

**Perfecting Parliament:  
Liberalism, Constitutional Reform  
and the Rise of Western Democracy**

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

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## **Preface**

Two political revolutions occurred gradually in Northern Europe during the nineteenth and early twentieth centuries. First, political authority shifted from kings to parliaments. Second, parliaments became more broadly grounded in popular suffrage. This century-long shift in political authority was a major event, although the individual shifts of power and expansions of suffrage were often relatively small events. Nor were these two shifts of policymaking power entirely connected. European parliaments had occasionally gained power in previous periods without broadening their electoral base, which before 1800 were generally limited to well-organized and well-born elites. In some cases, suffrage expanded more rapidly than power shifted to the parliament, as in Germany, whereas in other cases, such as England, parliament became the dominant institution for public policymaking well before universal suffrage was obtained. Yet, by the 1920s the new democratic parliamentary governments were broadly similar throughout Europe and were radically different from previous governments that Europe and the world had experienced during recorded history. These new parliamentary governments were revolutionary, although not products of war, nor sudden breaks with the past. Something evidently had happened during nineteenth-century Europe that gave rise to gradual, but extraordinary, changes in governance in the course of only a century or so.

It has often been suggested that industrialization played a role in these constitutional reforms. To the best of my knowledge, however, no one has provided a peaceful mechanism through which industrialization—itsself largely an economic activity—may induce major political reforms. Whether economic development induces constitutional reform or constitutional reform induces industrialization is not obvious. After all, it is political decisions that determine contract, property, and tax laws, and it is political decisions that largely determine how those rights and obligations will be enforced. Economics suggests that such political decisions can have large effects on a nation's path of economic development by affecting transaction costs, technological innovation, and market size. One could argue that national governance largely determines market activity, even in a fairly complete model of political economy.

It seems likely, however, that causality is not unidirectional from the political to the economic sphere. An interdependence clearly exists 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 is also true in the large, because major constitutional reforms can be induced by politically active groups whose economic interests are advanced by such reforms. Technological and ideological innovations may

create new opportunities and new pressures for peaceful constitutional reform that favor particular political and economic interests. The effectiveness of such groups tend to be enhanced by industrialization, but the groups are not products of industrialization

The analysis developed in this book suggests that the road to democracy requires institutions in which constitutional bargaining and reforms can take place, and support of politically active persons with an interest in more liberal forms of political decisionmaking. .

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[The] members of parliament had been recalled, so far as the government was concerned, for one reason and one reason alone: money ...

In the end the members of parliament accepted the king's assurances and decided to "proceed notwithstanding." They now wanted confirmation of the adequacy of their offer, and also a more concrete set of proposals outlining what the king might surrender in return ...

Rabb (1998: 140, 149) on Sir Edwin Sandys and the great contract of 1610.

\* \* \*

The **best aristocracy** is that in which **those who have no share in the legislature are so few** and inconsiderable that the governing party has no interest in oppressing them.

Thus, when Antepater made a law at Athens, that whosoever was not worth two thousand drachmas should have not power to vote, **he formed by this method the best aristocracy possible**; because this was so small a sum as to **exclude very few**, and not one of any rank or consideration in the city. Montesquieu (1748: 15)

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## **Chapter 1: On the Origins of Western Democracy**

### **A. Introduction: On the Evolutionary Character of Western Democracy**

Most of us in the West take our contemporary form of governance and political theories for granted. The practices of selecting representatives through elections based on broad suffrage, the concentration of legislative authority in elected parliaments (legislatures), and the holding of annual meetings of parliaments have become the normal routines of political life in the West. That governance should be grounded in the consent of the governed, that various civil liberties should be essentially absolute, and that all citizens should be equal before the law are nearly universally supported and largely unquestioned. That representative governments should adopt laws in a manner consistent with constitutional procedures and constraints is so broadly accepted that it is hard for most of us to imagine any other legitimate form of government.

Most of us also acknowledge that much of the general architecture and many of the principles of contemporary governance are far older than our governments. The idea of the rule of law, if not equality before the law, can be traced back at least as far as the code of Hammurabi, which was chiseled into stone tablets in about 1775 BCE. The foundation of many of our political theories about representative government can be found in classical Greek philosophy, as in Aristotle's *Politics* written in about 330 BCE. Parliaments themselves date back at least to the late Middle Ages, as do elections for seats in parliament. Yet, we also understand that constitutional governance based on equality before the law and broad suffrage is a relatively new phenomenon.

Parliaments, diets, and assemblies have long played a role in Western governance, but membership in medieval parliaments was not grounded in broad suffrage, but rather heredity and occupation. Medieval parliaments were, for the most part, populated from relatively wealthy families and were subordinate to their kings or queens. Medieval parliaments were not self-calling. Kings and queens called "their" parliaments into session whenever convenient and dismissed them at a whim. Their relatively short meetings were largely a method for kings to communicate their ideas and policies to regional elites, and to request new taxes from them. Apart from veto power over new taxes, medieval parliaments had very limited authority. As a consequence of the success and defense of those institutions, analysis of alternative institutions for governance largely disappeared from European philosophical and political discourse during the thousand years prior to the sixteenth century.

To simultaneously accept the “newness” and “oldness” of contemporary political theory and institutions is not evidence of poor training or confusion, but rather acknowledgment of elements of continuity in both the theories and institutions of governance. The ideas of popular suffrage and representative governance are quite old, but broad support for the ideas of popular sovereignty, equality before the law, and universal suffrage is much newer. Many European parliaments are centuries old, but much about the institutions of contemporary parliamentary democracy is quite new.

