Chapter 20: Overview and Conclusions: Ideas, Interests, and Institutions

The theory of constitutional design and reform developed in this volume explains many of the core features of governance in the West. It accounts for the architecture of contemporary democratic governance and explains why it resembles earlier forms. It explains why policymaking authority tends to be divided, why the distribution of policymaking authority changes through time, and why this normally is done without radically changing the standing procedures for choosing policies. It demonstrates that significant shifts of the distribution of policymaking authority within divided governments can occur peacefully and lawfully through a process analogous to exchange in markets. In favorable circumstances, a series of peaceful reforms of more or less authoritarian systems can gradually produce parliamentary democracies. The historical narratives suggest that the rise of Western democracy was largely the consequence of such peaceful and gradual reforms.

Revolutionary theories, theories of constitutional conventions, and purely sociological theories of governance cannot explain nearly as much of the architecture of governance in the West or their histories. For example, it is difficult for such theories to explain why several very democratic governments (Denmark, Japan, Norway, Spain, Sweden, the Netherlands, and the United Kingdom) still include hereditary officeholders, such as kings and queens, without acknowledging the importance of constitutional bargaining and the underlying continuity of political institutions within the West. This is not to say that there were never violent conflicts, constitutional conventions, or cases in which governments violated their own constitutions. It is to say that violent revolutions, constitutional conventions, and constitutional transgressions account for only a small part of the historical path of Western democracy.

Many historical theories developed by economists imply technological or economic determinism, what Marxists used to call materialism. The organizational theory of governance and reform suggests that economic and technological factors are important ones, but are not necessarily the most important factor in reform negotiations or compromises. Ideology, broadly interpreted, and institutions also matter and are often more important than economic factors. Institutions determine political property rights and procedures through which those rights can be exchanged. Ideologies include norms that allow one to assess alternative policies and institutions, which can provide reasons to press for policy and constitutional reforms.

In general, constitutional exchange and compromise occur as economic and ideological interests change through time, given the initial distribution of political property rights.

A. The Logic of Constitutional Governance and Reform

The theory of constitutional governance and reform developed in this volume rests on a theory of formal organizations. The organizational theory provides a model of governance and reform based on the common interests and constraints of persons that form organizations (formeteurs) and the persons who occupy positions of authority in the organization after the formeteur(s) departs. The persons who form organizations create them to advance particular ends, given various constraints, including informational ones. Although there are a wide variety of ends that can be advanced by gathering and motivating teams, the problems that must be addressed to create effective, durable organizations, are essentially similar. This allows formeteurs to learn from the experience of other formeteurs and organizations.

All organizations, including political ones, have to overcome internal incentive and governance problems to be viable in the short run and long run. All organizations have to attract and manage organizational resources. This requires "artificial" incentive systems that attract team members and align the interests of the team with the organization's (formeteur's) long term interests. All organizations have to identify policies (internal rules) that can advance organizational interests and to revise them as circumstances inside and outside the organization change through time. This requires information to be gathered and processed in order to identify, assess, and choose among alternative policies. Effective policies advance organizational goals at least cost and/or enhance prospects for long term survival.

All organizations have procedures for "producing" policies. These procedures normally specify the persons (officeholders) that participate in policy decisions and how particular policies are made. In small organizations, there may be only a single person with the authority to choose policies. In larger organizations, a policymaking team may choose the organization-wide policies using complex voting procedures. The procedures for identifying an organization's "best" policies are the organization's government. When an organization has standing procedures for choosing policies, it can be said to have a constitution.

Some standing procedures for identifying alternatives and choosing policies achieve better results for the organization than others. As reliable procedures for identifying such policies are recognized by the people who form new organizations and by those with the authority to reform existing organizations, they tend to be copied. Formeteurs choose such "tried and true" templates for policymaking for the simple practical reason that they have worked for other organizations and are likely to work for their new organization as well.

The king and council template is one such "tried and true" architecture for governance. The king and council template divides policymaking authority between a king (chief executive, prime minister, president) and a council (board of directors, parliament, legislature). It solves a variety of informational, agency, and succession problems, and it can be used to reduce unproductive intra-organizational conflict. It is scalable in the sense that it can be used to make policy decisions within the subdivisions of a large organization and also in confederations of independent organizations.

The king and council template is also a flexible design for governance. For example, there are a wide variety of ways in which policy making authority can be distributed between the "king" and the "council," a property that is central to the purposes of this volume. The template can also be applied in various ways. A "king" may create a single multipurpose council (or parliament) or create several councils, each with separate responsibilities. A "ruling council" may create a single chief executive or several senior executives with separate responsibilities. The most common applications of the template in medieval and modern governments include a parliament and a king (prime minister, or president). The chief executive, in turn, normally delegated some of his or her authority over day-to-day policy to an executive council or cabinet.

