

## I. An Overview of the King and Council

- A. This lecture is based on my paper in *CPE*, "On the Durability of King and Council: A Universal Constitutional Template," and, as true of the paper, is organized to parallel in an approximate way the history of many north European governments.
- i. Section ii considers the purely informational advantages of an advisory council in settings where a king is less than perfectly informed either in the finite sample sense or in the rational ignorance sense.
  - ii. Section iii suggests that the king and council template can be used to reduce wasteful conflict in cases where disputes take place between a hierarchical organization (a king) and an alliance (council) that resists the king's dominion.
  - iii. Section iv analyzes the long and short run implications of dividing agenda control and veto power between a king and his council to assess why assignment of such powers can be used as bargaining chips.
- B. Section v discusses how democracies can emerge from the king and council template as a result of systematic political shocks.
- C. In practice one rarely observes pure forms of dictatorship that lack a council, or pure forms of parliament that lack an executive.
- i. Generally government policies emerge from organizations that combine an executive branch of government, "the king," with a cabinet or parliamentary branch, "the council."
  - ii. This lecture provides an explanation for this regularity, and also provides an evolutionary model of the emergence of democracy.
- D. The bipolar "king and council" constitutional template has a number of properties which give it great practical efficiency as a method of information processing and collective choice.
- i. First, a council generally has a wider array of direct experience and/or knowledge than the king does, and therefore is in position to be a better estimator of "policy consequences" than the king alone tends to be.
  - ii. Second, a bipolar design can reduce losses from conflict in cases where other significant power centers than the king exist.

- iii. Third, a king and council template which provides agenda control to the king, tends to reduce the extent to which majoritarian cycles may arise in the council.
  - iv. Fourth, the king and council templates allow gradual evolutionary shifts of power between the executive and parliament as circumstances change without the necessity of violent revolution.
  - v. Insofar as a form of majority rule is used by the council and is stable, the recommendations of council tend to be both robust as estimators and moderate in their policy recommendations.
- E. At first thought, this pattern of organization may seem to be rather limited in application.
- i. In late medieval Europe, many of Europe's kings formally established councils or parliaments that had significant control over public policy, for example, veto power over taxation.
  - ii. A few of these parliaments continue into the present in modified form with much greater powers. England, Sweden, Norway and Denmark are classic examples of this.
  - iii. However, a bit more reflection leads one to recognize that very few kings or dictators have lacked advisory councils of one kind or another, and that very few democracies have lacked an executive branch.
  - iv. Moreover, as one thinks more deeply about this organizational template, one comes to realize that this general form of governance is widely used within firms (CEO and board of directors), within many totalitarian regimes (secretary general and polit bureau), within military organizations (commander and war council), and within the church (pope and congress of cardinals).
  - v. The "king and council" template is very scalable, and is widely used to make decisions within many hierarchical organizations. For example, such "committee and executive" decision making procedures are common place within universities and other nonprofit organizations.

## II. Advice: Informational Advantages of Council

- A. An autocrat faces several kinds of information problems.
- i. First, much policy relevant information tends to be kept private, because superior information aids in negotiation and planning.

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- ii. Second, much of the information that is publicly available is intentionally **biased** because individuals, especially those within government, often benefit from exaggerating their loyalty and performance, or those of organizations they are affiliated with.
  - iii. Moreover, even in a setting where unbiased information is readily available, the autocrat may find it difficult to assess the relative merits of policy alternatives because so much information needs to be assembled and analyzed.
  - iv. Clearly, in most cases it will be difficult for any single individual to independently gather sufficient information to make accurate policy assessments. Wintrobe (1997, Ch. 2) refers to these informational problems as the dictator's dilemma.
- B. An advisory council is one widely used technology for reducing a king's information costs.
- i. Insofar as both incompetent and dishonest advisors are routinely eliminated from such councils, and insightful advice is rewarded with positional or pecuniary compensation greater than that associated with their occupational alternatives, council members have incentives to be truthful with their advice and generous in sharing their stock of private knowledge.
- C. It bears noting that even a well informed king may benefit from the advice of non experts chosen at random from his populace.
- i. The members of such a council will tend to be less informed than the king because they lack an encompassing interest in the Kingdom.
  - ii. However, advice from such a council may still be informative insofar as the samples of the king and council members are independent of one another. The average of several unbiased estimates is generally a better estimator (more accurate) than any one of the estimates averaged, and better than a single estimator based on a smaller data set. Such a council will be cost effective if the total sample of all council members exceeds the reduction in the king's sample necessary to pay the council members.
- D. In many cases, the king can do better than a randomly assembled council.
- i. For example, he may limit his sample to potential council members who appear to be better informed than he is (because of greater experience, e. g. larger samples). Some potential councilors simply have a comparative advantage at gathering and processing information because their opportunity cost

for assembling and processing information is substantially below that of the king.

