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## **Neither Communes nor Fiefs: King Owned Towns, Right Negotiations and Long Run Persistence. The Case of South Italy**

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NEITHER COMMUNES NOR FIEFS:  
KING-OWNED TOWNS, RIGHTS NEGOTIATIONS AND LONG-RUN PERSISTENCE –  
THE CASE OF SOUTHERN ITALY

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Researchers have argued that historical episodes of local, self-governing institutions can explain the persistence of differences in socio-economic performance among different territories over centuries. This assumption has been tested by comparing free city-states (communes) and feudal towns in Italy, Germany, Switzerland and the United Kingdom. This paper explores a third and novel category: king-owned towns (KOTs). KOTs emerged in southern Italy when the kingdom delegated jurisdictional and fiscal powers to towns' ruling classes, thereby creating a self-governance setting in which community representatives systematically implemented and articulated rights negotiations with the Crown, which in turn influenced the evolution of their towns' municipal statutes. We interpret this collective action as a mechanism that can explain the persistence effects. Empirically, we find that a town's past king-owned experience is correlated with current outcomes in terms of both economic performance and civil capital. Our results suggest that KOT status is more similar to commune experience than to fief experience.

Keywords: self-governance, long-run persistence, economic history, political institution, culture, economic geography, Italy

JEL Classification: D72 (Political Processes), H10 (Public Economics, General), N44 (History, Europe), O43 (Economic Development, Institutions and Growth), O52 (Economic Development, Europe), K00 (Law and Economics, General), R10 (Regional Economics, General)

## 1. Introduction

A substantial stream of literature investigates the deep historical origins of modern outcomes. This research has given rise to a series of studies on persistence, which has been systematically analysed and reviewed (Kelly 2019, Bisin and Moro 2017 and 2021, Acemoglu et al. 2021, Arroyo and Maurer 2021, Cioni et al. 2021, Voth 2021, Cirone and Pepinsky 2022). In particular, researchers have argued that historical changes in political institutions can explain the persistence of differences in socio-economic performance among different territories over centuries. However, identifying such nexuses and their main drivers is difficult. Two strands of research have progressively emerged in this regard.

On the one hand, some have claimed that institutions originating from natural experiments in otherwise common geographical environments tend to persist (Acemoglu et al. 2001, Banerjee and Iyer 2005). On the other hand, some have stressed the role of culture in persistence by isolating cultural variation in historical settings with a common institutional setup (Putnam et al. 1993, Guiso et al. 2011 and 2016). The two approaches can be merged in an attempt to explain persistence by examining interactions between institutions and culture, and the effect of these interactions on economic and social performance (Greif and Tabellini 2010, Birdner and Francois 2011, Bisin and Verdier 2021, Persson and Tabellini 2021).

History has provided natural experiments that can help verify the existence of persistence. Two views focus on the nexus between local self-governing institutions and socio-economic outcomes. Many authors argue that local self-governance is associated with better outcomes (Tabacco 1979, De Long and Shleifer 1993, Putnam et al. 1993, Blockmans 1994, Morkyr 1994 and 1995, Coleman 1999, Bosker et al. 2013, Jacob 2010, Cantoni and Yuchtman 2014, Guiso et al. 2016, Angelucci 2020). Others claim that a nexus can emerge among local autonomous bodies, rent-seeking strategies and sub-optimal outcomes (Epstein 2000, Ogilvie 2011, Dincecco 2011, Stasavage 2014).

In the case of Italy, academics have examined the role of free city-states (communes) in northern Italy in the late Middle Ages (Guiso et al. 2016). Similar explorations have focused on medieval Germany (Jacob 2010) and Switzerland (Rustagi 2021). Self-governing medieval towns were also present in England (Angelucci et al. 2020).<sup>1</sup>

Notably, communes did not exist in southern Italy, where the power of the Norman Kingdom, which was based on fiefs, prevented their emergence (Belloc et al. 2016). The fiefs were governed by autocratic leaders – bishops in the episcopal fief cities and feudal lords in non-episcopal fief towns (Belloc et al. 2016).

The aim of this study is to explore a third and novel category – king-owned towns (KOTs) – which were present in the Spanish-controlled southern Italy and can be viewed as a specific category of feudal institutions. KOTs emerged when the Kingdom of Naples delegated jurisdictional and fiscal powers to towns' ruling classes, thereby creating a self-governance setting. Notably, KOTs represented, on average, 18% to 19% of the population of the kingdom (Visceglia 1992, Coccozza 2019), and 22.85% to 29.50% of the population in some territories (Lerra 2016).

Three general drivers motivated the kingdom's decisions: the political aim of weakening the feudal barons; geo-strategic concerns related to military defence; and the extinction of feudatory rights, which, in turn, was triggered by different events (Lerra 2016, Coccozza 2019). The king's decisions regarding the granting of KOT status were, in general, unpredictable in terms of timing, lags, procedures, and reversibility.

However, during the rule of the Spanish Crown, all towns aspired to become the property of the king (Galanti 1793) and those that already held this status implored the king to maintain it in

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<sup>1</sup> From a terminological point of view, some authors – such as Epstein (1993, 1999) – distinguish between communes and free city states. These authors define a “commune” as any municipal body engaged in local government and “free city-states” as a sub-category. In the latter, the municipal rule of the commune evolved into completely independent self-governance.

perpetuity (Faraglia 1883). The motivations seemed to be straightforward – the KOTs’ inhabitants enjoyed self-governance settings and KOTs paid, on average, less taxes than feudal towns.

In order to explore these motivations, we analyse the KOT experience from a conceptual point of view as a case of urban governance in which two relevant political groups were present – local nobles and the bourgeoisie. We assume that their economic and cultural differences helped shape the long-run effects of the original institutional change (Bisin and Verdier 2017). We identify the persistence mechanism by highlighting that KOT status allowed community representatives to implement systematic rights negotiations with the Crown concerning fiscal, minting and trade issues, which in turn influenced the evolution of municipal statutes.

With regard to cultural traits, one peculiarity of the Spanish period was the Crown’s expulsion of the entire Jewish population – a religious minority – from the Kingdom of Naples between 1504 and 1541, and the announcement that they would not be allowed to return for three centuries (Pascali 2016). These Jews had immigrated to the kingdom after they were expelled from Spain in 1492 (Zeldes 2010, 2012, 2019). Researchers have noted that religion can be a relevant channel for shaping economic, political and cultural dynamics (Bisin et al. 2019, Squicciarini 2020). Moreover, the Jewish presence in north Italian towns influenced credit and growth in the period of the communes (Botticini 2000).

Naturally, an empirical question arises – given the KOT status of a town, and its potential economic and civic outcomes, do these effects persist, as in the case of the communes? A positive answer would suggest that KOT status is more similar to the free-town experience than to the fief experience, while the opposite would be implied if the answer were negative. In either case, an empirical investigation can shed more light on the conditions under which political classes and cultural traits can shape the performance of a given territory.

With respect to the literature on persistence, this paper contributes to the strand that analyses the link between self-governance institutions and economic and social outcomes (Putnam et al. 1993, Habermas 1996, Platteau 2000, Rodrik 2000, Guiso et al. 2016, Besley 2020, Rustagi 2022). It also takes studies on interactions between culture and institutions into account (Tabellini 2010, Alesina and Giuliano 2015, Bisin and Verdier 2017 and 2021).

The remainder of the paper is organized as follows. In Section 2, we describe our historical case – KOTs in southern Italy. Sections 3 and 4 present the conceptual framework and the empirical analysis, respectively. Section 5 concludes.

## 2. Historical Background: Neither Communes nor Fiefs – KOTs in Southern Italy

### 2.1 The Norman and Swabian Ages: The Origins of KOTs

The institution of the fief originated in the early Middle Ages, when the Longobards or the Franks<sup>2</sup> introduced the feudal practice in Italy.<sup>3</sup> King Authari (590) recognized to 30 Dukes<sup>4</sup> their authority over their Italian possessions. They were required to pay the king half of the year’s duties and assist him during times of war.<sup>5</sup> However, some researchers have highlighted that fiefs, feudal lords or feudal investiture were not covered by any Longobard laws.<sup>6</sup> Others have claimed that the Franks effectively introduced the feudal practice in Italy after the victory of Charlemagne (742-814) over the Longobards in 774.<sup>7</sup>

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<sup>2</sup> Dragonetti (1842), p. 36.

<sup>3</sup> Ibidem, p. 34.

<sup>4</sup> Rinaldi (1886), p. 10.

<sup>5</sup> Dragonetti (1842) p. 34.

<sup>6</sup> Ibidem p. 36.

<sup>7</sup> Ibidem p. 36.

