

The Taming of the Condottieri

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Abstract

Mercenaries were hired by the Italian city-states in the thirteenth to fifteenth centuries. They could, and at times did, betray their employers. Why did the city-states hire them despite the potential for treachery, and how did the city-states endeavor to minimize this principal-agent problem? In this article, I qualitatively analyze why Italian city-states chose to employ the mercenaries and what tools the city-states used to attempt to solve the problem. In doing so, I draw and expand upon Austrian contributions to political-entrepreneurship and institutional analysis.

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I. Introduction

The primary research questions of this article are why the Italian city-states in the thirteenth to fifteenth centuries employed mercenaries despite their potential for treachery, and how these city-states endeavored to overcome that loyalty issue. I argue that the leaders of the city-states were political entrepreneurs who employed mercenaries despite the issue because these states were rich relative to the size of their populations (Mallett [1974] 2019, p. 2) and arming the population brought risks of its own (Leeson and Piano 2021), which meant that mercenaries had a comparative advantage over civilian militias in providing military services to city-states. Furthermore, these city-states engaged in entrepreneurial innovation in the contractual and noncontractual compensation terms provided to the mercenaries in order to align the interests of the mercenaries with their own, up to and even beyond the mercenaries' deaths.

As Leeson (2012) writes, "Legal institutions occupy a place of prominence in the Austrian approach because they are themselves at one level or another the result of purposive behavior . . . in the Austrian approach, institutions generally, and legal institutions in particular, are objects of praxeological inquiry" (p. 189). Rather than taking institutions for granted (Leeson, p. 187), this article analyzes

them—in particular, the condottieri system and the compensation specified within and beyond the *condotta* contracts—as instruments that the city-states used to attain their desired end of continued employee loyalty.

II. History

Mercenaries operated in the Italian city-states from the middle of the thirteenth century to the middle of the fifteenth century (Leeson and Piano 2021, p. 429). At this time, Italy was highly politically fractionalized, commercially oriented, and wealthy: “It is estimated that the kingdom of Naples alone was as wealthy as the kingdom of England” (Murphy 2007, p. 4). The city-states were “vast economic powerhouses that were each supported by an agricultural hinterland known as a *contado*” (Murphy, p. 4). People were quite scarce relative to money, and this encouraged the use of small professional mercenary forces (Mallett [1974] 2019, p. 2).

The word *condottiere* is related to the word *condotta*, which refers to the contract between a government and the freelance commander it employed (Trease 1971, p. 17). The arrangements agreed to in *condotte* were specific, and “their terms were capable of almost infinite variety” (p. 17). Contracts could be for short or long duration, for attacks or defensive duties, for active-duty or on-retainer service; the contracts specified the quantities and types of soldiers and equipment that would be provided as well as what portion of ransom and loot the condottieri would earn (pp. 17–18).

As the city-states relied on these mercenaries to use force, neither party enjoyed a monopoly on the use of force. Accordingly, they existed in a state of anarchy in relation to one another. As it happens, the preponderance of military strength was in the hands of the condottieri (Murphy 2007, p. 9). With no umbrella enforcer of contracts between these two actors, contracts were, to an extent, made self-enforcing, and extracontractual means of compensation were used to align the mercenaries’ incentives with that of their employers in the long term. This article analyzes why mercenaries were hired despite their potential for treachery, and how the hiring city-states designed the institution of the *condotta* and the other forms of compensation to make them as incentive aligning as possible across time.

III. Treacherous Mercenaries: What Good Are They?

Machiavelli ([1532] 2019) warned against the use of mercenaries: “Mercenaries and auxiliaries are useless and dangerous; and if one

holds his state based on these arms, he will stand neither firm nor safe; for they are disunited, ambitious, and without discipline, unfaithful, valiant before friends, cowardly before enemies; they have neither the fear of God nor fidelity to men, and destruction is deferred only so long as the attack is; . . . they have no other attraction or reasons for keeping the field than a trifle of stipend, which is not sufficient to make them willing to die for you” (p. 71).

Machiavelli’s warnings have some merit. There are multiple examples of mercenaries being bought off. For example, the Lombard cities paid off the Great Company of Werner of Urslingen, which was rampaging in Lombardy. After being paid off, Werner went back to Germany (Mallett [1974] 2019, pp. 31–32). The Paduans successfully bribed their opponents, the Venetian condottieri, to retreat in 1386 in the Battle of Brentelle (Trease 1971, p. 66). When the Pisans hired condottieri to attack Florence, “the Florentines hit back with the most potent weapon in their armour, the florin” and successfully bribed the majority of the forces arrayed against them with one hundred thousand florins (Trease 1971, pp. 70–72). Given the danger that their paid mercenaries would accept bribes rather than completing the job they were paid to do, why did city-states continue to hire them?

