Why Did the Elites Extend the Suffrage? Democracy and the Scope of Government, With an Application to Britain’s ‘Age of Reform.’

Alessandro Lizzeri and Nicola Persico

August 2003.

Abstract

A new rationale is presented for why an elite may wish to expand the franchise even in the absence of serious threats to the established order. Expanding the franchise can turn politicians away from particularistic politics based on ad-personam redistribution within the elite, and foster competition based on provision of public programs with diffuse benefits. We show that if the value of public programs is high, a majority of the elite votes in favor of an extension of the franchise despite the absence of any threat from the disenfranchised.

We argue that several features of the evolution of public spending in 19th century Britain are consistent with our model. We suggest that the extension of the franchise may have been precipitated by the failure of old institutions in dealing with the needs generated by major increases in the size of cities, and that in turn, the ‘municipal revolution’ can be attributed to the change in the franchise.
1 Introduction

This paper deals with peaceful extensions of the right to vote. We are interested in the question of whether, or to what extent, these extensions were forced upon the elites. Our motivating example is 19th century Britain, when the franchise was extended without massive social unrest or revolutions. We use Britain as a “case study” to inform our modeling choices. We provide a theoretical model in which sometimes it is in the interest of the elites to extend the franchise. In our model this happens when a majority within the elite is dissatisfied with the functioning of current political institutions because of the inadequate provision of public goods and excessive pork-barrel spending. We offer evidence that, consistent with our model, the franchise expansions in 19th century Britain were accompanied by a surge in spending on local public goods and by a retrenchment of policies driven by special interest.

In 19th century England, franchise expansions were relatively peaceful—they entailed little overt violence. “It is the peculiar pride of England that [the record of social and political reform] is to be found on the statute book, not in the annals of revolution.” Peaceful expansion are hard to rationalize within the benchmark political-economic models. In those models, enlarging the franchise dilutes the elite’s power to influence policy and results in a loss for the elite. If the interests of the elite and of the disenfranchised are in sharp contrast on the issue of suffrage, and given that the elite controlled the levers of power, why did the British elite allow democratization?

The question of peaceful expansions of the franchise has recently been revived by Acemoglu and Robinson (2000, 2001, and 2003), and Conley and Temimi (2001). These papers introduce the threat of revolution. In these models, the disenfranchised group gains the right to vote by effectively threatening the social order, and hence the position of the enfranchised group. According to this view, franchise expansions are voluntary only in appearance; indeed, they are implemented under the threat of subversion of the existing order.

While we do not dispute that the latent threat of violence helped bring about the extension of

\footnote{Cited from Cheyney (1931), page vii.}

\footnote{In the median-voter model, for instance, expanding the franchise generally changes the identity of the decisive median voter, which guarantees that more than 50 percent of the elite would oppose the expansion (Meltzer and Richard 1981). Similarly, in models of redistributive politics (Lindbeck Weibull 1987, Myerson 1993) the elite would resist an expansion of the franchise since it would result in an increase in the number of individuals claiming a share of a pie of given size. Standard models, therefore, suggest that the elite should always expend considerable resources in resisting the expansion, quite possibly resorting to overt conflict with the disenfranchised when expanding the franchise has important consequences.}

\footnote{In a model of information aggregation a’ la Feddersen and Pesendorfer (1997), increasing the number of voters could have a positive effect. In this model the conflict of interest is secondary, and adding informed voters might generate more informed outcomes. It would seem, however, that this informational effect ought to be negligible when in reality the elite is large and conflicts of interest dominate.}
suffrage in Britain, the question is whether the possibility of revolution was so serious to, by itself, have persuaded the elite to extend the franchise, or whether there are some other political-economic considerations that might have entered the calculus of the elites. Since the end of the 18th century, the contemporaries felt a growing need for reform to address the failure of political institutions both at the national and at the local level. Political institutions were dominated by clientelism and patronage (pork-barrel politics), which absorbed much of the public revenue at the expense of programs of public utility. This political failure was felt with increased acuteness in the early decades of the 19th century, due to the plight of rapidly growing cities and the parlous state of finances following the Napoleonic wars. The initial core who favored reform (politicians who were influenced by the ideas of so-called “philosophical radicals” like Jeremy Bentham and James Mill), was joined gradually by centrist whigs such as Lord Russell, Lord Althorp, and eventually the leader of the whigs Lord Grey. These politicians viewed reform as essential to reduce the pervasiveness of patronage and to coax the machinery of government to serve the public purpose.4

In what follows, we show that the effects of franchise reform were consistent with the reformers’ expectations. We document a sharp decrease in patronage politics after the first franchise reform, and an increase in the provision of urban public goods (mainly sanitation). But what was the catalyst for reform? In 19th century Britain, a large increase in the value of local public goods (public health infrastructure) was caused by rapid urbanization. This massive shock created an urgent need for urban public goods in the early 19th century. In an era of large government debt, this need could not be fulfilled by the unreformed political system, which was captive of special interest within the aristocracy; hence the appeal of reform. It is the plight of cities, we argue, that crystallized the dissatisfaction with an ineffective government and proved to be the catalyst for the “age of reform.” To outline this argument we now give an overview of franchise expansion and the evolution of the public sector of 19th century England.5

The franchise in 19th century England was extended progressively, at the parliamentary level with the three reform acts of 1832, 1867, and 1884; this expansion was roughly replicated at the level of local government (except for bodies governing welfare spending). Figure 1 below shows that total government spending (central and local) as a fraction of GDP remained roughly constant after accounting for war spending.6 Since the expansion of the franchise does not seem to have coincided with a large change in total government spending, let us examine the composition of spending. Spending on welfare actually decreased during the 19th century—from a peak of 2 percent of GDP in 1820 to less than 1 percent of GDP through most of the rest of the century. While remarkable, this

