

Table of Contents

- Chapter 1: On the Origins of Western Democracy
- Chapter 2: Team Production, Organization, and Governance
- Chapter 3: Organizational Governance in the Long Run
- Chapter 4: The Origins of Territorial Governance
- Chapter 5: Constitutional Exchange and Divided Governance
- Chapter 6: The Power of the Purse and Constitutional Reform
- Chapter 7: Suffrage without Democracy
- Chapter 8: Ideology, Interest Groups, and Adult Suffrage
- Chapter 9: Setting the Stage: Philosophical, Economic and Political Developments Prior to the Nineteenth Century
- Chapter 10: Liberalism and Reform in the Transformative Century
- Chapter 11: Fine-Grained Constitutional Bargaining
- Chapter 12: An Overview of British Constitutional History: the English King and the Medieval Parliament
- Chapter 13: Constitutional Exchange in England: From the Glorious Revolution to Universal Suffrage
- Chapter 14: The Swedish Transition to Democracy
- Chapter 15: Constitutional Reform in the Netherlands: from Republic, to Kingdom, to Parliamentary Democracy
- Chapter 16: Germany: Constitutional Exchange in an Emerging State during the Nineteenth Century
- Chapter 17: The Japanese Transition to Democracy and Back
- Chapter 18: The United States, an Exception or Further Illustration?
- Chapter 19: Quantitative Evidence of Gradual Reform
- Chapter 20: Ideas, Interests, and Constitutional Reform
- Appendix: Methodological Approach, Limits, and Extensions
- References

I. A Broad Overview of the Book and Western Democracy Project

- A. *Perfecting Parliament* provides and tests a theory of the manner in which more or less authoritarian states can become democratic ones.
- B. In today's overview, I will first give an overview of some of the general themes and models in the book and then go through one of the chapters in detail--chapter 4.
- C. **The book is organized in three parts:** (I) Theory, (II) Historical Evidence, and (III) Methodological Issues.
- D. Part I (chapters 2-8) provides an extended public choice / constitutional political economy analysis of the origins of government and possibility of constitutional exchange. Its quite bit broader in scope than most of that research.
- i. The theory makes four somewhat novel points:
 - First, all durable organizations have decision-making bodies, e.g. Governments.
 - Second, that most organizations are founded by a small group of persons (formateurs) who design their organization's government to advance their interests.
 - Third, many (perhaps most) organizational governments are based on the king and council template: that is to say policies are jointly determined by a single person (CEO, King, Prime Minister, President) and a committee of more or less equals (council of advisors, cabinet, parliament, congress).
 - Fourth, that once "up and running" such governments have internal "markets for power" in which authority over particular policy areas can be bargained over and constitutional exchanges consummated.
 - (Constitutions thus change through time, but tend to do so gradually--that is to say, piecewise.)

-

- E. Combining these four ideas with a variety of tools from public choice and economics provides a theory of governance and governmental reform.
- F. This theory can be used to demonstrate the **main point of the book: that in “fortunate circumstances,” constitutional bargaining and exchange within a king and council based government can lead to parliamentary democracy.**
- i. In such circumstances, the balance of authority between a king and his parliament and the manner in which members of parliaments are selected both change in a “liberal” direction.
 - ii. Such changes can be regarded as steps toward PERFECTING PARLIAMENT--at least from the political and economic liberties, contractarian, and utilitarian perspectives.
 - In Western democracies, parliament became a means for promoting broad shared interests, rather than for extracting rents for a privileged group of families.
 - This occurred because the reforms adopted tended to align the interests of members of parliament with an increasingly broad subset of their national citizenries.
 - iii. With the exception of chapters 6-9, the theory part of the book relies on elementary game theory. The more technical chapters require Kuhn-Tucker solutions to optimization problems. However, these are provided in the footnotes while the main narrative focuses on the geometry of and logic of constitutional exchanges that affect the balance of authority between kings and parliaments and those which generate suffrage reform.