One reason is that the alternative was not without its dangers. According to Leeson and Piano (2021), an important reason why city-states sometimes preferred to hire mercenaries than arm local forces was that armed local forces posed a dangerous internal threat to the leaders of the city-states: “In this regard, mercenaries offered rulers a crucial advantage. . . . Unlike citizens, mercenaries . . . lacked the local political-economic knowledge that makes ruling valuable; often they did not even know the local language” (p. 433).

The second reason concerns comparative advantage. It is not totally clear who had the absolute advantage in warfare: the condottieri or civilian militias. On the one hand, the condottieri specialized in warfare for their livelihoods. On the other hand, for reasons of loyalty and even sometimes military effectiveness, citizen armies may have had the absolute advantage over the condottieri in fighting for the city-states. For example, Milan’s civilian militia drove out the attacking forces of the mercenary Gonzaga of Mantua (Trease 1971, p. 40). Nevertheless, the leaders of city-states found that, at least from their perspective, mercenaries had a comparative advantage over civilian militias in providing military services. This is in part because city-states were so economically successful that diverting

citizens from their usual economic activities to warfare was very costly: “If other countries found the feudal levy inadequate for their military needs, it may be imagined how the economically advanced city-states of Italy, such as Florence and Milan, found the mobilization of a civic militia not only an insufficient provision but also a burdensome distraction from the normal business of trade, manufacture, and finance. They had a particular incentive to delegate their military duties to outsiders who specialized in war” (Trease 1971, p. 22). Trease is explaining opportunity cost, comparative advantage, specialization, and the division of labor. As Coyne and Hall (2019) point out, “Economic resources used in the military sector are necessarily withdrawn from the private sector” (p. 79). Taxing the economy to pay for hired swords was judged to be the lower-cost option compared to forcing city laborers out of their usual activities and into defense.

Beyond the fact that residents of the city-states were particularly productive and well suited to commerce, the economic rationale for hiring outside mercenaries also stemmed from the ready supply of fighting men from other European countries, thanks to events that made veterans of other wars available for military service (Mallett [1974] 2019, pp. 18–19). Mallett (p. 19) cites such events as the winding down of the Crusades, the movement of Hungarian and Angevin armies into the Italian peninsula in irregular spurts (providing a supply of mercenaries for the Italians), and the truces in the Hundred Years’ War (providing English and French soldiers for Italian hire after 1360).

IV. Political Entrepreneurs, Contractual Innovations, and Mercenary Loyalty

The above discussion of trade-offs helps to explain why leaders of city-states hired condottieri despite their dubious loyalty. But the leaders did not simply accept disloyalty as a given. Rather, they cleverly engineered contracts and extracontractual compensation terms with their mercenaries to shift the condottieri’s cost-benefit analysis in favor of lifelong service to the city-state and in turn mitigate the principal-agent problem.

Salter (2020) frames monarchs in the time of Frederick the Great as political entrepreneurs. Likewise, I argue that the leaders of the city-states were political entrepreneurs. Entrepreneurship is “judgmental decision making under conditions of uncertainty” (Klein

2008, p. 177), and political entrepreneurship is entrepreneurship in the context of the state (Salter, p. 5).

A crucial reason why the leaders cared to align the incentives of their mercenaries to instill long-term loyalty is that these leaders were residual claimants to the fruits of warfare. In victory, rulers shared in the spoils won by the blood and sweat of their hired warriors (Trease 1971, pp. 18, 268–69; Murphy, 2007, pp. 9–10). In defeat, they had their taxpaying citizenry, their property, and even their lives to lose. Cities could be besieged or stormed, and the surrounding agricultural countryside could be raided and burned, all of which could cause economic and political turmoil for rulers.

The discussion in Salter (2020) of residual claimancy in the case of seventeenth-century German principalities applies to the Italian city-states: “The prince . . . makes managerial decisions and is a significant bearer of the resultant costs and benefits because of the effects on the prince’s personal wealth . . . In this context, control rights and residual claim rights are linked” (p. 9). The potency of Italian rulers’ status as residual claimants was magnified by the fact that city-states were geographically small. An attack on a city-state is, *ceteris paribus*, much more likely to endanger the lives, families, friends, and property of its leadership compared to an attack on a nation-state, in which large swaths of territory are more likely to be unscathed.

This incentive structure of residual claimancy gave fruit to creative packages of compensation designed to secure the long-term loyalty of the condottieri. I point to three mechanisms by which city-states sought to secure the loyalty of their hired mercenaries using economic compensation. First, city-states compensated mercenary captains with estates within the city-state. Second, city-states granted pensions to mercenary captains. Third, leaders of city-states married off their children to mercenary captains.