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4 In Section 4.4 we provide historical evidence that substantiates this interpretation of the contemporaries’ view of reform.
5 Section 4 will address the connection between public spending and franchise reform in more detail.
6 The large peak around the start of the century reflects military spending on the Napoleonic wars.
pattern should not be overemphasized: even though direct transfers declined, we have no data on indirect transfers. As mentioned by Acemoglu and Robinson (2000), Trade Unions were recognized and strikes legalized following the 1867 reform, which changed industrial relations thereby probably increasing wages. Nevertheless, especially in view of the fact that poor relief actually decreased after the 1832 reform, the expansion of the franchise does not seem to be associated with a large redistribution of resources from the elite to the disenfranchised.7 A similar picture emerges if we look at taxation. Figure 2 depicts taxes and direct taxes as a fraction of GNP. Total taxation as a fraction of GNP decreases between 1800 and 1870, and in 1900 has not yet reached its 1800 level.8

The best-known example of this policy is the repeal of the Corn Laws (1846). The conventional view—at least since D. Ricardo and the Manchester School—is that the abolition of duties would result in increased social welfare benefiting the working classes and the industrialists, who joined forces in the Anti-Corn Law League against the landed interests. Taken as a whole, the picture that emerges from figures 1 and 2 does not seem to provide prima facie support for the idea that franchise expansion is primarily associated with increased redistribution from the rich to the poor.

Instead, the first order effect is on local public spending. This changed dramatically. Spending

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7Transfers increase after the 1890s. This increase is supportive of a “threat of revolution model.” We will return to this issue in Section 4.

8This evidence, however, must be interpreted with caution. As shown in Figure 2, direct taxes, a key redistributive tool, increased substantially as a fraction of GNP after 1870 (albeit from a very low base), and the tax system became more progressive.
by local government rose from 17% of total government spending in 1790 to 41% in 1890 (see Figure 3). Consistent with our argument, much of this massive increase reflected spending on public health infrastructure like sewerage systems, filtered water, and paved and drained roads.9

In line with the reformers’ expectations, the extension of the franchise caused a shift away from special-interest politicking towards a more public-oriented legislative activity.10 Seymour (1915,

9See Peacock and Wiseman (1961) and Millward and Sheard (1995). The paving of roads was considered a public health measure because dirt roads constituted a breeding ground for microorganism (see Section 4.6).

10The diminished importance of special interest in politics has been analyzed extensively by historians under the rubric of “waning of Old Corruption.”
p. 447), for example, finds that as a result of the expansion of the franchise “the very nature of electioneering has been transformed,” from purchasing a constituency with bribes to winning it by promises of legislation (pp. 453-4).\textsuperscript{11} Table 1 provides evidence that the reform act of 1832 led to a dramatic change in voting patterns consistent with the end of patronage-based politics. The table reports the probability that a voter changes his vote in two consecutive elections (from Tory to Whig, for example). A probability close to one (zero) indicates that voters are highly (un)likely to switch their allegiance from one election to the next, while a probability of 0.5 indicates perfect unpredictability, or randomness, in voting patterns. The table demonstrates that pre-1832 voting behavior was characterized by an almost complete lack of party allegiance. After 1832, voting behavior exhibits the pattern of correlation resembling modern partisan voting. This evidence is consistent with the notion that 1832 marked the change from patronage politics where votes go to the highest bidder, to a vote based on non-targetable platforms.\textsuperscript{12}

<table>
<thead>
<tr>
<th>1761-1802</th>
<th>1818-1831</th>
<th>1832-1841</th>
<th>1860-1868</th>
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<tr>
<td>0.45</td>
<td>0.41</td>
<td>0.18</td>
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Table 1: Hazard Rates of Party-Switching in Two Consecutive Elections
(Source: Phillips and Wetherell 1995)

A picture emerges, then, in which the expansion of the franchise is accompanied by (a) changes in the nature of public spending toward more spending on public goods; (b) no greater direct transfers to the lower classes; (c) a shift in policy in a direction favored by a majority within the elite (the commercial and urban classes) but not necessarily of all of the elite (not the landed classes); and (d) a change in the nature of political competition away from patronage politics. A static median-voter framework could account for point (a), but cannot explain voluntary franchise expansion. Point (b) cannot be accounted for by a model of pure redistributive politics.\textsuperscript{13} Point (c) highlights the internal divisions of the elite, a feature that has hitherto received little attention in the formal literature but which is crucial in our account of voluntary expansion.\textsuperscript{14} Point (d) has not yet been addressed in a formal model. We propose a “hybrid” model of political competition

\textsuperscript{11}See Section 4.4 for corroborating evidence by contemporaries.

\textsuperscript{12}This is the interpretation put forward by Phillips and Wetherell (1995). Prior to Phillips and Wetherell (1995), it was Cox (1987) who first argued for the demise of patronage based on an analysis of voting patterns and of parliamentary minutes. We will further elaborate on this issue in Section 4.5.

\textsuperscript{13}See, however, our cautionary discussion above.

