

Chapter 11: Autocracy and Public Policy

I. Introduction: Rational Choice and Autocracy

Rational choice models of public policy formation emerged for the most part as a method of explaining the public policies of democracies and why they are often less than ideal from the perspective of various normative theories. Rational choice models of dictatorship and related forms of government emerged nearly three decades later (Tullock 1987, Olson 1993, Wintrobe 1998). This is not because rational choice models of dictatorship are more difficult than those for democracy, but because the field of public choice was relatively small and their research on democratic politics absorbed the attention of those in the field. (Indeed, research on autocracy was actually discouraged because it was considered to be somehow a sign of support for dictatorship and therefore immoral.)

The models of public policies in dictatorship that are most carefully worked out are **the revenue maximizing or leviathan models** of Brennan and Buchanan (1977, 1980) and Olson (1993, 2000). Essentially these models are variations on the Laffer curve, but for an entire economy and fiscal system, rather than for particular taxes. In addition, the models take account of government expenditures that increase the extent of the tax base and also a ruler's prospects for remaining in power. The first models assumed that a ruler is safely in control of all policies within his or her domain and can choose whatever policies maximize his or her utility. Normally, such rulers are considered to be pragmatists with expensive tastes and thus such rulers maximize net tax revenues or more generally net revenues. Such net revenue models of authoritarian regimes are often referred to as leviathan models. Subsequent "leviathan" models took into consideration the uncertain tenures of most authoritarians and explored alternative theoretical and empirical determinants of the probability of overthrow.

A second possible aim of authoritarian governments is ideological. Such ideologically based authoritarians—the most repugnant of which are referred to as totalitarian regimes—have been analyzed by Bernholz (1991, 2017). Bernholz regards such regimes to be driven by their "supreme values," rather than by interests in wealth or power—although both these may be necessary inputs for the advancement of their supreme values. Rulers of such regimes maximize their utility by attempting to maximize their (lexicographic) supreme values rather than by maximizing revenue. All their policies are thus undertaken with supreme values in mind and tend to differ among totalitarians because of differences in those value systems. In most cases, Bernholz argues, totalitarian supreme values are intolerant and so totalitarian rulers normally attempt to impose their values on their subjects and to suppress all others. These policies generate the most repugnant of totalitarian policies including censorship, torture, and mass murder.

Autocracy

The rulers are assumed to be able to adopt any policy that they want—subject to the requirements of their supreme values and the technologies available to advance those values. (A special issue of Public Choice will be devoted to Peter Bernholz’ research in the near future and will include several papers on the policy implications of supreme values.)

A third form of “one-man” rule is the constitutional monarchy. However, not all such systems are authoritarian. Variation of this government type occupies the institutional continuum between dictatorship and democracy. Indeed several of today’s constitutional monarchies are regarded to be democracies, as in the United Kingdom, the Netherlands, Sweden, and Denmark.

Constitutional monarchies vary in the authority held by the king in part because such governments are normally divided between a king and a parliament. Members of parliaments, in turn, vary in the manner in which their members are selected and in the relative powers of the chambers of government. The members of one or more of the chambers are normally selected by elections. The more important those elected chambers are, the broader the suffrage that determines their membership, and the more important parliament is relative to the king, the more such systems resemble democracies. The less power parliament has relative to the king, the weaker are the elected chambers, and the more restrictive the suffrage laws are, the more such systems should be regarded to be authoritarian.

In between are various institutional structures in which kings and parliaments share policy making authority to different degrees and parliaments themselves are more or less subject to electoral pressures. This allows the spectrum between dictatorship and democracy to be characterized and creates the possibility for gradual shifts of authority from kings to parliaments—e.g. for the peaceful rise of democratic government (and also the reverse) (Congleton 2001, 2011).

This lecture will explore some of the implications of each of these three models. Empirical research on autocracies generally concludes that their public policies tend to retard economic development relative to liberal democracies—although there are exceptions to this rule as in present day China and Singapore. As in the election and interest group models, the aim of the theory is to provide an internally consistent rational choice-based explanation for the kinds of public policies that we observe in practice and thus the models can and have been tested using statistical methods. Statistical tests of these models determine how much about real world policies are “captured” by those models.

II. The Public Policies of Leviathan

Characterizing the public policies of a secure revenue-maximizing government mathematically is straightforward. One simply characterizes tax revenues by (1) assuming a particular type or combination of revenue sources, (2) consider services that can increase the tax base by more than they cost, and (3) maximize the difference between revenues and service costs. Assume also that national income tends to fall as tax

rates increase because of “incentive” effects. First order conditions characterize the tax and services provided. For example, suppose that revenues are provided via an income tax and that education and law and order both tend to increase the national income, $Y = y(E, L, t)$. Net revenues can be written as:

$$N = ty(E, L, t) - c(E, L) \quad (11.1)$$

Differentiating with respect to tax rate t , and service levels E and L generates three first order conditions:

$$N_t = Y + tY_t = 0 \text{ at } t^* \quad (11.2)$$

$$N_E = tY_E - C_E = 0 \text{ at } E^* \quad (11.3)$$

$$N_L = tY_L - C_L = 0 \text{ at } L^* \quad (11.4)$$

These are not truly separable but examining one at a time provides some insights into the level of taxes and services provided by leviathan. Taxes will be set to maximize revenue given the ideal level of education and law enforcement services. Education and law enforcement services will be set so that the marginal cost of each service equals the marginal increase in tax revenues generated by each service. This model can be readily generalized to take account of more services and also to explicitly take account of the ruler’s time horizon by for example using the present value of revenue and cost flows in the above model rather than levels. (Indeed, one could simply regard the costs and revenues above as present values, but in that case an exogenous discount or interest rate would have to be added to the variable lists in both the revenue and cost functions.)