The Franks implemented their own laws and practices, which distinguished among feudal lords, vassals and servants.<sup>8</sup> More precisely, the feudal system was introduced to Italy by the Carolingians<sup>9</sup> in the decades preceding the advent of King Roger II, whose reign overlapped that of the Normans' monarchy across all of southern Italy. Prior to the Normans, the region was fragmented under the dominance of the Byzantines and the Longobards. At that time, some towns (*università*) earned franchisement and liberties that, in some respects, resembled those of the northern cities.<sup>10</sup> Statutes and charters were granted to Traetto (1060), Sujo (1079), Troia (1127) and Gaeta (1129) by feudatories, clerical institutions and the Normans.<sup>11</sup><sup>12</sup> Furthermore, Bari entered into an alliance with Venice in 1122.<sup>13</sup> In 1105, Bitetto<sup>14</sup> elected three mayors as deputies in a controversy with the feudal lord. Other acts of a proper organization and self-governance occurred in Gravina (1092),<sup>15</sup> Monopoli (1098), Matera (1041) and Capua (1120).<sup>16</sup> In the most active communities, different constituencies started to emerge.<sup>17</sup>

King Roger II (1095-1154) unified the Normans in Italy.<sup>18</sup> After formally recognizing the church's authority through an annual payment to the pope, the pontiff officially acknowledged the Kingdom of Sicily (1130).<sup>19</sup> Notably, some of the barons did not recognize to the central authority. Neither did some cities in which the mercantile bourgeoisie did not welcome the new centralization of power.<sup>20</sup> Naples, Salerno, Trani, Troia, Bari and Barletta came into conflict with the state, as did many barons, including Godfrey of Conversano, Robert of Capua and Rainulf of Alife.<sup>21</sup> However these conflicts did not harm the Crown, which eventually repressed such local dissent.<sup>22</sup> Roger II (1140, the *Assise di Ariano*) declared every place in the Kingdom under royal authority, and emphasized the right of the Crown to direct the organization of the state and the judiciary,<sup>23</sup> as well as the political and judiciary rights of the feudatories over many lands and towns of the kingdom.<sup>24</sup> A feudal society was taking shape:<sup>25</sup> the royal functionaries were viewed as connected to the barons.<sup>26</sup> Roger II kept some cities and lands under his direct control (*demanio regio*).<sup>27</sup> After Roger II, the Norman kings continued to address conflicts of interest among the Crown, the barons and the towns through repression and agreements. In 1191, Henry VI of Swabia (1165-1197) became King of Naples, which ended the Norman domination.<sup>28</sup>

In 1208, Frederick (1194-1250), son of Henry VI, came to power. His kingdom was characterised by disequilibria and contrasts. The Church's interference in some fiefs, cities and monasteries was directly tied to the pope's power.<sup>29</sup> In parallel, some towns – Naples, Fondi, Celano,

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<sup>8</sup> Fimiani (1787), p. 85.

<sup>9</sup> Anfossi (1886), p. 15.

<sup>10</sup> Calasso (1929), p. 25-26.

<sup>11</sup> Ibidem p. 27-28-29.

<sup>12</sup> Ibidem p. 26-27-37-38.

<sup>13</sup> Ibidem p. 30.

<sup>14</sup> Ibidem p. 38.

<sup>15</sup> Ibidem p. 41.

<sup>16</sup> Ibidem p. 44.

<sup>17</sup> Ibidem p. 26-27-36-49-50-53.

<sup>18</sup> Galasso (1995), Vol. IV, p. 98.

<sup>19</sup> Ibidem p. 99.

<sup>20</sup> Ibidem, Vol. III p. 574.

<sup>21</sup> Ibidem p. 574.

<sup>22</sup> Ibidem p. 575.

<sup>23</sup> Ibidem p. 579.

<sup>24</sup> Ibidem p. 580.

<sup>25</sup> Ibidem p. 581.

<sup>26</sup> Ibidem p. 581.

<sup>27</sup> De Rosa and Cestaro (2006), p.106-112.

<sup>28</sup> Galasso (1995), Vol. III, p. 651-657.

<sup>29</sup> Ibidem p. 661.

Sorrento, Gaeta, Trani, Teramo and Gallipoli – tried to increase their autonomy by electing their own policymakers (*podestà, console, rettori*) to manage civil and penal issues.<sup>30</sup>

Frederick II became emperor in 1220. He was strongly committed to centralizing the kingdom's administration in contrast to the privileges that feudatories, monasteries and cities that had emerged in the previous decades.<sup>31</sup> In December 1220, he introduced the Capua constitution, which became the main method for governing relationships between the Crown and the feudatories.<sup>32</sup> Later (Melfi 1231), Frederick II established Crown courts and, subsequently, a general parliament through the Sicilian Constitution. Such institutions, in which deputies elected by the cities were present, aimed at gathering communities' complaints about the abuses of public officers and barons.<sup>33</sup> In parallel, Frederick II abolished cities' elections of their own policymakers.

After the emperor's death in 1250, the kingdom saw revolts by barons and cities, revindicating powers and jurisdictions. In parallel, the pope promised, to the towns that would submit to the Church, the permission to promulgate statutes as liberal as those in northern Italy<sup>34</sup>. It has been an attempt by the church to recuperate the status and powers it lost in the years of Frederick II.<sup>35</sup> In those years, cities like Barletta, Napoli and Capua developed their own statutes.<sup>36</sup> Pope Innocent IV tried to incite the communities against the Empire,<sup>37</sup> promising them more authority and rights. As a reaction to the absolutism of the emperors, the pope called such towns *Comuni* (communes) in a letter dated 22 September 1251.<sup>38</sup> His successor, Alexander IV, followed the same line and supported the autonomy of communities.<sup>39</sup>

## 2.2 The Anjou and Aragonian Ages: The Decline of the KOTs

The Anjou emerged at the end of the Swabian period. At the same time, the power of the barons grew and the popes, after defeating the Swabians, no longer supported the rights and the freedoms of the towns<sup>40</sup>. During the time of the Anjou, the feudatories increased in number and strength.<sup>41</sup> Starting with Charles I (1226-1285), many king-owned lands were given to feudatories to compensate them for their military service on behalf of the king.<sup>42</sup> The number of KOTs decreased,<sup>43</sup> signalling a turning point with respect to the period of Frederick II.

Under the Anjou, the power of the barons increased. Charles I conceded full judiciary powers to the barons over their lands and communities<sup>44</sup> (*mero e misto impero* powers). The same was true for other Anjou rulers, including King Ladislao (1377-1414), Queen Joanna I (1326-1382) and King Charles III (1345-1386).<sup>45</sup> Moreover, the barons could transfer their powers to their descendants.<sup>46</sup>

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<sup>30</sup> Ibidem p. 662.

<sup>31</sup> Ibidem p. 666.

<sup>32</sup> Ibidem p. 668-669.

<sup>33</sup> Racioppi (1889), Vol. II, p. 188.

<sup>34</sup> Galasso (1995), Vol. III, p. 755.

<sup>35</sup> Ibidem p. 756.

<sup>36</sup> Ibidem p. 756.

<sup>37</sup> Faraglia (1883), p. 39.

<sup>38</sup> Ibidem p. 40.

<sup>39</sup> Ibidem p. 40.

<sup>40</sup> Ibidem p. 45-46.

<sup>41</sup> Ibidem p. 79.

<sup>42</sup> Ibidem p. 78.

<sup>43</sup> Ibidem p. 81.

<sup>44</sup> Ibidem p. 82.

<sup>45</sup> Ibidem p. 80-81.

<sup>46</sup> Ibidem p. 82.

The office of sheriff (*capitano*) encompassed both civil and criminal jurisdiction<sup>47</sup>. In parallel, feudatories' military obligations decreased.<sup>48</sup>

At the same time, the towns increased their autonomy with respect to the state.<sup>49</sup> Under the Normans, a Crown official (*baiulo*, *balivo*) held the fiscal, administrative and judiciary power in a municipal territory.<sup>50</sup> Under the Anjou, the towns began electing some municipal officers with administrative and judicial competences<sup>51</sup> (*giudici*, *assessori*).<sup>52</sup> Moreover, the communities began to write their own statutes. In the thirteenth and fourteenth centuries, many towns in the kingdom shifted from ancient, unwritten rules (*consuetudini*) to written statutes that guaranteed their rights<sup>53</sup>. However, they were subject to the power and jurisdiction of the land's feudatory. If the feudatory changed, the towns had to ask and pay for re-confirmation of the concession granted by the previous landowner.<sup>54</sup>

In the towns, the bourgeoisie and local nobles competed for the institutional roles guaranteed by the statutes and for positions as deputies in the general parliament.<sup>55</sup> To fill such offices, the Anjou kings allowed the election of both bourgeoisie and nobles. In many towns, such as Bari, Bitonto and Monopoli, people from both classes took on such positions.<sup>56</sup> In some towns, the bourgeoisie and local nobles formed two distinct parties that protected the interests of their social classes.<sup>57</sup> In the bourgeois class, merchants and commoners were sometimes separated. In Salerno, the Emperor Charles II required the election of 12 officials – 4 nobles, 4 merchants and 4 commoners – who in turn had to nominate the main municipal authorities.<sup>58</sup> Tension between the two parties was also evident in the city of Naples. In 1338, King Robert decreed that nobles had to hold one-third and commoners had to hold two-thirds of the administrative offices in the city.<sup>59</sup> Similar situations arose in Trani, Reggio Calabria<sup>60</sup> and Molfetta.<sup>61</sup>

In the Aragonese period, the prerogatives of the barons widened. King Alfonso of Aragon (1393-1458) maintained the size of the king's property<sup>62</sup> and simultaneously granted the feudatories a series of new and wide prerogatives and powers.<sup>63</sup> Moreover, the general parliament was composed only of barons,<sup>64</sup> at least until the 1449 meeting, to which, after seventy years, KOT representatives were again invited.<sup>65</sup> Nonetheless, the towns continued the process of organizing their prerogatives and powers in written statutes,<sup>66</sup> and some communities asked the king to become KOTs in order to avoid the increasing tyranny of the barons.<sup>67</sup> The king-owned lands retained some of the privileges

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<sup>47</sup> Ibidem p. 82.