The emergence of contemporary Western democracy from the medieval template required two major reforms of the routines of governance, and these reforms were widely adopted in northern Europe, North America, Australia, and Japan during the nineteenth and early twentieth centuries. First, political authority had to shift from kings to parliaments. Second, representation in parliament had to become more broadly grounded in popular suffrage. Perhaps surprising, these reforms were not products of war, nor of sudden breaks with the past. Indeed, even in the United States and France where “revolutionary” wars were fought, the wars themselves did not produce democratic parliamentary governance. Nor was there an obvious trend in medieval governance that somehow culminated in the nineteenth century. Something extraordinary happened during the eighteenth and nineteenth centuries that gradually produced parliamentary democracy through a long series of reforms.

This book explains (i) why contemporary liberal democracies are based on historical templates rather than revolutionary reforms, (ii) why the transition in Europe occurred during a relatively short period in the nineteenth century, (iii) why politically and economically powerful men and women voluntarily supported such reforms, (iv) how interests, ideas, and preexisting institutions affected the reforms adopted, and (v) why the countries that liberalized their political systems also produced the Industrial Revolution. The analysis is organized in three parts. The first part of the book develops a bargaining and exchange theory of constitutional governance and reform. The second part uses historical case studies to determine the relevance of the theory. These historical narratives provide evidence that Western democracy emerged from a long series of liberal constitutional reforms, rather than from a single great leap from authoritarian to democratic governance. The last part provides additional quantitative evidence in support of the theory, summarizes the results, contrasts the approach taken in this book with that used by other scholars, and discusses methodological issues.



## **B. Weaknesses of Revolutionary Explanations of the Emergence of Parliamentary Democracy**

The leading alternatives to the explanation provided in this volume are based on “revolutionary” theories of constitutional development. The militant version of the revolutionary hypothesis argues that major economic and political reforms occur in great leaps associated with broad public uprisings that threaten political elites. The fear that their regimes will be overthrown through civil war induces the elite to flee or to accept the “demands” made by their revolutionary opponents. In this manner, it is argued, credible threats of violence can produce radical democratic reforms, sometimes without much actual warfare (Acemoglu and Robinson 2000, Palmer 1959).

There are several major problems with such “popular revolt” theories of the emergence of liberal democracy. Neither major revolutionary threats, nor wholesale reform of institutions, are evident in the countries that adopted liberal reforms in the nineteenth century, except occasionally in France. Moreover, serious revolutionary threats require well-organized, hierarchical organizations with guns, which tend to promote post-revolution dictatorships, rather than democracies. Here, one can recall that civil wars in England, France, Russia, and China produced Cromwell, Napoleon, Lenin, and Mao, rather than durable liberal reforms and democratic rule by the people through elected representatives. Outside of France, there are no cases in which armed conflicts produced even temporary democratic reforms during the nineteenth or early twentieth centuries. And, neither of the two French revolutions created durable democratic systems of government. The first Republic quickly succumbed to the Committee of Public Safety, followed closely by the rule of Napoleon I. About a half century later, King Louis-Philippe abdicated in the face of a popular uprising. The latter was a rare instance of regime change generated by widespread revolt, which seems to be largely responsible for the militant explanation of the emergence of democracy. The second Republic, however, lasted just four years before yielding to the rule of Napoleon III. The subsequent emergence of liberal democracy after Napoleon III was largely evolutionary in nature. The French Parliament had already acquired considerable authority over public policy, and suffrage had been expanding before the second revolution.

In cases in which the force of arms played a role in assembling new, more centralized nation-states, as in Germany and Italy, the new national governments were only slightly more liberal than the typical regional governments they included. In cases in which wars of secession were successful, as in Belgium and the United States, relatively democratic representative systems of government

were already in place prior to secession, which were often liberalized after the war was won, but over many years. Military organizations are rarely themselves liberal forms of government.

The other revolutionary explanation for liberal reforms in the nineteenth century focuses on intellectual and ideological changes, rather than military threats or peasant uprisings. Such theories argue that radically new ideas swept through Europe that persuaded everyone of the merits of new forms of government. There is more historical and constitutional support for the intellectual innovation thesis than the military threat models and for intermediate models that combine ideological shifts with revolutionary threats.

It is certainly true that the intellectual base for governance changed in the nineteenth century. It is also clear that enlightenment theories of the state, society, and economy affected nineteenth century constitutional developments. For example, by the early twentieth century, many European constitutions explicitly mentioned popular sovereignty and equality before the law. These foundations for governance clearly contrast with claims made in older documents that stressed noble family trees, divine providence, and history. However, the timing is wrong for the enlightenment theory of liberal constitutional reform.

Theories supporting popular sovereignty, contract-based governance, and civic equality were penned many decades, indeed centuries, before the political reforms of the nineteenth century began in Europe. Locke, Montesquieu, Rousseau, Paine, Smith, and Madison wrote in the seventeenth and eighteenth centuries, rather than the nineteenth century. And, the writings of these influential political and economic theorists were preceded by earlier arguments and documents associated with the Dutch revolt of the late sixteenth century and by the English Levelers and North American colonists of the early seventeenth century. Although enlightenment scholarship—as well as nineteenth-century restatements and extensions of them—affected debates on institutional reform within literate society and relatively open parliaments in the eighteenth century, it seems clear that simply writing down and circulating such “revolutionary” ideas was not sufficient to cause significant democratic reform.<sup>1</sup>

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<sup>1</sup>It can be argued that the intellectual basis for governance began to shift much earlier. Some scholars argue that this shift began with the renewal of interest in Greek political philosophy, with its emphasis on reason, observation, deduction, dialogue, and education in the mid to late Middle Ages. This renaissance accelerated in southern Europe in the fifteenth and sixteenth centuries after the fall of Byzantium in 1453 (Wilson 1992). In the seventeenth and eighteenth centuries, however, scholars and practitioners went beyond the Greek theories of the state and developed new theories of legiti-  
Continued on next page...

