Why Did the West Extend the Franchise? Democracy, Inequality and Growth in Historical Perspective*

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Abstract

During the nineteenth century, most Western societies extended voting rights, a decision that led to unprecedented redistributive programs. We argue that these political reforms can be viewed as strategic decisions by political elites to prevent widespread social unrest and revolution. Political transition, rather than redistribution under existing political institutions, occurs because current transfers do not ensure future transfers, while the extension of the franchise changes the future political equilibrium and acts as a commitment to redistribution. Our theory also offers a novel explanation for the Kuznets curve, whereby the fall in inequality follows redistribution due to democratization. We characterize the conditions under which an economy experiences the development path associated with the Kuznets curve, as opposed to two non-democratic paths: an "autocratic disaster", with high inequality and low output, and an "East Asian Miracle", with low inequality and high output.

Keywords: Democracy, Enfranchisement, Growth, Inequality, Political Commitment, Redistribution, Revolution.

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1 Introduction

The nineteenth century was a period of fundamental political reform and unprecedented changes in taxation and redistribution. Britain, for example, was transformed from an "autocracy" run by an elite to a democracy. The franchise was extended in 1832, then again in 1867 and 1884, transferring voting rights to portions of the society with no previous political representation. The decades after the political reforms witnessed radical social reforms, increased taxation, and the extension of education to the masses. Finally, as noted by Kuznets, inequality, which was previously increasing, started to decline during this period: the Gini coefficient for income inequality in England and Wales had risen from 0.400 in 1823 to 0.627 in 1871, but fell to 0.443 in 1901. Two key factors in the reduction in inequality were the increase in the proportion of skilled workers (Williamson, 1985) and redistribution towards the poorer segments of the society. For example, taxes rose from 8.12% of National Product in 1867 to 18.8% by 1927, and the progressivity of the tax system increased substantially (Lindert, 1989). During the late nineteenth and early twentieth centuries, the franchise was also extended in most other Western societies. Democratization was again followed by increased redistribution, and in most cases, by the downturn of the Kuznets curve.

These events are hard to understand with our existing theories. If democratization is likely to lead to increased taxation and redistribution (e.g., Meltzer and Richard, 1981), why should the elite extend the franchise? Our answer is that the political elite were forced to extend the franchise because of the threat of revolution.[1] We argue that extending the franchise is a commitment to future redistribution and prevents social unrest. In contrast to democratization, the promise by the elite to redistribute in the future, while maintaining political power, is not credible. Somewhat paradoxically, our model predicts that in economies where the masses are politically organized, the promise of future redistribution is more credible, and so the elite can avoid a revolution without extending the franchise. This may explain why in the face of the heightened social unrest and inequality of the nineteenth century, Britain and France extended the franchise, but Germany, which had the most organized working class in Europe, did not and instead instituted the welfare

[1] The threat of revolution can intensify either because of some unusual event such as wars, depressions and famines, or because inequality increases (see, for example, Muller and Seligson, 1987, on the positive relation between income inequality and political instability).

state.

The second contribution of our paper is to point out the link between democratization and the Kuznets curve. Democratization opens the way for redistribution and mass education, and reduces inequality. As predicted by our approach, in a number of Western economies, the peak of the Kuznets curve coincides with the extension of the franchise. Although our model explains the Kuznets curve in European countries, it does not predict that this pattern should be a feature of all development processes (which accords with the empirical findings of Anand and Kanbur, 1993, Fields, 1995 and Fields and Jakubsen, 1993). Instead, we predict that a Kuznets curve should be observed when a society democratizes due to social pressure. Alternative development paths, the "autocratic disaster" and the "East Asian miracle", do not feature Kuznets curves. In an autocratic disaster, inequality is high, but there is no democratization or redistribution, because the masses are not well organized. The poverty of the masses slows down accumulation and leads to stagnation at a low level of output. In an East Asian miracle, however, initial inequality is low, so the economy accumulates rapidly and converges to a high level of output. Also because gains from growth are more equally shared, social pressure does not emerge until much later, and political reform is considerably delayed.

The thesis that the elite extended the franchise in order to avoid a revolution or social unrest is at the heart of our paper. Although we are aware of no other papers in the economics literature, an informal literature in political science, starting with the seminal work of Lipset (1960) and Moore (1966), has studied the origins of democracy (see, for example, O'Donnell and Schmitter, 1986, and Przeworski, 1991). To the best of our knowledge, however, no previous work explained franchise extension as a commitment device to future redistribution nor pointed out the link between democratization and the Kuznets curve, though Rueschemeyer et al. (1992) have recently stressed the role of social conflict in democratization, and Przeworski (1991) has argued that political reform should be modeled as a game between the elite and citizens. Despite the absence of a literature on this topic, there are natural alternative theories of franchise extension. In Section 4 below, we outline three alternative theories and discuss whether any of these appear to give a better description of the historical events than our preferred story. The first, which we refer to as the Whig Version of History (see Macaulay, 1849-1861), is that the elite extended the franchise because their social values changed, perhaps due to the Enlightenment movement. The second is that political competition within the elite led to the extension of the franchise by one of the parties bringing in new groups to increase their vote (see Himmelfarb, 1966,

Collier, 1998). The third, which is akin to the famous thesis of Moore (1966), is that the middle-class was the driving force behind the extension of the franchise, in part hoping to shift the future balance of power. We believe that all three stories have contributed to some of the political reforms taking place throughout Europe at the end of the 19th and the beginning of the 20th centuries. Nevertheless, our reading of the historical evidence suggests that in Britain, France, Germany and Sweden, the threat of the revolution was the major factor.

Our paper is also related to the growing literature on the political economy of development. For example, Roemer (1985) provides the first economic model of revolution, Grossman (1991,1993,1995) models predation by the unprivileged against the rich, and Ades (1995) and Ades and Verdier (1993) investigate a model where there is concentration of power in the hands of an elite. As in our paper, Benabou (1996), Galor and Zeira (1993), Perotti (1993) and Banerjee and Newman (1993) model investment opportunities as indivisible and show that distribution of income matters for growth and development. Our contribution also shares a common theme with North and Weingast (1989) who argue that political reform can be a method of commitment, but in the context of the introduction of the English Parliament in the seventeenth century.