<sup>48</sup> Galasso, Volume III, p. 368-369.

<sup>49</sup> Ibidem p. 407.

<sup>50</sup> Racioppi (1881), Volume II, p. 5-6.

<sup>51</sup> Ibidem p. 12.

<sup>52</sup> Ibidem p. 14.

<sup>53</sup> Ibidem p. 18.

<sup>54</sup> Ibidem p. 19-20.

<sup>55</sup> Faraglia (1883), p. 86.

<sup>56</sup> Ibidem p. 87-89.

<sup>57</sup> Ibidem p. 90-91.

<sup>58</sup> Ibidem p. 94-96.

<sup>59</sup> Ibidem p. 100.

<sup>60</sup> Ibidem p. 101 -102.

<sup>61</sup> Ibidem p. 103.

<sup>62</sup> Manicone (2016), p. 96.

<sup>63</sup> Faraglia (1883), p. 83.

<sup>64</sup> Ibidem p. 116.

<sup>65</sup> Manicone (2016), p. 106.

<sup>66</sup> Ibidem p. 124.

<sup>67</sup> In 1465, the University of Vasto Aimone d' Abruzzo implored the king to become a KOT and not be given to a baron. In 1499, Castelvetero di Calabria asked the king to defend it from the impetus of the barons. In 1464,

originally accorded to them by Frederick II,<sup>68</sup> although they could not send deputies to the general parliaments. Such lands were directly possessed by the crown, had more rights and freedom, and were less oppressed by the barons.<sup>69</sup> At the same time, the Aragonese Crown, which was in need of money, sold KOTs to the barons as fiefs,<sup>70</sup> thereby giving up significant pieces of jurisdiction to the barons.

### 2.3 The Spanish Period: The Golden Age of KOTs

In the Neapolitan kingdom, feudalism was a crucial element in the administration of the state.<sup>71</sup> In some circumstances, the kingdom's largest feudatories had significant economic and military power due to their relationship with the king.<sup>72</sup> In the various general parliaments, the barons were the only invited representatives, while the representatives and deputies of the largest KOTs were excluded.<sup>73</sup> The barons held significant jurisdictional power over the inhabitants in their fiefs. The jurisdictions were conferred on the feudatories and formed the basis of the kingdom's judicial organization.<sup>74</sup> The feudal towns – that is, those towns that were part of a fief – were under the vassal yoke of their barons, and their inhabitants were protected from the powers of the feudatory by a limited set of rights and freedoms conceded by the feudatory itself or by the kingdom under a pecuniary payment.<sup>75</sup>

The barons were the first to possess of a large set of powers, jurisdiction and rights, which were involved in a web of public functions and private interests.<sup>76</sup> This allowed them to simultaneously be large entrepreneurs and proprietors on their lands, and holders of political-administrative and judicial power.<sup>77</sup> Many barons were officers of the Crown's army or other royal institutions.<sup>78</sup>

Of the feudal domains, it is worthwhile to highlight those fiefs that were the property of clerical organizations. In the Spanish kingdom, bishops and abbots had a different status with respect to the laic citizens. Like the barons, they were obliged to partake in military service.<sup>79</sup> Such high clergymen and their property enjoyed special regulations, and were subject to ad hoc fiscal franchises.<sup>80</sup> More specifically, when bishops and abbots owned lands and towns as fiefs, they held proper jurisdiction over them.<sup>81</sup>

In the meantime, another class was emerging—that of merchants and bankers, who lent to the Crown, bought land from the feudatories and married noblewomen.<sup>82</sup> Members of this class began to acquire castles, fiefs and some jurisdiction over certain territories, as the Crown, in need of money, was always willing to sell branches of power.<sup>83</sup> A new baronial bourgeoisie was forming, with

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Pescocostanzo demanded the help of the king against the feudatory of Antonio Caldora, which occupied some of the town lands. *Ibidem* p. 120-122.

<sup>68</sup> *Ibidem* p. 123.

<sup>69</sup> *Ibidem* p. 123. Corrao (1992), p.3.

<sup>70</sup> *Ibidem* p. 164.

<sup>71</sup> Buffardi and Mola (2005), p. 34.

<sup>72</sup> Cernigliaro (1984), p. 158.

<sup>73</sup> Faraglia (1883) p. 123 and p. 272, and Buffardi and Mola (2005) p. 34-35.

<sup>74</sup> Cernigliaro (1984), p. 163.

<sup>75</sup> Buffardi and Mola (2005), p.es 185.

<sup>76</sup> Massafra (1972), p. 213.

<sup>77</sup> *Ibidem* p. 214.

<sup>78</sup> Faraglia (1883), p. 172.

<sup>79</sup> Galanti (1793), Vol.I, p. 208.

<sup>80</sup> *Ibidem* p. 210.

<sup>81</sup> Galanti (1793), Vol. II, p. 28.

<sup>82</sup> Faraglia (1883), p. 173.

<sup>83</sup> *Ibidem* p. 173.



its associated privileges and fiefs.<sup>84</sup> In the courts, legal battles between towns and new and old feudatories multiplied.

Not all of the disputes ended in the courts. In June 1512, the population of Martorano in Calabria rose up against the Count Di Gennaro. In March 1513, the citizens of Mamera in Abruzzo killed the count, his wife and his seven children.<sup>85</sup> John Charles Tramontano, who bought the city of Matera as a fief, faced a similar fate – in December 1514, he was killed after requesting the implementation of new taxes.<sup>86</sup>

In the Neapolitan kingdom, all towns<sup>87</sup> aspired to become part of the king's property (*Demanio del Re*).<sup>88</sup> Those that were already part of the kingdom asked that their status be maintained in perpetuity.<sup>89</sup> The majority of KOTs were kept under the ownership of the state for geo-strategic reasons, especially to maintain an impression of military strength in relation to rival powers in the Mediterranean region.<sup>90</sup> The territories at the borders of the kingdom were considered to be of particular importance for defence, especially those on the borders with the Papal State<sup>91</sup> and those on the coasts, where the kingdom suffered incursions from the Saracen, Ottoman and Barbarian fleets.<sup>92</sup> In the sixteenth century, the dislocation of the kingdom's defences in the coastal areas was a topic in discussions among important military and political officers of the kingdom regarding possible strategic choices.<sup>93</sup>

While Charles V (1500-1558) was in Naples, the towns in many parts of the kingdom submitted numerous complaints about the barons.<sup>94</sup> The king, noting that the majority of the previous KOTs had been given as fiefs to old and new barons,<sup>95</sup> ordered the re-establishment of many such cities as the king's property, and instituted two councillors to examine the complaints and requests of the different towns.

In 1536 (Cocozza 2019), the Crown instituted "redemptions" (*jus prelationis*) to assist the inhabitants of towns that were being sold.<sup>96</sup> Redemptions gave a town the possibility to buy, with its own money, its freedom from a feudatory and become the property of the king.<sup>97</sup> In order to free themselves from the feudatories, the towns had to deposit the entire price of the fief.<sup>98</sup> Moreover, a redemption was far from a perpetual agreement, as towns that redeemed themselves from the baronial yoke and became the property of the king had to periodically pay the Crown to maintain their position.<sup>99</sup>

On several occasions, the financial needs of the Crown made it convenient to sell such lands and cities as fiefs to barons. In 1619, the Ministry of the Treasury (*Camera della Sommaria*) decreed the Crown could not sell KOTs to fill its financial needs.<sup>100</sup> Nevertheless, the Crown "traded" several

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<sup>84</sup> Ibidem p. 173.

<sup>85</sup> Ibidem p. 174.

<sup>86</sup> Ibidem p. 174. See also Giura Longo (2000) and Morano (2000).

<sup>87</sup> Ibidem 123-124.

<sup>88</sup> Ibidem p.es 123-124.

