

Building Loyalty through Personal Connections:

Evidence from the Spanish Empire

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How can rulers induce agents to implement their preferred policies?

The Spanish Empire solution: **Personal relationships**

- The Spanish Empire discouraged ties between colonial officials and local elites.
- They boosted ties between officials and their superiors in Spain by promoting more connected officers.

These policies worked for them:

- Territories with more connections to superiors raised more revenue.
- Territories with more local connections raised less revenue.

Context



Principals: Council of the Indies.

- In Madrid.
- Up to 25 **councilors**.

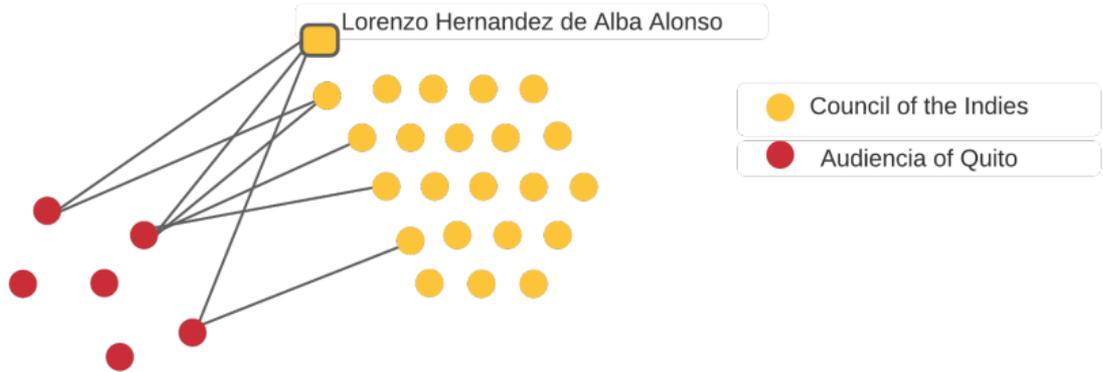
Agents: 14 audiencias.

- In colonial capitals.
- 5 to 25 **ministers** each.
- Judicial, legislative, and oversight.

Connections:

- **Personal connections:** sustained in-person interactions.
- Different from **shared backgrounds**.
- Validated with **endogenous friendships**.

The Audiencia of Quito in 1806



Lorenzo Hernandez de Alba Alonso personally knew three Quito ministers.

The Audiencia of Quito in 1807



Lorenzo Hernandez de Alba Alonso died in 1807:

- Three ministers lost one connection to the Council.
- The audiencia of Quito as a whole lost three connections.

The effects of personal connections

Main results:

- Minister-level: Personal connection to one extra councilor \rightarrow 3.3pp higher probability of promotion (16% of the mean).
- Audiencia-level: One more minister with a Council connection \rightarrow 0.5% higher revenue.

Other results:

- No effect of shared backgrounds.
- Less connected people were willing to buy the office: Connections were investments in state centralization/fiscal capacity.
- Districts with more local connections raised less revenue.

Thank you!

Any questions or feedback: msal@stanford.edu