The plan of the paper is as follows. In Section 2, we develop a model where political power is concentrated in the hands of an elite and the masses can initiate a revolution to contest this power. We show that the elite can prevent a revolution either by redistributing, or by extending the franchise. We characterize the conditions under which current and promised future redistribution is not sufficient to stave off a revolution, making a firm commitment to future redistribution, the extension of the franchise, necessary. In Section 3, we simplify this model in a number of dimensions and add (human) capital accumulation. We show that an increase in inequality can intensify the threat of revolution, and analyze the dynamics of inequality and output in this model. We outline how a Kuznets curve, an autocratic disaster, an East Asian miracle, and a revolution may arise along the equilibrium path. In Section 4, we return to the historical evidence and investigate which approach receives support from the major events of the period. We also argue in this section that for many countries in which a Kuznets curve is detected the peak coincides with political reform triggered by social unrest. Section 5 briefly discusses some extensions. Section 6 concludes.

4 Historical Perspective

In this section, we discuss the historical evidence related to the extension of the franchise. Our objective is to provide a preliminary assessment of whether our theory gives a good description of the salient features of the process of Western democratization. We start by outlining the major events of the period and documenting the importance of the threat of revolution. We then discuss three alternative hypotheses that could explain why the franchise was extended and the evidence in favor and against these approaches.

In the second part of the section, we discuss other empirical implications of our model, documenting that:

1. Inequality was increasing before, and decreasing after, the extension of the franchise.

2. Democratization was directly (redistribution) or indirectly (via expanded education or labor market regulation) a key factor in the reduction in inequality.

3. There were differences in social conditions that made some periods more conducive to social unrest, and in line with the predictions of our model, differences in the level of organization of the masses across countries influenced political outcomes.

In all cases, our most detailed evidence is from Britain, but evidence from France, Sweden and Germany also supports our model. The U.S. evidence, however, is more mixed.

4.1 The Threat of Revolution, Alternative Theories and Franchise Extension

4.1.1 The Threat of Revolution and the Franchise

Britain: In Britain, the franchise was extended in 1832, and then again in 1867 and 1884 (and later in 1919 and 1928 when all women were finally allowed to vote).[12] When introducing the electoral reform to the British parliament in 1831, the prime minister Earl Grey said "There is no-one more decided against annual parliaments, universal suffrage and

[12] In our formal model we considered a one time franchise extension. The model can be extended to allow for multiple gradual extensions.

the ballot, than am I... The Principal of my reform is to prevent the necessity of revolution... I am reforming to preserve, not to overthrow." (quoted in Evans, 1983). This view of political reform is shared by modern historians such as Briggs (1959) and Lee (1994). For example, Darvall (1934) writes: "the major change of the first three decades of the nineteenth century was the reform of Parliament by the 1832 Reform Act, and this was introduced by the Whigs... as a measure to stave off any further threat of revolution by extending the franchise to the middle classes." In fact, the years preceding the electoral reform were characterized by unprecedented political unrest, including the Luddite Riots from 1811-1816, the Spa Fields Riots of 1816, the Peterloo Massacre in 1819, and the Swing Riots of 1830 (see Stevenson, 1979, for an overview). The reforms that extended political power from a narrow elite to larger sections of the society were immediately viewed as a success not because of some ideal of enlightenment or democracy, but because the threat of revolution and further unrest were avoided (see Lee, 1994).

The 1832 Reform Act reduced property and wealth restriction on voting and increased the total electorate, which previously stood at 478,000 out of a population of 24 million, to 813,000. Nevertheless, the majority of British people could not vote, and the elite still had considerable scope for patronage, since 123 constituencies, the 'rotten-boroughs', contained less than 1,000 voters. There is also evidence of continued corruption and intimidation of voters until the Ballot Act of 1872 and the Corrupt and Illegal Practices Act of 1883.

The process of increased representation gained momentum with the Chartist movement during the 1830's and 1840's (see Briggs, 1959). The response of the elite to the Chartist movement was again one of preventing further unrest. For example, during the 1850's Lord John Russell made several attempts to introduce reform arguing that it was necessary to extend the franchise to the upper levels of the working classes as a means of preventing the revival of political radicalism. But as Lee (1994, p.137) notes "The House of Commons was largely hostile to reform because, at this stage, it saw no need for it." This had changed by 1867. Lee writes "as with the first Reform Act, the threat of violence has been seen as a significant factor in forcing the pace [of the 1867 Reform Act]; history was repeating itself." This interpretation is supported by many other historians, for example Trevelyan (1937) and Harrison (1965). The Act was preceded by the founding of the National Reform Union in 1864 and the Reform League in 1865, and the Hyde Park riots of July 1866 provided the most immediate catalyst. Searle (1993, p. 225) argues "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." As a result of these

reforms, the total electorate was expanded from 1.4 million to 2.52 million, and working class voters became the majority in all urban constituencies. The electorate doubled again by the Reform Act of 1884, and the Redistribution Act of 1885 removed many remaining inequalities in the distribution of seats (see Wright, 1970). Once again social disorder appears to have been an important factor behind the 1884 act. Hayes (1982) argues "At the bottom the course of events in mid-November reflected the importance of the battle out of doors" (see also Biagini, 1992, pp. 295-302, on the role of reform agitation in the passing of the Third Reform Act).

Other Countries: In Germany, democracy was established with the creation of the Weimar Republic in 1919, and there is no controversy amongst historians that this was due to the threat of social disorder and conflict following the defeat in the War (see, for example, the classic account in Gerschenkron, 1943, and also Mommsen, 1981, or Abraham, 1986).