G. Part II of the book explores the extent to which the theory worked out in part I can account for the emergence of Western Democracy.

- i. It consists of a series of constitutional narratives.
- ii. Chapter 9-12 provide a general overview of how particular ideas and economic technologies can produce new gains from constitutional exchange that favor economic and political liberalism.
- iii. The rest of Part II provides more detailed constitutional histories of six countries, three easy cases and three more challenging ones to see if the predictions of the model hold up upon a closer examination.
- iv. The easy cases are the United Kingdom, Sweden, and the Netherlands.
- v. The hard cases are Germany, Japan, and the United States.
 - These narratives are unusual--more than I expected when I started the book--because they provide more detail about constitutional bargaining and reforms than most other histories do.
 - Most contemporary historians pay little attention to constitutional developments.

H. Part III of the book addresses methodological issues.

- i. Chapter 19 provides a bit of statistical evidence in support of the theory to buttress the historical work.
- ii. Chapter 20 summarizes the approach of the book, contrasts it with other recent work in the area, and suggests that the same logic may also explain democratization in South Korea and Taiwan, and also be relevant for future transitions.
- iii. A short appendix discusses more narrowly methodological issues associated with the rational choice approach, limits of predictive methods, and the connection between liberalism and the scientific revolution--which occurred largely during the same period in which political and economic liberalism deepened and took root in the West.

I. I hope that a subset of economic, political and legal scholars will find all three parts of interest.

- But most such scholars will find some parts to be of greater interest than others.

II. A Short Overview of the Theory

III. Chapter 2 argues that organizations and organizational governments are created by “formeteurs.”

- i. A formeteur may be regarded as an organizational entrepreneur.
 - ii. There may be a single formeteur (a proprietor), a small group of formeteurs (partners), and occasionally by large groups of persons (cooperatives or communities).
 - Only in the last case, can an organization’s standing procedures for making decisions, be regarded as the product of a social contract.
 - In the other cases, it is a product of formeteurs and, naturally, is designed to advance their interests.
- A. In solving organizational problems, which normally include both public goods and coordination problems, formeteurs will adopt what might be called “least cost solutions,” e.g. best practice solutions, because this maximizes their organizational surplus.
- i. **The combination of rewards and punishments adopted will reflect their relative costs to the formeteur of interest.**
 - **In most cases, the least cost pattern of rewards and penalties will include nonpecuniary rewards (approval, status, etc.) as well as pecuniary ones (wages, bonuses, and promotions).**
 - ii. Opportunities to use nonpecuniary rewards are partly cultural dependent.
 - In some cases, the "organizer" (or "formeteur") can partially rely upon norms and other incentives provided by the culture in which he , she, or they operate.
 - For example, the culture may include a work ethic.

- The formateur(s) may also attempt to create an organizational culture, by for example encouraging team member loyalty, that will solve the incentive problems at lower cost.
- iii. The problem of motivating team members can also be reduced through various recruiting methods to take advantage of the fact that some persons have internalized useful norms.
 - For example, the formateur will attempt to attract members that are easy to motivate or who demonstrate that they have an "internalized" work ethic.
 - Skills, as emphasized by economists, also matter, but they are not necessarily the most important factor in determining a person's productivity on a given team.

B. Because a variety of decisions have to be made and revised as circumstance change, all durable organizations have standing procedures for making such decision.

- That is to say they have governments.

C. An organizational constitution is the collection of formal and informal standing procedures for making policy decisions.

- These are the rules for making rules.

