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TWO PATHS TO DEMOCRACY

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THE MINDA DE GUNZBURG

CENTER FOR EUROPEAN STUDIES
AT HARVARD UNIVERSITY



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First presented at the Annual Meeting of the American Political Science Association, Toronto, September 3-6, 2009. We thank Mircea Popa for expert research assistance, and Colin Crouch, Alex Hicks, Evi Huber, Gary Marks, Cathie-Jo Martin, Michael Shalev, John Stephens, Kathy Thelen and especially Peter Hall for many helpful comments.

ABSTRACT

We argue that differences in economic and political structures at the turn of the previous century caused two distinct paths of democratization in the currently advanced democracies. Countries which were “proto-corporatist” in the early to mid nineteenth century democratized subsequently under working class pressure (mainly Northern Europe and Scandinavia), while democracy was voluntarily extended in those countries that were “liberal” in this period (Britain and its settler colonies, and partially also France). Three reasons lay behind this: (1) Shaping an effective labor force in early industrialization required public goods, notably elementary education and sanitation, but proto-corporatist societies did not require democracy to provide them. Liberal societies, on the other hand, in which landowners were politically powerful and hostile to reform did. (2) In liberal countries the working class was fragmented into uncoordinated craft unions, hence not capable of sustained political pressure to bring about democracy; instead, democracy was the result of an inter-elite conflict, thus voluntarily extended by reformist elites. Industrialization in proto-corporatist societies, the other hand, generated industrial unionism and unified working class parties that could organize political pressure to bring about democracy. (3) Reformist elites in liberal countries did not fear that democracy would lead to major redistribution, since the fragmented working class meant that skilled workers and the middle classes would be opposed to redistribution to low income groups – reinforced by an elite-skilled worker-middle class coalition behind a majoritarian political system. By contrast, a unified working class threatened industrial elites in the proto-corporatist countries with redistribution once democracy was pushed through. As a consequence of these differences, liberal societies extended democracy voluntarily (after intra-elite struggles) because modernizers and industrialists needed political majorities to support public goods expansion, and they did not need to fear a unified working class; elites in proto-corporatist societies resisted democracy because they had the public goods anyway and had good reason to fear a unified working-class.

TWO PATHS TO DEMOCRACY

Industrialization and democratization were intimately connected for most of today's advanced democracies. An analytically compelling and empirically detailed characterization of the connection is that in Rueschemeyer, Stephens and Stephens (1992, chap 4), in which industrialization leads to working-class power. Often with left-liberal and sometimes left catholic support this produces pressure on elites to concede political representation. Acemoglu and Robinson (2005) present an extension of this position with a simple but powerful model of democracy as a rational concession when the probability of successful revolt to socialism becomes too high, and when democracy offers a credible constitutional commitment to redistribution.

Yet, as Ruth Berins Collier (1999) persuasively argues, democratization is not always the consequence of elite resistance and working-class pressure¹. She divides up key periods of democratization in the period from the mid nineteenth century to just after the end of the First World War into those in which there was accommodation to working class pressure from those in which labor's role was negligible or non-existent. We will refer to the latter as elite projects or instances of voluntary extension. In this chapter we only look at the advanced democracies of the second half of the twentieth century (Australia, Austria, Belgium, Britain, Canada, Denmark, France, Germany, Netherlands, New Zealand, Norway, Sweden, Switzerland, US).² Collier includes countries we do not cover, both in Latin America and the Mediterranean fringe, while omitting the white settler countries that we include. Collier's classifi-

1 Ziblatt provides a nice and analytically sharp survey of both Acemoglu and Robinson and Collier (Ziblatt 2006).

2 We do not study Ireland, Italy and Japan in this Chapter.

cation of episodes is very similar to our own based on independent reading of secondary sources. Collier in fact divides the cases which did not involve accommodation to labor pressure into two groups: those designed to generate political support (eg., the UK 1867 and 1884 Reform Acts) from those which reflected middle-sector pressure (liberal/republican projects) in which the normalization of the Third Republic in the late 1870s is included. Because we develop a different explanation from either of these – without at all denying that they were part of the picture – we collapse these two categories in one, which we call *elite projects*.

We list these in Table 1, (together with two minor disagreements or qualifications³). We introduce additionally the British white settler colonies and their successor states: the US states, Upper and Lower Canada, the Australian colonies and New Zealand; we will argue that in these states substantial moves towards democracy were voluntary extensions or elite projects, rather than institutional reforms conceded under pressure. By “elite project” we do not mean that the elite was generally united; on the contrary they involved a conflict between different elite groups, typically between an industrializing or modernizing elite against landowners. Yet they did not grant democracy because of pressure from the working class as implied in power resource theory.

Following a long line of scholarship that emphasizes party contestation over government and

3 The first is Switzerland: the working class is classified as not involved by Collier, and we agree, but since “democracy” in effect included a veto to the right against redistribution we do not count it as a full democratic episode - thus it is analogous to Acemoglu and Robinson's treatment of Singapore. In Norway, from 1898 to 1915, the Social Democrats and unions were involved in pressuring the liberals to accept working class candidates before developing an independent party (Luebbert 1991), and were involved in the final push for democracy (Rueschmeyer et al. 1992); so we classify Norway as a case of working class pressure.

Table 1. Collier's classification with amendments.

	Elite Projects	Working calls pressure
Agreement	France 1870s Britain 1867	Denmark 1901, 1915 Sweden 1907/9; 1917/20 Netherlands 1917 Belgium 1918 Germany 1918/19
Minor disagreement		Norway 1898 Switzerland
Additional cases	Australian colonies Canada New Zealand US States	

mass participation as defining elements of democracy (Przeworski et al. 2000), we loosely operationalize functioning democracy as a situation of competitive parliamentarism with substantial franchise (Keech 2009). The franchise in the episodes which we cover is largely male and largely white reflecting our interest in explaining critical developments of representation in burgeoning industrialization in the late 19th and early 20th centuries.⁴ Like Ziblatt (2010) we do not treat democracy as a one-off critical juncture, but as a series of episodes with sometimes violent reversals. Indeed, our argument helps explain why some countries experienced much faster consolidation of democracy than others, and why some eventually fell victim to fascism.

A key proposition in this chapter is that the elite project countries and the working class pressure countries were organized economically and politically in very different ways to each other before the onset of industrialization. Since *national* economies grew important during the industrial revolution, what mattered before industrialization was local economic and political organization. Guided by Crouch's seminal *Industrial Relations and European State Traditions* (1993), which we already highlighted in the introduction, the countries in which democratization

was eventually the result of working class pressure were organized locally on a quasi corporatist basis both in towns, with effective guild systems, and in the countryside with a widespread socially-rooted semi-autonomous peasantry, rural cooperatives and/or dense rural-urban linkages (with some exceptions such as the Juncker estates east of the Elbe, and parts of Austria)⁵. Crouch notes that all of these states were *Ständestaaten* in the nineteenth century – where the different estates (including organized professions) played a role in government. As before, we therefore refer to the pre-industrial political economy of these societies as *proto-corporatist*.

The elite project societies, in essence Anglo-Saxon (apart from France, which we discuss separately), functioned quite differently: well-developed property markets, substantial freedom of labor mobility, towns with limited local autonomy, and guild systems which had either collapsed (Britain) or had hardly existed (the settler colonies and the United States minus the south). We refer to the pre-industrial political economy of these societies as *liberal*.

France in the nineteenth century comes much closer to this liberal picture than to the proto-corporatist one, despite the role of the State and Paris. Even if peasants were *enracinés*, they were not lo-

⁴ In fact our explanations generate novel views of the reticence over female and black enfranchisement, as we discuss below.

⁵ The evidence for this is presented in (Cusack et al. 2007); for Sweden (Magnusson 2000).

cally coordinated. Property markets were active. The guild system, essentially state-dominated in the *Ancien Régime*, became ineffective once the 1791 Le Chapelier laws signaled the end of state support⁶. Labor mobility was high especially from the countryside to Paris. As in the Anglo-Saxon countries, associational life could be important; but as Philip Nord shows in his study of Republican associations in the 1860s these were not based on shared investments in economic activities, but the coming together of individuals with similar interests (Nord 1996). Analogously, while there were rural cooperative movements in nineteenth century France they were usually skin-deep and frequently run by *notables* or prefects (Zeldin 1973).

In the rest of the chapter we first explain the emergence of powerful and unified union movements in the proto-corporatist economies as the key development that compelled industrial elites to accept democracy as a necessary condition for capitalism. We then explain the emergence of democracy in proto-liberal countries, in which labor was weak and fragmented, as an outgrowth of elite projects to expand public goods, especially education, which were required for industrialization. The final section synthesizes our explanation for democracy in a simple game-theoretic model that highlights the key arguments and pinpoints disagreements with existing theory.

I. DEMOCRATIZATION IN PROTO-CORPORATIST COUNTRIES: THE RISING PRESSURE OF A UNIFIED WORKING CLASS

Democratization as the forced concession by elites to working class power rests on an industrially and politically unified working class. While this latter - a unified working class - was true of some countries in the process of industrialization, it was not of oth-

⁶ In the subsequent decade these laws were extended across much of the continent, but apart from the west bank of the Rhine they had limited long-term effect.

ers. Specifically, it was true of the proto-corporatist *Ständestaat* group, but it was not true of the liberal societies (see Table 2 for a summary). Since it was the proto-corporatist societies which conceded democracy under pressure, we see this as a persuasive confirmation of the argument that democracy in these countries came about through working class power against the interests of the bourgeoisie⁷. But the class power account does not explain why some countries developed strong labor movements while others did not. Nor, as Ziblatt has pointed out, does it explain why democracy proved much more resilient to reversals in some countries than in others, and why democracy was voluntarily extended in the liberal societies (or rather extended in those societies by one part of the elite against the resistance of other parts). That is the subject of section 3.

When we talk about an industrially and politically strong and unified working class, we mean that unionization is high and that unions are organized on an industrial basis, rather than a craft basis. Thus they do not compete across crafts in terms of job demarcation, wage bargaining, or control over the supply of skills and the number of apprentices. Industrial unions in addition organized semi-skilled workers (though not typically laborers). We mean in addition that the unions were closely linked to a social democratic party which saw itself as representing the interests of the working class as a whole (skilled and semi-skilled factory workers, as well as journeymen, but not master artisans).

With a few differences over the interpretation of Switzerland and France, Crouch (1993), Katznelson and Zolberg (1986), Luebbert (1991), Slomp (1990), and Thelen 2004, among others, have argued that the working class *grosso modo* developed in a unified way in the proto-corporatist countries but not in the liberal. Ebbinghaus makes a similar distinction between, on the one hand, *solidaristic unionism* (the Scandinavian cases) with encompassing unions organized by social democratic parties and *segmented*

⁷ By bourgeoisie we follow Rueschemeyer et al (1992) as meaning the industrial elite.

Table 2: State Types and Working Class Organization

<i>State organisation 1st half C19th</i>	<i>Working class late C19th early C20th</i>
Proto-corporatist origins	<p><u>Strong, coordinated industrial unions, socialist party</u></p> <p>Germany (also catholic) Sweden Belgium (also catholic) Norway</p>
	<p><u>Strong, coordinated craft unions, socialist party</u></p> <p>Denmark</p>
	<p><u>Weaker, coordinated industrial unions, socialist party</u></p> <p>Austria (also catholic) Netherlands (also catholic & protestant) Switzerland</p>
Liberal origins	<p><u>Fragmented craft unions, no unified w/c party</u></p> <p>UK France (3rd Republic) US states Australian colonies Upper, lower Canada New Zealand</p>

unionism (Germany, Austria, the Netherlands, Switzerland and Belgium) with strong interlinking between social democratic party and unions but also with religious cleavages, and, on the other hand, *laborist unionism* with sectional unions creating a party as in the UK and Ireland, the French case being one of *polarized unionism* (Ebbinghaus 1995).