Aristotle called these intermediate cases mixed governments, but devoted most of his analytical work to the extremes, an emphasis that continues to the present-day in most theoretical work on political decisionmaking. It bears noting, however, that the classical Greek scholars who produced the discrete classification schemes of political institutions so widely used today (autocracy, oligarchy, and democracy) acknowledged that "mixed" governments were at least as common and important as the pure forms they named and analyzed. For the purposes of the present volume, it is the "mixed" cases rather than the extremes that are of greatest interest. The medieval governments from which Western democracies emerged were all based on the king and council template, and all modern democratic governments continue to be based on that template.

Specific implementations of the king and council template create "political property rights" over policy areas by specifying the standing procedures through which public policies are to be adopted. That is to say, policymaking authority can be distributed between a king and council in a number of ways. The multidimensional character of all but the polar distributions "political property rights" allows constitutional bargaining and exchange to take place among officeholders, just as the multidimensional nature of economic property rights allows market exchange to take place in

markets. It is largely through such constitutional wheeling and dealing that constitutional bargains and compromises can be identified and adopted.

Of particular interest is the fact that it is possible to shift gradually from king-dominated to council-dominated systems of policymaking through constitutional exchange, without radically changing the essential template of governance. It is largely through such constitutional exchanges and compromises that Western democracy emerged.

Constitutional Conservatism and Flexibility

Formeteurs never know as much as it would be useful to know about how organizations function or about the circumstances that their organizations will confront in the future. These informational constraints have important affects on an organization's initial incentive structure, its policymaking procedures, and subsequent reforms of those incentives and procedures. In combination with risk aversion, these informational constraints encourage continuity in an organization's standing policies and policymaking procedures. However, informational constraints also imply that some flexibility will be necessary if an organization is to survive in the long run.

There are numerous economic advantages of standing policies and decisionmaking procedures within large organizations. Standing policies can create predictable incentive systems that solve a variety of team production problems at least cost. Standing procedures for making policy decisions can assure that useful information is gathered and analyzed, and that the best alternatives to the standing policies are considered and either adopted or rejected. Predictable standing policies can also reduce the cost of creating and maintaining stable, profitable relationships with persons outside the organization and with other organizations. All these considerations imply that effective, predictable policies and decisionmaking procedures can increase the durability of the organization itself.

A broad interest in stable predicable procedures, i.e. constitutional conservatism, does not imply that reforms are never in the interest of those with the authority to adopt them. There are tradeoffs between stability and flexibility in durable organizations, and this tends to be reflected in the best organizational templates. Formeteurs recognize that their initial institutional designs may be improved for essentially the same reasons that social scientists acknowledge that their current theories may be improved. Information, understanding, and circumstances change through time in a manner that cannot be completely anticipated. As a consequence, most durable organizations have standing procedures for proposing and evaluating reforms of their standing decisionmaking procedures, that is to say for reforming their governments.

These "amendment" procedures specify the officeholders whose interests must be advanced if standing policies or decisionmaking procedures are to be revised. In polar cases of the king and council template, this may require only a single person's or council's "final" decision. In intermediate cases, the process of amendment requires agreement by both the king and the council.

In cases in which the same procedures are used to revise day-to-day policies and reform government, the institutional conservatism of senior policymakers tends to favor modest over radical reforms, because of their general interests in organizational stability (including the procedures through which they obtained their "high" offices). In cases in which separate decisionmaking procedures exist, the amendment process is normally more demanding than that used for day-to-day policy decisions (i.e. is more round about and/or requires greater consensus). In such cases, the conservative propensities of senior policymakers are reinforced by the requirements of greater review and consensus, which also tends to favor moderate reforms over major reforms.

Such conservative propensities are not entirely accidental; rather they are products of design, experiment, and selection. Moderate reforms allow organizations to adjust to changing circumstances, while preserving most of the benefits of standing procedures and policies. As a consequence, the policymaking procedures of durable organizations are not entirely static, but most reforms "simply" adjust existing procedures of governance at the margin, without fundamentally changing them. Constitutional conservatism is both rational and institutionally induced.

B. Trends in European Political Reforms during the Nineteenth Century

In the late medieval period, most governments were based on a more or less standard form of the king and council template. Most national governments had kings and parliaments. Kings were nearly always the dominant policymaker, although most royal governments included parliaments or tax councils with veto power over new taxes. Most kings also delegated part of their executive authority to a council that managed the day-to-day operations of the government.

The division of authority between king and parliament was not entirely static during the medieval and early modern period, but it was remarkably stable. Parliaments occasionally traded taxes or support on issues of particular interest to kings in exchange for royal support of policies of particular interest to parliament. Similar fiscal bargains also occasionally shifted authority over public policies between the king and parliament. These reforms tended to be small and the shifts of policymaking authority were often undone after a decade or two. There were also occasional significant shifts of authority from kings to parliament at times of royal secession, and in a few cases at times when all or part of the national army lent its support to parliament. These larger shifts of

policymaking authority also tended to revert to the medieval pattern after a few decades, as in England, Sweden, and France. The efforts of kings to reduce or nullify parliament's veto over taxation were also in most cases only temporary, although they also occasionally outlived the king that initially secured greater independence.

