

## ABSTRACT

Jerry F. Hough and Robin Grier,  
"England: Dominant Coalition in Transition: The Rise of the  
Merchant-Navy Alliance After 1600

This paper--based on our 2014 The Long Process of Development: Building Markets and States In Pre-Industrial England, Spain, and Their Colonies--uses the 2013 In the Shadow of Violence by Douglass North and his co-authors to explain the causes of the Glorious Revolution ignored in North and Weingast's iconic 1989 "Constitutions and Commitment."

In the Shadow of Violence argues that until the end of a multi-century process, an elite dominant coalition, including the military, produce stability by denying non-elite forces access to the political process and dividing the monopoly "rents" among themselves.

The book deals with the modern developing world and does not mention Europe. We argue that English development is to be understood by combining the insight about dominant coalitions and the military in In the Shadow of Violence with North's insights about informal institutions not discussed in "Constitutions and Commitment."

The dominant coalition of a rural society is composed of regional warlords with their own military. The dominant coalition of a modern society is composed of the urban elites--business, financial, military, government bureaucrats, etc. etc. But North is right: the process is very long. The 1600s were transitional. The [war]lords had been disarmed, but the new coalition was only being formed--and only first part, the alliance of the military and the merchants with their armed merchant fleet.

North and Weingast did not discuss religion, but as R. H. Tawney argued, economic change produced ideologies in support (Calvin) and those against (Luther or English sects). The religious conflict exploded in civil war in 1640 when no military force existed to control it. But by 1660 the navy-merchant alliance had the force to impose the Restoration and

then the Glorious Revolution. The 1700s became, in the words of John Brewer, "a military-financial state" that was stable as a new urban elite was expanded and consolidated.

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Douglass North argued in 1993 that time must be taken into account in understanding economic development. He eventually spoke of 400 years, but Oliver Williamson seems more accurate in speaking of centuries or millennia. The true mystery is the successful process in England. Over 450 years passed from the Magna Carta in 1212 (and that was 150 years after the Norman Conquest) and the Glorious Revolution of 1688. It then took 150 years until the Reform Act of 1832 and 50 years later to universal suffrage—long, long after the Industrial Revolution had begun.

This paper deals with a key transition period: the three violent regime changes of the 1640s, 1660, and 1688 that surprisingly did not retard economic development but seemed to promote it. England became quite stable in the 1700s and remained that way.

What explains this. Unbeknownst to the vast majority of American economists, the English debate in 1988 and 1989 on the 300<sup>th</sup> anniversary of the Glorious Revolution featured multiple positions. The Whig position espoused by North and Weingast got little support. In the words of Steven Pincus and James Robinson, "scholars across the ideological and methodological spectrum have chimed in a single voice [that] the Revolution of 1688 ... was [not] one of innovation."<sup>1</sup>

The major book published in the United States at the time of the 300<sup>th</sup> anniversary was John Brewer's *The Sinews of Power: War, Money, and the English State, 1688-1783*. Like "Constitutions and Commitment," *The Sinews of Power* dealt with

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<sup>1</sup> Steven C. A. Pincus and James A. Robinson, "What Really Happened During the Glorious Revolution?" in Sebastian Galiani and Itai Sened, eds., *Institutions, Property Rights, and Economic Growth: The Legacy of Douglass North* (Cambridge: Cambridge University Press, 2014), p. 192.

the 1700s, not the 1600s. But while North and Weingast focused on the development of private financial bodies and property rights, Brewer concentrated on the growing complexity of the bureaucracy and its role in government. Brewer labeled Britain in the 1700s a "financial-military state" and described a policy process that featured increasingly complex bureaucracies, multiple interest groups linked with them, and parliamentary specialists. *The Sinews of Power* has been highly respected as a descriptive analysis and frequently cited, but its broader implications have been ignored.<sup>2</sup>

We had always expected that the difference in the theses of *The Sinews of Power* and "Constitutions and Commitment" would be a central focus of our analysis of England in the 1600s and 1700s. This is especially the case because Brewer's interpretation is more congenial for scholars with a collective action approach. Then, however, North's two most recent books--*Violence and Social Orders* in 2009 and *In the Shadow of Violence* in 2013--implied, but did not explore, a major change in his analysis of the meaning of the Glorious Revolution.

North and Weingast had explicitly argued in "Constitutions and Commitment" that representative institutions were a crucial political pre-condition for economic growth and marketization. As North and his co-authors stated in the 2013 preface to *In the Shadow of Violence*, the 2009 *Violence and Social Orders* was really dedicated to "explaining how modern political and economic orders emerged in the nineteenth century," including England, France, and the United States.<sup>3</sup>

In their 2013 preface, North and his co-authors acknowledged that "less central to our focus [in *Violence and Social Orders*] was the 'second development problem,' that of the development of societies from fragile natural states [through basic natural states] to more mature ones." This second (really first) development problem involved the evolution of "natural states [which must] control the problem of violence by granting privileges and policy benefits to members of the elite capable of provoking violence." This, of course, included

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<sup>2</sup> Tim Harris, *Restoration: Charles II and his Kingdoms, 1660-1685* (London: Penguin Books, 2006), pp. 9-10. John Brewer, *The Sinews of Power: War, Money, and the English State, 1688-1783* (New York: Knopf, 1989).

<sup>3</sup> "Preface to the Paperback Edition," Douglas North, John Joseph Wallis, and Barry Weingast, *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded History* (New York: Cambridge University Press, 2013), p. xi.

military commanders and rulers who controlled them. It is only as society evolves from a basic natural state to a mature natural state and an open access order that democratic elections become safe.

North's new focus on the dominant coalition and the role of the military implied a major change in the timing of the transition from the basic state to the mature natural state in England. The 2009 *Violence and Social Orders* indicated that the transition occurred in the 1600s, but the 2013 *In the Search of Violence* listed Mexico as a basic natural state in the 1980s and a mature natural state only in the 1990s. Surely England of the 1600s and early 1700s was not remotely as advanced economically and politically as Mexico in the 1980s.<sup>4</sup>

On the surface, it would seem that England became a mature natural state (essentially what we call a truly effective state) in the second half of the 1700s and became reasonably open access society with the Reform Act of 1832.<sup>5</sup> If so, the analysis of *In the Shadow of Violence* about controlling violence through rents to elites (prominently including the military) certainly should apply to England of the 1600s and much of the 1700s.

In neither of their 2013 writings do North and his co-authors say anything about England of the time of the Glorious Revolution. Nevertheless, they begin their preface to *Violence and Social Orders* by referring to political philosophers such as John Locke, James Madison, and Alexander Hamilton. These philosophers, North and his co-authors say, "were not trying ... to help societies make the transition from natural states to open access orders." Instead, they were "trying to solve the second development problem: how to improve the natural states in which they lived given the confines of the natural state logic where politics inherently tended to corrupt economics."<sup>6</sup> That clearly says that England in the 1600s were far from the transition to an open access societies, but had the character and problems of modern developing societies. The arguments of "Constitutions and Commitment" and *In the Shadow of Violence* can be partially reconciled with great difficulty, but not in a way

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<sup>4</sup> Douglass North, John Joseph Wallis, Steven Webb, and Barry Weingast, *In the Shadow of Violence* (New York: Cambridge University Press, 2009), pp. ,

<sup>5</sup> "Preface to the Paperback Edition," North, *Violence and Social Orders* p. xi.

<sup>6</sup> *Ibid*, pp. x-xi.

that was discussed in 1989. There are three obvious tensions between the two arguments.

First, *Violence and Social Orders* and *In the Shadow of Violence* insist that the control of violence is a pre-condition for economic growth. Yet, the 1600s were a period of unquestioned economic progress, but were a time of great violence and three fundamental regime changes. Why was England able to combine economic progress with great violence?

Second, the 1700s featured even more economic progress. In "Constitutions and Commitment," North and Weingast attribute the progress to the credible commitment of the wealthy in Parliament to pay high taxes in exchange for being given a veto on taxes and the budget. Yet, the analysis in *Violence and Social Orders* surely suggests that the dominant coalition of the 1600s and 1700s could have pushed a policy of economic growth without a strong Parliament.

Third, "the wealthy" of "Constitutions and Commitment" are undifferentiated, and, in practice, Parliament was dominated by the rural elite until 1832. They had refused to provide taxes to finance Charles I's navy that the merchants wanted. A transition from a rural-based to an urban-based dominant coalition was obviously taking place in the 1600s and 1700s in England, and the dominant coalition of 1688 and afterwards was more favorable to Brewer's financial-military state. By the mid-1770s, the dominant coalition seemed to center on the merchants, the navy allied with it, the financial elite, the developing state bureaucracy, and the growing manufacturing sector.

This book has emphasized the development of the navy and armed merchant fleet under the Tudors, Charles I, and the Puritans. We have also emphasized that the naval officers and the merchants were close allies in the era of armed sailing ships. Indeed, to some extent they were the same men, and inevitably they played an increasingly important role in English politics. This interpretation is, of course, quite congenial to Mancur Olson's collective action theory and his emphasis on the importance of those who "can organize the greatest capacity for violence."<sup>7</sup>

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<sup>7</sup> Mancur Olson, "Dictatorship, Democracy, and Development," *American Political Science Review* 87 (1993), 567-76, p. 568.

Whatever the role of the navy in 1688 (and it certainly was great from 1660 to 1685), it gradually ended during the transition of England to a mature natural state in the mid-1750s. Nevertheless a century passed from the first half of the 1600s to the first half of the 1700s. That is a very long period indeed, and it confirms North's thesis that the development process is extremely prolonged. Moreover, the stable England that the navy left in place featured a major role for merchants. This alliance likely is the main explanation for the greater stability of systems in which the navy is the dominant military force, not the army.

#### The Evolution towards a Market Economy and a Rational-Legal World View in the 1600s

The original purpose of this book was to develop a theory of change that integrated Douglass North's emphasis on the importance of "informal institutions" with Max Weber's and Mancur Olson's analysis. Since the 1600s featured evolution towards rational-legal norms and three regime changes that were fought out over religious issues, we obviously should begin this chapter with North's analysis of these developments. Alas, this is quite impossible because North never discussed them.

Indeed, North and Weingast do not even mention religion in "Constitutions and Commitment," except for a brief statement that says they do not discuss religion. This seems strange on the surface, especially for a scholar who emphasizes values, ideas, and ideologies. A major English historian of the civil war, Conrad Russell, argued that "the bitterest issues of the 1630s [leading to the civil war] were religious" and that "the clearest division between the two sides [during the civil war itself] seems to be religious and cultural."<sup>8</sup>

These religious conflicts had enormous breadth as well as intensity. They involved Catholics and Protestants, different Protestant groups, and (as the witch trials indicate) Christianity and the persistent pagan religions of the villages.<sup>9</sup> The Stuarts based each American colony on adherents of one of

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<sup>8</sup> North and Weingast, "Constitutions and Constituents," p. 805. Conrad Russell, *The Crisis of Parliaments: English History 1509-1660* (Oxford: Oxford University Press, 1971), pp. 313 and 343.