These authors do not cover Australia, New

Zealand or Canada, but in the periods in question – from the 1850s to the 1890s – unions were relatively fragmented and operated on craft bases⁸. To use Marx's terminology (and with slight tongue in cheek) the working-class in the proto-corporatist economies

⁸ In the Australian colonies and New Zealand, the politically induced development of national arbitration systems at the turn of the century implied a greater centralization of unions, but this was long after democratization (Castles)

became politically a class for itself⁹. By contrast, in liberal economies the lack of either economic or political coordination led to a large number of independent craft unions; and politically labor either became a part of liberal parties or labor parties which themselves were lacking a socialist profile. Luebbert (1991) does not consider the white settler colonies or the US, but he identifies “socialism and comprehensive class organization” with Germany, Norway, Sweden, Denmark, Belgium and the Netherlands; while the labor movement in Britain is classified as “emphatically in favour of liberalism and trade union particularism” and in France and Switzerland “in favour of a distinctive mixture of liberalism and socialism” (1991, 166). Hence, strong or at least coherent labor movements - with industrial unions and social democratic parties standing for a unified working class - emerge in the process of industrialization in our proto-corporatist group of countries, while fragmented labor movements with uncoordinated craft unionism and at most weakly-organized unskilled workers and semi-attached to lib-lab political parties in which the interest of craft workers is aligned to that of the lower middle classes against low income groups emerge in liberal economies, notably Britain and France.

Thelen (2004) sets out comparable differences between Germany, on the one hand and the UK and the US on the other. She explains also why Denmark, despite being formally organized on craft union lines, fits closely to the picture of a unified union movement (Thelen 2009). Galenson (1952) also emphasizes the integration of the union movement in Denmark through a highly centralized industrial relations system starting in 1899; Due et al. (1994) and Martin (2009) have parallel discussions of this period in Denmark in relation to employer organizations. Katznelson, comparing Germany with England, France and the US in the nineteenth century, draws a similar distinction for German unions.

⁹ Working-class consciousness is not at issue. Revisionist labour historiography of the nineteenth century US demonstrates its existence there as much as in Australia, Britain and France. But it is not of relevance to the argument here.

He writes:

“Compared to their American, French and English counterparts, German trade unions were less likely to build barriers between different crafts, less likely to insist on guild-type controls, less likely to fight for traditional patterns of artisan rights and practices, and, overall, less likely to insist on distinctions between skilled and unskilled workers. ... The same emphasis on the ‘*arbeiter*’ class as a whole can be found in the very early creation, in the 1860s and 1870s, of an independent political party. Nineteenth century patterns of working class formation in France, the United States, and Germany thus differed sharply.” (Katznelson and Zolberg 1986)

One additional point needs noting: Apart from Scandinavia, there are also Catholic labor movements in the proto-corporatist societies (Germany, Austria, Belgium, Netherlands, Switzerland), incorporated within Christian Democratic parties. But, while originally set up to blunt socialist unions, they increasingly mimicked these or cooperated in order to retain the loyalty of Catholic workers.

Why did working classes develop in such different ways? Very broadly and with many qualifications, in proto-corporatist economies the combination of economic coordination and proto-corporatist states pushed union movements to become increasingly industry- rather than crafts-based, with close inter-union links and centralized structures; in part because of that, political representation of the working class developed in a unified way.

Three mutually reinforcing factors were behind these developments in the proto-corporatist economies. Thelen (2004), noting the differences between industrial unionism in Germany and craft unionism in the US and Britain, locates the origins of industrial unionism in the pre-existence of an effective system of skill production by guilds (and co-

operative rural communities) in Germany, and their absence in the US and Britain. Hence, she argues, it did not pay unions in Germany – although initially craft-based – to seek to raise wages by restricting the number of trainees and controlling work practices because they could ultimately not control the supply. This meant that any strategy of craft control was likely to fail. Instead they (gradually) became industry unions representing both skilled and semi-skilled workers, rather than the craft “aristocracy of the working class” that emerged in England. This argument extends to all the proto-corporatist economies, where there was an elastic supply of skilled workers from the guild system, and the artisan sector more generally, and from the training of craft workers in rural communities.

This was the case even during periods in which guild privileges had been legally revoked, since the informal features of these systems remained in place. Galenson’s analysis of the Danish case is instructive in this respect: “The persistence of the gild [sic] tradition is nowhere more manifest than in the structure of the labor market. ... When the guilds were abolished, the formerly closed trades were opened to anyone, one of the results of which was a serious deterioration of training standards. Many of the early trade unions displayed keen interest in the restoration of the old employment monopolies, and though they were not able to advocate such measures per se, they succeeded, in cooperation with their employers, in reinstituting a closed occupational system in the skilled trades through the medium of the apprenticeship. A series of laws was enacted to regulate this relationship, culminating in the Apprenticeship Act of 1937” (Galenson, 1952).

As the quote from Galenson hints, effective training systems benefitted both industry and artisan masters. The apprenticeship contract in general was a profitable exchange for the master – of training for cheap labor, which became increasingly skilled over the apprenticeship years. And since industry did not yet have effective training systems in place, trained journeymen were a desirable source of skills even if

they would have to learn new skills and procedures in factories. And if factory work was less attractive than craft work, industry wages were higher and thus compensatory.

This argument was reinforced by a second: *Ab initio* the labor markets in which industrialization in the proto-corporatist economies developed were relatively biased towards skilled labor. The main reason for this was the relatively abundant supply of skilled labor available to businesses as a result of trained journeymen. Proto-corporatist economies “solved” the collective action problems associated with the production of skills through guilds and rural cooperative arrangements. These skills may not have fitted exactly what new businesses wanted. But in general entrepreneurs had available a large supply of trained labor.

A further factor is the role of the state, reinforcing the long-term ineffectiveness of craft union strategies. Assuming that companies wanted to use the skills of the available workforce but wished to control the organization of production -- they did not wish either to adopt American or French techniques which ultimately implied a semi-skilled workforce nor to move towards continuing conflicts with craft workers as many UK companies did -- they could typically count on state or municipal support. Nolan provides evidence of this in the German case (Nolan 1986). Founders of companies in the proto-corporatist economies came from diverse backgrounds, including masters from the artisan sector as well as independently-minded professionals from the bureaucracy and army (Kocka 1986). While these were often highly entrepreneurial, they generally operated with close links in the mid- to late-nineteenth century to either the bureaucracy or municipalities which encouraged formal and informal association (Nolan 1986). This was the *Ständestaat* institutional legacy. As industrialization developed, therefore, businesses in many industries operated in associational ways. These were not employer associations until later; but they relied on mutual solidarity, as well as very often the power of the state and town government, both to

keep out unions for a considerable period of time, and to impose their own organization of production. This organization was not on craft lines, but typically distinguished sharply between management and *arbeiter*, even though a substantial proportion of the latter were skilled or semi-skilled (Kocka 1986; Nolan 1986). Thus when factory unionization developed seriously at the end of the long slowdown of the 1870s and 1880s and the tightening of labor markets in the 1890s and even more so in the first decade of the new century, the non-craft organization of workforces strongly reinforced the incentives for unions to organize on industry (or factory) rather than on competitive craft lines. Not only did skilled workers not see themselves as craft workers, but more significantly it was difficult for unions to impose craft job controls on the workplace.

In the one case among the proto-corporatist countries where unions were organized along craft lines, Denmark, well-organized employers forced a unification and centralization of the industrial relations system through massive lockouts, ending in the 1899 September Compromise. The new system resulted in a consensus-based approach to labor market regulation, reinforced by a corporatist state: “The main organization (i.e. LO and DA) were both accorded representation on the relevant councils, committees, boards and commissions, and implementation of legislation pertaining to the labour market was usually based on the principle that prior *consensus between the main organizations* was to be a prerequisite for any such measures” (Due et al., 1994, 70; emphasis in original). Although the system did not mature until the 1930s, it “shows a virtually linear development from the September Compromise in 1899.”

Close linkages between the state and associational activity also mattered for the nature of research and higher level skills acquisition. The proto-corporatist economies in the nineteenth century, as Rokkan noted, were often marked by governments (sometimes royal) pressing for modernization while remaining *Ständestaaten* in terms of political rep-

resentation. Thus as Crouch points out there was a more porous relation between industry and state than in the liberal economies (Crouch 1993). Via informal cartelization, governments encouraged companies to specialize in higher quality goods; and, especially in Germany and Sweden, encouraged research and training of engineers and chemists through royal foundations. Hence there was an underlying incentive for nascent businesses to use skilled labor and aim at relatively up-market strategies. The fact of relatively skill-intensive workforces then meant that workforce cooperation, moderation of real wages and ultimately the training process itself became important issues for business, issues which were difficult to solve without union cooperation. Thus agreements with unions which traded cooperative workforces for collective bargaining were attractive to both sides. But, to be credible bargaining partners to business in the supply of cooperation, unions needed to have the power to control their local affiliates within factories: hence unions needed centralized power outside the company. But unions, even when understanding the need for centralization, were often prevented by their locals from imposing it. This led business and business associations to pressure unions (often brutally) to acquire increased control over their members and affiliates (Swenson 2002).

For these reinforcing reasons unions in proto-corporatist economies were organizing labor on an increasingly industrial and centralized basis by the first decades of the twentieth century. In turn social democratic parties emerged, working closely with industry unions, as parties representing both skilled and unskilled workers. There were several reasons for this. First, industrial unions had common goals in training, wages, and broad-based social insurance in these systems by contrast to their craft union counterparts in liberal economies where the exclusionary logic of controlling skills and jobs led to a worker aristocracy. Where a union was broadly representative of workers in an industry it could reasonably believe that its interests would be promoted by the political organization of the working class – as opposed to relying on liberal parties who might support the skilled

elite of the working class but not its broad masses. The broad political organization of the class implied the possibility of mass mobilization both in the event of attack and of promoting enhanced political power and eventually democracy.

Second, as Gary Marks nicely argued in relation to multifarious American craft unions in the late 19th century, free riding undercut union financial commitment to a national labor party (Marks 1989). The same argument in reverse suggests that industrial unions – each with a monopoly of an industry (apart perhaps from a confessional competitor) – did not have this collective action problem. They were simply too big not to recognize their responsibility in ensuring the political success of the movement.

The German Social Democratic party exemplified an interaction between industrial unions and party that had a build-in expansionary logic. Lepsius shows how union and party goals co-evolved in the German context of separate working-class social milieus of the early twentieth century: the SPD could organize effectively only in those milieus; hence the margin of socialist political growth was intensive – to bring unskilled workers into party. But unions did not want to represent unskilled workers, still less laborers; so party policy was to ensure that they became trained and at least semi-skilled. This is the exact opposite of the almost century long agreement in the Labour Party that the party did not concern itself with so-called “industrial questions”, notably about skills and vocational training; the whole issue of apprenticeships belonged to the craft unions, pre-eminently the engineers. This argument is reinforced by the fact that other social groups, for example the Catholics, as well as the Protestant farmers, the *Mittelstand* and so on, were already organized in their own parties; so that in general representative parties can best expand support intensively *within* the broad social groups they represent. A similar argument applies to most proto-corporatist countries since they were characterized by representative parties linked to broad social groups. But the German Social Democratic party was commonly taken as model by so-

cialist parties in these economies. Thus in proto-corporatist economies, the working class developed in a coherent and relatively unified way both industrially and politically (Luebbert 1991).

Note, though, that although the unions were kept at arm’s length politically they were increasingly moving towards agreements with business. As Figure 1 illustrates, the business production model based on integrated skilled and semi-skilled workers required agreements with centralized unions who had control over their locals. Absent that control, as we have said, organized employers had to force centralization on unions through lockouts (Swenson 2002). Thus agreements with powerful central unions were necessary to secure the cooperation of skilled workers and this was noticeable in the early years of the twentieth century. These agreements covered explicitly or implicitly the right of managers to organize production and the implied workforce cooperation, collective bargaining, and issues related to training and tenure; in essence, these agreements enabled industry to invest in co-specific assets with their workforces. So the period before the full incorporation of labor into the political system was advantageous to (especially big) industry: on the one hand industry could structure agreements with unions which were underwritten implicitly by the political regime, at least for industry; on the other the politically unified working class was kept out of effective political power and thus the possibility of advancing redistribution and social protection on its own terms. Unions therefore had two reasons to push for effective democracy: on the one hand redistribution and social protection; on the other to be a full party to the political underwriting with industry of the framework of industrial agreements which were rapidly developing.

