax themselves.

Consider two extremes, where the power of local elites are high and low. In the low case, where the number of powerful elites is small or landholding inequality is low, any assembly threshold will induce participation, since the threat of redistribution posed by the assembly is high, and landowners will attempt to defend their privileges regardless of the distribution of power within the assembly. In the high case, where the number of powerful elites is large or landholding inequality is high, the design of local self-government plays an important role

¹⁹According to Daunton, “local taxation and expenditure increased more rapidly than central taxation” from 21.9 percent of total government expenditure in 1840 to 38.4 percent in 1890 to 47.9 percent in 1910 (Daunton, 2010, p. 46). In the United States, “local governments were the largest component of the overall government sector throughout the 19th century” (Sokoloff and Zolt, 2006, p. 226).

in facilitating participation. A low threshold for participation will give more landowners the right to participate in the assembly, which makes the average landowner poorer and more likely to side with the median voter in favoring redistribution from the rich. A high threshold for participation will give fewer landowners the right to participate in the assembly, which makes the average landowner richer and more likely to defend their own interests.

The state is interested in maximizing redistribution via taxation and investments in local economic development; maximizing the potential returns to local democratization requires growing the tax base (via assessment increasing information on local conditions and collection reducing tax resistance, particularly to direct taxation) and maximizing local elite participation (in order to draw wealthy elite into the assembly to reveal their information, agree to be taxed, and participate in the taxation of others – without which local government is ineffective thanks to a lack of local information, tax compliance, and human capital). A problem arises when increasing extraction is in tension with elite participation, as elites may choose not to join the assembly in order to protect their private information. However, the binding constraint is the threat posed by poorer elites siding with the median voter if the richer elite is not represented. The returns to participation, channeling intra-elite conflict through competition over the decision-making power provided by local self-government, align the incentives of the rich elite with the state.

Put simply, where the power of local elites is high, we should expect a lower threshold for entry, allowing a greater distribution of local elites into the assembly, which motivate the richest rich landowners to defend their interests in fear of poorer elites siding with the median voter. In settings where inequality is high, the returns to growing the tax base by incentivizing rich elites to voluntarily share their private information is high, and so a strategy for inducing rich local elites to participate in local self-government is to lower the threshold to incentivize rich elites to raise their voice in the assembly to protect their own interests. However, where the power of local elites is low, we should expect the state to set a higher threshold for entry, restricting the distribution of landowners and shifting it to the right, allowing the state to capture more wealth by targeting the largest landowners in a district. Low inequality means that rich elites will be more likely to participate in the assembly to defend their interests from the poor median voter.

In sum, local elites are incentivized to join the assembly in order to (a) protect their interests and (b) benefit from public spending. In a study of Brazilian municipalities, Pardelli argues that “landholding concentration increases the benefits that asset owners derive from public spending [since] local improvements, such as the construction and maintenance of roads, bridges, streets, and local infrastructure directly affect landowners by increasing the value of their property, facilitating the circulation of goods, and opening up new markets for their products” (Pardelli, 2022). Drawing on this prediction, I combine self-interest with the public good to hypothesize a curvilinear relationship between inequality and state capacity via local democratization. Where inequality is too low, elites have little incentive to join the assembly, because they are likely to be overpowered by a coalition of poor voters, and have relatively less to privately gain from local public goods provision. Where inequality is too high, however, local elites can push through their intended policy goals without the

use of the assembly thanks to their extreme levels of de facto power. Therefore, the returns to state capacity via local democratization should be increasing in local inequality until the point where the private benefits to public spending are cancelled out by the extreme de facto power of local landowning elites.

Chapter 3

The Russian Empire

In this chapter, I demonstrate how and why the Russian Empire pursued state-building through local democratization. The Russian Empire was a weak state that mobilized resources by compensating a unified local elite through central incorporation, creating a service nobility interwoven with centralized patrimonial rule. The historical structural changes of the late-eighteenth and early-nineteenth centuries brought the necessary conditions for state-building reform to Russia. Russian participation in European economic and military competition and the diffusion of political economic thought through a wave of translation activity at the end of the eighteenth century made Russian rulers and bureaucrats aware of their weak state capacity, motivating state-building elites to seek strategies for mobilizing new resources and jumpstarting local economic development.

With these sufficient conditions in place, the decision to pursue state-building reforms hinged on the incorporation of local elites within the central state. Early attempts at state-building reforms under Catherine II and Alexander I were defeated due to the reliance of the central state on centrally incorporated elites. Both Tsars chose to abandon state-building reform projects in favor of a continued reliance on the local aristocracy. Only when local elites switched from incorporated to unincorporated after the Decembrist Revolt of 1825 increased state scrutiny of their traditional rights and privileges, did the state seek more radical solutions to win over their non-cooperative partners. Beginning in 1850, and accelerating after Russia's defeat in the Crimean War (1853-1856), the necessary conditions of economic catch-up, state-building demands for information, human capital, and fiscal revenues, and a commitment to political economic development led the state to design local democratization, implemented in the *zemstvo* reform of 1864.

This chapter explores the macro and micro theories of local democratization in the Russian Empire. First, I provide original evidence of weak state capacity and elite resistance in the nineteenth century Russian Empire. Second, I show the timing of necessary conditions, tracing changes in the Russian economy, political economic translations, and the empowerment of local elites between 1775-1864. Third, I explore the decision to introduce local self-government in 1864 and the design of the *zemstvo* assembly to mobilize state-building resources. Then, I test a number of hypotheses related to my micro theory of local democ-

ratization. I show that *zemstvo* assemblies were introduced in districts where elite resistance was highest, in order to win over the participation of local elites with the most ability to pay. Then, I explore the effect of local democratization on resource mobilization following the reform, leveraging the staggered adoption of the *zemstvo* assembly. I analyze the impact of local self-government on information, human capital, and fiscal revenues, and the resulting public goods provision that served to promote local economic development after 1864.

3.1 Background Conditions

State Weakness

Early modern Russia (Muscovy) was a weak state. Muscovy was one center of power among many fragmented Slavic principalities. Muscovy's claim to the monopolization of violence was achieved slowly following the defeat of the Mongols and the conquest of neighboring principalities in the ("gathering of the Russian lands") by Ivan III (declared Tsar in 1462). Muscovy's weak central state depended upon the military service of strong local elites to conquer its neighbors (Kollmann, 1987, pp. 37-40). These local elites were courted to provide military services in exchange for the distribution of land (*pomest'e*) and justice (*mestnichestvo*). Centralized elite incorporation was established by rewarding local elites for military service with "about 130 acres of good service tenure land" (Kollmann, 1987, p. 41). Without the resources to invest in a rational-legal bureaucracy, the Muscovite state appointed noble landowners as local administrators, charging them with the assessment and collection of taxes from local communities in exchange for "tax, juridical, and other immunities" along with propitious rent-seeking under the "'feeding' (*kormlenie*) system, in which communities provided cash and goods in kind for the officials' upkeep" (Kollmann, 1987, p. 30). The privileges of the nobility contributed to their ambivalent attitude toward the state, "concern[ing] themselves with the public good only inasmuch as it was consistent with their own self-interest (Kollmann, 1987, 1999, p. 181).

International military competition contributed to 'ratcheting' revenue pressures on the early Russian state as it transformed into a rising power in Eastern Europe. Territorial expansion provided the central state with the resources necessary to compensate local elites by resettling entire families onto conquered land. After the annexation of Novgorod in 1478, 'Moscow forcibly moved populations, exiling hundreds of Novgorod merchant, elite, and lesser landholding families to central Muscovy, confiscating most elite property and much of the property of the Archbishopric of Novgorod and major monasteries... using this new land fund, it moved servitors from the center and recruited locals into an expanded gentry cavalry army supported by grants of these lands in conditional tenure (*pomest'e*)' (Kollmann, 2019, p. 50). The availability of land on Russia's expanding frontiers generated a steady flow of resources available to the Russian state to incorporate an ever larger class of landowning nobility, as was the case in both early modern Spain and Japan. The *pomest'e* system of land grants slowly expanded to all cavalymen willing to serve the state, creating a service

nobility (*dvoriane*) that was dependent upon the central state for employment. In return for a stable income from the land, the Russian nobility were expected to oversee local affairs, serving as police constables and tax collectors on their estates.

The early modern Russian state had short time horizons. It mobilized resources almost exclusively to wage war (Hellie, 1971, 1998). With respect to this narrow goal, the state was relatively effective, in that ‘what the government could do is collect taxes fairly effectively and mobilize the army... [which] were not small achievements, given not only the relatively backward level of Russian infrastructure, but also the sheer size and low population density’ (Bushkovitch, 2004, p. 451). At the zenith of its military expansion, the Russian state called a representative assembly in order to coordinate resource mobilization. The *Zemskii sobor* met irregularly between 1549-1684, bringing together representatives from the nobility, clergy, and merchant class (Ostrowski, 2004). The *Zemskii sobor* served as a coordination device to handle important policies such as royal succession, foreign policy, and extraordinary taxation (Brown, 1983; Kivelson, 1996).¹

Like in Western Europe, early modern assemblies institutionalized patrimonial rule by local elites. In 1648, the *Zemskii sobor* responded to the demands and petitions of the noble landowners in favor of immobilizing the peasantry (resulting in the establishment of serfdom). The assembly produced the legal framework (*Ulozhenie*) that institutionalized labor coercion (Hellie, 1998, 2006, p. 156; p. 551). This outcome provided the state with an entire class of local administrators who served the state in exchange for rents dispersed from the center in the form of land grants and serf labor. The ‘legalization’ of serfdom ‘complemented the government’s needs in the mid-seventeenth century for better local administration and tax collection,’ creating a pathway for state-building that simultaneously relied on local elites and gave them a monopoly over local control (Kollmann, 1987, p. 183).

The frequency of the *Zemskii sobor* declined shortly after the promulgation of the *Ulozhenie*. The shift in the composition of the army away from noble cavalymen towards peasant infantry under foreign mercenary officers after the Thirteen Years War (1654–1667) undermined the importance of coordination between the state and local elites (Hellie, 1971, p. 244). However, the imposition of serfdom provided the gentry with a ‘permanent’ role in local administration – as the caretaker of the peasantry – just as their structural power as military servitors was being threatened by the Military Revolution. Instead of being replaced by a tax-collecting bureaucracy with the ability to raise revenue to pay for mercenary soldiers, the gentry inserted themselves as tax-collecting landlords (*pomeshchiki*). As the power of local elites waned between 1650-1680, the state began repealing articles of the *Ulozhenie*, stopping just short of overturning serfdom entirely (Hellie, 1971, pp. 245-246). If not for a series of domestic shocks, including an epidemic in the 1650s and a peasant uprising (the Stenka Razin Uprising) in the 1670s, the state might have replaced serfdom entirely by recruiting the gentry and the peasantry into a standing army financed by broad based general taxation” (Hellie, 1971). However, the noble landowners stood firm against

¹See: Bushkovitch (2019) for more on the topics discussed at various assembly meetings and Sablin and Kukushkin (2021) for more on the continuing historiographical debates surrounding the *Zemskii sobor*.

the threat of rural disorder and peasant unrest, solidifying the alliance between the state and the landowning nobility.

The timely institutionalization of serfdom transformed the Russian state and with it the administration of the empire. Serfdom reduced the costs of tax assessment and collection by fixing the taxpaying base, created an easy supply of human capital by recruiting noble landowners as local administrators, and incentivized local agents to share information and cooperate with provincial governors in order to maintain their own position in the countryside. However, this easy access to revenue through the exploitation of the peasantry resulted in a model of “state-building on the cheap” (Kollmann, 2019, p. 341). Before the institutionalization of serfdom, direct land taxes had been tied to qualitative assessments of the quantity and quality of peasant land (*sokha*) that attempted to assess the ability to pay and redistribute the tax burden across peasant communes. Following the imposition of serfdom, the tax reform of 1679 switched from a graduated land tax to an individual poll tax assessed on the peasant household (*dvor*), moving the state away from “centrally administered assessment by cadastral means” and towards the exploitation of the peasant household (Darrow, 2018, p. 31). According to Hoch, “by employing such a poor indicator of wealth... the state misallocated both taxes and credit... [since] taxation based on land and other income-producing assets would have required a cadastre, the compilation of which proved to be beyond the administrative capacity of the autocracy” (Hoch, 2010, p. 288). Since “the lack of regular cadastration made it impossible to make a realistic measurement of taxable land,” the gentry approximated the role of a tax-farmer, collecting the poll tax paid in cash to the state and collecting the rest in the form of taxes paid directly to the landlord (*obrok*) or obligatory labor (*barshchina*) (LeDonne, 1991, p. 259). In return, the landowner paid a flat rate per serf to the state and “was free to keep whatever he collected above that amount” (LeDonne, 1984, p. 215).

The inelasticity of the peasant tax base gave rise to new forms of indirect taxes that doubly encouraged local rent-seeking. Wealthy merchants purchased the right to collect alcohol taxes from towns and taverns, fronting domestic loans to the state for lucrative tax-farming contracts, which provided about half of state revenues by the end of the seventeenth century. The provincial governors were supposed to oversee collection from tax-farmers but were themselves engaged in rent-seeking behavior. That state attempted to monitor its local agents by sending “special inquisitors” (*ekzekutsii* and *syshchiki*) to audit the governors, but this system of central monitoring proved costly, and governors continued to enrich themselves with local “feeding” bribes (*kormlenie*) to make up for their poor compensation (Givens, 1980; Hartley, 2000; Fedyukin and Korchmina, 2017, p. 109). Therefore, “the relative success of collection of the basic taxes did not mean that the state’s treasuries were overflowing... the inefficiencies in collecting taxes from the peasantry and the great opportunities for graft in the liquor monopoly and the sales tax collection meant that Russia’s resources were chronically underutilized, at least from the point of view of the state” (Bushkovitch, 2004, p. 453).

Peter I (1682–1725) attempted to address many of these challenges by pursuing an ambitious reform program of modernization and rationalization (*reguliarnost’*). Between 1708-

1711, the administration of the empire was divided into provinces (*guberniia*) subdivided into districts (*uezdy*) with governors directly responsible to the tsar. A new social hierarchy – the Table of Ranks (1722) embedded the nobility within a ladder of merit-based obligatory state service. The new nobility (*dvorianstvo*) was expected to perform lifetime military or governmental service (though the law was later relaxed to 25 years). In the countryside, Peter I “attempted to reverse the trend towards indirect taxation by making the poll tax the centerpiece of fiscal policy” (Christian, 1990, p. 188). A census conducted in 1719 allowed the state to shift direct taxes away from the collective household and onto the male individual in the form of the “soul tax” (*podushnaia podat'*) assessed by tax registers (*reviziia*) conducted at fifteen-year intervals beginning in 1724.² Direct taxes flourished, increasing more than 8 times between 1680 and 1724, while increasing the direct tax burden on the peasantry by at least 2.5 times over the same period (Gatrell, 2012; Darrow, 2018, p. 200; p. 31). Direct tax collection was overseen by a new district official – the land commissioner (*zemskii komissar*) – chosen by local elites to police the countryside.

Elite Resistance

Peter I’s centralizing reforms were met by elite resistance (Fedyukin, 2018). Local administration in particular “suffered from the inability of the state to recruit men of quality” (Hartley, 2006, p. 465). Peter I’s Table of Ranks gave all landowning nobility a ladder for socioeconomic mobility, which prioritized military service or a life in Peter I’s new capital of St. Petersburg compared to the “poor salaries and to the unattractiveness of life in unsophisticated provincial backwaters” (Hartley, 2006, p. 465). As Hartley describes, “young, provincial noble boys often entered the civil service only if they lacked the social connections or the physical ability to join a regiment... a high proportion of senior elective noble posts... were occupied by nobles who had served in the army and had no civil training... [and] at the lower level, the clerical staff, who were mostly themselves the sons of clerks or sons of the clergy... shifted vast amounts of paperwork around but were badly paid, badly educated and badly treated by their superiors... [while] police officers were underpaid, poorly trained and not respected” (Hartley, 2006, p. 465).

Limited by weak state capacity, the Russian state did not have the resources to staff or train a provincial bureaucracy or monitor its local agents effectively. As long as the state could raise sufficient revenue from the peasantry to fund its military campaigns, local governance was all but ignored. The nobility’s growing disdain for local administration led to a decree by Peter III in 1762 “emancipating” the gentry from state service – ending Peter I’s service requirement and simultaneously “emancipating [the state] from dependence on the nobility as a class” (Raëff, 1970; Jones, 1973, pp. 1293-1294; p. 34). Liberated from local administration, the Russian gentry were free to pursue their own interests, turning away from state service and returning to their provincial estates. Upon their retreat, the

²Le Donne draws attention to the fact that the rate was deduced by simple arithmetic: the direct tax was meant to pay for the 4 million ruble army, which divided by the 5.4 million tax-paying souls equals a rate of 74 kopecks (LeDonne, 1991, p. 259).

nobility “strengthened their monopoly over certain privileges like owning serfs and distilling vodka,” capitalizing on their exclusive right to buy tax-farming contracts for the sale of alcohol revenue won from the merchants in 1754 (LeDonne, 1976; Rieber, 2017, p. 175, 305).

The “emancipation” of the nobility led to the institutionalization of the tax-farming system (*otkup*) as a noble enterprise and the widening of the rift between the state and the gentry over the fiscal administration of the empire. As Christian notes, “the decisive shift towards indirect taxation can probably be dated to the middle of the eighteenth century... whereas in 1724 direct taxes accounted for 55 per cent of revenues, by 1769 they accounted for only 44 per cent, while during the same period indirect taxes rose from 32 to 43 per cent of government revenues” (Christian, 1990, p. 189). The tax-farming of alcohol revenues guaranteed a steady stream of short-term revenues but cut off the state from collecting information on local conditions. Furthermore, corruption was rampant, and tax-farmers had little incentive to invest in the local economy, as indirect taxes are highly regressive, all but ignoring the ability of the taxpayer to pay. In addition, the gentry who profited from the liquor trade fought to maintain their privileges, including keeping state capacity weak and indirect taxes out of the hands of a bureaucratic excise system (Christian, 1990, pp. 208-209).

The “emancipation” of the nobility created new challenges for the state since an unaligned nobility was now a liability if it acted collectively to defend its corporate privileges. The same year Peter III ended compulsory service, he also transferred more than two million serfs from church lands into the hands of the state, expropriating the lands of the Orthodox Church and signaling the willingness of the state to act unilaterally against traditional status groups. It was clear that the “provincial nobility saw itself as a marginal class threatened with the loss of its economic and social status” (Jones, 1973, p. 89). However, at the same time “the financial pressures of war and international competition were impelling the state to make its administrative system more rational, more effective, and more responsive to the needs of the state” (Jones, 1973, p. 166). When Catherine II replaced Paul III in 1762, she was confronted by an administrative crisis, a situation she characterized in a private memo as “on the verge of collapse... [with] the state administration as having been practically incapable of performing its duties” (Jones, 1973, p. 172).

3.2 Historical Structural Changes

International Competition and Rivalry

The Russian Empire was embroiled in international competition beginning with Peter I (the Great), who plunged Russia into European military competition during the Great Northern War (1700-1721) and committed to a program of rapid “Westernization” based on foreign models of bureaucratic and military organization (Fedyukin, 2018). Peter the Great oversaw the beginning stages of a massive increase in the size of Russia’s army, reaching 289,000 men by the time of his death in 1725, and surpassing 331,000 by the time of Russia’s participation

in the Seven Years' War (1756-1763) and its victory over the Ottoman Empire in the Russo-Turkish War in 1768–1774.³ The Russian Empire's success on the battlefield was reflective of its ability to mobilize resources through the patrimonial system of serfdom. Russian rulers were able to meet their goal of survival by raising direct taxes on the peasantry, relying on tax-farming for salt and liquor revenues, and placating local elites with favorable benefits.

Russia's rise on the international stage invited international scrutiny of the country's domestic affairs. By the 1760's, French political economists debated the development of the Russian state, a subject that featured prominently in Diderot's *Histoire des deux Indes* (1770). Upon visiting Russia in (), Diderot's "optimism of the philosophe–projector turned into the pessimism of the philosophe–social scientist, who found what we would call today 'structural causes of backwardness'" (Adamowsky, 2010, p. 353). Catherine II was aware of Russia's disadvantageous position vis-a-vis her rivals, particularly in the economic realm. Russia experimented with a new tariff in 1766 that was "moderately protectionist in character... [and] facilitated the import of raw materials or semi-finished goods for processing by Russian industry" (de Madariaga, 1981, p. 471). Further attempts were made to expand merchant shipping (), renew trade relations with China (1768), and raise the Russian Empire's first foreign loan from the Netherlands in 1769. Russia between Peter the Great and Catherine the Great transformed into a fiscal military state between 1689–1825, becoming fully absorbed into the international system of military competition and economic rivalry (Hartley, 2009).

Catherine II addressed weak state capacity by creating a new Legislative Commission in 1767 made up of delegates elected by the estates (*soslovie*) of the realm: the nobility, the merchants, and the peasants.⁴ The Legislative Commission heard the "instructions" *nakazy* delivered to the Tsar by representatives from the provinces. Two common refrains in the *nakazy* were complaints of local underdevelopment, since "poor infrastructure and communications... hampered the productivity of the nobility and... hindered their profits", and demands for local self-government, since "elected officials were considered preferential to appointed officials because they were more accountable... [and] elected aids were desired to check on and watch over the corrupt, lazy or drunk appointed [officials] (*voevody*)" (Guenther, 2011, pp. 59-61).

The desire to improve local accountability was reflected in the position of Catherine II's advisor Semyen Desnitskii, who returned to Russia in 1768 following his studies with

³From the mid-eighteenth century on, "Russia was almost constantly involved in wars from the early eighteenth century to 1815. Warfare took place on the northern, western and southern frontiers: the Azov campaign (1695-1700); the Great Northern War (1700–21); Russo-Turkish War (1710–11); War of the Polish Succession (1733–38); Russo-Turkish War (1735–39); Russo-Swedish War (1741-43); the Seven Years' War (1756-63); Russo-Turkish Wars (1768-74, 1787-91); Russo-Swedish War (1788-90); the Polish uprising (1794-95), Russian participation in the War of the Second Coalition (1798–1801); War of the Third Coalition (1805-07); Russo-Turkish War (1806-12); Russo-Swedish War (1808-09); the Napoleonic invasion of 1812; and the War of the Fourth Coalition (1813-15)" (Hartley, 2009, p. 125).

⁴See: Guenther (2011) for a rich description of the multi-tiered electoral process for selecting deputies to the Legislative Commission and an analysis of the representatives chosen from Kazan province (5 from the nobility, 208 from the merchants, and 41 from the peasants).

Adam Smith in Glasgow. Desnitskii sought to empower local self-government and reduce the role of the nobility in public affairs as a way to increase accountability in local society and stimulate economic growth (Smith-Peter, 2018, pp. 15-17). In particular, Desnitskii advocated for “undertakings conducive to the public benefit [including] the building of towns and roads, the making of canals, the cleaning of rivers, various institutions for the education and care of the people, and various establishments capable of bringing sciences and arts into a flourishing condition” (Brown, 2000, p. 270).⁵ However, Desnitskii’s proposals were ultimately scrapped, and following the Pugachev revolt (1773–1775), Catherine II’s reforms once again courted the nobility for support. Catherine II’s reforms culminated in a Statute of Provincial Administration (1775) and a Charter to the Nobles and the Towns (1785) that offered an olive branch to the nobility in the form of corporate self-governance and a renewal of their privileged position in the countryside.

Catherine II’s administrative reforms expanded the reach of the state into the province under the authority of the governor and an enlarged provincial staff.⁶ To compensate for the bureaucratization of provincial administration, the gentry acquired elected noble assemblies (*sobranie dvorianstva*) at the provincial and district level in which nobles could articulate their interests and elect noble representatives to serve as the chairs of other local committees. Yet few gentry wished to serve in “low status” provincial positions, especially those that met the substantial property requirements necessary to vote or be elected within the noble assembly. In practice, the noble assemblies “lacked independence and authority” from the governor and even the powerful position of the Marshal of the Nobility was “no more popular than elected posts in provincial administration” (Hartley, 1999, pp. 94-95). Thus, while Catherine’s reform attempted to pacify the nobility through corporate institutions of self-governance, her administrative reforms “created a large number of service positions in the countryside that the nobility alone could not fill... [making] the government’s attempt to draw the most prestigious and wealthy nobles into provincial service a complete failure” (Rieber, 2017, pp. 313-317).

Therefore, while Catherine II’s administrative reforms “undoubtedly met the need to multiply the organs of local administration and bring them nearer to the localities,” this much was accomplished by attempting to lure the recalcitrant nobility back to “accept appointments in the local bureaucracy... by establishing a new hierarchy of administrative posts in the provinces, most of them salaried, [to] render local service more attractive and more lucrative than it had been before” (de Madariaga, 1981, p. 286). Increasing expenditures for local administration saw an “increase in the proportion of the annual revenue devoted to provincial government from 37.5 percent in 1763 to 54.2 per cent in 1781,” and instead

⁵Following the writings of Adam Smith, “Desnitskii was as an equally strong opponent of tax-farming and of the privileges of the nobility in this sphere”, writing that “the Sovereign receives a known sum from the tax-farmer; but the tax-farmer for all his expenses in the course of the collection [of taxes] receives a large profit, sums which would remain with the people whenever a government gathered its revenues without a middle man...” (Brown, 2000, p. 280, fn. 45).