The history of modern democracy in Germany starts earlier, with the 1848 revolution when nearly all German states significantly increased popular participation in government, again in the face of revolutionary pressures (see Blackbourn, 1998, Chapter 3). The effects of this democratization were strongly mitigated by institutional restrictions, however. It featured a three class voting system and was controlled initially by Junker landlords, and after the 1870's by the coalition of "iron and rye". Also the parliament could not appoint ministers or discuss foreign policy, and voting was oral. Although after 1870 all adult males over the age of 25 had the right to vote, voting was controlled in rural areas by the landlords (see Gosnell, 1930 and Goldstein, 1983). As Abrams (1995, p. 10) puts it, during this period "the German Empire was, in theory, a constitutional monarchy, yet in practice it was governed by a Prussian oligarchy." So the arrival of democracy in Germany was in fact in 1919. The transition to the Weimar Republic came with the collapse of the German armies on the Western Front in August 1918. The military withdrew and tried to engineer a transition to the Social Democratic Party, at this point a very significant political force. As Collins (1998, Ch.3, p. 35) notes "The Social Democrats had always pressed for democratic reform, and like the right...saw it in a further light: a means to pre-empt the forces which had emerged to the party's left and their threatening working class revolution.... The democratic reform of October 1918....was thus based on a combination of distinct strategies and a common fear of revolution on the part of the army, the government and the centrist and Majority Social Democratic parties."

In France, the 1830 revolution led to a highly restricted democratic regime where prop-

erty restrictions limited the electorate to about 0.75% of the population (see Cole and Campbell, 1989). The collapse of the Orleanist monarchy in the 1848 revolution led to the Second Republic with the introduction of universal male suffrage in 1849. Collier (1998, Ch.2, p. 10) concludes, "The 1847 campaign for broadening the suffrage was radicalized in the beginning of 1848, culminating in the February insurrection. The Republicans, who seized power and set up a provisional government, were socially conservative. Nevertheless, the workers' movement forced the government to introduce a number of measures including manhood suffrage and a number of social reforms of interest to the working classes." The effect of this was cut short, however, first by restrictions on voting rights introduced in 1850, disenfranchising 2.8 million men, mostly workers, and then by the coup of Louis Napoleon in 1851 and the declaration of the Second Empire in 1852. Historians split this period into two phases: the 'authoritarian' phase from 1852 to 1860 and the 'liberal' phase from 1860 until the collapse of the regime with the defeat of the French armies in the Franco-Prussian war of 1870 (see Zeldin, 1958, Plessis, 1985, and Price, 1995). This collapse created the Third Republic and the Paris Commune of the following year. The voting reforms of 1849 therefore only started to become effective after 1860, with the general elections of 1863 and 1869. Price (1995, p.5), for example, notes that the Second Empire, "by means of liberalization and the institutionalization of protest through elections, sought a method of moderating opposition and of more effectively ensuring long-term stability..." After the defeat of the French army at Sedan, the 1871 general elections took place under the 1849 electoral law. There then ensued a seven year democratic struggle for power as Orleanist and Legitimists tried to suppress worker parties, restrict the franchise, and find some way of restoring the Monarchy. Nevertheless, the Republicans under Gambetta emerged victorious in 1877, and democracy was secure in France (see Carstairs, 1980, Cole and Campbell, 1989, Elwitt, 1975). So democratization in France took place as a slow process between 1860 and 1877, forced on the elites by revolutionary threats.

In Sweden, democracy arrived via a series of gradual franchise extensions, starting in 1866 with the creation of a bicameral parliament with First and Second Chambers. Universal male suffrage was introduced in 1909 in the First Chamber, but true parliamentary government arrived only in 1918 when the political power of the Conservative Party and the monarchy were limited (see Rustow, 1955 and Verney, 1957). Tilton (1974, p. 567) argues that "neither [of the first two reform acts] passed without strong popular pressure; in 1866 crowds thronged around the chamber while the final vote was taken, and the 1909 reform was stimulated by a broad suffrage movement [and] a demonstration strike." Dur-

ing the 1880's both the Liberal and Social Democratic parties emerged to contest elections under the 1866 franchise and were able to win seats in the First Chamber which even before 1909 was elected from a more democratic franchise. The reform in 1909 had been preceded by strikes and demonstrations, and even though Sweden was not a participant in the First World War, the revolution in Russia and the situation in Germany forced the concession of democratic rights. In 1917, the Liberals and Social Democrats formed a coalition government and proposed full male suffrage, but this was defeated by the Conservative dominated Second Chamber. Collier (1998, Ch.3, p. 9) explains that "it was only after the economic crisis of 1918 and ensuing worker protests for democracy led by the Social Democrats that the Reform Act was passed. Indeed, in November 1918, labor protests reached such a point as to be perceived as a revolutionary threat by Sweden's Conservative party and upper classes." Tilton (1974, p. 568) writes that in 1918, the Swedish Minister of War characterized the sentiments of the army and navy as "very revolutionary", a view supported by Verney (1957), Castles (1973) and the essays in Stråth (1988). Based on this evidence, Tilton (1974, p. 568) concludes that "Swedish democracy had triumphed without a revolution - but not without the *threat* of a revolution" (italics in original).

4.1.2 Alternative Theories of Democratization

We have documented that the threat of revolution was important in leading up to the political reforms of the period, which supports our main thesis. It is also useful, however, to review alternative theories and to investigate whether they receive support from the events surrounding the reform process.

A1. *The Whig Version of History*: This theory is that the elite extended the franchise because their social values changed.[13] For example, the Enlightenment movement may have made it harder for the elite to view a society in which a large fraction of the population had no representation as fair and just.

A2. *Political Party Competition:* This theory is inspired in part by the British experience, where the competition between Disraeli and Gladstone was a major factor in political reform. According to this theory, politicians have a strong preference to stay in power, and may extend the franchise to new segments of the society with the expectation that the newly enfranchised will return the favor by voting for their party.

[13] The "Whig Version" is the interpretation of history that sees it as a continuous process of improvement towards objective moral goals from the earliest times to the present. See, for example, Macaulay (1847-1861) and Lord Acton (1906).