<sup>89</sup> Ibidem p. 121. Example: Vasto Aimone, Ibidem p. 182.

<sup>90</sup> Lerra (2016), p. 154.

<sup>91</sup> Fenicia (2003), p. 4.

<sup>92</sup> Ibidem p. 10.

<sup>93</sup> The Neapolitan Kingdom permanently hosted Spanish soldiers. In 1561, 21 Spanish companies were present (4,140 units) with the following allocations: Manfredonia (200), Barletta (400), Trani (200), Bisceglie (200), Monopoli (200), Brindisi (200), Brindisi's Island (200), Otranto (400), Taranto (200), Catona (600), Naples (200), Pozzuoli (200), Salerno (200), Sorrento (200), Gaeta (400) and Naples's fleet (240). Ibidem, p. 21-22-24-36.

<sup>94</sup> Faraglia (1883), p. 177.

<sup>95</sup> Ibidem p. 177.

<sup>96</sup> Ibidem p. 177.

<sup>97</sup> Ibidem p. 177-178.

<sup>98</sup> Ibidem p. 178.

<sup>99</sup> Ibidem p. 190-191.

<sup>100</sup> Ibidem p. 191.

cities.<sup>101</sup> In other cases, the Crown re-designed the privileges of KOTs for political reasons.<sup>102</sup> KOT status became the final step in the process of negotiation regarding fiscal, commercial and administrative prerogatives between the community and the Crown, and this agreement could be renovated, modified or suspended.<sup>103</sup>

In terms of demographic and economic relevance, the KOTs accounted for 18% of the kingdom's population and 71% of ordinary tax exemptions (beyond not being subjected to the above-mentioned taxes), while the other 82% of the kingdom's inhabitants were only entitled to 29% of the fiscal facilities.<sup>104</sup> The Spanish period represented the golden age for the KOTs, as is evident from the evolution of their presence in southern Italy.

As we have already noted, the KOTs emerged in the Swabian period (Figure 1). Over time, the number of KOTs changed. Convocation letters for a meeting of the parliament in the Anjou period (1284) provide a list of KOTs (Figure 2).<sup>105</sup> Similarly, a taxation document (1444-1445) provides a list of KOTs under the Aragonese kings.<sup>106</sup> Finally, we have a list of KOTs during the time of the Spanish

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<sup>101</sup> Examples: Taverna, Amantea, Fratta, Miano and Mianello; Ibidem p. 191.

<sup>102</sup> Example: L'Aquila, see Terenzi (2005). See also Terenzi (2012).

<sup>103</sup> Examples: Campobasso, see Trotta 2017, p.60-70; Matera, and in general the KOTs in Basilicata, see Gattini 1882, Racioppi 1889, De Rosa and Cestaro 2006, Lerra 2016.

<sup>104</sup> The population in "fuochi" of each town and land in the Kingdom in 1561: ibidem, p. 1-321; cities subjected to fiscal facilities: ibidem, p. 319-320.

<sup>105</sup> Castrovillari, Caiazzo, *Invenacii*, Ostuni, Civitati Theatine (Chieti), Caserta, Sorrento, Termoli, Gravina, Civitas Pennensis (Penne), Avellino, Castellaneta, San Germani (Cassino), Molfetta, *Iohe*, Montefusco, Monopoli, Lanciano, Brindisi, Troia, Ariano, Trani, Sant' Agata, Guardia Lombardi, Guardia Bisignano, Bitonto, *Neritoni*, Potenza, Eboli, Civitella d'Abruzzo, Teramo, Ravelli (Rivello), Sant'Angelo, Padule, Bari, Sulmona, Campi, *Venusii*, *Bucclanici*, *San Flaviani*, Aquila, Foggia, Taranto, Montelione, Manfredonia, *Vigiliarium*, *Idronti* (Otranto), Acerenza, Ortona, Lucerie Sarracuino (Lucera), Melfi, Alife, Vestarum (Vieste), Matera, Gerace, *Guastaymensis*, Cosenza, Pescara, Crotona, Andria, Amalfi, *Marturani*. See Gattini (1882), p. 35-36.

<sup>106</sup> *Alisium*, Aversa, *Baya* (Baia e Latina), Cayacia (Caiazzo), Cayanellum (Caianello), Cayvanum (Caivano), Camino (today in Rocca d'Evandro), Capua, Carinula, Castrum novum (Casalnuovo), Castrum maris de Volturmo (Casal Volturmo), Concha (Conca), *Cucurucium*, Drauna (Dragoni), Fratte, Gaieta (Gaeta), Yscla (Ischia), Juglianum (Giuliano in Campania), Latina, Magdalonum (Maddaloni), *Marczanum*, Petraroya (Pietraroia), Preta, Proceda (Procida), Puteolum (Pozzuoli), Rocca de Vandro (Rocca d'Evandro), Rocca Monfini, Rocca montis draconis (Mondrgone), Rocca Romana (Roccaromana), S. Angelus ripa canina (Sant'Angelo d'Alife), Santo Felice (San Felice a Canello), Spignum (Spigno Saturnia), Suessa (Sessa aurunca), Summa (Somma vesuviana), Suyum (Suio), Teanum (Teano), Trajettum (Minturno), Castrum fortis (Castelforte), Turris Francolisii (Francolise), Caprum (Capri), Castrum maris de stabia (Castellamare di stabia), Cava (Cava de tirreni), *Francharum*, Granianum (Gragnano), Littera (Lettere), Massa (Massa Lubrense), Pasitanum (Positano), Pimontum (Pimonte), Surrentum (Sorrento), Vicum (Vivo), Ysernia (Isernia), Amatricium (Amatrice), Aquila, *Atinum*, Atri (Atri), Camporium (Le Campora), Civitas ducalis (Cittàducale), Civitas Penne (Penne), Civitas S. Angeli (Città Sant'Angelo), Gonissa (Leonessa), Mons regalis (Monterea), Silvium (Silvi), Rossianum (Rosello), Theramum (Teramo), Anglonum (Agnone), Archi, Ariello (Arielli), Atisse (Atessa), Bucclanicum (Bucchianico), Canosa (Canosa sannita), Civitas theatina (Chieti), Crecchium (Crecchio), Frisia (Frisa), Franchavilla (Francavilla al mare), Guardiaregis, (Guardiaregle), Guastum Aymonis (Vasto), Lanzanum (Lanciano), Ortona ad mare (Ortona), Palliecta (P. lietta), *Rogium* (Roscio), S. Vitus Trigium (San Vito chietino), Solmona (Sulmona), Turinum (Torino di Sangro), Villamayna (Villamaina), Fogia (Foggia), Gullonisium, Luceria (Lucera), Manfredonia, Monte Sant'Angelo, S. Severus (San Severo), Vestia (Vieste), Barolum (Barletta), Juvenacium (Giovinazzo), Molfecta (Molfetta), Tranum (Trani). See Galanti 1793, p. es 7-9. It is worth noting that in such documentation was missing the Calabrian provinces and the Province of Terra d'Otranto.

domination. In 1586, besides Naples,<sup>107</sup> there were 70 KOTs,<sup>108</sup> which encompassed 87,882 families (*fuochi*<sup>109</sup>) and represented 18% of the overall population.<sup>110</sup>

At the begin of the eighteenth century, the government of the kingdom passed from the Spanish to the Austrians. A few decades later, Austrian reign ended and the government passed to King Charles III<sup>111</sup> of Bourbon. The state's central authorities received dozens of requests from the towns, which asked the Crown to limit the abuses of the feudatories.<sup>112</sup> Finally, the "French decade" began. The law of 2 August 1806 abolished the feudal jurisdictions as well as all of the feudatory's privileges and rights, including the personal obligations that tied the people to the barons. All lands of the kingdom were subjected to the same common law. Nevertheless, the barons retained their properties as well as their titles of nobility.<sup>113</sup>

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<sup>107</sup> Data do not include the city of Naples, which is not included in Mazzella, (1586).

<sup>108</sup> Ibidem, p. 1-319.

<sup>109</sup> Ibidem, p. 1-319.

<sup>110</sup> Aversa, Capua, Gaeta, Massa, Nola, Pozzuolo, San Germano, Sorrento, Salerno, Amalfi, La Cava, Capri and Anacapri, Gragnano, Lettere, Le Franche, Marsico, Piemonte, La Sala, Maiuri, Scala, Minuri, Aierola, Ariano, Lagonegro, Rivello, Tolve, Tramutola, Amantea, Cosenza, Langobucchi, Rossano, Sicigliano, Crotona, Catanzaro, Policastro, Reggio, Sant'Agata, Stilo, Seminara, Tropea, Taverna, Brindisi, Gallipoli, Lecce, Matera, Ostuni, Otranto, Squinzano, Taranto, Torre di Santa Susanna, Bari, Barletta, Bitonto, Cività di Chieti, Guardiagrele, Lanciano, Tocco, Acumoli, Alanno, Aquila, Cività Reale, Cività del Tronto, Campana, Fagnano, Isernia, Foggia, Nocera or Luceria, Manfredonia, Vieste, Troia. Ibidem, p. 1-318.