⁶Scholars refer to this as the deconcentration (in contrast to decentralization) of central authority (LeDonne, 1984, p. 217) or “intensification through decentralization” (Kollmann, 2017, p. 306).

of raising taxes on the wealthy or stimulating economic growth by improving the conditions of the taxpaying peasantry, the state simply printed money and borrowed from the nobility (de Madariaga, 1981, pp. 478-485). As the financial situation worsened, Catherine II's advisors proposed new direct taxes on the nobility, for example taxing horses or property (via windows and doors), but the state's renewed reliance on local elites as local administrators stymied these proposals in favor of increasing the poll tax burden on the peasantry (de Madariaga, 1981, p. 486). Following Catherine's death in 1796, Paul I attempted to rectify the financial crisis by reigning in the nobility once more, closing the provincial noble assemblies and subjecting the nobility to a direct tax for the first time (McGrew, 1979, p. 121).⁷ The direct tax reform of 1797 proposed a link between each provincial institution and noble tax contributions for their maintenance, creating a tenuous relationship between taxation and public goods provision for the first time (previous direct taxes were either allocated to pay for the military – *streltsy* – or funneled into the governor's coffers) (LeDonne, 1984). However, Paul I's reforms “undermined three of the four basic privileges of the *dvorianstvo*: its freedom from obligatory service, freedom from taxes and obligations, and personal inviolability,” and Paul I was famously murdered in his sleep in 1801 (Rieber, 2017, p. 319).

Diffusion of Political Economy

Translations of political economic texts reached the Russian Empire in the 1760's and grew at an accelerating rate through the end of the eighteenth century. The St. Petersburg Academy of Sciences was filled with bureaucrats with private collections of English, French, and German texts, among which “‘political economy’ accounted for almost 40% of the total” (Clendenning, 1985, p. 444). Peter I and Catherine I courted the father of natural law, Christian Wolff, to relocate to St Petersburg in the early eighteenth century; while Wolff declined, he became a consultant during the foundational years of the St. Petersburg Academy of Sciences (created in 1724), forging an early link in the connection between German cameralism and the eighteenth century Russian Empire (Raeff, 1983; Bartlett, 2017).

In 1766, Catherine II established the Free Economic Society, which was responsible for producing primers (*ankety*) on the “‘productive forces’ of Russian agriculture”, trade, and “western economic works in translation” (Clendenning, 1985, p. 448). The Free Economic Society followed in the footsteps of economic associations in England, France, and Germany, pledging to “find out in detail the domestic situation of our provinces, to discover their deficiencies, and to find useful ways of correcting these deficiencies” (Leckey, 2011, p. 19). The pages of the society's journal were dedicated to translating mercantilist and cameralist texts introducing catch-up and development strategies were translated into Russian, including Tucker's *A Brief Essay on the Disadvantages and Advantages of France and Great Britain with Regard to Trade* (published in Russian in 1755 in the *Ezhemesiachnye sochneniia k pol'ze i uveseleniiu sluzhashchie*) and Justi's *On Manufactures* and *On the Need for*

⁷ *Polnoe sobranie zakonov Rossiiskoi imperii*, S. 1, T. 24, No. 18278.

Factories, which was translated from German into Russian in 1772 (Clendenning, 1985, p. 450). The popularity of the Free Economic society swelled to include “the most important ‘decision makers’ of the capital” (Clendenning, 1985, p. 451).

Under the influence of her advisors and correspondence with foreign thinkers such as Voltaire, Catherine II’s Nakaz of 1767 reflected the diffusion of political economy, drawing on French (Montesquieu’s *De l’Esprit des Loix*), Italian (Beccaria’s *On Crimes and Punishments*), and German (von Bielfeld’s *Institutions Politiques*) theories of administration. The father of cameralism Justi’s *Foundations of the Power and Happiness of States, or Comprehensive Exposition of the Entire Science of Police* was completed in 1760-61, and served as the basis for 24 paragraphs of Catherine II’s Nakaz on the themes of “on towns, police and finance,” before it was translated into Russian in its entirety between 1772-1778 (Bartlett, 2017, pp. 67-68).

Cameralist political economy defined a new state goal: economic growth and development. Justi’s cameralism emphasized means to increase the “well-being, power and ‘happiness’” of the state, which depended on population growth, agricultural improvement, and the bevy of public goods and services that states could provide to ensure domestic productivity, including “renewed attention to matters of medicine and hygiene, a new concern with birth- and death-rates and means to record them... measures to diminish poverty, emigration, food shortage, infanticide, and to increase marriage, children, commerce and immigration” (Bartlett, 2017, p. 70). These were not simply abstract goals, but were reflected directly in Catherine II’s administrative reforms, which reshaped provincial administration (1775) to include new boards of public welfare (*prikazy obshchestvennogo prizreniya*) to coordinate local medical services, vaccinations, the care of orphans throughout the empire (de Madariaga, 1981; Hartley, 2006; Bartlett, 2017, p. 285). Catherine’s Statute for the Administration of the Provinces (1775) was followed by a new wave of information collection in the form of an empire-wide census (the fourth revision) and a partial cadaster, both of which were directly inspired by the Austrian model to include “both sexes and all social categories except nobles and government officials” lay the informational foundations for expanding the fiscal tax base (Bartlett, 2017, p. 82).

While the capacity of the Russian state was aimed primarily at fighting wars, there was little incentive for the state to invest in the local economy beyond maintaining the subsistence of the peasant taxpayer (Darrow, 2018). Investment in the local economy was mainly tied to supporting military movements, keeping roads in good condition, and providing shelter to troop regiments. By the early nineteenth century, however, economic growth began to be related to the quality of inputs into the rural economy. These views were articulated by a number of political economists influential during the reign of Alexander I (1801-1825) and Nicholas I (1825-1855), figures such as Konstantin Arsen’ev, Heinrich Storch, and Pavel Kiselev, who would later serve as advisors to Alexander II during the Great Reforms. The potential for proportional direct taxation to generate local revenue to support the local economy was first articulated in 1802 when Alexander I created a legislative commission to investigate the state of the *zemskie povinnosti*, “point[ing] out that the taxes for road construction, for the building of postal stations, and for other *zemstvo* duties were not

Original Russian and translated publications per year, 1708-1800



Figure 3.1: Growth in Translation Activity in the Russian Empire (in Moscow, N.d.)

evenly divided among the peasantry, city inhabitants, and landowners” (Malloy Jr., 1965, p. 19). The conclusions of Alexander I’s government was that “*zemstvo* duties should be divided fairly among all the classes... [and] in each province special committees composed of the local population should aid the government” in the assessment and collection of the direct taxes (Malloy Jr., 1965, p. 21). A decree of 1805 took the first steps to systematize these local taxes and create a link between taxpayers and development, which according to the future Minister of the Interior Pyotr Valuev, was “a resolute step toward the recognition of provinces as independent economic units in regard to *zemstvo* duties [local taxes (*zemskie povinnosti*)] and toward the addition of the participation of the representatives of the local population in the structure of provincial economic affairs” (Del, 1885, p. 12-13).

Thus, already by the 1830s, the connection between “undergovernance” and economic productivity was laid bare. Minister of State Domains Kiselev’s review of the living conditions of the peasantry found that “most of the peasants had far too little land and their tax obligations often exceeded their resources... there were no schools or public health facilities in the peasant villages... drunkenness was rife in the state peasant communities; indeed, the ratio of taverns to peasants was much higher in these villages than in those of the serfs owned by the gentry... [and] finally, the peasant local administration was on the brink of disintegration” (Druzhinin, 1946-1958; Lincoln, 1970, p. 184). With the state of the local economy in clear relief, Kiselev worked for the next decade to reform the system of *zemskie povinnosti* culminating in the reform of 1851, which established new taxes on land and industrial enterprises assessed every three years to pay for the maintenance of the local economy. For the first time, a system of local direct taxes was created that reached beyond

the peasant taxpayer and generated a “fiscal interest” in local public goods provision. The 1851 law on *zemskie povinnosti* led to a rapid increase and reliance on local direct taxes to fund provincial administration.⁸ However, taxation was divorced from the participation or representation of the taxpayers, since “the peasantry enjoyed no voice in the composition of the three year estimates... [and] the provincial assemblies of the nobility only commented upon the estimates and real control over *zemstvo* expenditures remained in the hands of the provincial governor and his bureaucratic forces” (Malloy Jr., 1965, p. 20). According to the Ministry of the Interior, the 1851 reform was “shown that the existing order of local economic administration, according to the judgement of local authorities, public opinion and the Government itself, is still far from satisfying the most necessary and legal demands” (Del, 1885, p. 131).

As a result, during the reign of Nicholas I (1825-1855), the situation in the Russian provinces was still “beyond the government’s competence to cope effectively with such problems as local roads, food supply, medical and veterinary care, fire protection or insurance” (Atkinson, 1982, pp. 96-97). According to one source, “the average annual loss from fire damage alone amounted to 10 million rubles, almost half of the total tax revenues” (Garmiza, 1957, p. 28). Particularly acute lack of coordination was found in the sectors of road infrastructure and animal husbandry. Minister of Internal Affairs Valuev “officially recognized the unsatisfactory state of the postal system associated with the organization of the roads” in each of his ministerial reports of 1861-1863, noting that bad roads brought direct losses to merchants and industrialists, as local government authorities were “powerless to improve the conditions” (Garmiza, 1957, p. 23). Consecutive years of poor harvest had created a lack of fodder for livestock, who suffered from starvation, epidemics, and plague that killed tens to hundreds of thousands of cattle per year during the early 1860s (Garmiza, 1957, p. 26). Finally, “disasters from crop failures and famine, the deaths of cattle, and bad roads were compounded by the prevalence of devastating fires” such that “the tsarist bureaucracy was powerless to organize an effective system of fire-prevention measures” at the local level (Garmiza, 1957, p. 29). While the government “was aware that the peasants devastated by the fires would not be able to pay state taxes and would deprive the treasury of income,” it could not address these concerns without relying on the active participation of local communities for support (Garmiza, 1957, p. 29).

Elite Empowerment and Resistance

Despite the Russian Empire’s engagement in international rivalry and the diffusion of political economic thought in the late eighteenth century, local democratization was not (yet) seen as a viable option for state-building reform. Despite the influence of physiocratic, cameralist, and liberal economic advisors, Catherine II’s Charter to the Nobility (1785) reaffirmed the state’s reliance on local elites for resource mobilization. Catherine II’s plans for the progressive taxation of the nobility were dismissed, and her successor Paul I’s attempts to revoke

⁸ *Polnoe sobranie zakonov Rossiiskoi imperii*, S. 2, T. 26, No. 25398.

the fiscal exemptions and privileges of the nobility ended in his murder in 1801. The Russian state remained too reliant on the landowning nobility for local administration and maintaining political, social, and economic stability to challenge the privileged position of local elites or restructure the relationship between central bureaucracy and local patrimonialism in the provinces.

Alexander I's (1801-1825) interest in constitutional reform, along with his liberal advisor Mikhail Speransky's plans to emancipate the serfs and introduce a national land tax, were foiled by Napoleon's invasion of Russia in 1812 and Alexander I's conservative turn in the years that followed (Raeff, 1957). The Napoleonic Wars demonstrated the Russian state's continued reliance on the nobility, trading their support for the maintenance of their traditional privileges, including "freedom from service and privileged access to military and civil service, and hence to rank; freedom from personal taxes; freedom from corporal punishment; inviolability of noble status, except following trial by peers and subject to the tsar's confirmation; and, finally, the right to own estates (*votchiny*) and hence serfs... includ[ing] not only land but also the subsoil (*nedr*), forests, rural and urban factories and other buildings" (O'Meara, 2019, p. 8).

Local elites' economic position was inflated by the sea change in grain and thus land prices beginning in the middle of the eighteenth century as "the secular trend in economic life turned upward, prices went up, and demand increased," including a 580 percent increase in agricultural prices in the Russian Empire (Mironov, 1973; Blum, 1978, pp. 242-243). Internal colonization and the demand for fertile land (black soil) in the southwestern Russian Empire further drove up land prices as much as 13 times (from 1.5 silver rubles/desiatin to 13-20 silver rubles/desiatin) throughout the nineteenth century (Blum, 1978, p. 247). These price increases meant that state intervention in making agriculture more productive could promise high returns on investments, while also giving local elites a larger stake in the rural economy and thus more to defend from the grasping hand of the central state.

However, the relationship between the state and local elites broke down in 1825, when a coalition of liberal noblemen (the Decembrists) mutinied and confronted the autocracy over the direction of the Russian state on the day of Nicholas I's coronation. The Decembrist Revolt sent shockwaves through the autocracy, reflecting the fundamental breakdown in state-elite relations by the early nineteenth century, and leading to a conservative turn in the tolerance of noble privileges. The laws governing the noble assembly were scrutinized, the property requirements for participation in the noble assembly were raised to make the provincial bodies more conservative, and the state engaged in a widespread campaign to corroborate and in some cases disqualify noble families of their rank and status as recorded in the noble registers (*rodoslovnnye knigi*). In 1831, "the Senate ordered that all noble titles be examined by special commissions... [and] 'Revision commissions' sprang up all over the empire, particularly in provinces where the Senate identified an abuse of power by the noble assembly and the confirmation of unworthy nobles... in some regions, the work of these commissions utterly transformed noble society... [as] some 72,000 names were struck from the registers of Podolia, Volhynia and Kiev alone, while the Olonetsk commission determined that almost half the ennobled families in that province were registered incorrectly" (O'Neill,

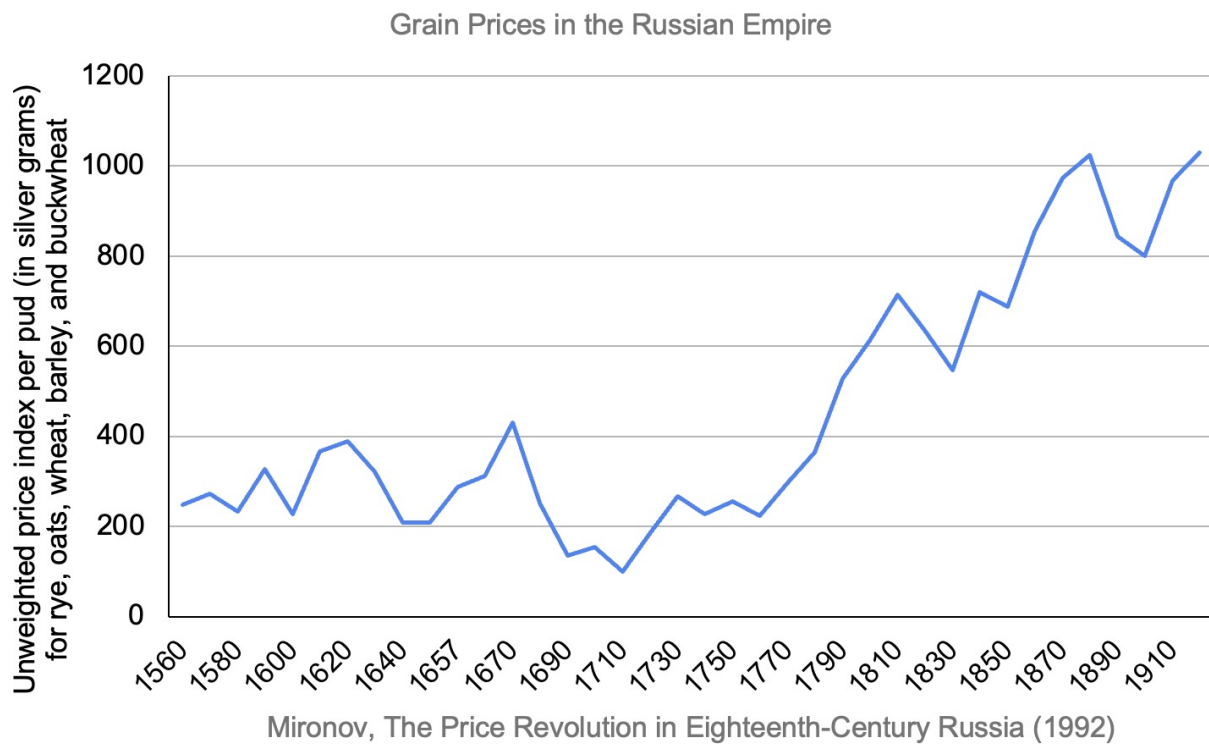


Figure 3.2: Grain Price Movement in the Russian Empire Mironov (1992)

2010, pp. 12-13). The widespread participation of local elites in the royal coup was one more nail in the coffin of state-elite relations, putting even more pressure on the state to find a way to pursue state-building while ameliorating the resistance of the landowning nobility.

Number of decembrists in judicial records (home region) (iz dvoryan)

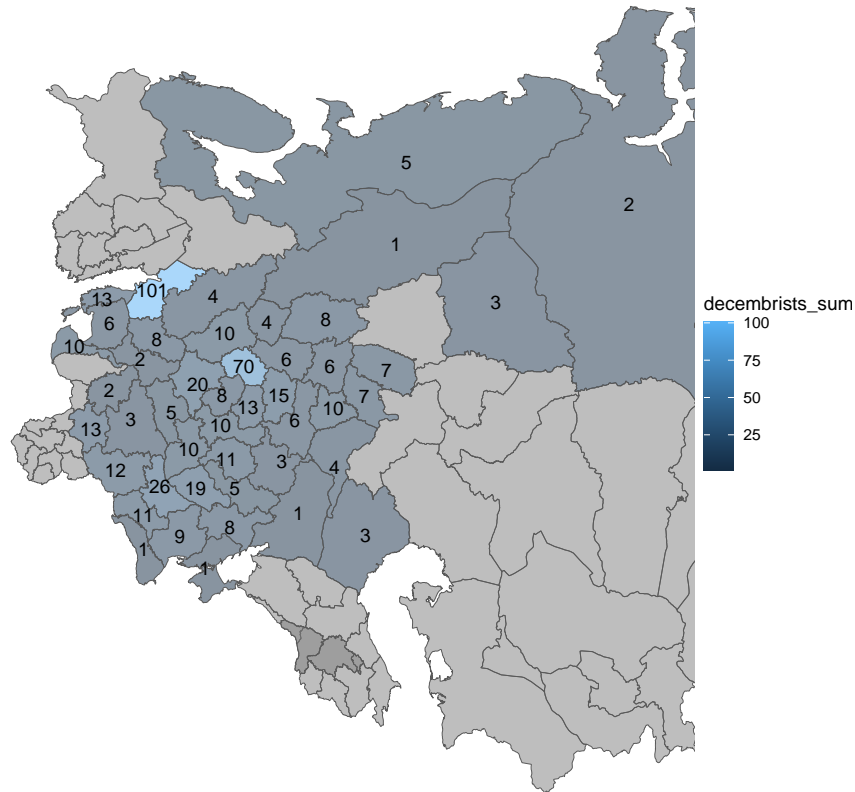


Figure 3.3: The Distribution of Decembrists by Home Province (Pokrovskii, 1926).

In Figure 1 (above) I show just how widespread involvement in the Decembrist Revolt was, spanning all territories of European Russia (Pokrovskii, 1926; Mironenko, 1988; Il'in, 2004; O'Meara, 2019). However, the unalignment of the state and nobility after 1825 only exacerbated the problems of local governance, as nobles spurned their administrative duties, boycotted the noble assemblies, and frequently refused to serve in elected and appointed positions, letting local conditions in the provinces deteriorate on their own watch (Emmons, 1968; Wirtschafter, 1997; Cavender, 2007; O'Meara, 2019).

3.3 Measuring State Capacity in the Russian Empire

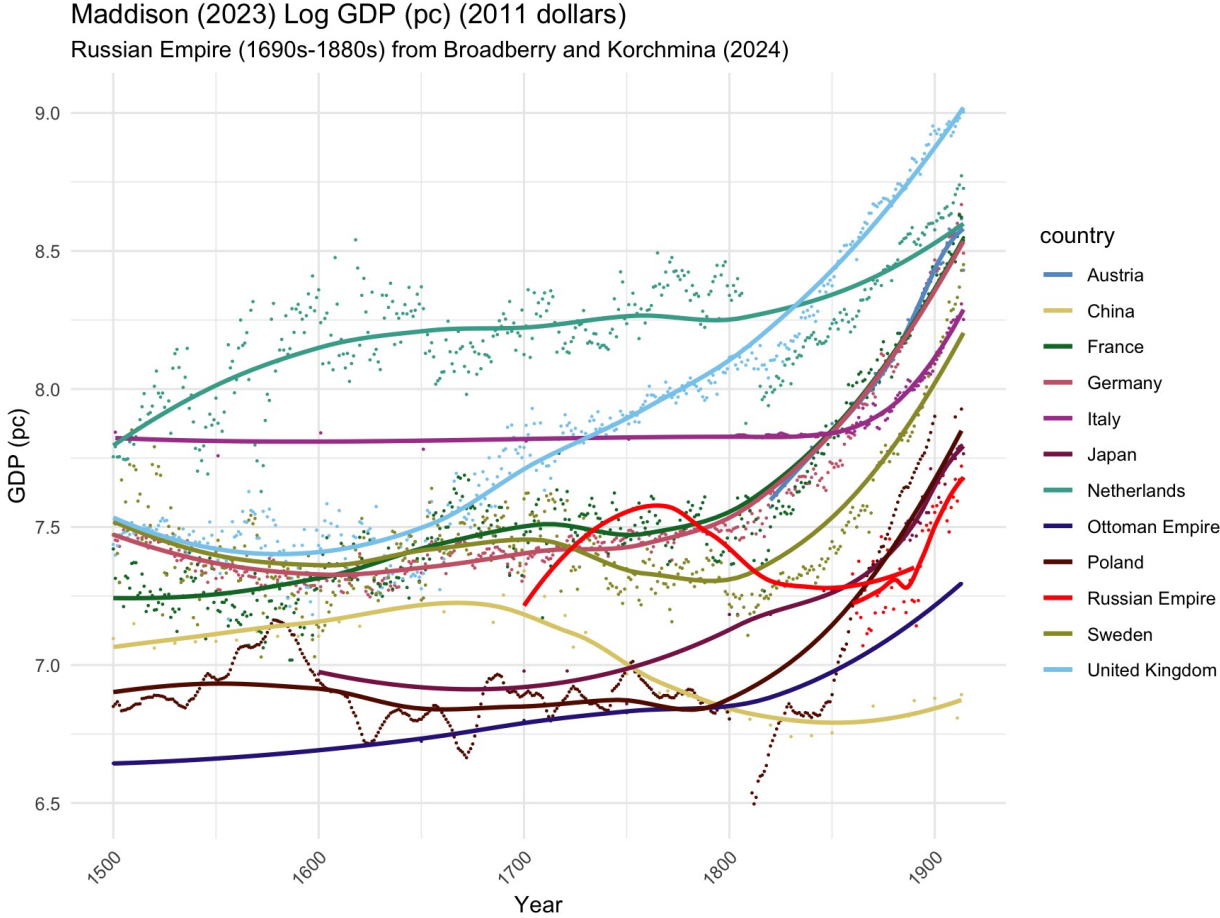
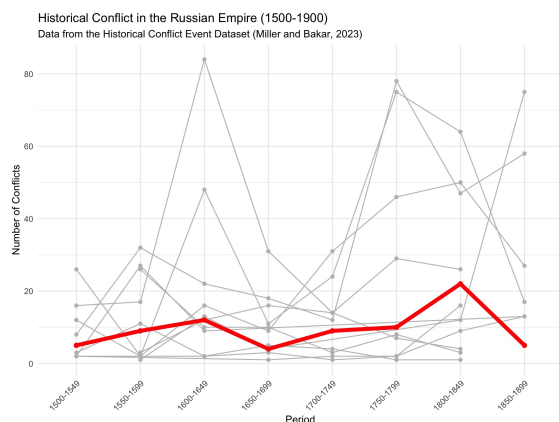
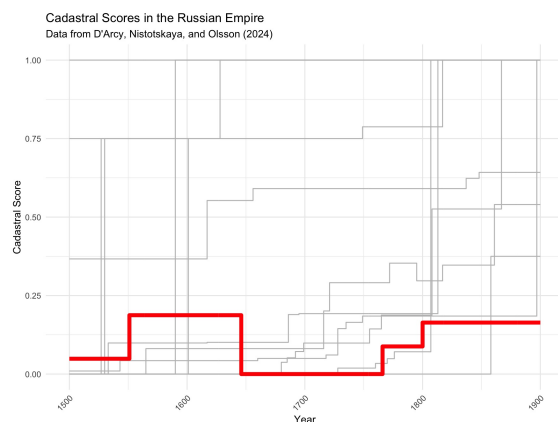


Figure 3.4: Historical GDP per capita (Bolt and van Zanden, 2023; Broadberry and Korchmina, 2024)



(a) Historical Conflict Data for the Russian Empire (Miller and Bakar, 2023)



(b) Cadastral Score for the Russian Empire (D'Arcy, Nistotskaya and Olsson, 2024)

Information

The dismal state of the local economy required new forms of revenue, improved human capital to direct local administration, and a steady supply of information on where and how to direct public goods most effectively. Following the Crimean War (1853-1856), the Russian state faced a number of grim statistics: the cost of government mounted, paperwork had increased once again, post-war inflation loomed, income and taxation were stagnant, and state debt continued to rise (Starr, 1972, p. 115). In the provinces, “the lack of adequate data seriously hampered the work of tax accounting,” as archives were damaged or missing, the cadastral commissions set up in 1842 had proven ineffectual for lack of personnel and resources, the police tasked with collecting taxes were generally incompetent, and taxes themselves were arbitrary, such that “the entire provincial tax system had degenerated to the point of ineffectiveness” (Starr, 1972; Kotsonis, 2014, pp. 40-43; p. 45). The subsequent relationship between weak state capacity and the growing need to stimulate local economic development served as the impetus for the *zemstvo* reform of 1864 (Starr, 1972; Morozova, 2000).