\textsuperscript{14}A notable exception is Acemoglu and Robinson’s (2000) theory of the “middle-class drive,” which we discuss in Section 5. The connection between franchise expansion and the presence of divisions within the elites has previously been identified in the more qualitative political science literature. O’Donnel and Schmitter (1986), for example, emphasize the cleavage between regime "hard-liners“ and "soft-liners,” the latter being more favorable to democratization.
which features a tension between public goods provision and redistributive politics. The model can account for points (a) through (d). Specifically, the model identifies conditions under which franchise expansion is optimal for the elite in response to an increase in the value of public goods, i.e., in the opportunity cost of redistributive politics. Remarkably, the model delivers a franchise expansion that is truly voluntary—does not require any degree of power of the disenfranchised over the elite.

In the model, politicians can choose a combination of two policy instruments, redistribution (ad-hominem benefits) and a public good with diffuse benefits. Politicians, who court specific subset of voters in the elite, find redistributive policies more expedient, all other things being equal, than policies whose diffuse benefits cannot be directed to swing voters. Thus, competition for votes induces politicians to rely excessively on instruments of special interest politics. In this setup, members of the elite may wish to reform the political system to provide incentives for politicians to employ the power of office towards the provision of policies with diffuse benefits. Enlarging the franchise will do just that, since increasing the number of voters reduces the fraction of the electorate that can be wooed with ad-hominem promises and therefore, by comparison, increases the electoral value of policies with diffuse benefits. Politicians, then, become more likely to provide such policies. This effect pushes the political outcome in the direction preferred by the elite.

The fact that a majority of the elite can be better off after the expansion is surprising, since it would seem that, under the restricted franchise, electoral competition for the votes of the elite would guarantee that the lot of a majority in the elite cannot be improved by expanding the franchise. However, the redistributive strategy of politicians is not such that all members of the elite receive large transfers; rather, only those who are swing voters do. In equilibrium, members of the elite who are not swing voters lose out from special interest politics. Thus expanding the franchise, with the consequent shift in policy towards public goods provision, is strictly preferred by those who are not swing voters. When these voters form a majority, a majority of the electorate will prefer to expand the franchise.

What is the factor that generates a majority in favor of an extension of the franchise? In our model, a majority in support of extension forms in response to an exogenous increase to the value of public goods, because then the opportunity cost of redistributive politics becomes sharper. We now argue that, in 19th century England, it was an increase in the demand for local public goods in British cities that provided the reformers with a powerful, and ultimately decisive, argument for reform. With the industrial revolution, masses converged from the countryside to the cities in search of manufacturing jobs, and the urban populations swelled at unprecedented rates. Because of the pressure on a fragile infrastructure, cities were in a constant state of public health emergency. Epidemics of cholera and other diseases ravaged urban populations; in the 1830s, life expectancy
in large provincial cities was only 29 years, a 25% decline from the previous decade, and more than ten years below that of the country as a whole (see Figure 4).\footnote{Cholera, for example, struck England in 1831-2 (32,000 deaths). In that year, riots associated with cholera occurred in London, Liverpool, Manchester, Exeter, Birmingham, Bristol, Leeds, Sheffield, Glasgow, Edinburgh, and other towns. The riots originated from rumors that sufferers of cholera were being murdered by medical students to obtain bodies for anatomy classes. Other cholera epidemics occurred in 1848-9 (62,000 deaths), 1853-4 (20,000), and 1866-7 (14,000). See Wohl (1983), pp. 118-9.}

In these circumstances, spending on health and sanitation constituted a real public good whose benefits accrued to all urban classes. Indeed, the ill-effects of the epidemics cut across classes (although, of course, the wealthy lived longer than the poor). William Farr alludes to this point in his 1838 \textit{Annual Report} “[T]he epidemics which arise in the east end of the town [London] do not stay there; they travel to the west and prove fatal.”\footnote{Cited from Williamson (1990), p. 293. Prince Albert died of typhoid and Edward, Prince of Wales, contracted a severe case in 1871 after staying at the country home of the Countess of Londesborough. The Earl of Chesterfield, who had also stayed in the house, died of the disease. Cited from Wohl (1983).} This was especially true of water-borne diseases such as cholera and typhoid. The surge in local public spending, then, was a direct response to an exogenous shock: rapid urbanization. This shock raised the value of local public goods not only for the (non-voting) urban poor but also, crucially for our argument, for the (voting) urban middle classes.\footnote{Section 4.2.2 provides more evidence of the strong correlation in life expectancy across classes.}

The plight of British cities in the 19th century demanded effective government provision of public goods. But the pre-existing political structure made public-oriented policies impossible.
On this, most students of local government agree. The increased provision of local public goods could not have come about without the expansion of the franchise, which started the “municipal revolution,” the progressive reform of local government initiated by the Municipal Corporations Act of 1835. According to Smellie (1949), for example, “[t]he most important changes in the structure of English local government followed the extension of the suffrage in 1832 to the middle class, in 1867 to the urban working class, and in 1884 to the agricultural labourer.” In our interpretation, then, the plight of British cities with its attendant increase in the value of public goods makes causes an overflow in the dissatisfaction with the old political order, thus tipping the political balance in favor of reform.

Additional impetus for reform, especially in the second half of the 19th century, may have been provided by the demand for public education. Insofar as public education benefited the industrial elite by creating a more educated labor force, it is possible that a majority of the elite may have seen franchise reform as a way of directing public resources away from pork barrel and into public education. This issue is discussed in greater detail in Section 4.7.