Services that do not directly contribute to national income would be provided by a secure ruler only if they increase the ruler’s utility. For example, environmental regulations might be provided simply because the ruler enjoys breathing clear air and drinking clean water and that these goods can be more economically provided with regulations (even though they reduce national income) than via filtering the dictator’s air and water supplies (or moving sources of pollution away from the dictator’s home and office). Congleton (1992) illustrates such a model and provides statistical evidence that such models account for the environmental regulations of autocracies.

Leviathan models become more complicated when one attempts to account for the uncertainties of remaining in power. This is partly because the probability of remaining in office can be characterized in a variety of ways. The probability of remaining in power, for example, may rise with economic development and with rent sharing and/or with repressive measures. Impoverishing potential opponents may also be a useful strategy.

The probability of remaining in office has a variety of effects in a leviathan model. First, it tends to reduce what Olson refers to as a ruler’s encompassing interest in the size of his or her tax base. In effect the

shorter the ruler's time horizon (more uncertain his or her tenure is) the fewer long-term investments (such as education and infrastructure) it makes sense for him or her to invest in. Second, it causes policies to be adopted that have no direct effect on the size of the tax base.

To the extent that the probability of remaining in office is affected by the ruler's policies, he or she will take such effects into account. For example, suppose the probability of retaining authority can be increased by spending money on a secret police [S] and/or sharing net revenues with powerful interest groups [G] (nobles, generals, and other relatively powerful individuals and groups). If true, rulers will take such effects into account when choosing public policies.

The effects of a ruler's uncertain tenure can be incorporated into the above model. Expected net revenues become:

$$N^e = p(S, G, t) ty(E, L, t) - c(E, L, S, G) \quad (11.5)$$

Written in this way, the model assumes that costs occur before benefits and that the probability should be interpreted as the probability that the ruler stays in office long enough to realize the benefits of his investments in national income and security. (If costs and benefits were realized simultaneously, the probability function would also expect costs.) Differentiating with respect to tax rate t , and service levels E , L , S , and G generates five first order conditions:

$$N_t^e = P(Y + tY_t) + P_t tY = 0 \text{ at } t^* \quad (11.6)$$

$$N_E^e = P tY_E - C_E = 0 \text{ at } E^* \quad (11.7)$$

$$N_L^e = P tY_L - C_L = 0 \text{ at } L^* \quad (11.8)$$

$$N_S^e = P_S tY - C_S = 0 \text{ at } S^* \quad (11.9)$$

$$N_G^e = P_G tY - C_G = 0 \text{ at } G^* \quad (11.10)$$

Again this is a system of equations rather than series of separate conditions, but some insights can be produced by examining them individually. Notice, for example, that the expected marginal tax revenues for productive investments are both lower than in the original model because $P < 1$. Investments in such services thus tend to fall, other things being equal. The first order condition that characterizes the optimal tax rate now has an additional marginal cost term because of the assumed marginal reduction in the probability of remaining in office as taxes increase. Thus, taxes also tend to be lower in this case—other things being equal. The security and rent-sharing first order condition imply that steps that increase one's probability of retaining power are taken up to the point where the increase in expected revenues (because of a longer term of office) equals the marginal cost of such services and/or associated gifts (rent sharing). The latter implies

that the distribution of income in what might be called “insecure” leviathan governments is just a bit less concentrated than it would tend to be in the case in which rulers are entirely secure in their offices.

There are many possible extensions of this model and many rule-making settings in which it can be applied other than dictatorship per se.

III. Totalitarian Governments

Bernholz regards totalitarian governments to be special cases of authoritarian government (with minor exceptions). They are, in effect, ruled by a single leader who can choose any policies that he or she wants. The main difference is the motivation of the leaders. Authoritarians are what might be called pragmatists—economic men and women—who simply want to maximize their material comforts and amusements. They tax and rule with these goals in mind. In contrast, totalitarians are motivated by “supreme values,” which is to say ideological or religious agendas that are the most important principle(s) in a totalitarian ruler’s life. He thus represents such values with lexicographic preferences and in his models often assumes that a single ideological or religious value can account for the policy aims of such true-believer rulers. Such a value might be building monumental structures such as the pyramids, cathedrals, or mosques. Or it may imply that any and all efforts should be undertaken to “convert” non-believers to the “truth” as the ruler or ruling group perceives it.