A3. *Middle Class Drive*: This story is similar to the previous one, except that economic incentives rather than political competition is the driving force. The main point can be illustrated with a very simple model related to our analysis of Section 2. Suppose there are three groups, lower, middle and upper class, with respective fractions, λ_L, λ_M and λ_U and human capital, h_L, h_M and h_U. Let $\overline{h} = \lambda_L \ h_L + \lambda_M \ h_M + \lambda_U \ h_U$ be the average human capital. Suppose that when the lower classes are excluded from the political process, the middle class are in power with probability υ, and when the political process includes the lower classes, the lower classes are in power with probability υ_L and the middle classes are in power with probability υ_M. As before only linear taxes and universal subsidies are allowed, and the group in power can also decide whether to extend the franchise (if it was not extended before). It is now straightforward to see that if $\overline{h} > h_M$, the middle classes prefer taxation to no taxation, and also realize that this is also what lower classes want. So if $\upsilon_L + \upsilon_M > \upsilon$, that is if franchise extension increases the likelihood of taxation, the middle classes will extend the franchise when they control power during the pre-franchise era. In other words, in this theory, the middle classes extend the franchise because they hold power only temporarily and realize that by including the lower classes in the political processes, they will shift the balance of power in their favor.

4.1.3 Evidence on Competing Theories

We now discuss the empirical evidence in favor of and against these theories.

A1. *The Whig Version of History*: It is undoubtedly true that changes in social values have a real effect on political reform, and one could point out that Gorbachev's Glasnost was in part influenced by the changing values of the Soviet elite. The question is, however, whether changes in social values were the major driving force behind the reforms of the period. The main argument against the importance of social values is the timing of democratization. Since the ideas of the Enlightenment and the writings of Rousseau and Paine were widely disseminated in Europe by the early decades of the 19th century, it is hard to understand the timing of democratization, and especially why these ideas influenced political elites in Sweden and Germany long after they had persuaded those in France and Britain. Rather, the time pattern of democratization is tied much more closely to that of industrialization, inequality, and political unrest. Perhaps more important, the evidence discussed in this and the previous section suggests strongly that franchise extension was forced on elites and not willingly given as the Whig Version would suggest. We therefore conclude that although changes in the ideology of the elite may have played a role in the

radical political reforms of the period, they are highly unlikely to have been the major force behind them.

A2. *Political Party Competition:* This theory is the one which has attracted some attention from scholars. For example, Himmelfarb (1966) and Collier (1998) both argue that the 1867 and 1884 Reform Acts in Britain can be understood as the outcome of non-cooperative vote seeking interaction between the Liberal party (under Gladstone) and the Conservative party (under Disraeli). According to this story, each party thought they could gain advantage by extending voting rights since the recipients would vote for them. Collier accepts, however, the role of external and revolutionary pressure as the central force behind democratization in France, Germany and Sweden, leaving Britain as the only case for which this story could be the major explanation. We therefore focus on Britain, returning to the other countries at the end.

In 1866, Russell's Liberal government proposed a relaxation of the property restrictions on voting. This measure was defeated by a coalition of Conservatives led by Disraeli and right wing Liberals, the "Adullamites", who thought the extension too generous. The Liberal government then collapsed and Disraeli formed a minority administration (290 to 360). Disraeli's first move was to introduce a less generous franchise extension, but he realized that this would not gain majority support. He then switched to a proposal even more radical than the initial Liberal measure, which passed by gaining the support of a heterogeneous group of Liberals (Disraeli allowed various subgroups of Liberals to attach amendments to the Bill as it passed through the House of Commons in order to get their support). Disraeli can then be argued to have extended the franchise that he first opposed to encourage the newly enfranchised to vote Conservative.

In our view, the evidence does not support this interpretation of the British experience. We have already discussed the views of a wide spectrum of historians who all assert the importance of revolutionary threats to the established political order. The most important problem for this theory, however, is that the Conservatives lost the 1868 election immediately after having passed the franchise extension and the Liberal party lost the election of 1885.[14] So if the strategy was aimed at winning elections, it was clearly a failure.[15]

[14]The Conservatives held power between 1874 and 1880, losing the election to the Liberals in that year, possibly because of the large industrial depression. The Conservatives won in 1885 initiating a long period of practically unbroken domination which was ended by the Asquith Liberal victory of 1906.

[15]Although Collier argues that the Conservative victory of 1874 was secured with working class support, due to Disraeli's franchise policy, this is not the mainstream view of political historians who see the election as the beginning of the movement of the middle-classes out of the Liberal party. For example, Adelman (1997, p. 17) writes "the most important reason of all for the Liberal defeat was, quite simply, the swing

Furthermore, as the result of the split over the Corn Laws, support for the Conservative party was essentially concentrated in rural areas, with Tory landowners exerting substantial control over the electorate in the absence of a secret ballot. The reform measure passed under Disraeli increased the voting population by only 45% in counties compared to 145% in the boroughs, which does not seem consistent with a strategy designed to maximize Conservative votes.[16]

Overall, the most plausible interpretation of the inter-party rivalry in Britain during the 1860's and 1870's was that, while both parties regarded the extension of voting rights as inevitable due to mounting social pressure, they clearly saw that it could be structured in ways which were more or less advantageous to each of them. This created a complicated 'end game'. Cowling (1967, p. 89) argues that the Conservative party supported Disraeli in 1867 because if the Act failed "the Liberals might then do precisely what Derby and Disraeli had striven in 1866 to prevent their doing - carry Reform on their own lines." The one triumph of the 1867 for Disraeli was the fact that it severely limited the redistribution of seats away from the counties to the boroughs, and this reduced the impact of the franchise extension for the Conservative party. Searle (1993, p. 226) confirms this in writing "On one thing all historians are agreed: that the Conservatives, by successfully sponsoring reform, were at least able to shape, to a very large extent, the accompanying Redistribution measure." Smith (1967, p. 97) also agrees and argues that "Derby and Disraeli....in 1867, did not determine to trust the people, or put their faith in a Conservative democracy. They did what they felt they had to do, to satisfy the popular agitation and reconcile the upper strata of the working classes to the established political system".

