The Political Economy of Byzantium: Transaction Costs and the Decentralisation of the Byzantine Empire in the Twelfth Century

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Abstract

This thesis aims to contribute to an explanation of how the development of political institutions is influenced by the costs of information and exchange across society in a pre-modern context. The Byzantine Empire in the twelfth century presents an apparent paradox of an expanding economy alongside a weakening central state. Application of a dynamic transaction-cost framework can illustrate how political and economic decentralisation can rationally occur as non-state actors begin to gain a comparative transaction-cost advantage over the state. Geopolitical and economic developments of the late-eleventh and twelfth century empowered non-state provincial interests in the Byzantine Empire to the detriment of the central state apparatus, including the imperial bureaucracy. Economic growth, an increasingly fluid provincial political environment, and the decline of the imperial navy simultaneously raised the transaction costs of the state and lowered the transaction costs of local interests. This shift prompted the decentralisation of power that ultimately contributed to the destruction of the Byzantine state in 1204. The state faced increasing relative costs of information acquisition, security provision, and tax collection as provincial transaction costs declined and state networks were allowed to degrade. Decentralisation of political and economic power became first possible, then practical, and finally unavoidable in a process that fatally undermined the cohesion of the empire. This thesis uses a transaction cost framework to provide an economically informed explanation of political decline that complements the traditional politically focused narrative and begins to address the contradiction apparent in a state ruling over increasingly prosperous territory, yet proving so fragile by the closing years of the twelfth century.

JEL Codes: N23; N25; N43; N45; N73; N75

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Introduction

This project seeks to address a paradox apparent in the current economic and political historiography of the Byzantine Empire in the twelfth century, and in doing so explore how the development of pre-modern political institutions, and indeed the success or failure of those institutions, can be influenced by the prevailing costs of information and exchange. The Byzantine economy experienced strong growth in this period, in line with the wider Mediterranean. Concurrent with this growth, the political, administrative and economic systems of the Byzantine state decentralised and decayed. Just as other European economies and political systems began to centralise in response to growth, Byzantium decentralises; a process that ultimately undermines the cohesion of the state and contributes to the collapse of the Empire in 1204. It is argued here that this process can be partly explained with reference to a changing equilibrium of transaction costs, the costs of information and exchange of goods, which progressively resulted in more local provision of goods at the expense of the central state. ‘Goods’ can be defined in the context of pre-modern political economy as primarily security and administrative services exchanged for taxation revenue and other obligations. The state’s provision of effective security and administration relied upon the relatively efficient exchange of useful information. The evidence presented here will show how the central state’s costs of information and exchange rose during the period in question relative to local costs. This shift in transaction-cost advantage from the centre to the periphery of the empire resulted in a rational, if ultimately ruinous, decentralisation of political and economic power.

Constructing a transaction cost framework that can help to explain a relative shift in political and economic power first requires recognition and demonstration of the underlying paradox of a strengthening economy in coexistence with a weakening central state. This project will proceed by outlining the compelling case for characterising the Byzantine 12th century as a period of considerable extensive and limited intensive economic growth, closely linked to a decline in transaction costs. An account of the decentralisation and progressive weakness of the central state in this period will follow. This accelerating decentralisation of fiscal, administrative, and political power contributed to the collapse of the state in the few decades before the Fourth Crusade of 1204. After a brief discussion of the relevance, definition, and characteristics of a transaction cost framework to pre-modern political economy, evidence will then be presented to suggest a relative shift in comparative advantage away from the Byzantine state in the twelfth century.

The evidence presented in this short project support three distinct arguments that together form the basis of a framework for the analysis of Byzantine political economy in this crucial period. Firstly, the implications of Byzantium’s economic growth on the provision of goods and exchange of useful information will be examined. It will be argued that provincial economic growth empowered local areas and non-state actors, primarily via the spread of technologies that lowered provincial transaction costs, such as literacy and monetisation. Secondly, this project will show how the central state became progressively disadvantaged by an increasingly fluid and complex geopolitical situation in the twelfth century. The extensive and unstable borderlands of Anatolia proved increasingly difficult for any Constantinople-based administration to control, prompting a decentralisation of political and economic power. Thirdly, a case study of the decline of the Byzantine naval
power will suggest that this crucial segment of the state’s communication, transport, and security network was allowed to degrade over the course of the period.

The evidence presented is necessarily broad in origin and extremely partial in coverage, as can be expected in the study of pre-modern societies and Byzantium in particular. The surviving literary record, most notably the chronicles of John Kinnamos and Niketas Choniates, is of great relevance. Archaeological evidence, as well as fragmentary administrative documentation, has helped primarily to illustrate the extent of economic growth and the link to lower provincial transaction costs. Despite the paucity of available evidence, it is hoped that the compilation and comparison of available sources, both literary and archaeological, can suggest at the validity of the argument and offer a starting point for further research.

**Economic Expansion in Twelfth-Century Byzantium**

There is now agreement among economic historians of the Byzantine Empire that the twelfth century was a period of significant economic expansion and development that represents an intensification of an economic upswing that began significantly earlier, certainly by the late 10th century. Alan Harvey’s work on the period forms the basis of the modern consensus and mounts a sustained attack on the traditional notion that Byzantium’s political difficulties were in all or most cases closely correlated with general economic weakness.\(^1\) The half-century or so following the death of Basil II in 1025 was certainly a traumatic period for the Byzantine Empire as both modern narratives and contemporary accounts make clear.\(^2\) A succession of ineffective emperors, the chronic bankruptcy of the state, severe debasement of the coinage, and most notably the disintegration of Byzantine rule in much of Anatolia following the defeat of Romanos IV Diogenes at Manzikert in 1071 represent political and military failure of such severity as to suggest the underlying economic weakness of the Empire. Early accounts of the economic history of the period indeed tended to view the twelfth century as a period of relative stagnation or at best of limited recovery from the disasters of the eleventh.\(^3\) Harvey’s distinct focus on the economic evidence and especially the available archaeological record has revised this conception with an appreciation of a sustained upward trend of economic growth throughout the wider period of the tenth to early thirteenth centuries, detaching to some extent the highly volatile political fortunes of the state from the improving economic health of the empire.\(^4\) Recognition of the distinction and potential divergence between the state (and state-economy) and the wider economy is crucial for an understanding of both the economic history and the political economy of the wider period, including and especially the

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3 For instance, Ostrogorsky links political collapse to the growth of ‘feudal’ economic practises in the empire; Lemerle and Svoronos both emphasise demographic and agricultural decline in the later 11th century. See Harvey, *Expansion*, pp.8-10.
4 Harvey, *Expansion*, pp.244-6
twelfth century. Twelfth-century Byzantium under the principal three Komnenian Emperors\textsuperscript{5} continued to experience significant and intensifying growth, in line with a wider European and Mediterranean trend. However, as shall be shown below, the state economy nonetheless contracted and decentralised; a process that directly contributed to the disintegration of the state in the few decades following the death of Manuel Komnenos (d.1180) and culminated in the temporary destruction of the Empire as a result of the Fourth Crusade (1204). It is argued here that the strength of the centralised state and the health of the economy, whilst negatively correlated, are indeed linked through a process of a changing transaction cost environment. An expanding economy, as well as the increasing pressures on the state’s networks of communications and security, prompted a rational decentralisation. The state became less able to fulfil its administrative and public goods provision functions, and provincial regions became more able, and more willing, to assume the state’s role.