D. Organizational constitutions are NOT carved in stone.

- i. They are adjusted from time to time as circumstances change.
- ii. It is the need for adaptation that requires organizations to have governments and the need for institutional adaptation which gives organizational governance an evolutionary character.
- iii. **Essentially all organizational Constitutions are amendable, because this improves their long term durability.**

E. Chapter 3 addresses issues concerned with an organization's long term viability.

- i. It notes that several additional problems are addressed by organizations in the long run.
- ii. For example, the organization will outlive its founder and succession problems have to be solved.
- iii. Also, the range of new circumstances that have to be dealt with tends to be broader.
 - Adaptability is thus more important in the long run than in the short run.
- iv. However, there are economic, cultural, and knowledge constraints on the size of amendments.
 - Predictable reward and recruiting systems tends to increase their effectiveness and reduce their costs.
 - That is to say, there is value added by “organizational rule of law.”
- v. Such considerations (and others) provides grounds for “Rational Institutional Conservatism,” but such conservatism cannot be complete without undermining an organization's long term viability.

IV. Chapters 2 and 3 also provide a number of rationales for the use of divided forms of government based on the King and Council Template

- A. As organizations increase in size and/or the external environment becomes less stable and predictable, the informational, resource, and policy problems for organizational decisionmaking become more difficult, but often become more important for an organization's survival.
- B. To assist in gathering information and evaluating alternatives, formeteurs will often find it useful to assemble a team of “advisors,” who specialize in such tasks.
- C. To motivate the committee, it is often useful to delegate some genuine decisionmaking authority to them.
 - i. This may be part of their motivation system--authority being a good that many people value.

- Even limited authority may increase a person's status, have reputational effects that increases the value of their information services for others, and may produce opportunities to benefit from the efforts of rent seekers.
 - ii. Delegation also tends to free formateur time and attention for other tasks--such as leisure and forming new organizations.
- D. Similar, but **slightly different informational advantages can also induce “councils” to have “kings”** (chief executive officers).
- E. However, a team of advisors does not automatically improve organizational decisionmaking, because formateurs usually confront what Wintrobe calls the **dictator's dilemma**.
- i. Because of a dictator's control over organizational rewards, it is often in the interest of “advisors” to simply tell the dictator what he wants and/or expects to hear.
 - ii. As a consequence, in-house advisors may not add much to a dictator's stock of information or improve his/her/their decisions.
 - iii. **Advisors, like other team members, have to be motivated and selected.**
- F. To advance informational goals and reduce bias, formateurs will often use committees.
- i. The members of those committees will tend to have expertise on matters of organizational interest and represent diverse interests.
 - ii. To enhance the value of the information passed on to the formateur(s), the committee may be advised to use majority rule.
 - Under majority rule, median voter outcomes tend to emerge, and in the context of an advisory committee, the median voter outcome can be thought of as a median estimator.
 - Median estimators tend to be relatively robust and unbiased estimators.
 - (Condorcet's jury theorem relies, implicitly, on the estimation properties of median estimators.)

G. There are also non-informational reasons to use the King and Council template and for the former to share his, here, or their authority with the other “branch of government.”

- (The book develops these in some length, but for today’s seminar, I provide an brief overview.)

i. For example, every durable organization will eventually outlive its formateurs.

ii. If an organization is to survive, it will require a systematic way of replacing its first generation of leaders.

- The king and council system allows a new king to be selected by the council and new council members to be selected by the king and/or surviving council members.

- Their choices will tend to be fairly good ones insofar as they have the long term interest of the organization in mind and tend to be relatively better informed about the qualities for good decisionmaking at the council level.

iii. Variations of the King and Council template may also be used to reduce unproductive conflict at times of succession (hereditary succession) or by organizing competitive contests to increase the average quality of candidates.

V. Chapter 4 suggests that territorial governments are simply organizations with unusually large abilities to impose rules on persons outside their organization--within a given geographical area.

i. It suggests that monopoly power is often sufficient to do this, and notes that governments often produce important services without significant competition.

ii. It also notes that military force can be used to create artificial monopolies, protect rents being extracted, and also to increase the extent to which rules can be imposed on persons outside the organization of interest.

iii. (Even some religious organizations occasionally have their own armies.)

iv. This ability is limited by exit options of the citizens, but exit costs may also be influenced using military force.