As noted above, the party competition theory does not fit well with any of our other cases. With army units in revolt and the economy collapsed in Germany of 1918-1919,

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of the middle class voter." Smith (1967, p. 192) notes that Conservative gains in 1874 derived from "the defensive reaction [of the middle classes] against the challenge of Radicalism and labor". He further argues (1967, p. 29) "The gulf between the Conservative party and the urban working classes in 1866 was a wide one. As the party of land and agriculture, with little strength in the great towns and manufacturing regions, the Conservatives were largely out of touch with urban and industrial Britain and its inhabitants...They had very slight appeal for the politically conscious working man." Lee (1994, p. 140) argues that the view that the Tories tried to attract working class votes was "a Conservative myth which was popularised by Moneypenny and Buckle, the original biographers of Disraeli....This still has a few influential advocat, including Himmelfarb...but has been extensiveley criticised, not least by the modern biographer of Disraeli, R. Blake," (see Blake, 1966 Chapter 21). In Blake's view Disraeli and Derby "had the wide franchise of 1867 forced upon them."

[16]The notion that the Liberals and Conservatives were prepared to extend the franchise simply to keep their party in power is also not completely persuasive. Between 1859 and 1865 the Liberal prime minister Palmerston, who was opposed to franchise extension, and the Conservative leader Lord Derby, colluded so that the issue of suffrage would never be raised in parliament (Lee, p. 138).

the former political elites attempted to prevent revolution by generating a transition which would cause minimal damage to their interests. In France, there were more distinct subsets within elites. Orleanists and Legitimists formed separate factions within the Monarchist camp, and the Republicans, though democratic, were basically middle class and were not in favor of universal male suffrage in 1848. When the Monarchy collapsed in 1848, these groups had to concede to the demands of the revolutionaries. In support of this view, Aminzade (1993, p. 35) argues "French workers, mainly artisans, constituted the revolutionary force that put the Republican party in power in February 1848...and working class pressure from the streets of Paris forced liberal Republican leaders....to reluctantly conceded universal male suffrage." The same is true for the period after 1870. The conflict at the time, particularly the Commune, forced democracy along the lines of 1849, and this time defeated restrictive strategies by elites. Although no group within the elite were committed to universal male suffrage, they were forced to reintroduce it.

The Swedish case is perhaps the most similar to Britain. In 1906, the Liberal party's first ever government fell after failing to pass a law introducing universal male suffrage. The reform measure of 1909 was then passed (in 1907) by the Conservative government under Lindman. As with Disraeli in 1867, "Karl Lindman and his Conservative ministry that took office a year after the Liberals' 1906 failure saw an opportunity to pass a political reform on its own terms" (Collier, 1998, Ch.3, p. 9). Although male suffrage was conceded in one house, the Conservatives kept control over the other through the maintenance of multiple voting and tax-payer suffrage. As with the British case, this pattern of events was not the result of attempts by the Conservatives to gain votes, but rather a damage limitation exercise in the face of mounting social pressure for a full democracy.

A3. *Middle Class Drive*: There seems little evidence in Britain that the middle classes, other than a few radical MP's such as Bright elected in the large industrial cities, wanted to allow the working classes to vote. It was well understood that this would lead to redistribution at their expense. As Lord Elcho, a leading Adullamite put it, democracy meant "handing the country over to the Trade Unions and the rule of numbers, enabling the poor to tax the rich" (quoted in Cowling, 1967 p. 51). Cowling further notes (p. 54) "Disraeli and Gladstone were attempting to push members of parliament into doing what they had no *desire* to do...far from wishing to extend the franchise [they were] intensely suspicious of any attempt to do so. This applies to the great body of Liberals as well as to the Conservative party" (italics in original). Viscount Cranborne, a leading Conservative, saw the reform struggle, as we do, as "a battle not of parties, but of classes" and "a portion

of the great political struggle of our century - the struggle between property...and mere numbers" (quotes in Smith, 1967, pp. 27-28).

This theory does not seem to explain well the other instances of democratization either. In Germany in 1918-1919, the middle classes were either part of the coalition supporting the Monarchy, or moderates within the Social Democratic party. There is no evidence that in any of these cases, these groups saw suffrage extension to be to their advantage. Even the Social Democrats saw this as likely to help the more left-wing parties, like the Spartacists, which had split from the party in 1917. In France, the middle class could best be associated with the Republican party, which opposed universal male suffrage. In Sweden, the Liberal party partially represented the middle classes, and entered into a tactical coalition with the Social Democrats to force full democracy on the intransigent Conservatives and the Monarchy. Nevertheless, the Liberals in Sweden were very different from the Liberals in Britain. As Verney (1957, p. 138) puts it, "among its demands were factory inspection, state insurance for accidents, legalized collective agreements, arbitration, home ownership and sick pay. It was clearly not a party of economic-liberals." Indeed, while it was not a socialist party like the Social Democrats, it was significantly more left wing that its British namesake and included many workers and left-wing intellectuals. The struggle for democracy in Sweden should therefore be seen as a battle between the Conservatives and two left-wing parties. As our dicussion and the above quotes from Tilton (1974) illustrate, however, the driving force behind this process was social unrest and not an attempt to alter the structure of parliament to ensure future economic policies beneficial to the middle class.

4.2 Other Major Predictions

4.2.1 Inequality

Britain: Data on income inequality for the nineteenth century are not extremely reliable. Nevertheless, a number of studies using different data sources on Britain reach the same conclusion: inequality increased substantially during the first half of the nineteenth century, then started falling in the second half. The turning point appears to be sometime after 1870. This picture is also consistent with the findings of Crafts (1989), and of Lindert (1986) on wealth inequality, but is not completely uncontroversial (see Feinstein, 1988). Table 1 taken from Williamson's (1985) Table 4.2 gives a representative picture:

Table 1 - British Income Inequality

	Share of the Top 10%	Gini Coefficient
1823	47.51	0.400
1830	49.95	0.451
1871	62.29	0.627
1891	57.50	0.550
1901	47.41	0.443
1911	36.43	0.328
1915	36.46	0.333

A similar pattern also emerges from earnings inequality data reported in Williamson (1985) Table 3.2 where the Gini coefficient increases from 0.293 in 1827 to 0.358 in 1851 and falls to 0.331 in 1901. It appears therefore that inequality peaked approximately at the time of the major political reforms, and fell sharply after the extension of the franchise, as predicted by our model.