I draw on original archival data to confirm Starr’s hypothesis of an overburdened bureaucracy and the role of local self-government reform in reducing the administrative burden in the provinces (Starr, 1972). Data from *The Report of the Number of Papers Received by the Committee of Ministers* between 1818-1880 reveals two trends: the dominance in paperwork produced by the Ministry of Finance (dwarfing paperwork produced by the Army and Navy during the nineteenth century) and the discrete decreases in paperwork corresponding with local reforms, beginning with the streamlining of the local tax system in 1851 and further decreasing in the wake of the *zemstvo* reform of 1864.

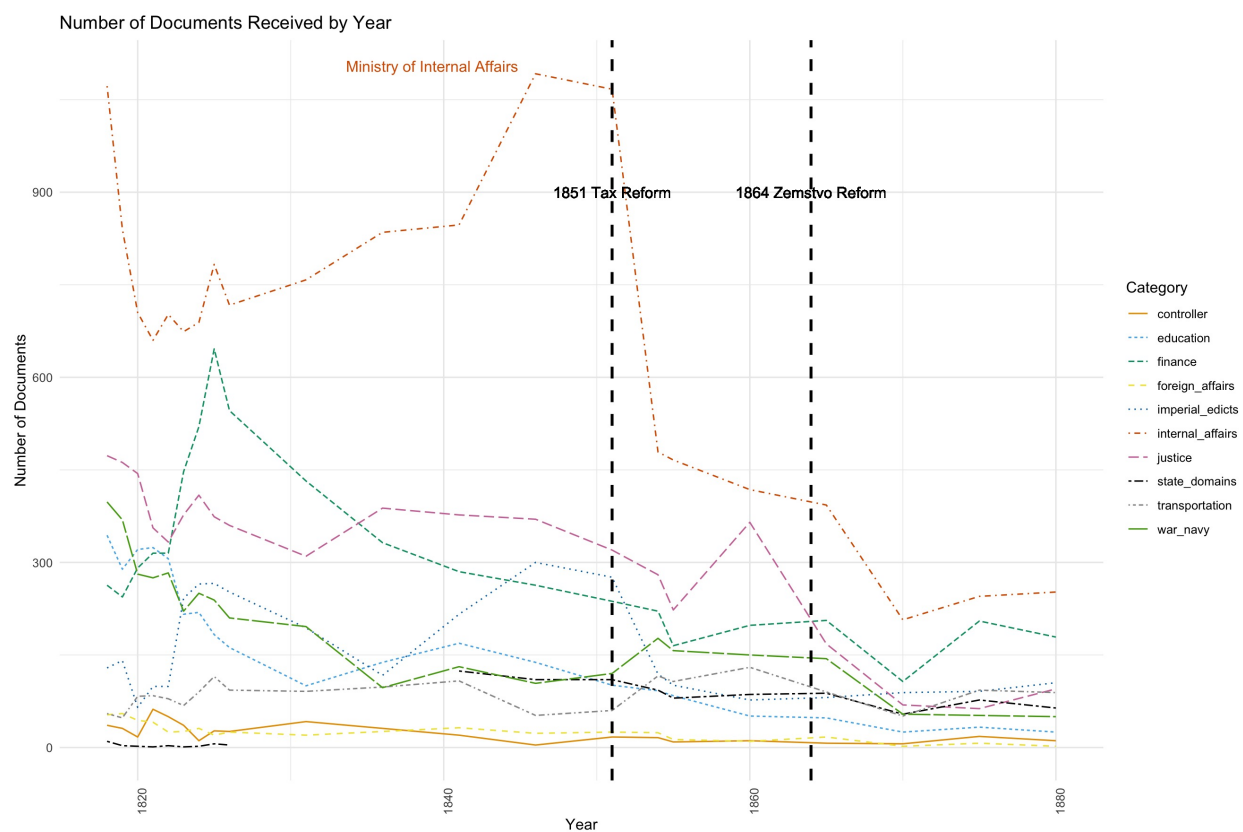


Figure 3.6: Administrative Burden in Central Ministries (1818-1880)

For a local perspective of the administrative burden, I dive into provincial level Governor's Reports published between 1855-1864 for 12 provinces, each containing around 10 districts (*uezdy*). I estimate the efficiency of pre-reform local administration by calculating the ratio between cases received and completed within the same year, and averaging across the provinces. Case efficiency decreased on average between 1855-1864, likely reflecting the ratcheting administrative burdens on local officials following the Crimean War (1853-1856) and the emancipation of the serfs in 1861, which increased the demands on local administration (Hoch, 2010).

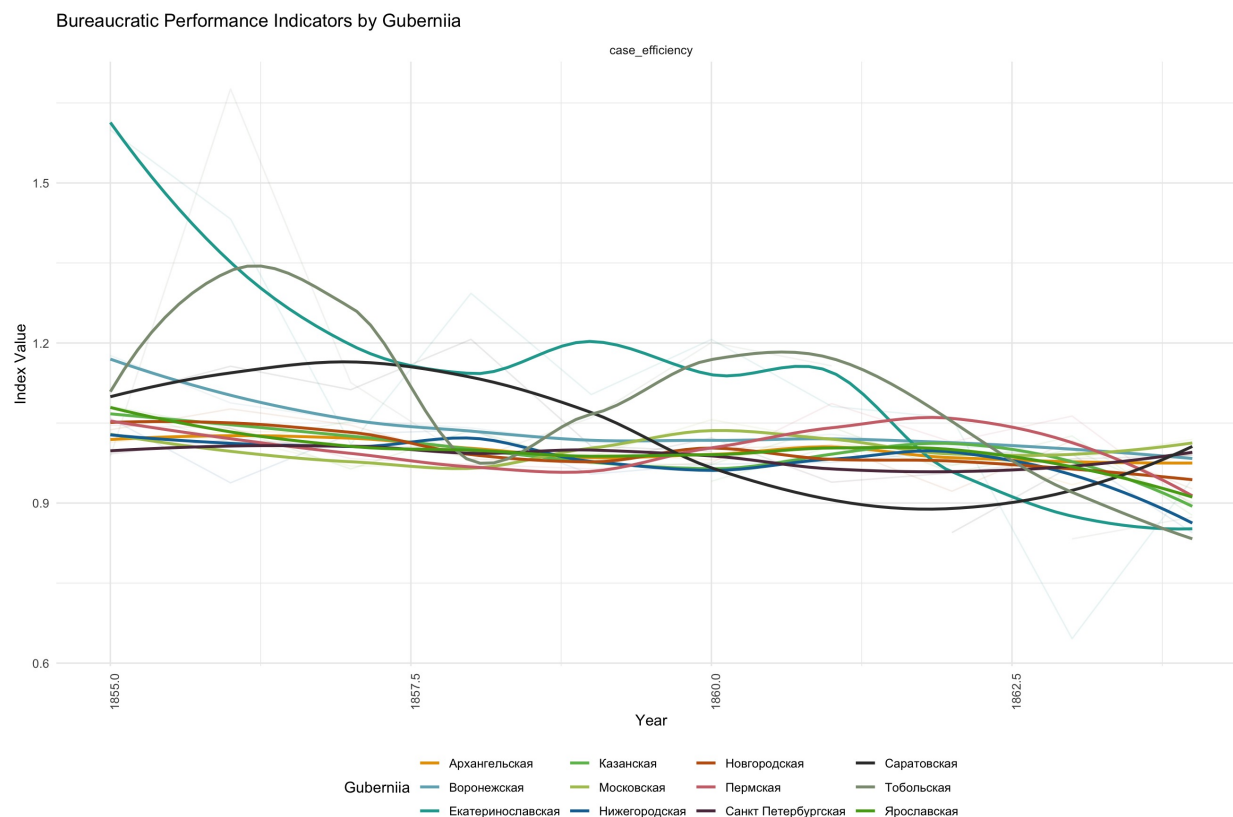


Figure 3.7: Administrative Burden in Local Case Files (1855-1864)

Human Capital

Human capital in the provinces was affected by corruption, bribery, and poor pay. The Governor-General of Kiev, Prince Vasilchikov, bemoaned that “petty officials received less than any laborer, or even the watchman of his office, and much less than servants in private houses... at the same time, officials are overwhelmed with backbreaking work and are often forced to pay for the work of the scribes they hire from their meager salaries” (Del, 1870, pp. 4-5). The question of how to “attract capable and efficient officials to local government” was another core tenant of state-building reform (Del, 1870, p. 6).

Catherine II attempted to remedy this situation by calling on the nobility to “to participate as elected officials in a variety of roles, whether in the offices of the provincial governor and marshal of the nobility, or in the noble assembly, the district courts and the local constabulary” (O’Meara, 2019, p. 77). The noble assembly was a corporate body consisting of all registered nobility in the district (*uezd*) with voting rights for the most wealthy landowners to choose members of their own corporate group (*soslovie*) to preside over local administration. However, the “novelty of noble assemblies meant that while they were initially well

attended, interest in them soon tailed off, making it ever more difficult to find candidates for election to local government posts” (O’Meara, 2019, p. 78).

I collected original data on the attendance and participation of the landowning gentry in the Noble Assemblies as well as vacancies within the primary district-level noble service position: the Marshall of the Nobility (*predvoditel dvorianstva*). In the 1830s, Nicholas I instituted a series of reforms of noble governance, which “forbade students under eighteen from going abroad to study, and in 1834 the law restricted the gentry’s right to go abroad to five years... [and] in 1837, the government reorganized service patterns to require three years of provincial service before young servitors could work in the Ministries” (Cavender, 2007, pp. 162-163). This attempt to compel the nobility into local service was matched with new voting rights in the Noble Assembly, restricting the right to vote from all members of the noble corporation to only those possessing 100 serfs or 3,000 *dessiatiny* of land (Korf, 1906, p. 540).⁹ The Noble Assembly could elect gentry into service positions for up to six year terms without their consent, giving “only those with the right to vote” the ability to refuse service, reinforcing the “extremely low status for provincial elected posts” (Cavender, 2007, p. 166).

Using data compiled by compiled by Boiko (2022), I construct original measures of absenteeism, vacancies, and turnovers within the Noble Assembly and the Marshall of the Nobility to demonstrate the non-compliance of local elites within local administration. I calculate the number of vacancies and the frequency of rotation of the office as a function of the longevity of the Noble Assembly and the three-year terms of its elected members. In addition, the Noble Assembly had the power to seize the assets of non-compliers and place them under “guardianship” (*opeka*) as a form of punishment, creating a record of internal disputes within the Noble Assemblies preserved in the reports of the Ministry of Justice (Iustitsii, 1846). More common than all of these disputes was simply absenteeism within the Noble Assembly itself, where the landowning gentry were routinely “too sick” to attend regularly (Guenther, 2011). Figure 2 (below) displays the number of vacancies in the administration position of the district Marshall of the Nobility to document the rise in local elites’ disinterest in local administration by the mid-nineteenth century.

⁹Future references to *dessiatiny* are converted into acres at the rate of 1 *desiatina* = 2.7 acres.

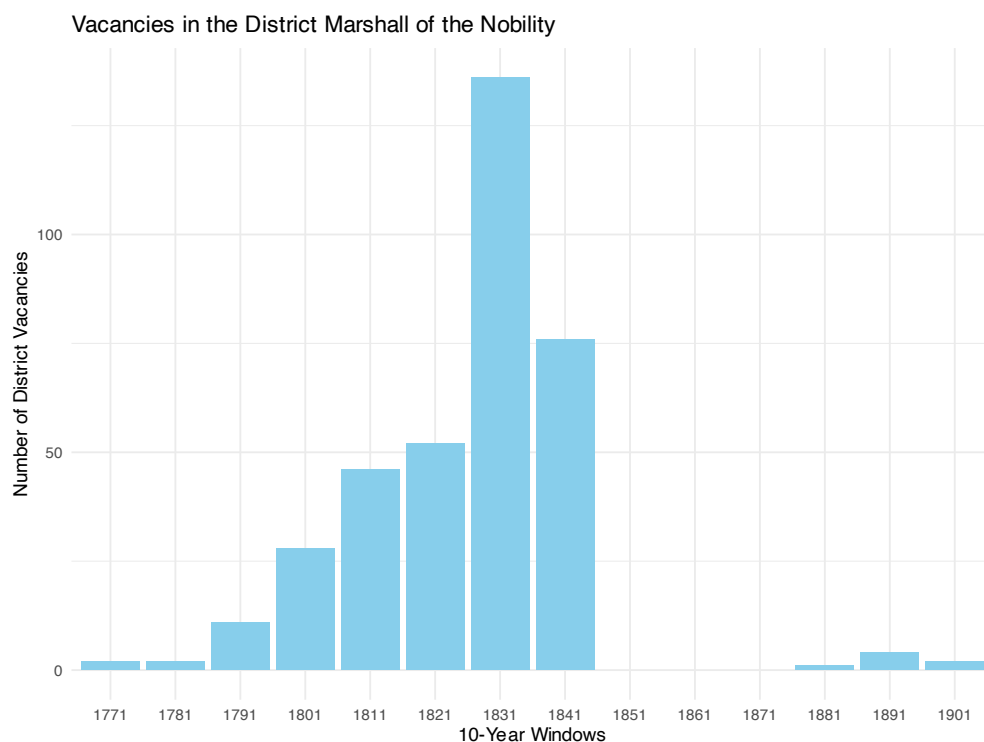


Figure 3.8: Vacancies in the District Marshall of the Nobility (Boiko, 2022)

Fiscal Revenue

By the beginning of the nineteenth century, Russia’s weak state struggled to raise revenue, recruit human capital, and collect information, leading to a low level of public goods provision and “undergovernance” in the countryside (Starr, 1972).¹⁰ Much of the responsibility for local taxation and public spending was left to local communities, who raised a specific set of local direct taxes – *zemskie povinnosti* – to meet local needs. The *zemskie povinnosti* referred to local contributions made by peasant communities in cash or in kind to provide road maintenance and construction (*dorozhnie povinnosti*), the quartering of troops (*kvartirnie i podvodnie povinnosti*), and the storage of grain for famine relief (*narodnoe prodovolstvie*). Prior to the nineteenth century, “these obligations fell exclusively on the peasantry and in pre-emancipation days local bureaucrats assisted by the landowning gentry managed this duty” (Malloy Jr., 1965, p. 4). According to one expert, “The commission designed the creation of new *zemstvo* institutions on the basis of elections that were representative of all social classes, transparent, and independent from government institutions: ‘If *zemstvo* duties

¹⁰Historians use the terms “undergovernance” and “under-institutionalization” to discuss the problem of weak state capacity in historical comparative perspective (Starr, 1972; Yaney, 1973; Robbins, 1987).

are intended to meet the local needs of provinces and districts, then their management should be based on the local, *zemstvo*, i.e. of persons serving as representatives of local economic interests of the province and district, authorized by the trust of ordinary people to manage the public economy of the province and district”” (Morozova, 2018, p. 65).

I collected original data on local taxes (*zemskie povinnosti*) for the pre-reform period to track local revenue sources and the extent of local government spending before the *zemstvo* reform of 1864. These data are drawn from the Ministry of Finance reports generated by *The Highest Established Commission to Improve the System of Taxes and Duties on Direct Taxation (Historical And Statistical Documents on Zemstvo Responsibilities), Appendix to Report No. 4 – On The Organization Of Zemstvo Duties* (1861). Grouping these local expenditures by province (*guberniia*) shows a number of trends: first and foremost the success of local taxation in the *zemstvo* test provinces, where Prince Vasilchikov oversaw decentralizing reforms that, he wrote to Tsar Alexander II, “would serve as an example and guide” for the other provinces (Starr, 1972, p. 171). Pre-reform local tax collection, however, lagged behind in most other provinces, and actual taxes collected at the end of the year (compared to those estimated for collection) remained far below the state’s estimates.

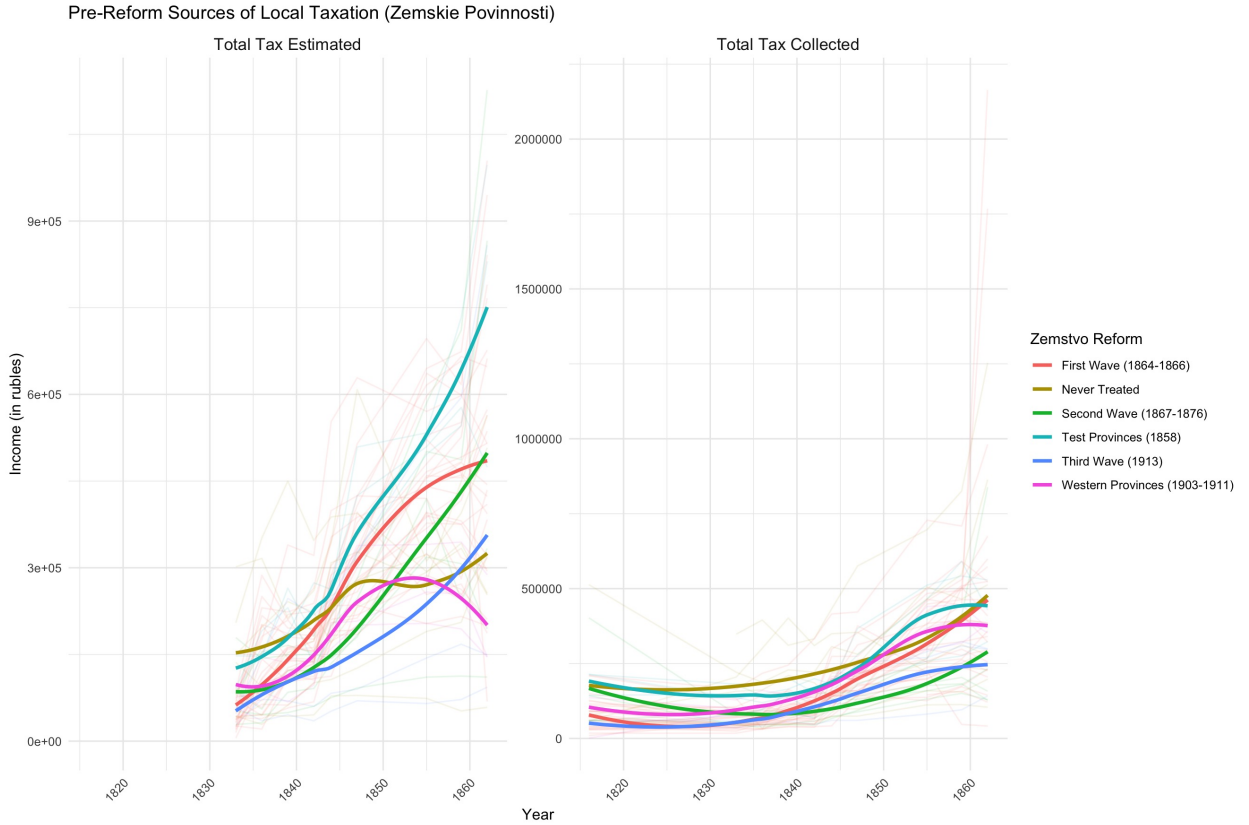


Figure 3.9: Local Taxation (*Zemskie Povinnosti*) in the Pre-Reform Period

Turning to pre-reform spending, total administrative investment in local government raised slightly between 1850 and 1860, with the bulk of that increase allotted for expenditures on roads and police. Interestingly, outside of the areas identified as targets for the *zemstvo* reform, local administrative spending increased over this time period, providing some preliminary suggestive evidence that the reform was targeted at areas where local spending lagged – precisely those areas where local elites had the most to lose from giving up their resources to the state.

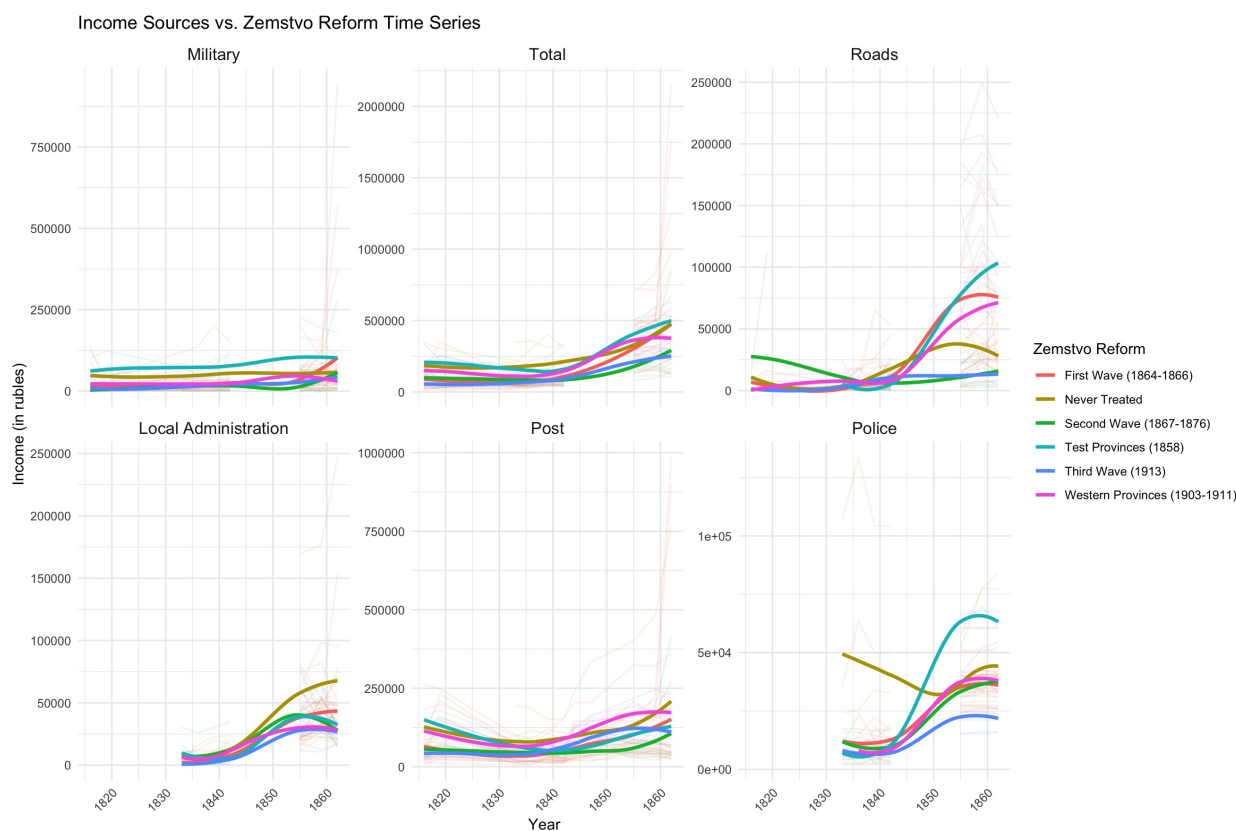


Figure 3.10: Spending from Local Taxes (*Zemskie Povinnosti*) in the Pre-Reform Period

Local Democratization

The *Zemstvo* Reform of 1864

What then explains the democratization of local government in the Russian Empire, replacing a patchwork of noble assemblies and governor's appointees with an all-class elected assembly featuring representatives of the peasantry, merchants, and noble gentry? The proximity of the *zemstvo* reform of 1864 to the emancipation of the serfs in 1861 led historians to associate local self-government with the newly emancipated peasantry. Recent work on the

design of *zemstvo* institutions draws on the theoretical framework posed by Acemoglu and Robinson (2000, 2017) to relate peasant unrest and redistribution by examining the share of seats won by the peasantry in the first *zemstvo* elections after 1864 (Castañeda Dower et al., 2018, 2020). Despite the ambiguity in Acemoglu and Robinson’s theory of political transitions (Little and Paine, 2023), recent work on peasant unrest in the period before the Great Reforms has painted the *zemstvo* as a means to buy-off the rebellious peasantry with “partial democratization” (Finkel, Gehlbach and Olson, 2015; Castañeda Dower et al., 2018, 2020). This perspective contrasts with the reactions of contemporaries, such as those of A. A. Golovachev, who in 1872 wrote that “the reform in taxes and taxes is of much greater importance than the peasant cause, since it concerns the entire future of the state..., all aspects of people’s life” (Golovachev, 1872, p. 63). Despite the fact that contemporary observers recognized that “the financial problems of the late 1850s led to the establishment of the *zemstvo* as a partial solution to revenue collection problems,” there exists no other joint empirical and theoretical treatment of the *zemstvo* in these terms (Nafziger, 2008, 2011, pp. 7-8, fn. 16).¹¹

I argue that the *zemstvo* assembly was created as a way to increase local state capacity by facilitating the collection of revenue, human capital, and information from society by incentivizing participation in local governance. The emancipation of the serfs did not solve the problem of “undergovernance” in the provinces, and the state still needed the participation of local elites to raise taxes and coordinate local public spending. In other words, “when elites are exempt, they lack the incentives to hold government accountable and therefore enough incentives to participate in public institutions” (Boucoyannis, 2021, p. 302). Election to the *zemstvo* assembly was designed as a multi-tiered system of electoral *curiae* with strict tax requirements for participation. The first step in the organization of *zemstvo* elections was for the ‘temporary commissions’ to compile lists of eligible voters and publish them as supplements in the provincial newspaper, tying voter eligibility to the amount of land owned, for example in the first curia of the landowning nobility those passing a threshold of hundreds of acres of land (varying across districts) or a minimum property value of 15,000 rubles were eligible to participate in their district’s electoral congress.¹² Provincial newspapers published this information in the form of “announcements and notifications of who has the right to participate in county elections” along with “appeals to absent landowners with a request to provide information about their property” (Kabytov, 2009, pp. 15-16). This information collection mechanism forced local elites to hand over their private information on the value of their own land in exchange for having the opportunity to direct public spending, creating a mechanical link between participation in the *zemstvo* assembly and information sharing

¹¹The historiography on the *zemstvo* is immense, but can be summarized by the work of Veselovskii (1909-1911), Starr (1972), Emmons and Vucinich (1982), Zakharova, Eklof and Bushnell (1994), and Morozova (2000). Recent work on provincial administration in the Russian Empire (Liubichankovskii, 2010; Schattenberg, 2012) studies the *zemstvo* from the perspective of a single region, including Kabytov (2009) on Samara, Evtuhov (2011) on Nizhnii-Novgorod, and Smith-Peter (2018) on Vladimir.