Our model of consensual expansion of the franchise can, we believe, contribute in building a coherent picture of England’s “age of reform.” Our contribution is somewhat provocative because it asserts that the self-interest of the elites is not necessarily an obstacle to democratization. Indeed, self-interest may conceivably dictate relinquishing some power. We reiterate, however, that we do not take our model literally as showing that the franchise expansion happened in the absence of any pressures from the disenfranchised. What we take from the model is that there are shifts in public spending that follow the expansion of the franchise, and that these shifts may be beneficial for important subsets of the elite. In regards to the “threat of revolution” thesis we recognize that there are elements of extra-economic conflict between the disenfranchised and the elite, and there is no question that the “threat of revolution” was used by contemporaries as a powerful rhetorical argument. But, was there a realistic threat of revolution in 19th century England? In this, historians differ. Some scholars discount the “threat of revolution” story in accounting for the causes of British franchise reforms. This is partly because they reckon that the revolutionary movements in 19th-century England were weak and did not impact the politics of reform.

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18 See section 4.
20 The democratic demands of the lower classes were represented by the Chartist movement. The height of Chartist power was reached in the demonstrations of 1848, which echoed the unrest across Europe. But “when the demonstrations of 10 April did not come off and it became evident that the greatest mass movement of the nineteenth century had ended in failure, Prince Albert wrote the next day to Baron Stockmar ‘We had our revolution yesterday, and it ended in smoke.’ Of course, historians more or less unanimously agree—which in itself is quite a noteworthy fact—that there existed neither cause nor chance for a successful revolution in Britain in 1848.” Cited from Wende
scholars place more emphasis on the threat of revolution; (for a recent contribution, see Cunningham 2001) we refer to Acemoglu and Robinson (2000, 2003) for a deeper discussion of this strand of the literature. Our position is that our model is not alternative, but rather complementary to existing views of franchise expansion. The forces highlighted in our model may well co-exist with a threat of revolution. The key point is that the model does not need the threat of revolution to explain the franchise expansion.

The paper proceeds as follows. In Section 2 we present an example that illustrates the basic logic behind our theoretical results. Section 3 presents the analysis of the model. Section 4 collects some historical evidence related to our model. The related literature is discussed in Section 5. Section 6 offers some concluding remarks.

2 The Simple Logic of Franchise Expansion: An Example

To illustrate in the simplest way the key forces of our model, we first analyze an example of democratic provision of public goods in which some very stark assumptions are made. Most of these assumptions are then dispensed with in the main analysis of the model. We compare the equilibrium under restricted suffrage with the equilibrium under universal suffrage. We show that in the equilibrium with restricted suffrage, no public good is provided, whereas under universal suffrage the public good is provided. What is more, we show that the equilibrium allocation under universal suffrage involves a Pareto improvement relative to the allocation under restricted suffrage.

There are two parties who maximize the share of the vote. There is a measure 1 of identical citizens. There are two goods: money and a public good. Each citizen is endowed with one unit of money. Citizens have linear utility for money so that consuming one dollar gives them utility 1. Producing the public good takes all the money that is present in the economy and gives utility \( G \) to all citizens. Therefore, a party can either promise to tax all the endowment from all citizens and to provide the public good, or promise to redistribute resources across voters by choosing ad-personam taxes and transfers.

One half of the population (the elite) has the right to vote. We assume that \( 2 < G < 4 \). Under this assumption, the allocation that maximizes the sum of the utilities of the members of the elite entails providing the public good (it is impossible to give more than 2 to all members of the elite without providing the public good).

The electoral game is sequential. First, party 1 chooses whether to promise transfers or the public good. Then, party 2 observes the promise made to each voter by party 1 and chooses whether

\[ 1999, \text{p. 147. See Hamburger (1963) for an argument that the threat of revolution was a ‘bluff’ by the Radicals.} \]

\[ 21 \text{ The continuum assumption is introduced solely to avoid integer constraints.} \]
to promise transfers or the public good. Finally, each voter observes the promise made to her by each party and votes for the party who promises her the greatest utility. The policy offered by the party with a majority of the votes (among the enfranchised) gets implemented.

**Political equilibrium under restricted suffrage**  Assume for the moment that party 1 promises the public good (this is true in equilibrium). Then, party 2 will offer transfers and win a majority of the votes. Party 2 will offer nothing to the half of the population which is disenfranchised. It will also offer nothing to some members of the elite so that he can target a mass of almost $1/G$ of elite members and promise them a bit more than the value of the public good ($G + \varepsilon$). By taking $\varepsilon$ to be arbitrarily small, the mass of elite members who vote for party 2 is $1/G$. Thus, his vote share is $2/G$ (recall that the elite is half of the population) which is larger than 50% if $G < 4$. In contrast, opting to provide the public good leads to a tie with party 1. Thus, party 2 will promise redistribution, will garner a vote share of $2/G$ and the implemented policy results in a fraction $2/G$ of the elite receiving a utility level of $G$, and the rest of elite members receiving zero. Let us now go back and check that, indeed party 1 offers the public good. Suppose he promises redistribution; then party 2 could win a vote share arbitrarily close to 100% by promising $\varepsilon$ more than party 1’s promise to $1 - \varepsilon$ of the voters. Thus, by offering the public good, party 1 can at least guarantee itself a non-negligible vote share.

**Political equilibrium under universal suffrage**  For the same reason as before, party 1 will promise the public good. Now let us compute party 2’s best response. If party 2 chooses to redistribute, the most it can garner is a vote share of $1/G$ which is below 50 percent because $G > 2$. Relative to the case of restricted suffrage, this vote share is smaller because now all citizens vote, and so the strategic advantage of redistribution is smaller. Party 2 will therefore promise the public good, resulting in a 50-50 split and a 0.5 probability of getting elected. With universal suffrage, therefore, all elite members receive $G$.