By contrast, in the liberal economies, none of the three conditions above held: Absent an effective supply of skills from guilds it was feasible for craft unions to control skill supply (Thelen 2004). Absent organized employers it was difficult to pressure unions to centralize and develop strategies of cooperation. Finally, there was generally an abun-

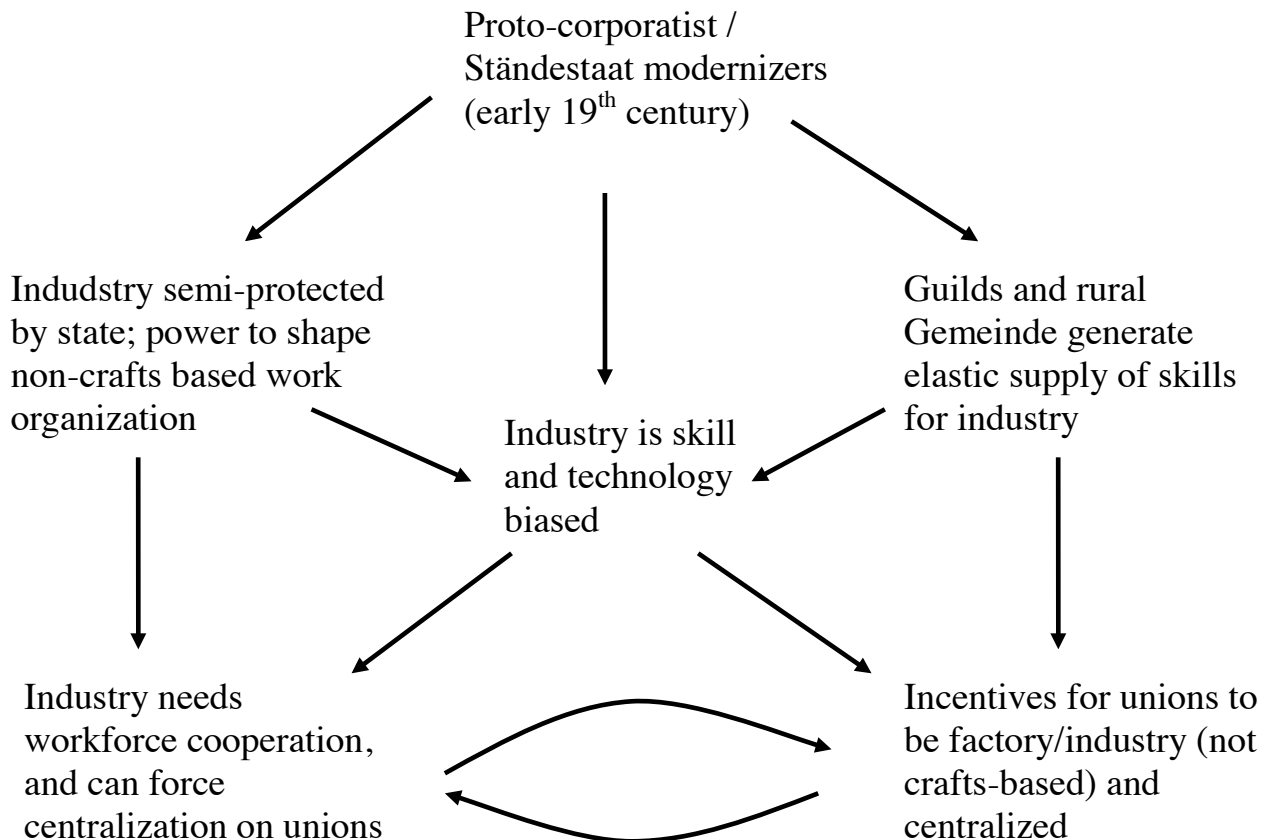
dant supply of unskilled labor: the result of either movement off the land as a result of commercialized agriculture, or immigration, or both. Hence (in the late nineteenth century) uncoordinated businesses chose one of two strategies: Where it was difficult for individual companies to exclude unions, they accepted unionization for skilled workers while tending to move away from product markets which required substantial skilled labor in order to compete. Or as in the US or France, where the political system allowed it, large companies excluded unions in part by violence and in part by developing technologies which minimized the need for blue-collar skills; and craft unions organized in small companies and in the artisan sector (Katznelson and Zolberg 1986).

Thus in liberal economies unions developed along craft lines, with individual unions concerned to restrict apprenticeships, and to demarcate work by exercising tight controls on work practices, with no reason to coordinate amongst themselves apart from

the promotion of a friendly legislative environment, with little in common with the goals of unskilled workers. Politically, representing the “respectable working man” by contrast to the “great residuum” of the poor, they could find a home in liberal parties. Most important, they shared with the middle classes a blanket hostility to redistribution to the poor. When labor parties developed, they had to balance the claims of competing constituencies. As we show in the next chapter, in a majoritarian political system they did so in a manner that greatly advantaged privileged skilled workers.

Thus the extension of the franchise to the working class was not dangerous in liberal economies in which the working class was split and uncoordinated, and in which the “respectable working man” had political interests not far removed from those of the lower middle classes. By contrast, in proto-corporatist economies, the working class was coordinated and more uniformly organized. Once allowed

Figure 1. Proto-Corporatist States and Industrial Relations Structuring



to influence or shape policy-making it threatened far more serious redistribution. But, paradoxically, it was where the working class reached the highest levels of organization and was able to unite behind a socialist-reformist party and union movement that the transition to democracy was least contentious. Any perceived organizational weakness, including divisions along ideological and/or religious lines, invited attempts by the right to thwart the transition to democracy. Even as business developed collaborative institutions with unions in the industrial relations system, the political right resisted democracy. The contrast between Germany and Scandinavia (represented by Denmark and Sweden) offers a good lens through which to understand this. We rely here on well-established research in the power resource theory tradition, and we will not belabor what others have already shown. The main point we want to make is that where democracy was largely a contest over distributive politics, a democratic constitution came as the result of the left being able credibly to commit to economic disruption now and in the future unless distributive goals were met. Democracy itself was not a credible commitment mechanism, and it proved resilient where the left was organizationally entrenched.

DEMOCRACY BY CONCESSION: WORKING CLASS PRESSURE IN SCANDINAVIA AND GERMANY

The first major step towards democracy in Sweden came with the introduction in 1907 of universal male suffrage for the lower house and a relaxation of property requirements for election to the upper house (Anderson 1998). Conservatives had been consistently against such reforms, looking instead to Prussia and imperial Germany for a model of an illiberal regime. According to Rueschemeyer et al. (1992) the Swedish bourgeoisie supported the Conservatives, along with the upper echelons of the central bureaucracy and army, and the right was united by their opposition to enfranchising lower classes as well as their support for the monarchy and the Lutheran Church.

Unlike Germany, however, the landed nobility was weak and had been gradually transformed into a “bureaucratic aristocracy” (Rustow 1955). Instead, most of the land was owned by independent farmers who constituted an important middle segment open to alliances with not only the urban middle classes but with the moderate left. As unions and the social democrats grew in strength, the independent peasantry joined in their call for universal male suffrage.

But as Rueschemeyer et al. argue, one cannot understand agrarian support for universal suffrage, and the eventual capitulation by the Conservatives, without attention to the growing organizational strength of labor. The reforms introduced by the Conservatives in 1906 were preceded by protests and industrial action, including a general strike in 1902 involving more than 100,000 workers (Verny 1957). The role of the unions and the political left is even more evident in the aftermath of World War II when mass protests and a growing fear on the right of revolutionary conditions led to across-the-board democratic reforms, including parliamentary government and universal suffrage for both houses (Verny 1957; Collier 1999, 85). The only democratic demand not met by the right was the formal preservation of the monarchy itself (Rueschemeyer et al. 1992, 93).

Unlike the right in Britain, Swedish conservatives abandoned their opposition to democracy only when it was evident that the economic and political power of the left and their allies would otherwise threaten the social peace and perhaps capitalism itself. In some measure at least, it also mattered to the calculation on the right that the police and military was relatively weak, with a conscript army that represented serious issues of loyalty if used for overt domestic purposes of repression (Tilton 1974). Rueschemeyer et al. argue that the weakness of the military itself was a function of the agrarian class structure with independent farmers and smallholders blocking the taxes for the purpose of war fighting.

Unions and the left in Sweden may well not have been in a position to cause a revolution, and this

seems not to be a necessary condition for democracy. The Danish case suggests that the key is instead organizational capacity for serious civil and economic disruption. The point is well illustrated by the Danish “September Agreement” in 1899. Although the outcome of the massive strike-lockout was in many ways a victory for employers as they sought to centralize industrial relations and reassert their right to organize work and production (see the previous section), it also resulted in an institutionalized recognition of unions’ right to organize and to call strikes. An elaborate system of bargaining, rights to call strikes and lockouts, and binding arbitration was set up to manage two powerful players with conflicting but overlapping interests. The massive conflict that resulted in the compromise was clearly not a revolutionary moment in the Acemoglu and Robinson sense, but it was a milestone in the union struggle for organizational and political recognition. With all the might of an exceptionally well organized business class levied against it, the settlement was an expression of the resiliency of the labor movement. The resulting institutions also helped entrench the organizational power of labor, and organizational entrenchment, we argue, is a necessary condition for stable democracy in proto-corporatist countries. Where it is lacking, as in Germany, democracy is not a credible commitment to redistribution.

The first major move towards democracy in Denmark came with the introduction of a parliamentary constitution in 1901, and with universal suffrage (for both men and women) for both houses in 1915. In both instances it was a red-green coalition that pushed for reform against the wishes of the Conservatives (and the king). By 1913 the Social Democrats was the largest party in terms of votes, and with the allied Radicals (formed as a splinter from the Liberal Party) they gained real influence over public policies for the first time (Collier 1999, 82). As in Sweden, therefore, the possibility of alliances with a middle-class of independent farmers and small-holders played an important role, and so did the weakness of the landed aristocracy. Repression of the democratic movement would have been exceedingly costly, if

not impossible. Democracy, while deplorable from the perspective of the Conservatives, was better than the alternative of perpetual industrial and social conflict. And while the democratic institution was hardly irreversible, the strength of unions and the left never abated, even in the face of mass unemployment in the 1930s. Indeed, the support for the Social Democrats reached its pinnacle in 1935 with over 45 percent of the vote.

In many respects the move towards democracy in Germany resembles the Scandinavian cases. Indeed the rise of the left was aided early on by universal male suffrage to the Reichstag. Although the parliament was merely “a façade for authoritarian rule” (Collier 1999, 103), it gave the Social Democratic Party a platform from which to mobilize voters. Already in 1890 it won nearly 20 percent of the vote, and by 1912 it gained a third of the vote and 28 percent of the seats in the Reichstag (Collier 1999, 104). Despite anti-socialist laws to stem the tide of left support, unions also grew in rapidly strength. According to data compiled by Przeworski and Sprague (1986), the share of unionized industrial workers swelled from 5.7 percent in 1900 to 13.8 percent in 1910 and 45.2 percent in 1920 (76-77); faster than in either Denmark or Sweden.

Unlike its northern neighbors, however, the right was also strong and united in its opposition to democracy. It is a common argument that this opposition was led by a coalition of heavy industry and the landed nobility (“iron and rye”), but Rueschemeyer et al. make a strong case, building on Blackburn and Eley (1984), that the entirety of the German industrial elite opposed democracy, even as some endorsed collaboration in industrial relations. We do not need to settle the contentious issue of whether the business elite also aided and abetted in the Nazi takeover because our claim is only that employers outside of heavy industry prefers a corporatist arrangement with labor-industry coordination, but without the redistribution and expansionary social policies that come with democracy. Such coordination emerged well before the Nazi takeover and it continued, in a

new form, under Nazi rule (Thelen 2006, ch 5). It certainly did not require the militarism, anti-Semitism, and brutality of Nazism, but nor did it rule it out. Democracy was the greater evil and it was conceded by the German right only under revolutionary conditions in the wake of military defeat.

The details of the complex conditions that gave rise to the Weimar republic need not preoccupy us here. The key is what most agree on: The need of the center and right to fend off a serious revolutionary threat. The war had discredited the Kaiser and the institutions of Imperial Germany, and as massive strikes broke out across the country in October 1918 revolutionary conditions were palpable with declaration of a Socialist Republic in Bavaria. The formation of a socialist government in Berlin under Friedrich Ebert, which included SPD's more radical splinter party, the October revolution seemed like it might spread, and in response the industrial elite rejected the hard line position of the Conservatives and both liberal parties offered accommodation to the SPD. The army also quickly declared its willingness to offer loyalty in exchange for cooperation in the suppression of the revolutionary insurgency. Ebert and the SPD accepted, and the revolutionary movement was put down (Collier 1999, 105-108). The democratic Weimar constitution was adopted the following August. It is perhaps the clearest example of the Acemoglu-Robinson logic of conceding democracy in the face of a revolutionary threat.

Yet democracy turned out to be a short-lived, and in that sense the concession by the right was not a credible commitment to redistribution. To understand the demise of Weimar we need to consider not only the strength of the Junkers and their alliance with big business – and the mirror absence of a small-holding class as a potential alliance for the left -- we also need to consider the declining organizational strength of the left. Table 3 shows unionization rates among manual workers and the electoral support for the left from the turn of the century (and after introduction of universal male suffrage; though not democracy in the German case) until World War II (or

the end of Weimar in the case of Germany). Note that all three countries experienced an early surge in the electoral strength of the left, and this was particularly evident for the German SPD where long-standing representation in the (powerless) lower house gave it an early edge. For awhile German unions also led the way, rising fast until the 1930s.