Given this timing problem, those stressing the role of revolutionary ideas might argue that it was nineteenth, rather than seventeenth and eighteenth century, ideas that motivated constitutional demonstrations and reforms. Perhaps, the ideas of Mill, Marx, and other late nineteenth century social reformers generated the democratic impulse for democratic reforms, rather than enlightenment scholars. Again, some evidence supports this idea. Large-scale demonstrations were organized by radical liberals, labor unions, and social democratic political movements in the late nineteenth century, and these often supported suffrage expansion even in cases in which the main goals were economic, rather than political, reforms. However, again the timing is wrong. Shifts of authority from kings to parliaments and a gradual increase in suffrage often began in the first half of the nineteenth century, well before blue-collar labor movements emerged and, moreover, were often completed before radical liberals or labor and social-democratic parties became significant participants in government.

Another significant weakness in these theories is the “quantum leap” hypothesis. Shifts to democratic governance in the nineteenth century were rarely sudden and did not require radical breaks with older institutions. Rather, new systems of governance emerged gradually, as long-standing political institutions were revised a little at a time. In some countries, the steps were larger than others, but in no case did parliamentary democracy emerge in a single great constitutional leap. The gradual emergence of modern parliamentary democracy is evident in the core architecture of contemporary constitutional democracies. The most obvious cases are those in which a monarch still occupies the national throne, as in the United Kingdom, Koninkrijk der Nederlanden (the kingdom of the Netherlands), Konungariket Sverige (the kingdom of Sweden), and Royaume de Belgique (the kingdom of Belgium). Democratic republics also have an executive branch headed by a single person and a parliament or legislature organized more or less as a large committee that makes decisions by casting votes.

Moreover, there was nothing particularly unusual about the adoption of modest constitutional reforms in the nineteenth and early twentieth centuries. Individual constitutional and regulatory reforms of similar magnitude had occurred in previous centuries in most of the West.

What was unusual about the nineteenth century was a strong trend in the policy, legal, and constitutional reforms in a handful of countries, rather than a random series of reforms and counter-

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mate governance, including new contractarian arguments for states grounded on popular sovereignty.

reforms. At the end of a century or two of more or less peaceful and lawful reform, there was a completely new method of choosing parliament and completely new division of policymaking authority between the king and parliament. Parliamentary democracy had emerged.

### **C. The “King and Council” Template for Governance**

In practice, most governments include a “king” and a “council,” that is, a branch of government headed by a single chief executive and another composed of a committee of more or less “equals” who make important decisions by counting votes.<sup>2</sup> Such divided forms of government extend back to the dawn of recorded history (Bailkey 1967). This template for governance might have been called a “chief and council of wise men” in early societies, a “king and royal council” in early medieval times, a “king and parliament” in the late medieval and early modern periods, and a parliament and prime minister (or congress and president) in contemporary governance. By sharing this essential architecture, modern parliamentary governments reveal their deep historical roots and also suggest that contemporary divided forms of governance reflect a good deal of past institutional experience.

A wide variety of governments can be formed from the king and council template, because policymaking authority can be distributed in a number of ways between the king and council, and because the “king” and the “council” can be chosen in a number of ways. Such divisions of authority and selection procedures allow the king and council template to be used to make policy decisions in dictatorships, mixed governments, and parliamentary democracies. In authoritarian states, the executive has most of the policymaking and appointment authority, and the council serves a largely advisory role. In such cases, the council makes suggestions to the “ruler,” rather than rules, and kings and authoritarian presidents accept or reject this advice insofar as it advances their interests.

In mixed or intermediate forms of the king and council architecture, authority to direct governmental resources to particular courses of action is divided between the king and council. For example, the king may decide on international relations, and the parliament may decide on domestic budgets. The authority to select other policies may be shared. In contemporary presidential systems, the parliament and the president jointly determine public policy, insofar as veto and agenda control are distributed between the legislature and president. In contemporary parliamentary democracies,

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<sup>2</sup>This general architecture also tends to be commonplace among most contemporary dictatorships.

the council (parliament) is dominant. The parliament makes the rules and appoints the chief executive (prime minister), who serves at the pleasure of parliament.

Procedures for selecting officeholders may also be varied, as for example, officeholders may inherit their positions, be appointed by one or more preexisting bodies, or be elected. When elected by committees or larger groups, the voting rules may be adjusted in various ways. Votes may be weighted in various ways, super majorities may be required or not, and constructed in various ways. The qualifications for suffrage may be varied to include more or less voters. Together the variations in the division of authority and in the rules for selecting officeholders create a continuum of governmental institutions, as is necessary for democratic governance to emerge gradually, without radical changes in governance.

In national governments there are normally a variety of councils (committees) with somewhat different responsibilities. For example, most medieval kings had executive councils (a council of state or a cabinet) in addition to “their” parliaments. Today’s parliamentary democracies also include an executive cabinet or ministry. It is, however, the relationship between parliament and executive (king, prime minister, or president) that is most relevant for this book, although shifts in the authority to appoint “executive” cabinets play an important role in transitions to parliamentary rule.

Together the “political property rights” established by a given implementation of the king and council template and the many possible divisions of policymaking authority within that template allow the possibility of constitutional exchange. Authority to revise public policy within divided governments may peacefully (and lawfully) shift from one branch of government to another through formal and informal amendments, without changing the essential architecture of government. Both reform and continuity are evident in the nineteenth century constitutional bargains that gradually produced Western democracy.

Aristotle called these intermediate cases mixed governments, but devoted most of his analytical work to the extremes (pure forms), an emphasis that continues to the present-day in most theoretical work on political decisionmaking. Nonetheless, the classical Greek scholars who produced the discrete classification schemes of political institutions so widely used today (autocracy, aristocracy, and democracy) acknowledged that “mixed” governments were more common than the pure forms they named and analyzed. 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.