The stability of medieval constitution did not imply that all persons or all members of parliament preferred the medieval order with its hierarchical society, numerous trade barriers, monopoly church, royal rituals, and magnificent buildings to other political and economic systems that they could imagine. There were nearly always persons and groups that lobbied for political, economic, and religious reforms during the medieval and early modern periods. For example, upper middle class farmers and town merchants generally regarded themselves to be underrepresented in parliament and believed that their interests were often neglected or harmed by national policies. Many supported reforms of parliamentary procedures that would later be called liberal reforms. However, support for reform among those who could adopt them was rarely sufficiently strong or sustained for durable constitutional reforms to be adopted.

Clear trends in the reforms of European governance, however, emerged in the century between the late eighteenth and early twentieth centuries. Technological and ideological trends affected the balance of interests represented in parliament and also the bargaining equilibrium between the king and parliament. The new trends in reform were broadly favorable to parliamentary control of public policy and also for economic and political liberalization. In several cases, a long series of modest reforms gradually produced new, durable procedures for governance—procedures now referred to as Western democracy.

Technological Trends: Economic Interests and Policy Reform

The late eighteenth and nineteenth centuries were periods of rapid technological and scientific advance. The list of innovations in mining, materials, machines, and organizations is nearly endless. Taking advantage of many of the new technologies, however, often required changes in public policy and/or public services. For example, new economies of scale in production often required local and national barriers to trade to be reduced in order to make the new production methods profitable. In many cases, remaining guild and town privileges also had to be reduced to allow larger-scale production methods to be used. New right of ways and subsidies also had to be provided to expand transport and communication networks.

Many of those who wished to take advantage of the new technologies were members of wealthy families or financed by members of wealthy families. This created a new base of support for

economic reform, and often changed the interests represented by the pivotal members of parliament. Many of the new industrialists and their financiers were represented in parliament, and began to press for the elimination of medieval town and guild privileges and for the expansion of national transport networks. Logrolling produced coalitions in support of reforms that reduced internal trade barriers and expanded national turnpike, canal, and rail networks.

As internal trade barriers were dismantled and transport costs fell, new economic organizations were created and older ones expanded. Specialization inside firms and among firms increased, which created new higher paying jobs for middle managers, engineers, accountants, and lawyers, at the same time that it produced a large number of less skilled jobs paying somewhat more than subsistence wages. Employment, of course, was voluntary and the new economic organizations had to attract labor from other long-standing enterprises. Higher wage rates for work in the new firms and factories were possible, because of the greater productivity of the new methods of organizing production.

The higher wage rates induced migration from the countryside to cities, and the increased use of money wages by the new enterprises created a variety of commercial opportunities for independent shop keepers and tradesmen in the areas around the new factories. As a consequence, older cities expanded, and new towns and cities emerged around the sites of new factories and mines. New towns also emerged at the various transport nodes of the expanded highway, canal and railroad systems for similar reasons.

Persons working at firms or living in communities that have (or were believed to have) significant competitive advantages tend to favor fewer laws regulating access to internal and external markets. Many such persons also favored political reforms, because the new urban centers were widely believed to be underrepresented in parliament. Increased population densities, improved communication, and specialization also allowed industrialists, tradesmen, and laborers to organize more easily to influence the policies of local and national governments. Indeed, the new town and city governments could be used to lobby the national government, as they had often been used in European history.

Commercialization and industrialization also affected the national government's potential revenues from taxation. Standing tariffs and payments for monopoly privileges became relatively less important sources of revenue, as external and internal trade barriers were reduced. As commerce expanded, direct taxation of income became a potentially greater source of revenue. The enactment of an income tax, however, required parliamentary support, which provided new opportunities for

constitutional bargaining and exchange between kings and parliament. As a consequence, the adoption of national income taxes often occurred at the same time that significant constitutional reforms were adopted.

As markets became increasingly national and global, the economic consequences of taxation, regulation, and public services on the new industries became relatively more difficult to estimate at the same time that accurate estimates became relatively more important for economic development, tax receipts, and national defense. This increased the informational advantages of representative parliaments, the bureaucracy, and organized economic interest groups, which indirectly increased their influence over domestic and trade policies relative to the sovereign. The use of income taxes also tended to increase parliament's control over public policy, because parliament normally retained significant year-to-year control over income tax rates.

The Liberal Ideological Trend

Although many of the reforms sought by economic interest groups were motivated by narrow economic interests, obtaining the reforms required both parliamentary majorities and ideas about the best course of reform. Assembling majority coalitions in support of reform was not an easy task, and such coalitions were easier to assemble when broad interests could be advanced along with narrow ones. Indeed, it was often the case that economic reforms would be easier to adopt if the process of policy formation could be modified. For example, the new industrial centers were often underrepresented in parliament, which made assembling majority coalitions more difficult than it would have been under more representative institutions. In both cases, it was useful to be able to argue that broad national interests could be advanced through particular reforms.