But unlike Denmark and Sweden, the German labor movement lost its momentum, first in terms of electoral support and then in terms of unionization. The split of the Social Democrats and the bitter divisions over the October revolution, combined with rising electoral losses to the radical right, caused a 20 percent drop in SPD's vote share and a 15 percent drop for the left as a whole between the beginning and end of the Weimar republic. The economic crisis also took a severe toll on the unions. German unions did not control the administration of unemployment benefits unlike their Scandinavian peers (through the so-called "Ghent" system), and rising unemployment caused massive exodus. In Scandinavia, by contrast, unionization was either steady (Denmark) or rising (Sweden). The strength of the left was also rising in these countries during the 1930s, benefitting from a widespread perception that a unified left under social democratic control presented the only hope for recovery and political order. The Danish Social Democrats had the best election ever in 1935 running under the slogan "Staining or Chaos". In Germany the same message of order became tragically associated with Hitler and the Nazis.

It is instructive that the dwindling support for the left and unions was roughly proportional to the opposition of big business to the grand coalition which included SPD, the Catholic Center Party, and the two liberal parties, the German Democratic Party (DDP) and the German People's Party (DVP). After the governing parties headed by Center leader Brüning failed to secure a majority in the 1930 election, Brüning ruled by decree while the liberal parties sought a solution that would include the Conservatives and the Nazis. The right was by now vehemently opposed to any accommodation of Social Democratic demands

for social protection and redistribution, and the Weimar republic came to an end under Papen, who handed over the reins to the Nazis after the fateful 1933 election (Rueschemeyer et al. 1992: 110). The power of the left proved transitory and so did business and

liberal support for democracy. Lasting democracy in the proto-corporatist countries depends on a strong and organizationally entrenched labor movement.

Table 3. Left share of vote and unionization, 1900-1930s.

Year	Denmark			Sweden			Germany		
	Social Dems	Total left	Union-ization	Social Dems	Total left	Union-ization	Social Dems	Total left	Union-ization
1900			14		9				6
1901	17	17							
1902									
1903	20	20					32	32	
1905									
1906	25	25							
1907							29	29	
1908				15		15			
1909	29	29							
1910	28	28	16		12				14
1911				29		29			
1912							35	35	
1913	30	30							
1914				36		36			
1917				31		39			
1918	29	29							
1919							38	46	
1920	32	33	37	30	32	36	22	42	45
1921				36		44			
1924	37	37		41		46	26	36	
1926	37	38							
1928				37		43	30	41	
1929	42	42							
1930			34		42		25	38	26
1932	43	44		42		50	20	37	
1933							18	31	
1935	46	48							
1936				46		54			
1939	43	45							
Total change	26	28	20	31	33	39	-13	-1	20
Ch from peak	-3	-2	-3	0	0	0	-20	-15	-19

Sources: Vote shares are from Mackie and Rose (1974); Unionization rates are from Przeworski and Sprague (1986), pp. 76-77.

II. DEMOCRATIZATION IN LIBERAL STATES: CREATING MAJORITIES TO PROVIDE PUBLIC GOODS.

The mere fact that the working class in liberal societies was fragmented may explain why democracy was not strongly resisted, but it offers no positive explanation of the extension of the franchise. An old argument, perhaps now treated with some caution, is that as education rises so pressure for democracy grows; this is part of the modernization argument associated with Lipset and many others. The argument has some limited applicability to the proto-corporatist countries, as we discuss below, but not in liberal countries. In these cases the causal argument is reversed: under some circumstances democracy can create majorities for a range of public goods important for modernization and industrialization, including education. This is particularly the case for elementary education and the range of issues of sanitation, slum housing, health and town planning. This path to democratization is usually the consequence of inter-elite conflict: a modernizing/industrializing elite may seek to extend the franchise to provide it with a firm majority against a conservative/landowning elite which wishes to resist the creation of such public goods (and democracy itself, of course). The working-class is relatively unimportant in this story because it is fragmented; the interest of artisans and skilled workers and their craft unions is against redistribution to the masses of the poor, while in favor of education and sanitation reforms.

The argument that democratization creates a majority for public good extension has recently been insightfully developed (or revived) by two pairs of economists and a political scientist. Lizzeri and Persico (2004) argue that the 1832 Reform Act in Britain was designed to create majorities behind public good expansions in sanitation in the rapidly expanding and uncontrolled new manufacturing towns. In broader terms, but with fine-grained historical analysis, Morrison analyses the 1832 Act as a conflict between Whigs (modernizers) and the dominant landowning Tory class, to generate a more reform-oriented Commons (Morrison 2009). And Engerman and Sokoloff

(2005) argue that the new western states of the Union in the early nineteenth century extended wide suffrage to attract settlers with families with some guarantee that they would be able to vote for education; other states then followed suit competitively.

But these arguments raise an analytic question that the authors do not address. If an elite has the political power to extend the franchise to build a majority in support of public goods, why can it not simply produce the public goods without the need for building an electoral majority? There are in our view three reasons for this. The first is that in a context of continuing struggle within the elite (between landowners and industrialists, for example), extending the franchise is easier than subsequently retracting it. Thus, if modernizers *can* extend the franchise at any particular moment in time, it may give them a long-term advantage, stymieing future attempts by, say, landowners to roll back contentious public goods. A long-term commitment by government might also be necessary for major private investments contingent on and necessary for public goods provision. Of course, traditional elites may have understood this and therefore be tempted to agree to public goods extension without franchise extension. But this points to a second and related reason for franchise extension. Traditional elites could not credibly make such promises because of the formidable collective action problem posed by the political entrenchment of local elites in a large number of dispersed municipal governments. Unless local governments were also democratized, it would be very hard to implement major public goods programs.

Finally, and more contingent, franchise extension may also reflect the fact (for example in the most complex and confused episodes of democratization, Disraeli's 1867 Reform Act) that the "public goods modernizers" do not have a majority for the public goods but could form a majority for franchise extension with a Conservative party which believed that the new working class electorate would be future Conservative voters. Disraeli, in other words, may have believed that franchise extension would bolster

his long-term vote even if it also ensured a long-term entrenchment of public goods; and he needed support for franchise extension from modernizers who saw public goods extension as more important than future liberal government.

Thus “public goods” democratization in liberal systems normally implies some form of elite conflict. Where that was the case (as in 1867 or in the mid 1870s in the Third Republic), democratization was not predictable – either side might have won. This doubtless accounts for the complexity of these episodes, as McLean shows beautifully for the 1867 and 1884 Reform Acts in the UK (McLean 2001). But it is not necessarily the case: the Colonial Office was in a powerful position to extend the franchise in the self-governing colonies even if the landowner class there objected. Our concern is not to provide a detailed analysis of each case of democratization but rather to suggest a general mechanism which seems to have been widely present.

The economic historian Peter Lindert in seeking to explain the rise of public education argues that “[t]he rise of voting rights plays a leading role in explaining why some nations forged ahead in education and others fell behind”. His focus for pre-democratic nineteenth century laggards is on France and England, thus in line with the argument here (Lindert 2004).¹⁰ Lindert does not argue, as we do, that this effect of democracy was also a reason for democracy.

Bentham does. As Lieberman nicely points out, Bentham’s deep support of democracy did not spring from the belief that it would lead to equality (as one might have expected from the maximization of the happiness principle), but to the demolition of the “sinister interests” – the monarchy and the landed aristocracy – whose presence in government frustrated reform (Lieberman 2008). Interestingly he did not believe that voters would support

egalitarian policies, but rather that democracy would enable a strong centralized government to carry through reform: “Bentham’s democracy .. was served by a strong state, whose responsibilities in areas such as public health, indigence and education extended well beyond extended political conventions” (ibid, 617). Bentham was in fact a critical reference point to key Victorian reformers, politicians such as Grey and Russell, the brilliant technocratic intermediary the Earl of Durham, and civil servants such as Chadwick (MacDonagh 1977). But Bentham appears not to have explained how the sinister influences would be overturned in the attempt to extend the franchise.

We suggest that the provision of the public good of education provided a strong positive argument for extending democracy in the liberal economies. Before the extensions of the franchise, landowners and local notables had substantial political power at both national and local levels. For them spending money on education was not only unnecessary, it also enabled those who had been educated to move where they liked, often away from the land. The precise logic of franchise extension to create a constituency for education will be spelt out in particular cases below, but for now note that it is broadly aligned with industrial interests and with more general state modernizing interests in creating a productive economy.

EDUCATION IN PROTO-CORPORATIST STATES

By contrast, the problem of public goods provision applied to a much lesser extent to the proto-corporatist economies. Both towns and rural Gemeinde had interests in the provision of education. As more craft-oriented communities, elementary literacy and numeracy were of importance. And with the political structure to take decisions binding inhabitants at the local level, the collective action problems behind the provision of a teacher’s salary and a schoolhouse were less constraining. Both German states and the Nordic countries were leaders in promoting education, and this worked with the cooperation of villages

¹⁰ But democracy is not always necessary and educational success in pre-democratic Germany is explained by Lindert by decentralization, not out of line with the explanation for literacy in proto-corporatist systems which we develop here.

and towns. In the area of vocational training the system in industry evolved as an extension of the system in the artisan sector, supported by both the emerging industrial relations systems and a corporatist state. In a very indirect way we may thus agree with modernization theory that education in proto-corporatist countries was a precondition for democracy because it facilitated the emergence of a unified working class. But this is not true in liberal countries where the *absence* of effective education provided elites a motivation to support democratization.

There is a complex question in these societies of the relation of literacy to religion: Protestantism, especially Lutheran and Calvinist, attached high importance to reading, more so than Catholicism; and the figures in early nineteenth century Prussia (where literacy in Protestant and Catholic communities can be compared) bear this out. Also, it is probably true that Catholic village schools taught boys more than girls.

Carl af Forsell put the matter in this way in the early nineteenth century:

Most foreign geographies and statistical works, e.g., those of Stein, Hassel, Crome, Malte Brun and others, maintain that the lower classes in Sweden can neither read nor write. As for the first statement, it is completely false, since there is not one in a thousand among the Swedish peasantry who cannot read. The reason for this is principally the directives of Charles XI that a person who is not well acquainted with his Bible should not be allowed to take Holy Communion and that a person who is not confirmed should not be allowed to get married. One might nowadays readily add that, in order to be confirmed, everyone should be able to prove that, besides reading from a book, he also possessed passable skills in writing and arithmetic. Even if in other respects the cottage of the farmer or the crofter gives evidence of the highest poverty it will, nevertheless, nearly always

contain a hymn-book, a Bible, a collection of sermons, and sometimes several other devotional manuals. The English Lord Chancellor, Brougham, said in Parliament on May 1st 1816, that in the previous six years 9765 couples had been married in Manchester, among whom not a single person could either read or write¹¹. According to the *Revue Encyclopedique* of October 1832, seventy-four adolescents out of a hundred in the northern departments of France could read, whilst in the western ones it was twelve out of a hundred, and in the whole country only thirty-eight out of a hundred. (While we may want to take some of the numbers with a pinch of salt the quotation is by a leading literacy historian Johansson (Johansson 1988), p 58.)

Johansson goes on to say:

First, the ability to read gained ground much earlier than the ability to write, whereas these two skills have followed each other closely in most other countries. Second, people were persuaded to learn to read by means of an actual campaign initiated for political and religious reasons; during the reign of Charles XI, for example, the Church Law of 1686 contained a ruling concerning a religious and Sunday-life reading for every man. Third, this reading campaign was forced through almost completely without the aid of a proper school system in the countryside. The responsibility for teaching children to read was ultimately placed on parents and godfathers. The social pressure was enormous. Everyone in the household and in the village gathered each year to take part in instructions and examinations in reading Gothic letters and biblical texts. The adult who did not succeed for a long time at these meetings would be excluded from both Holy Communion and permission to marry. (ibid, 58).

11 Brougham was Lord Chancellor when Forsell was writing in 1833 but not in 1816 when he was an MP engaged in promoting unsuccessfully education reform for the poor.