<sup>9</sup> Margaret Alice Murray emphasized the persistence of pagan religion in Europe and the Catholic attack on them in the late 1400s. She claimed that the most heavily pagan areas became the strongest supporters of Protestantism and hypothesized a connection. Margaret Alice Murray, *The God of the Witches* (London: S. Low and Marston, 1933).

the warring religions of the 1600s, and hence the English religious conflict became engrained in the colonial legacy.

Surprisingly, North's failure to discuss informal values in "Constitutions and Commitment" has been typical of all his historical work. He never has been concerned about the general role of informal institutions in human behavior, but has focused on one basic argument: the spontaneous market of Friedrich Hayek is impossible unless self-interest is restrained by the appropriate norms and other informal institutions.

North consistently argued that these norms take a long time to develop and were not deeply enough engrained in the developing countries to permit a modern market economy. Yet, he never has discussed the role of ideologies, ideas, or systems of norms that were antithetical to the market or to a tolerant democracy.

In fact, peasants with traditional village values and customs often react violently when they come into contact with the alien values of the city. They often are attracted to populist leaders of political and religious movements--for example, Communist, fascist, nationalist, and fundamentalist religious--who appeal to their anxieties and provoke them to major violence. Clearly those concerned with controlling violence in modern developing countries cannot ignore such dangerous informal institutions. That is why North and his co-authors now warn against premature elections.

Without any question, the values and norms in England in the 1600s and 1700s were slowly evolving towards those that Max Weber thought inherent in modern urban society. This was especially so among the educated population in the larger cities. The values and norms in London were quite mixed both in 1600 and 1700, but on balance they were unquestionably more rational-legal in 1700 than in 1600.

Most educated Americans know little about London of 1600 except the plays of William Shakespeare. These plays bracket the transition from Elizabeth to James I in 1603: *Romeo and Juliet* (1594), *Merchant of Venice* (1596), *Hamlet* (1600), and *Macbeth* (1605), and they reflect a rich and secular way of thinking among those who went to the theater. A line of the 1591 *Henry VI, Part II* showed clearly that lawyers and the law had become prominent enough to provoke resentment: "The first thing we do, let's kill all the lawyers."

As we have seen, however, Christopher Hill correctly described a much more traditional higher politics under James I. In Hill's words, James "was still expected to 'live of his own,' to finance government from crown lands, feudal dues, and the customs: no distinction was drawn between the public and private capacity of the king." Hill described the government of George I quite differently:<sup>10</sup>

By 1714 Protestant dissent was legally tolerated: the Church could no longer burn, the state no longer tortured ... After 1701 judges could be removed only by address of both Houses of Parliament ... By 1714 politics had become a rational inquiry, discussed in terms of utility, experience, common sense, no longer in terms of Divine Right, texts, and antiquarian research.

Of course, the Elizabethan Age was only a mid-point in the long evolution towards the 1700s when rational-legal values became predominant, at least among the more educated population. The process clearly began at least in the Age of Discoveries which textbooks on the history of Western civilization all describe as a watershed in the break-up of the medieval world-view. The Age of Discoveries did not mean simply the discovery of the New World, but also the rediscovery of Greece and Rome, the transition to realism in art over the 1400s, the new developments in science, and the rise of a more realistic attitude in political theory.

It is striking how many key events in European history occurred in a very narrow time framework, apparently as the culmination of a long and broad process. They included Columbus' voyage to the Americas (1492), Vasco da Gama's return from his trip around the Cape of Good Hope to India (1499), the completion of a century of growing realism in Italian art (Leónardo de Vinci's *Mona Lisa* in 1507, Raphael's famous Florentine paintings from 1504 to 1508, and Michelangelo's Sistine Chapter in 1512), Nicolas Copernicus' heliocentric theory (1514, although published later), and Machiavelli's writing of *The Prince* (1513). The Reformation began with Luther in 1517.

Like Joseph Schumpeter, R. H. Tawney dated the origins of capitalism to the 1400s. He called the Age of Discovery "neither a happy accident nor the fruit of the disinterested

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<sup>10</sup> Christopher Hill, *The Century of Revolution, 1603-1714* (New York: Norton, 1961), pp. 1-4.



curiosity of science," but contended that it was the product of "the economic energy [of the 1400s] in which it had been born."<sup>11</sup>

The Age of Discoveries is seldom integrated into thinking about the timing of marketization and the development of a rational-legal government and economy, but one fact is certain. Whatever impact the Age of Discoveries had on the transformation of traditional values, this transformation came to fruition only after George I came to power in 1714--over two centuries in the future.

The 1600s were part of that evolution, most obviously in "the scientific revolution." It began early in the 1600s, really in the 1590s. Kepler and Galileo revolutionized the view of the heavens, especially after Galileo's invention of the telescope of 1609. In England at the same time Francis Bacon began his serious writings attacking the Aristotelian method and defending the inductive method. This writings became very influential after his death in 1626, and the process continued. In 1665, Isaac Newton began his work on the calculus, and in 1687 he published his laws of motion.<sup>12</sup>

Yet, evolution was very slow. The Salem trials, for example, occurred in 1692 and 1693--that is, after the Glorious Revolution. Salem was a major port in the free trade with the Caribbean at that time, and many claim the Puritans were a major force in marketization.

The feverish rhetoric of the civil war and of the anti-Puritan struggle remained a part of the political process well after 1714. Paranoid thinking about popish plots was strong in the governments of George I and George II, especially in Sir Robert Walpole, the great British Prime Minister from 1721 to 1742. Bernard Bailyn follows Walpole's biographer, J. H. Plumb, in seeing Walpole as a reflection of England itself at the time. In Bailyn's words, "Hogarth not Gainsborough was its true depicter."<sup>13</sup> Thomas Gainsborough (1727-1788) was a painter of elite portraits and peaceful landscapes, while William Hogarth

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<sup>11</sup> R. H. Tawney, *Religion and the Rise of Capitalism* (New York: Harcourt, Brace, and Company, 1926), p. 69.

<sup>12</sup> Charles Webster, *The Great Instauration: Science, Medicine, and Reform, 1626-1660* (London: Duckworth, 1975).

<sup>13</sup> Bernard Bailyn, *The Origins of American Politics* (New York: Alfred A. Knopf, 1968), pp. 15, 34, 38-9, and 53. J. H. Plumb, *Sir Robert Walpole: The King's Minister, vol. II* (London: Allen Lane, 1972), p. 41.

(1697-1764) was a satirical painter who focused on politics, the economic elite, and immorality.

American revolutionaries were more influenced in their political thinking than the Walpole establishment. The Whigs were even more suspicious than those in the Walpole establishment. This continued after 1787. A major historian, Richard Hofstadter, focused on the paranoid thinking in the United States both before and after the colonial period. The mass immigration of Catholics in the 1830s and 1840s produced the Know Nothing movement in the 1850s. The Know Nothings, historians agree, destroyed the Whig Party and contributed in a major way to the Civil War.<sup>14</sup>

Indeed, we should not forget, "modern" for Weber meant Germany of the late 19<sup>th</sup> century in which he grew up. Alas, its rational-legal values did not preclude the existence of other "ascriptive" values and perceptions that intensified during the 1920s and produced the Third Reich in the 1930s.

#### Religion and Socio-Economic Turmoil in the 1600s

The Reformation was a complex political revolution as well as a religious one. First, of course, it occurred at the time of the creation of the nation-states, the codification of official state languages, and the rise of government-sponsored nationalism. Religion was deeply involved in the creation of the nation-state. At a minimum, support for the Reformation could be depicted as opposition to a foreign Pope in a way that exploited the existing xenophobia.<sup>15</sup>

The Reformation was also a revolt against Latin. Latin was used in church services, government documents, and long-distance trade. As the size of bureaucracies and commerce grew, the number of people who had to know Latin became impossibly large, and Gutenberg's invention of the printing press around 1439 created the prospect of mass literacy. A standardized vernacular language was needed, and rulers knew that "the translation of the bible into the vernacular and the

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<sup>14</sup> Richard Hofstadter, *The Paranoid Style in American Politics and Other Essays* (New York: Knopf, 1965). Also see David Brion Davis, *The Slave Power Conspiracy and the Paranoid Style* (Baton Rouge: Louisiana University Press, 1970), and William Gienapp, *The Origins of the Republican Party, 1952-1956* (New York: Oxford University Press, 1987).

<sup>15</sup> Lien Bich Luu, "'Taking the Bread Out of Our Mouths': Xenophobia in Early Modern Europe," *Immigrants and Minorities* 19 (2000), 1-22.

substitution of a vernacular for a Latin ritual in church enormously increased the homogeneity of the national cultures."<sup>16</sup>

By 1600, the Reformation had also become involved in international relations. In England, the pro-Catholic Stuarts usually wanted better relations with Catholic Spain and Catholic France. The Protestants who overthrew the Stuarts in 1688 selected the strongly Protestant Dutch ruler, William of Orange, and then the strongly Protestant Hanover rulers. Both were already at war against France.<sup>17</sup>

Most important of all, the battles of the Reformation were closely associated with the enormous strains of industrialization. Most economists only know about the relationship of the Reformation to the economy from Max Weber's *The Protestant ethic and the Spirit of Capitalism*. According to Weber, the spirit of capitalism derived in large part from Calvinism. Weber focused on Calvin's doctrine that everything was totally pre-determined by God, even the fate of individuals after death. He tried to explain how this doctrine of absolute predestination could lead to a compulsion to work and save.

Weber's most famous critic, R. H. Tawney, raised the fundamental question: why would people choose to accept such a frightening religion and an awful God who would damn people to eternal salvation or eternal damnation independent of their good or bad behavior on Earth? Tawney argued that Weber had reversed cause and effect.

Tawney emphasized the practical side of Calvinism, especially its "frank recognition of the necessity of capital, credit and banking, [and] large-scale commerce and finance." In Tawney's words, the Calvinists "broke with the tradition, which [regarded a preoccupation with economic interests 'beyond what is necessary for subsistence' as reprehensible [and] had stigmatized the middleman as a parasite and the usurper as a thief."<sup>18</sup>

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<sup>16</sup> Lawrence Stone, *The Past and the Present Revisited* (London: Routledge & Kegan Paul, 1987), p. 103.

<sup>17</sup> The war in which William of Orange was engaged is called the Nine Years War (1688-1697) in English history. John Wolf, *The Emergence of the Great Powers, 1685-1715* (New York: Harper and Row, 1962); John Childs, *The Nine Years' War and the British Army* (Manchester: Manchester University Press, 1991).

<sup>18</sup> Tawney, *Religion and the Rise of Capitalism* (New Brunswick, N. J.: Transaction Publishers, 1998), pp. 104-5.

Tawney thought Calvinism was adopted by those who already had the capitalist spirit. In his words, "Calvin, with all his rigor, accepted the main institutions of a commercial civilization, and supplied a creed to the classes which were to dominate the future."<sup>19</sup> By implication, Calvin even said that phenomena such as interest rates and profits were pre-determined by God.

In this view, England did not become entrepreneurial because it became Calvinist. Instead, Calvinism became an important force in England because England already had a substantial number of people who were entrepreneurial. Tawney thought that they embraced Calvinism as a legitimating ideology in Marx's sense of the word. Similarly, Spain did not fail to develop economically because Catholicism retarded growth, but because Spanish capitalism had yet produced enough entrepreneurs to overcome conservative opposition.

