

# [The evolution of institutions governing public choice in 17th century england | r...](https://assignbuster.com/the-evolution-of-institutions-governing-public-choice-in-17th-century-england-review/)

Before 1688, The English government was characterised for being irresponsible towards government creditors in terms of debt repayment. Absolutism was greatly imposed through a series of mechanisms such as the Star Chamber or the Royal prerogatives which allowed for Kings to achieve their goals unilaterally (North & Weingast, 1989, p. 813). Credibility on debt repayment was normally based on reputation which by itself could not assure physical payment, especially during war or scarcity. Kings would renege or obtain funding from illegitimate sources (such as expropriation) when government creditors did not wish to provide financially (North & Weingast, 1989, p. 807). North and Weingast have argued that after the Glorious Revolution in 1688, there was a significant change towards increased credibility of Kings for debt repayment and moreover, a shift in the structure of political institutions (Pincus & Robinson, 2011, p. 6). These changes were highly related to limiting the monarchs’ authority and resulted in advances towards government finance (North & Weingast, 1989, p. 808). Other Scholars have offered a different account on the events and respective effects that took place prior and post the Glorious Revolution. Can the Glorious Revolution be used as a benchmark for political/institutional evolution in England? Was it key in determining credible commitment? Or was it just trigger towards Whig supremacy?

North and Weingast proposed mainly two solutions towards credible commitment: responsible behaviour from monarchs and/or the creation of a limited government (Pincus & Robinson, 2011, p. 6). The first, related to reputation, is simply not enough for assuring payment while the latter searches for limiting the King’s power via Parliament (North & Weingast, 1989, p. 808). North & Weingast (1989) argued that credibility of commitment was established mainly by three changes in different areas: Parliament, The prerogative courts and the arbitrary powers of the king. Parliament became more present, meetings would take place regularly by law while at the same time it gained increased authority in terms of oversight on the crown. Their new capabilities included raising of new taxes and increased financial power (North & Weingast, 1989, p. 816). Regarding prerogative courts, their activity was reduced to common law, an independent judiciary emerged and the courts were abolished. Therefore, the monarch’s power was considerably reduced (North & Weingast, 1989, p. 816). Thirdly, in relation to arbitrary powers (Greater economic liberties and security of property rights), the King lost authority, the newly constructed government now ‘ threatened’ all future kings with dethroning those who behaved irresponsibly. These changes led to a series of innovations in England’s political context: the allocation of new taxes by statute, having the King to pay interest in all loans and the creation of the Bank of England (1694) which immensely constrained the King from default in payment (North & Weingast, 1989, p. 816/821). North and Weingast (1989) presented the creation of the bank of England as resulting into an improved capacity for providing resources to society. The evidence provided by them relates to the increased capacity to finance war and increased predictability of government activity as well as claiming the securitization of property rights (North & Weingast, 1989, p. 823-825).

Pincus and Robinson found discrepancies in different aspects of what presented by North and Weingast. Essentially they argue how changes post 1688 happened by a series of de facto changes rather that the proposed de jure (Pincus & Robinson, 2011, p. 5). It was de facto institutional changes that resulted in a change of the balance of power in England and consequently, caused a shift in the political activity (Pincus & Robinson, 2011, p. 5/33). The two sets of authors primarily differ in four areas: Parliament achievements, financial activity, the relation of common law and the prerogative courts and the so argued by North and Weingast ‘ government predictability’. Firstly, North and Weingast argue that the Declaration of Rights after 1688 established for the King to call Parliament at least annually whereas, Pincus and Robinson draw on the fact that it merely stated that they should be held frequently (Pincus & Robinson, 2011, p. 8-9). For the critics, de facto change took place as a result of increased Parliament meetings: more legislature (Pincus & Robinson, 2011, p. 8). In Relation to financials, North and Weingast argued that Parliament had now strengthened their position in oversight activity. Yet again, there was not de facto change as a committee of Accounts had already been created in 1644 for that purpose (Pincus & Robinson, 2011, p. 9). Regarding Common law, there was not any changes formally applied but rather that Parliament would be able to actually enforce the law as they could not before, resulting in what North and Weingast call ‘ a Threat to the King’ (Pincus & Robinson, 2011, p. 10). Finally, in contrast of the ‘ government predictability’, the critics argue that it was probably one of the most politically instable times due to Whig and Tory rivalry (Pincus & Robinson, 2011, p. 10-12).

