

I. Introduction: Interest Groups and the Suffrage Revolution of 19th Century Europe

- A. The previous lecture suggests that industrialization itself is unlikely to generate directly a parliamentary interest in suffrage reform unless industrialization changes suffrage norms or a preexisting link exists between the degree of suffrage and the size of the tax base.
- B. Insofar as new suffrage norms are not obvious products of industrialization and suffrage-based tax constraints are not widely observed, the analysis to this point has failed to find a direct causal link between economic growth and major reforms of suffrage laws.
- C. Of course, economic growth of the sort generated by rapid industrialization does more than simply increase wealth.
 - i. It also alters the manner in which economic resources are employed throughout the economy being industrialized.
 - { By doing so, industrialization *also changes the relative cost and benefits of organizing politically active interest groups.*
 - ii. Many of the same technological advances that allow large industrial firms to be created and managed successfully also **reduce the costs of forming and managing large politically active interest groups.**
 - a. For example, the same improvements in communication and transport that allow economic entrepreneurs to assemble and manage large numbers of employees in the pursuit of profit also allows political entrepreneurs to assemble and coordinate the political activities of large numbers of individuals who share ideological or economic interests.
 - b. The costs of organizing interest groups are further reduced by the successful creation of large industrial enterprises that place large numbers of individuals with more or less common economic interests in close proximity to one or another and within a well-functioning network of communication. Industrialization also induces firms to locate close to one another in order to reduce the cost of transporting intermediate goods and providing specialized services to large enterprises and their employees.
 - c. Economic development, consequently, tends to increase population densities, which further reduces the costs of organizing politically active groups.
 - iii. To the extent that political activities are what economists refer to as superior goods (goods that one purchases relatively more of as one's income rises), successful economic growth also increases the resources contributed to politically active interest groups.

- iv. In addition to promoting the growth of "persuasive" political and economic interest groups, industrialization also provides some economic interest groups with more powerful tools for influencing public policy.
 - a. As industrialization takes place, larger firms tend to become larger and both labor and capital tend to become more specialized.
 - b. As each citizen's personal income becomes increasingly dependent on the availability of other complementary resources and as the size of interest groups increases, it becomes increasingly possible for an economic interest group to reduce or threaten to reduce the incomes of those outside the group simply by temporarily withholding resources from the market, for example, through **strikes and strike threats.**

II. Legal Equality as a Persuasive Theme for Economic and Ideological Interest Groups in the 19th Century

- A. "Secular" Philosophers in the seventeenth and Eighteenth century had built a theoretical case for "natural equality" (Hobbes, Locke, Rousseau, Kant)
 - i. Hobbes, 1651, *The Leviathan*, Ch 13, "For such is the nature of men that howsoever they may acknowledge many others to be more witty, or more eloquent or more learned, yet they will hardly believe there be many so wise as themselves; for they see their own wit at hand, and other men's at a distance. But this proveth rather that men are in that point equal, than unequal. For there is not ordinarily a greater sign of the equal distribution of anything than that every man is contented with his share. From this equality of ability ariseth equality of hope in the attaining of our ends."
 - ii. Locke, 1689, *Treatise on Government*, Book 2, Ch. 2, "TO understand political power right, and derive it from its original, we must consider, what state all men are naturally in, and that is, a state of perfect freedom to order their actions, and dispose of their possessions and persons, as they think fit, within the bounds of the law of nature, without asking leave, or depending upon the will of any other man. **A state also of equality**, wherein all the power and jurisdiction is reciprocal, no one having more than another; there being nothing more evident, than that creatures of the same species and rank, promiscuously born to all the same advantages of nature, and the use of the same faculties, should also be equal one amongst another without subordination or subjection, unless the lord and master of them all should, by any manifest declaration of his will, set one above another, and confer on him, by an evident and clear appointment, an undoubted right to dominion and sovereignty.
 - §. 5. This equality of men by nature, the judicious Hooker looks upon as so evident in itself, and beyond all question, that he makes it the foundation of that

obligation to mutual love amongst men, on which he builds the duties they owe one another, and from whence he derives the great maxims of justice and charity.