Tawney drew a sharp contrast between the views of John Calvin and Martin Luther. Tawney saw Luther as the spokesman for the counterrevolution against capitalism and the development of rational-legal values. He cited Luther's *Long Sermon on Usury* in 1520 and his *On Trade and Usury* in 1524 as proof that Luther's attack on a corrupt Catholic Church in 1517 was part of a general attack on commerce and capitalism. According to Tawney, Luther "dismissed the commercial developments of the last two centuries as a relapse into paganism ... International trade, banking and credit, capitalist industry, the whole complex of economic forces ... seem to him to belong in the very essence to the kingdom of darkness which the Christian will shun.

Tawney quoted Luther to document his argument:<sup>20</sup>

The exploitation of the Church by the Papacy, and the exploitation of the peasant and the craftsman by the capitalist, are thus two horns of the beast which sits on the seven hills. Both are essentially pagan, and the sword which will slay both is the same. It is the religion of the Gospel.

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<sup>19</sup> Ibid, p. 94.

<sup>20</sup> Ibid, pp. 94-5.

We have cited Tawney's classic work on the Reformation for several reasons. First, Tawney's work is, in fact, classic. Too many modern American economists accept Weber's *The Protestant ethic and the Spirit of Capitalism* uncritically and do not reflect sufficiently on the question of cause and effect. They need exposure to a broader interpretation that focuses first on economic conditions.

Second, Tawney is certainly right that the 1500s and 1600s in rapidly developing northern Europe were a time of enormous social and economic conflict. Some people embraced the change under way, while others thought it was the devil's work (satanic, in the word of the Ayatollah Khomeini). This difference became associated with religion, and the overlap of religious and socio-economic conflict led to an intensification of both. The same is true in the developing world today, and Tawney is invaluable in focusing our attention on the nature of communism and radicalism in the contemporary developing world.<sup>21</sup>

But what does this mean for England? Calvin became a force in Geneva in 1536 when the Protestant Reformation had already begun in England. Henry VIII's Reformation had little to do with theology or with emotional appeals that legitimated either urbanization or the reaction against it. Lutheranism never became a major force in England.

How then does the English civil war fit within Tawney's analysis of the Reformation? The answer, as economists desperately need to understand, is that religion, politics, and legitimating ideologies are extremely complex. They are always contradictory as are mental images, belief systems, and sets of values. Those with different self-interests naturally gravitate to those features of ideologies and religions that further their interests. Changes in technology, in the structure of the economy, and other aspects of the environment affect the distribution of interests. Indeed, as Joel Mokyr insists in a highly nuanced discussion, there are many reasons to de-

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<sup>21</sup> Hough argued that Karl Marx's claim that the modern cultural "superstructure" served the economic needs of the ruling class was a major part of Communism's appeal--but at the early stages of industrialization, not the end of capitalism as he thought. For instance, Lenin appealed to similar emotions that Khomeini did in Iran in the 1970s and that Tawney described in England in the 1600s. Both were provoked by the movement of peasants to the city and their belief that modern values were Satanic. Jerry F. Hough, *Russia and the West: Gorbachev and the Politics of Reform* (New York: Simon & Schuster, 1988).

emphasize persistence and incorporate an evolutionary model of cultural change into a general theory of change.<sup>22</sup>

Tawney illustrated this argument in a point that he made about Calvin. He noted that Calvin was criticizing "not the accumulation of riches, but their misuse for the purposes of self-indulgence or ostentation."<sup>23</sup> In the mid-1550s, this was a useful part of an effective ideology for the new entrepreneurial class to use against the conspicuous consumption of the old rural elite, the Catholic Church, and the monopoly guilds.

The criticism of self-indulgence and ostentation continued to serve this function for the rising urban elite and for the gentry in the 1600s, but the urban elite themselves increasingly lived an opulent and ostentatious life. This was easily visible to the mass of peasants coming into London witnessed this life, and Calvin could be turned against the Calvinists. Luther and Calvin originally may have represented opposite responses to the drastic socio-economic change under way, but the illiterate peasants moving into the city absolutely did not like a religion of the ostentatious and opulent elite that said the poor were predestined to eternal damnation and should be treated that way during life.

The preachers of new sects naturally focused on the themes in Calvinism that would win them non-elite support. English historians often put "Puritan" in quotation marks when discussing the Puritan Revolution because of the great diversity of views hidden by the term. The civil war was a Puritan revolution and a parliamentary overthrow of the king only in an ambiguous sense. The Puritans in Parliament were largely a mixed and moderate lot, but they in turn were overthrown by more radical Puritans--really members of sects--in the New World Army. The moderates had economic views closer to Tawney's Calvinists, but the sect preachers were closer to Luther in their appeals.

#### James I and the Dominant Coalition in Transition

James I (1603-1625) was a transitional figure. He was the most legitimate heir by genealogical descent, and his succession is largely taken for granted. Since he followed a policy of

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<sup>22</sup> Joel Mokyr, "Culture, Institutions, and Modern Growth," in Galiani and Sened, *Institutions, Property Rights, and Economic Growth*, pp. 153-161. For an elaboration of these points, see his forthcoming *The Cultural Roots of the Modern Economy*.

<sup>23</sup> Tawney, *Religion and the Rise of Capitalism*, p. 105.

trying to accommodate everyone, his reign featured little drama and few accomplishments. Scholarly attention quickly shifts to his son and grandsons who ruled through far more eventful times.

Nevertheless, James' accession to power deserves more attention. His mother, Mary Queen of Scots, was the real legitimate heir to Elizabeth, but she was executed to prevent her assumption of power. James obviously also would have been denied the throne if he had been objectionable. Instead the elite pressured Elizabeth to name him, despite her reluctance.

Several factors are likely to have been crucial in James' selection. First, like the kings chosen after the Glorious Revolution of 1688, James was a middle-aged foreign king who continued to rule his home country as well as England. In 1603 James had been the king of Scotland for 36 years and had exercised full power for 20 years after coming of age. The elite may have thought the Tudors had been real autocrats and had not been controlled by any dominant coalition. They may have thought that a foreign king would be more accommodating. If so, they judged James well because that is how he ruled.<sup>24</sup>

Second, James I had a personal background that made him particularly well suited to reduce the religious tension of the 1500s. His mother was a martyred Catholic, but he had been raised as a Protestant and married a Protestant wife. Scotland had an established Calvinist (Presbyterian) Church, and James was, of course, the head of that church. At the same time he was extremely eager for an alliance with Spain, and he wanted it to be cemented by his son's marriage to a Catholic Spanish princess. He was willing to facilitate this marriage with a more tolerant policy towards domestic Catholics.

In fact, James was to handle religious conflict in England skillfully. He commissioned the authorized Church of England translation of the Bible, which was to be called the King James Bible. The top churchmen whom James appointed usually had a Puritan approach. "All James's archbishops drew their divinity from John Calvin's Geneva, as did James himself, and the university establishments were largely Calvinist".<sup>25</sup> Yet, they

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<sup>24</sup> For a discussion of the similar outside king in medieval Genoa, see Avner Greif, *Institutions and the Path to the Modern Economy: Lessons from Medieval Trade* (Cambridge: Cambridge University Press, 2006).

<sup>25</sup> Derek Hirst, *England in Conflict 1603-1660: Kingdom, Community, Commonwealth* (New York: Oxford University Press, 1999), p. 38.

were moderate Calvinists. Presbyterians opposed strong bishops or even the very existence of bishops, and the rural elite, who generally controlled the county and parish churchmen, were particularly attracted to Calvinism for this reason. They saw James' bishops as a sign that he would not intervene to limit their autonomy.

James I, like Elizabeth, kept the church under strict control. Bishops "were royal nominees, economically and socially weak." David Loades even describes the church as being in "the degrading and indefensible position of a department of state for ecclesiastic affairs." Bishops comprised one-third of the members of the House of Lords, and they normally voted with the king.<sup>26</sup>

Nevertheless, the truly important changes during the reigns of James I and Charles I occurred in the socio-economic realm. The 1600s were unquestionably a period of real economic progress in England. "It is astonishing to reflect on [the century's] achievements," Mark Kishlansky asserts in opening a five-page introduction to his book on England in the 17<sup>th</sup> century.<sup>27</sup> Population estimates for the period are quite imprecise, but the population grew from, perhaps, 2 million in 1500 to over 5 million in 1650. London's population increased from 50,000 people in 1500 to 200,000 in 1600, 400,000-450,000 in 1650 and 550,000 in 1700.<sup>28</sup> These figures are not exact, but they convey a sense of the scale of what was happening.

The land shortage that produced the migration of peasants into London also resulted in substantial emigration to Northern Ireland (Ulster) and the New World. The population of the New World colonies rose from zero in 1600 to 490,000 in 1710. Two-thirds of the colonial population (330,000) was located on the mainland and a third in the Caribbean colonies. Whites comprised nearly 65% of the colonial population (315,000

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<sup>26</sup> Davis Loades, *Politics and Nation: England 1450-1660*, 5<sup>th</sup> ed. (Oxford: Blackwell Publishers, 1999), pp. 287-288.

<sup>27</sup> Mark Kishlansky, *A Monarchy Transformed: Britain 1603-1714* (London: Penguin Books, 1997), pp. 1-5.

<sup>28</sup> For a discussion of the growth population and the estimates in the literature see the scholar who puts greatest emphasis on this factor in provoking the civil war, see Jack Goldstone, *Revolution and Rebellion in the Early Modern World* (Berkeley: University of California Press, 1991), pp. 21-37 and 83-92. E. A. Wrigley and R. S. Schofield, *The Population History of England: 1541-1871: A Reconstruction* (Cambridge: Harvard University Press, 1981).



people), and 75% of the blacks (135,000 of 180,000) lived in the Caribbean.<sup>29</sup>

A major improvement in agricultural productivity was clearly needed for such a rapid growth in population. Robert Brenner argues that colonial trade in the 1600s and early 1700s was less the cause of English growth than the "continuing growth in the home market produced by higher agricultural productivity."<sup>30</sup> He notes that in 1520 "about 76 percent of the population was involved in agriculture, [while] by 1700 only about 55 percent was so occupied."

The sharp rise in population played a major role in England's evolution towards a more modern society. Monopoly guilds were so universal in the early stages of development in Europe that they must have served important needs. In particular, they must have been the best way for rulers to collect taxes, adjudicate contract disputes, build infrastructure, and perform policing duties at a time when they were not able to build a functioning bureaucracy. The monopoly profits of the guilds included a hidden "sales tax" to finance these "government" activities.

When there are a small number of guilds and guild members, the king could control guild leaders through personalistic methods and the latter could control their members in the same way. This was especially true of London where the guilds tended to overlap with ward boundaries. Most of the members of the London city council were guild leaders and had the power to pass necessary laws. They were highly responsive to the kings and thus helped him solve collective action problems in the city-state.

The phasing out of guilds also occurred at fairly predictable times in European development. Hence this too must have been a response to changing conditions. Again, London was typical, as was Madrid at the end of the 1700s. In the 1600s the increasing population of London required a growth in the number of grocers, carpenters, tailors, and so forth, and this made the domestic guilds increasingly unwieldy. London had long

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<sup>29</sup> Jack Greene, *Pursuits of Happiness: The Social Development of Early Modern British Colonies and the Formation of American Culture* (Chapel Hill: University of North Carolina Press, 1988), pp. 178-9.