¹²A future extension aims to collect a larger sample of these voter lists scattered across publications of provincial newspapers (*gubernskie vedomosti*).

with the state.

Elections on the basis of property ownership to a three-year term in the *zemstvo* assembly imparted decision-making power and local authority, as assembly deputies could “propose new projects or amendments to existing programs” within the scope of the assembly’s agenda-setting powers (McKenzie, 1982; Nafziger, 2011, p. 31; p. 398). The *zemstvo* assembly was tasked with maintaining fiscal responsibility, streamlining public goods provision, increasing administrative efficiency, and collecting and aggregating information from the local district (*uezd*). The 1864 law delegated the following fourteen areas of policymaking to the *zemstvo* assembly, including: (1) the oversight of *zemstvo* finances; (2) the maintenance of *zemstvo* property; (3) food security; (4) social welfare programs; (5) property insurance; (6) the development of local trade and industry; (7) public education and health; (8) measures against livestock disease and crop damage from insects; (9) collection of other state taxes; (10) setting and collecting taxes for local needs; (11) the transfer of information and petitions to higher authorities; (12) holding elections for local government institutions; (13) financing these bodies; and (14) other matters imposed by future legislation.¹³ The *zemstvo* raised revenues for public works projects primarily through a local property tax, and oversaw public spending from education (building rural schools and hiring teachers) to healthcare (building rural hospitals and hiring doctors) and most everything in-between. District (*uezd*) deputies elected their provincial (*guberniia*) deputies, appointed members of the *zemstvo*’s executive board (*zemskaia uprava*), and appointed representatives to other local institutions (McKenzie, 1982).

3.4 Design and Implementation of the *Zemstvo* Reform

The Logic of Local Self-Government

The Ministry of the Interior designed local self-government to facilitate a broad, but uneven franchise that yielded an elite dominated assembly, in which non-elite representatives still had the ability to moderate the political preferences of the nobility and hold them accountable for public goods provision. The local assemblies were also designed to mobilize resources directly. First, the *zemstvo* generated information via (1) a tax requirement that necessitated voters publicly declare their private resources in the pages of the provincial newspaper (*gubernskie vedomosti*) in order to register for the electoral congresses in which voting for assemblymen occurred; and (2) by generating reports on local conditions that made provincial realities “legible” to the central state. Second, the *zemstvo* generated human capital by (1) increasing the attractiveness and prestige of public office and (2) handing over local bureaucratic appointments to the *zemstvo* executive board. Third, the *zemstvo* generated fiscal revenue by (1) establishing a new direct tax on property to fund local spending and

¹³ *Polnoe sobranie zakonov Rossiiskoi imperii*, S. 1, T. 39, No. 40457, Article 2.

(2) incentivizing representatives to use their superior local information to better assess and collect taxes than central tax collectors, trading an increased tax burden for local control over how revenues were to be spent.

These new forms of resource mobilization offered by *zemstvo* local self-government coincided with the abolition of tax-farming in 1863, the introduction of a property tax to fund local government, and the active engagement of the local assembly in provincial land surveys in an attempt to gather new information on land values, to keep this information up to date, and share this data with the central state. In this way, the *zemstvo* reform aimed to raise compliance, improve legibility, and channel the effort of local elites from rent-seeking into promoting local economic development. The state designed the *zemstvo* to incorporate local elites and redirect their activities from patrimonial rent-seeking to local economic development, simply by changing the institutional structure around them. The promise for economic growth was ultimately Smithian: the pursuit of private profits by local elites could produce the indirect result of benefitting central state capacity by mobilizing local resources in line with state interests (Smith-Peter, 2018).

The planning documents of the Committee on Provincial and District Institutions reveal the macro- and micro- level logic of local self-government in the words of the reformers themselves. In two subsequent sections drafted personally for Tsar Alexander II, the Minister of Internal Affairs Petr Valuev and the director of the Legal Section of the Chancellery Baron Modest Korf commented on the goals of the *zemstvo* reform and offered their comments on the draft regulations during the final and most pivotal stages of the reform in the Spring of 1863 (Del, 1885, T. 2). Valuev began by invoking the language of cameralist political economy, stating that the development of “common interests, relationships and connections in the provinces and districts... required, for the common benefit, the common and cumulative action of the entire population”. Concentrating on local taxes (*zemskie povinnosti*), Valuev plainly states that “the need for the correct and convenient execution of *zemstvo* duties was the first reason to call for participation in this matter by representatives of the local population, who had more opportunities than government bodies to identify local means of satisfying state needs and the most correct distribution of duties” (Del, 1885, T. 2, p. 336).

Valuev justified the decentralization of administrative power by pointing to the gap between the legal responsibility of district leaders of the nobility and the “insufficiency... of implementation” revealed during times of crisis. Valuev criticized (1) the lack of information about local taxes, which in the “absence of any organization, often fall entirely on one particular locality, for completely random and extraneous reasons... some provinces almost never require benefits and their capital remains unused, others require assistance almost continuously and are constantly in debt”; (2) the lack of human capital, which “in the absence of bodies for managing taxation in the counties, where this entire part of the economy is left almost exclusively at the disposal of the *zemstvo* police... and the predominant participation of the police in the executive and even, in part, the administrative part of duties in the counties gives rise to complaints about disorder and arbitrariness in the requirement and execution of duties” and (3) the lack of local control over taxation and spending, which “in the absence of independence of the local province, management of *zemstvo* duties, subor-

dinate to the central power, without the direct permission of which not a single important action on *zemstvo* duties can be carried out, and in complex control, carried out mainly by government bodies, and only to a small extent provided to representatives of local classes”.

In the provincial capitals, the boards for overseeing local taxation (*prisutstvie zemskoi povinnosti*) convened by the governor “almost never gather in the proper composition for their activities... and are not able to collect the information required from them and often do not deliver it at all, and if they do deliver it, it is in the most faulty form”. Valuev concluded that the best way to replace the shortcomings of central government oversight with the energies and information of local actors was to find a way to re-align local elites with central state-building interests by “assigning responsibility for the management of *zemstvo* duties solely to local economic institutions” – the *zemstvo* assemblies.

In this way, local self-government was identified as the means to ensure local development. Valuev wrote that it was necessary “to grant the distribution of fees, to a certain extent, to the jurisdiction of local economic and *zemstvo* institutions; on the one hand, because assessment is of predominantly local interest, on the other hand, because local institutions have more opportunities to carry out assessment with the greatest equity, according to the closest consideration of all the local conditions of the province or district”. Participation of all classes in the *zemstvo* assembly was designed to ensure “the local population is called upon to correctly express their desires, opinions, wants and needs in *zemstvo* affairs, to establish and resolve issues common to the interests of the entire locality; on the other hand, a constant, properly organized authority is needed to implement general regulations on *zemstvo* affairs, to implement correctly and legally expressed desires and needs”. It was crucial for the *zemstvo* assembly to “correctly and fully serve as representatives of the entire locality and its interests,” which in turn necessitated “that these institutions consist of persons directly elected by the local population,” “that the number of these persons should be quite large, so that the institution could include representatives of all significant interests of the locality and so that public opinion could be independently and correctly formed within,” “that the members of such an institution maintain constant contact with the locality and society of which they serve as representatives,” and “that the renewal and change of the composition of the institution depends, to a certain extent and with certain limitations, on the society”.

The “grounds and forms of this representation” balanced an inclusive institution with the need to incorporate local elites and their resources. Valuev acknowledged the representative principle that the “entire population of the district, participating in its general economic interests, has, of course, the right to greater or lesser participation in the management of affairs related to these interests,” but following the French physiocratic model of local assemblies, was convinced that “representation, to a certain extent, should be proportional to the degree of participation of a person in *zemstvo* interests”. This meant that “no other indicator can account for the greater or lesser degree of participation of each person in the economic interests of the county, than the amount of property owned”.

The assembly was created to mobilize local elites so that “participation in it should be determined by the quantity or, better said, the value of land ownership,” while being cautious “not to deprive small owners of participation”. Across districts, “it is necessary to give some

preponderance in the composition of the district *zemstvo* assemblies to the class that is more educated and developed, who to a certain extent had previously enjoyed political rights and was already somewhat experienced in civil life”.

The *zemstvo* assembly also played an important role in generating information on local conditions and transmitting that information to the central state. Information on *zemstvo* proceedings should be printed in the form “resolutions and explanatory documents and information for them, so that the entire *zemstvo* society of the district or province has the opportunity to judge the actions of their representatives and subsequently express, in the election, their trust or disapproval of the representatives”. Then, *zemstvo* administrators were tasked with annually submitting reports “on the situation of *zemstvo* economy and *zemstvo* property” so that “*zemstvo* assemblies and the entire society of the province or district can constantly maintain a correct understanding of the state of *zemstvo* affairs, about the means of the district or province, about the possibility of changes, development and improvements in the *zemstvo* economy.... only with this constant knowledge of the position of the *zemstvo*, *zemstvo* assemblies can correctly and consciously approve estimates and allocations, authorize fees, expenses and business transactions.”

In the second half of the report, Baron Korf was given an opportunity to respond to Valuev and make additional recommendations to Tsar Alexander II. He clarified that the mission of the *zemstvo* reform was “to change the most fundamental conditions of our system of local government, to destroy the old and to rebuild on a new principle almost diametrically opposed to that which has heretofore existed: decentralization and self-government”. In contrast to Europe, in which “the history of all European states has led them to one of two extremes, either to excessive concentration of all activity in the center and the complete suppression of the independent public life in the separate localities, or to excessive independence of the regions and a weakening of the necessary bonds of union between them,” Russian reformers looked to find some “satisfactory middle course” between state-building and democracy (Starr, 1972, p. 282).

In his reply to the Tsar, Korf raised the thorny issue of the variation in local elites that the state sought to incorporate within the local assembly. Korf meant to ensure that “small property owners ‘with their numerical influence would not outweigh the influence of rich and educated landowners, as a result of which the representatives themselves, elected by the assembly, would not lose their real character as representatives of large and medium-sized landowners’”(Morozova, 2013). To prevent this from unfolding, Korf argued that it “it is better, without eliminating small owners from elections altogether, to limit only the number of representatives sent from them to electoral assemblies” (Del, 1885, T. 2). There was no clearer indication of the state’s position towards the local elites than “the intention to preserve the first place in *zemstvo* affairs for the social estate, which is the leading class and is most capable of dealing with *zemstvo* affairs” (Morozova, 2013). State-building was and remained the impetus for representation. From the start, “the project... accepted the balancing of various interests, but not as an exclusively guiding principle, but to the extent that it turned out to be necessary and useful to balance them” (Morozova, 2013).

Data and Empirics

The remaining puzzle pertaining to the introduction of the *zemstvo* is its geographical coverage and temporal rollout along with substantial variation in the property owning threshold (*tsenz*) across each district of the Russian Empire. In some provinces, the creation of the *zemstvo* was postponed by administrative delays, while in other provinces the creation of the *zemstvo* was legislated into being in the years following the initial reform. What explains this variation over space and over time? And does this variation explain differences in downstream outcomes related to the efficacy of local self-government in *zemstvo* versus non-*zemstvo* districts?

I hypothesize that the *zemstvo* was targeted at districts in which the nobility held more autonomy and possessed more resources, as the state sought to incentivize the participation of unincorporated local elites to reveal their private information and start taxing themselves within the *zemstvo* assembly. I measure the structural power of the local elite in a district (*uezd*) by turning to a survey of serf estates owned by the wealthiest landowners (those owning 100 or more serfs) in the Russian Empire compiled in 1859 and published in 1860 (*Prilozheniia k trudam Redaktsionnykh Kommissii dlia sostavleniia polozenii o krest'ianakh vykhodiashchikh iz krepostnoi zavisimosti: Svedeniia o pomeshchich'ikh imeniakh*, 1860).¹⁴ I use data on the number of wealthy landowners, serfs, and district level measures of landholding inequality to predict the rollout of the *zemstvo* assembly, the property owning threshold (*tsenz*), and the distribution of seats reserved for the first *curia* of landowning nobility.

The initial wave of the *zemstvo* reform was concentrated in the heart of European Russia, despite the fact that the Ministry of the Interior first “experimented” with *zemstvo* institutions in the provinces of “Little Russia” (Kiev, Podolia, and Volhynia) in 1859-1861 (Starr, 1972, pp. 170-171). The strongest evidence in favor of the *zemstvo* as a means to incentivize noble compliance comes from the delayed introduction of the *zemstvo* in regions with fewer, weaker nobility who were more aligned with state interests. In these regions, mainly where soil was poor in the north and east of European Russia, there were few powerful landowners and Noble Assemblies lacked real bargaining power with the state (Savitskii, 2000). When the *zemstvo* reform was introduced in these provinces – the so-called “peasant *zemstva*” – local elites were outnumbered by poor peasants, which reduced the efficacy of the nascent institutions as the median voter looked to block any increases in taxation, despite the potential public goods the *zemstvo* might provide (Pape, 1979).

¹⁴See: Hoch (2010, pp. 290-291) for a discussion of the creation of the survey to aid in the design of the emancipation reform.

The Geography and Timing of Zemstvo Reform Implementation

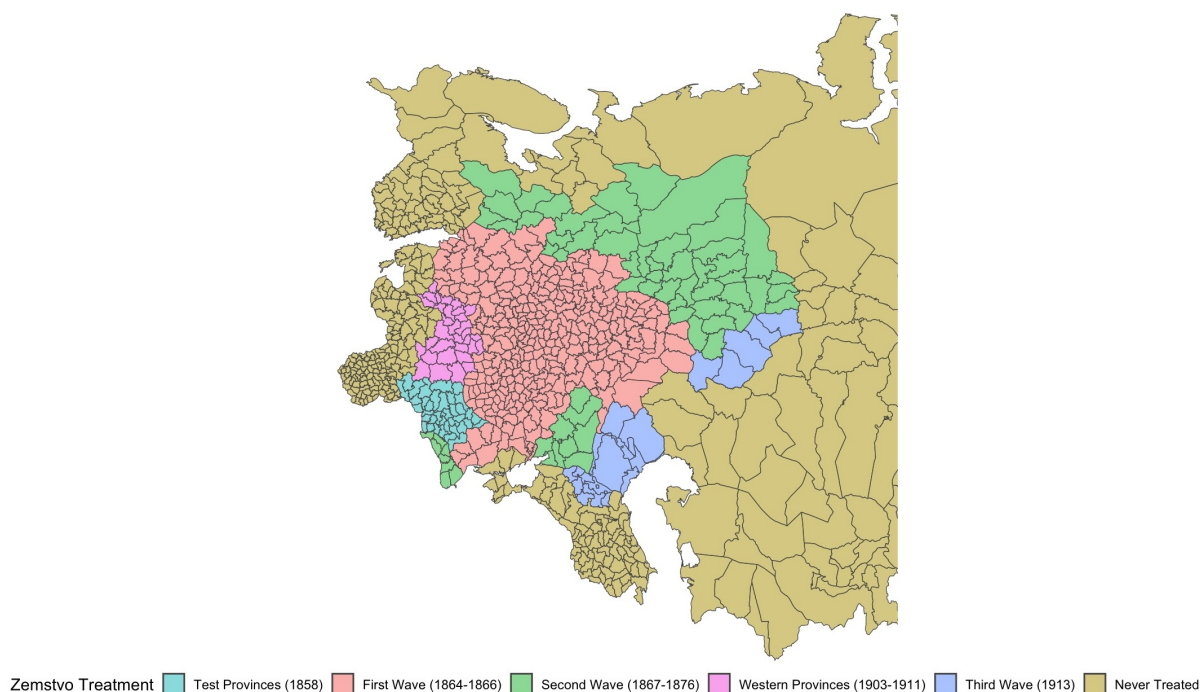


Figure 3.11: Local Self-Government Reform by Province/District (1864)

I collect data on the electoral threshold (t_{senz}) used as a filter for the type of local elites that could stand for election in each district of the Russian Empire. The state set the t_{senz} prior to the opening of the assembly in 1864. Scholars have puzzled over variation in the electoral threshold, some asking whether it was related to previous episodes of peasant unrest in the years preceding the reform (Castañeda Dower et al., 2018). I draw on my theory of local democratization to test whether the electoral threshold was actually designed to incentivize the participation of the most powerful landowners to facilitate their compliance and expand the property tax base for public goods provision. The empirical exercise below demonstrates the relationship between the power of local elites, measured by the number of wealthy landowners owning more than 100 serfs in a district, and both the property requirements to enter the assembly and the level of noble representation in the first wave of *zemstvo* elections in 1864.

Below, I find a clear negative relationship between the number of wealthy landowners in a district and the electoral threshold (t_{senz}) measured in *desiatiny* (2.7 acres). This implies that the state selectively made it easier to enter the *zemstvo* assembly where the average local elite was richer, in order to incentivize the participation of wealthier landowners by forcing them to participate in the assembly to steer the policy preferences away from a larger coalition of poorer voters. This finding is consistent with my expectation that the assembly was designed to expand the local tax base by incorporating local elites who had

disengaged from the state in the 1830s. In order to enter the assembly to advocate for their interests, local elites were required to reveal their private wealth and land ownership on the front pages of the provincial newspaper, where the future *zemstvo* tax base was subsequently revealed. Where local elites were weak and relatively poorer, the *tsenz* was raised to ensure that wealthier landowners among the population entered the assembly, so that the smaller quota would raise the tax base artificially by only including wealthier landowners. Without the compliance of local elites, public goods provision would be undermined by the coalition of peasants and merchants within the assembly, who also wished to shift the relative tax burden away from themselves, but had less to gain from taxing themselves in order to invest in local economic development.

Noble (1st curia) electoral threshold (*tsenz*) (1864)

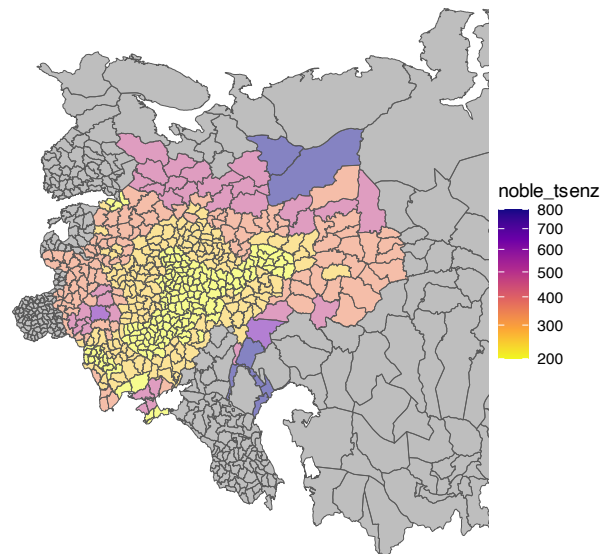


Figure 3.12: The Noble Electoral Threshold (*Tsenz*) in *Desiatiny* (2.7 Acres) (1864)

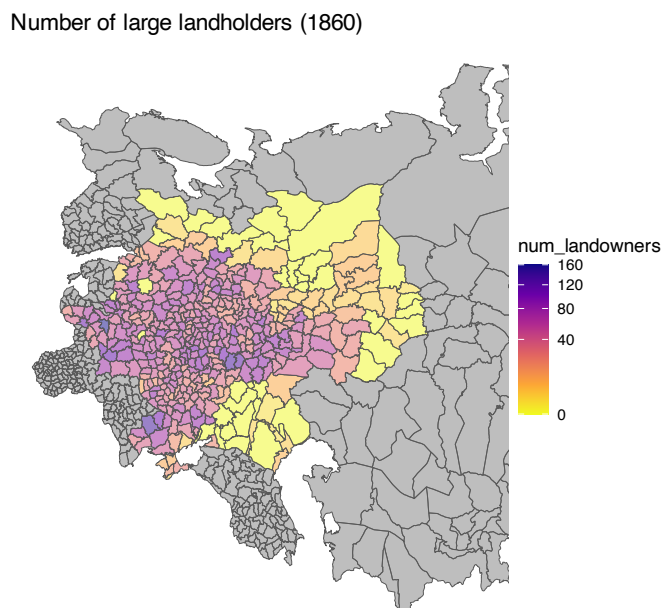


Figure 3.13: The Distribution of Wealthy Landowners (1859)

In order to account for unobserved endogeneity in the relationship between the power of local elites (measured by the number of wealthy landowners in a district) and local government reform, I use an instrument that explains exogenous variation in the power of wealthy landowners. The proposed instrumental variable should have no relationship with local government reform other than directly through the variation in the power of local elites. To construct a historical instrument that satisfies this exclusion restriction, I turn to a chronicle of Russian monasteries published in 1890 that records a description and date associated with 2,245 monasteries (Zverinskii, 1890). I construct an instrument capturing rural monasteries established *before* the end of the reign of Peter I (1682-1725) when church lands may have begun to be seized strategically by the state. I argue that the presence of monasteries in a district crowded out the availability of land that could be redistributed to local elites via the noble land grants awarded for state service in the sixteenth and seventeenth centuries (*pomest'ie*). In any district, land taken up by monasteries crowded out space for noble landowners to settle, thus serving to exogenously shift the local power of the nobility in a way that has no bearing on the future implementation of local self-government. Indeed, my historical instrument is strongly correlated with the share of monasterial serfs, indicating that landowners (those with private serfs) settled elsewhere.

This identification strategy follows the precedent set by Buggle and Nafziger (2016) and Markevich and Zhuravskaya (2018) who use “exogenous variation [in the] prevalence of serfdom coming from the nationalization of the monasterial lands a century before the emancipation of serfs” to alleviate concerns that serfdom and thus the corresponding dis-

tribution of landowners is non-random in ways that directly effect the outcome (Markevich and Zhuravskaya, 2018, p. 1079). I improve on their instrument by collecting data on the location of over 2,000 monasteries from a new source (Zverinskii, 1890) that allows me to leverage the timing of monasterial creation from the pre-Petrine era in order to avoid any potential violation of the exclusion restriction that emerges from the selective nationalization of church lands in the wake of Peter the Great's reforms.

Number of monasteries before 1725 (log)

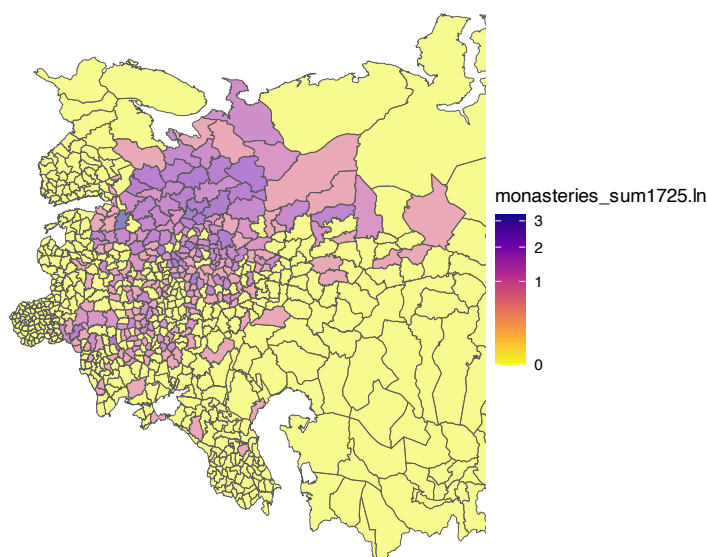


Figure 3.14: The Distribution of Monasteries (log) before 1725

Figure 3.15: First Stage: Relationship between Monastery IV and Noble Landownership

term	estimate	std.error	statistic	p.value
Monastery IV	-0.2420665	0.0898155	-2.6951512	0.0073465
Soil Quality	0.4421710	0.2400260	1.8421797	0.0662237
Distance from Moscow	-2.5186255	0.1763306	-14.2835408	0.0000000
Provincial Capital	0.4066958	0.1754017	2.3186532	0.0209410
Forest Coverage	-0.2151614	0.3641432	-0.5908703	0.5549568

Figure 3.16: Reduced Form: Relationship between Monastery IV and Noble Representation (1864)

term	estimate	std.error	statistic	p.value
Monastery IV	-0.7853274	0.5958197	-1.3180621	0.1883915
Soil Quality	6.0354176	1.9443766	3.1040373	0.0020731
Distance from Moscow	-10.8830193	1.1757086	-9.2565614	0.0000000
Provincial Capital	-0.8457101	1.1700240	-0.7228143	0.4703029
Forest Coverage	7.3158580	2.7696594	2.6414287	0.0086463

Figure 3.17: IV Regression: Relationship between Noble Landownership and Noble Representation (1864) including Monastery IV

term	estimate	std.error	statistic	p.value
Noble Landownership	6.2222947	2.9293781	2.1241009	0.0343585
Soil Quality	-4.8116738	3.0824880	-1.5609708	0.1194292
Distance from Moscow	4.7921725	7.6798520	0.6239928	0.5330365
Urbanization (log)	-1.4110309	0.8184655	-1.7239955	0.0855866
Population (log)	-0.2077421	0.8416950	-0.2468139	0.8051961

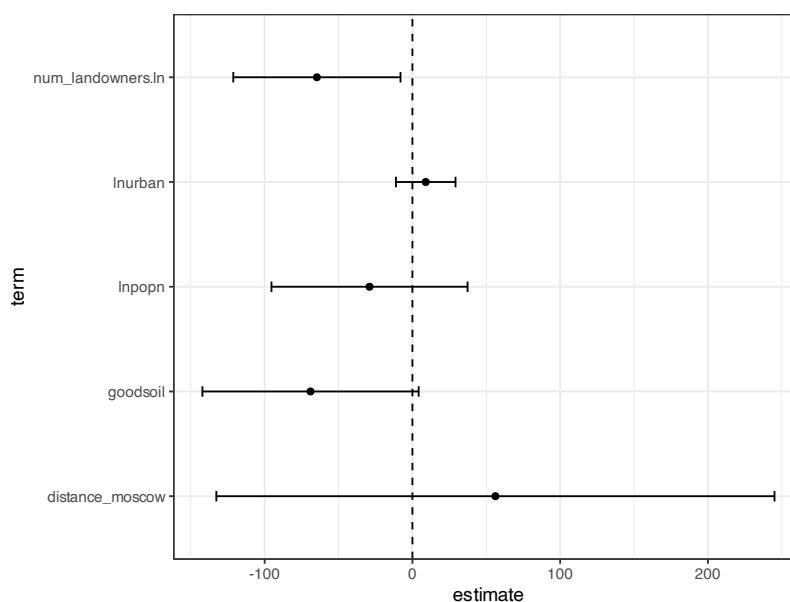


Figure 3.18: IV Regression: Relationship between Noble Landownership and Electoral Threshold ($Tsenz$) including Monastery IV

Discussion

Consistent across instrumental variable specifications, I find a strong, negative effect of noble power on the design of the electoral threshold ($tsenz$), which can be interpreted as a systematic reduction in the property tax level in districts where there are more powerful and wealthy landowners to increase the local tax base, while reducing the threshold to only capture the most powerful local elites where the structural power of the nobility was far less. This sophisticated institutional design reflects the priorities of the Tsarist bureaucracy in incentivizing the compliance of landed elites to maximize revenue while rewarding local elites for their participation with an electoral majority for public spending.

