

## I. Great Economic Transformations of the 19th Century

- A. During the 19th century, economic life in Europe and North America underwent an amazing and unprecedented transformation.
- B. There were enormous changes in the methods of production as steam and eventually electricity became widely used, replacing muscle, wind and water power in most large-scale manufacturing processes.
  - i. Fossil fuel based production methods (coal and then oil) exhibited substantial economies of scale which meant that many of the new manufacturing enterprises were far larger than the one's that they replaced.
    - a. Factories replaced cottages and small shops.
    - b. Mass production of standardized intermediate goods and final products became common place.
    - c. The overall labor market became far larger and varied, although the jobs themselves often became far more narrow.
  - ii. Cities became far larger and the farming communities became smaller. Consequently, a smaller fraction of people earned their living from agriculture--whether directly be farming or indirectly through trading agricultural products.
    - a. This was partly induced by changes in farming techniques that required less labor.
    - b. And, it was partly a consequence of individuals leaving farms to work for higher wages in factories and shops, which tended to be located in towns and cities.
    - c. Population growth took place at the same time that the number of farmers were shrinking!
  - iii. Whole new industries emerged as innovations in electricity, chemistry, metallurgy, management, and related engineering fields took place.
    - a. Telegraphs and telephones came increasingly into use.
    - b. Rail transport replaced stage coaches, canal boats, and caravans as principle methods of transporting goods and people over land.
    - c. Electric lights, phonographs, and washing machines became common as the electricity production improved and the grids expanded.
    - d. Photography emerged as an art form and a personal hobby.
    - e. Dynamite was invented by Nobel in 1867 (the profits from which continue to fund most Nobel prizes.)
    - f. High strength steel and concrete became widely used in commercial buildings, factories, and manufactured products..
    - g. The automobile and bicycle emerged as "toys" toward the end of the century, but soon became major industries.

- h. Electricity for use in manufacturing and for domestic applications became commonplace by the end of the century. Indoor heating and plumbing became common place.
  - a. Towards the end of the 19th century the telegraph, electric lights, the telephone, and other appliances became available, and in a decade or three became widely used.
  - b. For the first time in history, the world was **not** only lit by fire.

- iv. Industrial and labor cartels (unions) emerged as "factor owners" attempted to use collective bargaining to increase their personal share of the "gains from exchange."

## C. Wealth had been historically based on land ownership, commerce, and political connections.

- i. These sources of wealth, of course, continued, but by the end of the 19th century, wealth became increasingly based on manufacturing, innovation, and specialization.
- ii. Both life spans and population increased as per capita income nearly tripled by the late nineteenth century.
- iii. Together the various changes in the organization of production allowed a broad middle class to emerge for the first time in the industrializing countries of Europe.
- iv. (The "frontier" had allowed a broad middle class to emerge in North America based on family farming to emerge far earlier. In Europe, land holdings and wealth tended to be very concentrated--substantially, among the royal family, the nobility and various wealthy farm families.)

## II. Public Policy Contributions to 19th Century Industrialization

### A. *These changes were not entirely the result of technological shifts.*

- i. In other older and wealthier societies, for example, the Ottoman Empire and China, access to the same technologies did not lead to such great transformations.
- ii. Industrialization in those countries was often suppressed by ruling elites.

### B. In Europe and North America, public policies tended to encourage rather than to discourage industrialization.

- i. The medieval guild systems were finally ended in Europe during the 19th century, as were the last remnants of medieval serfdom.
- ii. International trade was broadly encouraged through reductions in tariffs and other trade barriers.
- iii. Rail, electrical, and telephone systems were supported through grants of right of ways and direct subsidies.
- iv. There were great public education reforms which created many new publicly supported schools and colleges, and a better labor force.

- v. Various laws governing the structures that corporations could take were revised allowing more enterprises with more diffuse ownership to be organized with less risk to shareholders.
- vi. New areas of contract law and torts were developed and enforced by the courts.
- vii. Antitrust policies were adopted in many countries.

