

Order & Violence



Lecture 9: Bargaining power and the roots of democratization

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Today

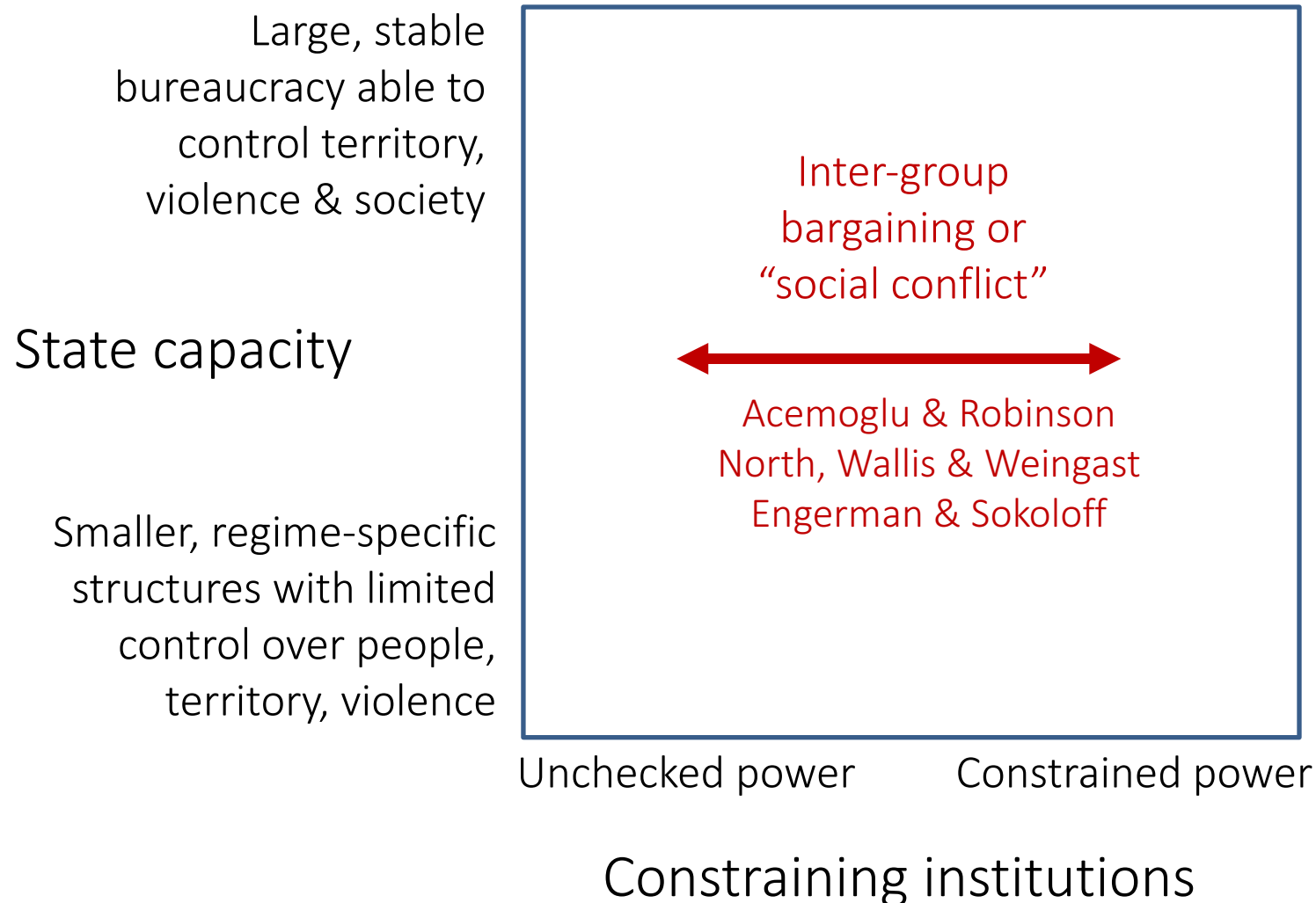
- I. Sources of political power
- II. Introducing the EVL model
 - EVL and changes in political power in Western Europe, 1000-1800

I. Sources of political power

II. Introducing the EVL model

- EVL and changes in political power in Western Europe, 1000-1800

We have been trying to understand why the selectorate will widen,
emphasizing competition and bargaining between groups



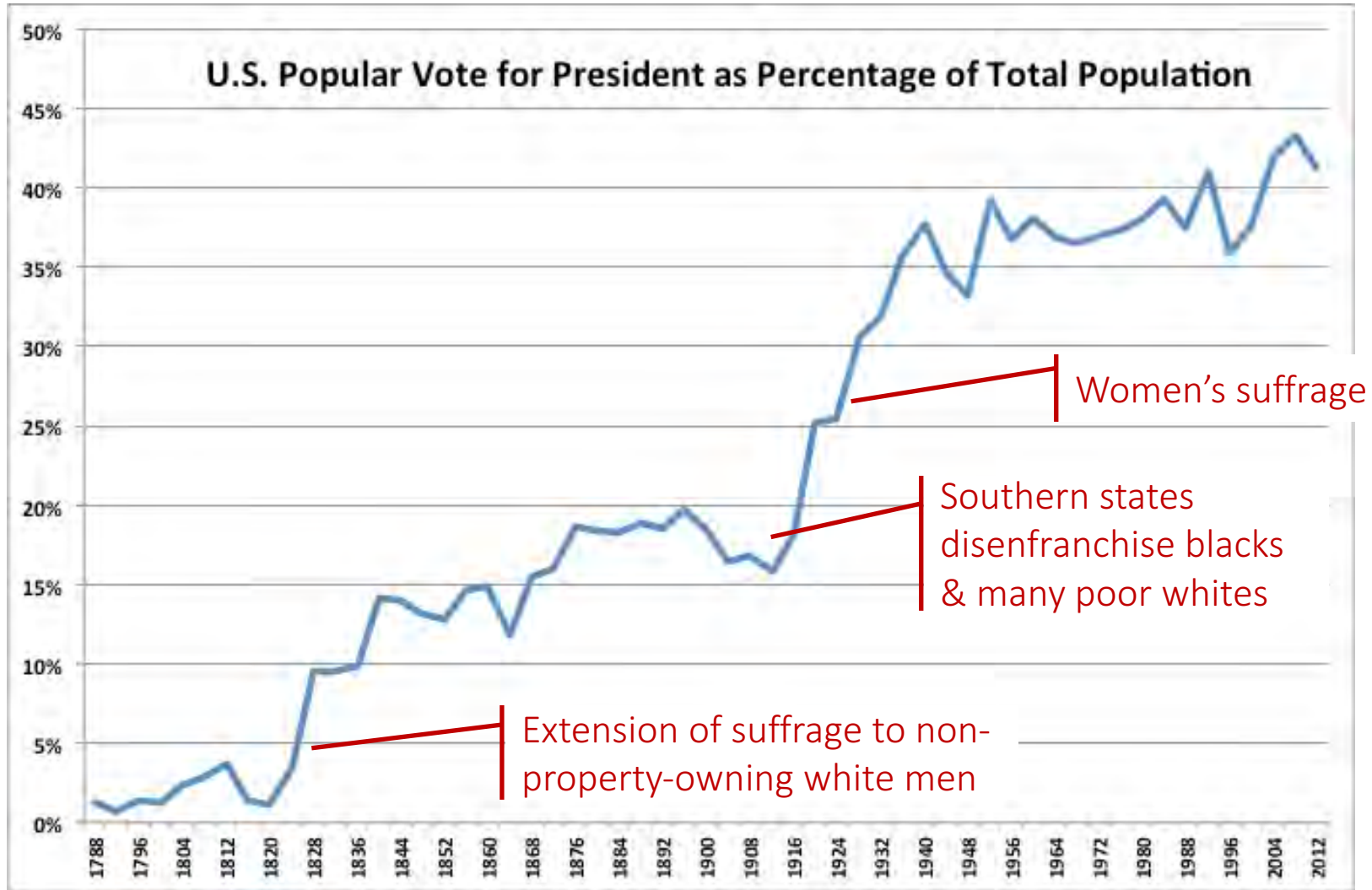
Most advanced democracies today were once limited democracies

The expansion of the selectorate was gradual

Who could vote in Great Britain?

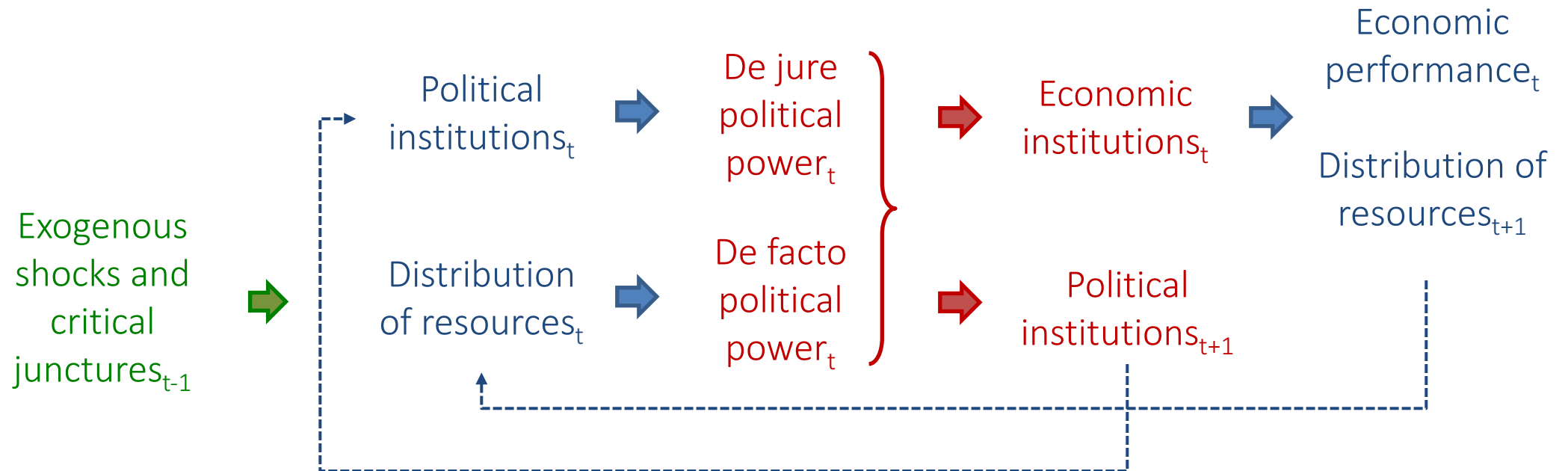
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This was true in U.S. history as well