- ii. This comparative advantage can be increased insofar as the king constructs competitive games for council membership that rewards policy relevant information acquisition with status or lucrative salaries.
    - a. Contests can induce greater investments by the players than the sum of the rewards given out, as true of even simple lotteries, Tullock (1980).
    - b. Moreover, payment in *positional goods* can be quite inexpensive for the king, yet produce substantial efforts by prospective councilors, Hirsch (1995), Frank (1985), Congleton (1989).
  - iii. Potential gains from organizing a committee of advisors can be significant in a setting where the king has rational expectations about policies. The number of policy mistakes (and thereby policy risks) tend to fall as a result of cost effective advice.
- E. The king can also attempt to organize his council to minimize strategic information problems.
- i. The simplest method is to assemble a council that includes persons with well understood but conflicting interests who possess overlapping knowledge or expertise. Such a council can be assembled by having interest groups (guilds, land owners, the clergy, etc.) propose policy experts or representatives to the king's council.
  - ii. Such a more or less "representative" council implies that the king will hear a wider range of policy assessments from predictable policy interests, and that the *median* or average of the opinions heard is fairly well-informed and unbiased insofar as the council as a whole lacks a policy interest that differs *systematically* from that of the king.

### III. Advice and Consent

- A. The remainder of the lecture analyzes conditions under which both the King and Council have direct power over public policy.
- i. Why is formal policy making authority often granted to councils or executives initially created for the convenience of a dominant executive or parliament?
- B. The most plausible answer to this question is that in many circumstances policy making *power can be used as a tradable good* in a voluntary exchange between king and council or between the government and parties outside government.

- i. For example, modest grants of power may be explained in the context of a supremely powerful king or president as a form of compensation for council members with a direct financial or ideological interest in public policy.
- ii. In settings where neither king nor council has supreme authority, the king and council template may be adopted or modified as a means of reducing losses from intra-polity conflict.
- iii. The king and council template can reduce losses associated with both "civil" and "uncivil" warfare among power centers and other organized interest groups within the polity to be governed.
- iv. Illustration of the deadweight loss of conflict

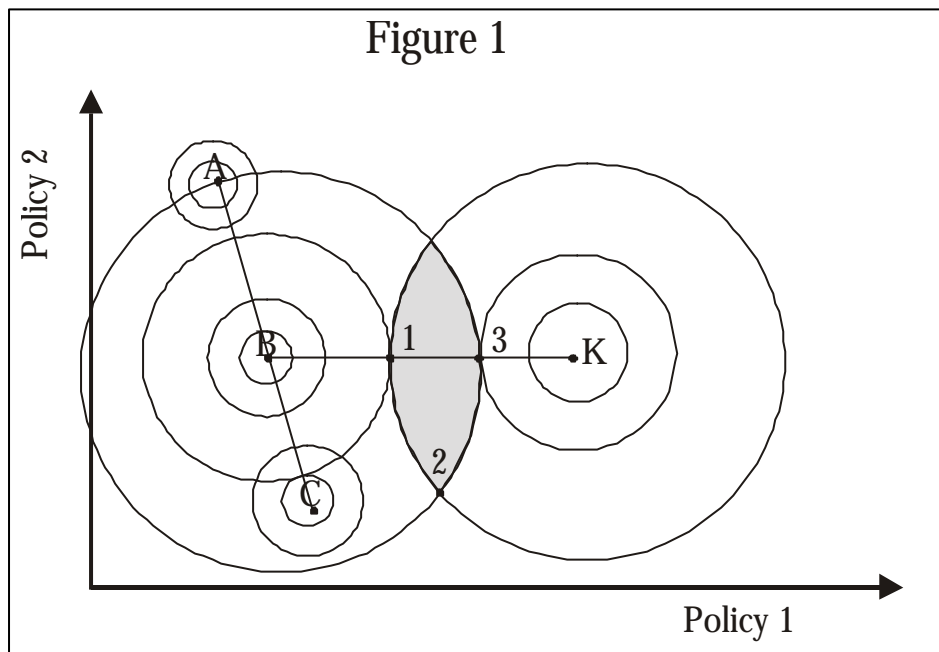
**Table III** Asymmetric Conflict

Weaker party	Stronger party		
	Little Aggression	Moderate Aggression	Intense Aggression
Little Resistance	6, 14	3, 16	0, 18
Moderate Resistance	7, 10	4, 12	1, 14
Intense Resistance	8, 8	5, 10	2, 12

- vi. The balance of power equilibrium (Nash) is wasteful in the sense that the welfare of both groups shrinks as additional resources are devoted to conflict, other things being equal.
- C. One possible solution is to use a less resource intense method of "public choice." An effective collective choice mechanism does not generally eliminate all losses from conflict, but reduces the cost of conflict by encouraging the use of more "civil" forms of social choice, Congleton (1980).
  - i. The king and council template is one such collective choice mechanism. It is a natural way to reduce *wasteful* conflict between a coalition (guilds, nobility, church authorities, major land holder) and a hierarchical organization (king).
  - ii. The king and council template allows policy making authority to be divided between the king and parliament in a manner which can more or less replicate the payoff ratio's of the initial equilibrium, while reducing the extent of the resources consumed by conflict.