In the empirical analysis above, I demonstrated the relationship between local elites and local democratization in the *zemstvo* reform of 1864. As socioeconomic changes brought the costs of weak state capacity into sharp relief, the state attempted to overcome elite resistance by incentivizing participation in elected assemblies. However, the opportunity to enter the *zemstvo* was gated by an electoral threshold ($tsenz$) that guaranteed that the state would be able to attract those who could pay to deliver on the goal of public goods provision. Local elites were required to register their landed property with the ‘temporary *zemstvo* commission’ in order to register as a voter, which allowed the state to collect the private information of local elites in exchange for control over local spending. This trade-off between accountability and compliance allowed the state to essentially co-opt the local

elite with democratic institutions, with long-run consequences for nineteenth century state-building and democratization.

Combining qualitative process tracing with sub-national variation in state-elite relations, I have highlighted a unique state-building path relying on local democratization to align state and elite interests in good governance and local development. The *zemstvo* assembly aligned state and elite interests, because it created electoral accountability to ensure that the taxation of elites would be re-invested in meaningful public goods. In doing so, it shifted the incentives of local administration from rent-seeking to compliance, in order to reap the benefits of infrastructural improvements to bring good to market, public education to increase human capital, public health to protect communities and livestock from disease and disaster, and a range of social institutions, from fire departments to insurance organizations, to protect the value of private property.

3.5 Sub-National Local State Capacity

Information

The effects of the *zemstvo* on improving the collection of information were realized incrementally over time. In addition to the publication of land and property values to determine eligibility for the assembly, the *zemstvo* reform also introduced new methods for “detail[ing] list of lands in the possession or permanent use of communities, and those belonging to private landholders” for tax purposes (Darrow, 2000, p. 59). Cadastral mapping “took off in earnest in the 1870s, when the *zemstvos* began their own process of assessing the land under their jurisdiction,” beginning a cascade of *zemstvo* land surveys beginning with the provinces of Riazan’ (1870), Tver’ (1871), Kherson (1874), Moscow (1875), Chernigov (1875), Perm’ (1876), Novgorod (1879), Tambov (1880), and Kharkov (1880) (Darrow, 2000; Evtuhov, 2011; Darrow, 2018). Archival evidence from the minutes of the Kherson district *zemstvo* assembly meetings include an annual report detailing every landowner, the location and value of their property, and dates of acquisition down to the settlement level throughout the 1880s and 1890s. Darrow finds that by the beginning of the 1890s, the *zemstva* had “published household inventory results for all or part of 171 districts – studies which encompassed nearly 70,000 villages, nearly 4 million peasant households, and over 23 million persons of both sexes” (Darrow, 2000, p. 61). Despite persistent challenges to the efficacy of *zemstvo* information collection in the form of landowner tax evasion and a lack of standardization in cadastral techniques, *zemstvo* initiative created the framework for local resource mobilization that was adopted at the national level in the tax reform of 1893-1894 (Polenov, 1880; Darrow, 2000).

Human Capital

Local administration had once been considered a provincial backwater where state service did not guarantee a successful career in the bureaucracy nor convey high social status or rank. The educational requirements for a career in the local bureaucracy put pressure on the nobility to serve, which meant giving up the dream of military service for a career as a local police inspector. In addition, in the pre-reform era, the governor of the province could appoint noble landowners to serve in the local bureaucracy out of necessity without their consent, further deteriorating the appeal of local service. The *zemstvo* reform by contrast offered a new relationship between the central state and the local bureaucracy by shifting the locus of accountability from the governor to the local assembly, incentivizing taxpayers to participate in the administration of the district in the form of both electoral representation and state service, taking jobs within the local administration to both advance and shelter their own interests.

The *zemstvo* reform created new opportunities for public employment as local accountability rewarded meritocratic service and promotion, allowing non-elite representatives and professionals to climb the ranks of the local administration. Elected members of the *zemstvo* from non-elite origins, including merchants, urban property owners, and peasants, could work their way onto other district boards with power over local institutions, such as the local school councils, which helped develop rural education into a priority for peasant representatives by the end of the nineteenth century (Pape, 1979). The *zemstvo* attracted noble landowners, merchants, and peasants to join public service for the first time, standing as electors, assemblymen (*glasnye*), and even members of the *zemstvo* assembly's executive committee (*uprava*). This new role as a public official replaced the negative connotation of corporate representation in the noble assembly with a new image of *zemstvo* activism. In addition to drawing local elites back into public service in the form of participation and representation, members of the *zemstvo* assembly and its executive board (*uprava*) could exert influence over local bureaucratic appointments, since the chairman of the *zemstvo* board was one of two elected positions of power within the district (*uezd*) along with the marshall of the nobility. The *zemstvo* assembly could directly appoint its members to serve as local bureaucrats on a variety of district-level boards (including local school boards, police boards, and boards of peasant affairs among other institutions overseeing public health, taxation, and the regulation of alcohol sales and sobriety) (McKenzie, 1982).

In joint work with Igor Kolesnikov (Kienitz and Kolesnikov, 2024), we draw on personnel lists included in provincial memory yearbooks published annually throughout the nineteenth century. From these sources, we assemble an individual-level dataset of local bureaucrats in *zemstvo* and non-*zemstvo* provinces before and after the 1864 reform to track the change in social origins of local bureaucrat. We determine the social origin of each bureaucrat by matching their last name to lists of over 20,000 noble landowners recorded in 1859 within the district and province in which they served. Using an event study design to compare provinces with and without the *zemstvo* reform, we find a swift divergence in the share of noble family names in local administrative positions after 1864, reflecting a major trend of

local elite engagement with the state in the wake of the *zemstvo* reforms.

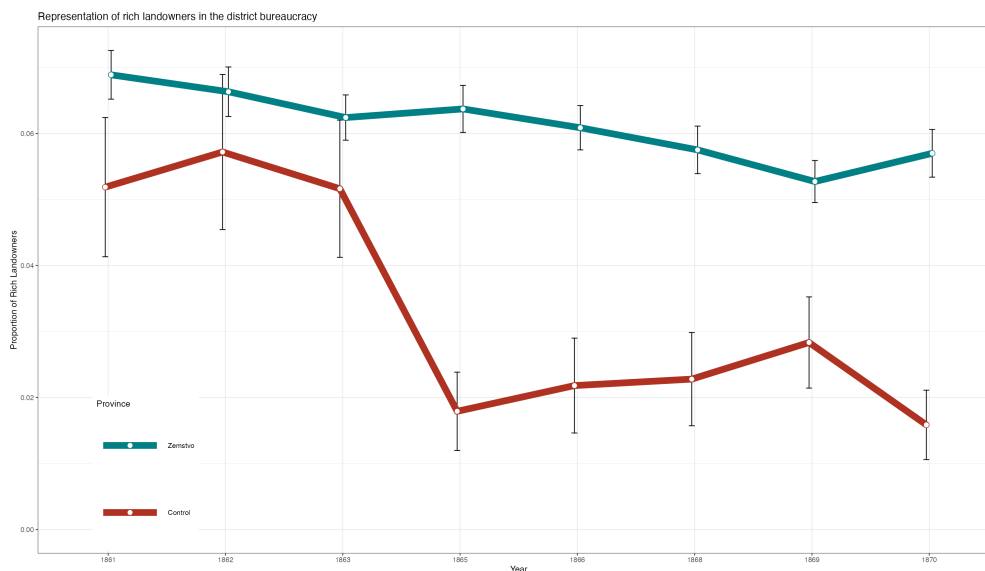


Figure 3.19: Differential Trends in Noble Family Names in Local Bureaucracy from *Pamyatnie Knigi*

Fiscal Revenues

The most important effect of local democratization on state-building was the mobilization of fiscal revenues from an expanded property tax base that included the compliance of landowning elites. I draw on original data from the Ministry of Finance archives published in 1870 (Rukovskaya, 1870) to ascertain the immediate impact of the *zemstvo* reform on local taxation. Below, I plot histograms of the distribution of *zemstvo* taxes falling on landowners to demonstrate the immediate shift in *zemstvo* compared to non-*zemstvo* provinces. Provinces with local assemblies shift the value of the average land tax (per desiatin) to the right, while increasing the right tail of the distribution to tap a larger share of private land than any non-*zemstvo* province.



Figure 3.20: Shift in Shares of Local Taxes Falling on Private Landowners Pre-/Post-Zemstvo Reform

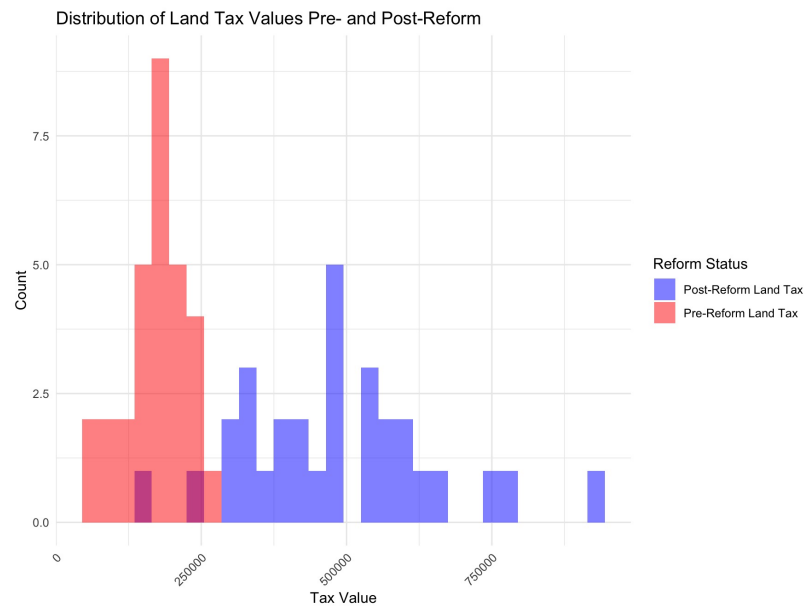


Figure 3.21: Shift in Distribution of Local Land Taxes Falling on Private Landowners Pre-/Post-Zemstvo Reform

Public Goods and Services

To compliment the picture of increasing local taxes (*zemskie povinnosti*) on private landowners, I draw on original data on public goods provision and spending earmarked by *zemstvo* expenditure categories in *zemstvo* and non-*zemstvo* beginning from 1868 until 1900. Drawing on compiled by Golubev (1901), I plot trends among *zemstvo* and non-*zemstvo* provinces, finding a clear separation in total expenditures beginning as early as 1868, with *zemstvo* provinces dramatically outspending their counterparts in education and public health by the end of the nineteenth century. Returning to the question of state goals, I also compare provincial trends in military recruitment, finding a decrease in illiteracy and a rise in primary education among military conscripts in *zemstvo* provinces, despite parallel trends in the overall number of conscripts recruited over the course of the nineteenth century.

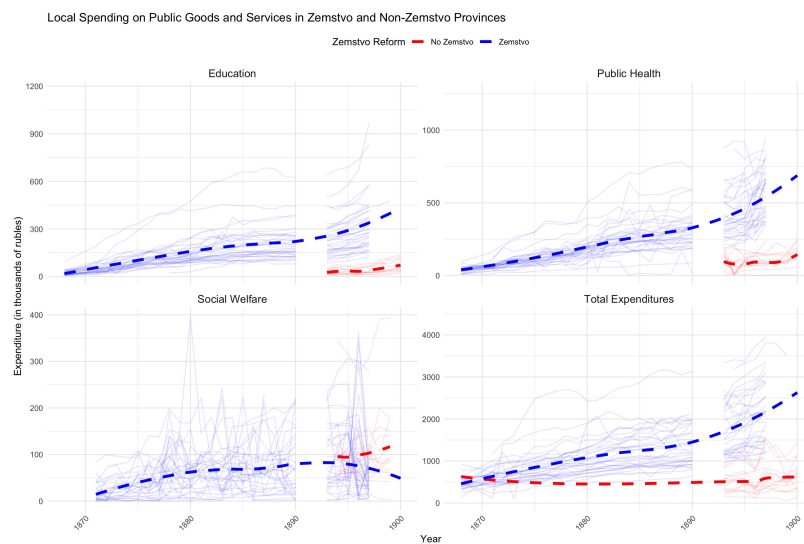


Figure 3.22: Trends in Local Public Goods Provision in Zemstvo vs. Non-Zemstvo Provinces

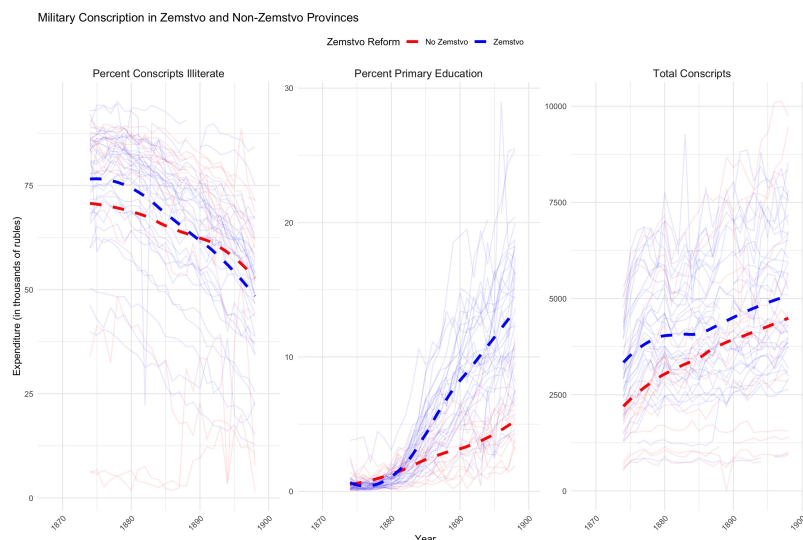


Figure 3.23: Trends in Educational Attainment of Conscripted Recruits in Zemstvo vs. Non-Zemstvo Provinces

Landholding Inequality

Finally, I ask how local elites' control over local resources shaped local state capacity in the years following the *zemstvo* reform. I examine the relationship between two measures of local elites' power – pre-reform landholding inequality and representation in the district-level *zemstvo* assembly – and the shift of local direct taxation onto their land and property.

I analyze this relationship by returning to the data on pre-reform landholding inequality from 1859, introduced as a proxy for the power of noble landowners. Using settlement level data on the size of landowners' estates, number of serfs, and distribution of landholding within districts and across provinces, I calculate a gini coefficient to capture provincial level landholding inequality ranging from 0 (maximum equality) to 100 (maximum inequality). Below, I plot the correlation between two different measures of de facto local elite bargaining power – pre-reform landholding inequality and the average level of noble representation within the first *zemstvo* elections after 1864 – and the extent of post-reform property taxation falling on landowning elites drawn from the aforementioned Ministry of Finance archive (*Trudy Komissii Vysochaishe uchrezhdennoi dlia peresmotra Sistemy podatei i sborov: O smetakh i raskladkakh gubernskikh i uezdnykh zemskikh sborov*, 1870).

I find a prominent curvilinear relationship, pointing to the practical limits and possible frontier for the state-building returns to local democratization. At low levels of inequality and elite representation, local elites have comparably few resources, which means they will not be targeted as an untapped revenue source, since the returns to increasing their tax compliance or tax rate is capped by their limited resources. As landholding inequality grows, targeting local elites with inclusion in the democratic assembly creates incentives for them

to tax themselves, in order to raise taxes and channel public goods towards local economic development. However, where landholding inequality (and likewise noble representation) grows too extreme, landowners have enough de facto power to resist further increases in self-taxation.

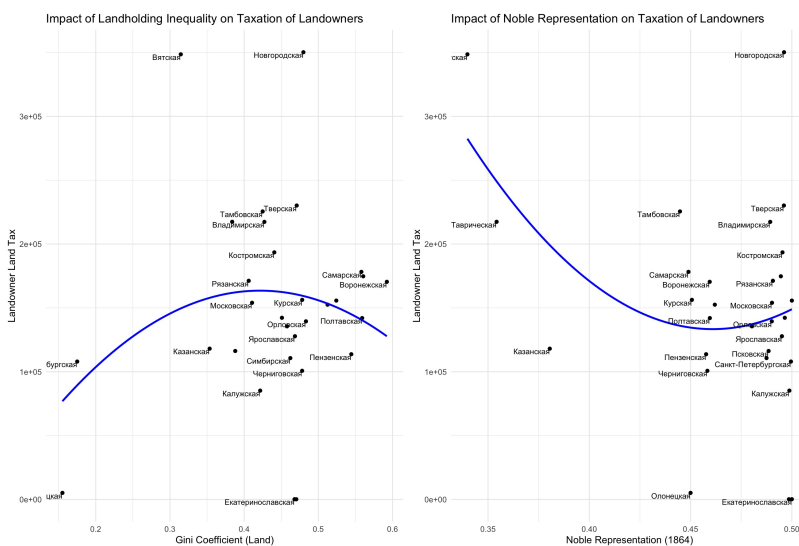


Figure 3.24: Relationship between Pre-Reform Landholding Inequality/Noble Representation and Post-Reform Collection of Local Taxes from Private Landowners

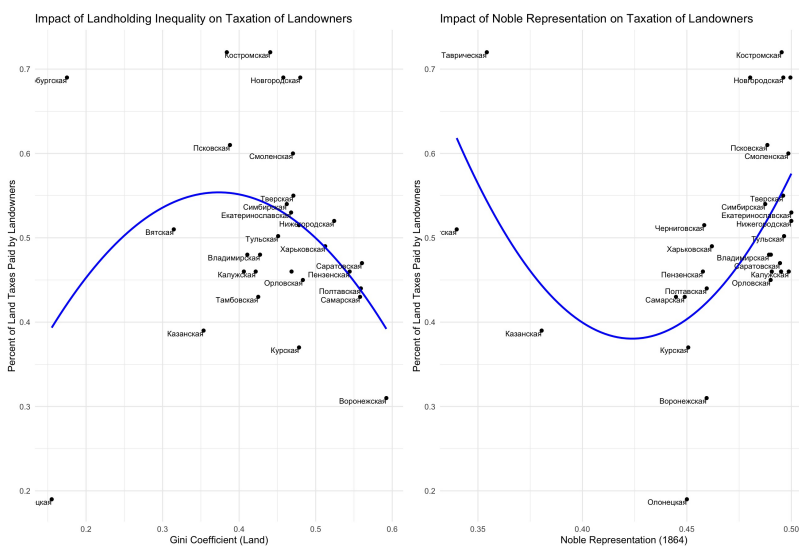


Figure 3.25: Relationship between Pre-Reform Landholding Inequality/Noble Representation and Post-Reform Distribution of Land Taxes Falling on Private Landowners

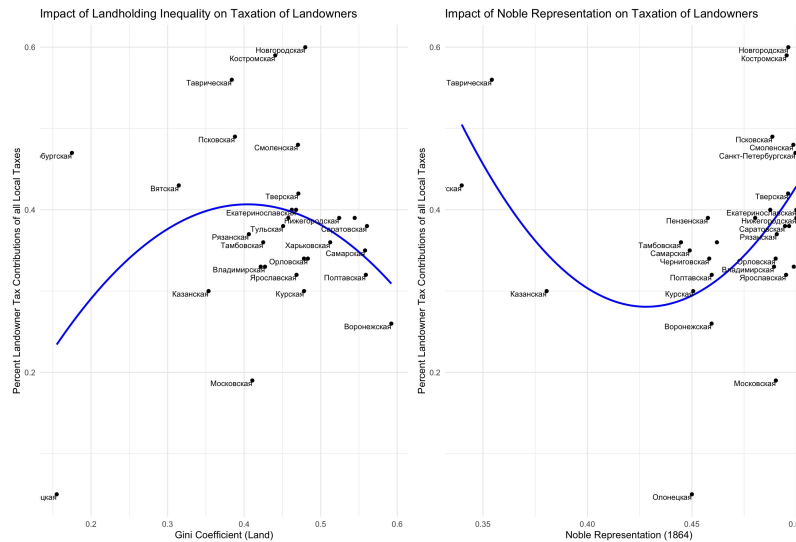


Figure 3.26: Relationship between Pre-Reform Landholding Inequality/Noble Representation and Post-Reform Distribution of Local Tax Contributions Falling on Private Landowners

3.6 Conclusion

In this chapter, I have demonstrated the relationship between weak state capacity, local elite resistance, and local democratization using the case of the *zemstvo* reform of 1864 in the Russian Empire. This qualitative and quantitative analysis of the origins and consequences of the *zemstvo* reform provides evidence in favor of the strategic design of local democratization as a response to weak state capacity. Local self-government reform was aimed at incentivizing the compliance of landed elites to maximize revenue from local taxes by rewarding local elites for participation with an electoral quota that promoted local spending that generated both private and public benefits.

The findings highlight the crucial role of local democratization in enhancing state capacity through the strategic incorporation of local elites in self-governing assemblies. By lowering the electoral threshold (*tsenz*) in regions with powerful and wealthy landowners, the state effectively expanded the local tax base. Conversely, in areas with less structural power of the nobility, a higher threshold was set to ensure only the most influential elites joined the *zemstvo* assembly, aligning their interests with central state-building goals. This dual approach allowed the state to attract local elites, collect their valuable private information and human capital, and secure compliance in local tax collection, leading to long-term gains in resource mobilization. The ability of local self-government to align local elites with central interests changed the institutional incentives around landowning elites, transforming them from local rent-seekers into active members of their communities, interested in mobilizing resources on their own behalf to invest in local infrastructure, education, public health, and

social institutions to promote local economic development.

The analysis of sub-national variation in state-elite relations showcases a unique path to state-building that relies on local democratization to align state and elite interests in governance and development. The *zemstvo* played a pivotal role in improving information collection, human capital, and fiscal revenues at the local level, and was directly responsible for the expansion of cadastral mapping and land surveys that created a robust framework for local resource mobilization. The reform also helped professionalize local administration by attracting talented elites and non-elites into public service and fostering a meritocratic environment that incentivized effective governance.

I conclude by emphasizing the nuanced relationship between landholding inequality and local elite participation. While moderate inequality incentivized elites to participate in local governance, extreme inequality allowed landowners to resist further increases in taxation. This curvilinear relationship underscores the practical limits of state-building returns to local democratization, hinting at potential areas for future research to explore the conditions under which the mediating effects of inequality on state capacity can be ameliorated by the design of local self-government. Nonetheless, the *zemstvo* reform of 1864 exemplifies how weak states can leverage local democratization to build state capacity by engaging local elites in administration and governance, and provide a stepping stone not only to a strong and more effective state, but the first steps on the long and winding road from taxation to representative democracy.

Chapter 4

Comparative Evidence

This chapter explores cross-national variation in state-building reforms to identify the necessary conditions for local democratization in a broader sample of European and Eurasian states. I identify where state weakness and elite resistance blocked state-building reforms, the relative timing of historical structural changes resulting in the spread of political economy through the diffusion of publications and translations, and, where state-elite alignment broke down, attempts by central states to win over local elites through various forms of “elite compensation” (Chen, Wang and Zhang, 2024).