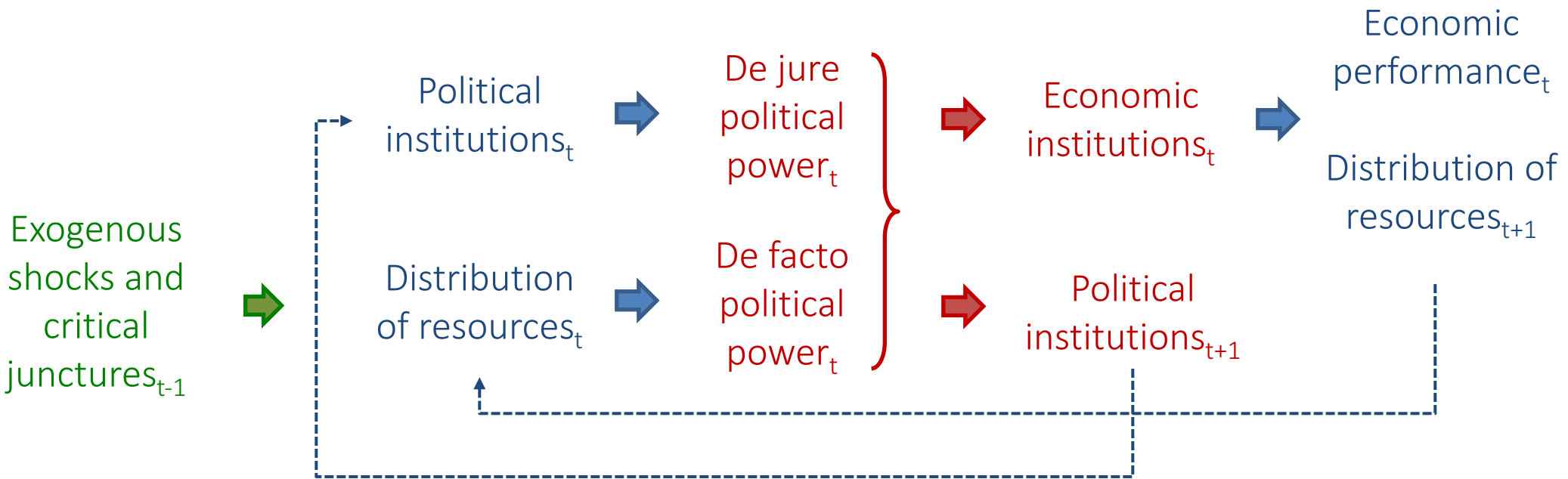


The bargaining or social conflict view (AJR and others):

De jure political power conceded only to those who have the power to demand it



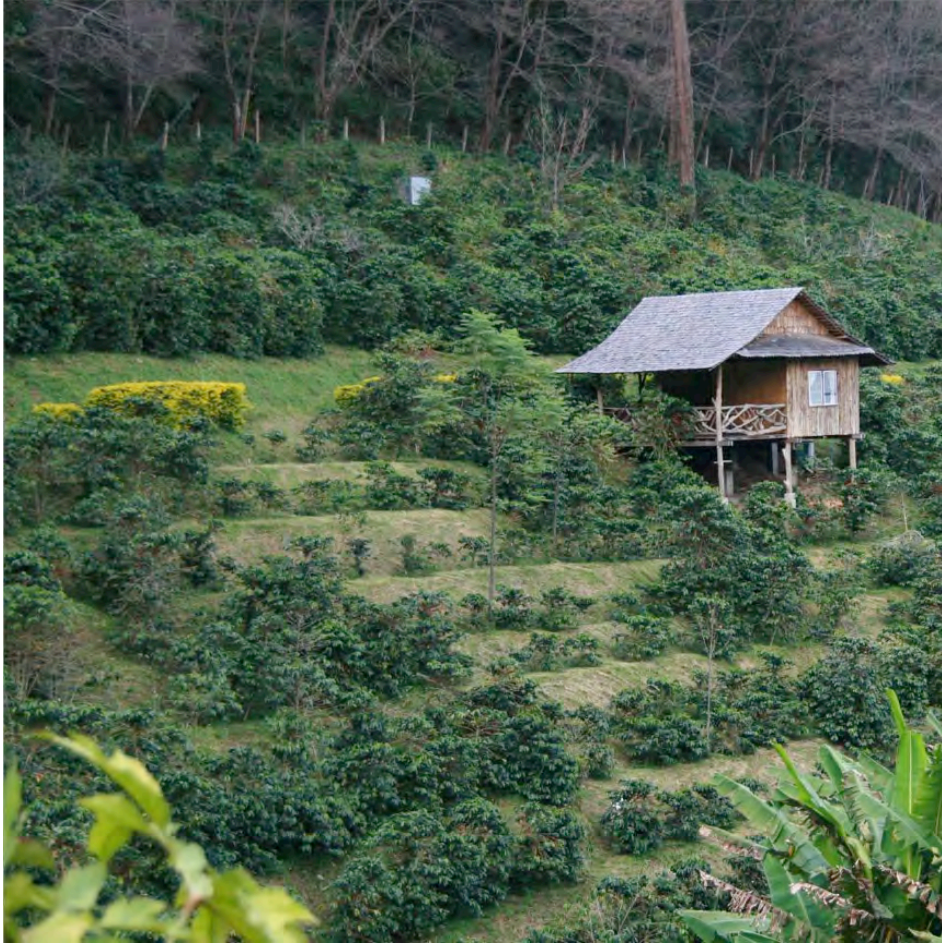
Where does this bargaining power come from?



In what sense is this an example of political bargaining power?



How does the structure of the economy affect power?



Political scientists often define power as the “ability to influence the behavior of others”

I see three major sources of power when groups compete and bargain (the 3 Ms)

1. Military power

- The means of violence

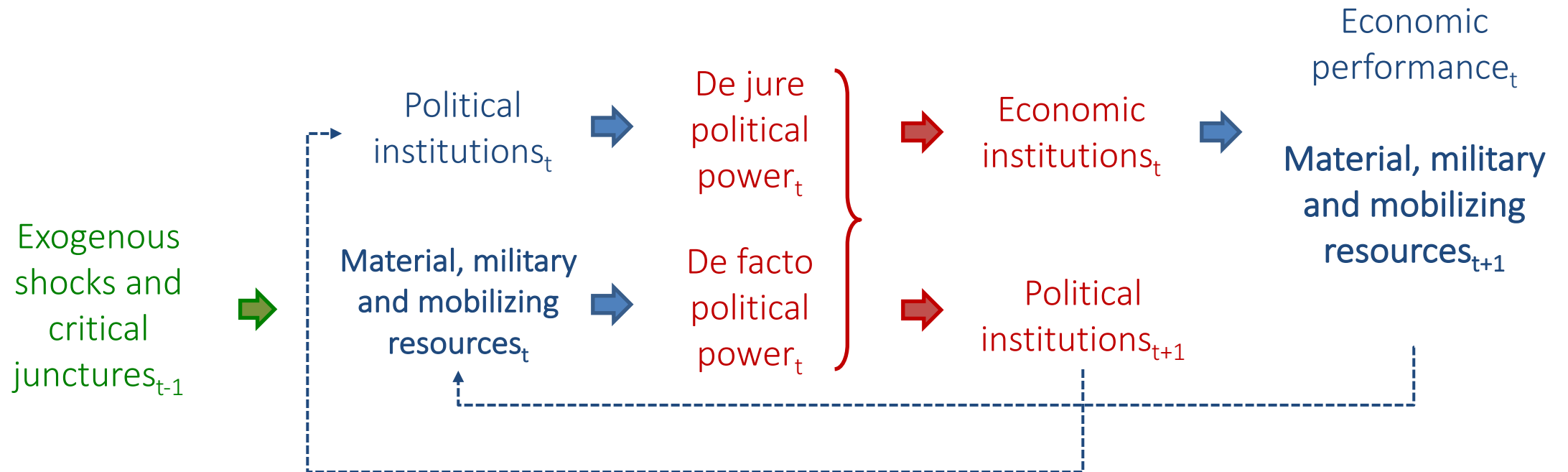
2. Material power

- Wealth and resources to incentivize others, to hire professional advocates or build coalitions
- The ability to withhold or evade taxes

3. Mobilizational power

- The capacity to sway: lead people, persuade followers, create networks, provoke responses, and incentivize and inspire people to action

A slight revision to the process



Implies that the selectorate widens only when those excluded from decision-making have the political power to compel elites to include them

There is really only one process of democratization, and that is a process of struggle. Democracy is never given, it is always taken.

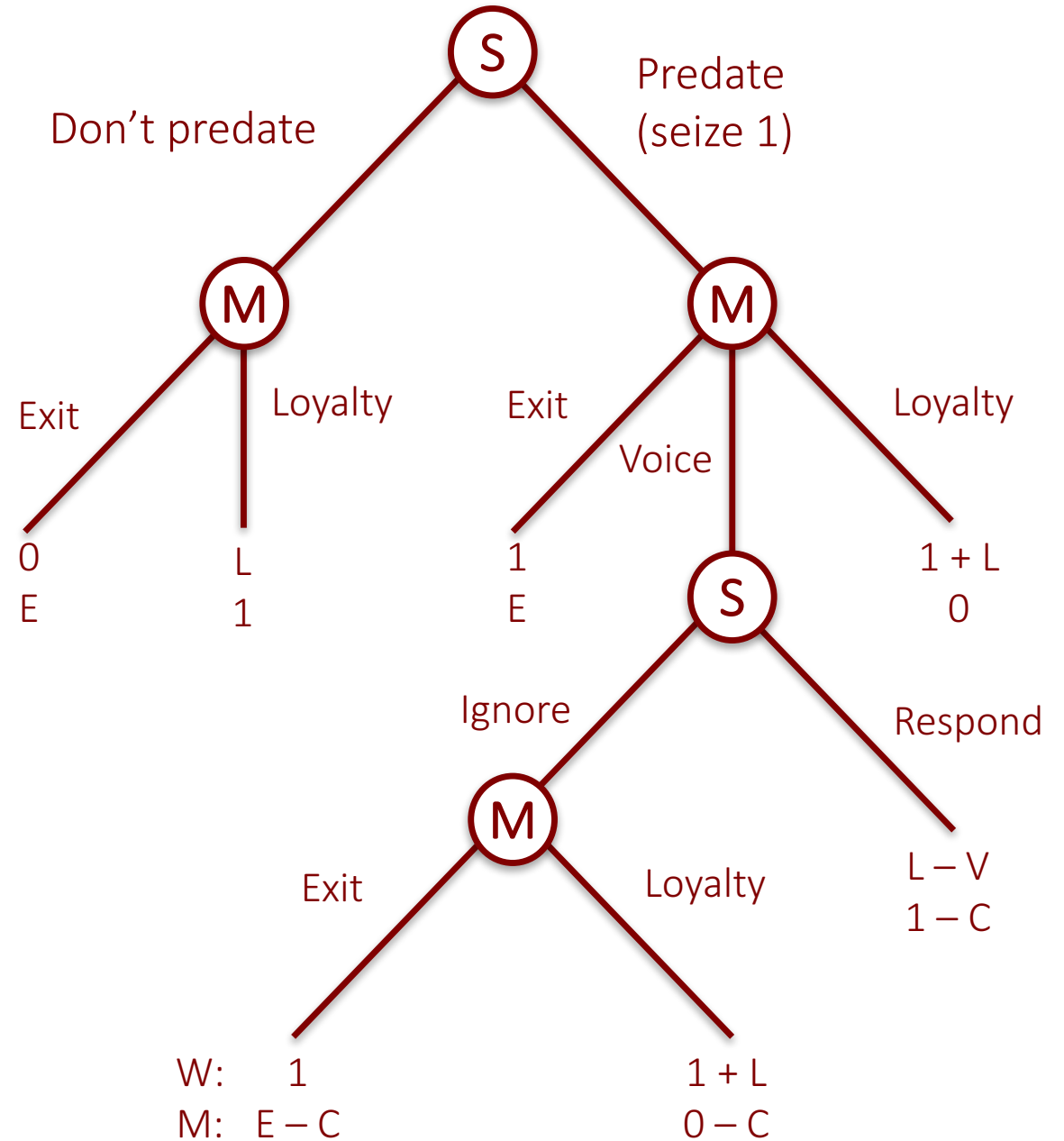
— Claude Ake, “The Feasibility of Democracy in Africa”



- I. Sources of political power
- II. Introducing the EVL model
- III. EVL and changes in political power in Western Europe, 1000-1800, in 8 minutes

EVL model is a nice representation of this bargaining game

- What restrains the coercive and extractive capacity of the state?
- Can be applied to many scenarios
 - Between the absolutist leader and a small circle of elites
 - Between elite groups inside the selectorate and outside the selectorate (e.g. nobles versus wealthy merchants)
 - Between this coalition of elites and the “masses”
 - Between a democratic state and interest groups in society