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22The argument does not hinge on the precise nature of the tie-breaking rule. The analysis would be unchanged if we perturbed the tie-breaking rule, as long as party 2 obtains at least $1/G$ of the votes when both parties offer $G$. The issue of tie-breaking however, is relevant for the existence of equilibrium the case of restricted franchise. In the analysis we have finessed the issue by making party 2 offer $G + \varepsilon$ and taking $\varepsilon$ to 0. When $\varepsilon = 0$ however, party 2’s payoff is discontinuous, which creates problems for existence of equilibrium. This problem is a technical artefact of the stark nature of this example; it would not arise if, for instance, we assumed that transfers have to be multiples of some some minimal unit of account (e.g. one cent). Thus, our discussion can be interpreted as the limit of such a game when the unit of account becomes infinitesimal. In any event, this problem disappears when the game is simultaneous as we assume in the next section.
Universal suffrage is Pareto-improving for the elite  Under restricted suffrage, a majority of the elite receives a utility level of $G$ and the rest receive zero. Under universal suffrage, all elite members receive $G$. This means that some members are considerably better off under expansion, some are indifferent. Expanding the franchise constitutes a Pareto-improvement for the elite. Furthermore, any small amount of uncertainty about their position (i.e., about who will be the ones who get $G$) would drive all members of the elite to strictly favor expansion.\(^{23}\)

The fact that elite members \textit{unanimously} prefer expansion is peculiar to this example. In the next section we analyze a model that relaxes some of the stark assumptions of this example. There, the voting game is simultaneous (instead of sequential), the public good is a continuous (instead of an all-or-nothing policy,) and voters are endowed with an ideological motive. In that more realistic model elite members will not generally be unanimous in their preference for expansion, but we will provide conditions under which \textit{a majority} of the elite favors expansion.

\section{Theory}

We build on the model of redistributive politics provided by Lindbeck and Weibull (1987) and Dixit and Londregan (1996). We modify their framework by adding the possibility of investment in a public good and a restricted franchise.

There are two parties, $R$ and $L$. Parties make binding promises about policy in order to maximize their vote share.\(^{24}\)

There is a continuum of citizens of measure 1. Citizens are divided into groups that are indexed by $i \in \{0, 1, \ldots, N\}$. Group $i$ is composed of a mass $n_i$ of citizens. Each citizen of group $i$ is endowed with $\omega_i$ units of a consumption good, which we will call “money.” We denote the aggregate resources of the economy by $\omega = \sum_{i=0}^{N} n_i \omega_i$. We assume that taxation is non-distortionary, and that all the endowment can be taxed away. This implies that only the level of the aggregate resources $\omega$ will matter, not the distribution of endowments.

Not all citizens vote. Those who have the right to vote we call “elite,” the rest we call “disenfranchised.” We assume that citizens of groups $0, \ldots, s$ are voters, and those in groups $s + 1, \ldots, N$ are disenfranchised. Thus, the extent of the franchise is measured by the fraction of citizens who have the right to vote: $\sum_{i=0}^{s} n_i$. We assume that $n_0 < (\sum_{i=0}^{s} n_i) / 2$, that is, group zero on its own does not constitute a majority within the elite.

\(^{23}\)In the presence of uncertainty, strict preference for expansion would also hold in the game in which transfers have to be multiples of some unit of account (see previous footnote). This is because, absent uncertainty, in the equilibrium of that game a majority of the elite is essentially indifferent (up to the unit of account) between the promises made by the two parties.

\(^{24}\)In this model all the results are exactly the same if parties maximize the probability of winning.
A public good can be produced from money by using the technology \( g(I) \) where \( I \) denotes the amount invested in the public good. The function \( g \) is assumed to be strictly increasing, strictly concave, and differentiable twice. We also assume that \( g'(0) = \infty \); this assumption ensures that the equilibrium level of public good provision is greater than 0. If \( I \) is invested in the public good and citizen \( i \) consumes \( c_i \) of the consumption good, citizen \( i \) receives utility

\[
U(c_i + g(I)).
\]

We assume that \( U \) is strictly increasing, concave, twice differentiable, that \( U' \) is bounded away from zero, and that \( U'(0) = \infty \).\(^{25}\)

Parties simultaneously choose platforms, i.e., nonnegative vectors \((I, c_1, \ldots, c_N)\) such that \( I + \sum_i c_i = \omega \). A note about terminology: consider a citizen who has initial endowment \( \omega_i \) and who ends up with private consumption \( c_i \). It is convenient to call \( c_i \) the transfer to a citizen in group \( i \), implying that the citizen’s entire endowment \( \omega_i \) is taxed away and then a portion \( c_i \) is returned to him as a transfer. Thus, in our terminology a transfer is not additional income on top of the citizen’s endowment: rather, the transfer constitutes a citizen’s entire consumption of the private good. We therefore take as the status quo the situation in which all private endowments have been confiscated.

In addition to these ‘material’ preferences, citizens also have preferences according to their ideology. This is captured by endowing each citizen with a personal ideological parameter \( x \), which denotes the additional utility that the citizen enjoys if party \( R \) is elected. The parameter \( x \) is meant to capture additional elements of the political platforms of the two parties which are not related to economic policy. An example would be the parties’ attitudes towards issues such as foreign policy or religious values. For each citizen, \( x \) can be positive or negative and is the realization of an independent draw from random variable \( X_i \). We denote with \( F_i \) the c.d.f., with \( f_i \) the density of \( X_i \), and we assume that \( f_i \) is differentiable. Parties only know the distribution \( F_i \) of the ideology of citizen \( i \) but they do not know the exact realization of the value of \( x \). Thus, the parties’ promises cannot depend on \( x \), although they can depend on \( i \).\(^{26}\)

Suppose a member of group \( i \) with ideological preference \( x \) is promised consumption \( c_{iL} + g(I_L) \) by party \( L \) and \( c_{iR} + g(I_R) \) by party \( R \). This voter prefers that party \( L \) is elected if and only if

\[
U(c_{iL} + g(I_L)) - U(c_{iR} + g(I_R)) > x.
\]

\(^{25}\)Extending the model to allow for heterogeneous preferences is straightforward.