When the supreme duty is resource intensive and the supreme values or duties can be dispatched without undermining economic activities, such rulers behave as leviathan would—either enslaving or taxing residents to maximize the ruler’s net resources. However, in this case, the resources are devoted to what might be called “supreme duties” rather than to the material comforts and amusements of the ruler. Great public works might be constructed, or aggressive campaigns of “re-education” may be undertaken—both of which are ultimately limited by the resources that can be shifted from “private” uses and used to advance which ever goal is truly supreme.

If R^* is the net revenue available for supreme value services, as characterized above for a leviathan government, then a totalitarian regime will provide a similar pattern of tax base increasing and term of office increasing services, but also supreme services—which will vary with the ideology or religion of the leader—that can be purchased with R^* dollars. Given $c(S) = R^*$, $S^* = c^{-1}(R^*)$, where c^{-1} is the inverse of the cost function for producing supreme services. S might be physical facilities that somehow provide or enhance supreme values (pyramids, temples, libraries etc) or various efforts to convert non-believers.

In cases in which supreme value goods/duties tend to undermine economic activities, there will be a trade off between producing such services (which requires resources) and advancing supreme values (which reduces economic output). S will be maximized subject to the resource constraints, and economic output will be reduced relative to that of leviathan as a consequence of the ideals of totalitarian rulers. For example,

if belief homogeneity is a supreme value, reeducation, ideological training in schools, and efforts to exile or kill those that cannot be converted will reduce the effective labor force and economically productive human capital, which in turn tends to reduce economic output and tax revenues other things being equal.

In cases in which one's supreme duties are bounded, the highest goal might be achieved, which allows resources to be invested in the second highest goal, and if that is achieved, the residual may be invested in the third most important goal, and so on. In such cases, public policies reflect both the hierarchy of values and their associated bounded duties. The more "moderate" the supreme value system, the fewer of a society's resources are diverted from private to supreme value applications. Tax policies and some expenditure policies would resemble those of a revenue maximizing government, but many other policies would differ. They would be grounded in supreme values (monumental construction projects, converting non-believers, and perhaps conquering neighbors to increase the resources available for such project and perhaps also to increase the reach of the supreme value system).

In such cases, a vector of supreme services would be provided that satisfy or advance successively less important supreme values (assuming lexicographic preferences) with the residual—if one exists—used for the totalitarian's private consumption.

Bernholz uses supreme values (as internalized by authoritarians) to account for the atrocities—mass murders and the like—associated with totalitarian rulers. The Nazi death camps, the mass murders of the Pol Pot regime of Cambodia, and the mass starvations associated with the Stalin and Mao regimes are all instances of what he has in mind. He also uses it to explain the great religious wars of 17th century Europe (with Protestants against Catholics) and the earlier wars between Muslims and Christians.¹ In those cases, the aim was to dominate a larger region so that more persons could be converted to the "true" religion, and "evil" unconvertible persons killed. Bernholz also argues that such values explain some forms of terrorism, especially those associated with suicide bombing.

In general, Bernholz' analysis suggests that the subjects of authoritarian regimes are better off with pragmatic rulers than idealistic zealots or true believers.

IV. The King and Council Model: the Continuum between Authoritarian and Democratic Regimes

We now turn to a model that can be used to analyze various forms of one-man rule in a system with constitutional constraints. Constitutional monarchies often are constrained by formal and informal constitu-

¹ In a paper written for a special volume of Public Choice on Bernholz' research, I have argued that these effects are not always associated with supreme values. They depend on both the nature of the supreme value system and the circumstances in which such true-believer leaders adopt policies. Liberal supreme value systems, for example, helped produce the transformations of European governance that we generated Western democracy.

tional rules that determine what a king can and cannot do. They are also often constrained by various procedures. For example, they may have a parliament that has veto power over new taxes (as was the case in most of Europe for the past 1000 years). These divided forms of government can be used to think about both extreme forms of authoritarian regimes (kings with very weak parliaments and no constitutional constraints) and democratic regimes (very weak kings with dominant democratic parliaments) and those in between forms of government in which the power of the king and parliament are balanced and members of parliaments are partially but not fully determined by elections.

Analyzing this system of governments has been one of my main research projects for the past 20 years. In a series of papers and books, I have argued that the undivided models of rulers used in the authoritarian literature on public policy formation are rarely if ever observed. Instead, what we observe are various forms of divided governance in which policy making is a joint product of decisions made by several individuals or groups. Perhaps the most common institutional format for divided authority is what I termed the “king and council” template, which is a system of rule making consisting of two parts. A “king” (ruler, prime minister, president, CEO, etc.) and a “council” (parliament, board of directors, cabinet, etc.) each of which has some control over the policies adopted—although not always or even usually an equal division of authority. (The notes below are based on an early draft of Congleton 2001.)

On the Broad Use of King and Council Governance

This organizational form has survived for several millennia, and yet has been nearly ignored by previous public choice and rational choice political analyses. It is a method of governance that has neither an unrestricted executive (leviathan or dictator) nor an unrestrained parliament (legislature, council, committee, or diet). Rather, this neglected form of governance occupies the continuum between these two extremes. It divides up policy-making responsibility between a branch of government headed by one person, and another branch in the form of a committee composed of several members having more or less equal authority. I refer to this very general and ancient constitutional template as “king and council.”