### III. Politically Active Interest Groups and Reform

- A. These new policies were not accidental.
  - i. In most cases, the pro-industrial policies were lobbied for by the narrow economic interest groups who profited most directly from the new policies.
  - ii. However, such policies also tended to make industrialization more widespread, more intense, more specialized, and more productive--raised salaries and helped a new middle class to emerge.
  - iii. Many of these groups also lobbied for political reforms so that their interests would be better reflected in government policies.
- B. *The emergence of new politically active interest groups in the nineteenth century can largely be explained as a consequence of the same technological changes that generated that century's rapid economic transformation.*
  - i. Greater income and wealth clearly provided more resources for individual pursuits, including politics.
  - ii. Both the new industries and the new organization of work, therefore, often created new or at least more obvious common economic interests.
  - iii. The organizational methods developed for coordinating large groups of laborers and input suppliers could also be applied to manage other collective activities, some of which had specific political aims.
    - a. The concentration of workers and firms within cities clearly reduced the cost of organizing labor unions and producer cartels.
    - b. At the same time, technological innovations, such as the train, telegraph, and telephone, reduced the cost of coordinating activities within cities and across the nation as a whole in those industries that remained diffuse, such as iron works and timber.
    - c. The same reductions in transportation and communication costs that account for many of the economic advantages of urban-based manufacturing also promote collective action by firms and workers by reducing organizational costs.
- C. *In economic terms, industrialization caused the benefits of many kinds of collective action to rise and their costs to fall.*

- D. The creation of formal organizations with a policy agenda solve a host of free rider problems that would otherwise reduce the likelihood that a group's interests would be advanced by public policy.
  - i. For example, Olson (1965) points out that organized groups overcome free rider problems by developing an array of exclusionary devices that condition at least some of the benefits of collective action on the intensity and effectiveness of individual participation
  - ii. However, even well-organized interests were more potent in the 19th century because of the constitutional reforms that were lobbied for and taking place at the same time.

### IV. The Rise and Reform of Parliament in the 19th Century

- A. **These wealth increasing public policies were also partly generated by constitutional changes taking place throughout Northern Europe.**
- B. **Coincident with the emergence of large industrial concerns was the emergence of a large number of new ideological and economic interest groups that supported constitutional reform** as well as ordinary public policy, throughout the rapidly industrializing world.
  - i. These groups often operated on a wide scale, both inside and outside government, and many thereby have affected the development of policies and institutions.
  - ii. For example, Verney attributes much of the popular support for the Swedish constitutional reforms of 1866 to the efforts of economic liberals (1957, pp. 79-80) and those of 1920 to the efforts of labor unions and suffrage movements (1957, pp. 206-11).
- C. Both economic and ideological interest groups often attempt to influence the manner in which ordinary citizens think about broad policy issues.
  - i. This is possible because the informational base of many personal beliefs about the world is indirect--based on reported accounts rather than direct experience.
  - ii. Consequently, it is often possible to alter an individual's assessment of the relative merits of alternative policies by subsidizing the dissemination of policy relevant information.
    - a. Changes in political ideas often reflect changes in the range of information that is readily available through personal networks and news sources.
    - b. And, what is freely available is not always a matter of accident or unbiased random samples.
  - iii. For example, the Swedish civic organizations that formed in the early nineteenth century, such as the free church and tea-totaller movements (IOGT), clearly used persuasion on a large scale to advance their policy aims.

- a. Other organizations that promoted ideological interests (e.g., liberal, socialist, and democratic) and economic interests (industrial and labor) emerged later in the century and similarly used persuasion on a fairly wide scale to advance their policy aims.
  - b. Even in settings in which suffrage is broad and uniform, political demands are more likely to be heard and affect policy when they are systematically promoted by a formal organization.
- D. The shared economic interests of firm owners can also explain the broad pattern of industrial organizations, especially with respect to trusts and cooperative associations, but many of these organizations also lobbied for expanded suffrage.
- i. The liberal world view often played a role in both industrial organizational efforts and the policy arena.
    - a. The liberal view implied that innovation, increased production, civil rights, and, perhaps, free trade were goods in their own right and socially important engines of progress (Heckscher (1954), p. 214).
    - b. The general enthusiasm of many members of trade associations were clearly enhanced by the broad appeal of **liberal arguments** inspired by the economic writings of Adam Smith, J. B. Say, Bastiat, and Mill.
    - c. The arguments of social democracy and socialism clearly played similar roles in labor movements.
- E. Unions soon found it in their interest to lobby for a wide variety of new public policies regarding labor practices and union organization, but they also lobbied for expanded suffrage (e.g. for reductions in the income and wealth qualifications for voting in national elections).
- F. Industrialization, thus, indirectly led to the formation of new political alliances and eventually to the emergence of new political parties at the turn of the century, many of which favored expanded suffrage.
- i. For example, in Sweden:
    - a. The New Liberal Association was organized in 1868, but it was unsuccessful in its legislative aims and disintegrated in the next two years.
    - b. the Social Democratic party emerged out of the suffrage and labor movements in 1889.
    - c. The initially more influential Liberal party was organized in 1899 as a coalition of more or less like-minded members of Parliament organized over dinner at Tattersall's restaurant.
    - d. Nationwide economic organizations such as labor's Landsorganisationen (LO) were organized in 1898 partly with the support of the Social Democrats. Industry's employer