Other Countries: Morrisson (1997), in his authoritative survey, argues that Germany, France and Sweden all went through a Kuznets curve. In Germany, inequality rose during the nineteenth century and most researchers place the peak around 1900. For example, Kuznets (1963) finds that the income share of the top 5 per cent went from 28% in 1873-1880 to 32% in 1891-1900, stayed at 32% during 1901-1910, declining to 31% in 1911-13. Dumke (1991) finds the same income share to be 28.4% in 1880, rising to 32.6% in 1900, and falling to 30.6 % in 1913. Following the First World War inequality fell rapidly during the Weimar Republic. Kraus (1981) records that by 1926 the income share of the top 5% had fallen by 6.2%. Overall, Morrisson (1997) argues that the Kuznets curve in Germany peaked in 1900, went flat and started to fall in the 1920's. This date corresponds closely to the major democratization of 1918-1919.

For France, Morrisson (1991, 1997) argues that inequality rose until 1870, with the income share of the top 10 percent peaking at around 50%. Inequality started to fall, however, in the 1870's, and in 1890 the income share of the top 10 percent was down to 45%, further falling to 36% by 1929. The major political reforms of 1860-1877 in France are therefore approximately around the peak of the Kuznets curve. Finally, Soderberg (1987, 1991) records that income inequality grew in Sweden, peaking just before the First World War, levelling off or falling slightly during the 1920's, and then falling rapidly thereafter. Once again, there is a close correspondence between the decline in inequality and the extension of the franchise.

Overall, therefore, our discussion so far suggests that in Britain, France, Germany and Sweden, the peak of the Kuznets curve followed democratization, itself a response to

revolutionary threats and social pressure in all cases. This pattern supports the mechanism proposed in this paper.[17]

4.2.2 Redistribution, Education and the Decline in Inequality

Britain: The Reform Acts of the 1867-1884 were a turning point in the history of the British state. In 1871 Gladstone reformed the civil service, opening it to public examination and making it meritocratic. Liberal and Conservative governments introduced a considerable amount of labor market legislation, fundamentally changing the nature of industrial relations in favor of workers. During 1906-1914, the Liberal Party, under the leadership of Asquith and Lloyd George, introduced the modern redistributive state into Britain, including health and unemployment insurance, government financed pensions, minimum wages, and a commitment to redistributive taxation. As a result of the fiscal changes, taxes as a proportion of National Product more than doubled in the 30 years following 1870, and then doubled again. In the meantime, the progressivity of the tax system also increased (see Lindert, 1989). Consistent with these trends, Lindert (1994) has recently shown that between 1880 and 1930, variables measuring democracy, in particular voter turnout, had a significant positive effect on the expansion of government expenditures on social programs (welfare and unemployment compensation, pensions, health care and housing subsidies), again supporting the interpretation that democratization has been a key driving force of the radical shift towards redistributive fiscal and social policy.

Meanwhile, the education system that was only open to the elites during most of the nineteenth century became more and more open to the masses (see Schofield, 1973, and Mitch, 1992 and 1993, on the poor educational standards of the British workforce during the early 1800s). First, school leaving age was set at 11 in 1893, then increased to 12 in 1899, and special provisions for the children of needy families were introduced. Finally, the reform act of 1902 introduced public schooling as a duty of the government towards

[17] An exception to these patterns is the U.S., where early democratization was not followed by a fall in inequality. The universal white male suffrage of the late 1840s is widely attributed to increasing social pressure by the disenfranchised masses (see, for example, Albright, 1942, Williamson, 1960, Crotty, 1977, and Engerman et al., 1998). But the peak of the Kuznets curve was not reached until the 1930's, despite increased redistribution in the latter half of the nineteenth century. We conjecture, together with a number of historians, that the U.S. was exceptional, especially because of the high levels of immigration. Historical sociologists such as Kaelble (1986) argue that the citizens saw themselves as upwardly very mobile, partly because the lower ranks of the society were taken by migrants. Poor citizens therefore did not initiate social unrest. This may have changed in the late 1920s with the depression and the severe limitations on immigration. Although these arguments may justify why our simple model does not fit the U.S., more research is certainly required.

its people. As a result of these changes, the proportion of 10-year olds enrolled in school that stood at a disappointing 40% in 1870 increased to 100% in 1900 (see Ringer, 1979, p. 207). Many educational historians argue that the democratization of British society was the key driving force behind these changes (e.g. Simon, 1960), and the leading Chartists of the period saw increased representation precisely as a means to guarantee a more equitable distribution of the gains of growth (see Briggs, 1959).

Williamson (1985) sees the increase in the supply of skills as the key reason for the fall in inequality. Hence, to the extent that mass schooling contributed to this increase in the supply of skills, the education policies were an important factor in reducing inequality. This is summed-up by Lindert and Williamson (1985) who write that "the rate of skill deepening reached impressive levels in the era following the educational reforms of the 1870's, coinciding with the drop down Britain's Kuznets Curve." The data already reported in the previous subsection also suggests that the reduction in income inequality was faster than the compression in earnings inequality, which is consistent with the view that increased and more progressive taxation and more transfers to the poor played a key role in reducing inequality.

Other Countries: In Germany, during the period where the Kuznets curve peaked, primary school enrollments were flat. Social conflict was instead met by the creation of a welfare state by Bismarck.[18] This was initiated in the early 1880's and is widely regarded by historians of the period as a strategy to diffuse potential revolutionary sentiments (see, for example, Tampke, 1981, and Baldwin, 1990). Williamson (1998) writes that "the main aim of [Bismarck's] welfare program was to avoid revolution through timely social reform and to reconcile the working classes to the authority of the state." While this was a small amount of redistribution by contemporary standards, it seems to have been enough to stop the rise in inequality. Moreover, the fall in inequality that began in the 1920's coincides with the large increase in redistribution initiated by the Weimar state (see Flora, 1983).