<sup>111</sup> Ibidem p. 229

<sup>112</sup> Ibidem p. 97-99.

<sup>113</sup> Sodano (2012), p. 138.

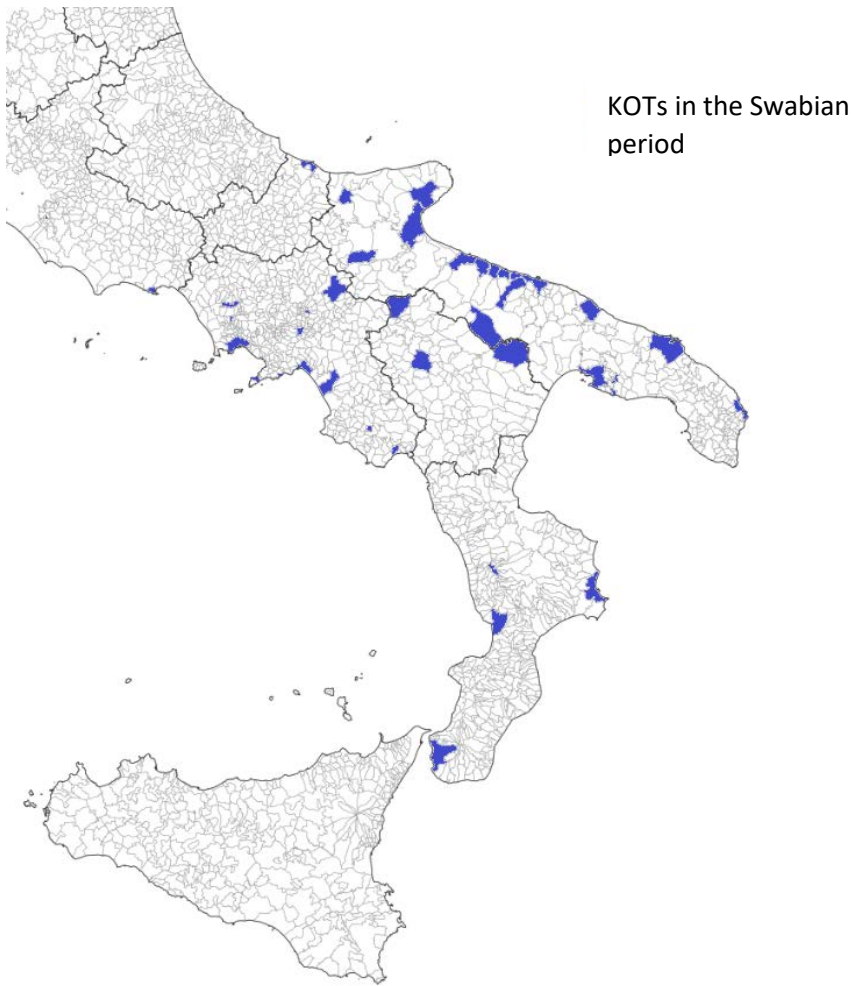


Figure 1

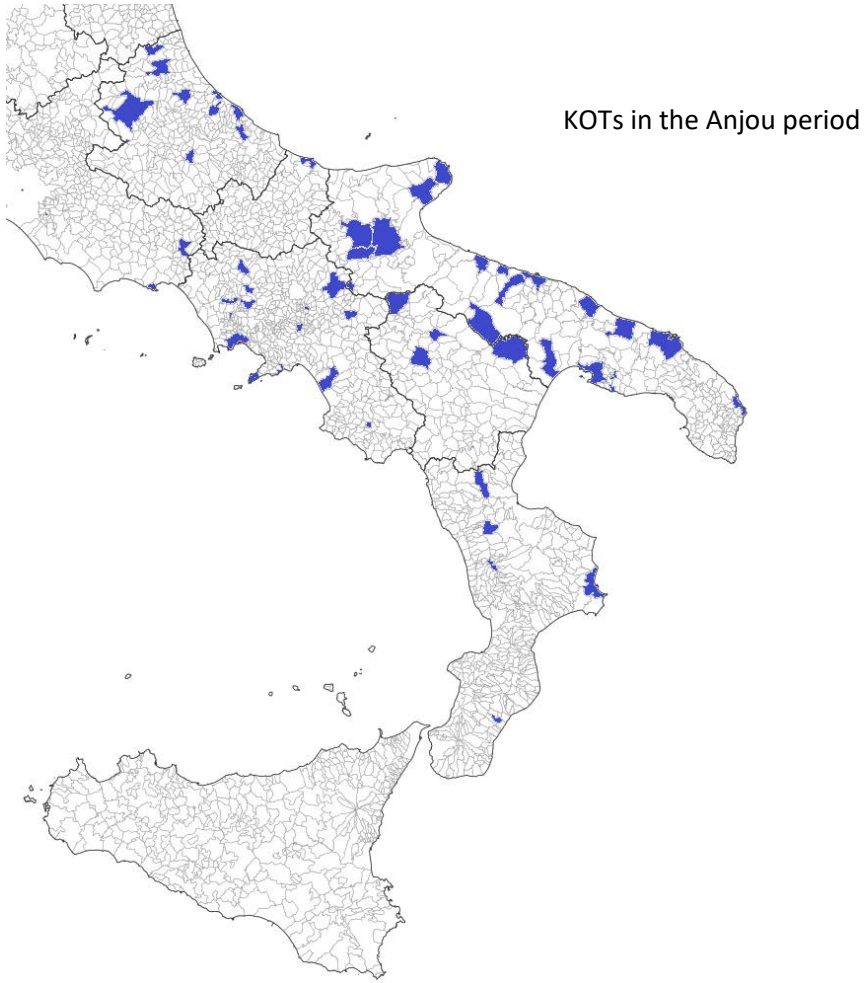


Figure 2

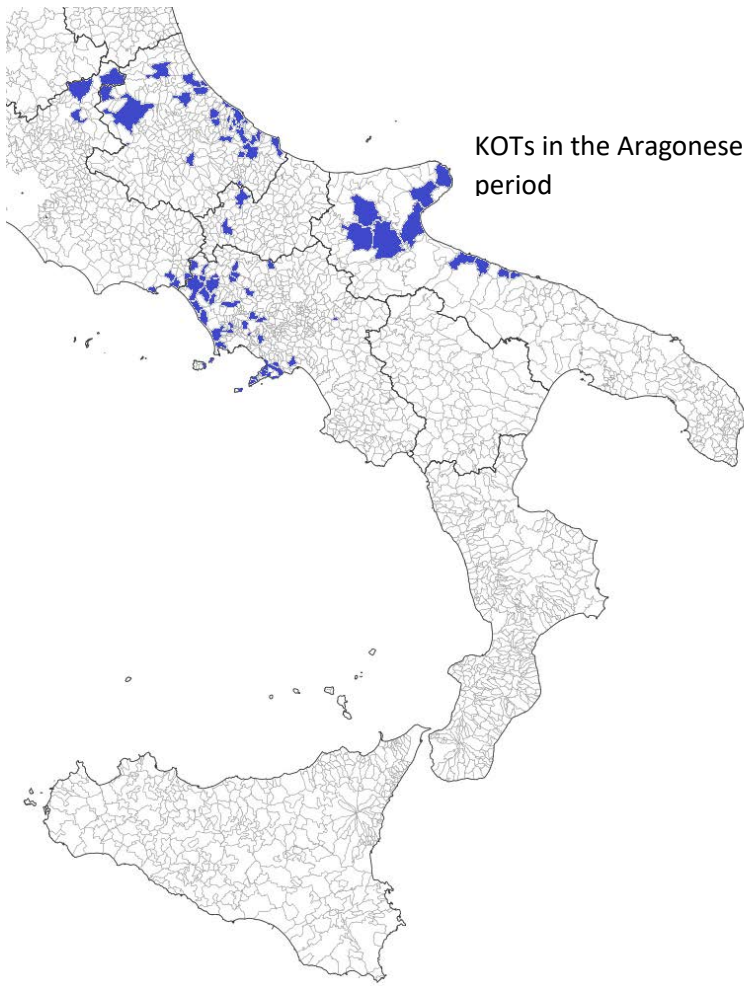


Figure 3

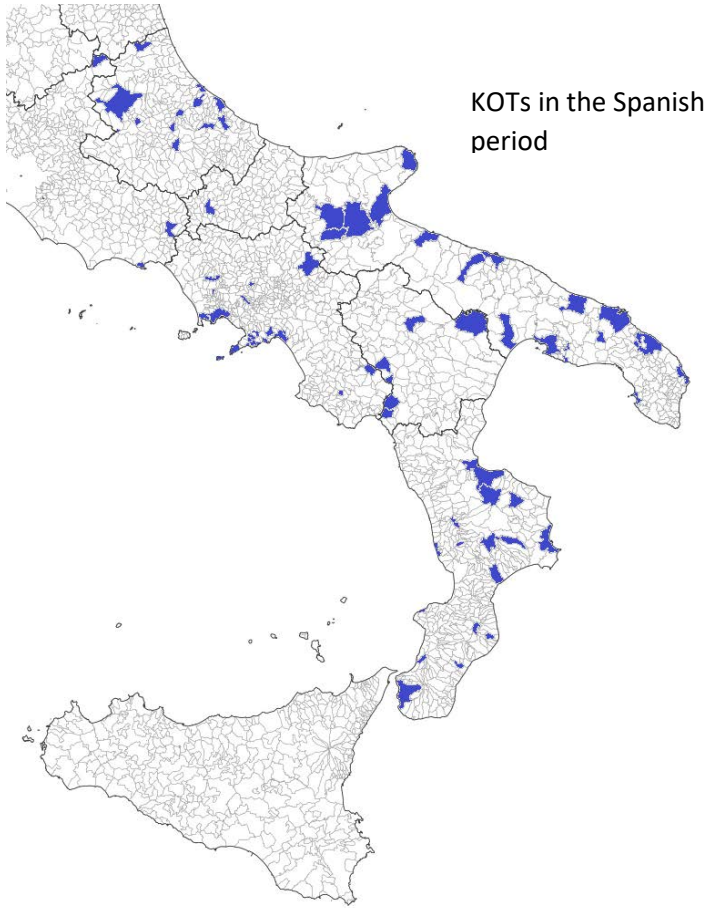


Figure 4

### 3. Political Classes and Urban Governance in KOTs

Our investigation is based on the following conceptual framework: given a local institutional change (in our case, a change in a town's status from a fief to a KOT), the intertwined dynamics between policies and culture can produce persistent socio-economic outcomes (Bisin and Verdier 2017). Given this framework, we can re-arrange our historical narratives with the aim of identifying the three key elements of this framework: the historical event, the political classes and the governance setting with its policies, including rights negotiations.

In terms of the historical, local institutional change, KOTs emerged when the Kingdom of Naples delegated jurisdictional and fiscal powers to the towns' ruling classes, thereby creating a self-governance setting. A change in urban governance can be viewed as an institutional shock that modifies and/or internalizes the externalities that can shape the socio-economic outcomes (Tabellini 2008, Acemoglu and Robinson 2001 and 2006, Acemoglu et al. 2010, 2012, 2015, 2018, Besley and Preston 2009a, 2009b, 2010, 2011, Bisin and Verdier 2017).

Three general drivers motivated the kingdom's decisions at various points in time: the political aim of weakening the feudal barons; geo-strategic issues related to the desire to maintain an impression of military strength; and the extinction of feudatory rights, which was triggered by different events (Lerra 2016, Coccozza 2019). The king's decisions to assign KOT status were, in general, unpredictable in terms of moments, lags, procedures, and reversibility.<sup>114</sup>

However, during the time of the Spanish Crown, all towns aspired to become part of the king's property (Galanti 1793) and those that already held that status asked that it be maintained in perpetuity (Faraglia 1883). The motivation seems to be straightforward – KOTs' inhabitants not only gained self-governance, but they paid, on average, less taxes than the feudal towns.

If we now focus now on the crucial features of urban governance, a preliminary question arises: How should we the classify the KOTs' inhabitants? We consider a KOT to be a town populated by two relevant classes: local nobles and the bourgeoisie. The two classes were not completely separated segmented, and some individuals in both classes served in the Crown's administration (Corrao 1992). Moreover, the nobles and the bourgeoisie were likely to have distinct cultural traits. For instance, the nobles valued leisure more than the bourgeoisie (Bisin and Verdier 2017).

In KOTs, local nobles and the bourgeoisie were involved in local governance. The KOTs were free from the feudal yoke and administrated by a civic assembly. Moreover, the sheriff (*capitano*) – who was nominated by feudal lords and bishops in fief towns, and by the inhabitants in the communes – was directly chosen by the kingdom in KOTs (Vitolo 2005). In parallel, the KOTs were allowed to send representatives to the general parliaments. Monarchs used these Medieval and Early Modern assemblies as a device for political bargaining (Bates and Lien 1985, North 1990 and 1991, Tilly 1990, Downing 1992, Ertman 1997, Barzel and Kiser 2002, Timmons 2005) and for compelling (Boucoyannis 2015 and 2021, Young 2021) the different political constituencies, including the KOTs. These general

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<sup>114</sup> Moreover, the goal function of the king's decisions can be heterogeneous. If the king's establishment of a KOT is a commitment, in general two cases can be analysed: the *helping-hand view* (Pigou 1938) assumes that the Crown, acting as a benevolent dictator, wishes to please all inhabitants rather than a particular constituency or lobby (the *grabbing-hand view*) (Shleifer and Vishny 1998). If the king behaves as a benevolent policymaker, and if his goal to internalize any externality is credible and feasible, then the commitment equilibrium is more likely.