association Svenska Arbetsgivarföreningen (SAF) was organized 1902 with the encouragement of the Conservative and Liberal Parties. (Heckscher 1954, pp. 136 and 235).

- ii. In the Netherlands, numerous parties formed and reformed during the late 19th century:
    - a. The Anti Revolutionary Party (ARP) formed in 1879 to resist Liberal and Socialist groups and promote the traditional national character in the spirit of William the Silent. (The William that organized Leiden's Relief and much of the Dutch revolt.)
    - b. Several liberal and social democratic parties formed at about the same time: including the Liberal Union, the Free Liberal League (1891), the Social Democratic Workers Party and the Social Democratic League.
    - c. Religion based parties were also created during this period as with the Catholic State Party and the Christian Historical Union (1908).
    - d. In 1906, the Netherlands Federation of Trade Unions was founded (NVVV).
  - iii. In the United Kingdom:
    - a. For much of the early period, parliamentary politics were dominated by two somewhat loosely organized parties the Liberal Party (formed from the old Whig Party, Radicals and Reformers) and the Conservative Party (formed from the old Tory Party).
    - b. However, toward the end of the 19th Century, other parties emerged:
    - c. The Independent Labor Party was founded in 1893 and the Labor Party was established in 1900.
    - d. The Trade Union Congress (TUC) was founded in 1868, Labor unions were legalized in 1871, The first meeting of the London Chamber of Commerce took place in 1882. The National Union of General and Municipal workers formed in 1889.
  - iv. Similar patterns were occurring throughout Northern Europe.
- G. The creation of these formal national political parties and interest group alliances were partly the results of earlier constitutional reforms liberalizing election law, rights of free association, and expanding the power of parliament relative to their respective kings.

### V. Constitutional Reforms in the 19th Century was a Slow Process

- A. The constitutional reforms that came to be adopted peacefully, generally modified existing institutions rather than replacing them whole cloth.
- B. Constitutional monarchies with parliaments have existed through out much of Europe from the late middle ages.<sup>1</sup>

<sup>1</sup> In late medieval Europe, many of Europe's kings formally established advisory councils and eventually parliaments that had significant control over public policy, for example, veto power over taxation, as in England and Sweden. These royal councils and representative gatherings evolved into parliaments. For example, the roots of the present English parliament extend back beyond the thirteenth century to the ancient Great Council (Magnum Concilium) which was composed of lay and ecclesiastical magnates. The Great Council met with the English King on

- i. Some of these medieval parliaments continue into the present day in modified form as in the UK and Sweden. The States General of the Netherlands continues today as the indirectly elected first chamber.
- C. However, formal constitutional documents that call for a king and parliament to jointly make public policy are clearly more widespread than those of the ancient English and Swedish models.
- i. The formal institutional structure of parliamentary monarchy was often adopted in NEW instruments of governance adopted during the nineteenth century.
  - ii. Many other old nations reformed their older political arrangements and many other new countries simply created new parliamentary systems complete with a royal family during the 19th century.
  - iii. New constitutional monarchies were established in the Norway (1814), Netherlands (1814), Greece (1864), Italy (1861), Germany (1871), and Japan (1889).
  - iv. Major constitutional reforms that formalized their monarchies relationship with parliament were adopted by Sweden (1814) and Denmark (1849).
  - v. France adopted a new constitutional monarchy in 1814 after the turmoil of the revolution.
- D. The parliaments adopted by these new constitutional documents were often bi-cameral and their members were often appointed rather than elected.
- i. In those cases, where parliaments were elected, the electorate was often very narrow, less than ten percent of the adult male population, essentially the largest tax payers.
  - ii. Early multi cameral arrangements were often class or occupation based as with the house of commons and lords in England, and the chambers for nobles, farmers, burghers, and clergy in Sweden.
  - iii. In contrast, the bicameral system of the Netherlands (1815) was region based (a federal system) with one indirectly region based chamber (with 50 seats) and one directly elected chamber (with 100 seats, after 1888).
- E. Over the course of the 19th century, these parliamentary systems gradually liberalized as power shifted from their respective kings to their parliaments, and as membership in parliament was determined by more male voters (as wealth and age restrictions dropped) and to women.
- i. **Major parliamentary and electoral reforms** were adopted in Sweden in 1866 (elected bicameral parliament), 1909 (more or less universal male suffrage and PR elections), and 1920 (woman's suffrage).
  - ii. **Major reforms** of electoral laws were adopted in the UK in 1832 (ending the rotten borough system), in 1867 (broadening suffrage), 1911 (diminishing the House of Lords' veto power), 1918 (adopting essentially universal male suffrage), 1918 (women's suffrage > 30 years old) and 1928 (woman's suffrage to same footing as men's).
  - iii. **Major reforms** of the Dutch constitution were adopted in 1848 (elected parliament with male suffrage determined by wealth, multicandidate districts, expansion of suffrage), 1888 (second chamber size fixed at 100, single member districts, except in some cities, with run off elections to assure majority approval), 1896 (further reduction of wealth qualifications for voting but increase in age to 25), 1917 (essentially universal male suffrage and proportional representation), and 1919 (woman's suffrage, compulsory voting).

