Perfecting Parliament:

Ideas, Interests and Institutions

in the Emergence

of Parliamentary Democracy

Roger D. Congleton

A Center for Study of Public Choice

George Mason University

Fairfax, V22030

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This book is dedicated to my teachers, colleagues, family, and friends, without whose support and thoughtful criticism over many years, the present volume could never have been written.

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Chapter 1: Constitutional Exchange and the Evolution of Parliament

1. Introduction: A Revolutionary Century

Two political revolutions occurred gradually in Northern Europe during the nineteenth century and first part of the twentieth century. First, there was a shift of political authority from kings to parliaments. Second, parliaments became more broadly grounded in popular suffrage. This century-long shift in the locus of political power was a major event, although the individual shifts of power and expansions of suffrage were often, themselves, relatively small events. Nor were these two shifts of policymaking power entirely connected. For example, European parliaments had occasionally gained power in previous periods without a broadening of their electoral base, which prior to the 1800 were generally limited to well-organized elites. The democratic parliaments that emerged by 1920 were radically different from the governments that Europe or most of the world had known in previous recorded history. These new European governments were, thus, revolutionary, although not products of war or sudden breaks with the past.

Evidently, something new happened in the nineteenth-century Europe that gave rise to revolutionary changes in governance in the course of a century or so. It has often been suggested that industrialization played a role in these amazing and often largely peaceful reforms. However, to the best of my knowledge, no one has provided a peaceful mechanism through which industrialization, which is itself largely an economic activity, may induce major political reforms.

Moreover, whether economic development may induce constitutional reform or constitutional reform induces industrialization is not obvious. After all, it is political decisions that define formal property rights and liability laws and political decisions that largely determine how those rights and obligations will be enforced. Such political decisions, along with technological advance, clearly have large effects on a nation's path of economic development. Indeed, one could argue that national politics largely determines market activity, even in a fairly complete model of political economy. However, it also seems clear that causality is not unidirectionally from the political sphere to the economic one. There is clearly an interdependence between economic and political activities in the small, as when individual pieces of legislation or administrative rulings are influenced by the testimony and lobbying efforts of organized economic interests. The present analysis suggests that this may also be true in the large, insofar as major constitutional reforms may be induced by politically active groups whose economic interests are aligned with those reforms. Industrialization induced by technological progress may create new opportunities and new pressures for constitutional reform.

This book uses the rational choice methodology to analyze alternative methods through which industrialization may have generated major suffrage reform. The analysis suggests that democratization of parliaments did not arise because of changes in the income or wealth of those originally represented in parliament. Such changes would not, themselves, affect the voting rules preferred by parliament. The analysis also suggests that changes in the ideology of those in parliament could have lead to increased sufferage--although it is unlikely to have generated universal suffrage. Such ideological shifts may also have played a role in the transfer of power from the king to the parliament, although the latter is not explored in the present paper. The link between industrialization and democracy is, at best, indirect. The analysis suggests that industrialization leads to suffrage reform in large part because it empowered new political and economic interest groups that shared interests in suffrage reform. Changes in the level and distribution of wealth within the industrializing societies allowed both more time and more wealth to be devoted to political activities by those at the margins of the existing governments.

Overall, the analysis developed in this book suggests that the road to democracy is not produced by industrialization alone, but also requires the support of politically active groups with an interest in more liberal forms of political decisionmaking. The usefulness of the analysis is supported by the experience of the Northern European kingdoms in the nineteenth century, although the analysis is not limited to that experience, insofar as parliamentary political structures have been widely used outside nineteenth century Europe. The analysis is relevant for any country in which the control of suffrage laws--the rules that determine which citizens participate in national elections--is initially vested in a subset of the citizenry based largely on wealth.