- iii. Kant (1793, *Principles of Politics*) "The Equality of every member of the State as a subject is the second principle in the constitution of a rational commonwealth. The formula of this Principle may be put thus:--Every member of the Commonwealth has rights against every other that may be enforced by compulsory laws from which only the sovereign or supreme ruler is excepted."
 - iv. Von Humbolt (1792/1852, *The Sphere and Duties of Government*) "Those whose security is to be preserved are, on the one hand, all the citizens, in perfect legal equality, and, on the other, the State itself. The extent of this latter object, or the security of the State, is determined by the extent of the rights assigned to it, and through these by the nature and extent of its aims. As I have hitherto argued, it may not demand security for anything save the power entrusted to its hands, and the resources allotted to its disposal."
- B. The equality of citizens in the natural state and before the law was used by many political philosophers to develop a "popular sovereignty" theory of the state. That is to say that states obtain their authority via a voluntary transfer of "natural powers" from individuals to the government--as if through a social contract.
- C. Towards the end of this period, economics emerged as a separate field of inquiry which also argued that a nation's wealth is also rooted in the decisions of ordinary people. For example Smith argued that labor is ultimately the source of wealth (the productivity of which is augmented by capital and specialization) and that special privileges in trade were unwarranted and harmful.
- i. Smith (1776, *Wealth of Nations* **Book 1, labor theory of value**) The annual labour of every nation is the fund which originally supplies it with all the necessaries and conveniences of life which it annually consumes, and which consist always, either in the immediate produce of that labour, or in what is purchased with that produce from other nations.
 - a According therefore, as this produce, or what is purchased with it, bears a greater or smaller proportion to the number of those who are to consume it, the nation will be better or worse supplied with all the necessaries and conveniences for which it has occasion.
 - b But this proportion must in every nation be regulated by two different circumstances; first, by the skill, dexterity, and judgment with which [2] [its](#)

labour is generally applied [b](#); and, secondly, by the proportion between the number of those who are employed in useful labour, and that of those who are not so employed. Whatever be the soil, climate, or extent of territory of any particular nation, the abundance or scantiness of its annual supply must, in that particular situation, depend upon those two circumstances.

- ii. The abundance or scantiness of this supply too seems to depend more upon the former of those two circumstances than upon the latter. Among the savage nations of hunters and fishers, every individual who is able to work, is more or less employed in useful labour, and endeavours to provide, as well as he can, the necessaries and conveniences of life, for himself, [or](#) such of his family or tribe as are either too old, or too young, or too infirm to go a hunting and fishing.
 - a Such nations, however, are so miserably poor, that, from mere want, they are frequently reduced, or, at least, think themselves reduced, to the necessity sometimes of directly destroying, and sometimes of abandoning their infants, their old people, and those afflicted with lingering diseases, to perish with hunger, or to be devoured by wild beasts.
 - b Among civilized and thriving nations, on the contrary, though a great number of people do not labour at all, many of whom consume the produce of ten times, frequently of a hundred times more labour than the greater part of those who work; yet the produce of the whole labour of the society is so great, that all are often abundantly supplied, and a workman, even of the [3] lowest and poorest order, if he is frugal and industrious, may enjoy a greater share of the necessaries and conveniences of life than it is possible for any savage to acquire.
- iii. The causes of **this improvement, in the productive powers** of labour, and the order, according to which its produce is naturally distributed among the different ranks and conditions of men in the society, make the subject of the First Book of this Inquiry.
- iv. [**Free Trade and Special Interest Politics: Monopoly**] To expect, indeed, that the freedom of trade should ever be entirely restored in Great Britain, is as absurd as to expect that an Oceana or Utopia should ever be established in it. Not only the prejudices of the publick, but what is much more unconquerable, the private interests of many individuals, irresistibly oppose it.