\(^{26}\)Note that in the example in section 2, ideology was absent: all voters voted solely according to their material preferences. Thus, the result about franchise extension in that setup does not rely on the presence of ideology. In the model of Lindbeck and Weibull, the presence of an ideological component is essential for the existence of equilibria in pure strategy.
We assume that voters vote as if they are pivotal. In this context, this means that a preference for a party translates into a vote for that party. Thus, the probability that voter \( i \) votes for party \( L \) is

\[
F_i(U(c_{i,L} + g(I_L)) - U(c_{i,R} + g(I_R)))
\]

Adding up across voters we obtain party \( L \)'s vote share.

\[
S_L = \sum_{i=0}^{s} n_i [F_i(U(c_{i,L} + g(I_L)) - U(c_{i,R} + g(I_R))].
\]

Party \( R \)'s vote share is \( 1 - S_L \).

Given party \( R \)'s platform, party \( L \) chooses a platform \((c_{iL}, I_L) \) that solves

\[
\max S_L \text{ s.t. (1)} \\
c_{iL} \geq 0 \ (i = 0, ..., s) \\
I_L + \sum_{i=0}^{s} n_i c_{iL} = \omega
\]

In writing the last constraint we have implicitly assumed that parties will not waste any transfers on citizens who do not have the right to vote. This is obviously true in equilibrium.

As in Lindbeck and Weibull (1987), in order to guarantee existence of a pure strategy equilibrium we assume that the objective function of both parties is strictly concave. A sufficient condition is that, for all \( i \), \( F_i(U(z)) - U(y) \) be strictly concave in \( z \) and strictly convex in \( y \). We refer the reader to Lindbeck and Weibull (1987) for details. Throughout the remainder of this paper we also make the two following assumptions.

**Assumption 1 (Ordering of groups.)** We assume that \( f_i(0) \) is decreasing in \( i \).

**Assumption 2 (Symmetry.)** We assume that \( f_i \) is symmetric around zero.

As will become clear, assumption 1 implies that the return in terms of vote share of offering one more dollar to voters in a given group is smaller for higher indexed groups. This in turn implies that parties will tend to make better promises to voters with lower \( i \). For a given size of the franchise \( s \), this assumption is merely an ordering of the indices \( i \) and is therefore without loss of generality. The substantive content of this assumption is that disenfranchised citizens are less responsive than the elite. Making this assumption simplifies the exposition. We will show that this assumption can be relaxed considerably without affecting the substance of the argument (see the discussion following Proposition 2).
Assumption 2 guarantees that newly enfranchised groups are not biased in favor of either party. Thus, neither party is favored by an extension of the franchise. This allows us to separate the forces identified in our model from a “partisan” motive for franchise extension, in which the newly enfranchised voters are a natural constituency for one of the parties.  

3.1 Benchmark: absent public good, no voluntary expansion of the franchise

When \( g(I) \equiv 0 \), i.e., investing in the public good is wasteful, then this game is a version of Lindbeck and Weibull (1987). In this environment, parties offer transfers only to members of the elite. Parties allocate the total endowment \( \omega \) so that the marginal return, in terms of vote share, of a dollar spent on a member of group \( i \) is the same as the marginal return of a dollar spent on a member of group \( j \). Formally, the equilibrium conditions read as follows:

\[
 f_i(0)U'(c_i) = f_j(0)U'(c_j), \quad \text{for all } i, j \in \{0, ..., s\}. \tag{2}
\]

Thus, groups which are more responsive (higher \( f_i(0) \)) receive higher transfers.

We now argue that, in this environment, an extension of the franchise is opposed by all members of the elite. Suppose members of group \( k \) are newly enfranchised. The allocation for members of group \( k \) is determined by a version of equation (2), which means that newly enfranchised voters receive a positive share of the total endowment \( \omega \). But then less than \( \omega \) is left to allocate among previous elite members, which means that they all receive less than before the expansion. We have therefore demonstrated the following result.

**Theorem 1** With pure redistribution (no public good) the elite unanimously opposes extending the franchise.

We now turn to the case in which providing the public good is part of the political equilibrium.

3.2 Public good provision that maximizes the elite’s welfare

The allocation that maximizes the utilitarian social welfare of the members of the elite is the solution to the following maximization problem:

\[
 \max_{I, c_i} \sum_{i=0}^{s} n_i U(c_i + g(I)) \\
\text{s.t. } I + \sum_{i=0}^{s} n_i c_i = \omega
\]

\[27\text{For a discussion of these models see Acemoglu and Robinson (2000).}\]
Note the difference between this maximization problem and the maximization problem (1) faced by parties. The welfare maximization problem does not depend on ideology. This is because the distributions $F_i$ of ideology were all assumed to be symmetric. Therefore, there is no aggregate ideological bias at the group level. So, while each voter’s ideological bias may lead him to regret or rejoice in the election of a particular party, the ideological component cancels out within each group. Consequently, in this setup the voters’ ideological motives do not influence welfare comparisons between policies.