Evolutionary, but

Revolutionary Constitutional Reforms

There is a sense in which all contemporary constitutional democracies can be regarded as revolutionary, as radical changes in the organization of governance. Prior to 1700, there were no large scale democracies and very few city sized ones in all of recorded history. New more democratic systems of governance gradually emerged the late eighteenth century and nineteenth centuries. They had new assignments of policy making power and were grounded in new theories of legitimate power—theories rooted in popular sovereignty, broad suffrage, and the rule of law, rather than military power, theology, or family trees. On the other hand, in most cases there were no sudden break with past institutions and civil wars were not usually significant steps in the path to democracy. In many cases there was no open warfare and little violence associated with the creation of democratic governance. Rather, democratic governments emerged gradually and for the most part peacefully as a consequence of a long series of minor, but significant reforms.

Evidence of the gradual emergence of democratic forms is evident in the basic structure of contemporary governance, which clearly owes much to earlier undemocratic forms. There is generally an executive branch headed by a single person and a parliament or legislature organized more or less as large committee. This general architecture might in early societies might have been called a "chief and a council of wise men" or in medieval times a "king and royal council." By sharing this essential architecture, modern parliamentary governments reveal their deep historical roots, although it is clear modern democratic forms place greater power in their councils (legislatures) than did their medieval and ancient precursors.

This is not to say that parliaments were uniformly weak in earlier times, nor that kings (or queens) were always the dominant branch of government prior to 1800. England and Sweden both had relatively strong parliaments in the eighteenth century. The Netherlands had been a republic in the previous two centuries with an even stronger parliament and a relatively weak executive, their Stadhouder. The United States had formed a new government late in the eighteenth century based on elections, with an elected executive rather than an inherited one. But, with the possible exception of the United States, in no case was broad-based suffrage used to select members of parliament. And in no case could the rise of parliament in previous century be considered a new durable form of government, rather than a temporary shift of power from one branch to the other. Eighteenth century Netherlands had seen the rise of executive power as the office of Stadhouder became an increasingly regal post. In the last few decades of the eighteenth century, George III began reclaiming powers from the British parliament before overtaken with health problems. The "age of liberty in Sweden" was overthrown by Gustav III. Even the French revolution came to naught as Napolean's empire replaced the Republic, and subsequently a dominant crown was restored in the aftermath of the Napoleanic wars by the Congress of Vienna in 1815. The long run equilibrium of king dominated parliamentary systems seemed more or less as safe and sound as ever in 1815.

Yet in just one century, these durable king dominated systems of governance were nearly all gone in Europe. By 1920, the balance of power within most European governments had radically reformed. Parliaments rose in legislative and fiscal authority, and its members were largely chosen by broad electorates. The old suffrage laws based on birth, status, or wealth were replaced by other increasingly inclusive laws that eventually include essentially all adult men and women. These radical changes, however, occurred within a more or less stable architecture of governance.

The purpose of the present study is to provide an explanation for both the revolutionary and evolutionary features of that very important revolution in governance. It attempts to do so using a blend of theory, history, and statistical analysis. The analysis and evidence developed provide considerable support for the hypothesis that constitutional negotiation and exchange account for the main outlines of modern constitutional design and for the modern assignment of powers between branches of government.

The present work, thus, provides an alternative to the widely held revolution and revolutionary threat based theories of democratic reform that a good deal of theoretical and historical accounts rely upon, from Marx (1959) to Acemoglu and Robinson (2000). The analysis does not deny that civil war can at least conceptually be used to change the form of a nation's governance. However, the analysis suggests that civil war is unnecessary for great reforms to emerge, and, moreover, unlikely to be a mechanism for achieving democratic reform. There are very few examples of civil wars or wars of succession that generated democracies in cases where the prerevolutionary institutions were not already substantially democratic or were largely ineffective. Wars require

hierarchical organization, which tends to lend itself to post-revolution dictatorship rather than democracy. Here one can recall the results of the French, Russian, and Chinese revolutions which empowered Napoleon, Lenin, and Mao rather than democratic reformers or "the people."

In most cases, successful democratic transitions have been evolutionary developments rather than revolutionary; both the sense that no open warfare occurred and no radical break with past institutions was necessary.