At first reflection, this pattern of organization may seem to have a rather limited application. In early medieval Europe, councils and tings met to elect and advise the kings of Northern Europe. 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.² Some of these medieval parliaments continue into the present day in modified form. However, bipo-

²It is difficult to pin point the date at which councils and tings 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 affairs of the realm, including taxation. The Magna Charta

lar governance within the king and council template is clearly more widespread than that of the ancient English and Swedish models. For example, many bipolar systems of governance were formally established by the social compacts and instruments of governance during the nineteenth century as new countries formed and as old nations reformed older political arrangements, as, for example, in Norway (1814), France (1814), Denmark (1849), Greece (1864), Italy (1861), Germany (1871), and Japan (1889). Moreover, essentially all modern democratic governments rely upon a structurally similar bipolar form of collective decision making with an executive branch (headed by a president or prime minister) and a legislative branch (a multi-member congress, assembly or parliament), each of which has significant policy-making responsibility.

A bit more reflection and investigation leads one to the conclusion that very few kings and dictators have lacked advisory councils of one kind or another, and very few democracies have lacked an executive branch headed by a single agent. Indeed, it appears that the bipolar "king and council" template for governance may be more commonplace than either of the better analyzed extremes. Moreover, this bipolar template for collective choice is widely used in nonpolitical organizations as well: within firms (CEO and board

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 al-thing) 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.

The use of bipolar governments clearly predates medieval Europe. Evidence of this is provided in Aristotle (1969) who discusses the merits of blended or mixed forms of government. See, for example, his Book 4 Chapter 12 or Book 5 Chapter 8 his Politics. Aristotle's discussion is empirically based. His group engaged in an extensive analysis of the constitutions of Greek city states. Although most of that work has been lost, it is evident throughout the Politics.

of directors), within military organizations (commander and war council), and within the church (pope and College of Cardinals). "Committee and executive" decision-making procedures are also commonplace within local governments, universities and nonprofit organizations. The bipolar "king and council" template is very scalable and is widely used to make decisions within both public and private organizations.

To say that in some of these organizations, the "councils" or the "kings" have only minor formal policy-making powers is, of course, correct. Consequently, considerable insight into the performance of nearly polar forms of "king and council" regimes can be obtained by analyzing the pure forms of collective choice (dictatorships and democracies).

On the other hand, to entirely neglect relatively weak branches of government, clearly understates their influence over policy. Even advisory councils must be listened to in a manner which impacts policies if serious advice is to be obtained. Similarly, appointed executive administrators often have control over policy relevant information and significant discretion over the implementation of directives from the legislature which gives them, at least implicitly, substantial influence over policy. (See Niskanen, 1969, Breton and Wintrobe, 1975.)

Moreover, analysis of the extreme cases necessarily neglects the wide range of intermediate cases where significant policy-making power is vested in both parts of government. For example, in the United States the Congress ("council") has agenda control over legislation and the President has veto authority; while over international treaties and appointments of top executive officials and judges, the President has agenda control and the Congress has veto control. In the areas of foreign policy and military strategy the president has extensive policy-making power. Similarly, in many 19th century European parliamentary systems, the king often retained control over the appointment of ministers and foreign policy, while domestic matters were jointly controlled by the King and parliament. During the past two centuries, many of the areas of royal authority became joint with parliament, e.g. foreign policy, and subsequently were completely transferred to the parliament's domain.