<sup>30</sup> Robert Brenner, *Merchants and Revolution: Commercial Change, Political Conflict, and London's Overseas Traders, 1550-1653* (Princeton: Princeton University Press, 1993), p. 44. The emphasis is his.

had a "second economy" of illegal traders not in the guilds, and their numbers grew rapidly. The problem became particularly great as people began to move beyond the city walls and were more difficult to control.

But what did the rise in the population of London and decline of the domestic guilds mean for the "dominant coalition" of *Violence and Social Orders* and *In the Shadow of Violence*? In 1500, England was a rural society that had armed regional warlords, a capital of 50,000 people, strong domestic and foreign trade guilds, and an export economy without a navy or ocean-going fleet. The dominant coalition was comprised of the warlords, the Merchant Adventurers foreign trade guild, and the London domestic guilds.

In 1750, England had a capital with some 650,000 people, New World colonies with 2 million people, and an English navy and merchant fleet that ruled the waves and made these colonies possible. The rural elite no longer had military forces, while the state bureaucracy, the financiers, the manufacturers, and the interest groups from broader groups in London were becoming a powerful force. The 1600s were a century when the old power structure had been destroyed and the new one had not yet been consolidated.

The reigns of James I and Charles I from 1603 until 1642 took place in the midst of this development, and they seem best understood in the framework of North's concept of a dominant coalition. The Parliament rested on the rural elites, but now with checks and balances between the lords in their House in Parliament and the gentry in the House of Commons. Yet, the lords had lost much of their military power, and the gentry no longer had military experience. Indeed, Lawrence Stone insisted that "the crucial victories of the Crown over the nobility were won between about 1570 and 1620"--that is, substantially within the 20-year reign of James I.<sup>31</sup>

The domestic guilds had lost much of their power, and the old Manufacturers Adventurers monopoly guild, while still economically important in European trade, had lost most of its political power. Indeed, the London city council was now dominated by the East India Company and the Levant Company. From 1600 to 1625, 50 of the 140 aldermen were associated with

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<sup>31</sup> Lawrence Stone, *The Crisis of the Aristocracy, 1558-1641*, abridged edition (London: Oxford Press, 1967, p, 133.

the Merchant Adventurers, but in 1640, almost half of the 26 were associated with Levant Company or the East India Company.<sup>32</sup>

The members of merchant guilds trading with Asia played an important part in providing revenue for the monarch by collecting customs and making loans, but they had relatively few ships—and they were usually away on a long voyage. They had little independent social and political support within England itself. The king himself had no standing army to give him a real monopoly of force.

Elizabeth I had begun the process of creating a new urban-based elite with her promotion of an ocean-going merchant fleet. This fleet continued to grow under James I, but James did not have a serious colonization program that would require a larger merchant fleet. Charles I, by contrast, was strongly dedicated to colonization and hence promoted the expansion both of the navy and the merchant fleet.

Under both James and Charles, the merchant-naval elite remained virtually alone as members of the urban elite, and the merchants engaged in Asian trade had disproportionate political power within it. The merchants were the main financiers, the state bureaucrats were few in number, and had little power, and the manufacturers were only beginning to grow in strength.

In controlling London, James I had relied on the eastern merchants as his loyal servants in the city council and as his main source of loans. He ruled the country as a whole through the court. Elizabeth had relied on a small number of families and played them off against each other.<sup>33</sup> By contrast, James drew a broad range of nobles into court politics. He bestowed lavish gifts and concessions on a range of elite figures. While many focus on the negative aspects of such behavior, Lawrence Stone sees the policy of involving the nobles in court politics as a device to distract them from the violence to which they had become accustomed. As has been noted, James' churchmen were moderates.

The political system at the end of James's reign in 1625 was more or less in equilibrium, one that might have evolved

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<sup>32</sup> Brenner, *Merchants and Revolution*, pp. 51-82. For the aldermen, see p. 82.

<sup>33</sup> For a good sense of this in a detailed and enjoyable discussion of the creation of Shakespeare's Globe Theater towards the end of Elizabeth's reign, see Christopher Laoutaris, *Shakespeare and the Countess*. (London: Penguin Books, 2014). See also David Loades, *The Cecils: Privilege and Power Behind the Throne* (London: National Archives, 2007).

peacefully in the 1600s to a system with religious toleration and with growing power for an urban-based coalition--as, indeed, was finally to be achieved after 1688. The growing state military force--the navy--had an economically profitable coalition with the merchants and was quite happy with the moderate authoritarian regimes of James I, Charles II, and those that ruled from 1688 to 1832.

Of course, if the equilibrium were to be maintained, government policy would have to evolve gradually to reflect the evolving balance of power. So too would the structure of government. The bureaucracy would have to grow, and the power of Parliament would have to increase as the malapportionment in favor of the rural elite was ended and the urban elites drawn into it. The process could well be gradual, but James's successors could not rely so heavily on the rural elite or rely so heavily on the small Asian segment of the merchant-naval alliance.

Moreover, future kings would have to continue James I's balancing act with religious emotions. The expansion of London's population from 200,000 in 1600 to over 500,000 in 1700 would increase social tensions and the attraction of newcomers to Luther-like appeals.<sup>34</sup> The Thirty Years War in Europe from 1618 to 1639 took on the character of a religious war between Catholicism and Protestantism and would strengthen suspicions inside England. Since the fading rural military power had not been replaced by a standing army, there was little to control violence if it broke out.

#### Charles I, the Dominant Coalition, and the Civil War of the 1640s

As Mancur Olson emphasized, rulers matter. Even in calmer times, stability depends on a ruler with a monopoly of force who can has the ability to persuade and negotiate others to solve the major collective action problems and persuade other to accept policies. In times of tension and conflict when the dominant coalition is in transition, a country needs an especially skilled ruler. Unfortunately, Charles I was not such a king, and he chose a policy that exacerbated tensions rather than reduce them. The result was civil war.

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<sup>34</sup> This importance of rapid population growth is the major theme of Goldstone, *Revolution and Rebellion in the Early Modern World*.

The causes and nature of the English civil war has long been a subject of great controversy. Historians always have conflicting interpretations of major historical events, but the debate about the English civil war is peculiar. None of the major interpretations is really convincing.

The Whig historians saw the civil war as a key event in the long struggle of English society against tyranny. The struggle, they said, was finally completed in the Glorious Revolution of 1688. Yet, the civil war and the Glorious Revolution were 40 years apart and any linear connection between them seems strained. Moreover, the victors in the civil war overthrew Parliament as well as the king. We will argue that the Glorious Revolution was a repudiation of the civil war and an embrace of the Restoration agreement. After Parliament was restored in 1660, it repeatedly voted in favor of sharp increases in taxes over a 30-year period even though it received none of the supposedly crucial guarantees of the written constitution of 1689. The Whigs ignored this real mystery.

In the 20<sup>th</sup> century the second popular interpretation of the civil war was Karl Marx's. Marx thought the civil war, maybe together with the Glorious Revolution, was England's bourgeois revolution. Yet, he defined the bourgeoisie as the owners of the means of production and saw the merchants as parasites. If the bourgeois revolution occurred in the 1640s, then the restored Charles II must have represented the bourgeoisie. If the bourgeois revolution occurred in 1688, then it gave power to the rural elite in Parliament, and it was bourgeois only if the gentry are the bourgeoisie. Even that interpretation ignores the House of Lords.

The third major interpretation of the civil war emphasized religion. England had been Catholic in the 1530s, and the conflicts of the 1640s only involved different types of Protestant groups that had been formed since 1530. The leading actors all called themselves Puritans, but they ranged from James I's establishment churchmen to untrained preachers who used the most extremist populist language in appealing to the lower classes. These different religions groups surely gained support from different types of people for reasons other than abstract theological differences. It would seem vital to explore and explain the reasons for the different religions.

The fourth major interpretation of the civil war--the dominant revisionist theory of the last third of the 20th century--was that of Conrad Russell. Russell did not see

England as revolutionary in the 1630s, but believed the civil war was the unexpected result of unnecessary and ill-considered decisions on all sides. Russell's opinion is widely accepted, at least in part, and we find it largely convincing. Yet, the theory does nothing to explain why the period from the 1630s to the 1690s was so transforming. In fact, some of kind of urban-led "revolution" occurred, whatever its cause, character, or timing.

To a political scientist with a collective action approach, the explanation for the civil war should start with Charles I. James I knew from his mother's execution and his own selection that "the divine right of kings" should not be taken too seriously. Charles I, by contrast, seemed to think he had a right to have an authoritarian regime such as was being consolidated in France. He did not seem to realize this required a standing army that he did not have.

In 2014, Steven Pincus and James Robinson criticized North and Weingast's argument in "Constitutions and Commitment" that the Revolution Settlement introduced new principles into the English "constitution." We are sympathetic to this argument. James I acted as if he believed the elite had made a pact with him. Charles I then violated it and was beheaded. Charles II acted as if the elite, this time supported by naval force, had made a similar pact with him. James II inexplicably made the same mistake as his father.<sup>35</sup>

If England still had the regional military forces of the medieval period, then Charles I would have provoked little alarm. In actuality, as Russell phrased it, "peers had no armies [and] Charles did not need to worry if they sulked in their tents."<sup>36</sup> But this also meant that the peers did have the forces of peers to defend him in a crisis and that they would be frightened if he organized a force to defend himself.

Many scholars, including North and Weingast, emphasize financial issues as the central factor in Charles' conflict with Parliament, but these issues should not be exaggerated. By the 1630s Charles had had a decade to increase his income from the growing eastern and Atlantic colonial trade. Annual customs duties increased from 300,000 pounds at the beginning of the 1630s to 500,000 pounds at the end. Revenues almost doubled

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<sup>35</sup> For a list of the precursors of the provisions of the Revolution Settlement," see Pincus and Robinson, "What Really Happened During the Glorious Revolution?," pp. 194-201.

<sup>36</sup> Russell, *The Crisis of Parliaments*, p. 320.

from 1603 to 1639. This made Charles independent of Parliament if he did not become involved in war until his colonial revenue grew still further.<sup>37</sup>

When Russell argued that religious issues were central before and during the civil war, he was right about their role in creating the deep suspicions associated with the war. In a number of ways Charles created the strong impression he was a hidden Catholic. He married a strongly Catholic French princess and allowed her to worship in a public way and to be active in English politics. In the colonies Charles took land from Virginia--a colony named for the Protestant Elizabeth--and made it a sanctuary for Catholics. He called it Maryland, officially after his Catholic wife, but also, many suspected, after his Catholic grandmother whom Elizabeth had executed.

Charles also appointed a number of Catholics, open or secret, to high positions. They included the Lord Treasurer from 1628 to 1635, Chancellor of the Exchequer from 1629 to 1642, one of the Secretaries of State from 1632 to 1640, and a number of officials just below them. These Catholics, Gerald Aylmer argued, "were important primarily because of the psychological effect which their presence had on the more militant, Puritan-inclined Protestants."<sup>38</sup>

Moreover, Charles I openly transformed the personnel and appearance of the Church of England that he headed. While his father's bishops were moderate and tolerant Calvinists, Charles wanted a Church of England that was "profoundly different from James's."<sup>39</sup> He replaced James's bishops with men who usually are called Arminians or Laudians. They emphasized authority, ceremony and ritual, while their theology de-emphasized predestination.