Alternatively, we can use the *grabbing hand view* of the political action (Frye and Shleifer 1996, Friedman et al. 2000, Brown et al. 2009). According to this approach, policymakers are motivated by a desire to please specific, well-defined voters in order to increase their consensus. In our cases, this implies that the king could please the nobles or the bourgeoisie depending on which class's support was more relevant in terms of his own utility (case by case and time to time). In this case, the commitment equilibrium is less likely.



assemblies with their peculiar prerogatives (Bisson 1973, Blockmans 1978, Stasavage 2010) can also be viewed as a device for long-term persistence (Bologna Pavlik and Young 2020 and 2021).

In terms of the local KOT assemblies, the southern municipal councils were systematically characterized by constituencies that represented the local nobles and the bourgeoisie.<sup>115</sup> The two classes were active in implementing the self-governance institutions that characterized the KOTs and in promoting redemption from feudal status to king-owned status within their towns when that opportunity arose. Some historical narratives are particularly interesting from this point of view.

In Bari, as in other KOTs like Naples, Trani and Castellamare di Stabia,<sup>116</sup> doctors and other members of the rich bourgeoisie shared civic administration of the city with the local nobles.<sup>117</sup> In Molfetta, the town's patriciate proposed that the community redeem itself from the feudal yoke and become part of the king's property.<sup>118</sup> In Isernia, the town's patriciate suggested paying the king in order to ensure KOT status. They even organized a money-raising campaign.<sup>119</sup> In Campobasso, the use of the redemption option was sponsored by a group of 144 citizens who collected the necessary funds. Of those 144 inhabitants, 20 were emerging entrepreneurs in the livestock sector and many others were merchants.<sup>120</sup> After Count Tramontano was murdered in Matera in December 1514, the town had to pay to the kingdom 10,000 ducats as a penalty. The community then sent its deputies to Spain to bargain for the stability of the town within the Crown's property.<sup>121</sup>

In general, the role of KOT representatives in promoting negotiations with the Crown can be viewed as a persistence mechanism. The identification of persistent mechanisms can be useful for understanding how a historical change in urban governance in a context of economic and social backwardness with a lack of associative life and trust (Friedmann 1954, Banfield 1958) can trigger civic values that boost human-capital skills and lead to collective gains. These skills and gains can become persistent over time (Ostrom 1990, Putnam et al. 1993, Guiso et al. 2016), and be transmitted from generation to generation through education or socialization (Bisin and Verdier 2000 and 2001, Tabellini 2008 and 2010). In other words, a change in urban governance can be interpreted as an institutional shock that, through a peculiar mechanism, can alter the cultural attitudes of a town's inhabitants. Education and socialization become channels that transmit such attitudes in ways that outlive the historical change itself (Arroyo Abad and Maurer 2021).

KOT status strengthened the ability of town representatives to negotiate with their counterparts. In negotiations between a feudal town and a landlord, the goal was to ensure the respect of general human rights and liberties (Galanti 1793), such as the observance of fair principles in judiciary processes or the possibility for the fief's inhabitants to access the territory's water and natural resources. Such principles were already ensured in a KOT, which was free from the baronial yoke (Galanti 1793, Buffardi and Mola 2005). Therefore, negotiations between a KOT and the Crown focused on policy issues, such as fiscal, minting and trade. In turn, these negotiations influenced the evolution of the KOTs' municipal statutes.

Two cases help to shed light on the effects of bargaining between the town representatives and the Crown. In L'Aquila, the KOT status underwent five waves of reforms (1442, 1458, 1464 and two in 1496) that changed the liberties and franchises accorded to the town, but not always in the same direction (Terenzi 2012). Another well-documented series of negotiations between a KOT and the Crown concerned the city of Matera, which was a KOT from the time of Frederick II to the fifteenth century (Gattini 1882).

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<sup>115</sup> Faraglia (1883), p. 197.

<sup>116</sup> Visceglia (1992), p. 108.

<sup>117</sup> Ibidem p. 108.