There are three general types of state-elite relations that sequence state-building reforms in the nineteenth century. The type I have focused on thus far is a weak state and a strong elite, that pursues local democratization given the necessary conditions and following a breakdown in state-elite alignment, exemplified by the case of the Russian Empire. Different state-building trajectories produced weak states with strong elites. In the Ottoman Empire, the weak state faced a weak elite, which grew more powerful as territorial expansion led to fiscal decentralization and short time horizons resulted in the late emergence of a patrimonial administration based on tax-farming. Thus, by the eighteenth century, Russia and the Ottoman Empire look relatively similar along the dimensions of state capacity and elite resistance. However, whereas in the Russian Empire local elites were primarily ethnically Great Russian, the Ottoman Empire was multi-ethnic and multi-confessional, and possessed fewer resources to compensate local elites for their cooperation with the center. As waves of political economic thought reached the Ottoman Empire, mainly from France and Germany during the late eighteenth century, the Ottoman state considered ways to centralize resource mobilization. When state-elite alignment broke down in the early nineteenth century, following a wave of noble-led revolts, the Ottoman state looked for ways to pursue local state-building that would diminish the power of local elites, while ensuring their cooperation with state-building goals. The Ottoman state’s attempt to walk this thin line between centralization and local elite partnership resulted in local democratization, first in the first wave of Tanzimat reforms in 1840, and reified in the 1864 Provincial Reforms.

The Ottoman Empire is a case of a weak state facing a weak elite that became strong, prompting a state-building challenge and the response of local democratization. The Qing

Dynasty in China provides the opposite state-building trajectory, in which a strong elite facing a strong state incorporated by a strong central bureaucracy broke down in the mid-nineteenth century, reducing the Qing state to a shell of its former strength, and aligning the variables to a weak state and a strong elite. The Taiping Rebellion (1850-1864) broke the centuries long truce between the strong centralized Chinese state and its local gentry, shifting resource mobilization from a tacit agreement of low direct taxes and high compliance to local rent-seeking around customs and trade taxes, as local warlords established customs houses throughout the empire and held the central state hostage to their local revenues. With the state in disarray, state-elite alignment was maintained, as without the support of local warlords, the Qing state faced collapse. Only after the Boxer Rebellion (1899-1901) and the diffusion of new state-building imperatives prompted by international competition and rivalry with Europe did the necessary conditions for state-building reform fall into place. The state turned against the gentry to promote centralization, and the combination of local elite resistance and the increasing popularity of political economic thought among Qing administrators, imported from Germany by the way of Japan, led the state to pursue local democratization to stimulate rural development and gain the cooperation of local elites. In China, these reforms came too late to sufficiently extend the time horizons of local elites to promote local development, and within a few years collapsed along with the empire, as local elites rejected the centralization initiatives of the New Reforms and embraced revolution in a way that is not dissimilar to France (Skocpol, 1979).

These two cases of weak states versus strong elites provide two different paths to local democratization that contrast with the Russian Empire, assembling a case in which the key variables of state weakness, elite resistance, historical structural change, and a breakdown in state-elite relations fell into place in a different order, but once present, produced similar results.

The second type of state-building trajectory consists of strong states and strong elites, where the early incorporation of strong elites by an initially strong state delayed local democratization indefinitely. These two cases are England and China before the Taiping Rebellion, which used central institutions in the form of Parliament and the central bureaucracy in China to incorporate elites at the center, reducing the costs to local state-building. In England, the national representation of local aristocratic landowners allowed them to keep their monopoly over local resources safe, while shifting the tax burden onto the poor. From the safety of their "rotten boroughs," the English aristocracy helped build a fiscal-military state with immense power to tax sales and trade indirectly (Brewer, 1988) but lacked the power to mobilize local resources directly until political party competition in Parliament helped democratize local self-government in the 1880s-1890s.

A third type of state-building trajectory much more common than a strong central state and a strong elite is the case in which weak states faced strong elites that remained aligned with the state. These cases where strong elites were successfully able to capture weak central government, without agreeing to tax themselves, prohibited state-building at the central and local level. Cases such as Spain typify this breakdown, where a strong state and weak elite transformed into a weak state and strong elite, which allowed elites to block

all future attempts at resource mobilization. Spain only pursued local government reform under an authoritarian government in the 1920s. Latin America offers a more extreme case, in which strong local elites resisted and continue to resist direct taxation, thanks to the state's reliance on trade taxation and commodity booms, which facilitated growth without development. The U.S. offers a final case in which the resistance of strong elites to local resource mobilization, led by Southern slaveowners, blocked local state-building until the Civil War, a clear example of a breakdown in state-elite relations, when the empowerment of state legislatures gave local elites the incentives to tax themselves for the first time (Jensen, Pardelli and Timmons, 2023).

4.1 The Ottoman Empire

In the Ottoman Empire, international competition led the state to seek ways to break its dependency on local notables (*ayans*) and transform their relationship to the state from rent-seeking tax-farmers to partners in local economic development. This transformation meant “abandon[ing] its dependence upon the local notables (*aghas*) and tax-farmers (*multezims*)... [who] paid very little or no taxes” while at the same time recouping the information, human capital, and fiscal revenues held by those same local elites (Dursun, 2001, pp. 22-23). Without local resources, central bureaucrats and tax collectors (*muhassils*) lacked the capacity to analyze local conditions and locate taxable wealth, in addition to facing hostility and resistance from landowning elites. As a part of the Tanzimat reforms (1839-1876), the state created new local councils (*meclis-i*) to lead the assessment of local taxes (conduct land surveys) and invest in joint projects aimed at “preventing seasonal floods, spread of diseases, [and] harms of locusts and insects, which generally caused bad harvests” (Dursun, 2001, pp. 26-27).

State-Building in the Ottoman Empire

The Ottoman Empire possessed a small central bureaucracy that confronted a wide array of local elites who were highly dispersed across Anatolia and the Balkans. The Ottoman state “started with a centralized pattern of direct control through appointed officials, then went through an interim period of mixed center-periphery control, and ended up developing a system of indirect control through local notables” (Barkey, 1994, p. 2). The state used its territorial expansion to pursue a flexible strategy of accommodation and conquest, bargaining and negotiating over fiscal-military contracts with peripheral elites that served both state and elite interests. Without significant bargaining power, elites could not resist information collection, and the state succeeded in conducting a series of census and tax registers with elite participation as early as the fifteenth century known as the *defter-i mufasal*. These land registers “entailed surveying the fields, ascertaining their legal status (private property, endowment, crown land, grant, and so forth), and assessing their prospective taxable capacity” (Kark, 1997).

However, once territorial expansion slowed and the state faced growing revenue pressures from military competition, that state looked to local elites to bankroll a growing army. The state used a mixture of elite exemptions and elite responsibilities – the *timar* system of land grants combined with the *iltizam* system of tax-farming – to mobilize local resources. Barkey notes that “the state had moved into the realm of tax farming as it became more risk averse, encountered difficulties in tax collection, and needed cash income” (Barkey, 2008, p. 231). It began to rely on short-term tax-farming contracts that were used to incorporate elites and secure revenue (Darling, 1996). When fiscal pressures increased, the state committed even more heavily to tax-farming, introducing the system of *malikane* (lifetime tax-farming contracts) in 1695 that injected the state with a steady stream of cash flows without having to invest in its long-term fiscal capacity (Çizakça, 1996).

The designers of the *malikane* tax-farming system anticipated that “holders of the enclaves, invested in their units, would protect communities and increase productivity, and therefore revenues” (Yaycioglu, 20116). However, in reality, the tax-farming system undermined local economic development and was extremely inefficient in raw numbers. “The state received only 24 percent of the total taxes collected by the tax-farmer, who earned more than the state (30 percent of total tax revenues) after paying a sub-system of private contractors” (Çizakça, 1996, p. 166). “Malikane holders preferred outsourcing their units to local subcontractors, who had short-term interests.... Subcontractors neither invested in the units nor protected the producers.... When malikanes were expected to increase protection and productivity, the system devastated agricultural farms and overexploited farming communities.... The central administration was not able to monitor provincial conditions and left their administrative control to provincial notables.”(Yaycioglu, 20116, p. 43)

State Weakness and Elite Resistance

A critical issue hindering economic progress in the Ottoman Empire was the lack of domestic prerequisites for industrialization and the pervasive underdevelopment of public infrastructure (Kilincoglu, 2015, p. 19). The lack of roads exacerbated underdevelopment as the absence of transportation networks contributed to poor agricultural productivity, since producers could not transport their goods to market (Kilincoglu, 2015, p. 19). Reflecting on “the state of the country,” the intellectual reformer Ahmed Vefik Efendi lamented in 1857 that “the land is not half cultivated, because the peasant cannot carry the produce to market... he contributes to the population of the country, but not to its wealth” (Kilincoglu, 2015, pp. 19-20).

Ottoman intellectuals connected economic underdevelopment to corruption in the local administration of the provinces, a situation fueled by the lack of information on local conditions available to the center. Efendi concluded that the people “cannot stand the increasing tyranny anymore, and are leaving their territories and going to other countries... for example, a village which formerly had 150 houses, has now only 20 houses... however, this fact is not considered in taxation, and the tax of 150 houses is demanded from this village... causing the destruction of the country” (Ermis, 2014, p. 132). Poor information, bribery,

oppression, and plunder “destroys governance, and the land remains uncultivated” due to the “tyranny” of the tax-farmer and the rent-seeking of the nobility (Ermis, 2014, p. 139).

The Breakdown in State-Elite Relations

The same fiscal crisis that swept across Europe in the wake of the Seven Years War (1756-1763) reached the Ottoman Empire following the Russo-Ottoman war of 1768-1774. As the state’s time horizon shrunk, it sought to reign in the local notables in the provinces. However, “efforts to eliminate some provincial notables and divert their wealth to the center through confiscations led to greater instability and volatility in the provincial order, but also empowered some provincial notables who consolidated their power and wealth at the expense of others” (Yaycioglu, 20116).

According to Karpat, “the internal motive of centralization, as mentioned before, was the desire to end the threat of the *ayans* and of other rebellious elements.... to accomplish this, the government saw no other way but to undermine the *ciftliks*, or large landholdings, of Rumelia and Anatolia on which the power of the upper Muslim groups rested” (Karpat, 2002, p. 39). According to Topal, “the Ottoman state still faced a dire need to improve the finances through creation of new resources in order to fund the new army, reorganize the bureaucracy to achieve administrative efficiency to be able to govern an Empire especially after the removal of all the intermediary power holders, particularly the *ayan*.... indeed, the Ottoman state had to fill the power vacuum it had created itself and fast” (Topal, 2017, pp. 106-107).

Historical Structural Change

In the 1830s, the first known Ottoman treatises on political economy emphasized the importance of new, ‘scientific’ models for achieving success on the international stage. In this new age, “the welfare of the nation and the economic development of the country constituted the basis for both military and political might” (Kilincoglu, 2015, p. 17). Beginning in the late eighteenth century, Ottoman reformers began linking a strong state to a strong economy. Ratib Efendi advocated for the rationalization of state finances and the recruitment of skilled bureaucrats to promote “the security and welfare of the subjects” (Ermis, 2014, p. 123). Another leading Ottoman statesmen, Muhsinzade Mehmed Pasha, offered the vision of a virtuous cycle, since “without bureaucrats no governance is possible... and wealth is necessary for bureaucrats... [and] this wealth derives from taxing the subjects” (Ermis, 2014, p. 124).

At the same time as the growing belief in the economy as the basis for state power, agricultural production became a major concern among Ottoman reformers. Attempts to “encourage rural re-population and agricultural output” incentivized direct state intervention in the rural economy to stimulate local economic development (Agir, 2013). Contrary to depictions of the Ottoman state as “steeped in traditional rhetoric and imperial superiority... Ottoman reformers did not let this preclude the adoption of quasi-Physiocratic ideas or a

readiness to selectively emulate more developed states” (Agir, 2013). Instead, the nineteenth century saw a “shift from religious and moral precepts to a focus on wealth and international competition” (Agir, 2013). As a whole, “the Ottoman agenda to reform the provincial order by empowering communities and district assemblies echoes the political and fiscal program of the physiocrats in ancien régime France... [just] as in physiocratic theory, reform in an Ottoman district was based on the expectation that the participation of the community, first and foremost the property owners, in decision-making in revenue collection, apportionment, and electing their administrators ‘would create a precise nexus of interest and loyalty between the creators of wealth and the state itself,’ ... they facilitated the administration and revenue collection of the state [and] with collective participation, the reformists believed, the Ottoman state would extract surplus value more peacefully and justly” (Yaycioglu, 2011, p. 153).

Local Democratization: The Tanzimat Reforms

In 1838, a year before the Ottoman Empire embarked on an ambitious program of administrative and bureaucratic reform, a local report to the Ministry of Finance detailed vacant tax resources and the “lack of systematic data” such that “it has not been possible to accurately determine what regulations are needed, and [what] the various vacant [holdings] are” (Ozok-Gündoğan, 2011, p. 37). Five years later, a report from the local clerk of the public works council (*imar meclisi*) reached the Ministry of Finance, containing “detailed, [if not] noticeably unsystematic, information on various aspects of the tax and land issues in Diyarbakir province” (Ibid.). As Ozok-Gundogan suggests:

With this new reform program, the Ottoman state established new institutions, such as provincial and district councils, and engaged in population and income surveys, to bring legibility to its conduct within this region... the provincial and district councils functioned as the key decision-making authority in local conflicts such as the disputes revolving around land and taxation and they shaped the central states opinions about these issues. They acted as agenda-setters who defined the central states initial assumptions and perspectives on these issues (Ozok-Gündoğan, 2011, pp. 40-46).

“The Tanzimat decree of 1839, though almost unanimously accepted as the turning-point in the transformation of the Ottoman state, was in reality instrumental chiefly in accelerating the centralization and bureaucratization of the Ottoman empire” (Karpat, 2002). The state sought to break the power of local landowners and tax-farmers and abandon its dependence upon local elites who paid very little to no taxes while recouping informational capacity. Without this information, central tax collectors (*muhassils*) lacked the capacity to analyze local conditions and locate taxable wealth, in addition to facing resistance from disgruntled local elites. According to Barkey, “an important goal of the Tanzimat was to integrate the imperial centre with indirect local networks that had developed over the long centuries of negotiated rule” (Barkey, 2016).

The state created new local councils (*meclis-i*) as one of the very first Tanzimat reforms in 1840, abolishing the tax-farming system and replacing local administration with locally elected district and provincial councils to provide tax collectors with “local advice on how the tax obligations could be fairly and justly apportioned among the inhabitants” (Shaw, 1969, p. 59). These early tax-collection councils (*muhassillik meclisleri*) were tasked with “surveying the income and properties of the local populace, supervising the postal services, contracting infrastructural projects (such as maintaining the bridges and irrigation canals)” (Saracoglu, 2018, pp. 22-23). The local elites, “who had dominated local revenue sources as sub-contractors” became members of the newly established local assemblies “to coordinate the allocation and collection of tithe and other taxes” as their interests in local public goods provision now aligned with the interests of the state (Ozbek, 2018, pp. 231-233).

By 1841, 49 large (*sanjak*) councils and 580 small (*kaza*) councils operated in all parts of the empire, and more continued to be introduced throughout the early 1840’s. The autonomy of the councils were curtailed in 1842 when the elected members were appointed by the Porte, but their powers were expanded and formalized in 1844, mandating the keeping of official minutes, the discussion of current affairs, local problems, and measures that would “improve the state and benefit the security of the people” such as the “handling of taxes to recommend public works which might be introduced to secure prosperity in the empire” (Shaw, 1969, p. 84). Special attention and resources were funneled to model provinces, including the *sanjaks* of Gallipoli, Izmit, Izmir, Salonica, Varna, Trabzon, and Samsun, as well as Edirne, *Hüdavendigâr* (Bursa) and Sidon (Said).

Despite their fair share of organizational problems in the 1840s, the councils were renewed as part of the 1864 provincial reforms, institutionalizing the county assembly as the “essential course of local information... [and all] matters pertaining to civil and financial affairs, police, revenue-collection, public works, property transfer and agriculture” in the Ottoman Empire (Saracoglu, 2018, pp. 50-55). The provincial law of 1864 restored the electoral process to the local administrative councils (*meclis*) giving them formal legislative control over matters concerning agriculture, trade, taxes, and roads. Elections to the councils allowed all male Ottoman subjects over the age of eighteen, with minimal tax requirements and a crime-free record, to vote for their local representatives.

From the perspective of the central state, “representative government entered the Ottoman system in the nineteenth century as part of the integration process by which the central government effectively extended its power into the provinces” (Shaw, 1969, p. 56). The local councils also served as important channels for information to flow from the provinces to Istanbul, not only re-engaging local elites in local administration but sending them as representatives of local interests to Istanbul to consult directly with the central state on local conditions. This practice not only “centralized knowledge but also aligned provincial elites with the central government’s reforms, creating a ‘councilization of politics’ that served as a buffer between the imperial center and provincial periphery” (Hanssen, 2002, p. 64). Therefore, through experience in the local councils, by the time of the first national elections in the Ottoman Empire in 1876, “the Ottoman public had acquired some experience in political representation as a result of... the reorganization of provincial administration in

the 1860s” (Kayali, 1995, p. 266).

4.2 The Qing Dynasty

State-building in China “provides us with the starkest alternative to the western European experience in terms of political development” (Stasavage, 2020, p. 138). The irony of this statement is that China better approximates many of the “Western” models of state-building than its European counterparts and its political systems influenced many of the earliest theorists of political economy in the West. Only a long period of internal stagnation under the Qing dynasty (1644-1912) can explain China’s state weakness in the nineteenth century, as fissures between the once strong central state and newly empowered local elites eroded the state’s resource. The Taiping Rebellion (1850-1864) further undermined the central state, creating conditions of weak state capacity similar to those in early modern Europe. The Sino-Japanese War (1894-1895) and the Boxer Rebellion (1899-1901) thrust China into international competition and forced a reevaluation of the dynasty’s state capacity by a new generation of bureaucrats influenced by a new wave of translation activity of political economy in the late nineteenth century. The “New Reforms” promulgated after 1901 identified local self-government as one of the keys to re-building the power of the central state. Local democratization in China was well underway by 1911, when local elites rejected the project, and joined forces to overthrow the Qing Dynasty in 1912 and usher in the Republican Era (1912-1949).

The “basic administrative problem” facing the Chinese Empire was “how to achieve effective taxation and internal security within a given limit of bureaucratic density... to accomplish its purposes, therefore, the state had to draw local people into its service” (Kuhn, 1975, p. 258). According to Kuhn “a positive value was placed upon local people doing necessary’ tasks for themselves, as an essential adjunct to bureaucracy” (Kuhn, 1975, p. 259). Local self-government was experimented with in Tientsin in 1907, including a “deliberative assembly (i-shih-hui) and executive council (tung-shih hui) on the county level” and was expanded upwards to provincial assemblies (tzu-i-chü) in the national constitutional reform program of 1908 (Kuhn, 1975, pp. 276-277). Fincher first corroborated this observation, “indicating that the central government intended the self-government measures announced in 1908 as a supplement to official administration where the latter was ineffective, particularly in the mobilization of new forms of material and human resources” (Fincher, 1968, p. 198). Moreover, “the assemblies provided new channels for the flow of information (ideas as well as data) and control which bypassed or diverted those of the regular administrative apparatus” (Fincher, 1968, p. 198). The electorate also grew sizably: “Between the 1909 elections for the provincial assemblies and the 1912 elections for new provincial assemblies and a House of Representatives, the registered electorate in China expended from about 1 percent to about 20 or 25 percent of the adult male population... signify[ing] the fragmentation and political retreat of traditional elements and the rise of a new political class, a public, educated by republicanism” (Fincher, 1968, p. 209). Corresponding with the abolition of

the Examination System in 1905, the forces of local representation were expanded slowly: “On a locality by locality basis, the transition from various types of reform group agitation and education at large to the sessions of the newly elected provincial assemblies was a very gradual process” (Fincher, 1968, p. 215).

The institutions of local self-government themselves outlasted the 1913 Revolution, finally abolished by decree on February 3rd, 1914, which were then subsequently transformed into clusters of “self-governing wards” established at the county level (*tzu-chih ch’ü*) by a new code entitled “Experimental Regulations for Local Self-Government” (Fincher, 1968, p. 279).

Historically, as early as the Sung Dynasty, the Chinese bureaucratic gentry delegated tax collection, militia organization, and law enforcement (*baojia*) to wealthy peasants “appointed as regular service officers” to mediate local legal disputes and enforce law and order, fusing “ideally normative rural communities with coercive state control networks” (Wakeman, 1975, p. 5). In the 14th century, the early Ming tax system used “good people to rule good people,” appointing local landowners to collect taxes for the state (Fang-Chung, 1956, pp. 249-250). The next few centuries would be dominated by a battle between the landed gentry and the state over tax evasion and the collection of arrears, a long history in its own right that culminated in the Taiping tax rebellion of 1850-1864. The reform proposals put forward in the early twentieth century envisioned a “new kind of village-level government run by popularly elected *baojia* leaders,” which was explicitly designed to replace the “informal gentry management system” and “mobilize popular participation in local government” (Wakeman, 1975, p. 24). The end result, however, saw local representative institutions instantly monopolized by the gentry, leading to their swift collapse and demise in 1913 and again in 1934 (Wakeman, 1975, p. 24).

Tax reform in China was undertaken in 1581 with the introduction of the Single Whip system, combining service obligations and a flat land tax made possible by the success of land cadasters over the course of the previous centuries. Dennerline suggests that the success of this reform and its subsequent iterations (*i-fa*) was based on a strategic “gentry-bureaucratic alliance” (Dennerline, 1975, p. 87). The reforms limited “both the privileges of the gentry and the power of the yamen [bureaucrats]” by more strictly policing tax evasion and tax quotas, providing shared incentives for the gentry and bureaucrats to shirk by selectively reporting land holdings and trading economic for political influence within the civil service (Dennerline, 1975, p. 109).

Throughout Chinese history, the state attempted to “use local people for local administrative jobs” from taxation (*li-chia*) to law enforcement and census enumeration (*baojia*), but this co-optation of “existing frameworks of social cohesion and authority” was resisted from the bottom-up (Kuhn, p. 260). Local country clerks and other low-level bureaucrats beyond the reach of central accountability structures formed a local interest group of ‘outsiders’ that set local autonomy in conflict with centralized state control. Only in the late nineteenth-century (associated with the reform movement of 1898) did Chinese reformers push for a “new kind of localism, based on new kinds of local activism, that could serve as a basis for a powerful and unified state,” building on the language of Huang Tsun-hsien (Kuhn, 1975, p. 270). Huang had spent five years in Japan from 1877 to 1882, familiarizing

himself with the language of self-government through the Japanese interpretation of English “self-government” (*jichi*) via the Prussian jurisprudence of Rudolf Gneist and Lorenz von Stein. Another Chinese thinker, K’ang Yu Wei, popularized the principles of “local self-government” in 1902, arguing that allowing participation in public debate would unleash economic development and human improvement to modernize infrastructure such as “railroads, banks, and public health... [along with] registration, police, and schools” (Kuhn, 1975, p. 274). In order to realize this vision, the Chinese reformers would have to break the control of the local elite in the complex networks of associations and bureaus that still dominated county politics. Thus local representation was seen as an effective solution to “reap the benefits of local activism” and “bring local leadership within the reach of the law” (Kuhn, 1975, p. 275).

State-Building in China

Tilly’s “bellicist” theory of war-driven state-making helps explain the rise of a strong and capable Chinese state. During the Warring States period (500-200 BCE), “interstate competition had prompted rulers to innovate with respect to both war technology and their ability to extract revenue,” leading to the development under the Han Dynasty (206 BCE–220 CE) of a centralized bureaucracy, direct taxation, mass conscription, and a “large, unified empire with a powerful bureaucratic state” with more than six times the number of administrators than the Roman Empire (Stasavage, 2020, pp. 152-153). A central bureaucracy was made possible by the early adoption of technological advances (including the written word) that reduced the costs of monitoring and a strategy of administrative recruitment – the Imperial Exam System – that incorporated local elites into the central state. Ancient China “alone created a modern state in the terms defined by Max Weber” (Fukuyama, 2011, p. 21).

Intense warfare not only led to bureaucratization, but also fragmented the powerful clans of local elites that once rivaled the central state. Early state strength and local elite weakness provided the conditions for centralization that made joining the bureaucracy an attractive career for local elites. Evidence of the central state’s ability to mobilize fiscal revenue can be found under the Tang dynasty (618-907), which implemented a progressive land tax (the Two Tax Reform of 780) directed at the landowning aristocracy. Despite the fact that “the tax was costly for the political elites expected to implement it... only three of 141 major officials publicly expressed opposition to the reform,” since local elites incorporated into the central state expected to “internalize the gains of state strengthening” (Wang, 2022, p. 49).

Following the collapse of the Tang Dynasty in 907, the Tang-Song Transition “witnessed crucial changes in the nature and composition of the political elite... the old aristocracy... largely disappeared after the Song instituted rigorous merit-based civil service examinations as the principal means of recruiting government officials” (von Glahn, 2016, p. 236). The exam system allowed the Song Dynasty (960-1276) to fill “the post-Tang power vacuum by relying on expanded civil service examinations to select bureaucrats”, in which the state attempted to control “a fragmented elite” with a “‘divide-and-conquer’ strategy to dominate the bureaucracy” (Wang, 2022, p. 52). Chen, Wang and Zhang (2024) label this strategy

“state-building with elite incorporation,” “inviting the aristocrat to develop a stake in the regime and to share the gains of a strong state, thereby incentivizing him to participate in activities that benefit the state as a whole” (Chen, Wang and Zhang, 2024, p. 7).