This speaks to powerfully organized and relatively autonomous rural and town communities, and Johansson provides other evidence to support it. Is this just the effect of a strong Lutheran church? Nilsson and Svard suggest not by comparing writing ability in Freehold and Manorial parishes in Scania, a region of Sweden, in the early nineteenth century: 24.7% of males over 16 could write in the freehold parishes, but only 6.7% in the manorial. Confined to freehold farmers the numbers are almost 50% versus 12%. Lutheranism (or Pietism) is common to both, suggesting that the key difference is the peer-sanctioning capacity in the freehold parishes (Nilsson and Svard 1994). They estimate that there is about 20% writing capacity in the population overall. Gawthrop and Strauss note that “recent scholarly work supports the contention that primary school education was becoming nearly universal in early nineteenth century Germany” (Gawthrop and Strauss 1984). This is confirmed by Lundgreen, who also shows a much broader picture of centrally organized technical and engineering training at this period in Prussia (Lundgreen 1975).

In an illuminating Franco-German comparison, Mary Jo Maynes (Maynes 1979) compares educational attendance in the Vaucluse with Baden. Both areas have minority religious groups, protestant and catholic respectively. She finds national differences strongly outweigh religious ones. “These estimates indicate that school enrollments in the Vaucluse around 1800 ranged from about 20 percent of six-to-thirteen year olds in communities of fewer than 500 inhabitants to about 30 percent of school-aged children in the largest communities; in Baden, enrollment figures were much higher, between 70 and 90 percent of school-aged children. By 1840, enrollments had risen in both areas. About 40 percent of the children in the smallest communities of Vaucluse attended school and 50 percent of those in the larger communities; but in Baden enrollments in communities of all sizes approached 100 percent of school-aged children.” Maynes explains this gap in a way that is strongly supportive of our conjecture. The communal method for supporting these schools made

school attendance easier in Baden for reasons that had less to do with parental motivation than with economic feasibility. Communal ownership of property and retention of critical communal resources provided incomes for teachers in even the smallest communities. To be sure, small communities in Baden were not as able as towns and cities to raise attractive salaries for schoolmasters, but nearly all could offer something. Drawing from an impressive variety of sources, they were able to put together a living large enough to support a teacher and still keep tuition fees relatively low.

A school budget from the village of Neidenstein is illustrative. Neidenstein, with a population of about 600 at the turn of the nineteenth century, was about two-thirds Protestant and had Catholic and Jewish minorities. “The community supported several schools at the same time during the late eighteenth and early nineteenth centuries” (616-7). And she continues “....complaints [in France] about the high cost of paying a teacher may sometimes have been no more than dodges contrived by municipal councils dominated by interests opposed to public schooling. This can be seen quite clearly, for example, in the case of the town of Apt, whose council voted during the 1780s to withdraw subsidy from the Christian Brothers’ School, since the education of the poor ‘tended to take a great number of workers away from agriculture’.” But in Germany, “[t]he financial structure which supported schools in Baden bore marks of a political economy centered on communal tenure of property: the availability of communal lands, to which teachers could be granted usage rights, and the persistence of communal claims to part of the surplus extracted by outsiders in the form of rents and tithes, meant that the teacher’s salary could be secured without undue strain on the communal fisc. Furthermore, the income was shielded from the vagaries of the politically influential during a period when such influence could easily translate into hostility toward popular education.” (620-1).

PUBLIC GOOD PROVISION IN LIBERAL STATES

In liberal economies, before the wide extension of the franchise, the landowner class controlled most political decisions in the countryside, and oligarchies were the political bodies in towns. At national level, landowners were the dominant political class in England, planters in the southern US states and colonial governors and landowners in the white British settler colonies. The state played a larger role through prefects in France, though until the Empire they represented combinations of the aristocracy and the haute bourgeoisie, with the Catholic church (as a political actor) retaining a strong conservative influence in parts of the countryside. Only in north-eastern US, especially New England, where landowners seldom dominated politically, were municipalities and states concerned with issues like town sanitation and education.

As industrialization developed landowners had little interest in devoting resources to either town-planning or the education or health of the poor. Even if they had a class interest in a healthy and an educated labor class (and it is doubtful that they did), a collective action problem was that it was not in the interest of local landowners to provide these local public goods – if workers in the countryside were educated they would likely have an incentive to move, and it was cheaper to rely on the production of education elsewhere. In the colonies, education mattered relatively little for landowners and they could in any case rely on some proportion of settlers having some education. Oligarchs equally were generally unwilling to spend money on improving the condition and education level of the poor in towns. In France, even under the modernizing period of the Empire, developing education was difficult with the Catholic church hostile to serious education and simultaneously wanting to control it.

Industrialization thus led to burgeoning towns and cities which (apart from a few areas) were unsanitary and unplanned with limited effective education. As the industrial bourgeoisie grew it understood the need for a more educated and healthy workforce;

this was felt too by the middle classes who lived in towns; in addition, of course, to the poor.

From these perspectives it is useful to look at the key episodes of democratization in different liberal countries. In almost all cases accounting for democratization is messy, there are many different motivations across actors, much individual irrationality, and so on. What we can attempt as comparativists emphasizing purposeful rational action is to see if our general “public goods” framework works reasonably well to make sense of historical developments in the cases available.

ENFRANCHISEMENT IN US STATES, EARLY 19TH CENTURY

Most colonies at the time of independence had similar voting laws as in Britain, though that meant a larger franchise. It excluded blacks. Engerman and Sokoloff note that something closer to universal (mostly) male franchise (but again excluding blacks) accompanied the setting up of new states in the mid-west and west in the early nineteenth century. They argue that the motive for this was to persuade settlers that there would be a majority for supporting effective education systems; and that this would attract settlers who were keen that their families would be educated and economically successful (Engerman and Sokoloff 2005). This was in other words a settler selection device. Other states followed suit as they saw the danger of losing motivated workers.

If education was a large reason for extending the franchise it may be interesting to think of the continued exclusion of blacks from the franchise in this light. In some Southern states it was illegal to educate blacks. The fear of plantation owners was that education enhanced their ability to escape by building up marketable skills that were in demand in the North and West. Therefore, to give blacks the possibility of building local majorities for education made little sense to the elite in the South. The underlying logic here is not unlike the opposition to education of land-

owners and large tenant farmers in England.¹²

1867 British Reform Act. More has apparently been written by historians on the 1867 Act than on any other episode of British history. Collier (1999) is correct in her outlines of what happened: Disraeli, leader in the Commons of a minority Conservative administration, after the Conservatives had been out of power for a generation, persuaded the right wing of the party to accept substantial enfranchisement of the male population (essentially stable urban householders) on the grounds that the newly enfranchised would vote Conservative thus giving the Conservative party a long-term majority. She probably rightly dismisses the Chartist movement of twenty years previously as an important influence; and few commentators saw (or see) the huge and impressive July 1867 demonstration in favor of reform¹³, consisting mainly of middle-class and skilled workers, and led by industrialists, as seriously threatening to the privileged position of elites, let alone revolutionary.

Acemoglu and Robinson take the demonstration and the ensuing 1867 Reform Act in the UK as key evidence of their hypothesis – as at first sight they might well. It is the first case they consider, and is set out on page 3 of their book. “Momentum for reform finally came to a head in 1867. .. a sharp business-cycle downturn .. increased the risk of violence. .. The Hyde Park Riots of July 1867 provided the most immediate catalyst. Searle (1993, p 225) argues that ‘Reform agitation in the country clearly did

much to persuade the Derby ministry that a Reform Bill, any Reform Bill, should be placed on the statute book with a minimum of delay’.”

Searle is one of the most distinguished historians of Victorian England, but the full quotation starts “His [Bright’s] leadership of reform agitation ...” Bright was one of the leaders of the *business* Liberals/Radicals, and as Searle explained in his book at the start of the section headed *The Reform Crisis 1865-7* (1993, 217) his “purpose is to examine events from the perspective of those Radicals concerned with the maximisation of the interests of the business community”; indeed the title of his book is *Entrepreneurial Politics in Mid-Victorian England* (Searle 1993). While it was certainly true that “respectable working men” were involved with the two reform organizations behind the July 1867 demonstration, the Reform League and the National Reform League were both probably largely financed by industrialists (ibid, 221-222). The whole episode of the 1867 Reform Act is of course confusing, but it strikes us as very implausible to put it in Acemoglu-Robinson terms, as a moment of revolutionary upheaval.

Our interpretation links to Lizzeri and Persico’s (2004) explanation of the 1832 Reform Act. As in Lord Grey’s (the PM) account, the Act was designed to change national and local government so as to have majorities for sanitation in the newly expanding and uncontrolled industrial cities. Municipal reform (Municipal Corporations Act 1835) indeed followed shortly afterwards, as well as improvements in sanitation and public health in the previously inadequately represented cities. Closely following the 1867 Act, the major Forster Elementary Education Act (1870) provided for elementary education across England and the establishment of Local School Boards, and the Public Health Acts (1873, 1875) greatly expanded state control and local government powers over sanitation and health. The 1884 3rd Reform Act of Gladstone extended the franchise to rural areas on the same basis as the urban franchise, and this was then followed by the 1888 Local Government Act which brought in major changes

12 It would be interesting also to speculate on the role that views about black education played in the way in which black communities in the big Northern cities in the first half of the twentieth century were cut out of effective participation in the City Hall system: their votes were welcome, but not in return *inter alia* for serious expenditure on their education (Katznelson 1981). The assumption of blacks into the large northern towns politically on different and less advantageous terms to the earlier waves of white immigrants, well described in Katznelson’s *City Trenches*, may fundamentally reflect a lower return to educational investment *precisely because* the lack of democracy in the South under Jim Crow and before had led to their being an undereducated community in the South.

13 In fact demonstrating against the Commons defeat of the Liberal government’s Reform Bill of 1866.

in urban and rural areas which had been resisted by the landowners. As we explain in greater detail in the next section, even if the urban interests who favored an expansion of public goods achieved a majority in the parliament they still faced the difficulty that reforms could be blocked at the local level where the landed aristocracy was politically dominant. Extension of the franchise was the only sure way to break the dominance of landed elites at both the national and (especially) local levels.

1875-7 French 3rd Republic Constitution.

After military disaster in the war against Germany and the collapse of the 2nd Empire in 1869-70, the right-wing provisional government under Thiers was reelected in 1871, when it used troops to smash the Paris Commune with appalling loss of life. It was not therefore the case that the nascent 3rd Republic responded to the Commune by extending the franchise: the provisional government did the opposite. But divided between Orleanists and Legitimists (and hence the form of a monarchy) the right were unable to agree on a constitution as they had been tasked. By-election gains by Republicans led to a compromise on a democratic constitution with universal male enfranchisement and more importantly political freedom to organize. In the 1876 general election the Republicans won a decisive electoral majority which the monarchist president MacMahon only succeeded in strengthening when he dissolved the assembly and called for new elections - thus sealing the fate of the presidency. The Republicans would stay in power until 1898.

Key to the Republican mission was universal state education. In this they had the support of otherwise rightist industrialists (Magraw 1986). This was both modernizing and politically anti-monarchical for it sought to abolish church control over parish schools. By contrast to the catholic priesthood in much of Germany, the French church was ultra-montane and seen as closely linked to the aristocracy. Universal manhood suffrage in free elections was a key institutional innovation to achieve school reform. And the exclusion of women from the fran-

chise was explicitly justified by the Republicans by their fear that women would be suborned by catholic priests against state education (Magraw 1986). The centerpiece Ferry educational reforms establishing free education in 1881 and then mandatory state elementary education in 1882 rapidly put this into practice. Haine (2000) reports that by 1906 only 5% of new military recruits were illiterate.

British North American Act and enfranchisement in the Australian colonies and New Zealand.

The Colonial Office from the 1830s on was reform-oriented. Much influenced by the Earl of Durham's report on conditions in Upper and Lower Canada (1838): Calling for "Responsible Government" - which became the Colonial Office's formula for (more or less) male enfranchisement. He criticized the defective constitutional system in Upper Canada, where power was monopolized by "a petty, corrupt, insolent Tory clique." These landowners, he argued, blocked economic and social development in a potentially wealthy colony, thereby causing the discontent which led to a rebellion. His solution, based on advice from colonial reformers, was a system in which the executive would be drawn from the majority party in the assembly. It would stimulate colonial expansion, strengthen the imperial connection and minimize American influences. Durham's report had been commissioned by the British government after the rebellion against British colonial rule; the rebellion had been easily crushed; but it led to reevaluation of the function of white settler colonies.