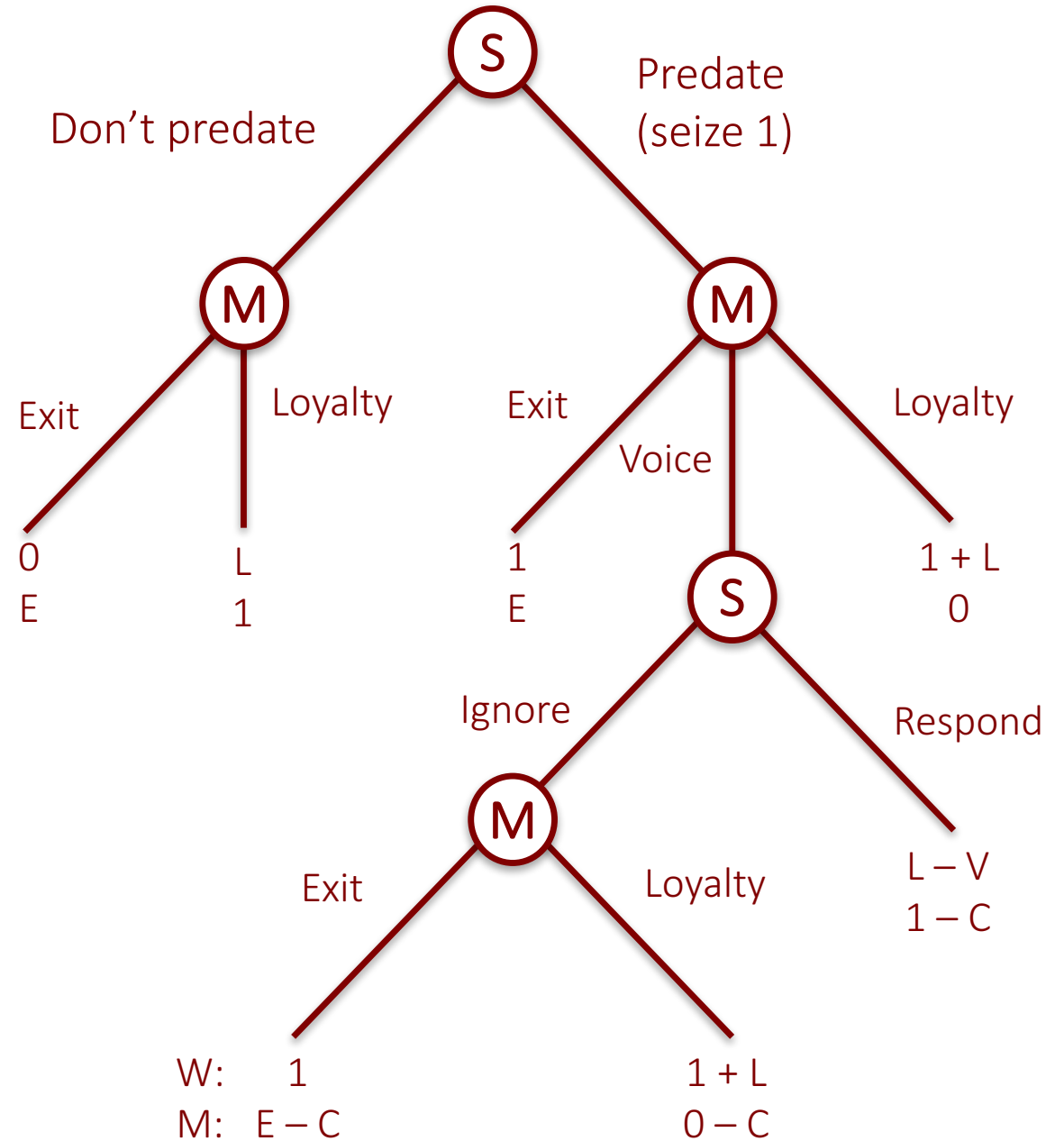
How might these map to the sources of political power we discussed?

- “Exit”
 - Withhold your material power: Evade taxes, become informal, escape to the periphery, emigrate
 - Withhold mobilization power: Apathy, fail to vote, withhold your support and legitimacy
 - Withhold military power: Shirk, avoid recruitment, sabotage, desert the army
- “Voice”
 - Mobilizational: Gossip, complain, lobby, sabotage, organize, protest, strike
 - Military: Armed revolution, civil wars, collaboration with enemy states
 - Material: Shirk, contribute to a cause, buy votes, buy politicians, form patronage networks
- Loyalty
 - Accept the state’s laws, taxes, rules

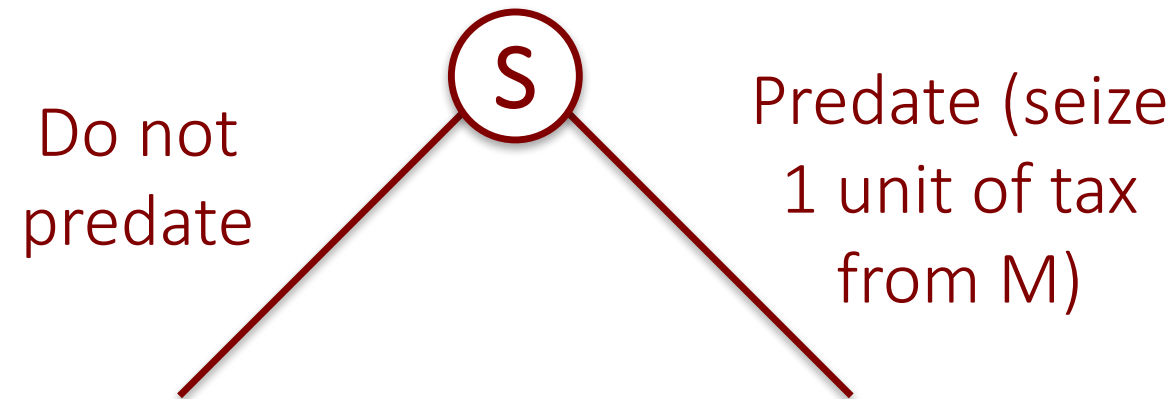
Core idea: Exit and voice limit the ability of the state to extract

The game is an exploration of political power

- Under what circumstances can those excluded from decision-making compel the state to change its behavior?



Game begins with a ruler, a specialist in violence, with the option to predate on society

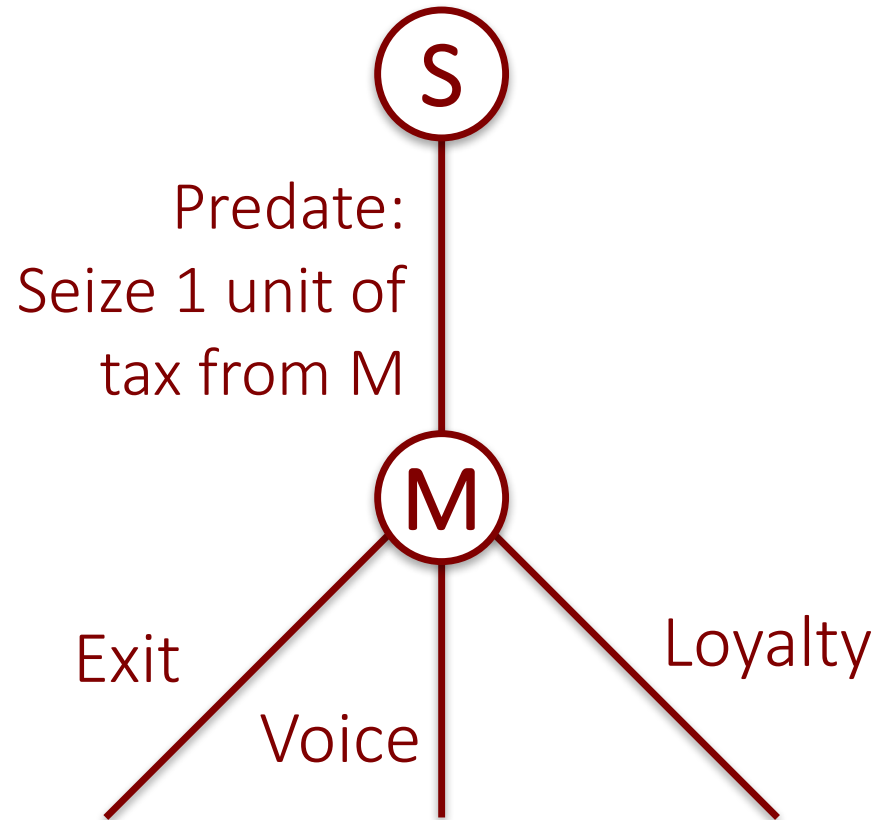


For example, tax moderately and provide order, or coerce and extract/pillage

Recall the Allegory of Good Government: The constrained ruler in Sienna

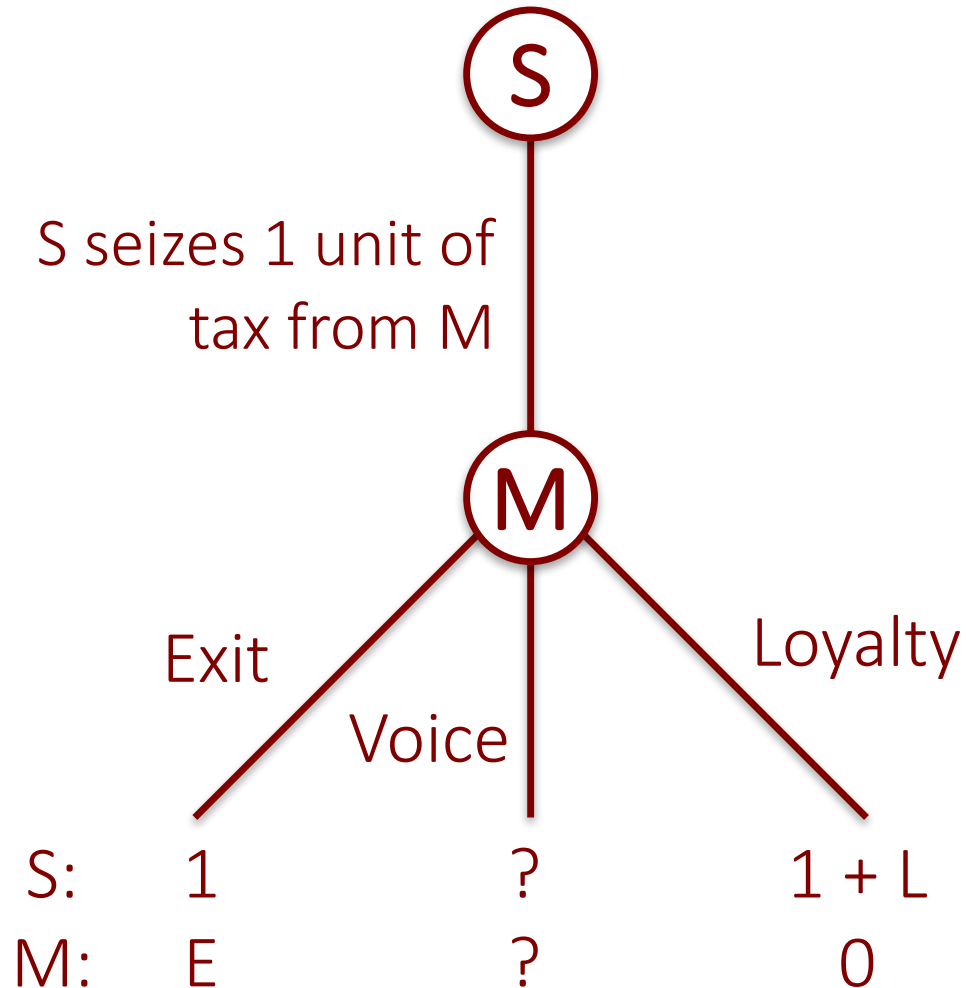


The difference with the EVL model is now the state S takes into account the strategic reaction of the nobles it wants to extract from (M)