VI. Chapters 5 and 6 argue that internal markets for authority tend to exist in all reasonably stable divided governments.

- A. “**Power**” (policy making authority) is often represented as if it were an all or nothing dimension.
- B. However, policy making authority can be divided in many ways and it **can also be traded**.
- i. A stable distribution of policy making authority creates political property rights that can often be bought and sold much like control over ordinary goods and services.
 - ii. For example, formateurs of contemporary commercial enterprises often sell part of their control over their organization to “investors” who **purchase voting rights** as well as shares future firm profits.
 - By “going public,” formateurs become “shareholders in” rather than “owners of” their enterprise.
 - Such trades of authority for money often increase the resources available to their organizations, albeit at the cost of reduced control over their organizations.
 - iii. Similar transactions often took place between European kings and parliaments in the period between 1400 and 1900, as developed below in Part II of the book, and analogous transactions took place between local rulers and “free towns” in the late medieval period.
 - **No threats of violence are necessary for such shifts of authority (power) to occur.**
- C. “Sharing policy-making authority is partly driven by informational and time allocation problems that emerge as an enterprise increases in scale and complexity and partly by other practical advantages that can be realized by shifting and trading authority within their organizations.
- i. Within the king and council template there are many continuum along which policy making authority can be divided which allows a wide variety of constitutional gains to trade to emerge through time.
 - ii. The flexibility the template provides another rationale for its widespread use.

D. Chapter 6 provides a possible economic explanation for the power of the purse that most medieval parliaments had.

- i. Most European parliament has the authority to veto new taxes.
- ii. Chapter 6 suggests that such authority may actually increase royal revenues by encouraging work, saving, and investment throughout the kingdom.
- iii. If such is the aim of that veto authority, it will tend to be invested in councils representing major taxpayers, as was largely the case.
- iv. (There were often wealth restrictions for eligibility to sit in parliament.)

E. In the very long run, (some five hundred years later) this authority played an important role in constitutional bargaining between the king and the parliament through which parliaments gradually gained complete authority over public policy.

F. Chapter 7, suggests that different models of suffrage reform are required than both the models developed earlier in the book and also those which are available in the literature.

- Suffrage expansion requires more than constitutional gains to trade, because those lacking suffrage have no (direct) control over public policies to trade with those who do.
- The median voter under a given suffrage law tends to be completely satisfied with the law that made him the median voter. An increase or decrease in wealth does not change his pragmatic political and fiscal interests.
- Expansion of suffrage also requires more than revolutionary threats, because such threats are relatively easy to suppress and difficult to organize in a manner that liberalizes governance.
- Moreover, even if successful, revolutionary armies are rarely democratic organizations, and so unlikely to produce democracy.

VII. Chapter 8 book argues that ideological shifts, especially with respect to changes in the “appropriate” qualifications for casting votes, are the most likely explanation for changes in suffrage laws.

- i. Ideological shifts can induce the median voter with suffrage to favor new suffrage laws.
- ii. He may, for example, become persuaded that other voters are qualified to cast votes.
 - An obvious example of this was the expansion of suffrage to women, which was the largest single expansion in all the Western countries.
- iii. Interest groups (and industrialists) may play a role in this process insofar as persuasive campaigns can affect the norms or ideological theories of those who are already eligible to vote.
- iv. There is, as it turns out, a good deal of evidence that liberal economic and political interest groups pressed for suffrage reforms in the nineteenth and early twentieth century.
 - Here it bears noting that I use the term liberal in a more or less 19th century sense.
 - Political liberals on the left and right favored greater civic equality and/or reduction of familial privileges.
- v. Strikes and strike threats are another possible explanation, but as part of collective bargaining strategies involving government policies, rather than as revolutions per se.