Before constructing the argument in more detail, it is important to briefly survey the evidence for both general economic expansion and the decentralisation of political and economic power in the twelfth century and in so doing illustrate the apparent paradox of a weakening state-economy coexisting with strengthening general economy. The byzantine economy expanded significantly over the course of the twelfth century due to the combined effects of demographic expansion, the extension of cultivation, and a higher degree of economic specialisation. Quantifying growth in even an approximate manner is extremely difficult due to scarcity of the source material and only partial coverage of the available archaeological record. Nonetheless general trends and reliable trajectories of economic development can be discerned.

Demographic expansion and an increasing urbanisation rate in the period contributed towards both extensive economic expansion and limited intensive economic growth through greater secondary production and the increased productivity resulting from higher levels of specialisation and trade. Angeliki Laiou’s study of Byzantine demography indicates that the total population had likely exceeded eighteen million by 1025, as the empire reached its largest post-Justinian territorial extent, and had again reached or exceeded these numbers by the late twelfth century despite the significant losses of Southern Italy and inner Anatolia.\textsuperscript{6} Similar population figures contained within the Komnenian Empire’s smaller land area indicate significant demographic expansion in Byzantium’s territory over the period. Evidence for the increasing size and number of urban areas over the course of the twelfth century also strengthen the case for demographic expansion as well as suggesting a rise in the urbanisation rate. Laiou notes that late twelfth-century Constantinople finally matched late-antiquity peaks of population and built area, accommodating a population of at least 400,000. Provincial cities too experienced a great deal of growth in this period; several reaching population levels in the tens of thousands as

\textsuperscript{5} Alexios I Komnenos (reigned 1081-1118), John II Komnenos (reigned 1118-1143), and Manuel I Komnenos (reigned 1143-1180). Manuel’s son Alexios II Komnenos ascended the throne at the age of 11 in 1180 and was quickly displaced before his murder in 1183.

well as a proliferation of smaller cities and towns newly prominent in both the archaeological and literary record.\textsuperscript{7}

Linked to demographic expansion and increasing urbanisation is a clear trend of increasing cultivation and both primary and secondary production in the twelfth century. Literary sources illustrate a contemporary concern with increasing the area of land under cultivation, and surviving legal documents register a proliferation of land disputes as expanding cultivation began to infringe on perceived boundaries.\textsuperscript{8} As well as expanding cultivation, agriculture likely became more productive per unit of land and labour due to the growth of large estates in the period. A large landowner could offer his tenants a certain degree of security from both local banditry and arbitrary taxation, increasing both their incentive and their ability to produce.\textsuperscript{9} Additionally, limited economies of scale may have been possible, even in the context of pre-modern agriculture. Whilst most cultivation was still organised at the household level even within large estates under single ownership, estate owners could carry out improvements to the land, lend out tools and draft animals, and more efficiently organise production through increasing use of professional stewards to oversee peasant cultivation.\textsuperscript{10} Large estates were never the universal mode of land ownership in Byzantium - significant numbers of peasants continued to own their own land and pay tax directly to the state - but in this period increasing numbers of peasants, likely reaching an overall majority, were incorporated into large estates as \textit{paroikoi}, tenant farmers with limited freedoms.\textsuperscript{11} This was due partly to increasing pressure on land resources, and partly to continued unchecked land acquisition by the \textit{dynatoi} or ‘the powerful’ (officials of state and church, as well as rich provincial landlords). The concentration of resources in the hands of the \textit{dynatoi} was a development that the Byzantine state attempted to limit in previous periods, primarily through legislative restrictions upon the alienation of the peasantry from their lands.\textsuperscript{12} The absence of any such legislation in the twelfth century and the growth in the number and size of large estates, and numbers of \textit{paroikoi}, indicate that the central state became unwilling, or unable, to halt resource concentration in this period.\textsuperscript{13} The growth of large estates has implications for the political economy of the empire, for the level of economic inequality, and for the living standards of Byzantine peasantry. Leaving such implications aside it is enough to say here that there is very strong evidence that Byzantine agriculture expanded extensively, and to a limited extent intensively, in this period.

The expansion of agricultural production supported and coexisted alongside an expansion of secondary production in this period. The archaeological record registers a considerable growth in Byzantine glassmaking and ceramics production, with provincial centres such as Corinth showing a sustained intensification of production from the late

\textsuperscript{8} J. Herrin, \textit{Margins and Metropolis}, (Princeton University Press, 2013), pp.77-78.
\textsuperscript{10} A. Laiou and C. Morrison, \textit{Byzantine Economy}, pp.101-103.
\textsuperscript{11} A. Laiou and C. Morrison, \textit{Byzantine Economy}, pp.101-6
\textsuperscript{12} Notably legislation enacted by the Macedonian emperors of the tenth century, see for example ‘Romanos Lekapenos Bars the Powerful From the Village Communes’, \textit{The Land Legislation of the Macedonian Emperors}, trans. E. McGeer, (Pontifical Institute of Mediaeval Studies, 2000), text C.
eleventh century through the twelfth. Silk production too increased as silk products found wider markets, both internal and export, in response to increased demand from a wider, wealthier, consumer base as well as the further relaxation of the enforcement of traditional sumptuary restrictions upon the purchase of silk cloth. The evidence is sufficiently broad to support the conclusion of a general upswing in urban production across the empire in this period. Secondary production outside of urban areas is harder to determine due to the limitations of both the archaeological and literary record, but nonetheless a clear increase in peasant artisanal activity is discernible from the late eleventh century onwards. The increase in both the quantity and quality of secondary products across the twelfth century suggests both an expanding agricultural surplus upon which to support higher degrees of non-agricultural activity and the demand stimulation and productive enhancements that accompanied greater economic specialisation, exchange and trade.