In these respects, Arminianism was close enough to Catholicism to strengthen the suspicion that Charles I was a hidden Catholic. Charles' policy provoked a highly negative reaction from two different religious groups at opposite ends of the spectrum--James I's old religious establishment and evangelical preachers who were trying to gain lower class support for new more radical sects.

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<sup>37</sup> Hirst, *England in Conflict 1603-1660*, pp. 140-143.

<sup>38</sup> G. E. Aylmer, *The King's Servants: The Civil Service of Charles I, 1625-1647* (London: R & K Paul, 1961), p. 357.

<sup>39</sup> Quote from Conrad Russell, *The Fall of the British Monarchies, 1637-1642* (Oxford: Oxford University Press, 1991), pp.14-15.

Property owners with land Henry VIII or Elizabeth had seized from the Catholic Church feared that a restored Church would demand it back. The rural lords and gentry also feared that a centralized Catholic church would appoint bishops who would deprive them of control of the local parishes. The political class also feared that Charles might be attracted to the French and Spanish Catholic Church, as well as their autocratic political systems.

The action that precipitated the civil war was Charles' arbitrary--and quite unnecessary--decision to impose a common prayer book in Scotland in 1637. As king of Scotland, Charles thought this was within his right, but he inspired little loyalty in Scotland. A Scottish army invaded England in the summer of 1640, and it met little resistance in the northern part of England and quickly occupied the area. The borderland English had long been deeply suspicious of London, sympathized with the Scottish attack on Charles' authoritarianism, and sometimes even cooperated with it.<sup>40</sup>

As Conrad Russell emphasizes, the fears aroused by the king's arbitrary decisions on the Scottish prayer book were intensified because all issues of English politics were interconnected. In Russell's words, "If Charles could introduce a new liturgy simply by proclamation, then he could issue a new religion, or a new tax, or anything he chose by proclamation."<sup>41</sup> Olson insisted that the ruler is the person who "can organize the greatest capacity for violence."<sup>42</sup> The real problem from the 1630s to 1640 was that no one in England really had such a capacity that was organized. That really was the definition of the civil war. Even Oliver Cromwell, who came to control an army, did not control most of the navy after its revolt in 1648.

At the beginning, the Scots could easily have been repelled if the king had even a minimal standing army or been able to assemble a fairly small military force. He had to call a session of Parliament to obtain financing, but members of Parliament were afraid that if they built a significant army, he

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<sup>40</sup> For a discussion of this attitude towards London and its impact on the colonies and then the United States when the Borderland British immigrated to the New World, see David Hackett Fischer, *Albion's Seed: Four British Folkways in America* (New York: Oxford University Press, 1989).

<sup>41</sup> Russell, *The Crisis of Parliaments*. Kishlansky, *A Monarchy Transformed*, pp. 145, 110.

<sup>42</sup> Olson, "Dictatorship, Democracy, and Development," p. 568.



would turn it against them. This same fear about the formation of a small military force to meet a legitimate need arose continually in the future. As a result, legitimate issues could not be solved.

The same fears about the army force were to plague the Parliament. It too had no military force, and it could not control the commander of any new army it created. In 1640, relatively radical parliamentary leaders were able to take advantage of the military vacuum and the radical mood of lower-class Londoners to stimulate street action against its enemies. In May 1641 such mob action in May 1641 frightened the king into accepting the execution of his top lieutenant, Thomas Stratford.

The navy was the most powerful military force in England, especially because it was allied with the armed merchant fleet. It often is said to have supported Parliament from the beginning. Conrad Russell reports that naval support this not only was "a crucial obstacle to [Charles'] attempts to get foreign help," but also "could be used regularly to relieve sieges of ports, or to move food and artillery." Russell asserts that "it is arguable" that "the Earl of Warwick, who commanded the fleet on Parliament's behalf ... contributed as much to Parliament's ultimate victory as any land commander."<sup>43</sup> Oliver Cromwell was a land commander.

The problem is that Warwick and other important merchants discussed in the literature were the among the Puritan founders of the Massachusetts Bay Colony in 1630 and the Providence Island [Nassau shipping] Company which was "the 'cover' organization" for the Puritan Opposition in the colonies.<sup>44</sup> Naturally they opposed the king who had essentially exiled them.

Yet, the other merchants--the guilds in European and Asian trade and the important merchants in the tobacco and sugar trade--had far different views, and their fleets were far larger. Most of the Navy should have been allied with the Europe-oriented guilds. What is most unclear is why the Puritans could overcome the much larger forces of the guilds and the Anglicans dealing with the tobacco colonies.

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<sup>43</sup> Russell, *The Crisis of Parliaments*, p. 352. Hirst, *England in Conflict, 1603-1660*, p. 201.

<sup>44</sup> Loades, *Politics and Nation*, p. 338. Sean Kelsey, "Rich, Robert, Second Earl of Warwick (1587-1658), Colonial Promoter and Naval Officer," in Colin Matthew and Brian Harrison (eds). *Oxford Dictionary of National Biography*, Oxford University Press, 2004, online edition.

One suspects that Parliament's early ability to mobilize radicals in the streets of London was crucial. Mobs that could force the king to execute his chief lieutenant could also harass merchants and shippers who supported the king. Indeed, Warwick's crucial action is said to have been the mobilization of 2000 seamen. These surely were seamen in London who were protesting not being paid. If merchants and shippers wanted to use the port of London, they may well have had to support Parliament or at least not oppose it.

Some English historians, especially ones in recent years, see the civil war resting on genuine revolutionary pressure in the streets. Older scholars were more inclined to see the demonstrations being directed more against desired targets by leading members of Parliament, at least through a selective enforcement of the laws against looting. Whether the violence was spontaneous or directed, moderates in Parliament and the elite became increasingly worried. As a result, support for the king rose in the city in August and September of 1641.

Then a revolt in Ireland against England--one in which the seizure of property was a major factor--raised the old fears about Catholicism and the king's possible use of an army raised to fight the rebellion. A city election in December 1641 brought radicals to power in the London city council, and the city government created a Committee of Safety composed of radicals to create and oversee a citizen's militia.<sup>45</sup>

In early 1642, the king fled from the city, first to the suburbs and then to York and finally to Oxford. A real civil war ensued. Parliament created regional armies that rested on the old source of military power in the past--the forces of the rural elite. Out of the first 20 colonels of these armies, 10 were peers and 4 were knights and baronets.<sup>46</sup>

The peers, however, did not have the same military power as in the past, and the gentry did not have the military experience of their ancestors. The local elites were quite willing to pay for troops to protect themselves when the Scots or king's forces were in their region, but otherwise they usually were content to be free riders and let others to do the fighting.

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<sup>45</sup> Valerie Pearl, *London and the Outbreak of the Puritan Revolution: City Government and National Politics, 1625-43* (Oxford: Oxford University Press, 1961), pp. 127-159.

<sup>46</sup> Russell, *The Crisis of Parliaments*, p. 346.

The result was military stalemate, but one in which no political agreement with the king seemed possible. The Parliament now felt it necessary to organize a national army--the New Model Army.<sup>47</sup> Oliver Cromwell used this army to defeat the king's forces, and the king fled to the Scots.

Once the war was essentially over, however, the problems of the Parliament only intensified. Charles would not agree to an acceptable compromise, but Parliament had few options if it did not remove the king. Yet, those in the New Model Army and the streets of London were more radical than most of the parliamentary leaders and a removal of the king might legitimate more extreme actions.

Parliament naturally wanted to disband the New Model Army, but a familiar problem arose. Parliament had not raised enough money to pay the troops. The members of the New Model Army were owed 3 million pounds in back wages, a huge sum in comparison with the 1 million total annual income that the king received before the war. The radical soldiers demanded back pay before the army was disbanded.<sup>48</sup>

Without an ambitious leader in a key position of power within the army, the soldiers would have had no option but to return to civilian life and engage in various legal and illegal activities. But the soldiers did have such a leader in Oliver Cromwell. Everyone agrees that Cromwell was a first-class commander, but his political intentions remain controversial. A scholar is reminded of George Washington, a man who always insisted that he did not want power but who skillfully acted in a manner that brought him ultimate power.<sup>49</sup>

The period from late 1646 to late 1648 was featured by disorder unnecessary for us to describe. The Parliament could not raise the money to pay the arrears of the New Model Army or others who demanded their claims not be forgotten. The army captured the king in June 1647, and in the spring of 1648 the Scots and royalists, now supported by the navy, launched what is called the Second Civil War.<sup>50</sup>

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<sup>47</sup> Mark Kishlansky, *The Rise of the New Model Army* (Cambridge: Cambridge University Press, 1979).

<sup>48</sup> Hirst, *England in Conflict 1603-1660*, p. 234.

<sup>49</sup> For George Washington, see chapter 9.

When they were defeated, a large number of ships fled to Holland, essentially to become privateers. The army moved quickly in December 1648 to expel the moderates from the Parliament and to establish the so-called Rump. The next month, they tried Charles I, executed him, and abolished the monarchy.

A commonwealth, scarcely more orderly than the previous period for the same reasons, existed from 1649 to 1653 when Cromwell overthrew the Rump Parliament. He established what he called a Protectorate, but what was a military dictatorship based on a divided army and a disgruntled navy. Cromwell had but five years to live, and he too accomplished little. It ended with the restoration of Charles II to the throne in April 1660.

It is difficult to know how to characterize the dominant coalition or coalitions of the 1640s and 1650s. Modern military dictatorships usually begin with a strong, well-administered army, but the Puritan Army was not that. It won because its opponents' military forces were even weaker. The rural elite was excluded from power when their members of Parliament were dismissed. The navy was allied with the merchants of London and was highly suspicious of the New Model Army. It seems like a very weak dominant coalition, and this may well be the reason it fell so easily in 1660.

When Oliver Cromwell died, he was succeeded by his son Richard, who clearly did not have the personal qualities needed to control the chaotic situation, and was forced out after eight months in office.<sup>51</sup> The army generals who overthrew him agreed on the need for a regime in which the army was dominant, but they then engaged in a fierce power struggle in which they continued to be plagued with the old problem of how to pay the troops.

The situation deteriorated rapidly. After crushing a royalist uprising in late August, General John Lambert returned to London and on October 13 overthrew both the Rump Parliament and the commander of the army. The commander of the English 6,000 man army in Scotland, George Monck, was a long-time adversary of Lambert, and the two moved quickly towards battle. Order disintegrated in London as its elite feared the Lambert coup, and the capital and a number of lesser cities became increasingly disorderly. On December 3 a particularly dangerous full-scale rebellion broke out in Portsmouth.

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<sup>51</sup> Godfrey Davies, *The Restoration of Charles II, 1658-60* (Oxford University Press, 1955), pp. 29-44, 72-85.