In France, as in Britain, democratization coincided with important educational reforms. During the Second Empire, there was a significant expansion of government support for

[18] Another possible method of redistribution, which has received recent attention in the context of the "East Asian Miracle", is land reform (see Campos and Root, 1996). Whether or not land reform is attractive to the elite, and acceptable to citizens, depends on where revolutionary threats come from. Typically it is urban workers who pose the biggest threat to regimes, and they were the target of Bismarck's reforms, not rural peasants. In Germany, the proportion of the labor force in agriculture in 1870 was around 45% (see Flora, 1983) while for Britain it was already down to 20% by this date (Michell, 1962). In South Korea and Taiwan, this percentage was around 80%, and other conditions were also different. In particular, the Communist revolution in China had successfully exploited the discontent of peasants and this constituted the real threat to the Korean and Taiwanese regimes.

education with the illiteracy falling from 39% to 29% of adults and the primary school enrollment rate increasing from 51% to 68% (see Plessis, 1985, Table 14, p.100). In 1881 the government abolished fees in public primary schools, and in 1882, it introduced 7 years of compulsory education for children. The primary enrollment rate increased from 66% in 1863 to 82% in 1886. The 'liberal' phase of the Second Empire saw significant labor market legislation with strikes legalized in 1863, and unions finally officially tolerated in 1868. Moreover, central government expenditure as a percentage of GDP increased by one third from 9.4% in 1872 (a figure itself inflated by the war) to 12.4 % in 1880 (Flora, 1983).

For Sweden, as for Germany, there was little impact of democratization on educational enrollments. Nevertheless, Lindert's (1994) data shows that before 1920 there was no redistribution at all in Sweden, while after this date it jumped up sharply, leading to the decline in inequality.

In the U.S., despite failing to reduce inequality, the democratization of the first half of the nineteenth century induced significant government provision of primary education in a process known as the "common school" movement (see Cubberly, 1920). As Engerman et al. (1998) put it, "the "common school" movement was one of a number of campaigns for democratization in various social and economic policies that coincided with, or followed shortly after, widespread extension of the suffrage." Limited fiscal redistribution also followed the Civil War (see Skocpol, 1992), but only began in earnest during the 1930's as did attempts to pass labor market regulations favoring workers such as the Wagner Act.

Overall, we can summarize our discussion by quoting Easterlin (1981): "to judge from the historical experience of the world's 25 largest nations, the establishment and expansion of formal schooling has depended in large part on political conditions and ideological influences" and "a major commitment to mass education is frequently symptomatic of a major shift in political power and associated ideology in a direction conducive to greater upward mobility for a wider segment of the population." So it appears that democratization has historically been a major driving force towards redistribution and the institution of formal schooling for the masses. This is consistent with this paper's emphasis that democratization was instrumental in reducing inequality by forcing the elite to increase the extent of direct and indirect redistribution.

4.2.3 Revolution Opportunities

Finally, we would like to illustrate that there were important differences in the extent of revolution opportunities across periods and in the organization of the working classes across

countries.

An important part in the timing of political reform was played by economic depressions and wars. In Britain, the move towards democracy in 1867 was spurred by a sharp business cycle downturn (Lee, 1994). Moreover, after 1873, the world economy went into a prolonged slump, widely recognized to be the worst of the nineteenth century, and this slump caused increasing distress over the next decade. In France, democracy was precipitated by the 1848 revolution and was consolidated after the social unrest following the collapse of the Second Empire in the Franco-Prussian war, to the Paris Commune, and to the Third Republic. In Sweden, the end of the First World War appears to have increased the revolutionary sentiment (Verney, 1957, and Castles, 1973). And finally, in Germany, the defeat in the First World War was instrumental in creating social unrest, leading to the founding of the Weimar Republic. In all these cases, unusual events appear to have intensified the threat of revolution, implying that promises made during these periods may have been reversed when the society returned to normal times.

Social unrest was certainly as strong in Germany during the mid nineteenth century as it was in Britain and France. While there were no strong socialist parties in Britain and France (a point stressed by Stephens, 1989, for example) and trade unions were of little importance, Social Democratic Party in Germany was by far the largest left-wing party in Europe at that time and labor movement was strong.[19] At first sight, one might expect franchise extension in Germany rather than in Britain and France. Our model, in contrast, predicts that German elites should have had more flexibility in dealing with social unrest by promising future redistribution. This is consistent with the facts. While there was relatively early democratization in Britain and France, Germany instituted the first welfare state, but without a real transfer of political power to the working classes, and democratization had to wait until the Weimar Republic of 1919.

5 Extensions

In this section we informally discuss some extensions, focusing especially on those which are relevant for the model of Section 3.

[19]The relative strength of the working classes in Germany during the 19th century seems completely accepted by scholars, see the essays in Katznelson and Zolberg (1986). For example, Nolan begins her chapter (p. 354) by stating, "Although Britain experienced the first industrial revolution and France developed the first significant socialist associations, Germany produced the largest and best-organized workers' movement in the late nineteenth century."

Heterogeneity Among the Rich It is straightforward to extend the model so that there is a distribution of asset levels, $G_t(h)$, among the rich, with lower support $\underline{h} > 1$. In this case, $H_t = \lambda h_t^p + (1 - \lambda) \int hdG_t(h)$. The rest of our setup and results remain unchanged, except that now the tax rate may be positive even when the elite are in power. First, suppose that $G_t(h)$ is skewed to the right. In this case, the median rich agent would like a zero tax rate, and none of our results need to be modified. In particular, given decreasing returns to human capital, all rich agents converge to the same level of human capital, h_{SS}. In contrast, if $G_t(h)$ is skewed to the left, then the median rich may set a positive tax rate. Whether the revolution constraint becomes binding or not depends on this tax rate. If $G_t(h)$ is sufficiently skewed, then this tax may be high enough to ensure accumulation by the poor and avoid the revolution constraint. The interesting feature is that in this case the amount of conflict among the elite has an impact on the conflict *between* the elite and the poor.