The emphaisis on revolution and revolutionary threats in many accounts is partly a consequence of placing too much emphasis on pure forms of government. This tends to focus attention on constitutional choices between dictatorship and democracy. There are no intermediate steps possible in such a discrete representation of constititions, and thus revolution is necessary to jump the chasm between dictatorship and democracy. However, such accounts neglect the intermediate cases of political organization, cases which in fact are far more common than the extremes. If only pure dictatorships and democracies exist, a change in institutions would clearly require a great leap rather than a series of relatively small steps..

Most governments in practice, however, include both a "king" and a "council," that is to say a branch of government headed by a single chief executive and another composed of a committee of more or less "equals" who make decisions by counting votes. In dictatorships, the executive has most of the policy making and appointment authority, and the council serves for the most part an advisory role. In such cases, the council makes recommendations to the "ruler" rather than rules. In constitutional democracies the council makes the rules and the executive simply implements them. In intermediate forms of the king and council architecture, the power to make decisions that direct governmental resources to particular courses of action are distributed in a variety of ways. For example, each branches of government.may have exclusive power in different areas of policy. The "king" may decide international relations and the "council" may decide domestic policies. Or, power over all policies may be shared in a number of ways as with mutual veto power, agenda setting, or appointment power.

This continuum allows the possibility of wide range of governmental types, and also allows the possibility that power may be peacefully shifted from one branch of government to the other. The multidimensional nature of policymaking authority also implies that political power is not always a zero sum game. The existance of an internal "market for power" potentially allows parliamentary democracy to emerge gradually as appointment and legislative powers are "traded" between the principal chambers of governance.

2. The Organization of the Book

The work of the book is divided into three parts. All three parts are necessary to develop the argument at an appropriate depth. Some readers will find some parts to be of greater interest than others, others will find the depth sufficiently deep for their tastes or interests. For these, I suggest that the effort to connect the theoretical dots and the historical dots is at least as much of interests as a microscopic examination of the dots themselves.

Part I: An Evolutionary Theory of Constitutional Design

The first part of the book develops an analytical history in the tradition of modern rational choice based economic and political science. This basic technique, of course, has long been used by political theorists. Many of these earlier efforts are very famous and include Aristotle's (xxxx) discussion of the emergence of society in the *Politics,* Hobbes' (1651) use of life under anarchy as a defense of political and legal institutions required to avoid such poor and nasty lives. Olson's (xxxx) analysis of roving and stationary bandits which demonstrates that dictators may have an encompassing interest in the economic development of their communities. Analytical histories allow essential features of a choice setting to be understood in an ceteris paribus environment that abstracts from many of the details of people and place.

The analytical history developed below analyzes the emergence of government as one of many organizations used by all societies to advance ends which are more easily accomplished by teams than disorganized groups of individuals. It focuses attention on the formation of organizations, their internal incentive structures, and especially their decision making procedures. It suggests that the "king and council" has many advantages as a form of organizational governance. Thus, it will tend be adopted by all sorts of organizations including an organization of particular interest for the purposes of this book, namely government. It explains why governments tend to be organizations that have monopoly power over some services and why such monopoly power tends to allow it to use coercive methods to impose and enforce its rules.

Given the emergence of governments and the advantages of the "king and council template," the distribution of decisionmaking authority within that template is clearly of interest for the purposes of this book. Of particular interest are intra governmental exchanges—constitutional exchanges—that change the assignment of authority to commit organizational resources to new tasks. In economic terms, the power to legislate and select members of the organization are "resources" that can be traded for other goods and services of interest to those with the power to change the rules. In fortuitous circumstances, the analysis demonstrates that a series of constitutional exchanges can lead to parliamentary rule and to democratic selection of the members of parliament.

The analytical results suggest that opportunities for constitutional exchange tend to emerge when there is a substantial shift in the interests or wealth of the those with the power to make such reforms. Modifications of a country's fiscal constitution in exchange for greater legislative authority can change the process of legislation and the balance of power within governance. That is to say it may change an organization's constitution.