affairs of the realm, including taxation. The Magna Charta of 1215 formally established an elected council of 25 barons to monitor and enforce the implementation of that 1215 compact between the English King, Church, and nobility.

Similarly the parliament of Sweden (the Riksdag) evolved out of the ancient Scandinavian and German institution of the Ting that had powers similar to the Great Council. *Tings* (ting, lagting or althing) combined aspects of modern judicial and legislative branches of government. Tings were deliberative assemblies that met at regular intervals to settle disputes, to pass sentences on law breakers, and to elect kings. A new formal Swedish council was established by law in 1319 at the time that Magnus Eriksson was elected king, in exchange for oaths of fealty by the great men of the realm. Council members had veto power over taxation and some policy decisions. The legal origin of the modern Swedish parliament (the Riksdag) is somewhat clearer than its historical development insofar as the Swedish parliament was formally established by the Riksdag Act of 1617. The latter, much modified, continues to the present day. See Petersson (1994: 6), Weibull (1993: 22), Holmberg and Stjernquist (1995: 12), or Congleton (2001, ch. 1,3).

The French Estates General also originated around 1300 at which time the King (Phillip the Fair) called representatives from the nobility, burgers, and clergy to form a grand council which was consulted for all major decisions. A smaller group composed of judges and lawyers, the "Parlement," was also consulted on a more regular basis. That group remained relatively influential throughout French history. Prior to the modern period, the various judiciary parlements served as the main check on the king's authority. The Estates General played a significant, but lesser role during the time prior to the French Revolution. See Bély (1998: 33, 58, 62, 75). Palmer and Colton (1965: 31) suggest that more or less similar representative institutions emerged throughout Europe during the 13th century. These assemblies were called variously Cortes in Spain, Diets in Germany, Estates-General in France, and Parliaments in the British Isles.

In the Early 15th century, Count Philip I "de Goede" (the Good) introduced a similar system of parliamentary rule to the Netherlands. He appointed Stadtholders for the most important cities and founded the *States General*, a college of representatives of the provinces

F. These reforms were not spontaneously adopted but rather reflected political forces within the countries body politic. Moreover, in cases in which constitutional reforms are adopted through lawful processes of constitutional amendment, they will clearly *reflect the interests of those in power at the time of the reform.*

**G. The organizations that have the greatest direct control over constitutional reforms are the political parties themselves.**

- i. They, like any other interest group, may be expected to promote policies and constitutional reforms that increase the power and security of pivotal decision makers within their own organizations.
- ii. This is not to say that the interests of voters are totally neglected, but, rationality implies that every new policy and every new constitutional reform must be expected to advance the interests of those with the power to create and implement them.
  - a. Those entitled to vote clearly **affect the interests of members of parliament**, insofar as voters can influence the likelihood that an office holder will remain in office after democratic reforms are adopted.
  - b. Nonvoters can only **indirectly** influence the likelihood that an officeholder will continue in power, insofar as they could persuade other persons who can vote that their interests were important.
  - c. As noted in the previous lecture, nonvoters might, for example, form interest groups as with suffrage movements and labor unions.
- iii. In a rational choice model of politics, **political consequences are not entirely accidental**, but rather anticipated consequences lead various organized and unorganized groups to support or oppose particular reforms. In the social sciences, in contrast to the physical sciences, *anticipated effects are themselves a cause of action.*