Imperfect Substitution Among the Rich and the Poor We can think of the rich agents supplying skilled labor and the poor supplying unskilled labor, with imperfect substitution between these two types of labor. For example: $Y_t = A(\lambda h_t^p)^\alpha((1-\lambda)h_t^r)^{1-\alpha}$. In this case, differences in λ would have another, perhaps more intuitive, effect on the likelihood of revolution. When λ is high, unskilled wages will be depressed, so a given h_t^r/h_t^p would translate into a higher level of income inequality.

Costs of Redistributive Taxation In order to make our point in the simplest model, we have assumed redistributive taxation to be without distortions. It is straightforward to see that if this assumption is relaxed, then a democratic society would actually tend to an income level $Y_{SS}^3 \leq Y_{SS}^2$. Whether this inequality is strict or not will depend on a number of other features, which are not crucial for our story. This case would strengthen the conclusion that the lack of robust correlation between democracy and growth may not be surprising.

Targeted Taxes and Transfers We have not allowed the transfer T_t to be negative or person specific, implying that the elite preferred no intervention. With person specific transfers or lump-sum taxes used to subsidize production, the elite, when in power, would want to use their political power to redistribute in their favor (one can interpret the Corn Laws, or Combination Acts which outlawed unions in the nineteenth century Britain in this light). In doing this, however, they have to respect the revolution constraint again: a high tax on the poor would make a revolution worthwhile. The interesting implication is that, in this case, the elite will often tax the masses just enough to make them indifferent

between the existing system and a revolution, making increasing inequality more likely in an autocracy . This may fit the example of some African cases where state power appears to have been used more often to redistribute from one group to another.

Why is Democracy Irreversible? We have assumed that once the elite extend the franchise, they cannot rescind it. This is clearly unrealistic, since there are examples of coups which have restricted the political participation of the masses. This issue also raises the question of why the poor are initially excluded from the political process? Part of the answer appears to be that political power depends on wealth (e.g. Ades and Verdier, 1993). The elite, initially, are much wealthier than the masses, and can use their wealth in order to control the political process. Once the franchise is extended, the distribution of income and wealth becomes more equal, implying that the masses now possess the resources to take part in the political process, and making a return to autocracy much harder. We could easily introduce this in our model by making μ a function of the income level of the poor, for example, $\mu(y^p)$ (with the restriction that $\mu(y^p) \leq \bar{\mu}$ so that democracies do not necessarily lead to a revolution). In this case, once the franchise is extended and y^p increases, the poor are much better organized, so even if inequality falls, the threat of revolution does not totally disappear.

This reasoning also suggests a reason why South Korea and Taiwan may have started the democratization process over the past ten years. Our simple model predicts that they should remain an autocracy forever. Yet, if we think of political power as related to income, at some point μ will increase sufficiently so that the elite have to extend the franchise, despite the low level of inequality. With this modification, our approach predicts that, as in the case of South Korea and Taiwan in practice, economies which start with relatively low inequality should experience high growth and no democratization for a while, and then, once the masses become sufficiently wealthy, social unrest should force democratization.

Forward Looking Elites Finally, in the model of Section 3 (as opposed to Section 2), the agents are "myopic" because they live only one period and do not care about the dynamics after they die. If we introduce more general kinds of altruism or long horizons for the agents, this aspect will change. In this case, one might conjecture that the elite may accumulate slower than otherwise in order not to hit the revolution constraint. Intuitively, the members of the elite may realize that if they collectively have assets worth $H^* = \lambda(1-\mu)/\mu$, the revolution threat will become active. So they may stop accumulation at some level less than H^*. The important point to note, however, is that this requires some kind of coordination from the "state". If each member of the elite is deciding individually,

he would ignore his impact on the aggregate stock of assets, and thus would “free-ride” by accumulating more. Such behavior by all the members would take the economy to H^*.

6 Concluding Remarks

This paper has offered a simple model of political transition and reform, and investigated the implications for the dynamics of growth and inequality. The two main contributions of this paper are: (1) it explains why the rich elite may want to extend the franchise, even though this implies higher taxation in the future. (2) it offers a new explanation for the presence of a Kuznets curve in the development experience of Western societies.

Our emphasis on political reform as a way of changing future political equilibria may have a number of other applications. Recall that the important feature of franchise extension is that it changes who the median voter will be in the future, and thus commits the elite to future redistribution. Other reforms also affect future political balances. For example, electoral systems and relations with international institutions may act as commitments to certain policies. Also, programs differ in how easily they can be reversed. In most countries, for example, social security entitlement programs appear to be more difficult to cut other redistributive programs. This raises the question of whether there was a commitment motive in play when these programs were instituted.

Although the historical experiences of Britain, Germany, France and Sweden support our story, the U.S. evidence is more mixed. In the U.S., the common school movement appears to have emerged, at least in part, in response to democratization, but this was not sufficient to reduce inequality. A more careful appraisal of the U.S. case, research into the historical experiences of other countries, and a study of whether these forces are also important in more recent political reforms in Latin America and Asia are obvious areas for future research.

Our model predicts that democratization is more likely when inequality is high. This result however ignores another important effect. In general, when inequality is high, democratization is quite damaging to the elite who will be taxed more heavily. This implies that the impact of inequality on democratization will be determined by the interplay of two offsetting forces, which appears to be an interesting issue to study. Furthermore, we have not allowed the elite to use a “repression” strategy, clearly a relevant option in the experiences of Latin American and African countries.

Finally, as already noted, there are also major differences in the form of redistribution

across countries. In Britain, education increased substantially after the franchise due to increased government support. In contrast, in Germany, early redistribution was via the welfare state. It is important to understand what might cause these differences, and whether the same forces are also important in shaping the differences in the extent and form of redistribution we observe today.