VIII. Part II

A. If the theory of territorial governance and constitutional exchange is correct, we should observe:

- i. The widespread use of the king and council template for governance.
- ii. The widespread use of complex multi-dimensional incentive schemes (for example, various combinations of money and status may be used in reward systems).
- iii. Shifts of authority between the king and council should occur fairly frequently, but no trends will exist unless there are trends in the “shocks” generating new constitutional gains from trade.
- iv. Suffrage, in turn, should be affected by other types of shocks--and may tend to be more stable than the balance of authority between the king and the council.
- v. The rise of parliament and expansion of suffrage will not necessarily go hand and hand.
- vi. In cases in which suffrage expands, there will tend to be a variety of more or less liberal interest groups pressing for electoral reform.

B. The theory also suggests that constitutional gains to trade and suffrage reform may also induce democracies to gradually become dictatorships in “unfavorable” conditions. The road to democracy is not a one way street, so we should also occasionally see democracies change into dictatorships through non-violent means.

C. About 400 pages of historical narrative shows that the factors identified in the theoretical section played important roles in the emergence of liberal parliamentary democracy throughout the West.

- i. General historical overviews of European developments are provided in chapters 9-12.
- ii. 6 detailed case studies are developed for the UK, Sweden, the Netherlands, Germany, Japan, and the US.
 - The transitions in the UK, NL, and SWE were more or less as predicted by the models.
 - The transitions in Germany and Japan were incomplete or unsuccessful, that in the US was triggered by other considerations and took a good deal longer than the European transitions.

- iii. Evidence of constitutional bargaining and exchange are, however, evident in each of the cases.
- iv. Additional statistical evidence is developed in chapter 19.

D. Overall, part II of the book provides a good deal of evidence that liberalism and new production technologies with economies of scale changed the interests of persons already in government in a manner that favored liberal economic and political reforms.

- i. Long-standing domestic and international barriers to trade were reduced.
- ii. Family privileges in economic and political life were also reduced.
- iii. Parliaments gradually rose in authority and suffrage gradually expanded.

IX. Conclusions: The Form, Basis, Limits, and Emergence of Western Democracy

A. The book provides an evolutionary explanation for the general form of Western democracy (representative rather than direct, divided rather than truly unitary) and economic, ideological, and institutional explanations of the timing and methods used during most Western transitions to democracy in the nineteenth and early twentieth centuries.

- i. As true of other organizations, durable territorial governments are predicted to have standing procedures for making policy decisions and for replacing their leaders.
 - Standing procedures for making policy decisions tend to remain in place, because of the advantages that those rules have for government leaders and because of uncertainties associated with experimentation.
- ii. As a consequence, the persons inhabiting the policymaking offices of durable organizations normally change more frequently than the core procedures of governance.

- Succession problems are often be solved by allowing kings and/or councils to appoint one another and through mechanistic succession based in family bloodlines.
 - Even in cases in which an internal overthrow takes place, the preexisting procedures of governance are predicted to be retained for the most part.
 - As the English saying goes, “the king is dead, long live the king.”
- iii. Nonetheless, the distribution of authority within parliament and between the king and the parliament will vary somewhat through time.
- In cases in which external shocks do not exhibit trends favoring (the bargaining strength of) one or the other branch of government, the balance of authority will resemble a random walk, with a variety of assignments occurring through time.
- iv. In cases in which external shocks favor one or the other branches of government, one part of the government may trade (sell) all of its authority over public policy to the other.
- Such trades account for the rise of parliament.
- v. **Suffrage reform required also required ideological change rather than simple constitutional exchange.**
- **Technological and ideological trends in the eighteenth and nineteenth century tended to favor parliament in intragovernmental negotiations and also favored a variety of ideas associated with civic equality, which caused existing electorates to revisit their ideas about who is “properly” qualified to vote.**

- B. Overall the models and evidence suggest that Western democracy emerged gradually through a long series of constitutional reforms, although the steps taken were larger in some cases than others.
- i. Industrialization and Western democracy emerged more or less simultaneously.
 - ii. Places that did not liberalize their governments did not industrialize, and vice versa.
 - iii. Liberal Parliamentary democracies were not inevitable, nor irreversible once established, but arose because of a fortuitous combination of complementary economic and ideological interests that flourished in the nineteenth century.
- -
 -
 -
 - Thank you for your time and attention.