An Illustration of the Policy Effects of a Dividing Veto and Agenda Control

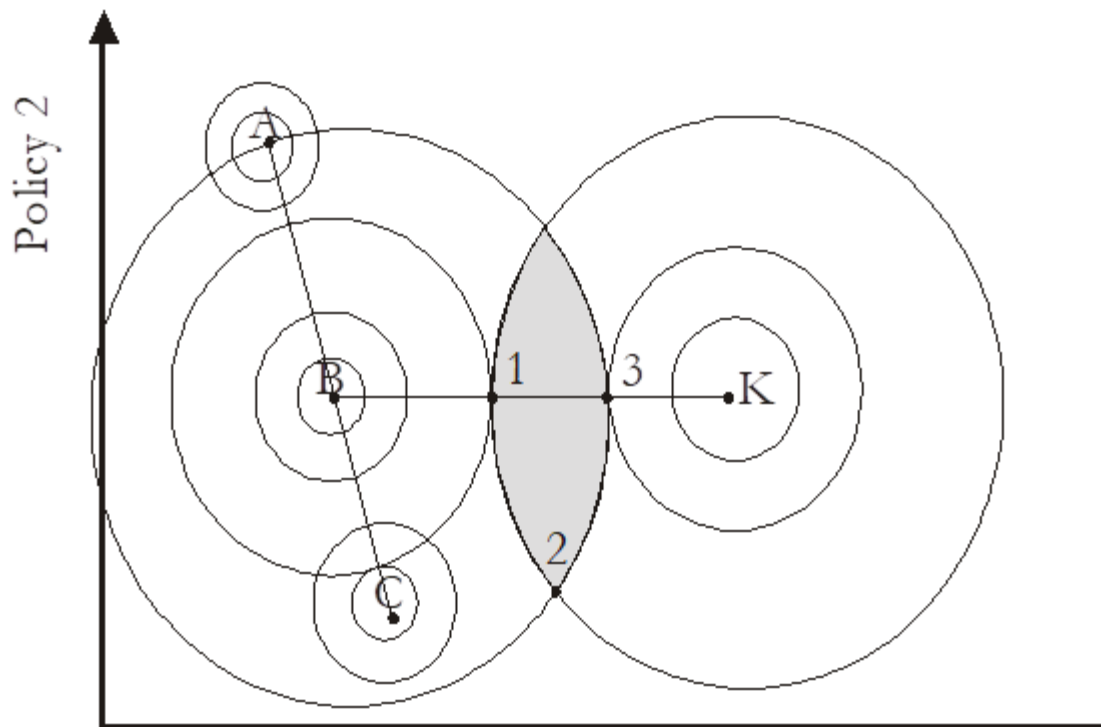
Distributing veto and agenda control powers among branches of government for specific policy areas may have significant effects on policy outcomes in both the short and the long run, although this is also less apparent than one might at first expect. The analysis below demonstrates that both the initial policy position, and the specific assignment of agenda control (held by the king in the illustrations) and veto power (held by the council) can influence policy decisions, especially in the long run.³

³David Schap (1986), has previously examined cases where veto power may affect policy outcomes in a setting where the legislature has agenda control and the executive has veto power. In most

Many of the potential effects of assigning agenda and veto power among the king and council can be analyzed using figure 1 below. (The parliament may have proposal authority (agenda control) and the ruler may have veto power, the ability to reject or accept the recommendations of parliament.) Figure 1 depicts the preference profile of a decisive three member council, cabinet, or parliament composed of members A, B, and C; and the king, K. The ideal policy combinations for each is denoted with a capital letter. Distance from their respective ideal points is assumed to characterize each person's rank orders of alternative policies.

To see the importance of the initial policy position, consider the case where the reversion policy is the king's ideal point K. In this case, granting the council veto power or agenda control has no effect on policy. If the king has agenda control, he proposes K, which confronts the council with a "choice" between K and K. Clearly K continues as the law of the land regardless of whether the council vetoes the policy or not. If the king has veto power and the council has agenda control, he may veto any proposal made by council to move away from K. A similar conclusion would hold for policy B in the case where the council

Figure 1. Effects of Veto and Agenda Power



has either agenda control or veto power if B is the reversion point. (B is the median voter of the council,

cases, his analysis examined bargains regarding new areas of policy, which as demonstrated below are the ones where the distribution of veto and agenda control are most important.i999

and B's ideal policy will be chosen if the council makes its decisions using majority rule.) The pivotal council member can simply block any policy proposal by the king that attempts to move away from policy combination B by using veto power or agenda control to block any change in the status quo.

Either branch of government's ideal point can be defended by that branch as long as it has either veto or agenda control. Consequently, in a stable setting it is clear that a dominant branch of government can give the other branch significant power over policy, "consent," without affecting policy in the short run. In economic terms, devolving veto power or agenda control to the weaker branch of government is very inexpensive for the stronger branch, at least in the short run when the political setting is stable. The willingness of the other branch to trade much for such authority would obviously be fairly limited unless the weaker branch has a *relatively longer* planning horizon, or the possibility of exercising power is generally believed to increase the prestige of office, which seems likely.

In the long run, political circumstances may change in a manner that affects the preferred policy combination of the chamber initially favoring the status quo. And, it is because of such changes in policy preferences, as well as the emergence of generally new areas of policy, that the transfer of veto or agenda power from one branch to the other is generally more significant in the long run than in the short run.

To see this, suppose that political circumstances change because of technological or political shocks that change the ideal points of both council members and the king. (Such a shift does not require a change in tastes, only in the perceived consequences of the policies.) In this case the status quo, reversion point, may resemble a policy combination similar to that labeled "2" in Figure 1, which can now be interpreted as the *previous* ideal point of the stronger branch of government. In the absence of a veto by the weaker chamber, the stronger chamber would simply adopt its new ideal point as the official policy of the realm. However, an honest application of the weaker chamber's veto power now will block such moves. Policy combination 2 is preferred by the king to B, and by the median council member to K. The policies that might be proposed and not vetoed are identified by the shaded lens or football shaped area.

The best result that a **king with agenda control** can achieve is policy 3, given the veto power of the council. While in the converse regime, the best policy that an agenda setting council can hope for is policy 1, given the veto power of the executive. In these circumstances, it is clear that both agenda setting and veto power have significant effects on policy outcomes. This possibility of political shocks also suggests that agenda control allows a branch of government to better advance or protect its interests through time as policy circumstances change, although this will be affected by the bargaining solution that finally obtains.