- State seizes taxes from M
 - We can think of these as especially punitive taxes, or attempts to pillage and plunder
 - Thus 0 does not imply no taxes, 1 represents excessive taxation
- S knows that the M can:
 - Exit
 - Emigrate
 - Shift capital elsewhere
 - Evade tax
 - Exercise voice
 - Armed revolt
 - Appeal to another specialist in violence
 - Do nothing and accept the tax

Thus when the State extracts, it starts a game with the Citizen

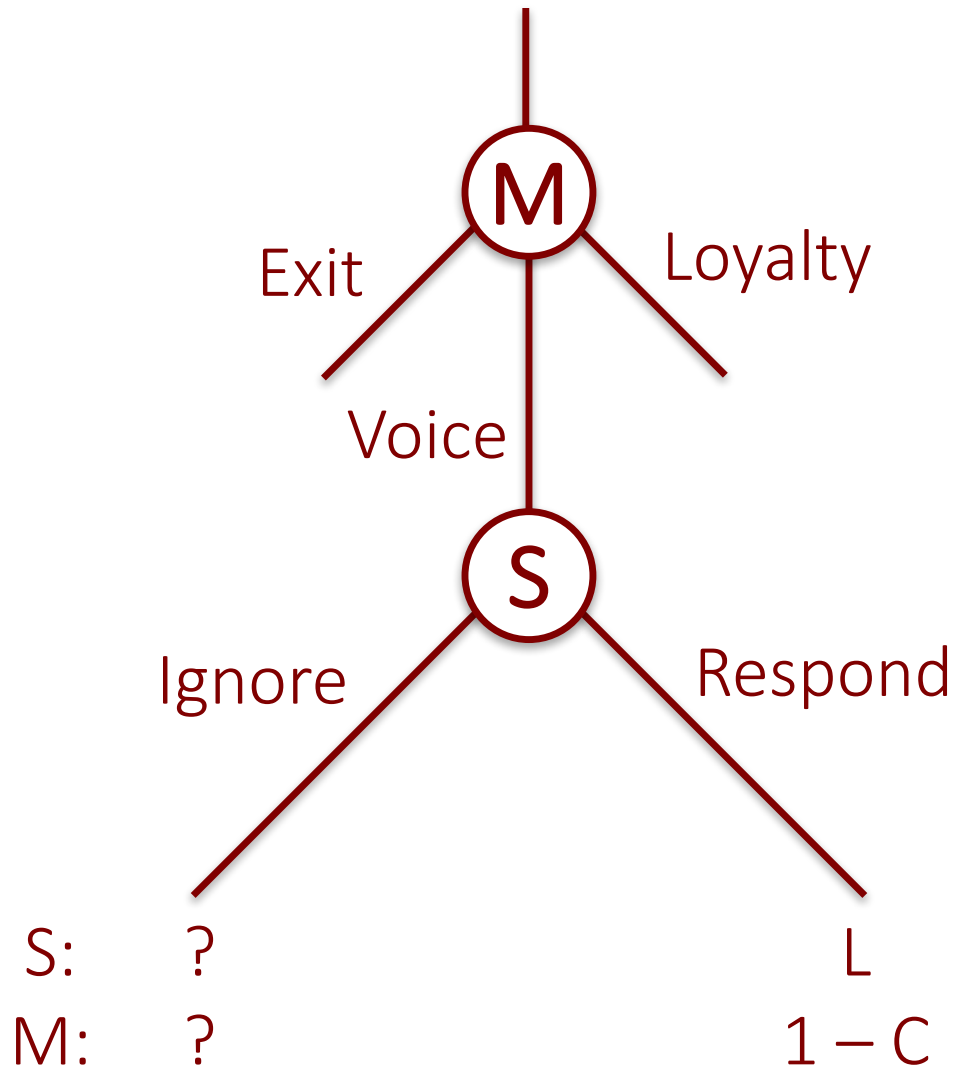


The state also knows that the citizen will try to choose her best option

- Exiting gives M benefit E
 - E could be > 0 or < 0
- Or M can use voice to get 1 back
 - e.g. protest
- M can do nothing, and get default 0

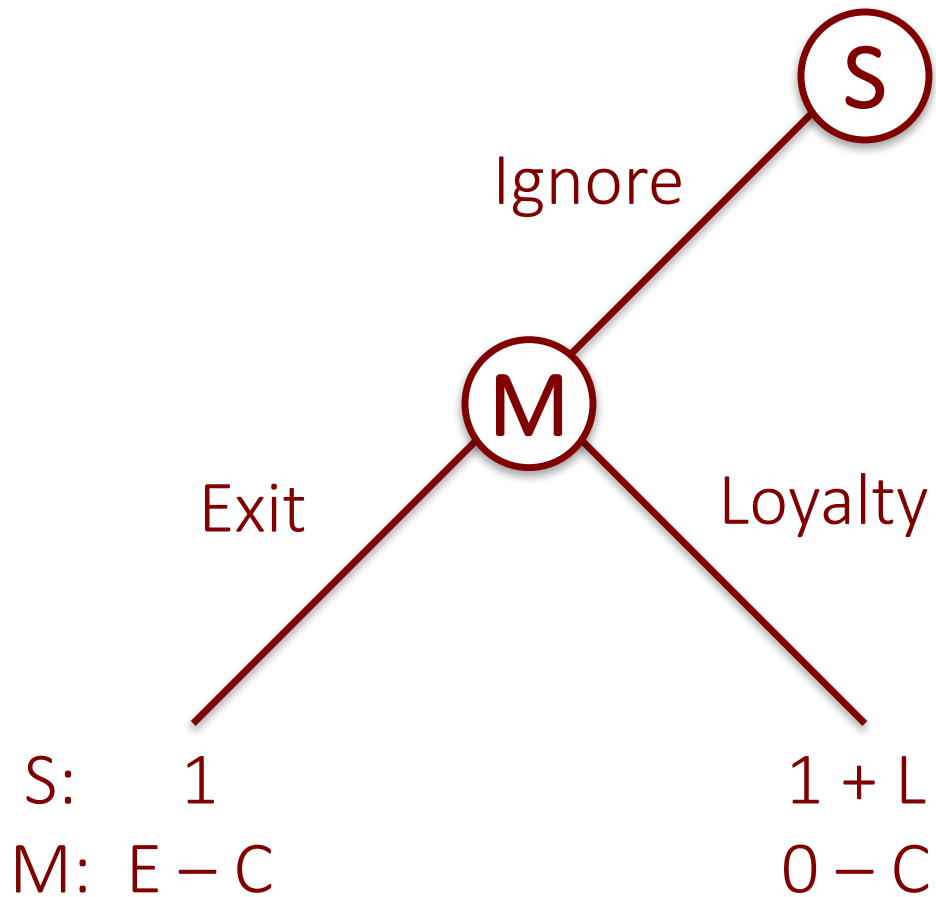
We assume the S gets some non-material benefit $L > 0$ from loyal masses or merchants (e.g. legitimacy)

But if M uses voice, S must choose whether to respond or ignore



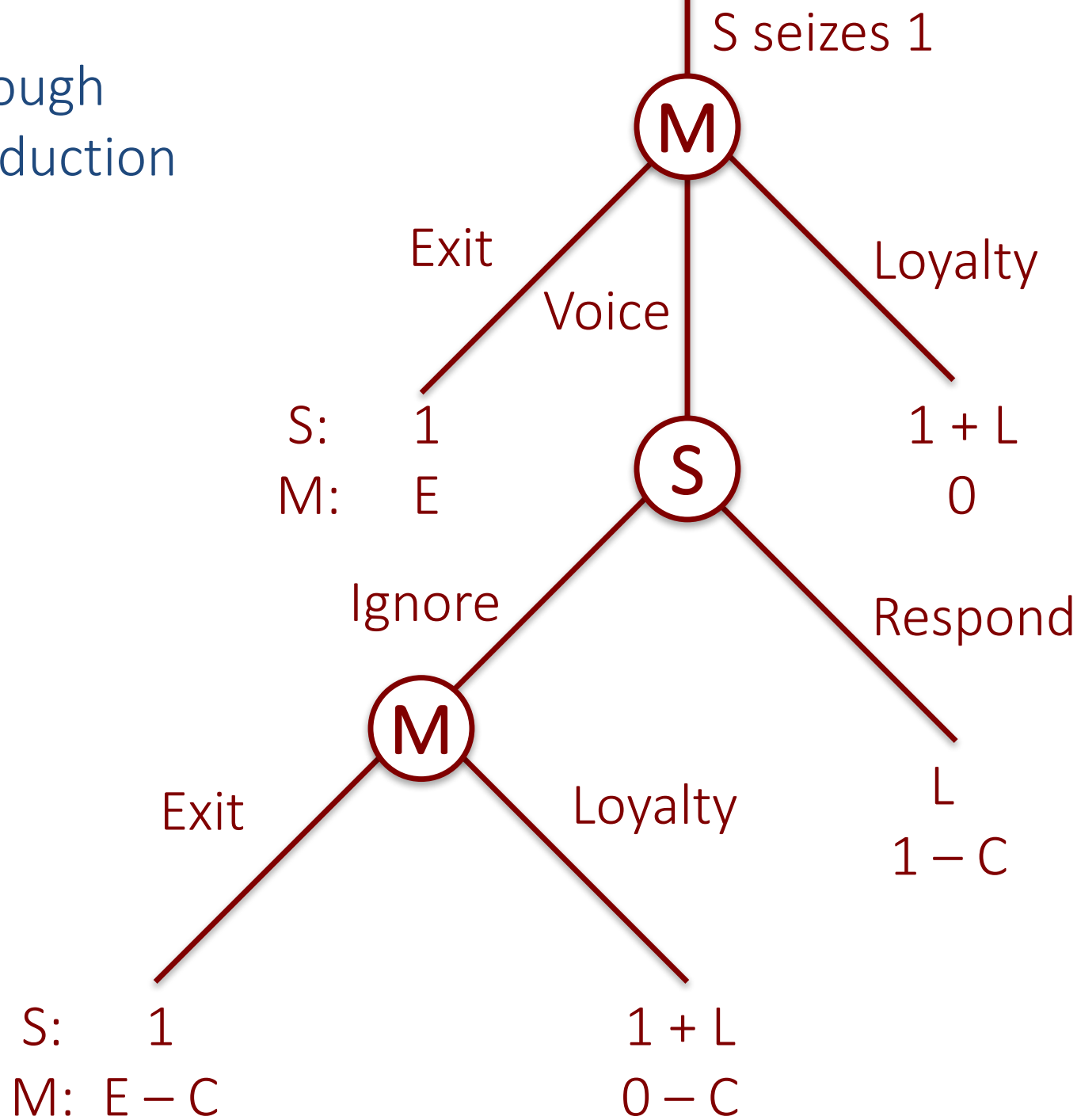
- Exercising voice costs the citizen $C > 0$
- If state responds, it returns 1 to citizen and gains L
 - $L > 1$ implies S is dependent on M
 - $L < 1$ implies S is autonomous from M
- But S can also choose to decide not to respond to M's voice, running the risk M will exit

If S ignores the exercise of voice, then M must decide whether to exit or accept the seizure