The navy too was divided on a number of issues, but, as in 1648, it was united on the issues of army dominance and the financing of the navy. At the beginning of 1658, total government revenue was around 1 million pounds and debts were 714,000 pounds.<sup>52</sup> By the summer of 1659, the navy had received no money since September.<sup>53</sup> The admiral in charge of the Channel fleet, John Lawson, decided to end the confusion with a full-scale coup. On December 14 he sailed his fleet up the Thames and blockaded the city. By December 24, the generals had capitulated, and the Rump re-opened on December 26.<sup>54</sup>

On January 1, 1660, Monck began his march from Scotland to London with his 6,000-man army and entered the city on February 5 without any resistance. In the words of Conrad Russell, he was the "commander of the last paid and disciplined force left [and] he could do what he liked."<sup>55</sup> Indeed, Monck himself was the son of a prominent merchant and had headed the navy for a few years in the past. It is highly likely that he had informal understandings before he marched.

Within a week, Monck had demanded that the Rump readmit the other members of Parliament, a group known to favor a restoration of the Stuarts. He worked with the leading pro-royalist admiral, Edward Montagu, to organize the return of Charles II. Lawson, although a supporter of a republic, acceded and joined the other two. Charles arrived on May 29 on Montagu's ship. We have an insider's view of the final steps because Samuel Pepys was Montagu's aide and began his diary at this time.

### The Central Role of the Restoration

In "Constitutions and Commitment," North and Weingast adopted the argument of John Locke and the Whig historians that

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<sup>52</sup> Bernard Capp, *Cromwell's Navy: The Fleet and the English Revolution* (Oxford: Oxford University Press, 1989), p.341.

<sup>53</sup> N. A. M. Rodger, *The Command of the Ocean: Naval History of Britain, 1649-1815* (New York: W. W. Norton & Company, 2005), p. 37.

<sup>54</sup> For Monck, see Ted Jamison, Jr., *George Monck and the Restoration: Victor Without Bloodshed* (Fort Worth, TX: Texas Christian University Press, 1975). For the navy coup, see Capp, *Cromwell's Navy*, pp. 331-401, especially pp. 344-350.

<sup>55</sup> Russell, *The Crisis of Parliaments*, p. 396.

the Revolution Settlement of 1689 rested on the principle of the consent of the governed, especially in the realm of taxation.<sup>56</sup> In their view, the members of the elite—"the wealthy"--were given a veto over laws, taxes, and the budget in Parliament, and this made them amenable to a sharp increase in the state debt to finance a new war and the taxes needed to service it.

North and Weingast supported their argument by pointing to a subsequent decline of interest rates on state loans despite a sharp growth in the size of national debt.<sup>57</sup> This, they said, showed the lenders were reassured by the new constitutional rules that the government would not default--that Parliament would be willing to levy taxes in order to make interest payments and redeem the bonds.

New Institutional economists have widely accepted the thesis of "Constitutions and Commitment," but many others have been skeptical. One reason is that pattern of interest rates does not correspond to North and Weingast's thesis. As Nathan Sussman and Yishay Yafeh point out, "the four decades following the Glorious Revolution can be characterized as a period of a high and fluctuating cost of capital rather than an era of permanently low interest rates." The 40 years to which Sussman and Yafeh refer extended from 1688 to 1728.<sup>58</sup>

North and Weingast would have been on sounder ground if they had simply pointed to the continuing explosion of national debt and the taxes to service it. The debt was 1.0 million pounds in 1688, 14.0 million in 1700, 36.2 in 1714 and 54.0 in 1720.<sup>59</sup> The problem with "Constitutions and Commitments" goes deeper: what occurs after an event is not necessarily caused by it.

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<sup>56</sup> Locke's work was entitled *Two Treatises of Government*. Its argument was developed in the 1670s for use in gaining support for a new Whig Party that was formed to organize opposition to the growing to Charles II. The *Two Treatises* was then published in 1689 to legitimate the Glorious Revolution. See Richard Ashcraft, *Revolutionary Politics and Locke's Two Treatises of Government* (Princeton: Princeton University Press, 1986).

<sup>57</sup> North and Weingast, "Constitutions and Commitment," p. 822

<sup>58</sup> Nathan Sussman and Yishay Yafeh, "Institutional Reforms, Financial Development and Sovereign Debt: Britain 1690-1790," *The Journal of Economic History* 66 (2006), 906-35, p. 921. For a very recent collection of articles, that make this and other criticisms, see D'Maris Coffman, Adrian Leonard, and Larry Neal (eds.), *Questioning Credible Commitment: Perspectives on the Rise of Financial Capitalism* (Cambridge: Cambridge University Press, 2013).

<sup>59</sup> North and Weingast, "Constitutions and Commitment," p. 822

The basic fact is that lenders seemingly should not have found a parliamentary veto reassuring. Until the Reform Act of 1832, 150 years after the Glorious Revolution, Parliament was dominated by the rural elite. The rural elite had refused to fund Charles I's building of a navy in the 1630s, and they had been frightened by every attempt by Charles to build an army to control the Scots or Irish during the civil war. Indeed, Peter Lindert concluded that the dominant forces in Parliament in the 1700s had an anti-growth bias.<sup>60</sup>

Why should lenders have now trusted Parliament to raise taxes to pay for the war that William of Orange's selection in 1688 automatically guaranteed? Why should Parliament welcome William's "invasion" with 20,000 troops when George Monck's 7,000 troops had seemed so decisive in 1659? Why would the rural Parliament see its interests served by Britain being at war with France for 51 of the 95 years after 1688? Why should they be expected to vote for an army of 116,000 men in the 1689-1697 war, 136,000 in the 1702-1713 period, 113,000 from 1739 to 1748, and 168,000 from 1756 to 1763? The increase in military expenditures was the greatest cause of the huge increase in debt and taxes.<sup>61</sup>

The more logical explanation for the results of the Revolution is that the forces that produced it were also responsible for the developments afterwards. Yet, North and Weingast recognize that they present no explanation for the Glorious Revolution: "Our discussion of the events prior to the Glorious Revolution (1603 to 1688) simply characterizes this period; it does not model or explain it."<sup>62</sup>

If North and Weingast had written their 1989 article 25 years later, they surely would have asked about the changes in England's dominant coalition that occurred between the late 1630s and the late 1680s that explained the policy of the 1700s. We think that is the right question. For all the issues in the phrase "bourgeois revolution," Marx surely pointed in the correct direction. The 1600s somehow featured an urban-based revolution and a transition to an urban-based dominant coalition.

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<sup>60</sup> Peter Lindert, "Voice and Growth: Was Churchill Right?" *Journal of Economic History* 63 (2003), 315-50, pp. 330 and 340.

<sup>61</sup> Brewer, *The Sinews of Power*, p. 30.

<sup>62</sup> North and Weingast, "Constitutions and Commitment," p. 804, n. 1.

Given the armed nature of the conflict from the 1640s to 1660, it seems likely that the authors of *In the Shadow of Violence* would suspect that the military were prominent members of the coalition. If so, the obvious core member of the coalition was the merchant-navy alliance. The English army was kept under strict control after the Restoration of 1660. In the 1680s, it only had 15,000 troops, fewer than in 1475. The Spanish army had 70,000 troops, the Dutch 110,000, the French 120,000, the Swedish 63,000 and the Russian 130,000.<sup>63</sup> James was expanding it rapidly, but that only increased the fears about him and the determination of the navy to act as it did in 1648 and 1659.

Anyone thinking afresh about England's dominant coalitions in the 1600s does not instinctively focus on 1688. The first natural question is the character of the Dominant Coalition that arose at the end of the civil war, not 40 years later. This is particularly so because most of the key developments attributed to the Glorious Revolution actually began with the Restoration.

First, Charles II did act in a restrained manner, surely the result of a clear pact made with him in 1660. There must have been a Dominant Coalition in place in a sense that was less true during the reigns of Henry VIII and Elizabeth I. Second, Parliament began to increase taxes very sharply in 1660--and without any increase in its powers such as occurred in 1689. Patrick O'Brien and Philip Hunt's graphs of revenue and direct taxes from 1500 to 1800 show no change of trend in 1688. Third, the increase in the power of executive also began in 1660. Since the additional revenue during the Restoration was not used for war, it was spent on the hiring of more government employees and improvement of government operations. The government also had more people to collect taxes, and improvement in the tax-collecting machinery had a circular effect. Tax farming was abolished, and this led to more revenue to hire more government collectors.

Stephen Baxter reports that the Treasury's formal powers did not change between 1660 and 1702, but it "gained control over other branches of the government by the simple means of using these powers every day or at least every week."<sup>64</sup> The effort to improve the administrative system extended into every realm. Alison Olson notes that "the second half of the

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<sup>63</sup> Brewer, *The Sinews of Power*, p. 8. Brewer relies on Geoffrey Parker.

<sup>64</sup> Stephen Baxter, *The Development of the Treasury, 1660-1702* (Longmans, Green & Company, 1957), pp. 3-4 and 167.



Restoration era saw the most far-reaching attempts to reform and re-organize colonial administration ever undertaken by the British government in the seventeenth and eighteenth centuries."<sup>65</sup>

Our focus on 1660 is not unique to us. The title of Alan Houston and Steve Pincus' *A Nation Transformed: England After the Restoration* points to 1660 as a breaking point, while John Brewer explicitly states this was so: "the change from the 1660s to the 1760s seems greater than those either from the 1650s to the 1750s or from the 1680s to the 1780s."<sup>66</sup>

What had happened in 1659-1660? The Parliament no longer was excluded from the policy process as it had since the rise of the army still overrepresented the rural elite, but it seemed to have little of the power it had in the 1630s, let alone that which it had tried to win from Charles I. Policy seemed responsive to urban forces,

Those who benefitted directly from the policies of the Restoration were the urban elite. London had been disrupted for two decades. The London elite and even the broader educated population must have had sense that the country needed a strong government to maintain law and order and much higher taxes to ensure that soldiers and sailors would not be driven to revolt simply because they had not been paid. Indeed, the need to pay the sailors was a key talking point in the arguments over increasing taxes, and it was a quiet reminder of the power of those who commanded the ships.

More directly, the merchants and nascent manufacturing classes wanted economic growth, while the military wanted the ability to wage war. The army was cut back in size, but the merchant fleet thrived with the colonial growth. The navy generally shared in this prosperity. A reader of the diary written from 1660 to 1669 by Samuel Pepys, Chief Secretary of the Admiralty shows how those like himself quickly became

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<sup>65</sup> Alison Gilbert Olson, *Anglo-American Politics 1600-1775* (New York: Oxford University Press, 1973), p. 57.

<sup>66</sup> Alan Houston and Steve Pincus (eds.), *A Nation Transformed: England After the Restoration* (New York: Cambridge University Press, 2001). Brewer, *The Sinews of Power*, p. xiv. In 2009, Pincus emphasizes 1688 as a turning point, but only in the institutional role of Parliament, not in the principles of government or policy. Steve Pincus, 1688: *The First Modern Revolution* (New Haven: Yale University Press, 2009).

wealthy.<sup>67</sup> .A person looking for those who "can organize the greatest capacity for violence" and had the ability to overthrow the king surely would look at navy and their merchant allies.