In the 1840s there is more conflict between the Reform Party in the lower house and Conservatives in the upper house. The Reform party wanted the governor to only appoint ministers who had the approval of the lower house. In 1847 governor Lord Elgin starts making appointments according to the wishes of the lower house, injecting an element of democratic politics (Stewart 1986). Extension of the franchise is slow, however, and for a long time remains restricted to people of British ancestry with significant property holdings. But under the pressure of the Liberals, mostly at the provincial level, it is

gradually extended to all males, reflecting a much slower process of industrialization than in other British settler colonies. By 1898 only four provinces still had a property franchise. Once democracy was in place, education started to expand.¹⁴

In both Australia and New Zealand, landowners were seen as a problem in relation to social development; and the previously standard colonial government system in which the governor appointed a legislative council, typically of landowners, which could override or veto decisions by an elected assembly, was overturned in a sequence of Acts of Parliament in the 1840s through to the 1860s. The process of democratization culminated in Australia with a federalist constitution inspired by the American, including House of Representatives and a Senate elected through universal suffrage (women get the vote in 1902)

The original settlers occupied large swaths of land, sometimes in an extra-legal manner, and they dominated politics early on (“squattocracy”). Later immigrants and the liberals fought against the landed elite by both opposing their privileged position in the upper house and by pushing for an extension of the suffrage. The conflict was in part over economic policies that would improve opportunities through education, develop towns and infrastructure, and the build up industry (which also involved divisions over tariffs); in part it was also over immigration since industrialists wanted to attract more settlers to provide labor for industrialization and build up towns while the landed classes opposed because of the intensified competition for land. In this way, Australia exemplifies both arguments about public goods and elite conflict because attracting immigrants required commitment to education and urban development, just as these were necessary for economic development.

In New Zealand an essentially democratic

constitution with universal male suffrage was adopted in 1852, and it was also followed by an expansion of education. Local governments were obligated to provide public schooling, although in practice the local governments subsidized the church schooling system. The 1877 education act provides for colony-wide public education, and churches were excluded from the system. In 1891 four fifths of the colony’s 167,000 children between 7 and 15 attended school at 1255 public schools and 281 private schools. As in Engerman and Sokoloff (2005) the main motive seems to have been to attract new settlers since the economy was still overwhelmingly agricultural, and since the constitution was written in London where this was the most pressing concern. Needless to say, working class politics played no role.

Thus, to conclude this section, an effective system of elementary education, as well as a range of other public goods such as sanitation, was important for successful industrialization. This was not a problem for coordinated or proto-corporatist economies since they could solve collective action problems especially at the local level. But for liberal economies it required in general a majority sufficient to override the political power of conservative higher income groups, especially landowners, who were unprepared to finance mass elementary education. But there were other members of the elite, modernizers and industrialists, who constituted important pressures for reform and saw the furtherance of democratization as a key to overcoming conservative reaction.

The overall argument can be summarized in the following way: Rising elites in liberal economies had a positive reason for extending the franchise - to build majorities behind the creation of key public goods, in particular education and sanitation. And in addition there was relatively little to fear, from the point of view of redistribution to the poor, from increased working class political representation since (a) the labor movement was fractured and uncoordinated both industrially and hence politically and (b) the interests of skilled workers (the aristocracy of the working class) were aligned to lower middle

¹⁴ Upper Canada literacy and primary education: high from mid C19th on but lower than US before then. Lindert fn 64 p 122. This suggests that enrolment started to rise around the time of constitutional change, but more work is needed here.

class voters against redistribution to the poor. Hence in liberal economies, it was no surprise that democratization was an elite project. By contrast, in coordinated economies the creation of the same key public goods was not problematic. While a unified working class industrially and politically meant that the political representation of labor went hand in hand with demands for redistribution to lower income groups. Again it should be no surprise that democratization was resisted by the elite.

III. AN SIMPLE GAME-THEORETIC INTERPRETATION OF THE TWO PATHS

In this section we synthesize the key arguments using a simple game-theoretic model. Without denying the importance of contingency in historical moments of change, the aim is to extract what seems to us as social scientists to capture a key, generalizable difference in the two paths to democracy. This also allows us to pinpoint the areas of agreement and disagreement with existing theory.

PROTO-CORPORATIST COUNTRIES

Assume that there are three classes representing distinct interests: i) industrialists and modernizing elites in agriculture (I); ii) the landed aristocracy (A); and iii) labor (L). Interests are defined over two dimensions: a) democracy, D (universal make suffrage, free elections, and executive accountability), and b) the provision of public goods, P, especially training and infrastructure. The preferences of groups across the two dimensions are given by the following orderings:

I (industrialists): $\tilde{P}\tilde{D} > PD > \tilde{P}\tilde{D} ;$

A (aristocracy): $\tilde{P}\tilde{D} > P\tilde{D} > PD ;$

L (labor): $PD > P\tilde{D} > \tilde{P}\tilde{D} ;$

Payoffs: $3 > 2 > 1$
(ordinal scale only)

Where a \sim means “absence of”, so that \tilde{P} is the absence of public goods provision and \tilde{D} the absence of democracy. Note that it is implicitly assumed that the decisive voter in a democracy always wants provision of public goods, so the outcome $\tilde{P}\tilde{D}$ (democracy without public goods provision) is ruled out.

As we have argued in this chapter, industrialists and labor have a common interest in public goods provision, especially training, but they differ in their interests over democracy. Labor clearly has an interest in democracy because it offers an opportunity to affect taxation and spending policies. Industrialists have no interest in redistribution and hence democracy, except in a situation where democracy is the only means to generate support for public goods. We consider the latter possibility later. For now what is important to understand about the proto-corporatist countries is that public goods provision were effectively provided through existing local institutions, the emerging industrial relations system, and through corporatist state institutions at the national level.

The landed aristocracy, in so far as it was politically salient, had no interest in the provision of public goods, which would fuel industrialization and lead to rising wages and a flight of labor from the countryside. But they could not prevent the creation of public goods in the institutional context of proto-corporatism. But the landed aristocracy shared an interest with business in opposing democracy and redistribution. So the key game in the proto-corporatist countries is one in which elites decide whether or not to introduce democratic reforms or to repress labor, and where labor decides whether to acquiesce or to challenge. We focus on the decision by industrialists since where liberal parties supported democracy it seems to have been sufficient for succeeding. The game is illustrated in Figure 2.

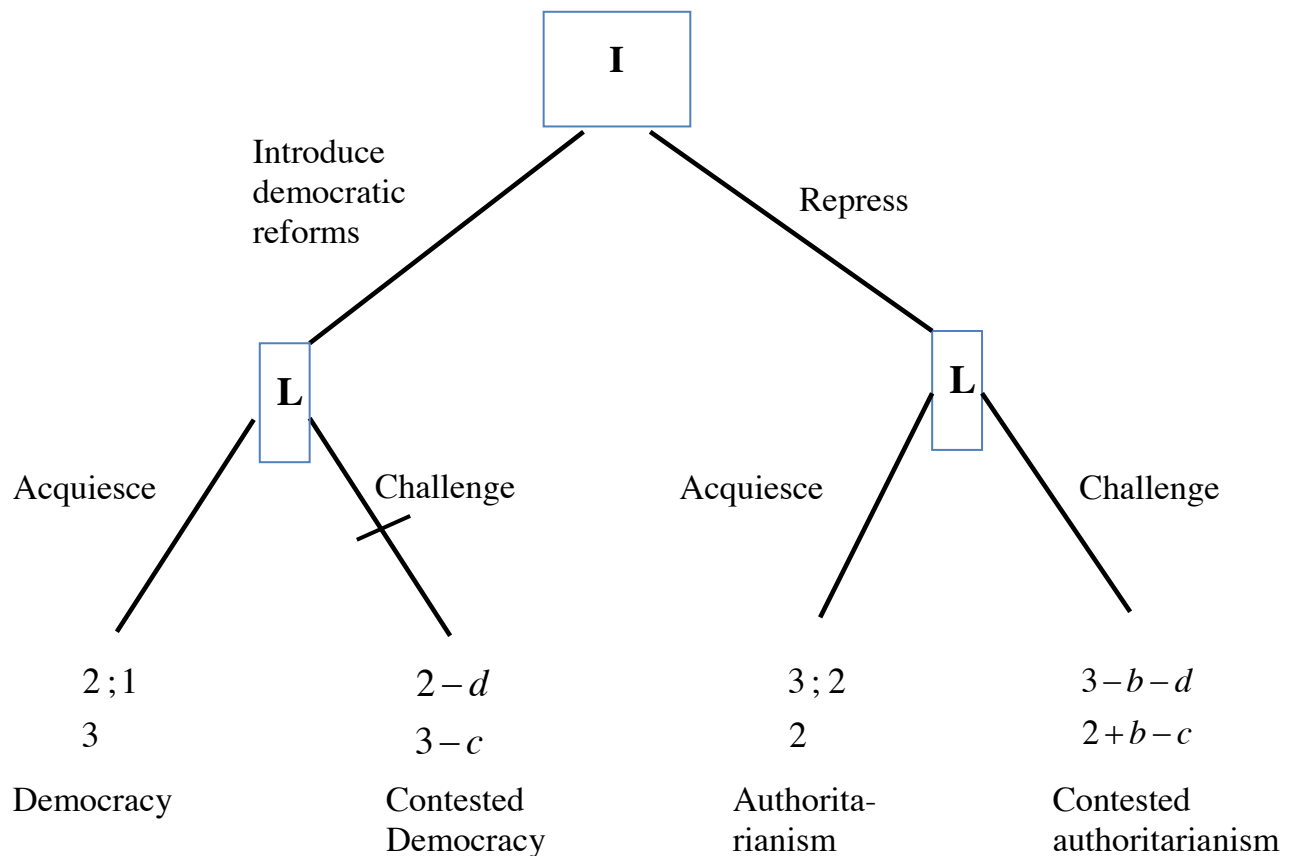
The logic of our argument for proto-corporatist countries is very close to the power mobilization explanation of democracy in Rueschemeyer et al (1992), coupled with the (implicit) assumption that any transition to socialism, even if feasible, would be

very costly to the left (what Przeworski and Wallerstein, 1982, call the “valley of transition” . The costs of contesting democracy, combined of course with the loss of influence over taxing and spending, is what makes it desirable for labor to accept liberal democracy as opposed to pursuing a more radical “extra-parliamentary” alternative. The German SPD and unions arguably faced this choice in 1918 with the October revolution in full swing and the willingness of the right to concede parliamentary democracy. The SPD chose the latter and quelled the revolution. Even if it took time for the reformist path to be universally accepted by European labor movements, the mainstream left greeted serious moves towards democracy with moderation (Przeworski and Sprague

1988). Assuming a net cost of pursuing a socialist strategy, the game implies that labor accepts offers of democracy (the left branch of the game tree).

But, of course, elites had no reason to democratize except when they faced serious threats to their rule or large costs of repression. As Dahl has famously phrased the logic (Dahl 1971): “The likelihood that a government will tolerate an opposition increases as the expected costs of repression increase” (p. 15). In our model the costs of repression depend primarily on the capacity of labor to use strikes and other forms of collection action to impose direct and indirect costs on elites. Direct costs, d , are those incurred by the interruption of production, the cost of having to maintain a large police force, an intelli-

Figure 2. The game over democracy in proto-corporatist countries



Notes: Payoffs are for industrialists (first line) and labor (second line). c and d are the direct cost of conflict to labor and industrialists, respectively, while b is a concession (“transfer”) from elites to labor.

gence establishment, etc. The indirect costs, b , are those incurred when elites are pressured into giving policy concessions in the areas of wages, social protection, transfers, and so on. From the perspective of labor, such concessions are the benefits derived from the exercise of power. But labor of course also faces significant costs of fighting, c , in terms of lost wages, etc., and when $b < c$ labor will always acquiesce.

When $b > c$, on the other hand, it pays labor to challenge the authoritarian regime, and the interesting question is then whether elites will see an interest in democratizing given that this will induce labor to cooperate. With our notation, this occurs when the payoff from the democracy outcome (2) is greater than the payoff from repression when labor fights ($3 - b - d$) – or when $b + d > 1$. So democracy becomes a possibility when labor is strong enough to contest the authoritarian regime and to extract significant concessions. Note, however, that it may be possible for elites to avoid democracy by offering enough concessions, b , to dissuade industrial action. This is feasible when the difference between b and the expected redistribution to labor under democracy is smaller than the cost of industrial action. Choosing a sufficiently high b may thus result in a relatively peaceful authoritarian regime with high levels of redistribution.