The case histories developed are for the most part European ones, but examples from North and South America and Asia are also discussed. Transition failures are also analyzed

Part III: Methodological Issues

If the choice settings analyzed are truly representative of those confronting real organizations, then the predicted institutional choices should be commonplace in real histories. The second part of the book develops a series of historical narratives that explore the histories of real kings and their councils (parliaments). Of particular interest are the constitutional reforms of the nineteenth century that changed many of these long standing king dominate systems into parliamentary democracies. The industrial revolution may explain why the great democratic reforms of 19th century Europe were undertaken in that century rather than in former times. On the other hand, the particular mechanisms identified, also explains why only the countries that democratized underwent industrialization.

It bears noting that the "tests of representativeness" undertaken in the historical part of the book differ from those of mainstream econometric work in which a particular model is assumed to be universal, and statistical inference is undertaken on the assumption that whatever is "unexplained" is random, a pure chance event. It also differs from the a common approach among historians in which causal connections between events are induced (or created by clever narrators) that make particular sequences of events appear to be inevitable. The claim of the book is not universality nor inevitability, but rather that a particular class of governance problems is sufficiently commonplace that their solutions are also commonplace, and thus easily observed features of the world.

Historical and statistical evidence, from this perspective, provide evidence of the representativeness of the choice settings focused on rather than universality or inevitability. A very small "error term" would not mean that no other explanation exists, nor would a very large "error term" imply that a faulty analysis has been undertaken, only that the present one is more or less broadly applicable. Fortunately for the purposes of this book, the models developed account for the timing and nature of many important historical events, which suggests that the choice settings analyzed are in fact very common within governments of relatively large polities.

3. Analytical Foundations: Constitutional Political Economy

The analysis of constitutional designs using rational choice models began in 1962 with the publication of the *Calculus of Consent* by Gordon Tullock and James Buchanan, which uses models of individual interests to assess the properties of a fairly broad range of constitutional alternatives. The rational choice approach allows the properties of governments to be analyzed in an "other things being equal" framework, which is impossible in historical work. This allows theorists to determine who particular features of a given political system affect policy choices. Perhaps the best known of these are the various median voter theorems for democratic governance. A broad cross section of rational choice models imply that majority rule tends to favor policies that are preferred by moderate rather than extreme voters, in pure cases those of the median voter (Black, 1948, Besley and Coate, 1997).

Other features of a given political system may cause results that differ from the median policy preference, but, on average, majoritarian decisions are predicted to be policies favored by the median voter, at least given the alternatives before that "middle of the road" voter. On the other hand, election law determine who gets to vote and how the votes will be counted, which affect the identity of the median voter and thereby the policies most likely to be adopted. And, of course, other voting rules can be

used to make collective decisions—as historically has been the case in parliamentary systems. It is the policy outcomes of a given system that accounts for preferences over the institutional arrangements, themselves.

The modern analytical literature on constitutional design includes hundreds of academic papers that attempt to determine the interdependence between features of governance and public policy. For example, there is an extensive theoretical and empirical literature on the effects of federalism (see, for example, Riker (1962), Ferejohn and Weingast (1997), or Mueller (2003). Excellent surveys of the theoretical literature are available in Mueller (1996), Cooter (2000), and Persson and Tabellini (2003). The empirical literature on the effects of alternative democratic constitutional designs on public policies has recently been surveyed by Congleton and Swedenborg (2006).

However, the process through which the general architecture of governance comes in to existence has attracted relatively little interest. Political constitutions are by definition and necessity a durable, stable, legal setting in which ordinary day-to-day and year-to-year public and private decisions are made. A constitution must be taken as given for purposes of ordinary legislation if it is to serve as rules of the game. Otherwise, conflict over decisionmaking procedures would dominate, and governments would be little more than disorganized debating societies. It is therefore reasonable to assume that stable decision making rules and constraints are in place when analyzing the kinds of policies that a particular polity is likely to adopt.