Completing the picture of comprehensive growth is the direct evidence for economic specialisation and increasing trade in both luxury products and ordinary staples in this period; indeed it is the evidence for trade and specialisation that underpins the modern understanding of expanding Byzantine production summarised above. Twelfth-century literary sources confirm considerable economic specialisation and extensive trading of ordinary foodstuffs within the Empire. Venetian documents illustrate that in Manuel’s reign (1143-1180) agricultural surpluses were sold to Italian merchants for resale elsewhere in the Empire and likely abroad. The interest of the Venetian state in acquiring commercial privileges with an extensive list of Byzantine provincial cities illustrates the significance of the inter-regional trade within the Empire, in addition to the importance of commercial access to the markets of Constantinople. By the late twelfth century many regions of the Empire had acquired a wider reputation as famed for a particular good or foodstuff. As a result of the opportunities for trade, production specialised and improved in terms of both quality and efficiency. The Corinthian archaeological record reveals quality improvements in earthenware of the later twelfth century, as well as the development of a distinct style that possibly competed with Constantinopolitan production. Provincial cities also began to form complimentary networks of specialised production in this period, especially in the relatively densely populated and urbanised area surrounding the Peloponnese, such as the complimentary relationship between Thebes’ silk industry and Athenian production of red dye and soap. Helping to facilitate the necessary exchange for such specialisation of production prompted the establishment and expansion of a number of local, regional, and

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15 A. Laiou and C. Morrison, Byzantine Economy, pp.125-130
17 A. Laiou and C. Morrison, Byzantine Economy, pp.111.
19 A. Laiou and C. Morrison, Byzantine Economy, pp.137.
20 The Poetry of Ptochoprodromos and the letters of Michael Choniates indicate specialisation in agricultural products by linking different goods to specific regions - see A. Laiou and C. Morrison, The Byzantine Economy, pp.98.
21 A. Laiou and C. Morrison, Byzantine Economy, pp.118-119.
22 A. Laiou and C. Morrison, Byzantine Economy, pp.132-134.
even inter-regional fairs within the Empire in this time period, although often their existence and significance can only be inferred indirectly in the source material from attempts to regulate their lucrative activity.\textsuperscript{23}

Overall, a significant and sustained expansion of primary and secondary production, an unprecedented level of economic specialisation, and levels of exchange and trade necessary to underpin and enhance these processes seem evident by the later twelfth century. Recent economic historiography has little hesitation in declaring the Byzantine Empire to have at the very least shared fully in the surge of economic development common to much of the Mediterranean basin in this period.\textsuperscript{24} Advanced sectors of the Byzantine economy, notably urban production and exchange, may well have surpassed the general trend of Mediterranean growth. Extensive economic growth in this period is undeniable, and despite the scarcity of source material, \textit{intensive} growth, per capita, seems very likely.\textsuperscript{25}

**Decentralisation in Twelfth-Century Byzantium**

The political fortunes and economic powers of the state appear to show no clear correlation with the generally improving economic conditions of the territories under the state’s control. Whilst Byzantium’s political recovery and resurgence under the first three Komnenian Emperors (1081-1180) was accompanied, and may have been partly driven by, the economic growth discussed above, the decades of political crisis both before and after this century of stability also form part of a wider period of growth. More significantly, and as shall be shown in this section, the Komnenian restoration is characterised by a consistent erosion of the administrative and economic powers of the central state that would have grave consequences once a precarious political balance was upset. Despite an expanding general economy, the state-economy was consistently undermined in this period and its economic prerogatives devolved to decentralised agents. This project will proceed below to make the case for the rational decentralisation of economic, and thus political, power in light of a shifting transaction-cost equilibrium; but first it is essential to outline this decentralisation of power over the course of the twelfth century.

The contraction of the state economy can be usefully viewed as a supply and demand relationship. The central state’s supply of resources, especially monetary resources, declined over the course of the period as the state’s demand for resources simultaneously decreased as processes were decentralised. As a consequence the state economy became a less significant portion of the wider economy.

Factors decreasing the state’s demand for funds in the period include the contraction and atrophy of the bureaucracy and the partial de-monetisation of the state economy through the decreasing recourse to money wages as remuneration for administrative, military, and political services. The decline of the state bureaucracy is indirectly shown through by surviving administrative records. Many of the important bureaucratic positions listed on the \textit{Kletorologion} of Philotheos, a court document written in

\begin{itemize}
  \item A. Laiou and C. Morrison, \textit{Byzantine Economy}, pp.164.
\end{itemize}
899, disappear from the sources in the twelfth century. A thirteenth-century narrative source, Pseudo-Kodinos, notes that by that time a number of previously important administrative posts had become functionless and merely honorific. 26 Decline of the bureaucracy, especially the higher administrative posts, can be linked to Alexius I’s permanent cancellation or significant reduction of administrative and military wage payments (‘roga’) in the early part of his reign. 27 The bureaucracy survived the twelfth century intact and remained, by European standards at least, both wide-ranging and complex; but its two most important functions, military and fiscal administration, were increasingly undermined. Fiscal administration under the Komnenoi was effectively privatised as tax farmers either ‘bid’ for the right to collect all income from a particular area, or received a fixed percentage of the tax take, again in turn for a fee. 28 Military authority and control over military expenditure was increasingly devolved to regional commanders who were rewarded for their service with grants of imperial land or revenue-raising rights (pronoi grants). Whilst the central state, and therefore the imperial bureaucracy, retained the right to assess the tax obligations of every citizen of the empire, a multitude of exemptions and the extensive devolution of fiscal and military powers meant that by the late twelfth century the authority of the central state rested heavily upon the cooperation and compliance of non-state actors, or at least individuals with a much less obvious connection to the state than the officials of the imperial bureaucracy.

The supply side of the state economy was increasingly limited by the donation of imperial estates and grants of both tax exemptions and fiscal income streams (pronoi grants) to individuals in return for service. In order to entrench his regime, Alexios created a new set of court titles above existing military and administrative ranks and distributed them to his close associates and kinsmen. 29 This new ‘aristocratic’ governmental structure was sustained by a proliferation of land grants and tax exemptions, considerably shrinking the state economy. For example the surviving monastic records of Lavra note that Nikephoros Melissenos, who briefly competed against Alexios for the throne in 1081, was awarded the entire revenues of the city of Thessalonike and the surrounding area in return for his loyalty. 30 Yet grants and privileges were by no means limited to a select few individuals of great political importance; they became a systematic feature of a government now less attached to bureaucratic process and more reliant upon the wide dispensation of privileges and co-option. Imperial grants to relatively minor military figures demonstrate the increasing scope and normalisation of this process, notably the string of grants made to Leon Kephalas after successful military service in the 1080s. 31 The extended scope of the privilege system can be linked to the institutionalisation and extension of the pronoi system over this period; the widespread and standardised granting of fiscal revenue streams in return for military or administrative service. Niketas Choniates, the primary Byzantine narrative source for the reign of Manuel (1141-1180), illustrates that pronoi grants were used in great numbers to support ordinary soldiers, partially replacing a wage-payment

26 N. Oikonomedes, “Byzantine State and the Economy”, Chapter in The Economic History of Byzantium, edited by A. Laiou, (Dumbarton Oaks, 2002), pp.1012. (for the Kletorologion) and pp1028 (for the disappearance of titles from the sources)
29 M. Angold, The Byzantine Empire, pp.105-6.
system with a land/revenue grant. Mark Bartusis’ in-depth study of pronoia as an institution concludes that grants had become widespread and low-status by the later twelfth century, and had also begun to attain a hereditary character in a process of a permanent decentralisation of the state’s fiscal and military resources. This entrenched decentralisation of both political and economic power arguably began, by the later twelfth century, to resemble a limited ‘feudalisation’ of the Empire. Any comparison with Western Europe can easily be overstretched; however the process of decentralisation is evident in the ‘more feudal’ character of institutions such as pronoia and the widespread use of land grants; replacing strict bureaucratic control and regular wage payments.