### The Glorious Revolution

Anyone with the foregoing view of the Restoration has no difficulty of accepting the traditional interpretation of the character of the Glorious Revolution. In that view, the Glorious Revolution simply reflected the elite reaction to James II's extremely foolish attempt to establish an authoritarian regime based on the French Catholic model. This interpretation has been challenged to a partial extent by some younger American historians who now emphasize social forces, but the pattern of mass reaction seems to suggest that it followed rather than preceded the elite.<sup>68</sup>

Our only addendum to the traditional view would be to emphasize that the merchants had the major military force of the country behind them, both their own and that of the navy. Paradoxically, the very inaction of the military showed its power. On the surface, the Glorious Revolution was not glorious at all. William of Orange landed with 20,000 troops and forced the king to flee--the only foreign conquest of England since 1066. Beneath the surface, however, William had demanded and received assurance that his "invading forces" would not be opposed by the English army and navy. The navy did not try to engage the troop ships on the English Channel. The army's loyalty was never tested, but James fled because he believed it would not fight.

But what were the consequences of the revolution? Here we basically agree with Steven Pincus and James Robinson: "The Glorious Revolution was not significant because it was a change in the de jure rules, but it was important in helping to cement a change in the distribution of power in the country." We agree with them that the Revolution "did lead to a significant shift in power and authority to Parliament."<sup>69</sup>

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<sup>67</sup> C.S. Knighton, *Pepys and the Navy* (Stroud, UK: Sutton Publishing, 2003), pp. 50-3, 77, 80, and 93.

<sup>68</sup> See Pincus, *1688: The First Modern Revolution* for this interpretation. Pincus presents an excellent survey of the debate on 1688 in Britain both in 1988 and the earlier decades and centuries in pp. 3-29 of this book.

<sup>69</sup> Pincus and Robinson, "What Really Happened During the Glorious Revolution," pp. 220 and 217.

Yet, Pincus and Robinson disagree specifically with North and Weingast about the nature of the "parliamentary interests" which won in the Glorious Revolution. North and Weingast argued that the parliamentary classes agreed to "restrictions on state's ability to manipulate rules to the advantages of itself" and agreed to "limited economic intervention." Pincus and Robinson are clearly right that the victors followed the opposite course.<sup>70</sup>

Some may not like John Brewer's phrase, "the military-financial state," but it surely points to the basic nature of the England of the 1700s. Many would see the state actively pursuing an industrial policy of promoting manufacturing through protectionism and repeated war. Without any question, however, tax revenues soared. Patrick O'Brien calculates that they rose by 18 times between 1688 and 1815 while gross national product only tripled. The Crown was able to introduce a bewildering combination of different kinds of internal land and excise taxes--and, in 1799, the first income tax.<sup>71</sup>

J. H. Plumb gave his standard book on the years of transformation the title of *The Growth of Political Stability in England: 1675-1725*. This expressed his conviction that stability was not fully established for near 40 years after the revolution. Plumb attributes much of this early instability to the weakness of the monarchs and the strength of Parliament. Parliament had no natural leader or party discipline, and it often intervened in the political process in a disorderly fashion.

These years of parliamentary strength were, incidentally, the period when Sussman and Yafeh find that interest rates remained high. Yet, from the very beginning, N. A. M. Rodger reports, the generosity of Commons towards the Navy "astonished" contemporary observers.<sup>72</sup> Even under William III in the 1680s,

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<sup>70</sup> North and Weingast, "Constitutions and Commitment," pp. 829, 808.

<sup>71</sup> O'Brien, "Inseparable Connections," p. 68. Some impression of the multiplicity of taxes can be gained from pp. 67-70 of the article. O'Brien and Philip Hunt estimate that the taxes available at the time of the American Revolution were 11 times larger than those available to Charles I, who really began colonization in the mid-1620s. Patrick O'Brien and Philip Hunt, 'England, 1485-1815,' in Richard Bonney (ed.), *The Rise of the Fiscal State in Europe, c.1200-1815* (Oxford: Oxford University Press, 1999), 53-100, pp. 57-58. For a graph of revenues and per capita revenues, see pp. 56 and 64. For a graph of customs revenues (by far the greatest source of tax revenue from 1275 to 1485), see W.M. Ormrod, "England in the Middle Ages," in Bonney, *The Rise of the Fiscal State in Europe*, 19-52, p. 33.

<sup>72</sup> Rodger, *Command of the Ocean*, p. 182

Parliament was not able to prevent spending from growing "as never before." Brewer concludes that after 1703, the treasury control of financial legislation "was almost never checked by parliamentary opposition."<sup>73</sup>

George I was particularly eager to develop a strong executive branch and bring Parliament over control. He created a dominant Court Treasury party by using various types of patronage and payments that often were distributed through the Treasury Department. As a result, in Plumb's words, "the development of oligarchy and the growth of the executive [in the first years of George I] was to achieve the subjugation of the legislature that the Stuarts had frequently attempted but never achieved."<sup>74</sup>

Adam Smith's analysis of the Hanover monarchs in his 1776 *The Wealth of Nations* made the same point about the power of Parliament quite flatly. The king, Smith wrote, was an authoritarian ruler who had brought Parliament under control. Smith wrote about the royal "system of management" (bribery) of Parliament. One of Smith's arguments for making the colonies independent was that the multitude of colonial legislatures made the king's "system of management" in London too expensive and hence not cost-effective. Smith simply took for granted that this would be a convincing argument to this audience, prominently including the king and his advisers.<sup>75</sup>

Plumb's dating of the change in London corresponds to the pattern of politics found by Alison Olson in the colonies. Between 1688 and 1714, colonial parties (or factions) had enjoyed a "comfortable, informal working relationship" with their counterparts in Parliament and used them to obtain decisions that they wanted. The rise of the Court Treasury Party meant that by the 1730s the colonies no longer gave much attention to Parliament. Rather, they turned to the executive, and the "ministerial factions were ... decisively linked with colonial factions."<sup>76</sup>

John Brewer's emphasis upon the growth in power of the executive, not the legislature follows the analysis of J. H. Plumb and Adam Smith. The broad British economic historians such as Patrick O'Brien and Stephan Epstein are far closer to

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<sup>73</sup> Brewer, *The Sinews of Power*, pp. 149, 151-152.

<sup>74</sup> Plumb, *The Growth of Political Stability in England*, p.

<sup>75</sup> Smith, *The Wealth of Nations*, p. 785.

<sup>76</sup> Olson, *Anglo-American Politics*, pp. 76, 106-108, 136, and 155.

Brewer's views in 1989 than to North and Weingast's. They see the increased ability of Britain to collect taxes as the result of the creation of a stronger government and administrative structure rather than the consent of Parliament.<sup>77</sup>

Modern historians disagree on the structure of power within the executive during the Hanover dynasty. Clearly England had what historians used to call "a liberal [restrained] authoritarian state," but the differences of interpretation center on the relative power of the king, the rising figure of prime minister, the cabinet, and the bureaucracy. Historians agree that Parliament as a broader legislative institution lost power to the executive branch, however defined. Nobles often served as high officials, probably because they had the executive experience of managing their estates and local government, but while in office, they derived their power from the rapidly growing bureaucracy they led.

From this perspective, the Glorious Revolution did not give the rural elite the dominant power to veto measures that they opposed. The rural elite and its Parliament had been ostentatiously excluded from the dominant coalition during the civil war and only partially restored under Charles II. Now, we think, they were simply being re-admitted as a junior partner to ensure that the agricultural interests of a predominantly rural country were taken into account.

Yet, we believe that Parliament did not represent the interests of the rural wealthy but those with the greatest power in 1660 and 1686, why do we agree with Pincus and Robinson that 1688 featured "a significant shift in power and authority to Parliament?" In our opinion the phrase needs to be understood more in process than policy terms. We agree with Brewer's summary statement in 2014: "Parliamentary approval was necessary for government to work at all ... [It] meant that policy matters were discussed in an extremely sophisticated (if self-centered) way."<sup>78</sup>

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<sup>77</sup> For Brewer's long and detailed discussion of taxes and debts, see Brewer, *The Sinews of War*, pp. 88-134. Patrick O'Brien, "Inseparable Connections, Trade, Economy, Fiscal State, and the Expansion of Empire, 1688-1815," in P. J. Marshall (ed.), *The Oxford History of the British Empire, vol. 2: The Eighteenth Century* (Oxford: Oxford University Press, 1998), 53-77; Stephan Epstein, *Freedom and Growth: The Rise of States and Markets in Europe, 1300-1750* (London: Routledge, 2000).

<sup>78</sup> John Brewer e-mail to Jerry Hough, February 14, 2014.

Brewer is not concerned about the locus of power in the executive, but the nature of the policy process and the need for mechanisms to ensure that a broad variety of information be brought to bear. He thinks that the mere holding of annual sessions and the demand that Parliament approve all laws and the budget guaranteed that this would occur, at least if those who dominated the system desired. This will be discussed in the next section.

### Parliament, Bureaucratic Specialization of Labor, and the Policy Process

Max Weber rightly argued that the essence of the transition to modern society, including a modern market, is the introduction of rule through universal and impersonal rules. Paul Aligica and Peter Boettke report that even scholars of the "spontaneous order" school believe the pursuit of individual self-interest in economic life is not productive unless it takes place "within a given system of rules."<sup>79</sup> Douglass North agrees and says such a system of rules is not part of the law of nature, but must be embodied in a network of laws that protect property rights in government courts.

Yet, because American economists give little attention to Weber, they have not absorbed the meaning of his analysis for economic development. They usually follow Adam Smith in focusing on the lingering harmful effects of guilds, other monopoly organizations, and monopoly grants in the mid-1700s, and they treat the end of such behavior as de-regulation. We quite agree about the desirability of the changes that Smith advocated, but de-regulation is a misleading word to describe them. Smith did not concentrate his attack on rules and regulations, but on various types of individual and personalistic subsidies or protection from market competition.

In fact, the network of rules and regulations must increase during marketization, not decrease. There cannot be a rule by rules without rules. A London of 850,000 people in 1776 could not be governed through monopoly guilds that set prices and wages and that resolved disputes over contracts. The number of people in each of these businesses simply became too large. Even a mercantilist state increasingly had to utilize a market, at least in most of the economy.

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<sup>79</sup> Paul Dragos Aligica and Peter J. Boettke, *Challenging Institutional Analysis and Development: The Bloomington School* (London: Routledge, 2009), p. 30.

In the process, property and property rights, which always existed, become more complex. Even serfs living on land "owned" by the lords had had customary rights in the houses in which they lived and the land they farmed, and property rights became far more complicated as the economy developed and increased in size.

Think of the personalistic credit of merchants and shippers, many of them friends and relatives, who created tobacco plantations in Virginia. Banks developed only in the late 1700s, and the simplest banks have far more complex property rights. Bank depositors have property rights. The banks have property rights in their loans but so do the borrowers. There must be complex rules on foreclosure and bankruptcy. Bank owners have complex property rights if they are members of a partnership, let alone if they are stockowners. If such property rights are to be protected, the maintenance of "law and order" must go well beyond police protection of houses and stores from thieves.

Yet, property rights cannot be protected in the courts unless there are laws to be enforced. The transition towards a modern society in the 1700s required not only the impartial enforcement of law, but also the creation of law. Dan Bogart and Gary Richardson, for instance, reported that between 1600 and 1815 Parliament passed 3,335 Acts about real estate property inheritance, 3,682 about enclosure questions, and 1,682 about roads. Analogous developments had to take place across the spectrum.<sup>80</sup>

The question of which rules and regulations are desirable is a highly controversial subject. What is important for us is that these controversies must be resolved. While scholars such as Bogart and Richardson have created data sets that list laws and regulations, they say little about how laws, rules, and regulations are enacted.