On the other hand, constitutions have to be stable and durable to serve as effective "rules of the game," but this does not mean that they are not revised from time to time as circumstances change. In fact, the more closely one examine a constitutional framework the more evident are the nearly continuous efforts to advance and oppose reforms of existing procedures and constraints. And many changes are adopted, although many of these reforms will pass unnoticed to those outside government. However, as demonstrated below, in some cases a series of minor constitutional reforms can have important effects on the fundamental procedures and constraints of governance.

The constitutions focused on in this book are all bipolar governments based on the "king and council" template. However, "the king and council system" is not a single constitution or form of government, but rather a menu of governments from which a broad range of particular constitutional procedures and constraints can be contrived. For example, the king and council template includes king dominated systems with advisory councils, constitutional monarchies, and parliamentary systems. Such bipolar governments have long been used to make public policies, but very few of these governments have operated in identical ways.

In part this variation in procedures and constrains represents differences in the personalities, talents, and interests of the particular persons populating particular executive (king) and legislative (council) positions at different times and places. However, the variations also reflect minor and major differences in the formal decision processes used within such systems to select and implement policies. This constitutional flexibility allows them to be tailored to advance the interests of policy makers and their supporters as circumstances and interests change through time, and yet, as true of both suits of armor and formal attire, it continues to have its own affects on the possibilities available to those inhabiting a particular instance of that constitutional template. The flexibility of such systems plays an important role in peaceful transitions from king dominated systems to parliamentary democracy.

The present analysis also suggests that the cumulative revisions of the past two or three centuries were major improvements from the perspective of those governed. Physical standards of living have generally improved, fear of arbitrary punishment has diminished, and a broader array of desired public services have become available. In this sense, it could be said that parliamentary governance has been perfected as a method of policy making, at least within the developed countries of the world.

The main aim of the book, however, is positive rather than normative. It attempts to characterize peaceful processes of constitutional reform, to explain why such processes were common in the nineteenth century, and why they had systematic effects on parliamentary institutions. This requires both a theoretical perspective and historical evidence. The historical sections of the book demonstrate the usefulness of constitutional exchange as a lens through which to understand the emergence of democratic governance. Together the models and history demonstrate that liberal ideas and industrialization can produce new constitutional opportunities, and that in nineteenth century Europe, the resultant constitutional exchanges eliminated long-standing special preferences in both markets and in politics.

The connections between liberal economic and political ideas and the transformations that occurred in the nineteenth century are evidently an important. Industrialization occurred only the countries in which parliaments became liberal democracies. That is to say, only countries that industrialized became democracies. On the other hand, it is equally true that only countries that democratized became industrial. This suggests, in contrast to many theories of the far right and far left, that economic development and democracy are complements rather than rivals. In nineteenth century Europe, the economic and political liberalization went hand and hand. History suggests that the policy changes necessary for both transitions to occur were often supported by the same politically active interest groups and political parties. This remains true today for most contemporary transitions.

4. Acknowledgments

This book is a deepening and generalization of my work on the Swedish constitution, which was supported as part of the constitutional project at the Studieförbundet Näringsliv och Samhälle (SNS). Swedish constitutional history is interesting for its three major constitutional reforms of the past two hundred years, but also because Sweden so well illustrates the possibility that king-dominated systems of governments can peacefully transform themselves into modern democratic parliamentary systems. By being a bit out of the mainstream tides of Europe, Sweden avoided the great colonial impulse of continental states and also the last two centuries of international wars which generated various domestic political tensions and crises for those participating in them. Sweden, however, did not avoid the internal pressures for reform of parliament that are associated with industrialization. This experience, perhaps more clearly than the rest, demonstrates that the emergence of industrialization, liberal interests, and democracy are intertwined.

Once seen clearly, very similar patterns become evident in many other countries around the world. Demonstrating that quite general relationship is the focus of the present book.

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