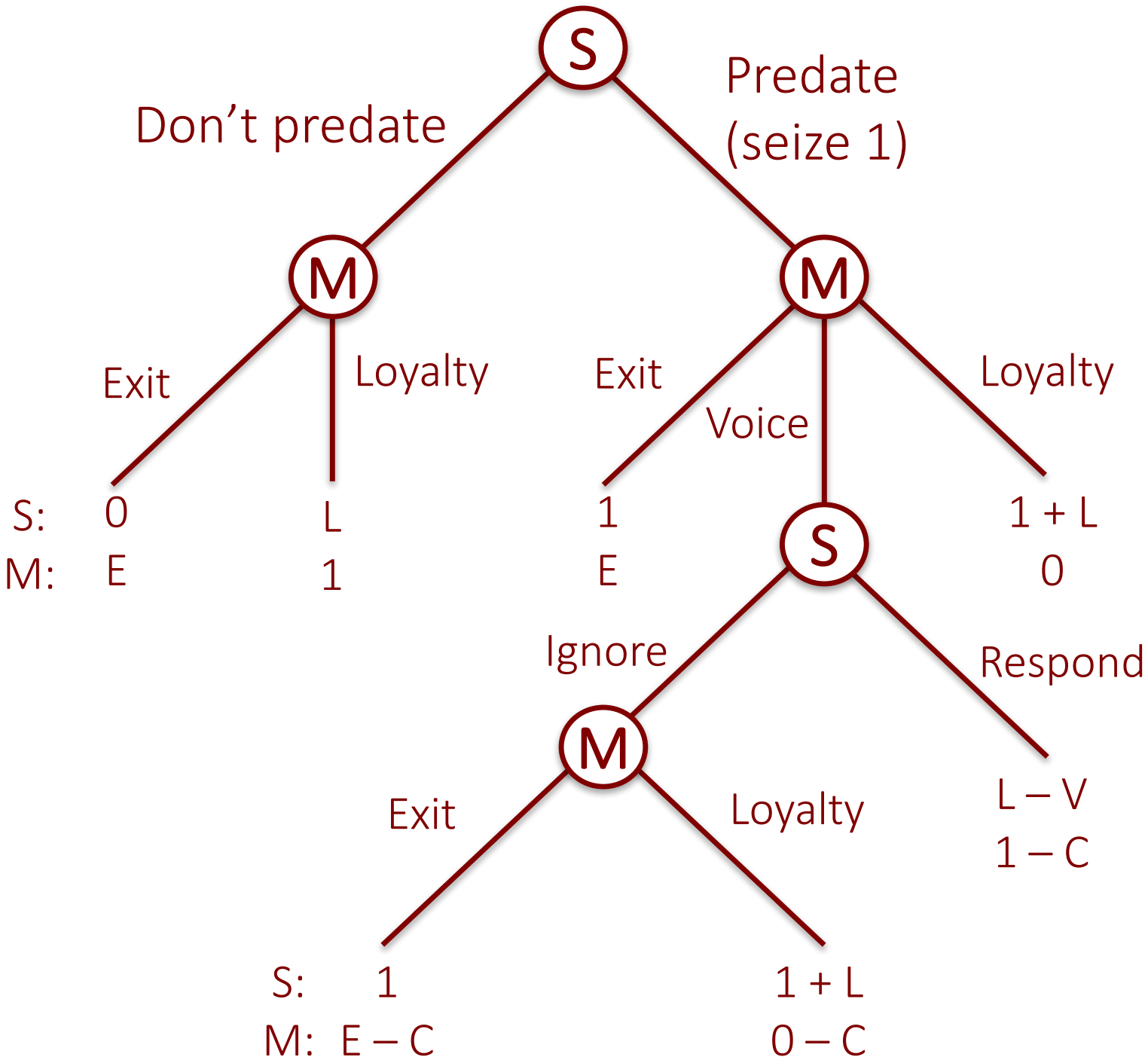


- M can choose to exit or remain, having incurred cost C
 - In principle could add voice again, but this would not change results (would only add a stage of the game)
- Note: this decision depends crucially on exit value E and voice costs C

We solve through backwards induction



Bring back the first move by S to extract (or not)



We are going to examine predictions of the model by working through a series of examples on pen and paper

1. Wealth of merchant and noble class (M) tied up in local land and production
 - Low capital mobility means that emigration of investment elsewhere is unattractive ($E < 0$)
2. Over time, Some nobles and merchants start to engage in overseas trade
 - Now they and their capital are more mobile ($1 > E > 0$)
 - But the Crown (S) is autonomous from these nobles and merchants. It has independent sources of wealth, such as gold mines and imperial tribute, and growth potential for overseas trade low ($L < 1$)
3. New discoveries of resources and trading partners, and new technological advances, leads to huge growth in overseas commercial trade, huge future prospects of growth
 - Relatively speaking, imperial tribute and gold dwindle in value relative to the present value of future trade and taxes on that trad. Plus fear of these merchants and nobles going over to another specialist in violence grows. ($L \gg 1$)

Why this example?

A useful allegory for the centuries-long struggle over “who decides?”

King vs. aristocracy

...

King + aristocracy vs. Landed gentry

...

Nobles vs. bourgeoisie (e.g. merchants)

...

These elites vs. the “masses”

Who could vote in Great Britain?

1432 Men owning large property (aristocracy)

1832 + Men who rent large property (1 in 7 males)

1867, 85 + Men in urban areas with property

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We have been talking about the colonial origins of comparative development in the Americas. How did colonization and trade affect political development in the colonizers?

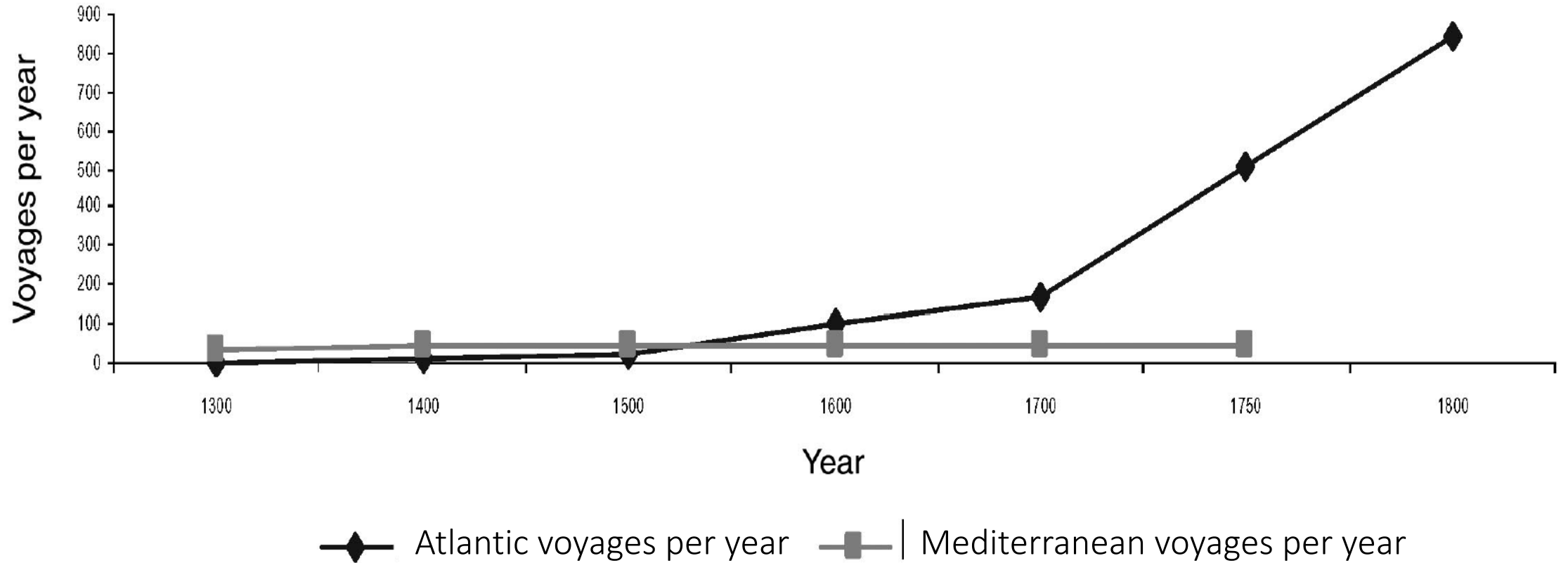
- England and Netherlands:
 - From 1500, merchants and commercial nobles (M) conducted much of the Atlantic trade
 - Eventually they developed parliamentary supremacy over the crown (S)
- France, Spain, and Portugal:
 - From 1500, the Crown (S) controlled the Atlantic trade, and restricted access to the colonies
 - These countries moved towards more centralized absolutism.
 - Merchants and commercial nobles (M) did not enter the elite coalition until much later



The backdrop: A massive increase in the Atlantic trade

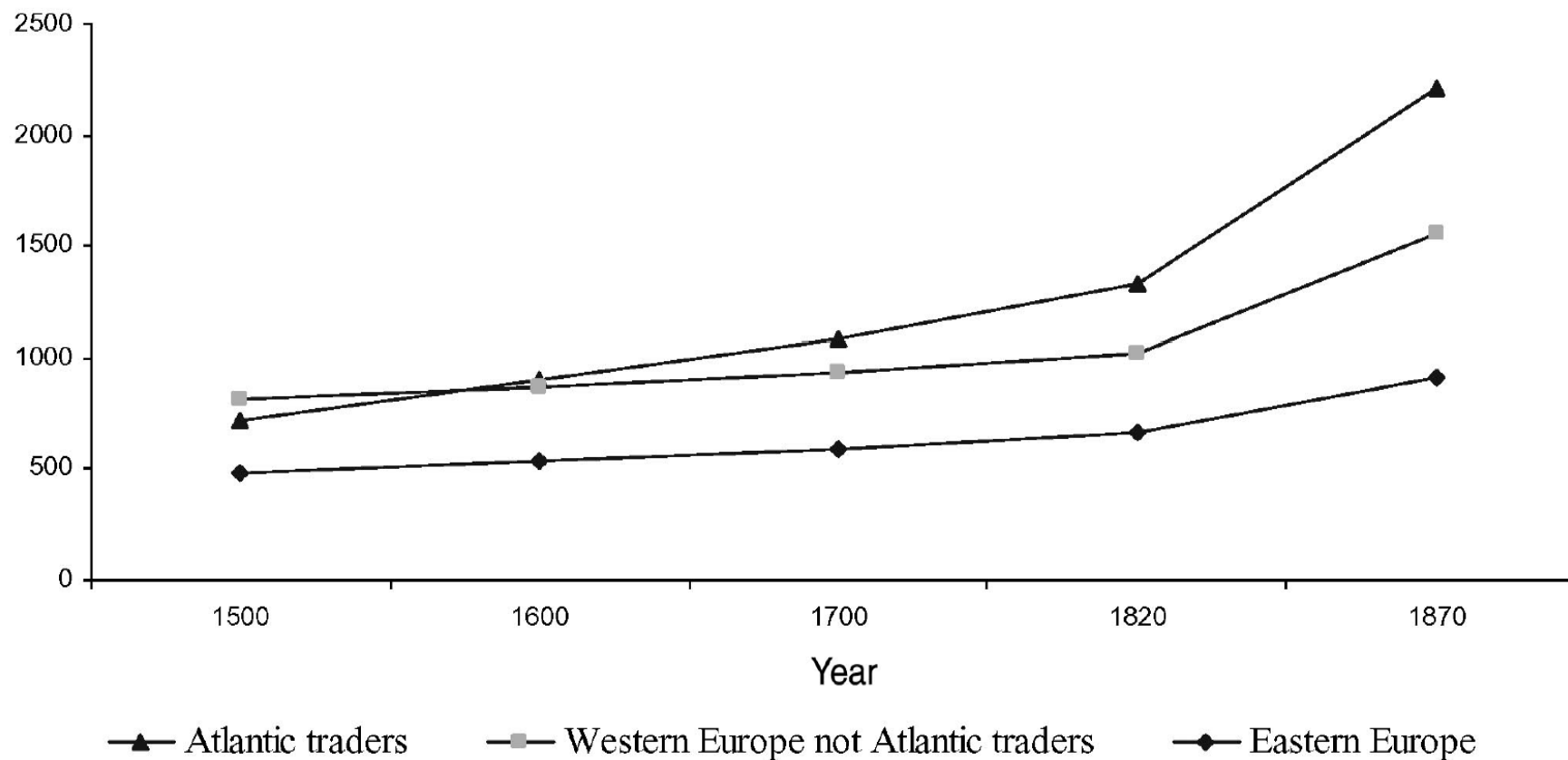
AJR (2005) "The Rise of Europe: Atlantic Trade, Institutional Change, and Economic Growth"