<sup>118</sup> Ibidem p. 204.

<sup>119</sup> Cocozza (2019), p. 547.

<sup>120</sup> Ibidem p. 544.

<sup>121</sup> Ibidem p. 174. See also Giura Longo (2000) and Morano (2000).

The collective action of the KOT representatives help to explain another feature of this urban governance architecture – all 70 KOTs in the Kingdom of Naples paid lower taxes in a period when direct taxation represented the main source of revenues for the Crown and, consequently, tax allocation was the main disputed issue among the Crown, the barons and the KOTs (Manicone 2016). Notably, the tax-policy profile is crucial when exploring the possibility of persistence, as different feudalist settings are associated with different extractive taxation policies (Guiso et al. 2016, Bisin and Verdier 2017). In this respect, three pieces of evidence can be highlighted. First, the KOTs were not subjected to the standard feudality tax (*Adogo*).<sup>122</sup> Second, they were exempted from paying their share of a kingdom tax (*Donativo*) to the barons.<sup>123</sup> Notably, both of these privileges negatively affected the feudatories, which in turn placed the burden on the inhabitants of their fiefs.<sup>124</sup> At the same time, these privileges seem to be neutral from the perspective of the kingdom's finances. Third, 42% of households in KOTs in the late sixteenth century were exempted from all ordinary direct taxation (Gatti 2022). As such, they represented 71% of the available fiscal exemptions that the kingdom conceded to households, notwithstanding the KOTs represented only the 18% of the global population.

In summary, the KOTs enjoyed higher degrees of self-governance than fief towns, even though the former's institutional setting cannot be compared with the complete autonomy of towns in northern Italy during the free city-state period. The free city-states were municipalities with their own fiscal and foreign policies. They also had their own courts for both civil and penal law, and they could mint coins and raise armies (Jones 1965, Hyde 1973, De Long and Shleifer 1993, Epstein 1993 and 1999). However, KOT status provided towns with self-governed institutions.

Finally, it is worth noting that not only political dynamics but also cultural dynamics can strengthen or weaken long-run patterns (Bisin and Verdier 2017) after a historical shock – in our case, a change from fief to KOT – affects a town.

With regard to the role of culture, we note one more peculiarity of the Spanish period that deserves attention in our analysis of the KOT case. Between 1504 and 1541, the Crown expelled the entire Jewish population from the Kingdom of Naples and stated Jews would not be allowed to return for three centuries (Pascali 2016). Such a religiously motivated event that affected the entire kingdom could be a factor that changed the relative political balance between nobles and the bourgeoisie. Moreover, the involvement of the clerics may have acted as an accelerator – either positive or negative – of extractive fiscal policies. At the same time, the Jewish presence in the Italian towns sensibly influenced credit and growth in period of the communes (Botticini 2000).

In this respect, economic analyses have shed light on three potential channels. First, a direct effect of Jewish lending on the private credit markets for both households and entrepreneurs has been identified (Botticini 2000, Botticini and Eckstein 2010). However, in southern Italy, money lending was never the main occupation of the Jewish population (Botticini and Eckstein 2010). Second, an indirect effect relates to the fact that local credit institutions (*Monti di Pietà*) established by town governments were created under the pressure of Franciscan preachers, who aimed to ban Jewish lending from towns (Abulafia 2000 and 2008, Botticini 2000, Todeschini 2004, Toch 2005 and 2011, Botticini and Eckstein 2010, Sapir Abulafia 2011, Pascali 2016). Third, we assume the presence of a cultural effect.

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<sup>122</sup> Mazzella (1586) p.es 330-332. The *Adogo* was a tax owed by those feudatories who chose to not engage in military service on behalf of the Crown. Each feudatory was required to undertake three months military service per year or to pay the tax. In turn, the feudatories transferred the tax to the fief's inhabitants.

<sup>123</sup> The *Donativo* was a form of extraordinary taxation introduced by the general parliament to support the Crown in facing its extraordinary expenses. Ibidem p.es 342-343.

<sup>124</sup> Given that the barons' revenues came from the agricultural and farming activities of their fiefs, and from fees they charged to the users of the mills and other productive stables in their possession, we estimate the inhabitants of KOTs had a 5.75-7.5% lower fiscal burden. Source: Data on the *Adogo* and *Donativo* in Mazzella (1586), p. 330-350; De Rosa and Cestaro 2006, p. 156-159.

More specifically, in light of Christian-Jewish relationships (Bratchel 2008, Schwarzfuchs 2019), Jewish lending activity can be viewed as an unintended device of financial literacy in towns where Jewish money lenders were present. Notably, in 1740, King Charles III called back the Jewish communities. His motivation for doing so was the positive spillovers of their presence for the inhabitants in terms of knowledge and practices (Volpe, 1844, p.27). In other words, religion became a factor that influenced human-capital accumulation (Squicciarini 2020) and, consequently, growth (Iannaccone 1998, Iyer 2016). Jewish communities were present in southern Italy (Adler 1901, Von Falkenhausen 2012) and the Jewish demography in 1500 has been used as an instrument in testing persistence in banking development across Italian cities (Pascali 2016).

#### 4. KOTs and Long-Run Persistence: The Case of Southern Italy

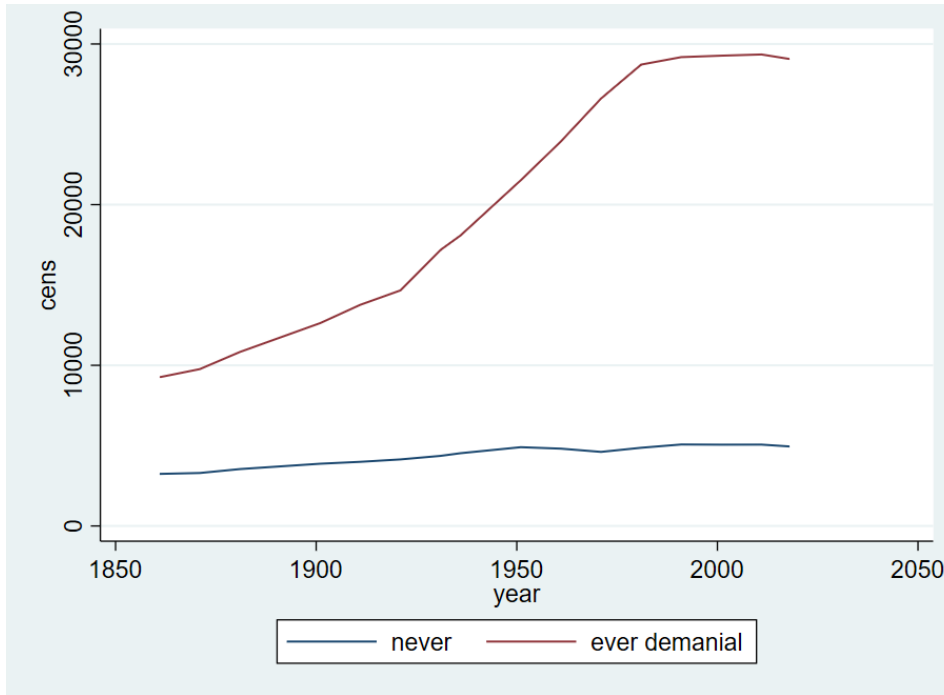
In this section, we empirically investigate the connections between the KOT institutional setting and current socio-economic outcomes. To track the historical institutional shock to current outcomes, we built a dataset covering all current municipalities in southern Italy that once belonged to the Kingdom of Naples and for which historical data were available (1,374 cities).

Our analysis focuses on the municipalities that were granted KOT status during the Spanish period. Hence, we used a dummy indicator that took a value of 1 for the municipalities listed by Mazzella (1586) as KOTs but were not classified as KOTs in the 1440s by Galanti (1793). As Galanti (1793) does not include information on KOTs in two provinces (*Calabria* and *Terra di Otranto*), we considered the status of the towns in these provinces reported for the 1280s by Gattini (1882). This left us with 61 municipalities classified as KOTs in 1586, of which 37 acquired their status during the period of the Spanish kingdom.

A town's redemption was often related to exogenous contingencies, such as the death of the baron or a decision to sell lands. However, several factors affecting the probability of becoming a KOT could be endogenously determined, such as the ability to collect the required amount of money. Hence, to disentangle the impact of the institutional change, we controlled for pre-existing economic conditions. As a proxy for the economic size of towns, we considered the number of households in 1532 as reported by Giustiniani (1797-1816). Those municipalities that had, at some point, held KOT status were statistically larger, on average, than other towns in 1532. This difference holds even when comparing the subset of those becoming KOTs under the Spanish kingdom with those never holding KOT status.