The maximization problem is solved by substituting for $I$ in the objective function and taking first order conditions with respect to $c_i$. Inspection of the first order conditions immediately reveals that at the allocation that maximizes the elite’s welfare each elite member receives the same amount of the transfers. If we denote with $I^{SM}$ the investment level that solves the maximization problem, from the optimality conditions we have (assuming $I^{SM} < \omega$)

$$g'(I^{SM}) = \frac{1}{\left(\sum_{i=0}^{\omega} n_i\right)}.$$ 

Clearly, $I^{SM}$ depends on the extent of the franchise: the larger the franchise, the larger the welfare-maximizing level of investment in the public good. This reflects the fact that, when the franchise represents a small fraction of the population, it is wasteful (from the point of view of the enfranchised) to devote a large amount of resources to the production of a public good whose benefits are mostly enjoyed by non-enfranchised citizens.

### 3.3 (Under)provision of public good in the political equilibrium

We now parameterize the production function of the public good by a nonnegative scalar $V$:

$$g = g(I, V).$$

We make the following assumptions on the partial derivatives of $g$:

$$g_V > 0, g_{IV} > 0.$$  

An increase in $V$, therefore, raises both the total and the marginal value of one unit of investment in the public good. In addition, we assume that for all $I > 0$ we have $\lim_{V \to 0} g_I (I, V) = 0$, which means that the marginal productivity of investment becomes zero as $V$ approaches zero. Finally, we assume that $g_{IV}$ is bounded away from zero. For example, $g(I, V) = V \cdot g(I)$ satisfies all these assumptions provided that $g(I)$ is increasing and concave and $V \geq 0$. $V$ can be seen as a parameter representing the efficiency of the production function of the public good. Another way to interpret $V$ is as the value of a specific public good in the eyes of the citizens. The second interpretation
will be preferred in the following sections, where we will apply the results of this section to the phenomenon of increased value of sanitation in urban areas (a public good) in response to rapid urbanization.

The following proposition characterizes the equilibrium for a given suffrage level \( s \). Our first task is to show that members of groups with a smaller index \( i \) receive more transfers (and therefore greater utility) than members of a group with a higher \( i \). The intuition for this result is straightforward (and very close to results in Dixit and Londregan 1996.) Groups with a lower \( i \) are composed of individuals who are more responsive to electoral promises. Therefore, electoral competition between the parties will be more intense for those voters, resulting in a higher level of promised utility. This result is proved in part (i) of the next proposition.

The fact that voters who belong to different groups are treated differently in equilibrium has important consequences for the level of public good provision. Since the public good cannot be targeted to individual groups within the elite, it is a relatively inflexible instrument of electoral competition. The parties’ incentive to treat votes differently will lead them to distort their platform towards the targetable instrument (transfers) relative to the efficient level. This effect results in underprovision of the public good relative to the level that maximizes the elite’s welfare. This is shown in part (iii) of the next proposition.

Part (ii) shows that the root of the inefficiency is in the incentive for parties to treat voters differently. Absent this incentive, the targetability of the transfers has no strategic value and public good provision is efficient.

**Proposition 1** In a symmetric political equilibrium:

(i) If all voters are identical (\( f_i(0) = f(0) \) for all \( i \)) then all voters receive equal amounts of transfers, and investment in the public good maximizes the social welfare of the elite. Suppose that voters are heterogeneous (\( f_0(0) > f_s(0) \)). Then:

(ii) voters in more responsive groups (smaller \( i \)) are promised more transfers;

(iii) For any size of the franchise \( s \), there is a \( V > 0 \) such that, if \( V < \bar{V} \), then in equilibrium all groups in the elite receive positive transfers; in these circumstances, the public good is provided at the level that maximizes the elite’s welfare;

(iv) For any \( s \), and for any \( m \in \{1, ..., s\} \), there is a \( V_{\text{MAX}} > \bar{V} > V \) such that: if \( V_{\text{MAX}} > V > \bar{V} \), then in equilibrium groups \( m, ..., s \) in the elite are promised no transfers and the public good is underprovided relative to the level that maximizes the elite’s welfare; and if \( V > V_{\text{MAX}} \) all the resources are invested in the public good.

**Proof:** See the appendix.

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This proposition establishes that investment in the public good never exceeds $I^{SM}$, the level that maximizes the welfare of the elite. A party that promised an investment above $I^{SM}$ could improve his offers to all elite members by reducing investment slightly and transferring to each voter an equal share of the money thus saved. Part (iii) also establishes that, if all voters receive positive transfers, then investment in the public good must maximize the welfare of the elite. Intuitively, if this were not the case, a party could proportionately reduce the transfers to all voters and invest the proceeds in the public good, thereby increasing the utility promised to all voters. Note that this argument fails if some voters receive zero transfers. If some voters receive positive transfers and some receive zero transfers the public good is underprovided.