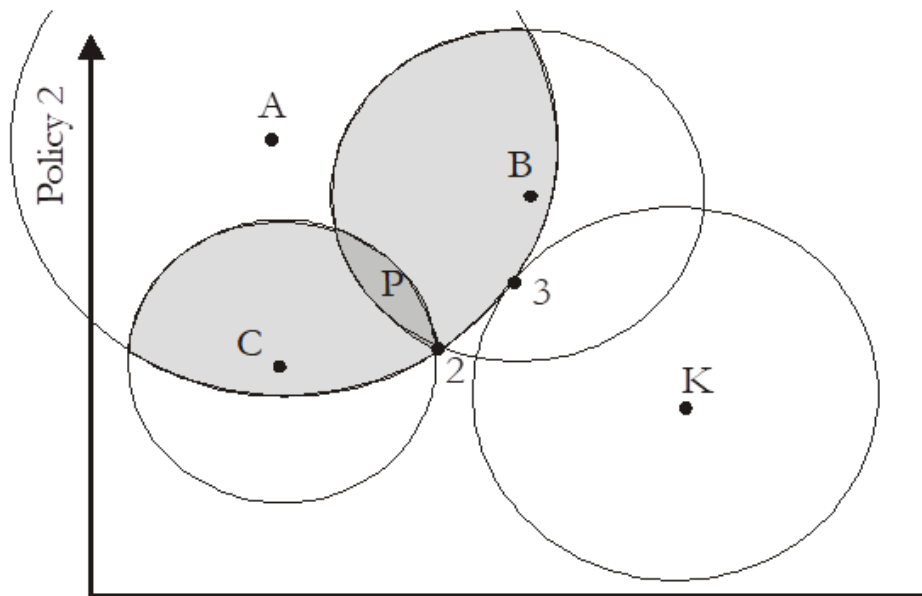
This illustration also suggests that *policy shifts are moderated* by the king and council organizational form as technological and policy shocks arise. Elementary geometry implies that the policy shifts induced by political shocks are generally smaller, and cannot be larger, than those which would have been associated

with either pure form of government. (A movement from 2 to either 1 or 3 is smaller than a movement from 2 to either K or B.) Insofar as stable policies tend to promote economic growth *by making the legal framework more predictable for both firms and consumers, the king and council template may be said to promote economic development in an uncertain world.*

The King and Council with a Non-Decisive Council

Consider now the cases where the council is *non-decisive*, or weak, in the public choice sense that no pivotal voter exists. In this case, only one division of agenda control and veto power is really feasible, that is

Figure 2. Agenda Control with a Weak Council



to say only one part of government is actually capable of making policy decisions. To see this consider the geometry of Figure 2 in which the preferred policies of council members are such that they can not make a definitive decision because of majoritarian cycles. Every possible proposal can be defeated by some counter proposal, in principle before it is put into practice by the executive. Such cycles may exist but would be observable to those outside government only as a lack of decisiveness. Such a democratic council cannot exercise agenda control since no stable or series of majorities can agree on ideal policy. In this case, the executive branch can use either agenda control or the executive veto to stabilize the government policies. (This is the case explored in Carter and Schap, 1987.)

Assume, for purposes of illustration that the status quo is policy 2, which is Pareto-dominated among council members by policies within lens-shaped area P. Note that a king with agenda control can propose policy 3 which will secure majority approval over policy 2. Moreover, if a series of policy proposals

can be voted on, the non-decisive distribution of voter ideal points is such that the king may now, potentially, secure his own ideal policy combination—not withstanding the veto power of the council.

In effect the king can play the three council factions off one another in a series of policy refinements leading to his preferred policy (McKelvey, 1976). (This was a common strategy in 3 chamber parliaments in the period before the 19th century.) How long this might take in real historical time is clearly a matter beyond the scope of the present analysis, but this possibility does suggest that a strong (forward looking king) faced by a weak (non-decisive) council can offer veto power or agenda control in exchange for council acquiescence on other pressing issues or as compensation for service to the crown at a relatively low cost in stable political and technological circumstances. The mere appearance of power may make council membership a more impressive positional good and allow the king to secure a talented council at low cost. It may also serve to legitimize the regime in the citizenry as a whole insofar as they believe their interests are represented by the legislature.

The Evolution of King and Council Systems of Governance

The previous section of the notes suggests that in many circumstances a king can grant a parliament policy-making authority at an initially low expected cost. Thus, one can imagine circumstances in which a king with an advisory council would voluntarily grant his council a veto over tax or other policies as a method of obtaining support or service from council members on issues where their support can be a significant advantage in the short run, perhaps even during a king's entire lifetime. The reverse is also true insofar as a decisive council can in similarly stable circumstances grant "special" or "emergency" powers to the executive branch at a similarly low cost in the short run insofar as it retains veto or agenda control.

Together, these suggest that a series of random political shocks would cause the division of power between king and council to behave more or less as a *random walk* through time. During some periods the executive will increase its control over policy, and at others the council will increase its power as political shocks change the bargaining positions of king and council as well as the reversion points of policy. Through time, one would expect to observe all constellations of power within a single polity, as has been the case for many nations in Europe.