The liberal economic and political theories of the late eighteenth and early nineteenth century were well suited to such purposes. Adam Smith's *Wealth of Nations*, for example, included a variety of arguments against regulations that created local monopolies and in favor of expanding national transport networks. Theories of the state grounded on popular sovereignty implicitly supported systems of government in which representation was more or less proportional to population. They also raised a variety of questions about law-based inequality and medieval systems of governance. By changing the conceptual basis for governance, such theories opened up both policies and the distribution of political authority to criticism and analysis. Moreover, the shift from divine right of kings to popular suffrage implied that improvements were conceptually possible. God may make no errors in his institutional designs, but certainly men could make mistakes or fail to take account of new circumstances, and such mistakes and errors could be corrected.

Both contractarian and utilitarian theories could be applied to determine whether broad or narrow interests were being advanced, and both theories were increasingly used as normative theories by educated persons in the West during the eighteenth and nineteenth centuries. Contracts have reciprocal duties and, when violated by one or the other party, the contract ends. Policies that advance only very narrow interests at the expense of broad interests are illegitimate policies, whether or not they reflect the "natural" order of society. Indeed, simply shifting debates in parliament from appeals to custom and national traditions to rational analysis of policy and institutional alternatives tends to favor reform by reducing the range of arguments that could be used to support the status quo.

The use of liberal ideas and arguments became commonplace among high government officials, both elected and unelected, and within the bureaucracy. Indeed, such ideas were initially more common among officeholders and other well-educated and well-traveled persons than among the general public. Liberal arguments led editorial writers, priests, politicians, and scholars to recognize new common political interests and new possibilities for reform. New ideological interest groups formed and lobbied for educational expansion, reduced censorship, religious toleration, economic liberalization, and constitutional reform. Many of the free trade, labor union, and (moderate) socialist organizations organized in the nineteenth century also supported a variety of liberal policy and constitutional reforms.

The liberal ideological trend favored the elected chambers of parliament. By undermining traditions of royal deference, the new ideas increased the cost of producing what Wintrobe (1998) terms "loyalty." It reduced the effectiveness of royal efforts to maintain control and increased the moral authority of elected chambers. When even kings come to accept the popular sovereignty justifications for their office, a bit more deference to elected chambers of parliament and to large-scale public demonstrations in support of particular reforms naturally occurs.

Genetic shocks

Another systematic source of drift away from executive control is the variation in the talent and planning horizon of kings and queens through time. The vagaries of training, tastes, and breeding imply that the talent and interests of kings and queens tend to vary considerably through time. (Substantial evidence exists of reversion toward the mean in the children of talented persons.) Countries thus can be a bit fortunate or unfortunate in the persons who accede to the throne at times when major reform issues arise, as historians often emphasize.

The bargaining positions and constitutional interests of kings also tend to vary during their time in office. The interests of young and old kings often differ because of age and energy, but also because of training, education, and experience. New sovereigns tend to depend more on the judgment of their advisors than experienced sovereigns, and are also less familiar with the biases of their advisors and the negotiating techniques of their councils and parliaments. Young kings have world views that are shaped by their tutors rather than by past experience in real policy settings. Older kings may also rely heavily on their advisors when their health fails or their interest in day-to-day politics fades.

In contrast, competition for membership in the royal council and parliament is often fairly open and intense, so the talent of councils and parliaments tends to remain relatively high and constant through time. A disinterested or relatively untalented king is thus likely to be out-bargained by his relatively energetic and talented prime minister and/or members of parliament. Even if an occasional ambitious and talented king is able to recapture most the authority given up by their less engaged forebears, genetic trends produce a systematic drift away from direct royal control of public policy—other things being equal.

Executive councils are normally the direct beneficiaries of royal delegation during such periods, especially prior to the nineteenth century. Parliaments, nonetheless, indirectly benefit from genetic trends, insofar as executive councils are chosen from members of parliament, and prime ministers need continued support in parliament to obtain the policies required to keep the sovereign's support. Parliamentary bargaining power also tends to increase in cases in which the next person in line for the crown is less than perfectly obvious, because this allows the terms of the next "elevation" to be controlled by parliament. (The parliament never unexpectedly dies, although important members may.)

Complementarity of Economic and Ideological Trends

The ideological and technological trends of the nineteenth century tended to complement each other insofar as both provided support for more open markets and more open politics. Moreover, many of the policy changes adopted to advance economic ends also indirectly advanced political ones and vice versa. For example, secular education reforms tended to support reason and observations over faith, myths, and customs. Science curricula expanded in the nineteenth century, which tended to reinforce rates of scientific advance, technological innovation, and the dissemination of such advances. Similar curricula reforms also supported the use of reason and

evidence for policy and constitutional analysis. Economic and political arguments were often used to justify the same reforms.