The shifts of policymaking authority that occurred in the nineteenth century were not inevitable. They had not happened before, and they did not happen in many places. They did not happen suddenly, but through the cumulative effects of a long series of reforms to a single more or less stable architecture of governance. In most cases, these reforms were adopted without obvious threats of civil war, although there were often large peaceful demonstrations favoring relatively narrow economic and political reforms. The theory developed in this book provides an explanation for both the timing and direction of these constitutional reforms.

#### **D. A Theory of Peaceful and Lawful Constitutional Reform**

The analysis and historical narratives focus on two neglected features of constitutional (rule-based) governance. First, they focus on the divided nature of essentially all medieval national and duchy governments. Second, they note that the written (and unwritten) constitutions of these governments defined political property rights, which could be and were traded, just as property rights for ordinary commodities can. The multidimensional nature of authority over policymaking within divided governments, perhaps surprisingly, implies that reassignments of political power are not always zero-sum games.

The term “compromise” is often used to describe bargaining within parliaments and between parliaments and their sovereigns, but compromise is in most cases simply another word for negotiation and exchange. The parties to a compromise gain advantages from the terms negotiated, at the same time that they sacrifice other aims to bring negotiations to a successful conclusion. It is clear that the same terms could also be used to describe haggling over prices in markets without posted prices. Mutual gains from constitutional exchange occasionally emerge, which can be realized by amending the preexisting constitution. Such shifts of “political power” within divided governments may advance some aims more than others, but they are rarely “forced” any more than sales in commercial markets are.

In the nineteenth century, trends in constitutional and economic reforms emerged from technological and ideological innovations that jointly produced new economic and ideological interests. The consequent trends in political and economic reforms were termed “liberal” in the nineteenth century and also throughout this book. Liberal reformers pressed for policy and constitutional changes that increased civil equality, opened both commerce and politics to value-increasing forms of competition, and increased rates of technological innovation throughout the West. Both parlia-

mentary democracy and industrialization were consequences of the political successes of liberal reformers.

The exchange-based theory of constitutional reform proposed in this volume can account for the historical roots of parliamentary governance, for the timing of the liberal transitions, and for the path of reform through which parliamentary democracy emerged. It bears noting, however, that the constitutional-exchange path to democracy is not a one-way street. In opposite circumstances, policymaking authority of parliament can be shifted to a “king,” and suffrage may be restricted, rather than expanded. The former is a relatively common event in history, and the latter also occurs from time to time, as noted below in the case studies.

## **E. Organization of the Book**

Part I develops a theory of governance grounded on a theory of organizations. The theory is for the most part developed using nontechnical prose, although some mathematics is used to illustrate problems that can be solved through organization and also to demonstrate that opportunities for constitutional reform can emerge as a consequence of changes in the distribution of wealth and ideology among those with the power to adopt such reforms. For the most part, the mathematics can be neglected by readers who are more interested in the essential logic of the analysis than demonstrations of logical consistency.

The models imply that constitutional bargaining is likely to be nearly constant, although constitutional bargains will be less commonplace. The model also suggests that the reforms adopted will be relatively small and will reflect both the preexisting amendment procedures and the ideological and economic interests of those sitting at the table at the time that reforms are adopted. This is not to say that every constitutional exchange leaves those “at the table” with “smiles on their faces” any more than every market transaction equally pleases buyers and sellers, but it is to say that the bargains reflected the interests of those at the table, given the circumstances at the time the terms of trade were negotiated. Civil war or threats of such wars can create opportunities for constitutional exchange, as argued by Acemoglu and Robinson (2001), but they are neither prerequisites for constitutional reform, nor very likely to induce liberalization.

Part II of the book attempts to determine the extent to which the models of governance and reform developed in part I can account for the emergence of Western democracy in the late nineteenth and early twentieth centuries. The case studies suggest Western constitutional history is largely consistent with the models. Western democracy emerged from a long series of fine-grained formal

and informal bargains over constitutional details, rather than bold, ingenious, revolutionary innovations adopted under the threat of violence.

“Exogenous shocks” can produce new alignments of constitutional interests and more energetic, persuasive campaigns by ideological and economic interest groups. European constitutional reforms were indirectly triggered by innovations in political theory and in technologies of production. Liberal ideas penetrated into elite circles and the liberal direction for reform was supported by various coalitions of liberals and pragmatists that stood to profit from political and economic liberalization. Early liberal reforms in the United States were triggered by labor scarcity during its colonial period and reinforced by subsequent technological and ideological shifts. Late nineteenth century liberalization in Japan was triggered by military concerns and increased access to European ideas and technologies. In all cases, a large number of new, more or less, liberal economic and political interest groups pressed for a broad range of reforms.

Part III concludes the analysis by providing some additional statistical support for the models of part I, summarizing the main argument, and discussing its relevance for contemporary transitions. A methodological appendix provides a rationale for the approach taken and addresses anticipated criticisms of the book’s grand ambition and scope.

Readers are likely to find some parts of the book to be of greater interest than others. This is a natural result of an interdisciplinary and multi-methodological enterprise such as this one. Indeed some readers have suggested that the history should come before, rather than after, the models. That suggestion was resisted for methodological reasons. Economists will probably find parts I and III to be of greater interest than part II. Political scientists, constitutional scholars, and historians will probably find parts II and III to be of greater interest than part I. All three parts, however, seem necessary to develop and test the theory of constitutional governance and reform proposed in this volume.

### *Part I: Sharing Sovereignty*

Analytical histories have long been used to focus attention on key factors in political and economic development, and that approach is used in part I. Classic works from political science, such as Aristotle’s *Politics* (330 BCE) and Hobbes’ *Leviathan* (1651), use analytical histories to discuss the evolution of institutions and the normative case for particular forms of governance. Rawls (1971) and Nozick (1974) have used this technique to develop theories of distributive justice, and Olson (1993, 2000) has used the analytic approach to develop an explanation for the emergence of regional



governments from bands of roving and stationary bandits. Analytical histories allow a few essential features of a choice setting to be analyzed in an environment that abstracts from the idiosyncrasies of real people and places.

