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David Stasavage, *States of Credit. Size, Power, and the Development of European Politics.* Princeton, N.J.: Princeton University Press, 2011. 192pp. $39.95 U.S. (hb). ISBN 978-0-691-14057-5.

Review by Joel Felix, University of Reading.

In this well-informed and clearly argued book, David Stasavage seeks to revisit important issues about state development and economic growth. For that purpose the author investigates the question of credit and credible commitment in two different polities, the city-states and the territorial states in medieval and early modern Europe. Although the book eventually concludes on the ultimate failure of city-states, the author aims to explain why these small entities managed to survive for so long in the face of the considerable challenge posed by the much larger territorial states.

Building upon the work of Douglass North on the role of institutions in the creation of sustainable fiscal systems and economic development, Stasavage gives a prominent place to politics in the success and resilience of city-states. While the book does not overlook commercial activities, economy is put at best on an equal footing with political considerations when it comes to explaining the emergence of city-states. For instance, Charles Tilly's views that city-states in the first millennium blossomed in areas of Europe with the highest prior level of commercial and economic development are put to the test of a variety of indicators with the aim of explaining the diverging paths of city-states and large cities which remained part of territorial states. Analysis of the data confirms that city-states were indeed likely to blossom in more developed locations but it also suggests that politics might have had a significant role: the chance of cities transforming into city-states seem to have been greater when they were located in the kingdom of Lotharingia where early political disintegration and shifting boundaries facilitated aspirations of urban centres to gain their autonomy.

Similarly, assertions about the impact of warfare on state formation are reconsidered in the light of the ability of city-states to access cheap credit, which was not available to the territorial states and which allowed the former to resist the potential threats posed by the latter. Chapter two, which gathers information about loans in European states, shows that city-states used credit, in particular long-term annuities, one-and-half or two centuries before similar instruments were first introduced in territorial states like Castile (1489), Naples (1520) and France (1522). Data gathered about rates of interests between 1250 and 1750 also show that interests on loans paid by city-states remained constantly lower than those serviced by Leviathan states and that they were priced at a rate normally equivalent, or even lower in the Middle Ages, to the return on land rents.

At this juncture, the author queries again the idea that their more favourable economic background gave city-states a competitive advantage over territorial states. Although merchants' liquid wealth and the existence of secondary markets were crucial to the development of cheap credit, political representative institutions appear as the backbone of city-states' creditworthiness. In the three city-states taken as empirical examples--Cologne, Genoa and Sienna--the lenders' interests were well represented in the institutions which managed the cities' affairs and could monitor fiscal policy. The author contends, however, that to be fully efficient, i.e., to offer the highest volume of capital and the lowest interest rate, urban institutions had to be republican (oligarchic) rather than democratic. In the three city-states studied, all political conflicts that championed the political control of the merchant elite ended up in a drying up of capital and rise of loans' costs.

One of the most interesting discussions in the book concerns the lack of convergence between city-states--seen as early comers--and territorial states where representative political structures required to access low cost credit failed to develop. Here Stasavage seems to build on S. R. Epstein's argument that political integration, rather than the polity, explained economic growth, arguing that the sheer size of territorial states, rather than the kings' thirst for power, prevented the development of representative institutions which were too costly to operate and largely inefficient.[1] For instance, the introduction in France in 1522 of long-term loans (*rentes perpétuelles sur l'Hôtel de Ville de Paris*) sold and administered by the Parisian municipality on behalf of the king who delegated for that purpose a portion of indirect tax suggests that the French monarchy was not averse to the idea of using representative and oligarchic urban institutions, typical of city-states, to raise money by credit. However, the system entered a crisis in the late sixteenth century as the amount of capital raised by the *Hôtel de Ville* could not be met with local taxes only any more and had to be supplemented by resources from a variety of other regions which could not be easily shipped to Paris, especially as the kingdom was suffering from religious and civil wars. The traditional *Etats généraux* which were then called from time to time by the king to help with the monarchy's fiscal problems could not bring a workable solution to debt problems. Apart from the fact that assembling deputies from all over France was a complex and expensive business, deputies who represented local and provincial interests did not feel compelled to increase national taxes for servicing Parisians creditors on *Hotel de Ville*.

As a result, regular payment of *rentes* was reduced or suspended and the king could not access the cheapest form of credit any more. The Spanish and Dutch credit experiences are also contrasted in the light of their ability to gather the information required to achieve a decision. Divergence in their respective abilities to fund the war effort is also explained by differences in size and not in credit instruments which were initially similar. While the small United Provinces were capable of making informed decisions based on regular local discussion of current affairs, the initial success of the Spanish Cortes in securing money to fund long-term annuities (*juros*) was soon challenged by the slowness in the exchange of information between cities and their deputies, and the high costs paid by governments which found it easier to secure swift approval by granting fees to representatives.

Overall, Stasavage's analyses offer a very clear and illuminating historical model--available liquid wealth and a secondary market, representative institutions granting lenders political rights on administration of public affairs, efficient and lost-cost administration facilitated by ease of communication (especially in small territories)--to explain why some polities were capable of getting cheap credit while others were not. The historian, however, may regret that the model does not bring more life to the city-states and the political management of their finances. Mentions of various popular rebellions in city-states against increased taxes to service loans raise questions about the limits beyond which debt might have distressing social and economic costs. One also wonders to what extent other factors such as wars, geography, or even use of specific credit instruments may have impacted on commercial activities, interest rates and, *in fine*, the survival of city-states. The historian might feel a bit disconcerted by the absence of chronological boundaries--or at least a list of main city-states with their dates--and a lack of information about the respective wealth and financial power of city-states. This is not unimportant if one is to make sense of how city-states and their specific polities fit in the international competition for great power status. In any case, with this book, David Stasavage has paved the way for new research to compare and contrast the experience of city-states in the Old Regime and explore how and why small could be beautiful.

NOTES

[1] S. R. Epstein, *Freedom and Growth. The Rise of States and Markets in Europe, 1300-1750* (London: Routlege Explorations in Economic History, 2000).

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