Proponents of educational reform argued that "elites" were privileged by their greater access to education, rather than blessed by some greater innate ability, and predicted that educational reform would enhance religious, moral, and economic development. Economic and political liberals wrote pamphlets and books in support of more open economic and political systems. Increased literacy increased demand for policy and constitutional polemics as well as fiction and technical manuals. Reduced censorship, increased literacy, and moveable type allowed a greater range of discussions to take place in the mass media, and thereby at public seminars, pubs, restaurants, and kitchen tables at the same time that it promoted the dissemination of scientific work and new products. When new ideas attracted sufficient support, they were incorporated into school textbooks and curricula. Free trade, natural rights, and scientific perspectives became mainstream ideas among educated persons in the mid-nineteenth century.

Many of the same innovations in organization, transport, and communication that allowed large numbers of persons to be organized into productive manufacturing and commercial enterprises could also be used to organize large-scale politically active organizations: political parties, unions, farm cooperatives, cartels, and trusts. Many of the new politically active groups promoted liberal reform agendas and many older economic interest groups used liberal ideas to advance their political, religious, and economic agendas. For example, various "friendly societies" emerged in the late eighteenth and early nineteenth centuries to provide social insurance for employees and tradesmen that farm villages and guilds had previously provided. These groups often pressed for improvements in public education, local government services, and expanded suffrage. Organizations that supported educational reform often allied with other groups that pressed for free trade, temperance, labor, and suffrage reform (and vice versa).

The gradual expansion of suffrage and increased competition in elections for parliament tended to increase the importance of broad public support for public policies and also tended to increase the influence of such well-organized, politically active groups. As professionals, tradesmen, and skilled labor became entitled to cast votes in national elections, the center of gravity in politics shifted in a liberal direction. Competition for the votes of the new electorates induced political entrepreneurs to press for economic and political reforms of interest to the new voters. Political competition also induced many formerly conservative groups to support modest liberal reforms as a method of attracting new members and retaining current members. (This was especially evident

during the second half of the nineteenth century.) Older nongovernmental organizations, such as churches and guilds, did not disappear, but they faced greater competition for voter attention, resources, and for access to policymakers, which reduced their political influence relative to what it had been in the past.

Politically active interest groups could not directly adopt reforms, but they could support particular candidates for office and attempt to persuade voters, members of parliament, and the sovereign of the merits of their preferred reforms. When successful, economic and ideological interest groups changed the bargaining equilibria within parliaments and between parliaments and their kings.

Absence of Similar Trends in Previous Centuries

Technological and ideological shocks do not always favor economic and political liberalization. Innovations may be politically neutral or reinforce conservative tendencies. Changes in ideology and technology may produce opportunities for reform that buttress the status quo, rather than change it, and past liberal reforms may be repealed, rather than new ones adopted. Such more or less neutral shocks are evident in much of European history in the centuries prior to 1800. Pre-nineteenth century shifts of policymaking authority were also affected by ideological and economic shocks, but there were few clear trends and those trends tended to support conservative tendencies. For example, English policymaking in 1630 was characterized by a relatively strong king and weak parliament. From 1640–1660, English policymaking was dominated by parliament. It returned to royal dominance in 1660–1688. The Glorious Revolution of 1688 shifted significant policymaking authority back to the parliament, although the king retained essentially dominant authority (Morgan 2001: 310, 326, and 334). Sweden began the eighteenth century with policymaking power concentrated largely in the king, followed by a period with a dominant parliament, the so-called "age of freedom" in 1719–72. Sweden ended the eighteenth century with a king-dominated government and the restoration of royal prerogatives after 1789 by Gustav III (Wiebull 1993: 53, 61, and 74).

King-dominant systems of governance with mercantilist internal and external regulation were remarkably robust for many centuries. Although significant technological and ideological innovations had occurred in several times prior to the nineteenth century, they did not induce a tide of liberal reforms. There were also cases in the nineteenth and early twentieth century in which liberal trends in reform reversed, for women and black suffrage in the early nineteenth century United States, and with respect to party governance in Japan during the 1930s.

C. Evolutionary vs. Big Bang Theories of Constitutional Reform

Models that do not rely upon constitutional bargaining and do not begin with the king and council template cannot easily explain the gradual transition to parliamentary democracy that occurred in the nineteenth century, nor the fact that many democratic governments still have kings and unelected members of parliament, albeit with greatly reduced policymaking authority. Rational choice models that do not include a role for broader notions of self-interest than assumed in most economic and game theoretic models cannot easily explain why no countries industrialized in the nineteenth century without democratizing, nor why no countries democratized without industrializing. They also have a difficult time explaining why persons in high office are often paid less than their peers in the private sector.

The main contemporary theories of constitutional design and reform also differ in the extent to which they can explain the general architecture of constitutions and ongoing constitutional reform. A good theory should explain both the nature and stability of core procedures of Western constitutions, and their flexibility through time.