Two important points should be made before concluding this brief account of the decentralisation of power in this period. First, it is important to note that the Komnenian state, aside from during the early decades of crisis under Alexios I, was yet capable of marshalling considerable economic resources towards diplomatic and military ends. The process of decentralisation was thus not driven, at least in the longer term, by pressing fiscal need or crisis. John and Manuel in particular do not appear overly constrained for economic resources during their reigns, making the consistent process of the dilution of the state’s economic power more puzzling. Second, the process of state decentralisation and economic growth should be recognised as at least partially interlinked. Widespread grants of tax exemptions benefited the holders of large estates in a position to obtain such exemptions, and thus placed estate holders in an advantageous position relative to land-owning independent peasants. Thus the limited economic benefits earlier identified with the growth of large estates are related to the state’s new-found support of such land-holding arrangements. In addition the decreasing impact of the state on the monetary economy, due to the commutation of tax and wage payments into service in exchange for grants and privileges, likely resulted in a considerable stimulus to the wider economy as coinage could now move more freely between commercial actors. In short, grants of land and tax exemptions channelled a greater proportion of the agricultural surplus away from the state and towards the market economy, enhancing the potential for Smithian Growth through trade and specialisation.

The interrelation between the progressive weakness of the state and the general economic strength of the empire’s territory yet does not explain the causation behind the state’s weakness. For the majority of the reigns of the first three Komnenian emperors Byzantium was politically stable, financially secure, and militarily competent. The process of decentralisation seems explicable in this context only through recourse to idiosyncratic or exogenous explanations. Decentralisation is argued as the result of a cultural tendency towards ultimately unstable ‘factional’ government; or as the result of an innate tension between the newly-promoted military aristocracy and the traditional bureaucratic administration. Some scholars prefer to deemphasise longer-term political and economic

34 Manuel especially was famed for keeping a splendid court and spending liberally. For instance, Niketas Choniates alleges that Manuel spent more than 30,000 pounds of gold on his ultimately abortive Sicilian campaign. Niketas Choniates, O City of Byzantium, Annals of Niketas Choniates, trans. H.J. Magoulias, (Wayne State University Press, 1984), pp.56.
35 A. Laiou and C. Morrison, Byzantine Economy, pp.155-60.
developments detrimental to the power of the central state. Byzantium’s collapse in the wake of the Fourth Crusade is thus portrayed as an immediate, largely political, crisis of Byzantine government; the result partially of the inherent instabilities of imperial rule, and an especially unfortunate succession of weak rulers. Alternatively, some scholars have avoided an internal explanation for the empire’s collapse and instead emphasise the growing tensions between Byzantium and the West in the period. Cultural and political confrontation, culminating in the Fourth Crusade, was in this view both inevitable and inevitably catastrophic for Byzantium. It is beyond the scope of this project to seek a comprehensive explanation for the ultimate collapse of the Byzantine state. However political and economic decentralisation, no doubt accelerating after the death of Manuel in 1180, but apparent throughout the twelfth century, can be interpreted as the logical outcome of long-term internal economic processes.

This thesis will proceed to show that the Byzantine state contracted and decentralised, politically and economically, as it lost its competitive advantage in lower transaction costs relative to the provincial interests of the territory it controlled. Centralised Byzantine government relied upon relatively efficient networks for the production and exchange of useful information. Over the course of the twelfth century the state’s transaction-cost advantages were seriously eroded, resulting in a decentralisation of political and economic power and contributing ultimately to political collapse.

The next two sections will set out the theoretical basis for a transaction cost framework in a pre-modern context, before applying the framework to the Byzantine case in order to explain how a shifting transaction-cost equilibrium may have led to the diffusion of political and economic power. In doing so this analysis can go some way to helping explain the rational, if ultimately ruinous, process of decentralisation of the Byzantine state and state economy in the twelfth century.

Transaction Costs and Pre-modern Political Economy

It is important now to define what is meant by ‘transaction cost framework’. This section explores a simple definition and elaborates on how transaction costs can be applied to pre-modern political economy with an understanding of the state as a provider and a consumer of goods such as security and information.

In the absence of the degree of sustained technological advance known only to the post-industrial world, economic growth in the pre-modern era relies almost wholly upon demographic expansion and economic specialisation through trade. Only the latter, or ‘Smithian’ growth, can produce a per capita increase. Scholars of the Neo-Classical school have consistently underlined the huge importance of market expansion, market integration, and the resulting economic specialisation to pre-modern growth, even in contexts in which one might expect technology to have played a significant, if not dominant role, such as the growth of the English textile industry in the 18th century or the growth of Atlantic shipping in

38 C. Brand, Byzantium Confronts the West, (Harvard University Press, 1968), pp.8-12.
the 17th and 18th centuries. But degrees of trade and economic specialisation are highly variable across pre-modern geographical and temporal space, and do not follow a discernible general trend. Transaction Cost Theory, first formulated by Douglass North, attempts to demonstrate that the costs of trade and exchange are the dominant variable in determining how much economic specialisation is possible. It is argued here that an appreciation of changing transaction costs can inform an understanding of pre-modern political economy and of Byzantium in this crucial period of change.

All exchange that is not instantaneous relies upon contracts of some sort, whether formal or informal. Briefly defined, transaction costs are the costs of ‘specifying and enforcing’ those contracts that underlie exchange. The costs of specifying the contract include costs associated with ensuring that the goods received are of expected quality, but also the costs of linking the contracting parties in the first place, and the costs of acquiring the necessary information to enable an adequate assessment of required and available resources. Costs of enforcement include the costs of whatever mechanisms are employed to ensure that both parties deliver their side of the contract. Enforcement costs can manifest as the costs of monitoring contracting parties to ensure compliance, or the cost of any sanctions or punishments used as a disincentive to cheat. Prohibitively high enforcement costs in the absence of reliable legal frameworks, especially over long distances, plague the pre-modern trading environment and form the basis for the ‘Fundamental Problem of Exchange’; or the problem of how any rational self-maximising individual actor can be trusted to fulfil any long-term contract over any distance, especially in an extensive enough market to lower the chances of effective reputational damage or restriction of market access in the future.

Political institutions can be analysed as economic systems with their own transaction costs attached to the exchange of goods. The study of political institutions as subject to economic forces has been well established by the school of New Institutional Economics. All governments provide goods, with varying degrees of coercion, in exchange for some form of taxation. The taxation system at the most fundamental level, in any pre-industrial setting, aims to appropriate a portion of the agricultural surplus in order to support an administrative system and a security apparatus. In the pre-modern period arguably the most important good provided was physical security from both external invasion and internal banditry; and, to a more limited extent, legal protection. F.C. Lane has pioneered the analysis of the organised control of violence as an important public good, provided with varying

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degrees of efficiency in the pre-modern period. Lane’s comparative approach shows that fledgling states that most efficiently provided their citizenry with protection out-competed those that were less efficient in the pre-modern era.