H. *However, major constitutional reforms, such as broadening the franchise, differ from ordinary policy because they cannot be easily reversed once adopted, because they change the procedures by which new policies are adopted and old policies modified.*

- i. That is to say, the same persons (coalition) that enact a constitutional reform *may not* be able to repeal the reform once in place.
  - a. This contrasts with ordinary legislation and minor constitutional amendments, in which case new laws can generally be repealed by the same coalition of legislators that initially favored passage, if opinions change and they vote to repeal them.
  - b. Once a constitutional change is adopted, the coalition that passed the reform may not have sufficient votes or control over policy to repeal the amendment adopted.

- ii. The durability of constitutional reforms tends to make constitutional reform a more risky endeavor than ordinary policy decisions, because it is more difficult to predict long term effects than short term (reversible) effects.
- iii. Moreover, like ordinary public policies, constitutional reforms can occur as the result of a temporary window of political opportunity that presents an alliance of interest groups with the opportunity to shape institutions in a manner that increases their own future political power.

I. Within Sweden, the UK and the Netherlands, it is clear that partisan interests have greatly influenced the series of reforms that lead to their present parliamentary systems.

- i. For example, the adoption of proportional representation in the early 20th century gave political parties and party leaders substantially more control over their members' voting.
  - a. Those who vote against the leadership may find that they are no longer on the party lists when the next election occurs.
  - b. In this manner, the requirement that parties choose ordered lists of potential members of Parliament gives the leadership of political parties a new and powerful tool with which to punish members who stray from the party line.
- ii. Eliminating the property requirements for voting at the beginning of the twentieth century clearly increased the power of labor groups and their political parties.
  - a. For example, the Swedish reforms of 1907/09 significantly increased the number of voters who were members of labor unions, which (i) gave the Social Democrats much greater electoral support, (ii) membership in the lower chamber and eventually first chamber, and, consequently, (iii) much greater control over policy than they had prior to expanding the franchise in 1907/09 and 1919/20.
  - b. The Social Democrats and other parties could subsequently block efforts to reverse or modify the constitutional reforms that led to their increased power.
- iii. To the extent that political parties and other interest groups can predict the consequences of constitutional reform, they will be inclined to support reforms that increase the power of those who support their own policy agenda.
  - a. This conclusion clearly applies to both economic and ideological (public interest) groups.
  - b. A public-spirited group that draws its primary motivation from its interpretation of the national or general interest also has an interest in seeing that its members come to control policy formation.
- iv. The difficulty in reversing constitutional decisions is increases the importance of constitutional reform, but durability also tends to attract the attention of all organized groups that expect to gain or lose from such reforms.

Constitutional Design and Public Policy, Lecture 5: Perfecting Parliament

**Popular Suffrage and Population**

in 19th Century Netherlands, Sweden, and the United Kingdom

(in thousands, from Cook and Paxton, *European Political Facts 1848-1918*)

Year (UK, then NL election yrs.)	Netherlands			Sweden			United Kingdom		
	electors	pop (interp. to election yr.)	2*electors/ pop	electors (in nearest yr)	pop (interp. to act. elect. yr.)	2*electors/ pop	electors nearest >1886	pop (interp. to act. elect. yr.)	2*electors/ pop
1831							435.4	26081.57	0.03
1833							652.8	26211.46	0.05
1866							1056.7	30206.1	0.07
1869							1995.1	30973.32	0.13
1883							2618.5	35454.42	0.15
1886							4380.5	36308.85	0.24
1888	292.6	4471.27	0.13	274.7	4719.2	0.12			
1891	293.8	4629.92	0.13	288.1	4784.98	0.12		37732.9	
1894	299.1	4807.7	0.12	339.9	5101.26	0.13			
1897	576.6	4985.48	0.23						
1901	609.6	5254.84	0.23				6730.9	41458.7	0.32
1905	752.7	5556.52	0.27						
1909	843.5	5858.2	0.29	503.1	5445.2	0.18	7710	44976.44	0.34
1913	960.6	6243.4	0.31	1066.2	5558.84	0.38			
1918	1081.5	6690.1	0.32	1124	5777.46	0.39	21392.3	43833.75	0.98
1922	1844.8	7079.36	0.52				21127.6	42957.44	0.98