- a Were the officers of the army to oppose with the same zeal and unanimity any reduction in the number of forces, with which **master manufacturers set themselves against every law** that is likely to increase the number of their rivals in the home market; were the former to animate their soldiers, in the same manner as the latter enflame their workmen, to attack with violence and outrage the proposers of any such regulation; to attempt to reduce the army would be as dangerous as it has now become to attempt to diminish in any respect the monopoly which our manufacturers have obtained against us.
- b This monopoly has so much increased the number of some particular tribes of them, that, like an overgrown standing army, they have become formidable to the government, and upon many occasions intimidate the legislature.⁵⁹
- v. The **member of parliament who supports** every proposal for strengthening this **monopoly**, is sure to acquire not only the reputation of understanding trade, but great **popularity and influence** with an order of men whose numbers and wealth render them of great importance. If he opposes them, on the contrary, and still more if he has authority enough to be able to thwart them, neither the most acknowledged probity, nor the highest rank, nor the greatest publick services can protect him from the most infamous abuse and detraction, from personal insults, nor sometimes from real danger, arising from the insolent outrage of furious and disappointed monopolists.
- a The undertaker of a great manufacture who, by the home markets being suddenly laid open to the competition of foreigners, should be obliged to abandon his trade, would no doubt suffer very considerably. That part of his capital which had usually been employed in purchasing materials and in paying **his workmen, might, without much difficulty, perhaps, find another employment.**
- vi. [from **Book 2, Intro, on the division of labor and productivity of capital**, *begins with a state of nature*] In that rude state of society in which there is no division of labour, in which exchanges are seldom made, and in which every man provides every thing for himself, it is not necessary that any stock should be accumulated or stored up beforehand in order to carry on the business of the society.
- a Every man endeavours to supply by his own industry his own occasional wants as they occur.
- b When he is hungry, he goes to the forest to hunt; when his coat is worn out, he cloths himself with the skin of the first large animal he kills: and when his hut begins to go to ruin, he repairs it, as well as he can, with the trees and the turf that are nearest it.
- vii. But when the division of labour has once been thoroughly introduced, the produce of a man's own labour can supply but a very small part of his occasional wants.¹
- a The far greater part of them are supplied by the produce of other mens labour, which he purchases with the produce, or, what is the same thing, with the price of the produce of his own. But this purchase [408] cannot be made till such time as the produce of his own labour has not only been completed, but sold.
- b A stock of goods of different kinds, therefore, must be stored up somewhere sufficient to maintain him, and to supply him with the materials and tools of his work till such time, at least, as both these events can be brought about.²
- c A weaver cannot apply himself entirely to his peculiar business, unless there is beforehand stored up somewhere, either in his own possession or in that of some other person, a stock sufficient to maintain him, and to supply him with the materials and tools of his work, till he has not only completed, but sold his web.
- d This accumulation must, evidently, be previous to his applying his industry for so long a time to such a peculiar business.
- viii. [from **Book 4, nature of wealth**] It would be too ridiculous to go about seriously to prove, that **wealth does not consist in money**, or in gold and silver; but in what money purchases, and is valuable only for purchasing.³²
- a Money, no doubt, makes always a part of the national capital; but it has already been shown that it generally makes but a small part, and always the most unprofitable part of it.³³
- ix. It is not because wealth consists more essentially in money than in goods, that the merchant finds it generally more easy to buy goods with money, than to buy money with goods;

- a but because money is the known and established instrument of commerce, for which every thing is readily given in exchange, but which is not always with equal readiness to be got in exchange for every thing.
- b The greater part of goods besides are more perishable than money, and he may frequently sustain a much greater loss by keeping them.
- x. [also from **Book 4, Ch. 3, Smith's defense of free trade**]
 - a [In the foregoing Part of this Chapter I have endeavoured to](#) show, even upon the principles of the commercial system, how unnecessary it is to lay extraordinary restraints upon the importation of goods from those countries with which the balance of trade is supposed to be disadvantageous.
 - b Nothing, however, can be more **absurd** than this whole doctrine of the balance of trade,¹ upon which, not only these restraints, but almost all the other regulations of commerce are founded.
 - c When two places trade with one another, this doctrine supposes that, if the balance be even, neither of them either loses or gains; but if it leans in any degree to one side, that one of them loses, and the other gains in proportion to its declension from the exact equilibrium. Both suppositions are false.
 - d A trade which is forced by means of bounties and monopolies, may be, and commonly is disadvantageous to the country in whose favour it is meant to be established, as I shall endeavour to show hereafter.²
 - e But that [236] **trade which, without force or constraint, is naturally and regularly carried on between any two places, is always advantageous, though not always equally so, to both.**
- D. Such *liberal* political and economic ideas helped to provide organizing principles for arguments used before parliaments throughout Europe regarding trade liberalization inside individual polities and also for political liberalization within those polities, including suffrage reform.
 - a These were not the only arguments used, of course, but they were new coherent and persuasive arguments added to the pre-existing range of arguments for and against trade liberalization and electoral reform.