Security and control over organised violence is so central to the operation of pre-modern states that the most efficient system of security provision can determine the form and character of the political system in use. Oliver Volckart has linked the emergence of states in Medieval Central Europe to a changing transaction cost environment, noting that high supra-regional transaction costs in the high Middle Ages prevented the establishment of a strong centralised state. In the absence of strong centralised states, provision of security can become a private good, offered by competing local suppliers with limited economies of scale due to the serious agency and monitoring problems that accompany poor transportation infrastructure and low literacy levels. Feudalism is thus characterised by a competitive market for security in a high transaction cost environment (especially over long distances). The market remains competitive as rival suppliers of security (lords) compete for the tax payments of peasants (widely defined as any kind of payment or service), who in turn are at least partially free to exercise choice by either moving to a different jurisdiction, or transferring their custom to another lord by switching allegiance. Furthermore the market for organised violence was likely more liquid at higher levels above the peasantry, as lesser lords commanded some coercive power of their own in their dealings with greater magnates, blurring the lines between a subordinate relationship of vassalage, and a military alliance among equals. Only when supra-regional transaction costs lowered sufficiently to allow for increasing economies of scale in the provision of organised violence could a centralised state of any size out-compete local interests. Transaction costs can thus have very significant consequences for the scope and character of political institutions.

The Byzantine state, for much of its history, controlled a large territory with a very high degree of political and economic centralisation, at least relative to Europe after the fall of the Western Roman Empire. Such centralisation was only possible with the aid of a sophisticated bureaucratic apparatus and a functioning network of security and communication. The state, in concert with the Orthodox Church, controlled a near-monopoly of cultural and technological assets that lowered the transaction costs attached to the production and exchange of information. High levels of literacy among state and church officials, widespread written record keeping, and the production and compilation of sophisticated written reports all allowed the Byzantine state to collect and process a high degree of useful information. Efficient control of information combined with a good communications network across the empire allowed for a very high concentration of political and economic power in Constantinople.

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50 J. Burbank and F. Cooper, Empires In World History, (Princeton University Press, 2010), pp.66-68.
The quantity and breadth of surviving documents from the tenth century perhaps best illustrate the complexity and scope of Byzantine administration at its peak. The largely palace-bound emperor Constantine VII Porphyrogenitus and his administration kept regular written communication with regional governors in far-flung provinces, maintained complex lists of precedence and hierarchy, and planned and executed military campaigns with precise reference to written records of available manpower and resources. Constantine himself is associated with an extensive court document known as the *De Administrando Imperio*; a compilation of diplomatic, political, and strategic advice that is introduced with a personal dedication to Constantine’s son Romanos, expressing the wish that his heir might be ‘instructed in what it behoves [him] before all else to know, and lay hold skilfully upon the helm of the rule’. Information deemed militarily useful was collected and exchanged for the consumption of Byzantine field commanders. Tenth-century military manuals discuss the application of different tactics for different terrain and advise how a general might best deploy his forces against specific threats, from Arab raiding parties to the demands of siege warfare. The command over such information and its concentration in Constantinople allowed for an efficient enough application of military and economic resources to allow for a highly centralised political and fiscal system, and a partially centralised military. Just as the formation of centralised states was hindered in a post-Roman Europe by high transaction costs, the Byzantine state was preserved as a coherent entity through its mechanisms, both cultural and technological, for controlling and minimising the costs of producing and transacting useful information.

**Transaction Costs and the Byzantine Twelfth Century**

Over the course of the twelfth century the transaction-cost advantages of the Byzantine state were eroded in both relative and absolute terms. The imperial government based in Constantinople progressively became less able to deliver efficient administration, just as non-state actors, from powerful landowners to provincial cities, began to develop sufficiently to begin to assert an independent political and economic identity. The weakening of the central state can thus be interpreted as rational given a transaction cost environment that increasingly favoured more local provision of administrative and military

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51 For lists of precedence maintained in the 10th century, see the Kleterologion and Escorial Tactikon; N. Oikonomides, *Les Listes de preseance Byzantines des Ixe et Xe siecles*, (Paris, 1972). For diplomatic communication, see *De Administrando Imperio* (note 52, below). For military planning with detailed attention to manpower and resources, see Constantine Porphyrogenitus, *De Ceremoniis Aulae Byzantinae*, Bk. ii edited by J. J Reiske (Bonn, 1829).


53 For instance the ‘Three Treatises on Imperial Military Expeditions; attached to the *De Ceremoniis*, the *Tactika* of Nikephoros Ouranos, and the *Strategikon* of Kekumenos. Also see E. McGeer, *Sowing the Dragon’s Teeth, Byzantine Warfare in the Tenth Century*, (Harvard University Press, 2008)

54 Constantinople’s status as an important centre for international trade, in addition to the economic pull of the fiscal system, ensured that the city overwhelmingly dominated the economic landscape of the empire for much of its history. See A. Laiou, “The Byzantine Economy: An Overview” *Economic History of Byzantium*, pp.1148.

55 The Byzantine military, even during the effective operation of the decentralised Theme system, always also relied upon centrally administered elite troops, referred to in the sources as Tagmata. E. McGeer, *Sowing the Dragon’s Teeth*
services. There are three facets to this argument to be examined in the following sections: Firstly, economic growth placed provincial areas and non-state actors in a more competitive position to supply goods such as local security and administration. Secondly, the state’s existing mechanisms for transacting information and controlling its agents proved inadequate to the increasingly complicated geopolitical environment of the twelfth-century, especially following the loss of much of Asia Minor to the Turks in the decades following the Battle of Manzikert (1074). Thirdly, the state’s information, communication and security networks degraded throughout the course of the twelfth century in absolute terms, exemplified by the degeneration of the Byzantine Navy and the contraction of the bureaucracy in this period. Together these developments constitute a dramatic shift in relative transaction costs to the disadvantage of the centralised Byzantine state.

Economic growth and lower provincial transaction costs

The strong economic and demographic growth of the empire’s provinces in the twelfth century has already been briefly surveyed above. Aspects of this growth are linked to a decline in transaction costs among economic agents, whether producers, artisans, or traders. More relevantly for this thesis is the associated decline in the transaction costs, especially information costs, of local administrators and political figures; resulting in the strengthening of provincial regions relative to the central state. This section will revisit aspects of economic growth evident in this period within the context of lower provincial transaction costs and especially the implications for more local provision of administration and security.