There are however several reasons for why such an equilibrium is hard to sustain. First, unless labor can credibly commit to never use their power resources, elites have to be prepared to fight and this imposes a cost that could be avoided under democracy. In turn, the only way for labor credibly to commit to not challenging an authoritarian government would be to disband unions and other civil organizations of collective action. But if that happened the government would have no incentive to make concessions in the first place. So both elites and labor face a time-inconsistency problem when committing to not using force, and this means that authoritarian regimes are always associated with a cost of repression, which rises in the strength of labor. Second, if labor can impose enough costs on elites to make democracy an attractive option, while elites at the same

time can impose enough costs on labor to make acquiescence attractive, it is possible to end up in a war of attrition assuming that the relative costs of such a war are not fully known in advance. This is because there are now two feasible equilibria: democracy and authoritarianism.

Combining these logics, our contention is that when the organizational power of labor rises and becomes more entrenched the likelihood of democracy increases. This is because: i) the redistributive concessions of elites under authoritarian institutions will begin to approach those of democracy; ii) the costs of repression are rising; and iii) in a war of attrition labor is increasingly likely to prevail. Although the breaking point is hard to predict in actual historical cases, the effect of industrialization in proto-corporatist countries is to increase the unity and power of the left. And this makes democratic concessions by elites more likely. Also, the size and organization of the middle class matters. In Scandinavia the presence of a large segment of smallholders and independent farmers provided alliance opportunities to the left that tended to tip the balance in favour of democracy.

This explanation for democracy is consistent with the power mobilization theory in Ruschemeyer et al., although the emergence of a strong labor movement in our story is itself endogenous to the type of production system and restricted to proto-corporatist countries. Acemoglu and Robinson also emphasize pressure from the working class as a driver of democracy, but our story is different from theirs in the role that power and credible commitment play. What produces democracy in the Acemoglu-Robinson account is that the left enjoys a transitory moment of revolutionary mobilization to which elites can only respond by committing to long-term redistribution through democracy. We think such moments are probably rare in European political history, but more importantly we do not believe that democracy as an institution is a credible commitment to long-term redistribution if the power of the left is transitory. Germany is a case in point because while the revolutionary threat caused the right to concede democracy, as the left weakened

so did the possibilities of sustaining it. In fact, it is only in countries with strong, unified, and organizationally entrenched labor movements that democracy has a) taken a significantly redistributive form, and b) been sustainable.

What is crucial from our perspective is the long-term organizational capacity of labor to impose redistribution and other costs on elites. Organizational entrenchment is what convinces elites to grant democracy and at the same time makes democratic institutions sustainable. In a nutshell our view is that commitment to redistribution is a cause, not a consequence, of democracy (again, in proto-corporatist countries). In liberal countries the story is different because the left never posed a serious threat of redistribution. On the other hand industrial elites could not get what they wanted without democracy. In these cases Moore is right that the rise of the bourgeoisie is necessary for democracy.

LIBERAL COUNTRIES

Since labor is divided and incapable of credible committing to massive industrial action, any game between elites and labor in which elites oppose democracy would end in non-democracy. We want to be very clear about this: we do not believe that there were any periods in the history of any of the liberal countries where labor was such a serious threat to the establishment that democracy had to be conceded in order to prevent revolution or devastating industrial conflict. In contrast to both power resource theory and Acemoglu and Robinson democracy is not a story about the rise of working class power.

Instead, a necessary, but not sufficient, condition for elite support for democratic reforms in these countries was the simple fact that labor was too weak and too divided to push for massive redistribution. Skilled workers wanted organizational protection from the state, and they shared with lower middle classes an interest in public education and social insurance, but redistribution at the scale seen in proto-

corporatist countries was never on the table.¹⁵ Simply put, skilled unions had neither the power, nor the inclination, to take on the establishment through massive industrial action. It is also of consequence that there was never any serious push for the adoption of proportional representation (PR) electoral rules in these countries. For reasons we spell out in detail in the next chapter business and the right did not need to coordinate policies in regulatory areas with labor, and the well-paid skilled workers shared an interest in preventing redistribution to the poor. Both conditions militated against the adoption of PR

Yet, the reduced threat of redistribution under democracy in proto-liberal countries clearly did not mean that elites viewed democracy as the optimal form of government. Although the “respectable working man” opposed redistribution to the poor, his policy preferences were not identical to those of the ruling elites. So without working class pressure, how was it possible that elites would ever choose a political system that would shift political power to the middle classes?

Our answer is that democracy in these countries came about as a result of inter-elite conflict in which problems of making credible commitments prevented elites to act on their common interest in avoiding democracy. To see this, recall the preference orderings of industrialists and the landed aristocracy from the previous section:

$$I \text{ (industrialists): } P\tilde{D} > PD > \tilde{P}\tilde{D} ;$$

$$A \text{ (aristocracy): } \tilde{P}\tilde{D} > P\tilde{D} > PD ;$$

$$\text{Payoffs: } x > y > z ,$$

where $x > y > z$ are the actual payoffs. The dilemma for industrialists is that if they do not push for an extension of the franchise they may not be able to generate majorities for an expansion of the public goods, which they need to promote industrial growth.

¹⁵ This is true even though pro-liberal countries tended to be highly inegalitarian, contrary to models that rely on a simple Meltzer-Richard logic of redistribution (Acemoglu and Robinson 2005; Boix 2003).

An even greater barrier to such an expansion is that much of the actual provision of services is at the local level where landed elites exert strong influence over policy implementation. Democracy solves this problem by ensuring majorities in favor of public goods *and* by undermining the local hegemony of the landed aristocracy. Yet it comes at the cost of yielding influence over policies to the middle and lower-middle classes.

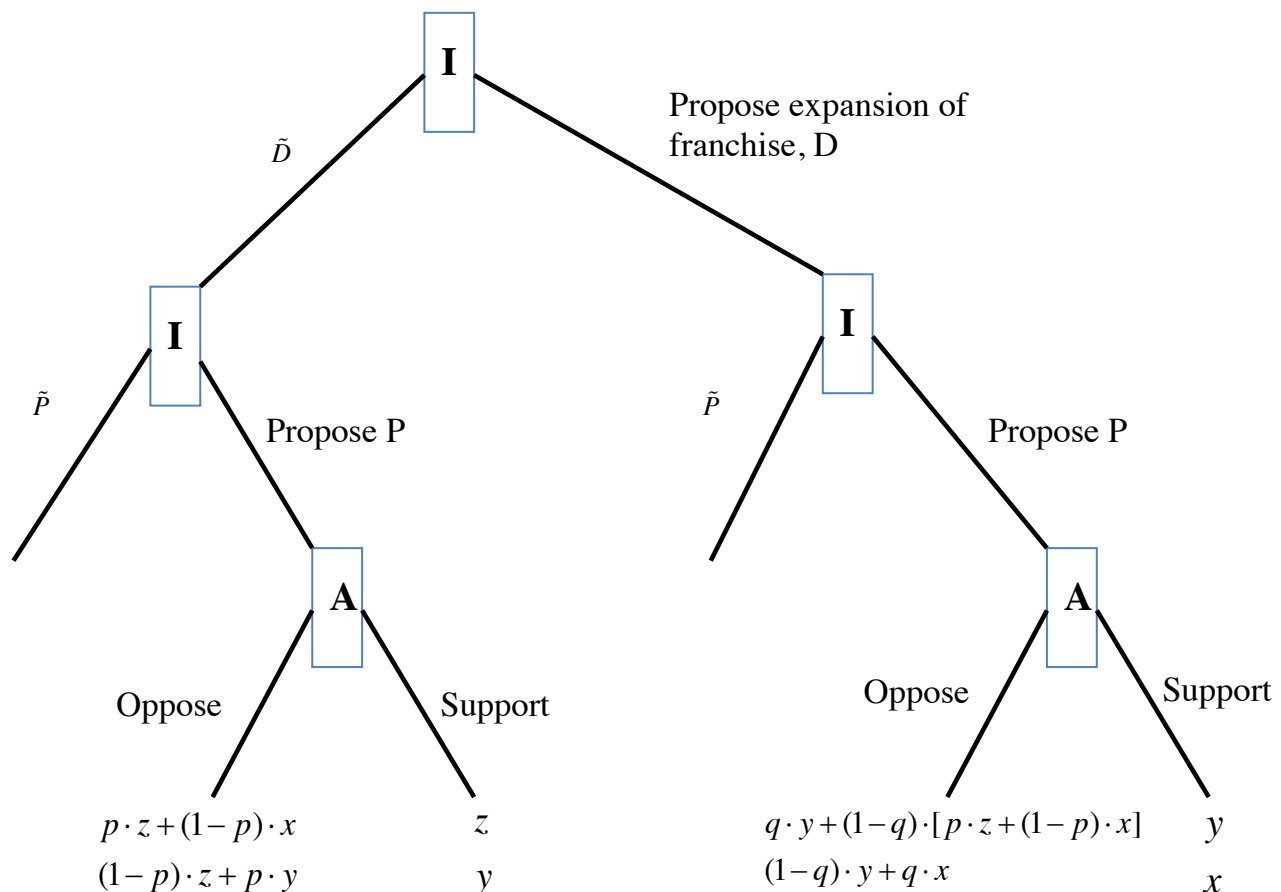
For the landed elites the dilemma is that they would be better off supporting an expansion of the public goods, especially education, than risking democracy, but they face both a time-inconsistency problem and a collective action problem in committing to public goods provision. The time-inconsistency problem is that conservative parties have an incentive to renege on their promises if and when they obtain government power. The collective action problem is that it is very difficult to coerce local elites, which are heavily dominated by the aristoc-

racy, to implement policies that they disagree with. Regardless of the position taking by national parties, each locality has an interest in blocking implementation of public education in their own area.

We can present these dilemmas more formally in the following game (Figure 3). We assume that if there is no democracy there is still some probability, p , that industrial elites can pass their preferred policies and get them implemented (at least partially) -- even if the party of the nobility opposes.¹⁶ Similarly, if “progressive” elites propose an extension of the franchise, there is a probability q that they will get the necessary majority to do so. We further assume that it is harder to move from democracy back to non-democracy compared to reversing a particular policy if the majority changes. As noted previously, since there is a majority in the electorate for expand-

16 Note that this assumption makes it *harder* to reach a democratic outcome in the game, which is what we are trying to explain.

Figure 3 The game over democracy in liberal countries



ing public goods, democracy always comes with public goods provision (public education in particular).

The game starts when the party representing industrial elites decides whether to propose an extension of the franchise (D) or not (\sim D). Whatever the choice, it then gets another opportunity to propose an expansion of public goods (P), which is always in its interest. The party representing the landed aristocracy subsequently gets the choice between supporting or opposing the proposal. If they support democracy they get their worst payoff – public goods and democracy -- while the industrialists only get their second worst. If they support public goods provision when the industrialists choose to maintain an authoritarian regime the aristocracy gets their second-best outcome while the industrialists get their most preferred outcome (public goods without democracy). It turns out that this outcome is Pareto-superior, but it is never the outcome in the game.

To understand this, note that the landed elite in both sub-games has an interest in opposing the proposal by industrialists. In the non-democratic sub-game this is because A will oppose public goods expansion so long as it has some chance of either defeating the proposal in the legislature or undermining its local implementation. If successful it will get its most preferred outcome with a $(1-p)$ probability and its second-best outcome with probability p . Industrialists will be worse off in inverse proportion to these probabilities and will end up with its worst outcome of no public goods with probability $(1-p)$.

The possibility of democracy emerges because industrialists can improve their chances of getting the public policies they want by pushing for democracy. If they are successful, the ability of the aristocracy to block the adoption and implementation of public goods will be jeopardized. If it is unsuccessful in getting a majority for suffrage extension, it will still get the same expected payoff as in the non-democracy sub-game. The decision of the industrialists of to support an extension of the franchise now

depends on the following inequality being satisfied:

$$q \cdot y + (1 - q) \cdot [p \cdot z + (1 - p) \cdot x] > p \cdot z + (1 - p) \cdot x$$

$$\Downarrow$$

$$p < \frac{x - y}{x - z}$$

This simply says that if the probability of passing and implementing a proposal to expand public goods is small under non-democracy, industrialists will push for democracy. The exact numerical condition changes with the relative size of the payoff. In particular, the more important P is relative to the cost of D in the calculation of industrialists – so that the difference in the payoff between PD (y) and \sim P \sim D (z) shrinks -- the weaker the condition is (the closer the ratio $(x-y)/(x-z)$ to one). But even if industrialists will support democracy for this reason, it obviously does not mean that they can get a majority for an extension of the franchise (the probability of this is q). The game merely shows that democracy is a feasible outcome in the game, even though neither (elite) party wants democracy. This is one reason that democratization often appears to be a confusing and unpredictable process with an uncertain outcome.