Atlantic & Mediterranean trading voyages per year, 1300-1800



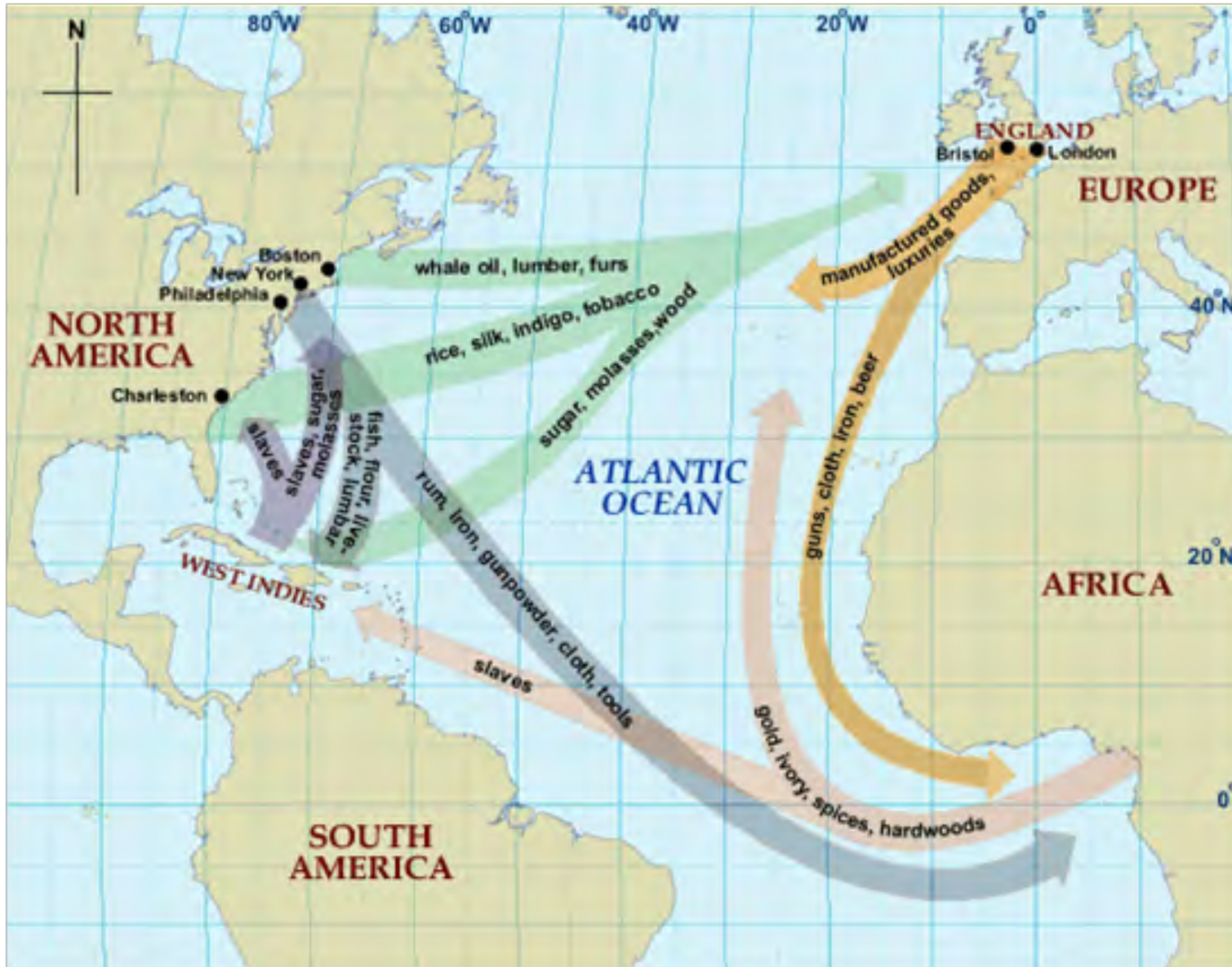
Incomes doubled in Atlantic trading nations 1500-1820, elsewhere grew <30%

GDP per capita 1500-1870 in countries with and without Atlantic traders



How might control of the Atlantic trade shape political power?

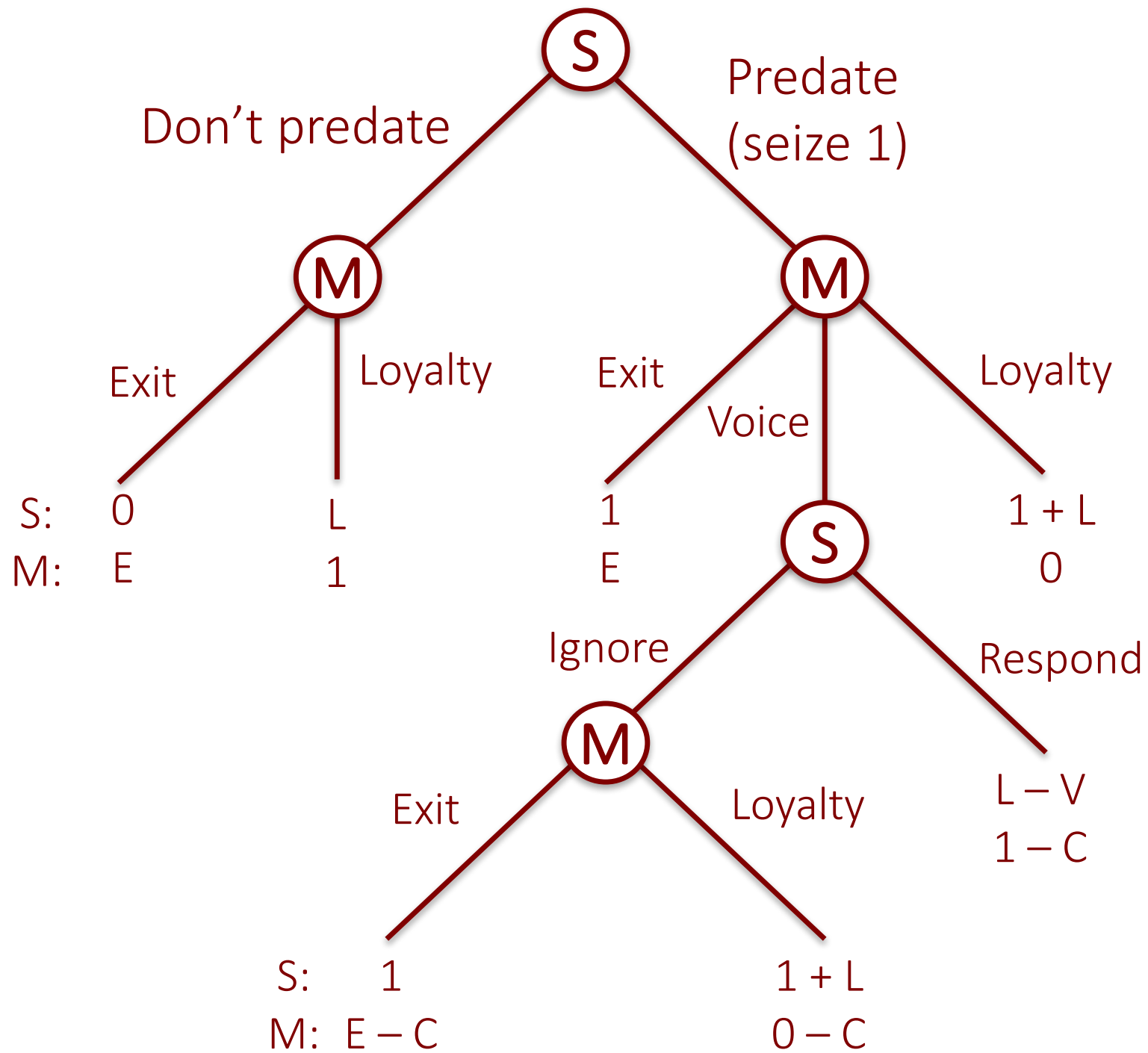
Choice in 1492: Control by Crown versus nobles/merchants

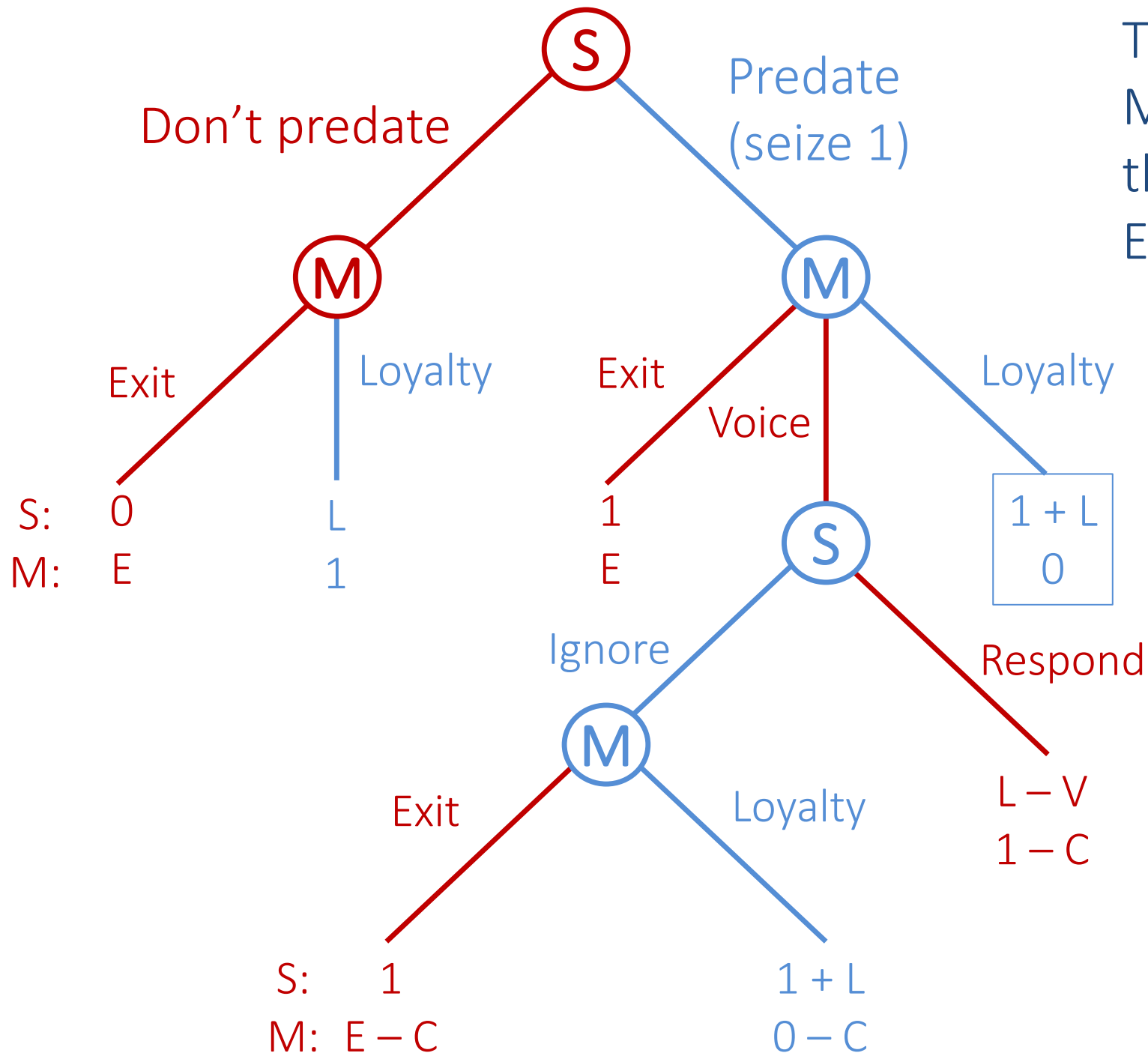


Let's find the predictions of the model by working through a series of examples on pen and paper