Sometimes, changes in the balance of policy making power shift very rapidly. For example, the balance of power between the English king and parliament in 1630 was one with a dominant king, policy-making was dominated by parliament in 1650 (after the English civil war), and characterized by an intermediate form of the bipolar template in 1670 (after the restoration), with both king and parliament retaining policy-making power. The Glorious Revolution of 1688 shifted additional power to the parliament, but retained the bipolar template (Morgan, 1997: 310, 326, 334, North and Weingast, 1989: 817).

Sweden began the 18th century with policy-making power concentrated largely in the king, followed by a period with a dominant parliament, the so-called "age of freedom," from 1719-72. Sweden closed the 18th century with a king-dominated government and the restoration of royal prerogatives after 1789 by Gustav III (Weibull, 1993: 53, 61, 74). Nineteenth-century France experienced a king-dominated bipolar government from 1814-48 with a gradual shift of power from the king to the assembly, followed by an assembly dominated government in 1848-1851, autocratic rule from 1852-70, and finished the 19th century with the third republic and parliamentary dominance.⁴

Three sorts of shocks have recently favored democratic evolution.

Genetic shocks. One systematic source of drift toward council domination of policy formation is variation in the talent or planning horizon of kings through time. Insofar as competition for membership in the council or parliament is more open than that for king--particularly in dynasties--the talent of the council tends to be high and fairly consistent through time. On the other hand, the vagaries of training, tastes, and breeding imply that the talent and interests of the king would vary considerably through time. (There is substantial evidence of reversion toward the mean in the children of talented persons.) Alternatively, a succession of kings may, because of their own immediate interest in revenues or leisure, simply allow a relatively talented council to make more and more policy decisions directly. A weak or disinterested king may be simply out-bargained by a very talented council. (A parliament's bargaining power is often increased by the unexpected death of a king, as with that of Karl XII in 1718.) Insofar as the occasional farsighted or very forceful king is unable to fully recapture the authority given up by weaker rulers--perhaps because of deference to traditions or precedents that help legitimize state authority--genetic shocks generate a systematic drift toward council control--other things being equal.

⁴ A major reform in the French bipolar template was adopted in 1848 with an elected president replacing the king as the executive. This reform was not a peaceful transfer of power from the monarchy to the parliament, but followed a major revolt in Paris. However, in what must have been an unpleasant surprise to those who had caused the new constitution to be adopted, the first election of the new second republic produced a monarchist super majority in the legislature (this under universal male suffrage!). Such electoral preferences allowed the balance of power to shift back to the executive. Prince Louis-Napoleon was reelected president by an overwhelming popular mandate in 1851.¶

However, a year after his election to a ten year term under the new constitution, President Louis-Napoleon declared himself emperor and adopted the name Napoleon III. A bicameral assembly continued to meet during his tenure, one chamber of which was popularly elected with universal male suffrage. (See, Strayer and Gatzke, 1978.) However, in the words of Colton and Palmer, 1965: 411: "For the first time since 1815 France ceased to have any parliamentary life. It was ruled by a dictatorship, more demagogic, more calculating, more hollow and more modern than any that the first Napoleon had ever imagined." (A good over view of this period of French constitutional history is provided in Palmer and Colton, 1965: 444, 456, 476, 579; see also Bély, 1998: 90-96.)

Technological Shocks. Technological changes, in principle, may affect the relative cost of maintaining control over the polity in a manner that favors either pole of a bipolar government. Patterns of trade may cause wealth to be more or less concentrated among elites, and also affect the royal household's interest in raising funds via taxation. The cost of alternative forms of monitoring and control can increase or diminish the importance of broad public support. Changes in the complexity of policy analysis may make relatively more representative councils informationally more or less superior to less representative councils.

However recent technological shocks have favored parliament. Many of the same innovations in organization, transport and communication that allowed hundreds and thousands of persons to be organized into productive industrial concerns have also been used to organize other large scale organizations: unions, political parties, and other large scale interest group organizations. Industrialization tends to take place in towns and cities, and the greater population densities of cities allows industrialists, tradesmen, and laborers to more easily organize to resist the policies of a king and unrepresentative councils. Moreover, with the advent of the industrial revolution the policy consequences of taxation, regulation, and torts became relatively more difficult to assess, but relatively more important to the economic development of the polity, which increases the informational advantages of representative councils.⁵

Insofar as shifts of power between king and council tend to favor those whose ability to exert effective political pressure through resistance and advocacy, industrialization tends to favor democratization—an increase in the range of policies decided by (a more broadly elected) parliament.

Ideological Shocks. Changes in the positive and normative theories of governance may also affect the costs of control and resistance by changing the norms against which current institutions are judged. That is to say, changes in ideology which undermine the legitimacy of the king-dominated end of the king and council continuum tend to reduce the productivity of efforts to maintain control or produce what Wintrobe (1998) terms "loyalty." The ideological shifts of the past two centuries have often directed previously unorganized groups or individuals toward common interests which reduce organizational costs. The liberal, union, and socialist tides that took place in the industrialized societies of the 19th and 20th centuries clearly helped to motivate a wide range of public demonstrations and affected the opinions of those in government as well. Belief in the divine right of kings was gradually replaced with the ideals of popular sovereignty and popular suffrage.