The analytical foundation for the present analysis is a theory of organizational governance. Part I provides an analytical history of governance that begins with a theory of organizational governance and ends with models of constitutional bargaining and suffrage reform. Chapters 2–4 analyze the formation and evolution of formal organizations, their internal incentive structures, and their standing decisionmaking procedures. That analysis, perhaps surprisingly, provides an explanation for some of the main features of medieval and modern governance, and for the dynamics of such governments.

Chapter 2 characterizes some general features of organizations. Organizations are “artificial” choice settings in which a variety of conditional economic and social rewards and punishments are used to align the interests of the organization’s team members with the organization’s survival and success. The reward systems used are partly products of design and partly products of evolution. The persons that create new organizations (formeteurs) normally choose from among preexisting organizational templates and modify those templates for the purposes at hand. Both the internal incentive structures and decisionmaking procedures of formal organizations are chosen by formeteurs and, so, tend to advance their interests.

Large organizations normally have a standing decisionmaking process to devise and modify internal incentive systems, and to determine which goals an organization’s resources should be used to advance. Even profit-maximizing firms tend to have such governmental systems. The “king and council” template is widely used for choosing policies, because it reduces information problems and also tends to reduce unproductive intra-organizational conflict. In cases in which a single person creates an organization, the “king” tends to be the dominant policymaker. In cases in which a small group creates an organization, the “council” tends to be the dominant policymaker. In cases in which a large group creates an organization, a council may be elected or appointed by the larger group to represent their interests in the organization.

Chapter 3 analyzes long-term survival advantages of organizational “rule of law.” Organizations that have stable reward systems, standing procedures for policymaking, and standing procedures for replacing organizational leaders tend to have lower decisionmaking and recruiting costs, which tend to make such organizations more robust in the short and medium run. In the long run, however, some degree of flexibility is necessary. The founders and their successors will need to be replaced,

and decisionmaking procedures that worked well for the founding generation may need to be adjusted to reflect the talents of new officeholders and new circumstances if the organization is to remain viable. The king and council template for governance allows several possible solutions to an organization's transition problems and also allows responsibilities to shift among top officeholders to take advantage of changes in talent and facilitate adjusting to external circumstances.

Chapter 4 provides an explanation for the emergence of regional governments as one of many kinds of organizations in a setting in which migration is possible. Territorial governments are not necessarily the first formal organization, nor are they necessarily central to the emergence of civil society, as often argued (Hobbes 1651; North, Wallis and Weingast 2009). Moreover, the ability of an organization to impose rules on nonmembers does not necessarily require substantial military power. Any durable organization with a bit of monopoly power can impose and enforce rules on persons outside their organization—as; for example, fine restaurants often impose dress codes on their customers. The more important the service(s) monopolized, the greater is an organization's ability to impose such rules without inducing out-migration. From this perspective, territorial governments are simply durable organizations that have extraordinary monopoly power.

The ability to organize violence, however, can make such organizations more durable. For example, regional governments may have to respond to threats from rival organizations outside their territories to protect their monopolies and organizational surplus. Olson (2000) calls such external rivals “roving bandits.” Note, however, that Olson's roving bandits cannot emerge first, because there would be too little for them to steal without preexisting productive organizations and communities.

Chapters 5–8 analyze the extent to which a territorial government's decisionmaking procedures can be reformed through internal bargaining and exchange. An important issue for the purposes of the book is whether shifts of policymaking authority from the king to the council can ever simultaneously advance the interests of king and council. If such cases exist, it implies that constitutional terms of trade can be negotiated and freely adopted. Chapters 5 and 6 demonstrate that constitutional gains to trade can arise and that voluntary transfers of authority are possible within the king and council template for governance. Particular assignments of authority (distributions of veto power and agenda control) and procedures for selecting members of government are “political resources” that can be traded much as ordinary goods and services are in ordinary markets.

Chapters 7 and 8 explore the extent to which economic and political shocks can induce parliament to change the manner in which its members are selected. Chapter 7 demonstrates that peaceful

changes in suffrage law cannot be explained by economic changes, such as increased income. Suffrage is not simply a “superior” good that people purchase more of as they become wealthier. It also argues that suffrage reform is unlikely to emerge from a civil war or threat of civil war, because democratic revolutions are difficult to organize and because the hierarchical organizations necessary are not usually inclined to transform themselves into representative democracies after such improbable wars are won. Chapter 8 suggests that peaceful suffrage reform is most likely to occur when ideas about the proper bounds of suffrage change. That is to say, ideology and ideological change appear to be more critical for suffrage expansion than for shifts of policymaking authority from kings to parliament. This partly accounts for differences in the timing of increased parliamentary authority and expansion of suffrage during the various Western transitions to democracy.

Together the prose and mathematics of part I provides several explanations for the wide spread use of the king and council template for governance. It also provides an explanation for the distribution of authority within that template, for changes in that distribution through time, and for the stability of selection procedures for high office. The models also suggest that the standing procedures of governance tend to be fairly stable through time, unless there are trends in external shocks. Without such trends, the distribution of authority between king and parliament (and between the central and regional governments) will resemble a random walk as reforms are adopted and reversed.

With favorable trends, the models imply that liberal trends in constitutional reform are possible. In such cases, constitutional bargaining and exchange can gradually produce parliamentary democracy through a series of reforms that gradually shift policymaking authority from kings to parliament and extend the electoral base for selecting members of parliament.

## *Part II: Historical Evidence on Western Democratic Transitions*

If the choice settings analyzed in the first part of the book are representative of those confronting real persons in real governments, the predicted institutions, interest groups, constitutional bargaining, and reforms should be commonplace in history. For example, one should observe widespread use of the king and council template. There should be ongoing constitutional negotiations and occasional reforms within such governments, but few long-run trends in the reforms adopted. The individual reforms adopted should be relatively small, but discrete, changes. In periods in which external shocks exhibit strong trends, as in the nineteenth century, there should be similar broad trends in both policy and constitutional reforms. These predictions are largely borne out in the case histories and historical overviews developed in part II.