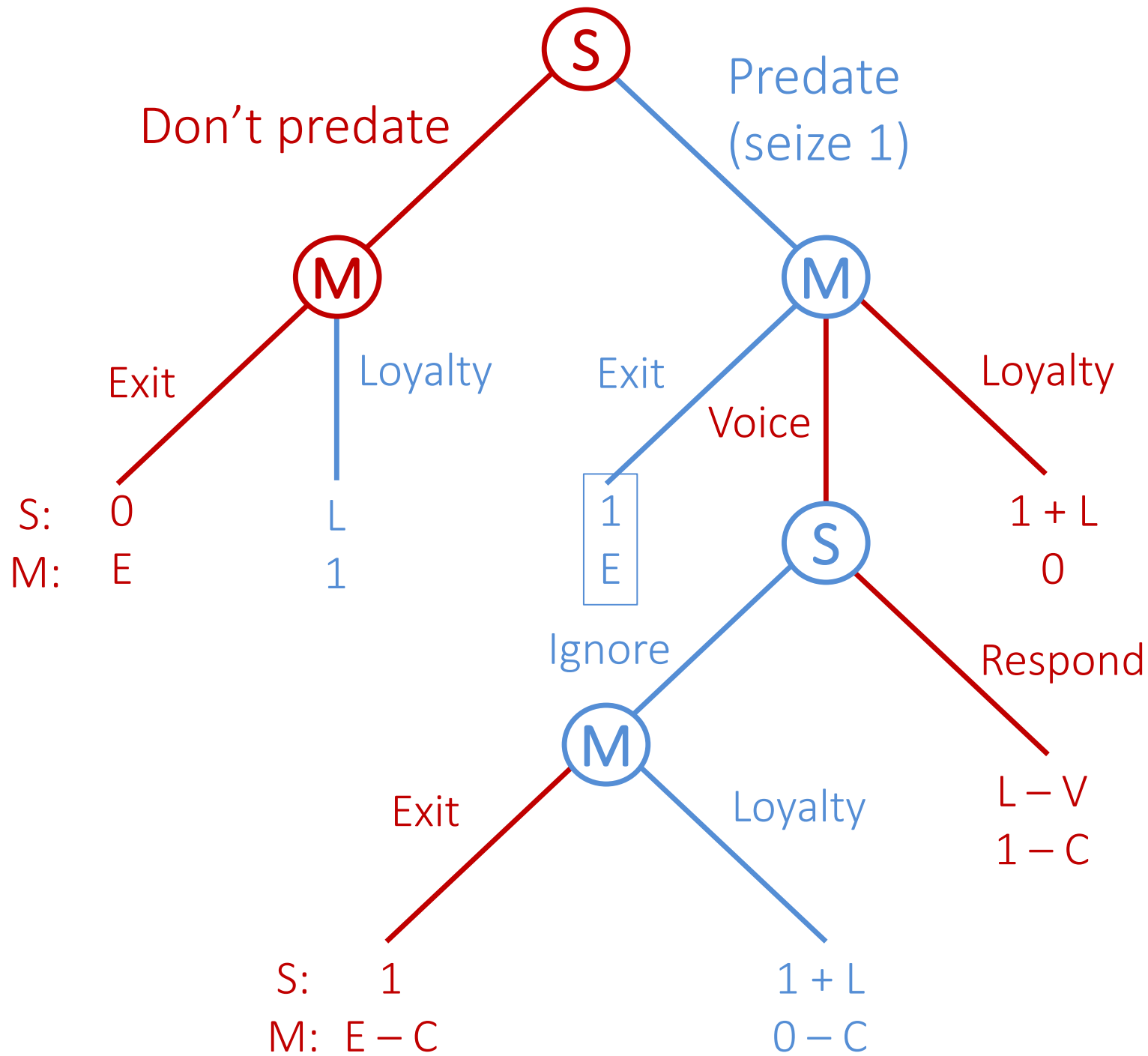
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How does the equilibrium change?

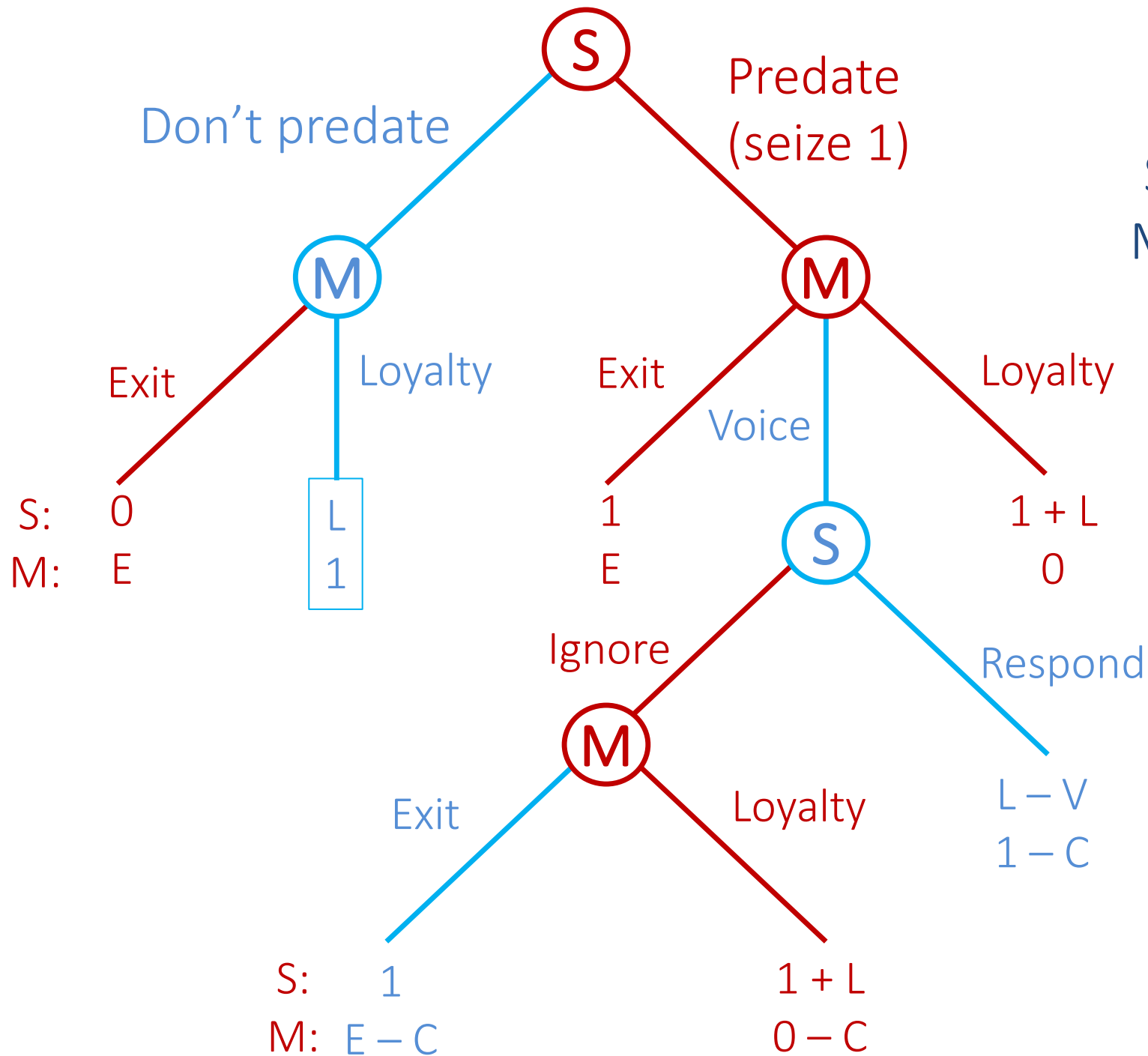




The absolutist regime:
M has no credible exit threat
 $E \leq 0$



The weak state:
 M has credible exit threat but S doesn't depend on them
 $E > 0, L \leq 1$



The constitutional monarchy:
 S depends on M and
 M's voice cheap, so S
 returns benefit

$$L > 1$$

$$E > 0$$

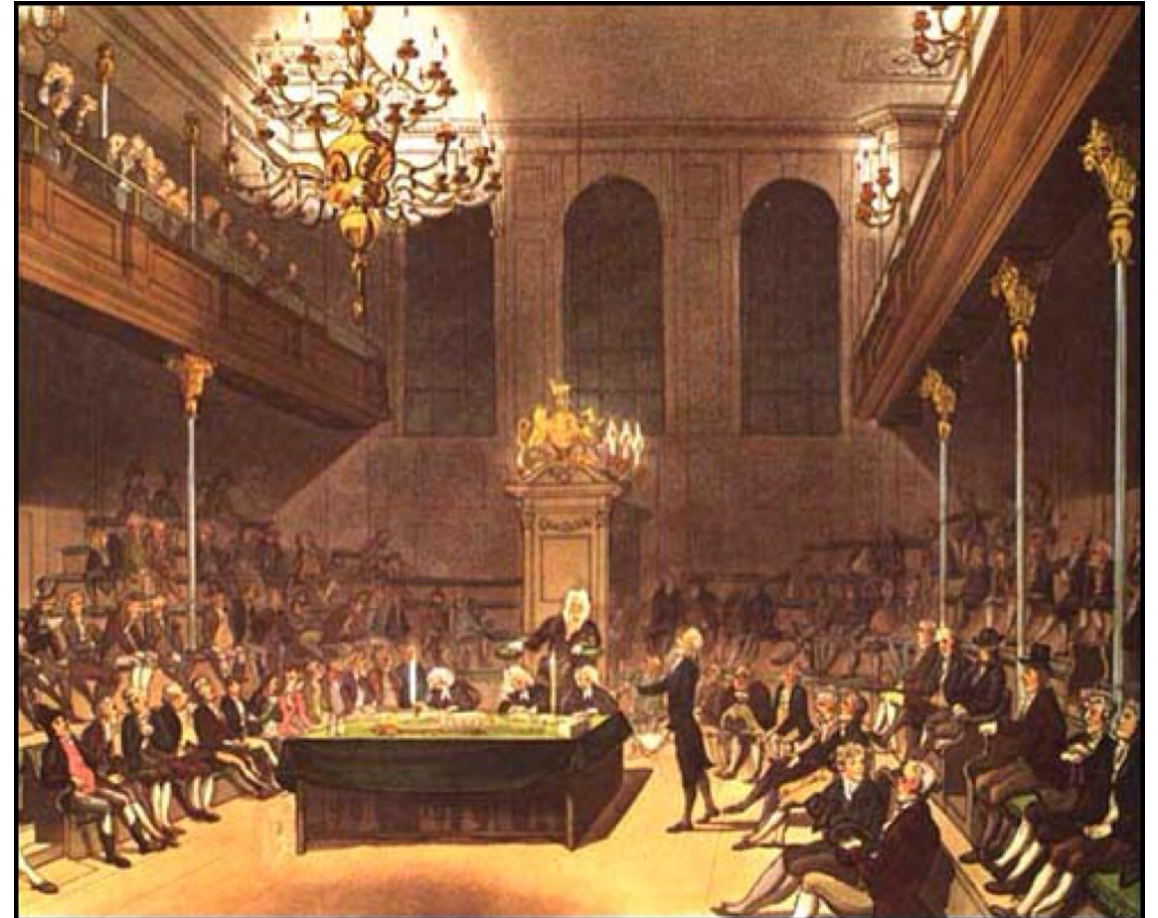
$$E < 1 - C$$

The Atlantic trade strengthened the bargaining power of the elite groups that captured the revenues