Increasing monetisation in the period, partially both the cause and result of economic expansion, lowered transaction costs both for economic agents, and in the provincial supply and exchange of information and security services alike. Archaeological evidence from Corinth, a representative provincial centre in the Peloponnese, indicates a dramatic and sustained rise in the use of coinage in the late-tenth century. Coins dated to the eleventh and twelfth centuries are three times as numerous in the archaeological record as those dated to previous periods of equal length. Although finds across the eleventh and twelfth century are of similar volume, the data likely underrepresents monetisation levels of the twelfth century. The state’s economic collapse in the decades following the death of Basil II (1025) flooded the empire with highly debased coinage. Similar numbers of twelfth century coins, standardised by Emperor Alexios I’s monetary reforms, therefore indicate a higher level of monetisation. In addition to currency reform, the monetisation of the wider economy in the twelfth century specifically can be linked to the partial demonetisation of the state-economy through the cancellation of most roga (wage) payments. As the state exerted a weaker pull on the circulation of coinage, the wider economy became more monetised. The increasing use of money as a medium of exchange lowered the costs of

56 See above, ‘Economic Expansion’
59 See above, ‘State Decentralisation’
60 A. Laiou and C. Morrison, Byzantine Economy, pp.155-160.
economic transactions and widened markets, but also carried political implications; strengthening the viability of provincial administration independent of central control.  

Greater monetisation of provincial economies and the accompanying increase in taxable trading income enhanced the opportunities for, and scope of, provincial political power independent of central control. Michael Choniates, Metropolitan Bishop of Athens in the late twelfth century, complained bitterly that Athens was subjected to multiple simultaneous demands for taxation revenue from both Constantinopolitan and local officials, including the levying of nominally annual taxes multiple times per year. Niketas Choniates, the primary narrative source for the Byzantine twelfth century, notes how Greek rebel Leo Sgouros was able to rise from ‘a man of no consequence’ to the position of regional tyrant over a number of Greek territories via the ‘confiscation of monies’; used presumably to pay mercenary forces, with which he pillaged Corinth and laid siege to Athens in the early years of the thirteenth century, prior to the fall of Constantinople to the Fourth Crusade in 1204. Leo Sgouros is just one particularly potent example among many of a local notable, or archontes, seizing power with a view to setting up an automatos territory within the Empire’s borders at the turn of the thirteenth century. Even when not engaged in outright rebellion, local powerful and minor nobility responded to new provincial wealth as well as the weakness of central administration by beginning to take responsibility for infrastructural and security concerns such as the maintenance of road networks, fortifications, and water supplies.  

Economic growth accompanied an expansion of literacy and record keeping into provincial areas that reduced information costs, allowing local interests to challenge central authority. It is reasonable to assume that any pre-modern expansion of trading activity encouraged an expansion of literacy for the purpose of record keeping and contract formulation, and that this expansion spread to administrators and political interests upon their recognition of the value of information storage and transmission. In addition, as the land/labour ratio shifted and land became more valuable and scarce, there was likely more incentive for landholders to precisely define their holdings and specify tenancy agreements in writing, again with relevance to administrators concerned with taxable revenue. There is evidence that literacy and the wider use of written communication were increasing rapidly in twelfth century Byzantium, and that this expansion of low-transaction-cost technology empowered Byzantine provinces relative to the central state. Twelfth-century chronicler John Kinnamos comments that Emperor Manuel ordered imperial courts to remain open on

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62 A summary of Michael’s complaints is provided by Herrin; J. Herrin, *Margins and Metropolis*, pp.119.
64 Niketas Choniates also mentions a certain Leon Chamaretos, who rose to rule over ‘vale of Lakedaimon, [and acted] tyrant over the Laconians’. Niketas Choniates, *O City*, pp.350.
certain feast days in order to ease the burden of unheard cases on the court system. The volume of property related court actions increases dramatically over the eleventh and twelfth centuries, as does the volume of petitions to the Emperor requesting tax exemptions and various fiscal privileges. Owners of large estates and their stewards increasingly employ sophisticated written accounting and balance sheets from the early twelfth century onwards, and begin to circulate a selection of agricultural treatises in order to improve their yields. This extension of literacy into the non-state (and non-ecclesiastical) sphere, effectively the extension of low-transaction-cost technology, undermined the previously near-exclusive advantages of the state administration and contributed to the political and economic decentralisation of the empire in this period.

Geopolitical complexity and higher central transaction costs

An increasingly complex and fluid political situation on the empire’s borders impeded the state’s ability to collect and exchange useful information and loosened the state’s grip on frontier territory, particularly in Asia Minor following the loss of the Anatolian plain to the Turks in the decades following the Battle of Manzikert. A much greater proportion of nominally Byzantine territory had become harder to administer centrally in the Komnenian period due to the more immediate pressure on the empire’s extended frontiers. The presence and entrenchment of the Sultanate of Ikonion in the central Anatolian Plateau from the later eleventh century onwards extended Byzantium’s eastern frontier and greatly reduced the proportion of territory that could be deemed safe from regular Turkish incursion. The Komnenian re-conquest of the Anatolian coast and lowlands may have returned the most economically productive lost areas to Byzantine control, but at the cost of ensuring that virtually all Byzantine territory in Asia minor, apart from the far west, was a frontier zone.

Twelfth century sources indicate the weakness of central administration over frontier areas that began to independently determine their economic, diplomatic, and security arrangements, sometimes overtly contradicting imperial policy. The passage of the Second Crusade through Byzantine territory in 1147-48 provides a useful example due to the survival of multiple overlapping sources of both Byzantine and Latin provenance. Although Emperor Manuel I granted the crusade safe passage through his territory, crusading armies are apparently harassed by Byzantine forces as they crossed Anatolia. Latin sources express shock at Byzantine treachery; eyewitness and chronicler Odo of Deuil accuses Byzantine towns in Anatolia of furnishing the Turks with supplies and sanctuary, and armaments. Manuel is said to have deliberately provided treacherous guides that led the crusade into Turkish ambushes, and Byzantine commanders are even said to direct the

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operations of Turkish raiding parties.\textsuperscript{72} The correspondence between crusading King Louis VII and his regent in France, Abbot Suger, alleges that Turkish attacks suffered by crusading forces are personally sanctioned by Emperor Manuel.\textsuperscript{73} Confusingly however, Byzantine and Latin sources alike also speak of Manuel’s foreknowledge and acceptance of, even support for, the crusade and his personal affection for the crusade’s leaders, particularly German King Conrad, whom Manuel hosted at Constantinople for an extended period as an honoured guest.\textsuperscript{74} Conrad’s own letters lament the crusaders’ misfortune yet praise ‘our brother the Emperor of the Greeks’ for his help and supplies, indicating a genuine and friendly relationship between the two leaders.\textsuperscript{75} The contradictory nature of this evidence cannot be easily resolved by assuming that the German contingent of the crusade enjoyed a better relationship with Manuel as the Byzantine sources are much more condemning of the German crusaders, rather than French, in their own allegations of disorderliness, unprovoked attack and treachery on the part of the Latins.\textsuperscript{76}

The apparent contradiction in the Second Crusade source material can be resolved only with recognition of the political fluidity of Byzantium’s borderlands in the mid-twelfth century and the extent of Manuel’s lack of control over his nominal subjects in these areas. Throughout much of Anatolia, nominal allegiance was less significant than local political and economic reality. Frontier cities likely commonly traded with local Turks, and the crusaders’ allegations of Byzantine complicity in Turkish attacks indicate not Manuel’s treachery, but the localisation of diplomatic and security arrangements. The variable reaction of Byzantine settlements to the passage of crusader forces further underlines the localisation of decision-making and the weakness of central authority. Choniates notes that the German army receives a warm welcome at Byzantine Laodikeia, but is attacked outright by the citizens of Philadelphia soon after.\textsuperscript{77} This localisation had become essential in areas of difficult communication and transport due primarily to the proximity of the Turkish raiders; areas with prohibitively high costs of information for the central state apparatus in Constantinople to adequately monitor or control.