- b In this manner, the ideas of the enlightenment tipped the balance of argument in favor of freer trade and broader suffrage.
 - { Their importance was magnified by the fact that many private political clubs and organized interest groups used such arguments to advance their policy agendas.

III. Suffrage Movements

- A. Perhaps the most obvious of the interest groups that can be expected to influence election laws are groups formed to promote suffrage per se.
 - i. Suffrage groups use a variety of means to lobby those with the power to change the laws governing eligibility for suffrage.
 - ii. Within the present model, such groups will be effective if they either induce an entirely new preference for suffrage or induce a change in the norms that determine the proper scope of suffrage.
 - a The public choice literature on interest groups implies that contributions to interest groups increase with personal income and with the productivity of interest group efforts.
 - b The better organized an interest group is, the more support it will receive, other things being equal.
 - iii. In a setting where a nonfiscal interest in suffrage exists, support for suffrage movements will not come exclusively from those who are currently disenfranchised.
 - a The analysis above suggests that contributions to suffrage groups would be made by all citizens with an interest in broader suffrage.
 - b Insofar as persuasion and lobbying activities become more effective as more resources are devoted to them, the probability of suffrage reform increases as the resources available to suffrage groups increase, other things being equal.
 - iv. Economic development, consequently, tends to increase prospects for suffrage expansion by indirectly providing suffrage organizations with new resources for use in their persuasive campaigns.
 - v. However, industrialization increases the probability that suffrage-expanding reforms will be adopted, only if the resources flowing to suffrage movements increase relative to those flowing to antisuffrage movements.
- B. Economic Interest Groups: the Labor Movement and Suffrage Reform
 - i. Economic growth also empowers economic interest groups for the same reasons and, moreover, provides those groups with additional tools for influencing ordinary public policies and constitutional law.

- ii. By deepening the process of production and making greater use of specialization, industrialization tends to increase the economic independence of all agents within the economy both at the margin and inframarginally.
- iii. This increase in interdependence allows economic interest groups to reduce national tax revenue and the income of all within the economy of interest by threatening to strike occasionally.
 - a The increase in specialization that occurs during industrialization implies that strike threats become a more powerful tool for influencing public policy, one that will often be more effective than persuasion.
 - b Bargaining with a strike threat differs in several ways from usual characterization economic bargaining where both sides benefit from exchange.
 - { A strike threat confronts those being struck with two alternatives, neither of which is as attractive as a no-threat setting.
 - { On the one hand, the struck party may accept the economic losses associated with being struck; on the other hand, the struck party may accept an otherwise undesirable contract.
- iv. The bargains reached under strike threats, consequently, do not necessarily make both parties better off in the short or long run and may, in fact, make both parties worse off.
 - a In the conventional economic setting, a new labor contract entails higher wage rates for the striking employees and lower profits for the nonstriking resource owners, often characterized as "firms," that is, employers or owners of the firm's capital.
 - b Firms may accept wage contracts that eventually cause them to become bankrupt, and workers may pay a higher price in lost wages during any strikes that are in fact implemented than they recoup in the subsequent wage contract.
 - c New legislation may similarly cost more than it generates in overall benefits in both the short and long run.
 - d As in a rent-seeking game, the losses generated by conflict can easily make all parties worse off as conflict intensifies.
- v. Nonetheless, a strike threat can be used to obtain changes in legislation favored by those striking or, in the case of interest here, to induce changes in political institutions favorable to the striking group.