The "big bang" theories of constitutional reform are based on the analysis of constitutional conventions and revolutions. The former can explain why a community might want to have a constitution, the latter why government policy changes after a civil war. Revolutionary theories often accept the "general will" theory of constitutional design, but insist that violence or threats of violence are key to the creation and reform of government. Both peaceful and violent "big bang" theories of constitutions tend to imply (i) that constitutions are developed whole cloth at times of crisis, (ii) followed by a period in which the constitution remains entirely stable, until (iii) another major crisis and/or revolution occurs. "Big bang" theories, thus, provide quantum leap theories of reform, rather than continuous ones.

Their focus on discrete forms of governments such as dictatorships and democracies tends to imply that constitutional transitions require revolutions of one kind or another. Constitutional reform in such models cannot be done gradually, essentially by definition.

A shift from autocratic to democratic governance requires a quantum leap in constitutional designs, which requires two revolutions. First, a revolution to overthrow the authoritarian regime must be organized, and second a radically new government must be established (an entirely new democratic government). Within a violent revolution model, the first step requires the organization of sufficient military power to overthrow the existing regime. Within a peaceful "revolution" model, the first step requires the persons in power to voluntarily give way to large peaceful demonstrations,

and perhaps to subsequently help adopt a new democratic constitution. Both peaceful and violent revolutions clearly require considerable organization and resources, and these must be assembled essentially under the nose of a preexisting government that is opposed to their existence.

In cases in which a violent revolution is undertaken with the aim of liberal reform, the constitution of the military organization that overthrows the preexisting regime must include some mechanism through which the authoritarian organization used to conduct the war can be replaced by a democratic one after the war is won. Such transitions are, of course, problematic, and violent revolutions more often yield authoritarian (military) governance rather than parliamentary democracies. Democratic reforms are unlikely to be implemented after the war is won, because of the constitutional conservatism of those with authority to adopt reforms. (After all, there must have been a reasonably effective "revolutionary" government to have won the war.)

Both peaceful and violent big bang theories of the state have problems explaining the origin and timing of the emergence of Western democracy. There were few grand constitutional conventions or violent revolutions, or credible threats of revolution in the nineteenth century. Germany's grand constitutional convention did not cause a new constitution to be adopted. The violent revolutions that did take place in the early twentieth century (in Russia and China) produced authoritarian regimes rather than parliamentary democracy. Moreover, peasant revolts are fairly common before the nineteenth century, but never produced parliamentary democracies and rarely produced liberal reforms (Tilley 2004).

The constitutional bargaining model developed in this volume explains both the architecture of governance and the timing of the emergence of democracy. Organizing campaigns for modest reforms are easier to organize than revolutionary threats, mass demonstrations, or constitutional conventions, in part because they do not pose an existential threat to the preexisting government. Nonetheless, a series of modest reforms can cumulatively produce parliamentary democracy, although this requires a strong liberal trend in the reforms adopted. In the nineteenth century, there were technological and economic trends in Europe and Japan sufficient to induce such trends in reform by changing the bargaining equilibria among governmental policymakers.

All three theories require a variety of Olsonian organizational problems to be solved, but those associated with the constitutional-exchange model are much smaller than those associated with the

quantum leap theories of reform. No armies need to be trained, and no grand constitutional convention needs to be arranged among all affected parties; instead, patient, persuasive, reform campaigns have to be organized and sustained.[453]

Overemphasis on "Revolutions" in Other Work

Emphasis on revolution and violent threats in mainstream historical and analytical accounts of Western history seem to be partly a consequence of the use of discrete categories of government to classify governments. If the only constitutional choice is between "dictatorship" and "democracy," revolutions might well be necessary to jump the implied institutional chasm. Revolutionary analysis is also linked to the development of theories of legitimate revolution in pre-enlightenment political theory, which inspired several wars of secession and a few civil wars. Among these are wars of secession in the Netherlands, United States, and Belgium that produced relatively liberal governments, and civil wars in which protagonists espoused liberal constitutional goals, as in France, Austria, and Spain, but in which the immediate results were not more liberal states.

Given the conventional discrete classification of governments and examples of broadly supported wars of secession and civil war, it is not surprising that many theoretical and historical accounts provide revolutionary explanations for most constitutional reforms. These include historical ones by Marx (1959) and Palmer (1969), as well as contemporary sociological and

---

[453] It bears noting that constitutional exchange is also possible when the main goal of governmental decisionmakers is the scope of their authority, their "power," rather than economic and ideological ends. Within governments and other organizations, authority is analogous to personal wealth. It is an index of an individual's ability to pursue his goals. It determines the size of their (organizational) opportunity set.

Just as entrepreneurs can be modeled as wealth maximizers, senior officials can be modeled as authority maximizers. However, both authority and wealth can be held in different forms, which implies that a variety of tradeoffs are normally being made even by persons who appear to be single-minded about such objectives. "Power" is multidimensional. It is largely a consequence of a person's position within his or her organization and the ability of that position to affect the decisions of others by changing their constraints and tradeoffs.