In John Brewer's view, the main role of Parliament after 1689 was not the right of veto on taxes. Indeed, he presents evidence of the subservience of Parliament in the financial realm. Instead, Brewer emphasizes the consequence of the formalization of way in which the budget, tax codes, and laws

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<sup>80</sup> Dan Bogart and Gary Richardson, "Parliament, Property Rights, and Public Goods in England, 1600-1815," Working Paper, 2010, pp 31 and 35. Also see Dan Bogart and Gary Richardson, "Property Rights and Parliament in Industrializing Britain," *Journal of Law and Economics* 54 (May 2011), 241-274.

were drafted. A range of interests was drawn in and was allowed to participate in the process and try to influence the outcome.

As John Brewer believes, it is impossible for technical laws and rules to be drafted by untrained members of Parliament during unstructured parliamentary debates. Rules and regulations may be amended during parliamentary debates, but they must begin as specialized drafts of some sort. Some rules and regulations may come from common law precedents and some from the codes of the commercial courts. Yet, the drafts of laws protecting new, complex property rights have to come from bureaucrats, law firms, interest groups, or members of Parliament with specialized knowledge.<sup>81</sup>

Brewer is known for his thesis that the British government became a "fiscal-military state, complete with large armies and navies, industrious administrators, high taxes and huge debts."<sup>82</sup> Nevertheless, a person interested in the development of a rational-legal society is most attracted to his seldom-cited concluding chapter on "The Politics of Information: Public Knowledge and Private Interest."

During the Restoration, the political system did not have the institutional base needed for a regularized policy process. It was treasonable to disclose the contents of parliamentary debates, and this restricted the amount of public participation in debate on the issues. Interest groups had to function through personalized access to the court.

All of this changed in the early 1700s. A parliament that met annually and had to pass all laws or taxes might or might not have great influence on the content of these decisions. At a minimum, however, Parliament had to have detailed debates and specialized deputies who knew the details of different policy areas. More important, lawmakers needed precise information that could stand challenge from all sides.

The bureaucracy was particularly important in producing increasingly specialized documents for the legislative and, therefore, the policy process. In an e-mail written three

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<sup>81</sup> Sheila Lambert, *Bills and Acts: Legislative Procedure in Eighteenth-Century England* (Cambridge: University Press, 1971). For the evolution, see the paper of Lucy Sutherland, "The Merchant Law of England," in *Lucy Sutherland, Politics and Finances in the Eighteenth Century* (London: Hambledon Press, 1984), pp. 9-36.

<sup>82</sup> Brewer, *The Sinews of Power*, p. 250.



decades later, Brewer recalled his own experience in the archives: "Anyone who has read the T1 class of documents, which is basically the chronologically configured inbox of the Treasury will be astonished at the volume and sophistication of the materials produced by other government departments and by interested actors in civil society." In *Sinews of Power*, Brewer simply alluded to the volume of detailed information in this file as he listed other agencies with similar files: the customs commissioners, the Excise, the Navy Board, and the Board of Trade.<sup>83</sup>

Brewer also emphasizes the changes that occurred in the interest group system during the evolution of the executive and Parliament in the 1700s. In a day of monopoly guilds and palace politics, the interest groups were seeking--and obtaining--access to the king and court, and this access tended to be personalistic. Edward III might assemble merchants to obtain information about the detailed implications of tariff changes, but the interest groups were basically engaged in what we now call "rent-seeking."<sup>84</sup>

Interest groups obviously continued rent-seeking in the 1700s--and today. Yet, as Brewer notes, many specialized interest groups, including economic ones, formed to gain access to the political process in a way that was impossible in a day of court politics. Each group came to include persons and sub-groups whose own interests were varied, and the interest group leaders had to negotiate among their members.

Each interest group pushed for more information from government, and each examined every bill to discover the implications for its members. In the process, the interest groups played an informational role for government as well as for themselves and the public. As Michael Kammen and Alison Olson emphasize, the colonists were a major player in this activity in the 1700s.<sup>85</sup>

We do not have the space to analyze this process as a whole, and we will concentrate briefly on one factor that

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<sup>83</sup> John Brewer e-mail to Jerry Hough, February 14, 2014. Brewer, *The Sinews of Power*, p. 221.

<sup>84</sup> Robert Ekelund, Jr. and Robert Tollison, *Politicized Economies: Monarchy, Monopoly, and Mercantilism* (College Station: Texas A & M University Press, 1997).

<sup>85</sup> Brewer, *The Sinews of Power*, pp. 231-249; Michael Kammen, *Empire and Interest: The American Colonies and the Politics of Mercantilism* (Philadelphia, Lippincott, 1970); Alison G. Olson, *Making the Empire Work: London and American Interest Groups, 1690-1790* (Cambridge, MA: Harvard University Press, 1992).

economists usually neglect but that Max Weber emphasized: the increasing importance of the bureaucracy. Its size rose sharply after the Glorious Revolution of 1688. The number of full-time fiscal employees alone went from 2,524 in 1690 to 4,780 in 1708, 6,497 in 1726, and 7,525 in 1770.<sup>86</sup>

The bureaucrats were not undifferentiated agents of the ruler, but began to specialize on different problems and acquire different types of knowledge. They had to be organized into specialized bureaus. Brewer rightly emphasized that long careers and internal promotion within a bureaucratic unit produced specialized knowledge and identification with that unit.<sup>87</sup>

Yet, such bureaucratic specialization of knowledge requires officials, coordinating bodies, and commissions that can bring this information together in the policy process. Coordinating bodies must be created, and ministries become more complex entities. The British system of government, unlike the American, developed a real cabinet and came to need a prime minister.

This evolution took an enormous length of time. As we saw in chapter 3, Geoffrey Elton argued that Henry VIII's chief minister in the 1530s, Thomas Cromwell, regularized the ministerial system, but more recently, historians argue that Cromwell was only a part of a long and gradual process.<sup>88</sup> They have tended to minimize the length of time needed.

The Treasury began effective supervision of other ministries only in the 1670s and 1680s, and this process took decades to develop. This key ministry remained subordinated only to the King after 1688, not Parliament. The great political figure of the period from 1721 to 1742, Robert Walpole, is considered the first de facto prime minister, but no such post existed at the time.

It is important to take great care when we discuss phenomena such as the king's and Parliament's oversight of

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<sup>86</sup> Brewer, *The Sinews of Power*, p. 66.

<sup>87</sup> Brewer, *The Sinews of Power*, pp. 79-85.

<sup>88</sup> Geoffrey Elton, *The Tudor Revolution in Government Administration: Changes in the Reign of Henry VIII* (Cambridge: Cambridge University Press, 1953); Christopher Coleman and David Starkey, eds., *Revolution Reassessed: Revisions in the History of Tudor Government and Administration* (Oxford: Clarendon Press, 1986), especially Coleman's introduction and conclusion on pp. 1-12 and 199-208.

ministries in the 1690s with formal models. In the 1690s, even the Treasury did not have real oversight over the ministries, and neither Parliament nor the ministries really were institutionalized bodies. Overly precise and abstract formal models often totally obscure the importance of time and the ambiguities in relations and assumptions about government structure as they evolve over decades and centuries. They fail to illuminate why the gradual change takes immense periods of time.<sup>89</sup>

We have already noted Stephen Baxter's argument that after the Restoration the Treasury Department slowly began to exercise the powers it already had. But as Baxter noted, the process was circular: "If these powers were to be in constant use, a natural consequence would be the development of a professional staff at the executive level."<sup>90</sup> By "professional," Baxter meant officials with specialized knowledge and with a sense of professionalism.

Again, we should not exaggerate. A great deal of pursuit of private interests and outright veniality continued to exist. Brewer himself documents a good deal of it himself. The literature on the colonies describes it in detail. When Stanley Katz asked rhetorically why the first four governors of the colony of New York under the Hanover dynasty sought these posts, he responded that "the answer is simple: they hoped to improve their fortunes in America."

Katz emphasized a number of sources of income for colonial governors: fees for land grants, other fees, "gifts" and "gratuities" in exchange for "his favor," retention of the money allocated for salaries and clothing for soldiers not hired in peacetime, profits on supply contracts, and profits on land speculation. Surely the English bureaucracy was not that different, but it and the colonial administration were still not the worse in Europe.

Both *The Sinews of Power* and *Violence and Social Orders* document the progress that the navy made in becoming a much more effective fighting force in the mid-1700s.<sup>91</sup> Indeed, that was part of the process by which the navy left broader politics and

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<sup>89</sup> See Gary Cox, "War, Moral Hazard, and Ministerial Responsibility; England After the Glorious Revolution," *Journal of Economic History* 71(2011), 133-61.

<sup>90</sup> Baxter, *The Development of the British Treasury*, p. 176.

<sup>91</sup> North et al., *Violence and Social Orders*.

became a purely professional organization. By the 1770s, Brewer says, the navy had no role in politics at all.<sup>92</sup>

The rise of a professional bureaucratic system is also, we argue, a crucial element in developing constraints in the policy process. Stalin's behavior clearly shows that a professional bureaucracy does not guarantee limitations on the arbitrary power of rulers. Yet, we agree with Weber that such a bureaucracy is a pre-condition for the creation of rational-legal constraints on governmental and military officials.

Indeed, there is a political logic to the link between greater bureaucratic specialization of labor and the development of restraints on the ruler. A small-scale warlord in the countryside can plausibly think he knows as much as about any policy question as any of his lieutenants or subjects. Modern rulers, by contrast, realize that specialized officials inside and outside of government know more than they do about a series of questions. Baxter notes that this was true of English monarchs after 1660: "the business of Treasury [gradually] became too complicated for the sovereign to grasp or control and the office assumed a measure of independence."<sup>93</sup>

In conclusion, we would re-emphasize that this book does not deal with the modern western countries, but development economists must never mistake the ideal world of their models even for the reality of the modern West. The British administrative system, both at home and the colonies, was far from Weber's ideal-type.

Development economists should not forget, however, that such behavior was not incompatible with the Industrial Revolution. Indeed, America in the 19<sup>th</sup> century also featured a great deal of corruption that did not prevent a century of growth. Rather they should look of the real experience of Britain of the 1700s and the United States of the 1800s and strive to help the developing countries achieve that kind of success.

That involved making the executive more efficient, improving the sophistication of the policy processes, developing

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<sup>92</sup> Brewer, *The Sinews of Power*, pp. 70-79. Stanley Katz, *Newcastle's New York: Anglo-American Politics, 1732-1753* (Cambridge: Harvard University Press, 1968), p. 28. General information is summarized on pp. 28-31, and especially in footnote 24 on pp. 29-30. John Brewer e-mail to Jerry Hough, February 14, 2014.

<sup>93</sup> Baxter, *The Development of the Treasury*, p. 4.

the financial system and the protection of property rights that North and Weingast emphasized in "Constitutions and Commitment," and moving towards the pluralist dominant coalition of public and private elites. Indeed, dominant coalitions do not disappear in modern societies. They simply become, it is to be hoped, more pluralist and open and more subject to majority wishes expressed in democratic elections. Many countries assumed to be democratic do not, alas, justify this hope.