Part II begins with a general account of the emergence of Western democracy and then explores the transitions of six countries in greater detail. The case studies include three cases in which the theory applies very naturally (England, Sweden, and the Netherlands) and three more difficult cases (Germany, Japan, and the United States). In four of the cases, transitions to parliamentary democracy occurred without dethroning the royal families. In one of the cases, the transition reversed and the king regained his authority. All but one of the narratives focus on developments in the nineteenth and early twentieth centuries. The exception is the American case, which began nearly two centuries earlier than the transitions in Europe and Japan, although its transition can be said to have ended at about the same time (with the adoption of woman's suffrage in the early twentieth century). Other case studies could easily be developed, but that is left for future research.

Both the overviews and the case histories are somewhat novel in that they focus narrowly on constitutional developments, rather than personalities, international entanglements, or sociological trends, except as these bear directly on constitutional bargaining and reform. Needless to say, more could be written about every case developed. Indeed there are cases in which historians have written books on material covered here in just paragraphs; however, sufficient detail is provided to give readers a sense of the interest groups at work, the ongoing constitutional bargaining, and the long series of reforms that produced parliamentary democracy in the countries of interest. Most general national or period histories include a wide range of details that had little effect on constitutional developments and tend to neglect minor constitutional reforms that play important roles in the emergence of parliamentary democracy. Most historical case studies focus on a single country at a single point in history and fail to note parallels in other national histories.

Chapters 9–11 provide an overview of political, economic, and constitutional developments in the West during the eighteenth and nineteenth centuries. The overview focuses for the most part on European developments, because most Western democracies are either physically in Europe or initially had governments whose structures were determined by European politics. (In many cases, European templates for government were simply exported to European colonies with minor adaptations for local conditions. Those of Meiji Japan were influenced by European templates.)

The process through which the constitutional reforms were adopted is consistent with the analysis of part I. In all cases, parliamentary democracy emerged from a series of reforms, rather than in one or two great quantum leaps, although some reforms could be said to be more important or larger than others. Constitutional bargaining is evident in most countries prior to 1830 and significant institutional innovations were adopted, but the balance of authority between king and parliament

lacked a clear long-run trend. In contrast, constitutional reforms in the century between 1830 and 1930 exhibited clear liberal trends. In essentially all cases, liberal reforms were adopted using preexisting constitutional rules for amendment. In no case is every liberal reform preceded by a large-scale revolt, and in most cases, there are examples of large-scale demonstrations that failed to produce obvious reform.

The main trigger for the constitutional reforms of nineteenth-century Europe is argued to be changes in economic and ideological interests associated with new economies of scale in production. The new economies of scale favored economic and political liberalization. Liberal trends in reform are evident in many areas of policy, including education, civil liberties, and more open trade. Liberal trends are also evident in political reforms that affected the division of authority between the king and parliament and the basis for holding seats in parliament. Both industrialization and democracy were long-run consequences of liberal successes. In countries where liberals were unsuccessful, neither industrialization nor democratization took place in the nineteenth century.

The historical overview is followed by six more detailed constitutional histories. The first three country studies are cases in which all the elements of the model are evident: the United Kingdom (chapters 12–13), Sweden (chapter 14), and the Netherlands (chapter 15). The timing of their transitions differ somewhat, but in all three cases parliaments gradually gained authority, suffrage was gradually broadened, and kings (and queens) gradually lost most of their authority over public policy. Their respective royal families, nonetheless, retained their titles, palaces, and modest formal authority, which would not have been the case if true revolutions had occurred. Similar chapters could have been written about Belgium, Denmark, and Norway.

The second three cases are more difficult ones, in which some elements from the theory are missing. The purpose of exploring such cases is partly to show that similar negotiations were taking place elsewhere and partly to demonstrate that technological and ideological shocks do not always produce parliamentary democracy, even when substantial internal pressure for liberalization exists. Such economic and political changes simply make such transitions more likely. The three difficult cases are: Germany (chapter 16), Japan (chapter 17), and the United States (chapter 18). Germany failed to find a bargain that would allow the last steps to parliamentary democracy to take place prior to World War I, although negotiations were undertaken and helped produce parliamentary democracy in Germany after the war was over. Japanese political leaders engaged in essentially nonstop constitutional bargaining that produced universal male suffrage and party governance in 1925, but political and economic policy shifted in an authoritarian direction in the next decade. The United States

succeeded in its transition to liberal democracy, but it took a longer time, was initially catalyzed by somewhat different factors, and produced a somewhat different political system. Similar difficult-case chapters could have been written about France, Italy, Spain, and several South American countries.

Overall, the six country studies demonstrate that new economic and ideological interests and preexisting institutions played important roles in the constitutional bargains that gradually produced Western democracy. The cases also cast doubt on several alternative non-revolutionary explanations for the emergence of the West. For example, they demonstrate that religion and other preexisting aspects of culture and institutions are less important factors than one might have expected. Belgium and Japan were not Protestant. Neither Sweden nor Japan was ever ruled by Rome. The transitions in the United States and the Netherlands were not preceded by long periods of stable, more or less constitutional rule by a monarch.

### *Part III: Analytical History as Social Science*

Part III develops additional evidence in support of the exchange theory of constitutional reform, summarizes the results, addresses methodological issues, and discusses the theory's relevance for contemporary transitions. Chapter 19 provides some statistical evidence in support of the hypothesized links among technology, liberal interest groups, and constitutional reforms. The statistical evidence affirms the hypothesis that the Western democracy and industrialization were interdependent phenomena. There is evidence of "boot strapping" and joint causality. Chapter 20 concludes the book. It summarizes the main results, contrasts the approach used here with that used by other scholars, and suggesting possible extensions. Additional methodological issues are addressed in a short appendix.