Contemporary Byzantine sources indicate the uncertain loyalties of Byzantine populations in Anatolia. Both Kinnamos and Choniates refer to communities of ‘Romans’ living around a certain Lake Pousgouse. Late in the reign of the Emperor John these Byzantine communities are said to have allied with the Turks due to their close commercial and diplomatic ties.\textsuperscript{78} Narrations of the military campaigns of both the Turks and the Komnenian emperors in this period reveal a striking element of negotiation on the part of the Anatolian cities subject to the invasions of either side. Kinnamos relates how news of Emperor Manuel’s extensive military preparations in 1173 pre-emptively persuaded a number of Turkish-held settlements to switch sides even before the arrival of any Byzantine

\textsuperscript{72} Odo of Deuill, \textit{De profectione Ludovici VII}, pp.83.
\textsuperscript{73} Letter from Louis VII to his regent Abbot Suger, dated 1148, \textit{Contemporary Letters and Texts concerning the Second Crusade,} available online courtesy of Leeds University.
\textsuperscript{74} John Kinnamos, \textit{The Deeds of John and Manuel Comnenus,} pp.71-72.
\textsuperscript{75} Letter from Conrad III to Abbot Wibald of Korvey, dated 1148, \textit{Contemporary Letters and Texts concerning the Second Crusade.}
\textsuperscript{76} For instance John Kinnamos is much more condemning of the German crusader’s than French in his testimony. John Kinnamos, \textit{The Deeds of John and Manuel Comnenus,} pp.64-71.
\textsuperscript{77} Niketas Choniates, \textit{O City,} pp.226.
Kinnamos further notes that Manuel diverted part of his forces to reach a number of important cities that were ‘trying to come over to him [Manuel]’, indicating that Byzantine allegiance in these unstable areas was negotiated, and conditional upon the delivery of tangible military support. After Manuel’s death the further weakening of Byzantine central administration resulted in the near-independence of nominally Byzantine territory. Choniates notes that the city of Melangeia courted recognition of an imperial pretender, an impostor whom attempted to assume the identity of murdered Emperor Alexios II Komnenos after 1195. The weakness of the pretender’s claim (Alexios II was widely known to have been murdered in 1183 by Andronikos I) and the fact that Melangeia was at the same time welcoming a visit from reigning Emperor Alexios III Angelos indicates that the city’s leaders sought to strengthen their independent position and use their potential recognition of a pretender as a tool of negotiation.

Thus, even excluding Byzantium’s unstable relationships of vassalage with the Principality of Antioch and Armenian Cilicia, the sources indicate that core Byzantine territories in Anatolia enjoy an increasing autonomy in this period. Part of the explanation for this development must lie with the economic growth of Byzantine provinces and their accompanying greater degree of economic and political independence. Furthermore the process of decreasing central authority cannot entirely be detached from the political failures and weak and unpopular governance of the emperors reigning after the death of Manuel I. However the geopolitical complexity of an extensive border region subject to near-constant Turkish infiltration, whether violent or otherwise, had increasingly severe transaction-cost implications for centralised Byzantine control. The costs of acquiring sufficient useful information to secure and control nominally Byzantine territory from Constantinople rose significantly with increasing geopolitical complexity, contributing to the reinforcement of independent local power.

Decay of state networks of communication and naval security

The last part of this analysis examines the decline of Byzantine naval power over the course of the twelfth century and interprets this decline as an erosion of the state’s transaction cost advantage in the provision of security and in the exchange of information. The efforts of Emperors Alexios I and John II Komnenos returned significant areas of Anatolian coastline to Byzantine control. The recovery of the coast whilst central Anatolia remained occupied by the Turks, including the increasingly entrenched Sultanate of Ikonion, helps to characterise the Byzantine Empire in this period as essentially a coastal empire. A very great proportion of Byzantium’s significant settlements and most productive areas now lay within easy reach of coastal raiders if not adequately secured. Yet the available source material strongly suggests that during this period coastal security was worsening, with

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83 Both of the Principality of Antioch and Armenian Cilicia had complex and variable diplomatic relationships with Byzantium and thus they should not be considered Byzantine territory for the purposes of this analysis.
84 Notable examples include Thebes and Corinth, sacked by Normans in 1147; and even the empire’s second city, Thessalonica, sacked by Sicilians in 1185. Niketas Choniates, *O City*, pp.44, pp.164-165.
negative effects on the empire’s maritime commerce, communication, and transportation. This decline in security can be linked to underinvestment in Byzantium’s naval forces, especially relative to an increasing Italian presence in the eastern Mediterranean.  

Contemporary sources indicate that the Byzantine navy, perhaps already outdated by Italian standards at the beginning of the twelfth century, was allowed to decline in this period. Anna Komnena, accounting the reign of her father Emperor Alexios I, remarks that the Latins had access to ships with three masts and two-hundred oarsmen, larger than any the empire could put to sea. Niketas Choniates also hints at the superiority of Latin shipping in his account of Emperor Manuel’s attempt to simultaneously arrest every Venetian merchant operating within the empire’s borders in 1171. A group of Venetians are said to escape in a vessel of greater size ‘than any ship that ever lay in a harbor’ and still more than fast enough to evade pursuit. This appreciable gap in naval technology between Byzantium and the West was not narrowed over the course of the twelfth century as the empire increasingly relied upon Latin allies and mercenaries for the provision of naval power rather than develop native capacity.

The growing wealth of Byzantium’s territory, much of it coastal, and the neglect of naval power created ideal conditions for the piracy which the sources suggest is an increasing problem in the twelfth century. The letters of Michael Choniates, Bishop of Athens and brother of Niketas, complain of ever more common and more damaging pirate raids in the latter twelfth century. That Michael’s own nephew was injured in one such raid underlines the seriousness of his complaint; that even a presumably wealthy and perhaps guarded citizen should have to fear for his physical safety within the empire’s borders. Niketas Choniates’ chronicle supports the evidence of Michael’s letters and paints a damning picture of Komnenian naval policy. The decline of the navy is alleged by Niketas to have originated with the tax reforms of Emperor Manuel’s early reign, likely the 1140s. Naval obligations are partially monetised and taxes earmarked for naval spending are diverted to the imperial treasury. These measures, the work of a shrewd administrator named John of Poutze, are said to have benefited Manuel’s administration in the short term by liquidating more revenue, but at the longer-term cost of allowing pirates, as Choniates comments, to ‘rule the seas’ and harass coastal provinces unhindered. Chronic insecurity does not imply that the Komnenian state was entirely unable to mobilise naval power. The sources do note the impressive fleets constructed on occasions when major military campaigns demanded transportation and escort, such as Manuel’s ill-fated expedition to Egypt in 1169, but these temporary naval actions did not translate into any consistent or reliable maritime security.