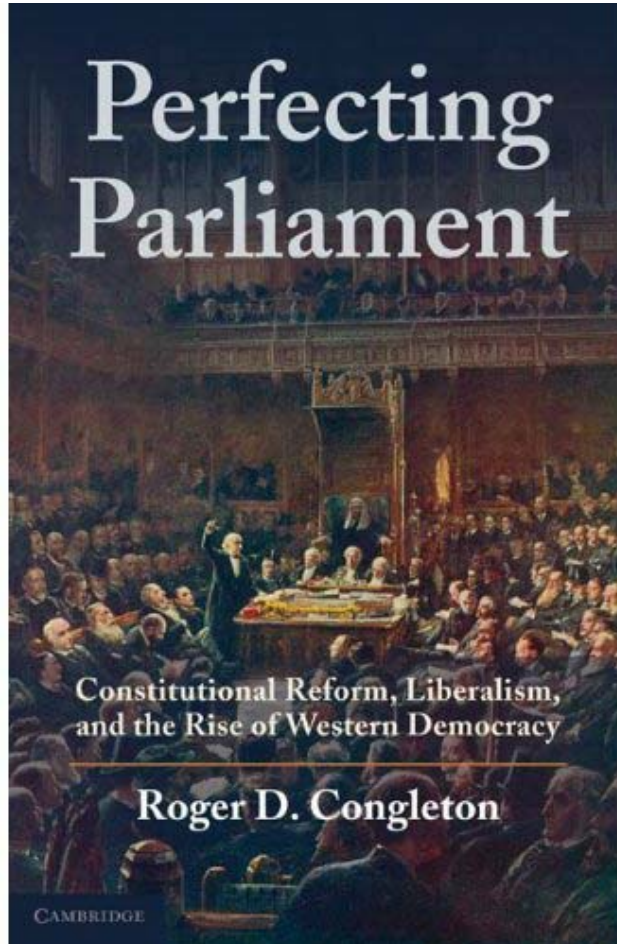


Table of Contents

Chapter 1: On the Origins of Western Democracy

Chapter 2: Team Production, Organization, and Governance

Chapter 3: Organizational Governance in the Long Run

Chapter 4: The Origins of Territorial Governance

Chapter 5: Constitutional Exchange and Divided Governance

Chapter 6: The Power of the Purse and Constitutional Reform

Chapter 7: Suffrage without Democracy

Chapter 8: Ideology, Interest Groups, and Adult Suffrage

Chapter 9: Setting the Stage: Philosophical, Economic and Political Developments Prior to the Nineteenth Century

Chapter 10: Liberalism and Reform in the Transformative Century

Chapter 11: Fine-Grained Constitutional Bargaining

Chapter 12: An Overview of British Constitutional History: the English King and the Medieval Parliament

Chapter 13: Constitutional Exchange in England: From the Glorious Revolution to Universal Suffrage

Chapter 14: The Swedish Transition to Democracy

Chapter 15: Constitutional Reform in the Netherlands: from Republic, to Kingdom, to Parliamentary Democracy

Chapter 16: Germany: Constitutional Exchange in an Emerging State during the Nineteenth Century

Chapter 17: The Japanese Transition to Democracy and Back

Chapter 18: The United States, an Exception or Further Illustration?

Chapter 19: Quantitative Evidence of Gradual Reform

Chapter 20: Ideas, Interests, and Constitutional Reform

Appendix: Methodological Approach, Limits, and Extensions

References