The strong central state of the Song Dynasty was broken-up by the Mongol invasion, beginning with the conquest of Qubilai (1260–1294) and the subsequent Yuan Dynasty (1271–1368). According to von Glahn, “the Mongol overseers applied the principles of tax-farming to agrarian revenues... relying on the great landowners to collect and deliver the statutory quotas of grain taxes” (von Glahn, 2016, p. 282). Under the Song Dynasty, the bureaucracy was weakened and unfavorable climactic conditions associated with the “Little Ice Age” led to “devastating floods that altered the course of the Yellow River,” highlighting the inability of the central state to respond to natural disasters (von Glahn, 2016, p. 284). The Ming Dynasty (1368–1638) established in the wake of Mongol rule was associated with an autocratic drive to recentralize authority, including confiscating the property of large landowners, inaugurating the *lijia* system of local duties, and conducting an ambitious program of land surveys and provincial cadasters (the so-called fish-scale registers) to provide “the benchmarks for refining the *lijia* system and establishing permanent tax quotas” (Wang, 1973; von Glahn, 2016, p. 287). However, by the early seventeenth century, military competition with the Japanese and rival Manchu stressed the Ming fiscal system to its limits. The Ming attempt at a nationwide military campaign tax to raise emergency funds after 1618 amidst an era of widespread drought and famine led to large scale peasant rebellions, which accelerated the decline of the Ming Dynasty and its eclipse by the Qing Dynasty during the Ming-Qing Transition (1618–1683).

State Weakness and Elite Resistance

Despite the lineage of a strong and centralized bureaucracy, by the first years of the Qing Dynasty, China was a weak state traumatized by the shadow of the late Ming fiscal collapse (Zhang, 2023). In all dimensions of resource mobilization, the Qing state responded to fiscal pressures by carving out state capacity in favor of expediency and fiscal conservatism. The main policy of the Qing state was the freezing of the land tax in 1713, “eliminat[ing] the necessity of maintaining accurate records of landholdings, and the Qing state never conducted a universal cadastral survey (relying instead on the Ming survey of 1580)” (von Glahn, 2020, p.).¹ The Qing commitment to low land taxes “greatly weakened its ability to respond to political and economic crises” leaving the state “with an immobile fiscal system that limited its capacity to capture or generate new revenues” (von Glahn, 2020, p. 23).

At the local level, “the cost of administration far outstripped the formal financial resources provided to local and provincial magistrates,” leading to a system of informal surcharges raised by local officials to cover the costs of public goods and services (Zelin, 1984; von Glahn, 2016, pp. 45–46). The local officials tasked with tax collection were poorly paid

¹According to Von Glahn, “the Qing state no longer had the capacity to identify, let alone mobilize, its population... [since] the legibility of society vital to the operation of the fiscal state vanished” (von Glahn, 2020, p.).

and inflated these informal surcharges to both line their own pockets and to hire another cadre of ‘sub-bureaucratic’ intermediaries – clerks and runners (*chaiyi*) – to deliver public goods and services. Local administration devolved into a “system that encouraged extortion, bribery, and speculation” that fell primarily on the rural poor as “the social position of the gentry insulated them from the worst forms of harassment” (Halsey, 2015, p. 119). However, unlike elsewhere in Europe and Eurasia, the local gentry of the early-Qing “shared an important set of interests with the late imperial state” and served to “compensat[e] for the county magistrate’s insufficient resources, personnel, and local knowledge” by mobilizing resources on behalf of the local population (Halsey, 2015, p. 119). The early-Qing strategy of “co-opt[ing] the natural leadership of Chinese society in order to reduce administrative costs and deny magistrates an independent base of power” struck a delicate balance between encouraging local autonomy in exchange for low-level provision. This bargain broke down by mid-century, turning the state against the local elites, and laying the preconditions for local democratization.

The Breakdown in State-Elite Relations

Exogenous shocks like famines “demanded rapid economic relief” that the state could not provide, creating an impetus for the Taiping Rebellion (1850-1864) that quickly spread throughout famine-struck regions and plunged the Qing state into fiscal crisis (Zhang, 2023, p. 59). Similar to fiscal crises generated by war pressure in Western Europe, the Taiping Rebellion led to fiscal bargaining “authoriz[ing] local provinces affected by the rebellion to collect their own taxes without central review” (Zhang, 2023, p. 60). The rebellious provinces abandoned the land tax, instead drawing on new indirect taxes on interregional commerce and trade (embodied in the form of the *lijin* toll station) that became the main source of provincial revenues for the rest of the nineteenth and early-twentieth century (Deng, 2021; Kaske and Lin, 2022). In the wake of the Taiping Rebellion, “the balance between the center and the provinces changed forever,” as provincial revenues quickly outpaced the central bureaucracy (Kaske and Lin, 2022). Local elites inserted themselves as the new beneficiaries of this local fiscal autonomy, taking on roles as tax collectors for the new series of provincial bureaus that took responsibility for mobilizing resources and organizing public goods provision. Slowly, “the mutual distrust between the capital and provinces became increasingly clear [as] the Board of Revenue coveted provinces’ hidden income while the provinces guarded themselves from the Board in case it would appropriate their funds at will” (Zenghe, 2022). As a result, the central government “had the capacity neither to actually know the full extent of provincial finances nor to force the governors to follow orders” (Kaske and Lin, 2022).

Historical Structural Change

The opening of China to Western political thought was responsible for popularizing the strategy of local democratization as a response to weak state capacity among a cohort of bureaucrats and public intellectuals trained in Japan who returned to China in the 1890s

and early 1900s. Two centers of translation activity, the School of Combined Learning in Beijing (1862) and the Department for the Translation of Foreign Books in Shanghai (1867) were responsible for the translation and publication of the Manual of Political Economy (The Strategies to Enrich the Nation) (1880) and Political Economy for Use in Schools and for Private Instruction (Humble Words in Aid of Governance) (1885) (Chao, 2022). By the early 1900s, political economy (*jingji*) was a popular subject in Qing encyclopedias, combining state administration and the public good into “the investigation of the common wealth of all people with the aim to increase it, so that the people can have land and property and live decent lives” (Janku, 2014, p. 329). The spread of political economic thought, and with it “the Smithian axiom that private gains were not just legitimate but even contributed to ‘the common of all people’,” offered an alternative view of the role of the state, leading the Qing bureaucracy away from its traditional focus “to enrich the state and strengthen the army” and towards a new maxim – “to enrich the nation and nourish the people” (*fuguo yangmin*). According to the conclusion of the Great Book Collection of New Knowledge (*Xinxue da congshu*) published in 1903, “those who fight for their existence in the world of economic competition all must do the same... there is no politics outside of the economy” (Janku, 2014, p. 361).

International competition opened a window of opportunity for political economy to inform new strategies of development. The Qing defeat to the Japanese in the Sino-Japanese War (1894-1895) “intensified... the urgency of political and intellectual reform” and created a demand for Meiji-style constitutionalism, a program of political reform itself heavily influenced by the Japanese students of German reformers Lorenz von Stein and Rudolf von Gneist (Trescott and Wang, 1994). Adam Smith’s *The Wealth of Nations* was translated in 1902 closely followed by Mill’s *On Liberty* (1903). At the same time, Western concepts of “‘society,’ ‘state,’ ‘science,’ ‘evolution,’ and, of course, ‘progress’” were used to establish “comparisons of Chinese ‘backwardness’ and Western advancement, [which] would have been impossible without the [Western] view of history as a universal, linear and homogenizing process” (Frohlich, 2020). One of the leading voices of the reform movement, Liang Qichao, published a series of newspaper articles under *A Concise History of Economic Thought* (1902) in which he explicitly “urged Chinese authorities to learn from Europe’s mercantilist past to promote economic development” in (Trescott and Wang, 1994; Helleiner, 2022).

Local Democratization: The New Reforms

The Qing government’s response to the breakdown in state-elite relations following the Taiping Rebellion and the influx of political economic thought was the period of New Reforms (*Xinzheng*) inaugurated in 1902. The New Reforms amounted to a complete shift in state goals, as described by Strauss:

This fundamental shift of agenda sharply reversed over a century of de facto devolution of informal administrative authority and initiative to both regional viceroys and local elites, and required a thorough transformation of the cen-

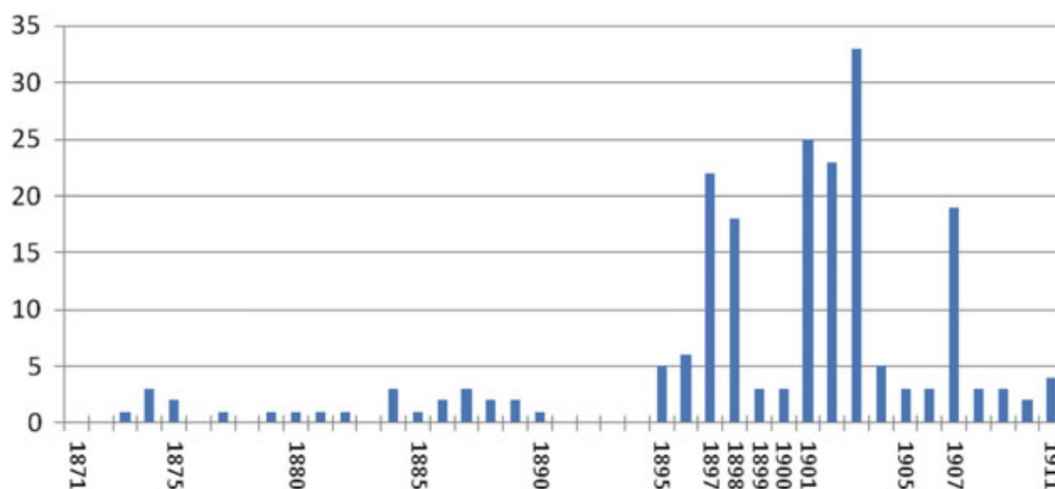


Fig. 1 Numbers of Chinese-language encyclopaedic works of new knowledge printed and reprinted 1871–1911. Data based on Rudolf Wagner, *Bibliography of Chinese Encyclopaedic Works 1840–1937*, status: March 2012

Figure 4.1: Growth in Translation Activity in the Qing Dynasty (Wagner, 2014)

tral state’s ethos and organization if it were to establish a much more proactive presence and take on a new set of tasks. These new tasks ranged widely, and included much augmented military modernization, the complete reorganization of the central bureaucracy, the belated promotion of modern education and commerce, investment in infrastructure, and the attempt to work through a new set of relationships with provincial and local elites through constitutional reform (Strauss, 2003).

In 1905, the Government Reform Commission sent a team of bureaucrats to study foreign institutions, who returned in 1906 to draft their recommendations for restructuring the Qing state via political reform (*gai guan zhi*).²

²The memorial delivered to the Emperor by Dai Hongci and Duan Feng in August 1906 proposed reforms “1) for a responsible cabinet in order to unify central administration; 2) for a clear demarcation in the functions and responsibilities of central and local government; 3) for a clearly defined corps of assistant officials to relieve the work burden on responsible officials; 4) for functional rationalization, clear delineation of work responsibilities between specialists within the different organizations in the central bureaucracy and amalgamation or abolition of redundant state organizations such as the Board of Rites; 5) for thorough reform of local government to be more responsive to the needs of the people; 6) for the central government to work in partnership with local governments to increase the flow of tax revenue; 7) to provide established channels of upward mobility for clerks and petty assistant officials in the central bureaucracy to cut down on malfeasance, and 8) to simplify the (civil service) personnel system of appointment, transfer, promotion and emolument” (Strauss, 2003, p. 835).

Tax reform and local government reform was coordinated by the Ministry of Finance to create a series of new county and provincial governments or “local government offices” (*zizhi hui*) to oversee the assessment and collection of direct taxes and encourage gentry participation in local administration in coordination with the central state (Kuhn, 1975, 1978, 2003; Thompson, 1995, 1988). Like in Russia and the Ottoman Empire, the Qing state first adopted test provinces in Zhili and Manchuria, where “magistrates, provincial officials, and Beijing bureaucrats [suffered] a breakdown in communication between villages and county yamen” (Thompson, 1995, p. 25). Informed by the ongoing “flood of information about the world outside China,” reformers such as Zhao Erxun designed local self-government as a way to ensure local elites to take on new responsibilities, including “oversight of all aspects of local administration, education, and public works; reporting the names of insubordinate persons; mediating petty local disputes; and, if necessary, joining with other local leaders to resolve disagreements between communities” (Thompson, 1995, p. 30). Erxun’s conviction was that “educated men in the countryside enticed by official status markers to accomplish the good deeds they tended toward anyway” (Thompson, 1995, p. 31). Together, “the need for responsive local leaders, a desire to lighten the workload of over-burdened magistrates, and a hope for clear lines of communication” inspired the first design of local self-government, which was brought before the Emperor 1905 (Thompson, 1995, p. 33). County councils were extended on an ad hoc basis throughout China in 1907-1908 before the first regulations on empire-wide county assemblies was promulgated in 1909, with the first round of official elections in over 5,000 counties as early as 1910. Newspapers including *Zhengzhi guanbao* and *Dongfang zazhi* dedicated their pages to recounting “provincial reporting on reform implementation” (Thompson, 1995, p. 223).

In practice, however, local government reform in China failed to reach its intended audience. Instead of encouraging the participation of rural elites, the reforms allowed the old magistrates (county officials under the old regime) to reassert their dominance in the newly sanctioned councils. Instead of incorporating local elites with a stake in the local political economy, “rural elites and merchants [were left] outside the fold” (Thompson, 1995, p. 150). Instead of supporting state-building goals, “the reforms divided society and the rhetoric of centralization was trammelled by intra-elite factionalism and undone by the abandonment of rural China” (Thompson, 1995, p. 160).

4.3 Comparative Local Democratization

France: The Origins of Local Democratization

In Europe, the connection between state-building and local democratization was made explicit by the French physiocrats, who called for the creation of local assemblies amidst the fiscal crisis in France in the years prior to the French Revolution. Championed by political economists Mirabeau, Quesnay, and Turgot, the Physiocrats proposed a direct link between *l’administration provinciale et la réforme de l’impôt* (Le Trosne, 1779) that would incentivize

local elites to participate in local government in exchange for control over local expenditures. As Kwass documents: “Those who wished to exercise the full measure of their vote in the village assembly would have to declare the entire net product of their land, information which could then be used for the purposes of tax assessment. ‘The same convention by which votes are distributed will provide the best possible rule for the distribution of the tax burden, and the one least subject to quarrels.’ The knowledge of landed revenue that would be gleaned at the lowest tier of assemblies would ascend, with a representative, to the district-level assembly, which would distribute the tax burden accordingly on the villages and towns of its jurisdiction. The same upward flow of knowledge and representation (and downward flow of tax allocation) would occur at the levels of the provincial and national assemblies, so that in the end the distribution of taxation across the kingdom would match the net product of individual landowners” (Kwass, 2000, p. 259).

Each formula for local government reform linked the payment of direct taxes to local participation “either by basing systems of representation on taxable landed wealth... or minimum tax requirements... or by designing the assemblies in such a way as to elevate the power of the third estate in order to assure a more equal and potentially greater distribution of taxes” (Kwass, 2000, p. 266). These reform proposals formed the basis of Necker’s provincial reforms of 1778-1779 and were re-interpolated in the local assemblies of 1787-1788, which offered the regime an institutional off ramp for “restructuring the fiscal and administrative order of the kingdom” that was ultimately rejected in favor of *liberté* in the *cahiers* of 1789 (Kwass, 2000, p. 266).

Paradoxically, the French Revolution itself was the apex of elite resistance to direct taxation. It resulted not in radical decentralization but in central bureaucratization that was no more effective at assessing direct taxes than the ancien regime before. The post-1789 French tax system “was designed to limit direct contact between individuals and tax collectors” so as not to provoke “mass hysteria about the fiscal inquisition” that was thought to have caused the French Revolution (Morgan and Prasad, 2009, p. 1368). Instead, central tax collectors settled for crude measures of informational capacity, such as counting the number of windows and doors on a property (“windows and doors tax”), rather than assessing the actual wealth of landowning elites (Morgan and Prasad, 2009, p. 1368). Ironically, these inefficiencies led to a shift back to a reliance on indirect consumption taxes, despite the bureaucratization and the relative decline of elite influence in the Republican period.

The Napoleonic Wars (1800-1815) spread the influence of the post-revolutionary French tax system (the Code Napoléon) across Western Europe but was unable to single-handedly change the structural revenue dependency of European states. In areas that were forced to adopt the Code Napoléon, direct taxation came into direct conflict with weak state capacity and autocratic local government. In Spain, “direct tax collection failed because of the shortcomings of the fiscal administration and resistance by the taxpayers to the new tax” and direct taxes were quickly abolished to appease the restored nobility in 1814 (Comín Comín, 2010, p. 217). While tax systems were streamlined, including the simplification of direct taxes into taxes on land, property, and industry, most states continued to take the path of least resistance “characterized by growing reliance on indirect taxation as economic devel-

opment increased consumption... [that] offered the easiest way to tax the rising numbers of urban poor... [while] the entrenchment of indirect taxation benefited the landowners and many of the industrialists that dominated nineteenth century [French] politics” (Greenfield, 2022, p. 12). As Greenfield notes, “haunted by the disorders of the 1790s [states] sought to maintain consent to taxation” and this “desire for consent pushed central governments to cultivate local elites” whose monopolies over local government were reaffirmed in the name of fiscal conservatism (Greenfield, 2022, p. 13).

Germany: Defeating Local Democratization

Early nineteenth century reform efforts to remove landowners from their traditional seats of local power in order to introduce new direct land taxes proceeded apace across the continent. In Germany, the reform government of Baron vom Stein set out to abolish “the century-old tradition of noble administrative, judicial, and police prerogative in the countryside” through the “establishment of representative assemblies which would determine matters of local concern... designed to make finances and taxation the responsibility of taxpayers themselves... believing that people would pay taxes readily if they had a voice in the fiscal administration of their area” (Gray, 1986, pp. 102-103). This proposal built on the traditional foundations of the *Erbentag*, a local governing assembly from Westphalia that convened each year “to establish community budgets” and “allocated and collected taxes and maintained roads and dikes from levies on taxable land” (Gray, 1986; Todd, 2004, pp. 102-103, 127). Nonetheless, the Stein ministry’s local government reform was defeated by resistance from “angry estate owners who feared the loss of their privileged status as a result of government-directed social and economic changes” (Gray, 1986, p. 144). Despite the state’s goals “of broadening the taxation base and obtaining desperately needed revenue,” undemocratic local government was defended by the nobility as the purview of the privileged estates and the last bastion of the “the old provincial landowning class” in opposition to the new centralizing forces within the Prussian bureaucracy (Gray, 1986, pp. 155-157).

England: Parliament versus Local Democratization

England was the prototypical strong state, which faced a unified local elite, “unencumbered by the legacy of unsuccessful dark age state-building” (Ertman, 1997). Early state strength was a result of the Norman Conquest, in which William I suppressed the Anglo-Saxon elite, appropriating 64 percent of the land and establishing conditional rights over landownership held by the Crown (Boucoyannis, 2021, pp. 30-31). With the old Anglo-Saxon elite wiped out and the new Norman elite holding land on behest of the state, William I was able to conduct the Great Survey, which resulted in the completion of the *Domesday Book* in 1086, the most successful cadaster in early modern history. With its property rights held conditionally in the hands of the state, the aristocracy was bound to the Crown and compelled by a strong state to attend the first meetings of a central Parliament (Boucoyannis, 2021). The English state did not need information nor a bureaucracy when it could rely on local elites

to administer land taxation themselves, which is why England's "first, and to date only, fully comprehensive mapped cadastral survey" was not completed until 1910 (Kain and Baigent, 1992, p. 264).

In England the power of aristocratic landowners represented in Parliament stymied the issue of local democratic control over "county rates" for much of the nineteenth century by supporting the dominant position of the appointed county appointed magistrates called Justices of the Peace. The fiscal authority of the magistrates was an outgrowth of a 1738 Act granting the Justices of the Peace the ability to set county rates without the assent of other county or parish representatives. As these powers grew, a property qualification was instituted to keep the power of taxation in the hands of the upper classes. These magistrates monopolized all fiscal and judicial administration in the British countryside, serving as a "rear guard of an agrarian oligarchy" that protected the conservative interests of the aristocracy (Zangerl, 1971). As the cost of county administration grew in the nineteenth century, a reform movement was launched in a Select Committee investigation in 1825 to look into the uneven assessment and burden of county taxes. While the report concluded that "ratepayers should have a voice in the financial concerns of the county" and offered a model of an elected county assembly to regulate the collecting and spending of county rates, it was left unheeded by Parliament. Instead, in a flurry of legislative activity in the 1830s, the Reform Act of 1832, the Poor Laws of 1834, and the Municipal Corporations Act of 1835 restructured national and city government while leaving the power of the county magistrates intact, allowing the "the old ruling class [to] maintain its predominance in county government" (Redlich and Hirst, 1903, p. 172).

As county rates grew to keep up with public spending on health and infrastructure, the county became the center of a fierce debate over how to set and adjust tax rates. For example, after the Rural Police Acts of 1839-1840 which gave Quarter Sessions control over hiring local police, "the patchwork development of local police forces was due, in part, to the reluctance of many magistrates and rate-payers to bear the extra costs involved" (Chandler, 2007, p. 59). By the 1870s, a new reform movement born out of the Local Taxation Committee pressed for representative county councils specifically to reform the inefficiencies of local taxation. However, conservatives on the Local Taxation Committee sought to offload the cost of county administration from landowners, while liberals tied the redistribution of county rates to taxation with representation. An attempt to break this deadlock in favor of county councils was rejected in 1868 and again in the 1870s due to the Conservative government's reliance on county landowners who adamantly opposed any changes challenging the monopoly of the Justice of the Peace. The final settlement of the Local Government Act that in 1888 relinquished the goal of direct taxation altogether, providing the landowning conservatives with "financial compensation for the loss of their arbitrary powers" by shifting the structure of local revenues onto regressive excise taxes on the poor (Keith-Lucas, 1952, p. 114). The failed reform episodes of the democratization of rural local government in England dovetails with the findings of Chapman (2018, 2020*b,a*) on the weak redistributive effects of democratization in England thanks to the veto powers by conservative local elites at all levels.

Spain: Resistance and Rebuke

Spain is a case of an initially strong state thanks to its territorial expansion during the Reconquista. With the resource of available land on the Iberian frontier, Spanish rulers were able to compensate local elites with land grants on the frontier in exchange for military service, providing the early resource advantage to invest in centralized state-building.

Early territorial expansion and centralization allowed the state to ‘compel’ elites to join a new parliament (the Cortes) to grant taxes. In Castile, territorial expansion “helped to strengthen royal power... since all lordless land belonged to the king, the reconquest also replenished the fisc, and all who received lands ultimately depended on royal favor” (MacKay, 1977, pp. 96-97). The role of territorial expansion in providing cheap resources to incorporate local elites is easily compared across the Iberian Peninsula, since “other Spanish kingdoms that were not on the front lines of the reconquest, including Catalonia, Aragon, and Galicia, the power of feudal landlords remained entrenched” (MacKay, 1977, pp. 97).³ Revenue from conquest and tribute during the Reconquista helped the Spanish crown pay local elites for military service without redistributing royal land, giving the Cortes its early strength as a fiscal body.

However, not all initially strong states were successful in state-building, and resource extraction via decentralization often backfired in the long run. In Spain, the tax exemptions provided to the nobility undermined the long-term efficacy of the Cortes, as local elites exited the institution in favor of protecting their urban oligarchies, rendering it “incapable of actually raising through taxes the money required for the Crown’s wars... because of self-interested antipathy to property taxes, both the assembly and the municipalities insisted on piling tax after tax upon basic articles of consumption, an approach which over the course of a century and a half seriously damaged the Castilian economy without in the end ever providing enough money fully to meet the country’s military needs” (Ertman, 1997, p. 118). In the end, local elites used their decentralized power to begin to resist taxation and ultimately undermined the credible commitment power of the Spanish parliament (Lynch, 1992; Lachmann, 2000).

In restoration Spain, early reforms under de Garay whose 1817 plan called for a “general tax... levied on all the people regardless of the privileges that pertained to the nobility and the clergy” were defeated by the reactionary nobility and de Garay was forced to resign (Comín Comín, 2010, p. 217). Attempts to reform the system of direct taxation at the national level while leaving local government in the hands of the aristocracy allowed “the taxpayers with the right to vote to transfer part of the tax burden to the taxpayers who lacked political representation in the parliament and city halls” (Comín Comín, 2010, p. 227).

In Spain, reform efforts in the mid-1840s faced a strong backlash from elites, as “nego-

³Additionally, in southern Italy, the island of Sicily was conquered by the Normans in 1130, leading to the creation of a “model state” that was successful at breaking apart the privileges of the feudal lords under the reigns of Roger II and Frederick II in the 12th-13th centuries (Marongiu, 1964). However, feudalism was revived after the Kingdom of Sicily was conquered by Peter III of Aragon in 1282 (Epstein, 1992, p. 317).

tiations with the elites led to the retention of traditional tax-collection procedures... a new cadastre was not elaborated and the responsibility for collection was left to local elites who retained power due to political clientelism” (Comín Comín and Yun-Casalilla, 2012, p. 265). Indirect taxation via a central tax bureaucracy proved the only solution to increase fiscal capacity without treading on the domain of unaligned elites. The fight between the central state and local landowners over a national cadaster decided the fate of state-building reform (Pousada, 2010; Comín Comín, 2015).

The more liberal tax reform of 1845 championed within the Mon ministry by Santillán replaced a messy system of provincial taxes with single graded land tax and delegated assessment to the locally elected town halls (*ayuntamientos*) believing that “in the absence of a land registry or cadastral map, local collective responsibility formed the only defense against concealed assets” (Vincent, 2007, p. 22). However, “inevitably, resistance to land registries, declarations of income, and public knowledge of taxable assets continued and the deficiencies of the statistical base became a fundamental obstacle to revenue generation as well as to tax reform” that doomed Spanish attempts to link direct taxation to local government (Vincent, 2007, p. 27). In the long run, “the Mon-Santillán system never really solved the fiscal and financial problems inherited from the ancien régime... [as] the political clout of the land-owning class and their opposition to official surveys of property values... [allowed] those with political power [to] evade taxes” (Comín Comín and Yun-Casalilla, 2012, p. 258).