85 A. Laiou and C. Morrison, Byzantine Economy, pp.122-144.
87 Niketas Choniates, O City, pp.98.
88 J. Herrin, Margins and Metropolis, pp.114-117.
89 J. Herrin, Margins and Metropolis, pp.119.
90 J. Herrin, Margins and Metropolis, pp.76, pp.86.
91 Niketas Choniates, O City, pp.33.
92 Details of Manuel’s ambitious Egyptian campaign can be found in both Choniates and Kinnamos: Niketas Choniates, O City, pp.91-92, and John Kinnamos, The Deeds of John and Manuel Comnenus, pp.207-209.
Rather than invest heavily in consistent naval capacity, successive twelfth-century emperors relied upon Italian allies to provide ad hoc naval support when needed. This strategy was born originally of need but would ultimately have grave consequences for Byzantine naval security. Alexios I’s lack of funds and naval capability in the chaotic opening years of his reign prompted an alliance with Venice and an exchange of naval support for extensive commercial privileges and tax breaks for Venetian merchants. Venetian help allowed Alexios to defeat a Norman invasion at the outset of his reign, however the concessions granted to the Venetians would later prove extremely difficult for both his successors John and Manuel to curb. The chronicle of John Kinnamos is unusually candid in admitting that Emperor John II Komnenos was forced into a humiliating surrender of his attempt to limit Venetian privileges in 1126 as the Venetians turned to organised piracy in retaliation. Manuel’s mass arrest of Venetian merchants in 1171 was similarly fruitless. Although the operation is portrayed as well-orchestrated in both Kinnamos and Choniates, Venetian privileges are later revealed to have been restored, and confiscated property returned, before Manuel’s death in 1180. Foreign naval power may have been useful for fixed engagements in a time of need, but once relied upon at the expense of Byzantine naval capacity foreign forces could turn to extortion and contribute to piracy rather than prevent it.

The case of a Genoese pirate named Gafforio provides a telling example of Byzantine maritime weakness by the end of the period. Gafforio is said by Choniates to terrorise the Greek coast in the last years of the twelfth century, and to have ‘gathered riches beyond measure’ in the process. The Byzantine administration sends a certain Giovanni Stirione, himself a former pirate, to apprehend Gafforio with all the imperial ships that can be spared. Byzantium’s available naval forces are nonetheless outnumbered by the pirate fleet and Gafforio is eventually bribed to discontinue his activities. That a pirate, even perhaps with the tacit backing of a merchant republic, could have mustered more ships than the Byzantine state is notable. The strategy of bribery however, which no doubt incentivised further piracy, hints at the desperation of the imperial administration in the face of uncontrollable threats to maritime security.

Declining coastal and maritime security can be equated to the growing transaction-cost disadvantage of the Byzantine state. The decline in security examined above is in itself evidence of the state’s progressive weakness in the provision of security as a public good. Just as significantly, the state’s inability to secure the coastline contributed to political and economic decentralisation by increasing the state’s transaction costs in the production and exchange of useful information. Transportation and communication was usually much faster by sea than overland. In addition to the added difficulties faced by traders, travellers and coastal communities, the state’s inability to adequately control shipping routes and deter
piracy had consequences for the political economy of the empire. In concert with the shrinkage and atrophy of the imperial bureaucracy during this period, the decline of the imperial navy represents a degradation of the state’s previously exclusive access to methods of transaction-cost reduction in the exchange of useful information and the provision of security, both on land and overseas.

Conclusions

Contemporary observers and most modern scholars alike conclude that the fall of Constantinople to the forces of the Fourth Crusade (1204), and the subsequent temporary collapse of the empire, was possible only because of the political and economic incapacity of the Byzantine state. Temporary phenomena, such as a succession of weak emperors and the hostility of the Latin powers, must have had some role to play; this thesis however, has sought to focus on the longer-term centrifugal tendencies apparent in the empire’s polity and economy. The decentralisation that had so undermined the authority and capacity of the Byzantine state by the end of the twelfth century can appear the result of a ‘perfect storm’ of independent developments. This project has briefly examined some of these developments: the Komnenian promotion of ‘aristocratic’ government at the expense of the imperial bureaucracy; economic growth in the empire’s provinces and an accompanying tendency towards local independent authority; an ever more complex and fluid geopolitical situation; and finally the neglect of Byzantine naval capacity, and an over-dependence upon unreliable foreign naval power. It has been argued here that these elements of decentralisation and decline can be examined as parts of a single framework that offers greater explanatory power than can their treatment in isolation. All can be linked to changes in the state’s ability to acquire and exchange useful information and provide political goods. These changes together may be represented as a shifting transaction-cost equilibrium. During the twelfth century the state’s costs rose relative to those of the empire’s provinces and non-state actors, removing the economic justification for, as well as the political will to support, the centralised control that had so defined the Byzantine Empire for much of its history.

This analysis is not an attempt to remove human agency from our understanding of Byzantine political economy in this period. The choices and preferences of emperors, administrators, and the provincial powerful significantly affected the process of change. Whilst the economic growth of the empire’s provinces may have been both desirable and to an extent independent of any conscious imperial policy, the upkeep and capability of the navy was most certainly subject to political choice. The state could not have prevented the spread of low-transaction-cost technology, even if such a policy had been desirable, nor could the state have avoided the increasing challenges of geopolitical complexity on land, and increasing competition at sea. Yet the state could have fortified its capacity to meet these challenges. The contraction of the bureaucracy and the atrophy of the navy could have been combatted and perhaps reversed, especially during the longer periods of Komnenian strength and stability.

Reaching its apogee in Manuel’s reign, the Komnenian Empire appeared powerful, and was respected both at home and abroad; but its foundations were weak, and its successes ultimately proved incredibly fragile. Paul Magdalino, in the epilogue to his study
of Manuel and his empire, notes that ultimately the emperor’s achievement ‘was too
dependent upon his own survival’.  
This analysis would conclude that the empire, upon
Manuel’s death in 1180, was so dependent upon the charisma of one man because the
political and economic rationale for the state’s very existence had been progressively
undermined. Manuel commanded immense personal authority and the reverence of his
subjects; yet if his state had remained more capable, or if its subjects had remained more
dependent, then his successors would not have needed the great personal qualities that
they inevitably lacked.

This project has confined its scope to the Byzantine Empire of the twelfth-century.
Valuable further study might strengthen the analysis by comparison with the empire of the
Macedonian period, particularly the tenth century, as an archetypical example of a pre-
modern state operating at a strong transaction-cost advantage. Additionally, comparison
could be drawn between this analysis and the collapse of the Carolingian Empire, or the
decentralisation of the Holy Roman Empire in the wake of the Investiture Controversy, and
in so doing help to shed further light on the interplay between Byzantine and wider-
European political economy in the pre-modern era.

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\[100\] P. Magdalino, Manuel Komnenos, pp.217-228, pp.490.
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