Although the book includes a good deal of history and reflects many years spent reading early constitutional documents and books written by careful historians, *Perfecting Parliament* is not intended to be primarily an historical work, but rather a contribution to social science. It attempts to develop and test a particular theory of constitutional reform.

The lasting effects of the reforms of the nineteenth century are still evident in the West today. Essentially all of today's mainstream Western political parties would be considered "liberal" on the great constitutional issues of the nineteenth century. Trade is substantially free, public education widespread, equality before the law is nearly taken for granted, and governance "of the people for the people" has proven to be a remarkably good form of government relative to the others that re-

main. The West dominates lists of countries ranked by average income, civil liberties, political liberties, lack of corruption, literacy, and longevity and continues to be a magnet for emigration from other parts of the world.

Yet, there is nothing really unique about the West beyond its fortunate century or two of liberal reform. It is not uniquely populated with wise leaders, clever entrepreneurs, or political philosophers. Thus, it is quite possible that similar, essentially peaceful reforms can occur elsewhere, as seems to have been the case in several other parts of the world in the past few decades.

## **F. Acknowledgments: Support and Influential Precursors**

It can be said that this book began as a short paper on Swedish constitutional reform, which through the support and encouragement of the constitutional project at the Studieförbundet Näringsliv och Samhälle (SNS) became a short book on Swedish constitutional reform. That project raised questions that required a much longer book to answer.

At first, I believed that Swedish constitutional history was unique, because most general histories of other countries emphasize revolutions of one kind or another. The words “revolution” and “crisis” appear over and over in historical work. However, as I read more detailed accounts of constitutional developments, they seemed to be more similar to the Swedish constitutional history than one might have expected, given the revolutionary narratives. There was often little evidence that violence or major threats of violence played a direct role in those reforms, although there were often peaceful demonstrations in support of reform. Moreover, it seemed clear that liberalization took place through a variety of legal and procedural reforms, rather than through a single democratic leap forward. Bargaining and lawful constitutional reforms were much more commonplace than the violent, illegal, uprisings, and constitutional conventions that such narratives required.

How peaceful and lawful transitions could occur, however, remained a great puzzle, and to piece together an answer took seven more years of reading, puzzle solving, and writing.

### *The Rational Choice Approach to Constitutional Analysis*

Contemporary analysis of constitutional designs using rational choice models began in 1962 with the publication of *The Calculus of Consent* by James Buchanan and Gordon Tullock. They used models of individual interests and elementary game theory to assess the properties of a fairly broad range of constitutional alternatives. Their work and much that followed provided new rational-choice foundations for an older political science literature on the role of institutions in governance

that extends back to Aristotle's *Politics* and beyond. Buchanan's subsequent work stressed the distinction between two levels of analysis: the constitutional level, which determines the rules of the game, and the ordinary play of the game under those rules. This volume essentially adds a third level of analysis, that of constitutional reform, to the Buchanan schema of "rules of the game" and "play under the rules."

The half century of analytical literature on constitutional design includes hundreds of academic papers that attempt to determine the interdependence between the standing routines of governance and public policy. See, for example, Riker (1962), Buchanan (1975), Baron and Ferejohn (1989), and Mueller (1996). Surveys of the theoretical and empirical literature are provided by Mueller (2003), Cooter (2002), Persson and Tabellini (2003), and Congleton and Swedenborg (2006). The evolution of economic and political institutions has been discussed by Hayek (1982), North (1990), Ostrom (1991), Vanberg (1994), Spruyt (1994), Finer (1997), De Mesquita, Smith, Siverson, and Morrow (2004), and North, Wallis, and Weingast (2009), among many others. In most cases, however, the research provides more insight about the effects of particular institutions than about how those institutions came into existence at particular times and places.

The process through which durable procedures for policymaking are adopted and refined through time has attracted surprisingly little attention from rational choice-based research. This lacuna is important, because the existing literature implies that small changes in political architecture can have significant effects on the course of public policy, which in turn can have significant effects on economic and social life. This book shows that a particular model of divided government can shed very useful light on the development and evolution of contemporary institutions for democratic governance.

### *Support of Colleagues*

The research and writing of this manuscript took place over many years at several institutions of higher learning throughout the West, and thanks are due to a broad group of colleagues scattered around the world: at the Center for Study of Public Choice at George Mason University, Studieförbundet Näringsliv och Samhälle (SNS), University of Leiden, Nuffield College at Oxford University, University of Rome, University of Bayreuth, University of Southern Denmark, and University of Amsterdam. Many helpful conversations also took place at academic conferences and seminars in Europe, Japan, China, Korea, and the United States. Students at the University of Bayreuth and



University of Southern Denmark directly and indirectly helped bring the book to final form through their feedback in courses based on early draft chapters of the book.

George Tridimas and Dennis Mueller carefully read through preliminary drafts of the book and made very helpful comments and suggestions that greatly improved the final version. Toke Aidt, James Buchanan, Mario Ferrero, Klas Fregert, Hans Bernd Schäfer, Gordon Tullock, and Akira Yokoyama also read several preliminary chapters of the manuscript, and provided helpful comments and suggestions. Other colleagues made short comments in conversations about the book that helped clarify my thinking. These include conversations with Cheryl Schonhardt-Bailey, Geoffrey Brennan, Charles Breeden, Bryan Caplan, Mark Crain, Lars Feld, Paal Foss, Georgio Galeotti, Robin Hanson, Rainer Hegselmann, Douglas Hibbs, Arye Hillman, Larry Iannaccone, Sarah Jennings, Gebhard Kirchgässner, David Levy, Arthur Lupia, Iain McClean, Bruce Bueno De Mesquita, Mike Munger, Rob Nelson, Douglas North, John Nye, Elinor Ostrom, Scott Paris, Torsten Persson, Olof Petersson, Roald Ramer, Illia Rainer, Christilla Roederer-Rynning, Pierre Salmon, Bernard Steunen-berg, Birgitta Swedenborg, Thomas Stratmann, Yoshifumi Ueda, Stefan Voigt, Viktor Vanberg, Karl Warneryd, Barry Weingast, Stanley Winer, and Ronald Wintrobe.