The multidimensional nature of authority and the fact that other ends also matter at the margin allow constitutional gains to trade to emerge among such persons as well. The experience of nineteenth-century Europe, the United States, and Japan suggests that economic and ideological interests were more important factors in the countries in which constitutional bargaining and compromise produced Western democracy, although there are always a few high officials that seem interested in authority for its own sake.

economic ones by Goldstone (1993) and rational choice models by Acemoglu and Robinson (2000).[454] Such "all or nothing" accounts, however, neglect the broad range of intermediate forms of political organization that are possible—forms that are in fact far more common than are the extremes.

It is the intermediate forms of government that allow constitutions to be gradually liberalized through peaceful, lawful constitutional bargaining that redistributes policymaking authority from kings to parliaments and increases the breadth of suffrage used to select members of parliament.

D. Liberalism and the Rise of the West

Overall, it seems clear that the Western transitions were similar, although they were not entirely dependent on industrialization, nor entirely culture specific. Northern European societies were culturally linked in various ways through trade, history, and religion. Many of their political and economic institutions had Germanic and Latin origins in the distant past. Scandinavia and Germany, however, had never been ruled by the Romans. The British had never been part of the Hanseatic League, and the influence of the Protestant Reformation varied widely across northern Europe. There were few Lutherans in Great Britain. Similar political and economic transitions took place in Belgium during the nineteenth century, which was not Protestant, and also in Japan, a country where trade, culture, and religion were only very weakly linked to northern Europe. The transition to democracy in Europe suggests that industrialization can be a catalyst for liberal reform, but the transition of the United States suggests that it is not the only possible catalyst.

Liberalism, however, played a central role in each of the transitions. The direction of reform was provided by liberal political and economic theories. Liberal politicians and constitutional scholars such as Madison, Grey, De Geer, Thorbecke, and Ito provided much of the logic and language of the legislative and constitutional reforms adopted.

---

[454] Revolutionary theories of historic change are numerous and a complete survey of them is beyond the scope of the present volume. Economic and sociological theories of revolution are briefly surveyed in Goldstone (1993, 2001). Also, see Tilly (2004) for a discussion of how "contentious" periods may occasionally generate institutional reforms. The criticism of such theories developed in this book in some ways parallels that of Goldstone in that many of these theories lack causal micro-foundations. The present volume provides a specific non-revolutionary explanation for the great political reforms of the nineteenth century that gradually created Western democracy.

Rise of Liberalism

Liberalism gained ground in the nineteenth century for many reasons. As a collection of complementary ideas about the nature of the good life and the nature of a good country, liberalism provided answers about where society should be heading and provided answers about how individuals could achieve economic and political success. Liberal philosophers stressed the importance of liberty, hard work, and education in personal development. Economic liberals argued that monopolies reduced economic income and national wealth. Political liberals argued that more representative, but rule-bound, governments provide better public policies, more liberty, more tolerance, and broader opportunities. Their arguments broadly supported the possibility of personal and social progress through hard work, innovation, and reform. Although many liberals acknowledged limits in a person's or society's ability to determine what the best policies are, they generally agreed that a scientific approach was better than an unthinking adherence to traditional ways of doing things.

Support for liberalism was itself partly empirical. Technological progress tended to support the contention that improvements were possible, insofar as the new modes of transportation, communication, and lifestyles were widely considered superior to horseback, letters, and traditional life in farm villages. The countries that adopted more liberal economic and political reforms tended to grow more rapidly than the countries that maintained their medieval institutions, and they tended to be militarily more powerful as well.

Economics encouraged people to experience the new lifestyles and technologies, because economics induced people to shift from farms to factories. The new more "round-about" production methods were more capital intensive and specialized, and so paid their employees more than could be earned in traditional occupations. Many people moved from farms and villages to new towns and expanding cities, where their new occupations and lifestyles were very different from those of their parents and grandparents. Their new lives were not all together better, nor all together worse, but they chose them over their traditional alternatives. Liberal theories helped explain and justify their new more market-oriented, more urban lifestyles. Liberal political organizations helped the new middle class participate in local and national politics. Liberal political and economic

arguments played significant roles in parliamentary debates throughout the West during the nineteenth century.[455]

Liberalism as Conventional Wisdom

Trends in public policy during the nineteenth century are largely consistent with a gradual increase in support for liberal ideas and also with gradual "radicalization" of the liberal reform agenda. By century's end, the typical member of a liberal interest group or political party favored very broad suffrage rights, parliamentary governance, international free trade, and modest social insurance—and in most cases, those policies had already been adopted or were shortly to be adopted.