Yet, given the historical period we are looking at, we would argue that democracy is in fact more than simply a possibility – over time it became a virtual inevitability. This is because landed interests were highly entrenched at the local level but quickly lost out to commercial and city interests at the national level as a consequence of industrialization and urbanization. What this means is that i) p remains low (because of blockage at the local level), ii) public goods provision increases in importance (and hence weakens the condition for I to support democracy); and iii) the ability of industrialists to push for suffrage extension in the national legislature rises (q goes up). Once business throws its support behind an extension of the franchise in order to force a shift in public policies – when the above inequality is satisfied -- industrialization and urbanization will eventually tip the balance in the legislature in favor

of democracy.

Note that if the landed aristocracy is very weak, it may be unable to ever block the expansion of education and other public goods under non-democracy. In that case industrialists can simply choose the public policies they desire, and franchise extension will therefore never be proposed. Hong Kong may be the only historical case that satisfies these conditions.

IV. CONCLUSIONS

We have argued in this chapter that there were two distinct paths to democracy in the countries that are today highly advanced. These paths corresponds broadly to two different literatures: one that emphasizes the role of a strong and unified left in coercing democratic concessions from the rising industrial elite for the purpose of redistribution; and another that emphasizes the role of industrial elites in voluntarily extending the franchise for the purpose of expanding public goods required for economic development. The two paths, we argue, are determined by differences in the early organization of the state and the economy. In countries with a liberal state, early development of flexible labor markets, and no or weak guilds, unions developed around crafts and excluded effective representation of low-skilled workers. The labor movement was therefore fractured and uncoordinated, both industrially and politically, and the interests of skilled workers (the “aristocracy of the working class”) were aligned to lower middle class voters against redistribution to the poor. In these cases industrial elites had little fear of the working class, but they had a strong incentive to expand public goods, especially education and sanitation, required for the development of an effective labor force (in part to circumvent union control over the crafts). The key obstacle to this project were landowners and more generally conservatives who had no interest in an expansion of public goods and who held strong positions politically, especially at the local level. Democracy in these cases essentially emerged as a means to force the landed elites to ac-

cept major public investments in education and infrastructure needed for modernization.

By contrast, in coordinated economies the creation of the same key public goods was not problematic. These goods had long been provided locally through rural *gemeinde* and municipalities in which guilds were important, and with industrialization they continued to be supplied through a proto-corporatist state and through business organizations that the state encouraged and supported. For a long time the organized artisan sector in these countries was the major supplier of skills to industry; and precisely because it monopolized the skill system unions could never effectively control the supply of skills and therefore eventually developed into industrial unions representing a much broader segment of the working class. This unification of the labor movement was helped along by industrial employers who sought to centralize the industrial relations system as a precondition for extending the training system to industry. A unified working class industrially and politically in turn meant that the political representation of labor went hand in hand with demands for redistribution to lower income groups. For this reason democratization was resisted by the elite. It was the growing power and organizational entrenchment of the labor movement that eventually forced democratic concessions on elites.

At least three important issues are raised by this chapter. *First*, theories of democratization have seldom addressed the converse shift to authoritarian regimes. Despite the focus on power in Acemoglu and Robinson, their concept of democracy as a credible commitment to future redistribution makes subsequent moves to authoritarian regimes harder to explain. Yet a fascinating fact is that it is precisely in the proto-corporatist countries in which we have argued that working-class pressure generates democratization that the two examples of subsequent authoritarian regression are found: Germany and Austria¹⁷. In our view this is not accidental: for, all other things equal, industry (especially heavy industry) preferred

17 We do not include Italy here.

an authoritarian regime to a democratic one in countries with a politically unified working-class, and it had made its preferences clear long before Hitler. When support for the left declined and unions were greatly weakened by the depression in the early 1930s, important elements for the move to authoritarianism were in place. These were of course necessary conditions, not sufficient: sufficiency we know depended upon the government, the army, and the political parties. Our point is rather that the framework analysis of democratization should also be a framework analysis (in these industrial countries) for authoritarian regression.

Second, we have said nothing in this chapter about electoral systems. Yet there is a perfect correlation between electoral systems and patterns of democratization: All the proto-corporatist countries in our sample switched from majoritarian to PR systems in the late nineteenth or early twentieth century, while all the liberal countries maintained broadly majoritarian systems. What is interesting for our argument is that it is strongly reinforced by these differences in electoral systems. The majoritarian electoral system in the liberal economies implied that the political insertion of labor would at best benefit the new median voters; and these would be white-collar or skilled workers who would share the interests of the middle classes in not redistributing resources to the poor. Such a political insertion was precisely facilitated by the lack of a politically unified working-class. Moreover, because democracy was voluntarily extended the left was not in a position to demand PR even if they had wanted it. Hence the majoritarian system reinforced voluntary extension of democracy in the liberal economies.

The electoral system equally reinforced the pattern of democratization in the proto-corporatist countries, but in the opposite direction. For the PR system made the unified socialist parties key players under democracy. This was because they could represent the interest of a unified working class in parliament as opposed to being forced to focus on those of the median voter; and centrist parties would be

tempted to form coalitions with them (or rely on their informal support) against the higher income group parties (Iversen and Soskice 2006). But, given the representative nature of the societies, a majoritarian system was not an option. Hence the strategic interest of the elites in these systems was to delay democracy for as long as possible.

In the next chapter we argue why electoral system choices were not accidentally related to country types. If the argument is correct, these choices were deeply embedded in the different country types, and electoral systems thus become part of the explanation of the two different paths to democracy. We briefly summarize the argument here to make the connection clear.

In the *proto-corporatist countries* in which PR was adopted, PR did not signal a sharp break with previous forms of representation. Rather, industrialization and urbanization threatened in two ways the continuation of consensus-based negotiation over regulatory issues in a locally and regionally rooted representative system, in which majoritarian elections had operated broadly proportionally: On the one hand it pushed important regulatory issues (for example, handwork rules, education, collective bargaining) to the national level. And on the other it threatened the separate parliamentary existence or weight of the regional, confessional and ethnic “interest-carrying” parties as a result of the distortionary effects of mass electorates and of the complex demographic reconfigurations which rapid urbanization brought. It did not require exceptionally rational forecasting, once the move to the national level of industry and politics made it apparent that the preexisting majoritarian institutions of representation were producing stark disproportionalities, that PR was the natural choice to restore representivity: Interest-carrying parties needed to preserve their identity to be able to continue to represent their interest or interests at the national level. An important consequence of this argument is that multiple representative parties (a consequence of locally representative economies) generated PR, rather than PR generating multiple

parties (though of course it sustained them).

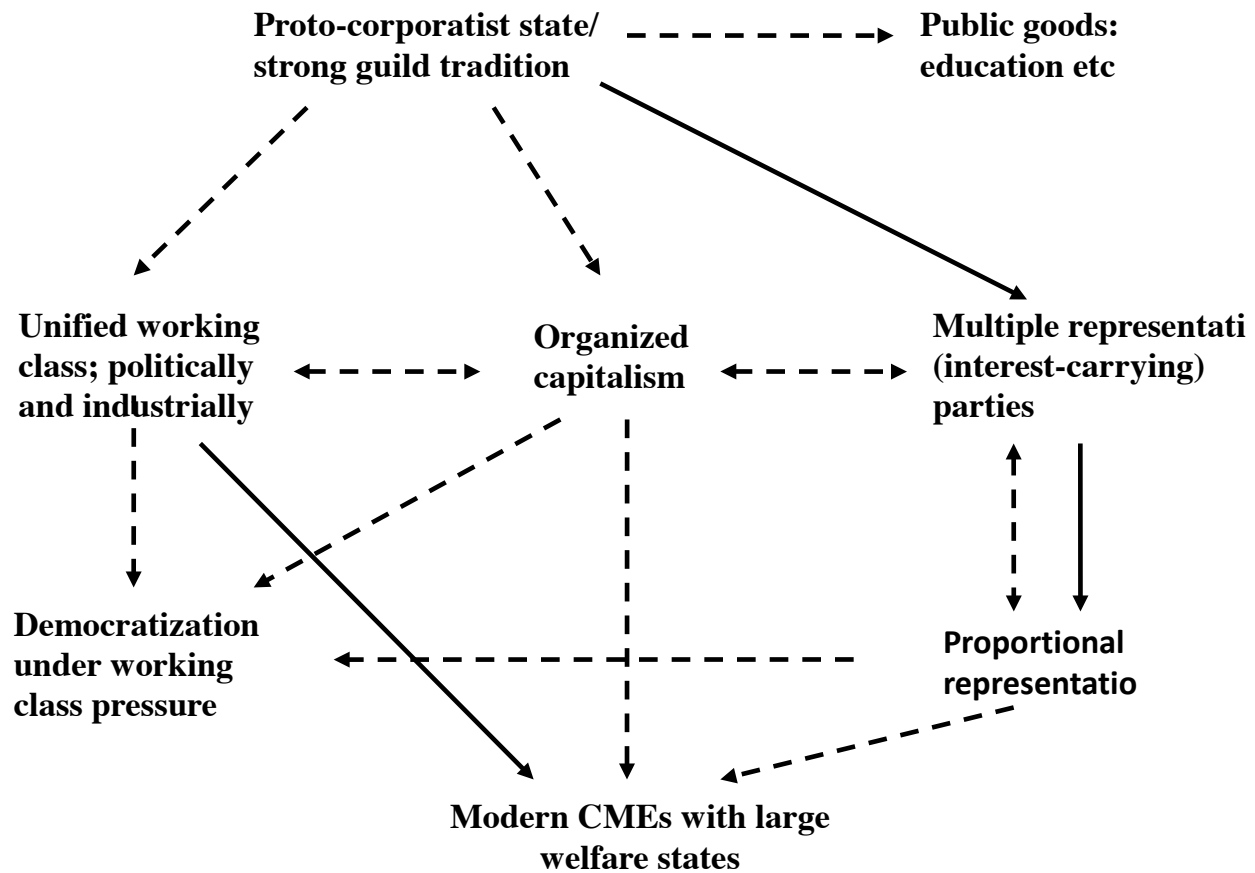
There was equally little party conflict in *liberal economies* over the preservation of majoritarian voting. Two major parties (in general) competed for the center of the electorate. Together they determined the electoral system (and debates about it). Neither had an incentive to ease the entry of new parties which PR would have done. Liberal economic frameworks (including in France) inhibited the type of investment in co-specific assets which depended on complex regulatory structures and hence the demand for representation by particular economic interests. As Martin and Swank have shown, well-organized economic interest associations seldom existed in liberal economies, while they were powerful and had close links to parties in proto-corporatist economies. And, while economic interests had links to political parties in liberal economies, these seldom impinged on the prerogative of party leadership and could indeed migrate across parties¹⁸. Thus in liberal economies neither were there party political incentives for abandoning the majoritarian system, nor did economic groups have either power or interest in bringing electoral systems into the political arena.

Third, our chapter relates to another and larger debate on the origins of modern CMEs and LMEs. Simplifying greatly, Hicks shows that modern CMEs and LMEs are strongly predicted by what we describe here as nineteenth century “proto-corporatist” versus “liberal” societies (Hicks 2007). Martin and Swank predict modern business coordination or its absence from the electoral systems chosen or maintained in the early twentieth century, PR or majoritarian respectively (Martin and Swank 2008); and Martin argues most recently that organized capitalism at the national level stems from moves by representative parties in a multiple party world (Martin 2009). We very much agree with Hicks’ (reduced form) result; and we do not disagree with the Martin-Swank argument that coordination is reinforced by political systems.

¹⁸ On all this see the recent important contributions of Martin and Swank (Martin 2006, 2009; Martin and Swank 2008).

In Figure 4 we trace out a number of connections. Hicks goes directly from the underlined nineteenth century coordination to modern CMEs. It can be seen that this is indeed a valid reduced form; while we do not do it here, that involves collapsing each of the structural equations, and substituting out each of the intermediate endogenous variables: that leads (in this simple diagram) exactly to Hicks’s model. The short-dashed lines show the Martin-Swank set of equations; and our only issue with them is where the representative parties come from: these equations lack a theory, as we see it, anchoring the emerging professionally organized national interest-bearing parties in the late 19th and early 20th centuries into the proto-corporatist local and regional economies. The heavy continuous lines are causal arrows of the Cusack-Iversen-Soskice model explaining both national interest bearing parties and PR. Finally, the long-dashed lines show the argument of this chapter, explaining why democratisation ultimately took place under pressure in these originally proto-corporatist economies.

Figure 4. Hicks, Martin, Martin-Swank, Iversen-Soskice, Cusack-Iversen-Soskice



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