Pincus and Robinson see the Glorious Revolution as a series of de facto changes that were caused by the increased power of Parliament. However, unlike North and Weingast, they do not understand it as a cause for credible commitment (Pincus & Robinson, 2011, p. 2/p. 13) . In fact, they see it as a change in society’s political equilibrium caused by an event that the previous authors don’t seem to take into account: the rise of the Whig party (Pincus & Robinson, 2011, p. 17). They illustrate so by presenting the reverse in the social hierarchy, being landowners now below wealthy man (mostly Whigs). They managed so, thanks to opportunism as they could provide with the means of winning the war against France (Pincus & Robinson, 2011, p. 18). Furthermore, despite William’s sympathy for Tories, he surrendered customs for life and abolished the Hearth tax, this way he could obtain the Whigs’ consent and financial support. At the same time they controlled the Bank of England which supplied with loans to government and manufacturing companies (Pincus & Robinson, 2011, p. 20-21/30). In this area, North and Weingast account shows weakness in the sense that there was no consideration on the Whigs’ influence in changing the nature of the social system, event in which Pincus and Robinson put the greatest emphasis on.

Stasavage’s account rather than wrong sees North and Weingast’s argument as partially incomplete. North and Weingast argued that credible commitment was imposed after 1688 due to the creation of a limited monarchy with veto powers (Stasavage, 2002, p. 155). To Stasavage imposing veto powers is not enough to demonstrate credible commitment (at full extent) in any government, there is a need to contextualise on how this veto powers where controlled by either party: the Whigs or the Tories (Stasavage, 2002, p. 155-57/163). He argues that this is demonstrated by the way interest rates on government debt varied across periods of time based on Partisan control (Stasavage, 2002, p. 156). Unlike North and Weingast which directly link parliamentary supremacy to credible commitment and change in institutions (and consequently, the creation of the Bank of England), Stasavage embraces the need to understand the context of partisan politics and bureaucratic delegation. He argued that Parliamentary division between Tories and Whigs and their policymaking activities related to landowning and “ monied interests”, respectively, are key in understanding change in the political context (Stasavage, 2002, p. 156-157/162/167). Stasavage expands North and Weingast’s argument by determining that credible commitment was achieved depending on how when the Whig Party, the majority of owners in government bonds, were well represented in Parliament (Stasavage, 2002, p. 174). He argues that thanks to the Whig’s ability to control at least on veto point channelled through bureaucratic delegation (the Bank of England), gave them enough power to achieve their interests in taxation/finance (Stasavage, 2002, 171-172). Alternatively, when controlling all veto powers such as in 1708-1709, the Whig party was again able to influence policy which clearly linked to the application of credible commitment on debt repayment (Stasavage, 2002, p. 172). It can be illustrated by the fact that during this time, long-term loans had low Interest rates (Stasavage, 2002, p. 172). Finally, Stasavage goes into detail into the importance of cross-issue coalition bargaining that allowed the Whig party to rise in a Parliament dominated by “ landed interests”. Though they were a minority in The House of Commons, they partnered up with landowners and through a series of mechanisms such as financial lobbying they managed to enforce their policy (Stasavage, 2002, p. 170-171).

Finally, it is also useful to compare Pincus and Robinson and Stasavage as both provide alternative views on North and Weingast’s account. As mentioned previously, Pincus and Robinson understand North and Weingast’s argument as rather wrong. They argue so because there weren’t any de jure changes in institutions, only de facto. This de facto changes resulted due to Parliament’s increased power (Pincus & Robinson, 2011, p. 5/8). They argue it was the Whig party’s influence which resulted in a change in the socio-political balance (Pincus & Robinson, 2011, p. 5). On the other hand, Stasavage sees North and Weingast’s argument as incomplete. He argues that credible commitment is achieved when multiple veto powers are imposed with another necessary condition: the Whig party to have control of all veto powers or at least one (through bureaucratic delegation) (Stasavage, 2002, p. 171-172). The first set of authors finds North and Weingast as focusing on the wrong consequences of the Glorious Revolution while the latter critic, finds that limited government has no direct relationship with credible commitment. Thus, the main difference between them is that Pincus and Robinson reject’s North and Weingast’s account on government predictability/stability (which includes credible commitment, among other issues) while Stasavage enforces North and Weingast’s argument with some adaptations. However their accounts differ, there is a common ground: the prevalence of the Whig party (Pincus & Robinson, 2011, p. 17) (Stasavage, 2002, p. 171). While North and Weingast don’t, both authors reflect on the importance of this phenomenon in influencing Parliament. The only difference is that while Stasavage uses it to argument credible commitment of debt repayment, Pincus and Robinson do so to explain a shift in English politics (Pincus & Robinson, 2011, p. 33) (Stasavage, 2002, p. 183-184).

To conclude, it is clear that the consequences of the Glorious Revolution have created ambiguity among scholars during history. Among the three authors studied in the review different conclusions were obtained on its actual impact at both an institutional level and political level. Some of them regard it as a path towards achieving credible commitment in paying debts while others view it as an essential event that resulted in a change in the socio-political system. Anyway, disregarding the direction by which the authors conduct their research, it is fair to say that the Glorious Revolution was an inflexion point in the political and economic context in England. This can be assumed by the fact that the direction of policymaking changed (greatly due to the influence of the Whigs), Parliament gained greater authority over the King (whether by means of de facto or de jure), The Bank of England was created and capital interest increased.

References

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