Rapid and sustained economic growth is a relatively recent experience. Moreover, as extensively observed in the empirical literature (Galor and Mountford 2006, Desmet et al. 2020, Broadberry 2021), significant economic divergences across economic units arose after the Industrial Revolution. However, the historical institutional setting may have created suitable economic conditions to thrive during industrialization. Figure 1 reports the evolution of population since 1851 using Italian Statistical Institute (ISTAT) census data. It compares municipalities that held KOT status to those that did not, and compares municipalities granted KOT status under the Spanish reign to those that were never exposed to this institutional shock. In both cases, we observe a divergent pattern in the evolution of population over time, especially from the second half of the twentieth century.

Figure 1 – Census population for KOTs and non-KOT cities, 1851-2018



To investigate the potential long-run impact of KOT self-governance, we estimate the following model:

$$y_i = \alpha + \beta KOT_i + \gamma Geo_i + \delta Size_i + \epsilon_i,$$

where  $y_i$  is the outcome variable at the municipal level in present times;  $KOT_i$  is a dummy that takes a value of 1 for KOT;  $Geo_i$  is a vector of geographical controls, including city elevation (*elevation*), the maximum difference in elevation (*range\_elevation*) and a set of dummies of subsections of ecoregions (a classification adopted by ISTAT identified on the base of homogeneity with respect to climatic, biogeographical, physiographical and hydrographical factors); and  $Size_i$  is a measure of economic size in the 1500s as proxied by the number of families.

In Table 1, we report the results of the estimation in which the dependent variable is income per taxpayer in 2018 (ISTAT) in logs. Columns (1) and (2) report the results of the baseline model. Historical size, as measured by the number of households in the 1500s, is positively associated with current economic performance. Moreover, municipalities classified as KOT between the 1240s and the 1590s are statistically associated with a higher level of income per capita. We obtain the same positive association when considering only cities granted KOT status during the Spanish period. The results are robust when dummies identifying ISTAT subsections of ecoregions, capturing a broader set of climatic and geographical characteristics, are added (columns 3 and 4).

Finally, in columns (5) and (6), we control for the presence of bishops before the transformation of towns into KOTs. This serves as a proxy for the relative importance of the town and can be correlated with the redemption of the city itself. However, while the presence of a bishop is positively and significantly correlated with current income per capita, the estimated coefficient for KOTs is again positive and significant and similar in magnitude to the previous specifications.

**Table 1 – Income per capita and KOTs**

Log(Income per capita, 2018)	(1)	(2)	(3)	(4)	(5)	(6)
KOT ever	0.129*** (0.016)		0.111*** (0.016)		0.106*** (0.019)	
KOT 1500s		0.052** (0.025)		0.053** (0.025)		0.062** (0.028)
KOT 1240s		0.177*** (0.028)		0.177*** (0.028)		0.167*** (0.028)
Elevation	-0.006 (0.008)	-0.013 (0.008)	-0.010 (0.009)	-0.008 (0.009)	-0.006 (0.009)	-0.005 (0.009)
Range_Elevation	-0.017** (0.007)	-0.012 (0.007)	-0.019** (0.008)	-0.018** (0.008)	-0.021*** (0.008)	-0.020** (0.008)
Households 1500s	0.011** (0.005)	0.016*** (0.005)	0.018*** (0.005)	0.020*** (0.005)	0.013** (0.005)	0.014** (0.005)
Bishops (XI-XII cent. )					0.035** (0.015)	0.032** (0.015)
Constant	9.599*** (0.035)	9.591*** (0.035)	9.697*** (0.079)	9.711*** (0.079)	9.682*** (0.060)	9.663*** (0.059)
Observations	1,132	1,132	1,132	1,132	929	929
R-squared	0.119	0.099	0.242	0.239	0.207	0.213
sottosezioni FE	NO	NO	YES	YES	YES	YES

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

#### 4.1 Long-run Persistence and Civic Capital

A positive historical shock may give rise to long-run persistence through the cultural channel. In Table 2, we use the number of non-profit organizations recorded in every town per 1,000 inhabitants as a measure of civic capital, in line with Guiso et al. (2016). For all of the specifications, we consider geographical controls, and we control for initial population, the number of households in the 1500s and the current population. We find a positive and robust association between KOT status and the current number of non-profit organizations. This effect is even stronger for those towns granted KOT status in the 1500s, after excluding those already under the king for economic or military reasons. The results are robust when we control for the presence of a bishop seat in the town in the eleventh and twelfth centuries (columns 3 and 4). Moreover, we re-ran the analysis using the number of volunteers per 1,000 inhabitants – a better measure of commitment to volunteer activities for the community – as a measure of civic capital. The results were confirmed.

**Table 2 – Civil Capital and KOTs**

Civic capital	Nonprofit organizations (per 1000 inhabitants)				Volunteers (per 1000 inhabitants)	
	(1)	(2)	(3)	(4)	(5)	(6)
KOT ever	0.755*** (0.198)		0.547** (0.226)		7.964** (3.983)	
KOT 1500s		0.904*** (0.339)		0.917** (0.363)		11.338* (6.738)
KOT 1240s		0.288 (0.431)		0.316 (0.423)		8.173 (7.980)
elevation	0.530*** (0.142)	0.517*** (0.143)	0.429*** (0.140)	0.416*** (0.140)	6.719** (3.014)	6.683** (2.996)
range_elevation	-0.345*** (0.125)	-0.328*** (0.126)	-0.344*** (0.124)	-0.329*** (0.125)	-3.514 (2.848)	-3.375 (2.844)
households 1500s	0.187*** (0.066)	0.214*** (0.066)	0.132** (0.067)	0.133** (0.066)	4.636*** (1.743)	4.732*** (1.701)
current pop	-3.744*** (0.718)	-3.902*** (0.746)	-2.793*** (0.876)	-2.814*** (0.906)	-53.918*** (16.626)	-53.396*** (17.109)
current pop squared	0.217*** (0.042)	0.228*** (0.044)	0.162*** (0.050)	0.164*** (0.052)	2.760*** (0.944)	2.732*** (0.976)
bishops (XI-XII cent.)			0.461** (0.204)	0.473** (0.204)		
Constant	21.667*** (3.020)	22.137*** (3.097)	15.251*** (3.785)	15.293*** (3.909)	326.629*** (73.135)	323.338*** (74.459)
Observations	1,115	1,115	919	919	1,097	1,097
R-squared	0.247	0.244	0.144	0.146	0.185	0.185
Geographic FE	YES	YES	YES	YES	YES	YES

Robust standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

## 5. Conclusion

In the stream of literature generally referred to as persistence studies, researchers assume that historical episodes of local self-governing institutions can explain the persistence of differences in socio-economic performance among territories. This assumption has been tested by comparing free city-states (communes) and feudal towns in Italy, England, Germany and Switzerland.

The aim of this paper is to explore a third and novel category – the king-owned towns (KOTs) that were present in Spanish-controlled southern Italy – a unique category within the feudal institutions of the Middle Ages. The KOTs emerged when the Kingdom of Naples delegated jurisdictional and fiscal powers to the towns' ruling classes, thereby creating a self-governance setting. The KOTs represented, on average, 18% to 19% of the kingdom's population, although the share reached 22.85-29.50% in some areas.

We find that, in southern Italy, a town's past king-owned experience is correlated with current outcomes in terms of both economic performance and civil capital. These results offer evidence that the KOT status is more similar to the commune experience than to the fief experience. Moreover, the historical narratives we collected allow us to develop an explanation that is consistent with the general view that political classes and their cultural traits can shape the relationship between self-governing bodies and long-run performance in a given territory.

In terms of urban governance, we considered a KOT as a town with two classes – nobles and the bourgeoisie. In both fief towns and KOTs, local assemblies were present, but KOT status constituted a substantial change in the institutional setting with respect to the feudal status. Under

the feudal regime, the town was ruled by an autocratic leader, while local representatives administered civil and penal justice and levied taxes in KOTs.

In our interpretation, the self-governance setting of the KOTs allowed the towns' ruling classes to more directly participate in public life through their involvement in rights negotiations with the kingdom. In our exploration, these rights negotiations represent the persistence mechanism. This activity generated progressively and endemically positive spillovers in terms of individual skills and collective gains. More specifically, individual and collective choices tended to become more efficient and effective, while rules and institutions became less extractive. In this respect, the role of fiscal policies in the KOT experience deserves more investigation. More generally, it is important to collect more historical evidence on this persistence mechanism without excluding the possible existence of other channels.

Moreover, institutions and culture can go hand in hand – less extractive institutions weaken the incentives to transmit a rent culture, which can further increase the likelihood of less extractive rules. The opposite is also true, as culture can slow the transition away from extractive institutions.

The role of culture in the KOT experience deserves further exploration while taking into account the fact that the Spanish Crown expelled the entire Jewish population from the Kingdom of Naples. This law focused on a religious minority. In this regard, religion can serve as a way to strengthen or weaken the ruling classes, with implications for political and cultural dynamics. At the same time, the Jewish presence sensibly influenced credit and growth in the period of the communes in northern Italy. As such, the presence of Jews in KOT towns could be a useful instrument in further investigations.

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