#### IV. The Continuum of Power: Agenda Control and Veto Power within the King and Council Template

- A. One method of dividing up policy making responsibilities between the king and council is to distribute agenda control and veto power over specific subsets of public policies among the king and council.
- B. Significant variation in the degree of control over policy can be created through this device.
  - i. Autonomy in particular policy domains can be established by granting both powers to the king or council, and a degree of mutual consent can be generated by assigning veto and agenda control to different parts of the government.
  - ii. For example, in the U. S. 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.
  - iii. Distributing these powers among branches of government may have significant effects on policy outcomes in both the short and the long run, although this is less apparent than one might first expect. Both the initial policy position, and the assignment of agenda control and veto power can influence policy outcomes.
- C. Veto and Agenda Control with Decisive Councils
  - i. Many of the potential effects of assigning agenda and veto power among the king and council can be analyzed using Figure 1.
  - ii. Figure 1 depicts the preference profile of a decisive three member council composed of members A, B, and C; and the king, K.
  - iii. 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.
  - iv. To see the importance of the initial policy position, consider the case where the reversion policy is the king's ideal point K.
    - a. 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.



quo. This allows the policy effects of a transfer of power from one branch to the other to be **more significant in the long run** than in the short run.

- i. 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.
  - a. 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.
  - b. 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.
  - c. 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.
  - d. The policies that might be proposed and not vetoed are identified by the shaded lens or football shaped area.

#### V. An Evolutionary Path to Parliamentary Democracy

- A. The previous section of the paper suggests that in many circumstances a king can grant a parliament policy making authority at an initially low expected cost.
- B. Thus, one can imagine circumstances whereby a king with an advisory council would voluntarily grant the 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.
- C. 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.
- D. 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.
  - i. During some periods the executive will be increasing its control over policy, and at others the council will be consolidating its power as political shocks change the bargaining positions of king and council as well as the reversion points of policy.

b. 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.

c. A similar conclusion would hold for policy B in the case where the council has either agenda control or veto power to the executive and B is the reversion point. (B is the median voter of the council, and B's ideal policy will be chosen if the council makes its decisions using majority rule.)

D. Note that either branch of government's ideal point can be defended by that branch as long as that it has either veto or agenda control.

- i. Consequently, in a stable setting it is clear that a dominant branch of government can give the other branch direct power over policy, "consent," without affecting policy in the short run.
- ii. 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.

E. In the long run, political circumstances may change in a manner that affects the preferred policy combination of the chamber initially favoring the status

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- ii. Through time, one would expect to observe all constellations of power within a single polity, as has been the case for much of Europe.
- E. Yet, the shocks may not be completely random.
- i. For the past century and a half, there has been a worldwide trend toward council/parliament dominated forms of the king and council template.
  - ii. One explanation of this recent trend is that a series of changes in the circumstances confronting kings has lead them **to gradually bargain away** most of their control over policy in exchange for favorable policy decisions on pressing matters, or at least reduced resistance to policies that serve the king's immediate interest.
- F. Three sorts of shocks have recently favored democratic evolution.
- i. *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.
  - ii. The king may, because of his own immediate interest in revenues or leisure, simply allow a relatively talented council to make more and more policy decisions directly. Alternatively, a weak king may be simply out-bargained by a very talented council.
  - iii. Insofar as the occasional farsighted or very forceful king is unable to fully recapture the authority given up weaker rulers--perhaps because of deference to tradition or precedent that helps to legitimize the state--there tends to be a systematic drift toward council control--other things being equal.
  - iv. *Technological Shocks.* Changes in the patterns of trade or warfare may affect the relative cost of maintaining control over the polity in either direction. However recent shocks have to some extent favored parliament. With the advent of the industrial revolution the policy consequences of taxation and torts became relatively more difficult to assess, but relatively more important to the economic development of the polity. The increasing complexity of policy analysis tends to make relatively more representative councils

informationally more superior to less representative councils than previously the case.<sup>1</sup> Moreover, industrialization tends to take place in towns and cities. 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. Insofar as shifts of power between king and council favor those whose ability to resist have increased, industrialization tends to favor democratization--an increase in the range of interests directly represented by council.

- v. *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 assessed. That is to say, changes in ideology which undermine the legitimacy of king dominated end of the king and council spectrum, reduces the productivity of efforts to maintain control or produce what Wintrobe (1998) terms "loyalty." Moreover, recent ideological shifts often point previously unorganized groups or individuals toward common interests which reduce organizational costs. Together these shifts would tend to increase resistance to the king's policies, increasing conflict, although not necessarily through violent means. The dead weight loss of conflict, again, can be reduced by trading formal power for acquiescence in a manner that is broadly advantageous to both the king and council under the new circumstances.

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<sup>1</sup> Evidence of the importance of how technological developments may affect political organization is developed in Dudley (2000, 1991) who provides a sophisticated 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.