The polities produced by nineteenth-century reforms were not, however, the laissez-faire minimal states advocated by radical liberals of the mid-nineteenth century. Economic competition was limited by rules against fraudulent practices and monopoly power. International tariffs were low, but not as low as they had been earlier in the century. There continued to be significant public support for transport, energy, and communication infrastructures, as well as for court systems that enforced civil and criminal law. Government services included public education and social insurance. Nor were Western political systems completely "democratic" in the sense that majorities could adopt whatever policies they wished. The new governments were constrained by their constitutions through divisions of authority, constitutional courts, and civil liberties of various kinds. Most of these policies and institutions were broadly supported by mainstream liberals in 1925, and most had long been advocated by liberal interest groups.

The liberal consensus crumbled somewhat during the half century following World War I, but it reemerged in the second half of the twentieth century. Contemporary Western conservatives, moderates, liberals, and social democrats continue to accept and support the basic structure of the constitutional order worked out in the nineteenth and early twentieth century, albeit with a good deal more social insurance than accepted by most liberals (or social democrats) in 1925. The aristocratic, religious, and historical arguments used against nineteenth-century liberals have all but disappeared,

[455] The books of scholars indirectly affect mainstream thought and government policy by strengthening arguments in a manner that affects public discourse and also the development of public school and university curriculums. See Levy and Peart (2006) for an interesting overview of debates among liberal and conservative intellectuals in England during the nineteenth century on such matters as natural hierarchy, racism, and eugenics. See Schonhardt-Bailey (2006) for an exhaustive analysis of English parliamentary debates concerning free trade in the 1830s and 1840s.

along with a good deal of mysticism, traditionalism, intolerance, and cultural variation. There are relatively few advocates for government-assured national church monopolies or privileged families in the West today.

E. Liberalism as an Index of Institutional Quality

At the time that liberal reforms were first being implemented in North America and in Europe, their long-term effects were open to question. After all, the medieval systems of governance with their associated economic regulations, monopolistic churches, and hereditary-based politics had produced law and order, reasonable prosperity, and significant progress. Europe had gradually passed China, Japan, and Turkey during the seventeenth and eighteenth centuries, and had done better than most of the rest of the world for an even longer period.

The economic and political consequences of the nineteenth-century political and economic reforms doubtlessly surprised late-medieval conservatives by demonstrating that (1) prosperity could be increased and extended throughout the income distribution by freer internal and external markets and (2) that such wealth-increasing reforms were generally supported by the new broadly representative governments. The new, more democratic governments also surprised conservatives by adopting economic policies that tended to be more predictable and law bound than those of the long-standing aristocratic systems.

There turned out to be essentially no tradeoff between long-term growth and political liberalization in the nineteenth century. Markets and politics were simultaneously improved as institutions for promoting broadly shared interests in prosperity, equality before the law, and the provision of public services. The success of relatively liberal political-economic systems relative to medieval systems accounted for much of their appeal in the late nineteenth century, especially among nonideological voters and pragmatic politicians. The ability of liberal polities to advance broad human interests is largely taken for granted today. A "good society" is essentially a liberal society. It has a broadly elected representative government that promotes civic equality, tolerance, the rule of law, open markets and open politics, and provides infrastructure, public education, and social insurance.

It is interesting to note that most contemporary political and economic indices of "institutional quality" are essentially indices of the extent of liberal reforms. Mainstream indices of governmental quality imply that (i) the more open and democratic a nation's political institutions are, (ii) the more uniform and enforced its civil liberties are, (iii) the more independent its judiciary is, and (iv) the more literate its citizens are, the better governed are the countries of interest. Similarly, mainstream

indices of the quality of economic institutions imply that: (i) the more open and competitive are the internal and external trade networks, (ii) the less arbitrary (and discretionary) is its economic regulation, and (iii) the more effectively a nation's civil law is enforced, the better are its economic institutions. Among such indices are the Worldwide Governance Indicators of the World Bank, the civil and political liberty indices of Freedom House, and the Economic Freedom index of the Heritage Foundation.

At or near the top of most contemporary lists of market "openness" are the countries analyzed in the case studies of part II: the United States, the United Kingdom, the Netherlands, Germany, Japan, and Sweden. The same countries also top lists that measure political openness, average income, and longevity. That liberal political and economic arrangements tend to increase the quality of life and have done so for more than a century has induced other countries to adopt liberal reforms and also induced a good deal of migration from "undeveloped" (illiberal) to "developed" (liberal) countries during most of the past century.

Whether the connection between liberal democracy and open markets remains sufficient to produce future transitions is subject to challenge. For example, Hardin (1999) suggests that there is no necessary connection between political and economic liberalism. There is, however, evidence of similar internal liberalizing pressures in many rapidly developing countries, as in China and India, and also of the penetration of liberal economic and political ideas into the highest councils of state in those countries. If the analysis of this book is as general as the author believes, gradual liberalization is likely to continue for the next several decades in those countries. The course of reform is likely to be peaceful and lawful, if not uncontentious, insofar as their institutions allow constitutional gains to trade to be realized, and liberal political and economic ideas continue to gain support.