A crucial component of the military system of Italy was the use of various types of rewards: “This could be described as a necessary counter measure to prevent the enemy bribing soldiers away from the service of a state. . . . To some extent the rewards were built into the contractual system” (Mallett [1974] 2019, p. 90). In particular, the provision of estates for the military hierarchy’s higher tiers constituted a frequently used type of reward (p. 91). Citizenship and a palace within the capital city were forms of remuneration that could keep condottieri permanently in the service of the state (p. 93). Landed patrimonies known as nests, palaces on the Grand Canal, and

lifetime pensions were offered by the Venetians, whose policy was to deliberately assimilate the army in society and the economy; Milan behaved similarly (Caferro 2008, p. 205).

Providing a condottiere with land and housing within a city-state, rather than the cash equivalent to that real estate, ties the mercenary to the city-state. Compared to gold, estates are far less liquid, and the value of real estate within a city-state would be massively impaired if the city-state were attacked. Furthermore, once a condottiere has land or a palace within a city-state, he will spend more time there than otherwise and will spontaneously develop personal ties to the city. Thus, leaders of city-states acted entrepreneurially in using this form of compensation to provide a lasting solution to the principal-agent problem.

Pensions played a similar role to the provision of estates and palaces. States frequently gifted mercenaries pensions for life (throughout active military service and upon retirement): “The pension given as a specific reward again had the effect of physically tying the soldier to the state as he would have little hope of continuing to receive the pension if he deserted” (Mallett [1974] 2019, pp. 90–91). Mercenary captains signed long-term contracts called *condotte in aspetto* with Milan, Florence, and Venice, whereby these captains were paid yearly stipends, including when the captains were not engaged in active service in the field (Caferro 2008, pp. 204–5). A mercenary may be indifferent between receiving a pension and a lump sum equivalent to the present value of the future revenue stream offered by the pension. But city-states were not indifferent, because they valued the loyalty-cementing effects of pensions, which they could cut off in the event of treachery.

Finally, Italian states deliberately intertwined the condottieri’s family life and the city-state in order to maintain the condottieri’s loyalty for the rest of their lives. By the 1440s, Venice was offering family allowances and accommodation to the children and wives of its condottieri in order to encourage the condottieri’s families to live on Venetian territory (Mallett [1974] 2019, p. 91). Venice provided dowries to the daughters of condottieri who died serving Venice, in addition to generous grants for living expenses to the families of the deceased (p. 91). Further, in some cases when a mercenary captain died, the company under his command was kept together until the fallen condottiere’s sons were old enough to take command (p. 91).

In life, a condottieri could rest assured that his wife and children would be generously taken care of by the employing state. But this

care could be jeopardized if he betrayed the state. Thus, while the state used pensions to extend a condottiere's time horizon until his death, the provision of compensation to a mercenary captain's family stretched his time horizon beyond his own death into the lives of the family members who would survive him.

The intertwining of the family lives of employer and employee went beyond the provision of material benefits. Marriages were arranged between mercenary captains and the relatives of the leadership of city-states. Numerous princes gave a daughter as a bride to one of the prince's condottieri to ensure good faith from this employee (Swain 1989, p. 448). For example, a former duke of Milan's only daughter married Francesco Sforza (a famous condottiere); the former duke's security appeared to hang crucially on Sforza's loyalty (p. 448). Similarly, Bernabò Visconti, a ruler of Milan, habitually married his illegitimate daughters off to his condottieri to strengthen their faithfulness to him (Trease 1971, pp. 73, 93).

Bjerregaard and Lauring (2012) note how "various formal and informal institutions enable and constrain exchange within and across spheres of value circulation" (p. 33) and state that informal cultural or social institutions can bridge gaps created by weakness of formal institutions that facilitate market activity. By incorporating condottieri into their families through the nonmarket institution of marriage, Italian political leaders raised the costs of disloyalty because betrayal of an employer became coterminous with attacking the father of one's wife and the grandfather of one's children. The integration of mercenary captains into the family and communal life of city-states through the nonmonetary mechanism of marriage helped to fill the gap left by the absence of a monopoly of force and ensured the mercenaries' faithful fulfillment of their contracts with the Italian states.

V. Conclusion

Machiavelli may have been right that mercenaries were untrustworthy (Leeson and Piano 2021, p. 444). But one of the key insights of economic theory is that options must be compared with their available alternatives. In the case of the condottieri, the dangers of arming domestic civilians and the economic cost of diverting their labor from value-creating channels to war help explain why Italian city-states chose to employ the condottieri despite the risks.

The leaders of Italian city-states also acted as creative entrepreneurs in the contractual and extracontractual compensation

packages they provided. They designed their compensation to their armed employees to provide the mercenaries strong monetary and filial incentives to remain loyal. These incentives stretched mercenary captains' time horizons until their deaths and even afterward, as the city-states would take care of the captains' families after their deaths and even employ their sons to lead the mercenary companies that their fathers once led into battle.

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