PERFECTING PARLIAMENT

This book explains why contemporary liberal democracies are based on historical templates rather than revolutionary reforms; why the transition in Europe occurred during a relatively short period in the nineteenth century; why politically and economically powerful men and women voluntarily supported such reforms; how interests, ideas, and preexisting institutions affected the reforms adopted; and why the countries that liberalized their political systems also produced the Industrial Revolution.

The analysis is organized in three parts. The first part develops new rational-choice models of (a) governance, (b) the balance of authority between parliaments and kings, (c) constitutional exchange, and (d) suffrage reform. The second part provides historical overviews and detailed constitutional histories of six important countries: the United Kingdom, Sweden, the Netherlands, Japan, Germany, and United States. In all the countries discussed, liberal democracy emerged from a long series of constitutional reforms, rather than as a quantum leap from authoritarian to democratic governance. The third part provides additional quantitative evidence in support of the theory and summarizes the results. It also contrasts the approach taken in this book with that of other scholars and discusses methodological issues.

Roger D. Congleton is Professor of Economics and Senior Research Associate, in the Center for Study of Public Choice at George Mason University, Fairfax, Virginia, where he has taught since 1988. His research focuses on the political economy of constitutions and public policy. Professor Congleton's most recent books include *40 Years of Research on Rent Seeking* (two edited volumes, 2008), which surveys the theoretical and applied literatures on rent seeking; *Democratic Constitutional Design and Public Policy* (2006), which surveys the empirical literature on the effects of democratic constitutional design on public policies and economic growth; *Improving Democracy through Constitutional Reform* (2003), which analyzes the effects of constitutional reform on policies and economic developments within Sweden during the past two centuries; and *Politics by Principle, Not Interest* (Cambridge University Press, 1998, written with Nobel Prize winner James Buchanan), which analyzes how a generality rule can improve the performance of democratic governments.

In addition to his books, Professor Congleton has published more than one hundred papers in academic journals and edited volumes. That body of research analyzes the politics of constitutional reform, the importance of information in democratic decision making, the emergence and significance of norms, and contemporary policy making within national governments and international organizations.

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Constitutional Reform, Liberalism, 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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* * *

[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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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 policy-making power entirely connected. European parliaments had occasionally gained power in previous periods without broadening their electoral bases, 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 policy making 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 or sudden breaks with the past. Something evidently had happened during the nineteenth-century in 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 – itself 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 tends 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 decision making.