- Revenues altered the balance of political power by either:
 - Enriching and strengthening commercial interests outside the royal circle (merchants, slave traders, planters,...)
 - Strengthening a centralized monarchy who sells monopolies for revenue
- Each strengthens the trend towards absolutism or capitalist and non-absolutist institutions
- In England and Netherlands, Atlantic trade created large profits for merchants in favor of:
 - Dismantling or preventing royal monopolies
 - Freer trade
 - More moderate taxation
 - Property rights and contracts for commercial enterprise
 - Further restricting the power of the Crown

Pre-1700: This growing material power strengthens nobility over the King Culminates in the Glorious Revolution of 1688 & establishment of parliamentary supremacy

- Social conflict in action
 - 1625-1642: Monarchs try to disempower Parliament
 - 1642-1651: Warfare between forces loyal to King and Parliamentarians
 - 1649-59: Parliament depose and execute monarch, eventually leads to dictatorial rule by leader of parliamentarians
 - 1660: Death of dictator helps lead to restoration of monarchy
- Eventually, Parliament beheads King James II and invites a new monarch to the throne, on their terms: William of Orange
 - Parliament reconvenes and elects William and Mary as monarchs
 - Passes the Bill of Rights, establishing parliamentary supremacy



William and Mary sign the Bill of Rights

Merchants were absorbed into the English elite and Parliament because of growing economic power

- Increasingly powerful merchants who push for more capitalist institutions against the efforts of the aristocracy
- A failure to find credible, sustainable bargains results in fighting
- Parliamentary constraints on the ruler, new norms, and laws protecting property rights all help to provide credible commitment
- Thus institutions emerge as a result of political conflict between the monarch and merchant class
- But, still very much a limited access order
 - But one that had “doorstep conditions” for more open, competitive, democratic capitalist institutions

Post-1700: Middle classes do not win representation in Parliament until early 19th century

Who could vote in Great Britain?

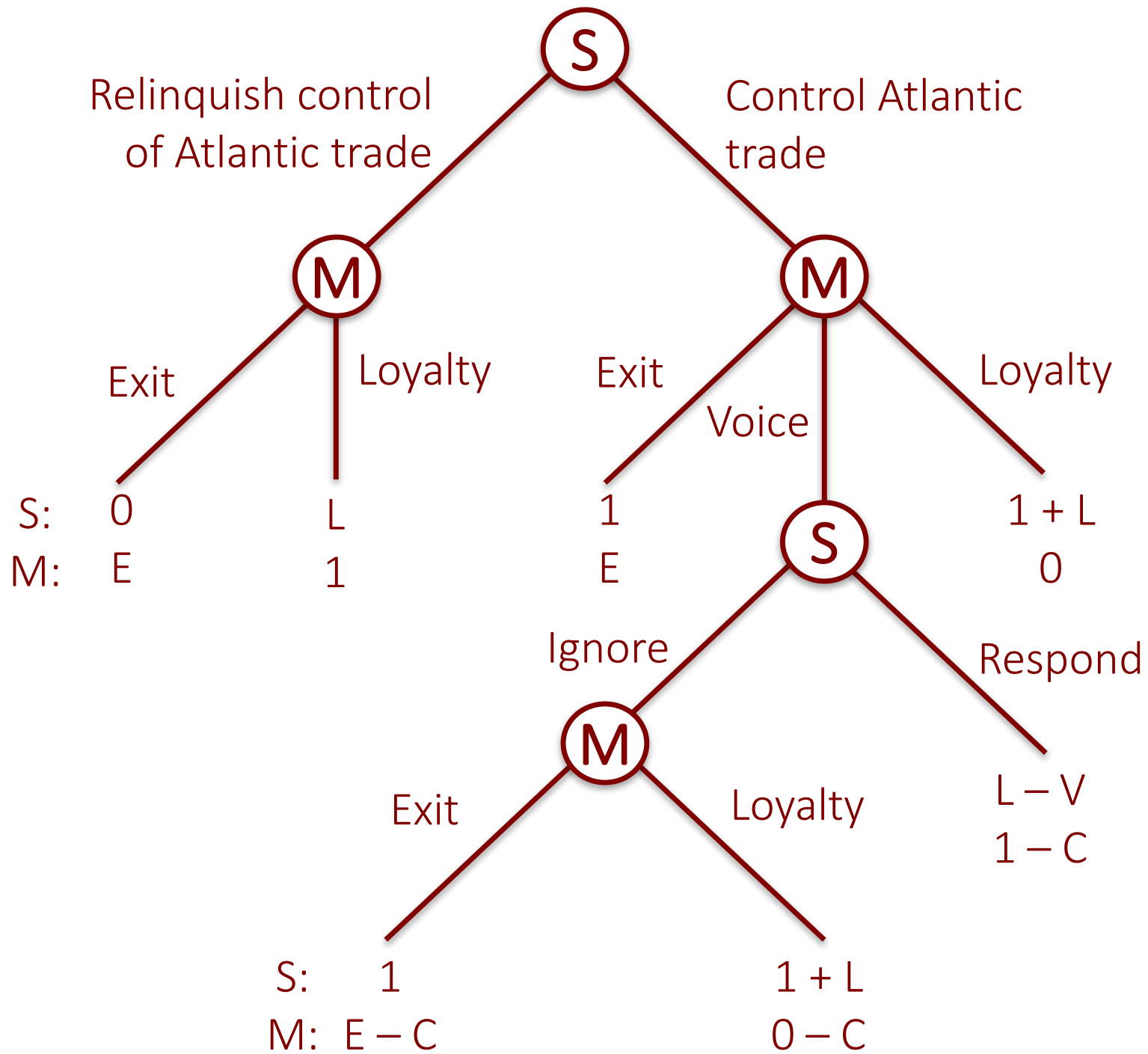
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Begs the question: Why would the Crown in England and the Netherlands give control of the Atlantic trade to commercial nobles and merchants in the first place?

Consider from the different viewpoints

- Efficient institutions view?
- Incidental institutions view?
- Social conflict view?





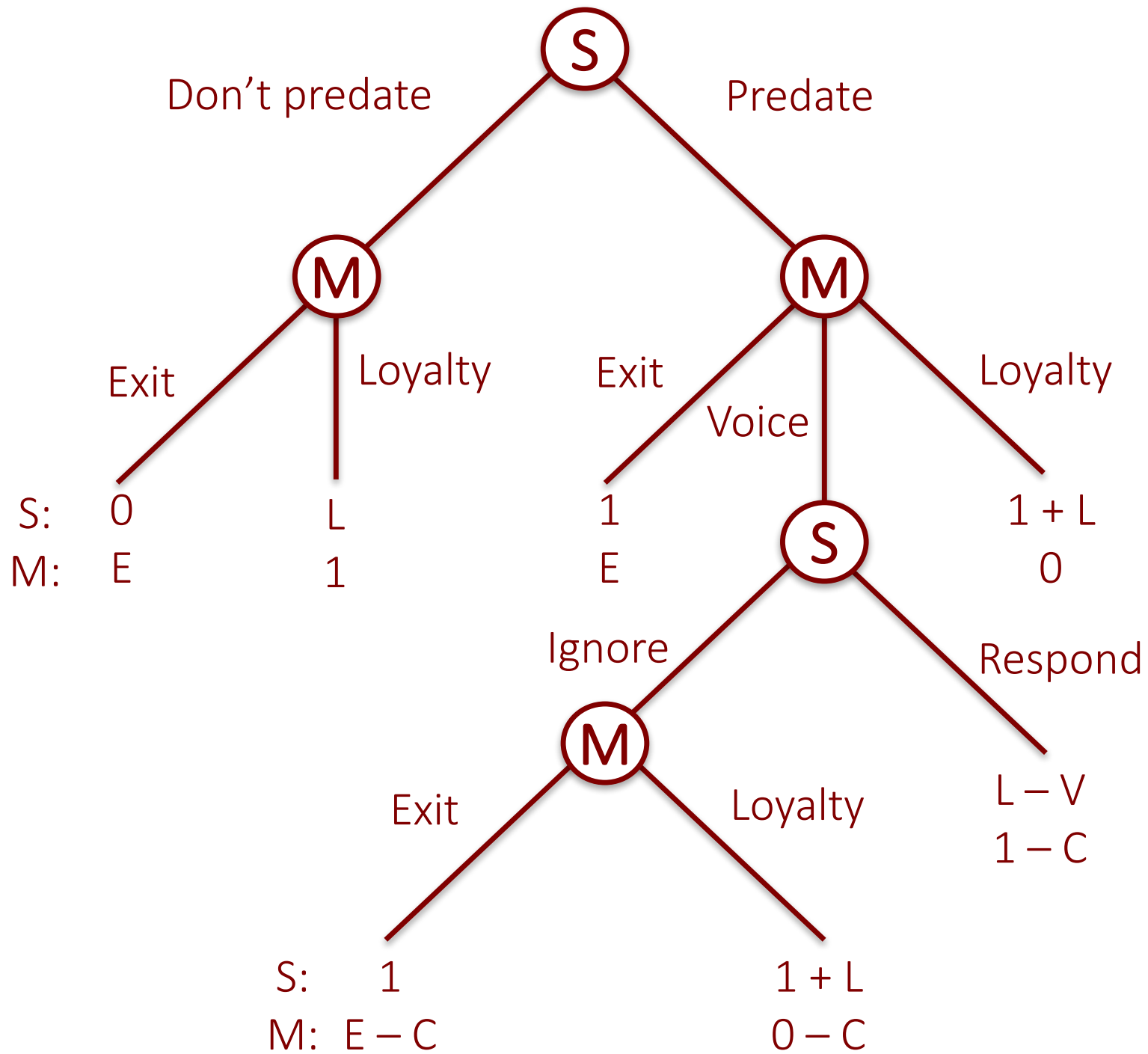
One answer is to look how different path choices and previous social conflict shape later institutional choices (path dependence)

- Barrington Moore: Wool production and the enclosure of the English commons
 - Growing export demand in late Middle Ages
 - Nobles and merchant class participate in wool trade
 - Contributes to two classes with commercial and capitalist interests:
 - Rural commercial nobility
 - Urban merchants/proletariat
- Gives landed gentry sources of political power
 - Exit: Ability to withhold taxes (mobile sheep), or withhold military support
 - Voice: Economic means to challenge Crown militarily
- Shapes organization of trade after 1492



Putting some of the institutional building blocks together: The Atlantic trade and the rise of Western Europe

- A. Path dependence
 - The crucial importance of the monarch's strength in 1500
 - The role of initial conditions and previous economic and technological shocks (such as the wool trade)
- B. Critical junctures
 - After the opening of the Atlantic trade, each society had to decide how to organize that trade to maximize revenues and its hold on colonies
 - Did not make these decisions with a view of the long term consequences
- C. Social conflict and bargaining
 - Contests between aristocracy and commercial classes
 - Those bargains often broke down (e.g. the English Civil War 1642-1651)



Next class: We will investigate the sources of political power, E, L, C and V, in more detail