⁵Evidence of the importance of technological developments for political organization is developed in Dudley (1991, 2000) who provides a nice historical analysis of how informational technologies can affect the size and scope of national governments. Although his analysis emphasizes institutional revolutions rather than the evolution of governance, his analysis of the importance of information technologies is very much in spirit of that developed here.

Recent ideological shifts tended, on balance, to increase resistance to the king's policies both inside and outside government, increasing the bargaining power of parliament and yielding new arrangements for power sharing. These changes in the division of power were not always through violent means. And, even in those cases where violent rebellions played a role, as in France, the dead weight loss of conflict was often reduced by trading formal power for acquiescence in a manner that was broadly advantageous to both the king and council under the new circumstances.⁶

Constitutional Exchange and the Power of the Purse

One of the most common ways that (new) constitutional gains to trade are realized is through a parliament's veto power over new taxes. When the king called a parliament into session (and parliaments for several centuries before 1700 met only when called by the king or queen) they normally want the parliament to do something for them, often to agree to new taxes. Old taxes—chiefly tariffs and excise taxes—would continue to produce revenue, but were not always sufficient to fund the public policies and other activities of the royal family. There were military and fiscal emergencies—and an occasional refurbishing of royal places and yachts.⁷

To obtain majority support for new taxes often required some “horse trading” with members of parliament or as stable political parties emerged with party leaders. Some trades would simply be agreements to provide local projects of one kind or another of interest to particular members of parliament (pork barrel politics). Some trades in the noble chambers might involve settling disputes among noble families or the elevation of lesser nobles to higher ranks. But other times, the bargains involved modest transfers of authority from the king to the parliament.

Such trades are commonplace in all the histories of king and council systems that I have investigated. When there are no trends in the bargains, the distribution of authority between the king and parliament resembles a random walk, with periods in which parliaments gained in authority followed by ones in which they gave up authority (also sometimes in exchange for royal favors, but sometimes because kings reneged or tried to renege on their agreements).

⁶Mommsen (1995: 11-14) among others suggests that the German Constitution of 1871 was adopted by Bismark in large part to counter liberal and socialist pressures that were emerging in the rapidly industrializing Germany. Considerable power was transferred from the monarchs of Sweden and the United Kingdom to their respective parliaments during the 19th century without significant bloodshed or departures from the rule of law. (See Morgan 1997, Verney 1957, or Voigt 1999a, b).

⁷ Readers should note that most trades in markets are also money for control exchanges. When you purchase something at a store, you trade control over money for control over the goods owned by the store. Similarly, when a private firm “goes public” the owners trade authority over its business for money from investors (shareholders and their associated boards of directors).

Autocracy

When there are trends in the bargaining, as were associated with the changes in parliamentary interests associated with the rise of liberalism and increased industrializations (a subset of nobles and aristocrats became investor/entrepreneurs instead of farmers/rentiers), the shifts in authority may gradually transform an initially authoritarian regime (say a 90-10 division of authority between the king and parliament) into a democratic regime (a 10-90 division of authority between the king and parliament). Such shifts were commonplace in north-western Europe during the nineteenth century. As a consequence, what we now call Western democracy emerged more or less peacefully (revolts normally were “put down” rather than successful, as in 1848), through constitutional exchange rather than revolution and overthrows.

And, that is, of course, why many democracies in Europe are still formally constitutional kingdoms as in the United Kingdom, the Kingdom of Sweden, the Kingdom of Denmark, and the Kingdom of Norway.

Normative Implications

It bears noting that the normative properties of the bargaining model of policy-making power within the king and council template differ from those of the constitutional convention model. There is no presumption in the present analysis that the agreements reached are social contracts in the sense used by modern or enlightenment contractarians. Unanimous agreements are almost never required for amendments that consummate constitutional gains to trade. Amendment procedures normally require super majority or majority agreement rather than consensus. Since many of these agreements involve only a small subset of the persons affected by governmental procedures, no claim of general Pareto efficiency can be associated with the fluctuating balance of policy-making power between king and council. The reforms are rarely if ever Pareto superior moves.

All that can be claimed is that shifts in the assignment of power between kings and their councils make many of those in government better off than they would have been without them, given the circumstances faced.

On the other hand, the analysis as a whole does suggest that the king and council template is a relatively efficient method of governance. It solves various problems associated with succession, information, free-riding, while being able to adjust at many margins to take account of shifts in the talents or members of the government or in circumstances. It is for this reason that both rational rulers and constitutional conventions often adopt intermediate collective choice procedures that divide policy-making responsibilities between a single executive (king, president, prime minister, cabinet) and a committee (council, congress, assembly, parliament). And it is for this reason, that the king and council constitutional template is so durable and so nearly universal in its application.

In the past two centuries, that template for governance has allowed a dozen or more or less authoritarian governments to be peacefully but gradually transformed into liberal democracies.

V. Suggested Readings

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