Scandinavia: Windfalls and Local Democracy

In another strong states that faced a unified elite pursued decentralization where traditions of local government were already strong. This process of state-building by piecing together the localities is indicative of “Gustav Vasa’s strategy [of] integrating local systems of self-government into a broader political system... bolster[ing] its legitimacy by providing incentives for local elites to engage in the day-to-day bargaining with royal agents over the extraction and allocation of local resources”, or what Hallenberg calls “participatory state-building” (Hallenberg, 2013, p. 123). Swedish rulers were able to extract enough resources, thanks especially to the boom in gold, silver, and copper mining in the sixteenth century, to invest in a central tax-collecting bureaucracy to replace tax-farming earlier than most other countries in the world (Nilsson, 2017). In this case, Sweden’s discovery of the Sala silver mine in the early sixteenth century mirrors the temporary price shocks in colonial Mexico documented by Garfias, which weakened the power of local elites, allowing the state to seize assets and invest in centralization. In Sweden, the “Restitution involved what is arguably the biggest single transfer of wealth in Swedish history... [in which] a full third of the total farmland changed owner, and the nobility saw its landownership reduced by half” (Nilsson, 2017, pp. 160-161)

These earlier successes in centralized state-building made later attempts later local self-government reforms more successful. County magistrates were replaced by elected councils tied to the assessment of direct taxes. In Sweden, the centrally appointed county governor (landshövding) was made accountable to a directly elected county council in 1862, leading

to the expansion of its “powers of taxation” creating the local foundations of the Swedish welfare state (Schön, 2010; Sellers, Lidström and Bae, 2020; Uppenberg and Olsson, 2022, pp. 178, 190). In Norway, the power of the county governor was constrained as a part of the 1837 local government reforms introducing representatives from an elected county council onto the county board, which was charged with new financial responsibilities from the 1850s onward (Sellers, Lidström and Bae, 2020, p. 189).

Latin America

The conditions for state-building via local democratization were least likely in the Americas. Following Mazzuca, “latecomer state formation” meant that Latin American states could rely on foreign trade to generate revenue instead of centralizing resource mobilization. Generations of scholars of Latin American state-building have emphasized the aversion to direct taxation by powerful peripheral elites (Centeno, 1997, 2002; Abelin, 2012; Soifer, 2015; Mahon Jr., 2019; Mazzuca, 2021). Without the ability to directly tax the wealthy, Latin America states relied on a combination of indirect taxes on customs, sales taxes on the poor, and commodity booms that generated significant windfalls for the central state, without building the state’s capacity to collect information, develop human capital, or tax incomes directly. Many countries in Latin America are still unable to tax elites to this day without considerable tax resistance (Abelin, 2012; Mahon Jr., 2019).

Where the state had the greatest reliance on indirect taxation, and elites cooperated with the state to share in its profits, there was no pressure to increase local informational capacity on the ground, and thus no incentive to build democratic institutions at the local level. This outcome is most similar to a rentier model in which states with significant “unearned” revenue are associated with non-democratic rule (Mahdavy, 1970; Chaudhry, 1997; Dunning, 2008; Ross, 2015). This was the case most clearly across Latin America, where latecomer state formation under the liberal international order allowed state-building to occur almost exclusively funded by indirect taxes on trade (customs) with additional revenues coming from resource extraction for international markets (e.g., guano and nitrates in the case of Peru) (Soifer, 2015). Producer elites cut deals with central states to share in the windfalls of international trade, in return for tax exemption or complete control over the local political economy. Mazzuca suggests that this bargain allowed “the modal cases in Latin America [to] avoid state building in order to achieve state formation” without ever having to “tighten their political and fiscal grip” over their own territory (Mazzuca, 2021, p. 46). These legacies have persisted to today. Recent work looking at the relationship between taxation and representation in Latin America connects the long-standing inability of the state to directly tax economic elites with weak liberal democracy (Sokoloff and Zolt, 2006; Abelin, 2012; Mahon Jr., 2019). The strongest democracies in the region, Chile and Uruguay, are the only cases in which the direct taxation of local elites was successfully established during the late nineteenth century (Kurtz, 2013; Soifer, 2015), despite short-lived reform efforts elsewhere (including Mexico (Tenenbaum, 1986) and Brazil (Hanley, 2018)).

In Latin America, Kurtz (2013) and Soifer (2015) have drawn attention to the fierce resistance to direct taxation dating back to post-independence state-building in the nineteenth century. Mahon observes that direct taxation has often failed in the wake of abortive information collection campaigns, first among them the land registry and the cadastral survey (Mahon Jr., 2019, p. 205). Despite the best efforts of nineteenth century finance ministers, direct taxation “failed due to opposition from big landlords” (Soifer, 2015, p. 101). In Mazzuca’s recent theory of “trade-led state formation” in Latin America, state-building via peripheral incorporation was blocked by powerful landowners who used their bargaining advantage with the state to monopolize control over non-democratic local governments (Mazzuca, 2021). Thanks to state-builders’ reliance on indirect taxes on customs and trade, direct taxation never emerged as a political economic priority (Centeno, 1997, 2002; Mazzuca, 2021). In fact, Latin American states pursued centralization because of the “tacit promise to avoid taxation” (Tenenbaum, 1986, p. 48).

Scholars have identified two exceptions to this trend – Chile and Uruguay – in which local direct taxation was expanded in the nineteenth century as “historical processes of state consolidation linked to taxes on property... solved coordination problems for the elite, and part of the solution was that elites taxed themselves” (Mahon Jr., 2019, p. 208). What role did local self-government play in the expansion of direct taxation in Chile and Uruguay? In 1853, Chile introduced the *contribución territorial*, a property tax that formed a pillar of state finances before the discovery of nitrates in the 1880s. In 1891, the Chilean Municipal Autonomy Law gave local governments the power to assess property value by drawing up “list of each property owner with the values of his lands and structures” (Soifer, 2015, p. 187). Data from Soifer shows that by 1908-1909, “30 percent of municipal revenue came from the impuesto de haberes that was levied on wealth” showing that “municipal governments [were] willing to impose taxes on the wealthy and locally powerful” (Soifer, 2015, p. 189). When the nitrate boom collapsed after WWI, “these taxes were able to generate significant revenues very quickly because the state was able to rely on the property records and land surveys that had already been carried out when these taxes were collected at the municipal level during the nitrate boom” (Soifer, 2015, p. 192). A reliance on direct taxation to provide local public goods such as education and infrastructure during a national level commodity boom provided the state with an incentive to decentralize fiscal autonomy into the hands of local self-government, which provided the informational capacity to revive direct taxation in the early twentieth century and sustain the link between taxation and representation at the local level.

The United States

In the United States, direct taxation was exclusively tied to local government revenue in the colonial period, varying with local suffrage restrictions from the north to the south (Einhorn, 2009). As Einhorn observes, “beginning in the seventeenth century and continuing through the nineteenth, the northern tax systems usually were organized around the regular assessment of various kinds of property by elected local officials... several southern states, in

contrast, did not assess any property until the late-1840s and, even then, southern legislators imposed flat-rate tax schedules to minimize the discretion of local officials” (Einhorn, 2006, p. 25). After the founding of the United States, federal taxation (including national and state governments) relinquished all authority over direct taxation until a series of fiscal crises in the 1830s exposed the weak state capacity of state governments to stimulate economic recovery through public spending (Edling, 2003, 2014). The reform of state constitutions in the 1840s was linked to the expansion of direct taxation via a direct property tax (Wallis, 2001) inciting a public debate over the link between property taxes and public spending personified by Henry George’s “single tax” campaign. In the U.S. south, local landowners fiercely resisted direct taxation and attempts to raise a “war tax” on land and property to fund the Confederate rebellion after 1861 were dodged by autocratic southern elites who “shunned direct taxes as much as possible, even at the cost of a lamentable level of public services” that ultimately undermined the political economic foundations of Southern autonomy and doomed the Confederacy to fiscal failure (Ball, 1991, p. 32).

Colonial Africa

In Africa, direct taxation was linked to the efforts of colonial powers to “‘civilize’ the colonized subject” (Lugard, 1970; Bush and Maltby, 2004; Frankema and van Waijenburg, 2014, p. 376). In coastal areas “with long commercial relationships incipient colonial administrations could more easily tap into existing trade flows to raise revenue for colonial state expansion” (Frankema and van Waijenburg, 2014, pp. 379-379). The collection of direct taxes on the other hand was mediated by information held by local elites, resulting in the decentralization of assessment and collection by “integrat[ing] existing local power structures into the administrative framework of the new state” (Frankema and van Waijenburg, 2014, pp. 385). As expected, “colonial governments that did implement direct taxes largely did so out of necessity, as trade taxes simply did not generate enough revenue” in areas that more effectively resisted the colonial state (as in northern Nigeria) or were landlocked and thus had to rely on internal rather than external taxation (as in French central Africa) (Frankema and van Waijenburg, 2014, pp. 387, 393). Given the “skeletal” state capacity of colonial administrations in Africa, most colonial powers favored decentralization in the hands of Native Authorities and “grant[ed] to Native Authorities new powers of taxation and new responsibilities for the provision of government services” known in British Africa as “local rates” (Bolt and Gardner, 2020, pp. 1195-1196). Bolt and Gardner (2015, 2020) offer the first sub-national analysis comparing the characteristics of Native Authorities with their ability to raise revenue, finding some evidence for the importance of having a traditional chief held accountable by a local council for generating increased revenue per capita, a finding that resonates with contemporary work on local government and tax compliance in Africa (Weigel, 2020; Balán et al., 2022).

South and East Asia

In South Asia, the direct taxation of land expanded in conjunction with local government across the nineteenth century. In British India “land revenue accounted for around 70 percent of total government revenues” often collected by local elites incorporated into local governments (*zamindars*) who were “delegated the responsibility for collecting taxes, along with certain other minor administrative and judicial responsibilities” (Booth, 2014; Lee, 2019, 2023, pp. 4, 414). Beginning in the 1870s, direct land taxation was tied to the provision of local public goods as the “provision of education was first decentralized to provincial governments and then further decentralized to lower levels of government such as rural district and urban municipal boards in the 1880s” contributing 50 percent of total expenditures between provincial, rural, and urban institutions (Chaudhary, 2010).

In Japan, the Edo dynasty inherited an initial advantage for state-building following the Warring States period between 1467–1600, after the daimyo lords exhausted themselves in civil war. The early Tokugawa state was able to turn this advantage into early informational capacity by conducting a series of land surveys between 1582 and 1598, and redistributing land (*han*) to the daimyo lords (Mitchell and Yin, 2022, pp. 3-4). The state succeeded in state-building via decentralization by incorporating the samurai into local civil service. As Yamada writes, “If some analogy is to be made to the European context, then the Meiji Restoration was akin to the low-level servants of some powerful nobles becoming directly connected to the centralized monarchical regime and depriving those nobles of their political power... such pattern of political shift did not occur in Europe, where the monarchies were traditional power holders and their survival and stability rested on the political and fiscal support of landed nobles (and these nobles did not host large bureaucracies comprised of middle- and bottom-level elites like the samurai); it did occur in Japan because Japan’s Imperial House had long been politically marginalized in the fragmented polity and lacked substantial political connections with the incumbent elites” (Yamada, 2022, p. 868).

The the Meiji Restoration was financed by a resurgent land tax made possible by breaking the monopoly of power by the feudal samurai landlords. The Land Tax Act of 1873 delegated the assessment of the land tax to the new provincial (prefectural) government (Nakabayashi, 2012, p. 388), which was followed by a call to create local assemblies in 1874-1875 that culminated in the Three New Laws of 1878 (the Law for Reorganization of Counties, Wards, Towns, and Villages; the Rules for Prefectural Assemblies; and the Rules for Local Taxes) and the Imperial Decree in 1880 (the Law Regarding Ward, Town, and Village Assemblies) (Steiner, 1965, pp. 30-31). The new local assemblies of Meiji Japan replaced the patchwork of feudal local governments dominated by landowning elites, and while “the active and passive franchise was restricted... the agenda of the assemblies were limited mainly to matters of budget and taxes” (Steiner, 1965, pp. 30-31).

Conclusion

This chapter has examined evidence of local democratization as a state-building reform in the Ottoman Empire and Qing Dynasty in comparative historical perspective with the rest of Europe and Asia in the nineteenth century. Each case presents a variation on a similar trajectory shaped by the interplay between weak state capacity, local elite resistance, and the timing of the diffusion of political economic thought and the breakdown in state-elite relations. Where the Russian, Ottoman, and Qing empires were subject to breakdowns in state-elite relations, other countries were more successful at incorporating local elites within central institutions, which did not necessarily lead to stronger states, but did delay local self-government reform, as local democratization was successfully resisted or rejected outright by powerful local elites represented at the center.

In the Ottoman Empire, the Tanzimat reforms (1839-1876) and the subsequent 1864 Provincial Reform Law aimed to break the central state's dependency on local notables and the patrimonial tax-farming system, which undermined economic local development and state capacity. The creation of local councils (*meclis-i*) to conduct land surveys, assess taxes, and oversee public works marked a shift towards local democratization after the breakdown in state-elite relations at the beginning of the nineteenth century. The Ottoman state's ability to transform local elites from rent-seeking tax-farmers into partners in local economic development was crucial for competing in the international system. Despite challenges from above and below, these reforms laid the groundwork for improved local governance and resource mobilization, demonstrating the potential for local democratization in a multi-ethnic, multi-confessional environment, that paved the way for the short-lived Ottoman Constitution of 1876.

In the Qing Dynasty in China, the New Reform Era (1902-1912) was a response to the breakdown of state-elite relations following the Taiping Rebellion and subsequent fiscal crises unleashed by the Sino-Japanese War and the Boxer Rebellion. The Qing state, influenced by the arrival of political economic thought in translation from the West and returning students from Japan, sought to engage the local gentry elite through local self-government reforms. However, the reforms faced significant challenges, as traditional elites resisted the new administrative structures, leading to the ultimate collapse of the Qing Dynasty. Despite the failure to fully implement local democratization, the Chinese experience highlights the importance of state-elite alignment for advancing both central *and* local state-building and points to the difficulties for local democratization in an environment in which local economic development is *not* crucial to the private gain of local elites.

The analysis of these cases in comparison with the Russian Empire reveals several key insights. Firstly, weak states with most different state-building trajectories found themselves in similar positions during the late eighteenth and nineteenth centuries when earlier forms of resource mobilization were no longer adequate to take on new state goals related to international competition and domestic political economy. These weak states all looked to build state capacity by engaging local elites through a strategy of local democratization that was steeped in the language of political economic theory. The success of such reforms

depended on the strategic alignment of local elite interests with central state-building goals. The varying success of state-building efforts after the adoption of local self-government point to the difficulties of implementing local democratization in diverse and fragmented societies. Future work aims to join the growing literature on state-building and diversity (Kasara, 2007; Charnysh, 2022; Magiya, 2022) to understand whether local economic inequality or ethno-religious diversity played a larger role in driving differential outcomes in European and Eurasian state-building.

Finally, the broader cross-continental comparisons also illuminate the diverse paths and variable efficacy of local democratization in stronger states. In France, local democratization emerged from the fiscal crises preceding the French Revolution, but the French Revolution itself paradoxically led to central bureaucratization, reducing the state's willingness to partner with local elites and as a result eviscerating local control over resource mobilization for the entirety of the French Republic. Reforms in Prussia were rejected due to coordinated elite resistance in the early nineteenth century, thanks in part to the privileged position of the Junker class within the central state, which delayed local self-government reform until the end of the century. Likewise in England, a strong state and unified elite allowed for effective state-building without extensive local democratization. In Spain, on the other hand, an initially strong state weakened over time as local elites gain footholds in resource mobilization, undermining all attempts at state-building reforms, including local tax reform and attempts at a nation-wide cadaster, until the authoritarian governments of the 1920s. Scandinavian state-building provides an intriguing contrast, where strong traditions of local self-government and resource windfalls facilitated state-building and local democratization, thanks to sudden increases in state capacity from resource rents that substituted for the state's reliance on local elites. This substitution effect helps explain other exogenous shifts in state-building in Latin America (Garfias, 2018). However, without sudden changes in central state resources or the power of local elites, the reliance on patrimonial resource mobilization and the continued resistance from powerful elites continues to hinder both local self-government and local taxation throughout most of Latin America (Abelin, 2012; Mahon Jr., 2019).

These findings highlight the importance of the "elite social terrain" for state-building around the globe, which affects both central and local state capacity and the mutual interests local elites share with central state-building goals. The difficulty of overcoming the entrenched power of local elites and the role of structural historical changes in shaping windows of opportunity for state-building reform determine the success of local democratization. This comparative analysis underscores the interplay between state capacity, state-elite relations, and local governance, providing valuable lessons for contemporary state-building and democratization initiatives unfolding around the world (Faguet, 2012; Bardhan, 2016).

Chapter 5

Conclusion

5.1 Theoretical Takeaways

How do weak states increase their state capacity by mobilizing (a) information, (b) human capital, and (c) fiscal revenues to accumulate to not only survive in the international system but adapt to new goals? Weak states lack the “transmission mechanisms” to translate resources into self-strengthening institutions (Queralt, 2022), especially since bureaucratic institutions are costly to build (Stasavage, 2020) and central democratic institutions require pre-existing state capacity to routinize political participation (Boucoyannis, 2021). Moreover, replacing self-weakening expedients with self-strengthening reforms can be extremely costly when inefficient institutions generate interest groups and veto players with a stake in maintaining the status quo (North, 1990). What emerges is a vicious cycle that takes a strong state to engage in state-building. Absent exogenous shocks that suddenly change the distribution of power (Garfias, 2018; Wang, 2022; Garfias and Sellars, 2023), how can weak states engage in “institutional upgrading” to escape the “low capacity trap” (Yamada, 2020, 2022)?

My theory of local democratization has offered one way weak states can build state capacity by incentivizing local elites to mobilize resources in ways that are consistent with state-building goals. Institutions such as local self-government can re-align the interests of the central state and local elites when both stand to gain from participation and resource mobilization. Before the late eighteenth century, this strategy in these terms did not exist: rulers’ time horizons were too short, central states were not concerned with promoting public welfare, and the balance of power between states and local elites was too one-sided to necessitate reform. These conditions changed throughout the late eighteenth and early nineteenth centuries as increasing international competition, the spread of political economic thought, and the empowerment and resistance of local elites created a dilemma for state-building rulers in pursuit of new goals of economic development. The centralization of resource mobilization was recognized as an important step in building state capacity, but central state-building reforms threatened those local elites who controlled private resources and happened to lose

the most from reform.

As states sought ways to mobilize resources, collecting new information on local conditions, mobilizing new forms of human capital, and raising new more direct forms of fiscal revenues, “this implied a coupling of the revenue concern with that of increasing the productive capacity of the population, of land, of industry... that is, the central authority would not simply content itself with appropriating what was previously determined; [but] also sought to create further wealth to be taxed” (Islamoglu, 2009, pp. 122-123). Paradoxically, the drive for state centralization triggered institutional changes that led to democratization and decentralization, with long-run consequences for democracy, development, and statehood.

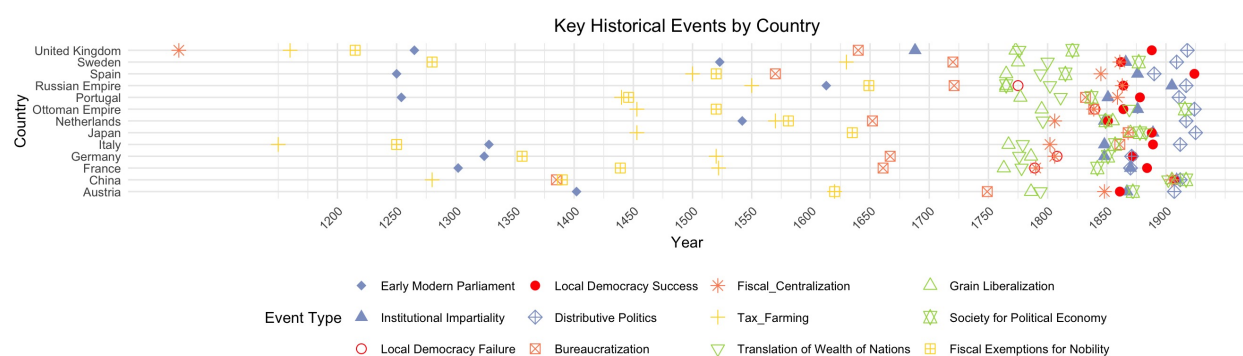


Figure 5.1: The Sequencing of State-Building and Democratization in Europe and Eurasia

5.2 From Local Self-Government to National Democratization

One question that remains is whether local self-government leads directly to national democratization. The pathway from local self-government to national democratization is particularly salient in weak autocracies such as the Russian Empire, Ottoman Empire, and Qing Dynasty, where local representation preceded national parliaments.

In the Russian Empire, the *zemstvo* assembly lay the foundation for future representative institutions, serving as a stepping stone for the liberal gentry’s constitutional movement that culminated in the October Manifesto of 1905 and the opening of the First Duma in 1906 (Manning, 1982*b,a*). In 1917, *zemstvo* institutions served as the foundation for democratic reform, as empire-wide village assembly elections were slated for the summer of 1917, and were ongoing when the Bolsheviks seized power in wartime Petrograd. Even more surprising, the legacy of the *zemstvo* lived on under early Bolshevik rule, as the early Soviet state also needed a competent local administration to deliver on the promises of communism to the masses (Rosenberg, 1982; Figes, 1988).

In the Ottoman Empire, the short-lived Ottoman Parliament of 1876-1878 was constituted primarily by representatives of the provincial assemblies (Kayali, 1995). In both cases,

local assemblies served as incubators of political engagement, laying the groundwork for the development of a culture of representation and serving as a hotbed of liberal democratic movements that demanded greater representation and accountability from the central state in the form of a national parliament (Kurzman, 2008). In China, the local assemblies lived on throughout the Republican Period, serving as the site of contestation between nationalist and communist forces for the heart, soul, stomach, and mind of the peasantry (Duara, 1988).

However, an interesting paradox emerges when reversing the causal sequence. In cases where a national parliament prevailed before the historical structural changes that set off the chain reaction of state-building and local self-government, local democratization was delayed. Where local elites were represented in national parliaments, they used their *de facto* and *de jure* powers to protect their fiscal and political privileges at the local level. This puzzling outcome helps explain why England, despite being the model case of parliamentary democracy, was one of the last countries in Europe to democratize local government by replacing appointed Justices of the Peace with elected county representatives in the Local Government Acts of 1888 and 1894 (Prest, 1990; Daunton, 2001, 2010). The relative delay of local democratization in much of Europe, where parliaments were dominated by aristocrats who shielded their local wealth from the state, helps explain the limits of redistribution in weak states and young democracies facing powerful local elites (Chapman, 2018, 2020*b*).

5.3 Lessons for Development Today

Many developing countries face the same challenges of weak state capacity and elite resistance today. A contemporary analog to nineteenth century resource mobilization is the politics around local taxation, particularly property taxation, in many weak states today. For example, “a low-capacity autocratic government responding to an external shock that increased its need for revenues by broadening the tax base through property tax collection” could be equally applied to nineteenth century Europe as it is a depiction of local state capacity in contemporary Democratic Republic of Congo (DRC) (Weigel, 2020, p. 1859). Further work in the DRC has established that local elites use local information more effectively than tax officials, allowing chiefs to mobilize revenue more efficiently than the central state (Balán et al., 2022). Pairing these studies together suggests that incorporating local elites into representative institutions creates a “participation dividend” along with an “information dividend” that helps explain why local democratization is an effective state-building strategy in low capacity settings.

The link between state capacity and local resource mobilization is just as clear today as it was centuries ago (Moore, 2015*a,b*; Moore and Piracha, 2016; Moore, Prichard and Fjeldstad, 2018). Around the world, local governments take on much of the burden of state spending, particularly in key areas such as education and public health (Sokoloff and Zolt, 2006). The main obstacle to local development is the compliance of wealthy elites who have the most to lose from property taxation, yet stand to benefit from local investment. Many autocratic regimes have also experimented with local democratization in the present day,

as the tension between autocracy and development creates lacunae in resource mobilization that partial democratization is meant to fill. Village elections in China have proven the case in point, as decentralization in the 1990s led to increased resource mobilization, which helped stabilize the regime until local development was deemed no longer necessary, and local self-government reforms were once again rolled back in the mid-2010s (Martinez-Bravo et al., 2022). However, just as in the nineteenth century, we should expect these years of participatory local government to leave a lasting impact on future capacity-building, even if the effects of earlier reforms lay dormant until new institutional configurations reveal traditions once buried in the sands of time (Wilfahrt, 2021).

Finally, understanding the origins of democratic institutions helps us wrestle with the imperfections in our own contemporary democratic systems. If taxation preceded representation during the foundational period of modern state-building, what does it mean for democracy today that in many parts of the world, state capacity still lags behind liberal democracy? Acknowledging the extractive origins of representation can help practitioners design policies that better serve to reduce inequality by allowing voice and accountability to guide the provision of public goods and services, providing a framework for more effective and equitable development today. Rather than ignoring the global history of democracy in favor of a few early success stories, we can learn to embrace the track record of local self-government in all corners of the globe, to help us learn from and design better policies that promote the public good. When and where the future of democracy looks dim, we should remember the generations of reformers who embodied the spirit of change and looked to involve ordinary people in the decisions of self-government for no other reason than their belief in a better future.

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