Thanks are due to these and several other colleagues for their interest, criticism, and support, although they bear no responsibility for the use to which I put their comments and suggestions.. Pamela Cubberly helped transform a series of drafts into forms suitable for circulation and also provided a number of helpful comments. Additional editorial suggestions were made by Jane Perry and the references were carefully checked by Marta Podemska Scott Paris's encouragement helped carry the project through to completion, although it took many years longer than I expected. Very helpful suggestions were also provide by three anonymous readers for Cambridge University Press.

### *Overlap with Previously Published Work*

Material from several of the chapters has been published in academic journals, partly because of the usual pressures of American academia and partly to have the analysis carefully examined by reviewers and editors in Europe, Japan, and the United States:

“From Royal to Parliamentary Rule without Revolution, the Economics of Constitutional Exchange within Divided Governments,” *European Journal of Political Economy* 23 (2007): 261–84.

“Constitutional Exchange in Japan: From Shogunate to Parliamentary Democracy,” *Public Choice Studies* 47 (2006): 5–29.

“Amendment Procedures and Constitutional Stability” (with B. E. Rasch) in *Democratic Constitutional Design and Public Policy: Analysis and Evidence*. (R. D. Congleton and B. Swedenborg, eds.), Cambridge Mass: MIT Press (2006): 319–42.

“Science and History: How Predictable is Political Behavior?” in *Understanding Change: Models, Methodologies, and Metaphors*. A. Wimmer and R. Kossler, Eds., New York: Palgrave Macmillan (2005): 260–69.

“Economic Development and Democracy, Does Industrialization Lead to Universal Suffrage?” *Homo Oeconomicus* 21 (2004): 283–311.

“Mutual Advantages of Coercion and Exit within Private Clubs and Treaty Organizations: Toward a Logic of Voluntary Association,” *Revista de Political Economy* 94 (2004): 47–75.

“A Theory of Menu Federalism, Decentralization by Political Agreement” (with Andreas Kyriacou and Jordi Bacaria), *Constitutional Political Economy* 14 (2003): 167–90.

“Economic and Cultural Prerequisites for Democracy,” *Rational Foundations of Democratic Politics*. A. Breton, G. Galeotti, P. Salmon, and R. Wintrobe, eds. New York: Cambridge University Press (2003): 44–67.

“On the Durability of King and Council: the Continuum between Dictatorship and Democracy,” *Constitutional Political Economy* 12 (2001): 193–215.

Although most of the material taken from the book was substantially rewritten for journal publication, permission to reproduce previously published figures, tables, and some text from the published pieces is gratefully acknowledged.

### *What is Entirely New?*

As to how much is truly new in the pages that follow is for readers to judge. Much seems both very new and very old to this author. The theory of governmental reform developed in part I is in many respects a natural extension of the Virginia school of political economy, although the theory departs from and extends that tradition in a number of ways. As a past student and colleague of James Buchanan and Gordon Tullock, I have enjoyed many constitutional and methodological discussions with them over the course of four decades and read many of their books and articles. However, the perspective on the origins of government developed below owes more to Montesquieu than to Hobbes, the enlightenment scholar most stressed in their work. Moreover, none of their research focuses on the king and council template, or has used it as a lens through which to understand long-run constitutional reform and evolution.

Bargaining theories of constitutional design are evident in a good deal of work in political science, law, and economics, but they have not previously been used to provide a unified theory of the evolution of organizational and territorial governance, core features of medieval and modern governance, and gradual transitions from late medieval governance to parliamentary democracy. Indeed, relatively few late twentieth-century political scientists or historians have focused much attention on constitutional reform. Constitutional settings are taken for granted in most mainstream research, so that the effects of different leaders or circumstances can be examined. In other research, institutions are regarded to be cultural phenomena that have little direct effect on policymaking or constitutional reform. This book takes the opposite approach. It neglects the idiosyncrasies of particular leaders and circumstances to focus on general features of organizations, constitutional governance, and reform.

Of those political historians who focus on constitutional developments, most focus on single periods within single countries. None have grounded their narratives on rationales for constitutional exchange and essentially none have done so across countries in a manner that accounts for as much detail of contemporary Western constitutions.

Nonetheless, many of the insights and much about the general approach that seemed very original when first conceived and written, now seem very compatible with older theories and with contemporary work by others in related fields. That the present analysis seems to echo the ideas and words of long-dead scholars is, of course, a mark in favor of the theory and evidence developed in this volume. The most general and robust conclusions of past scholars have, in a manner analogous to institutions, survived the test of time.

Aristotle's analyses are remarkable in this regard. Although he focused for the most part on pure forms of government—monarchy, aristocracy, and democracy—he did so in order to better understand the more commonplace “mixed” forms of government present in classical Greece.

The reason why there are many forms of government is that *every state contains many elements*...For a constitution is an organization of offices [among] which all the citizens distribute among themselves, according to the power which different classes possess...There *must therefore be as many forms of government as there are modes of arranging the offices*, according to the superiorities and differences of the parts of the state (*Politics*, Book IV, Part III).

And, although the most famous Greek philosophers disagreed about the nature of an ideal constitution, they agreed that polities based on better constitutions tend to produce more robust govern-

ments and better societies than those grounded on less perfect and less robust procedures for devising and enforcing laws. Aristotle, for example, concludes that

The more perfect the admixture of the political elements, the more lasting will be the constitution. (*Politics*, Book IV, Part XII).

Similar conclusions are reached below, although from a much different methodological and historical perspective.