The intuition for the underprovision described in part (iv) is the following. A party uses transfers to achieve a certain profile of marginal utilities of consumption across groups; in equilibrium, a party strives to allocate resources so that less responsive voters (those with lower $f_i$) have higher marginal utility from consumption (see equation 5). The party is constrained in its ability to implement this profile when some voter receives zero transfers, since the party cannot decrease the utility of that voter without reducing the provision of the public good. This is the force that leads to underprovision of the public good. Intuitively, some groups receive zero transfers when (a) the technology $g$ for producing the public good is relatively productive, and (b) groups are relatively heterogeneous in their responsiveness. Then, (a) calls for a large investment in the public good and, at the same time, (b) calls for highly responsive groups to receive much higher utility than the less responsive ones. Effect (b) leads to parties concentrating the few resources that are left after the investment on the most responsive groups, leading to zero transfers to the least responsive groups.28 A potential criticism is that this argument may appear to rely on the perfect substitutability between public and private consumption. For instance, if voter $i$’s utility is $U(h(c_i) + g(I))$, for some function $h$ with infinite derivative at zero, then no voter would receive zero transfers. However, a more realistic version of the model would not be subject to this criticism. For instance, if a fraction of citizens’ endowment is not taxable by the government (for example because a portion of income is private information), or if tax rates are less than 100% because of distortions involved in taxation, then all groups would have a positive amount of private consumption even if parties were to offer zero transfers to some groups. In this variant of the model, 

28 An implication of this discussion is that underprovision (relative to the level that maximizes the elite’s welfare) only occurs when the public good is relatively productive. To see this, observe that when the public good is very unproductive, all groups receive positive transfers and thus the provision of public good maximizes the elite’s welfare. If the public good is very productive, some groups receive zero transfers and thus, in light of Proposition 1, there is underprovision of the public good relative to the level that maximizes the welfare of the elite. This is not to say, of course, that as the public good becomes more productive the equilibrium provision of the public good decreases; public good provision just does not grow as fast as the efficient level.
even though \( h'(0) = \infty \), some groups of voters can be offered no transfers by the parties leading to underprovision of the public good.\(^{29}\)

Underprovision is due to the combination of voter heterogeneity (different \( f_i \)'s) together with the lack of targetability of the public good. Heterogeneity gives parties incentives to treat voters differently according to their responsiveness (their \( f_i \)), but the public good does not lend itself to such a purpose. The lack of targetability of the public good is especially stark in our model since all voters value the public good the same. Underprovision would still be present in a model in which the voters’ valuations for the public good are heterogeneous, provided that the public good is not targetable, or at least that its benefits to groups 1, ..., \( s \) are not perfectly aligned with the order of their responsiveness (the \( f_i \)'s).

### 3.4 Extending the franchise increases public good provision

We now show that extending the franchise induces parties to promise more public good (and therefore less transfers).

**Proposition 2** Extending the franchise to groups \( s+1, \ldots, s+K \) (for any \( K = 1, \ldots, N-s \)) increases the equilibrium provision of the public good. The increase is strict unless all resources are already devoted to public good production.

**Proof:** We will use the following strategy of proof. We consider a marginal extension of the franchise to include a mass \( \eta \in (0, n_{s+1}) \) of group \( s+1 \) citizens. We proceed under the assumption that parties can target transfers to citizens in \( \eta \) without offering transfers to those who are not in \( \eta \). We show that a marginal increase in \( \eta \) results in greater spending on the public good. Since this is true for all \( \eta \in (0, n_{s+1}) \), it follows that extending the franchise to the entire group \( s+1 \) results in greater spending on the public good. Given this result, it is obvious that extending the franchise to groups \( s+2, \ldots, s+K \) increases public good provision. We divide the proof into three cases.

**Case A:** This is the case in which all groups \( 0, \ldots, s \) as well as citizens in \( \eta \) receive positive transfers. In this case part (iii) of proposition 1 yields that investment in the public good maximizes the elite’s welfare, and therefore the equilibrium level of investment \( I^*_L \) solves \( g'(I^*_L) = \frac{1}{(\eta + \sum_{k=0}^{s-1} n_k)} \). Since \( g'' < 0 \), this means that \( I^*_L \) is increasing in \( \eta \).

**Case B:** This is the case in which at least citizens in \( \eta \), and possibly some other groups too, receive no transfers. This case is proved in the appendix.

**Case C:** This is the case in which all resources are devoted to production of the public good. If investment in the public good were to decline with an extension of the franchise, after the extension

\(^{29}\)We are grateful to an anonymous referee for pointing out this issue.
some groups would receive positive transfers. But then case B has shown that investment in the public good is increasing in \( \eta \), which results in a contradiction. Therefore, in case C investment cannot decrease as \( \eta \) increases.

The intuition for Proposition 2 is the following. As argued in the discussion following Proposition 1, parties face a trade-off between offering the public good, which is a more efficient way of offering utility to voters, and offering transfers, which are more targetable. The public good benefits equally the elite and the disenfranchised, and parties do not internalize the benefits of the disenfranchised. As the franchise is extended, promising to invest in the public good becomes more appealing to parties because the parties internalize the utility of these additional voters. Another way to see this is to consider what happens when the franchise is restricted. In such circumstances, the value of targetability increases because the parties want to be able to offer more utility to voters than to non-voters. While seemingly straightforward, this intuition rests on the fact that the newly enfranchised voters are not expected to receive large amounts of transfers. This is ensured by Assumption 1, which provides an ordering of responsiveness (the \( f_i \)'s), with the members of the elite being more responsive than the disenfranchised.

Assumption 1 does not seem unreasonable. In modern times, electoral turnout is highly correlated with traits such as education and income. It seems, therefore, reasonable to assume that the disenfranchised, being less educated and less wealthy than the elite, are also, as a group, less responsive to electoral promises. Nevertheless, it is worthwhile to discuss the extent to which Assumption 1 can be relaxed. For instance, we could assume that the responsiveness of the disenfranchised citizens is identical to that of the elite. That is, to every group in the elite with a given \( f_i \) corresponds an equal-sized group among the disenfranchised with the same \( f_i \), and vice versa. After the expansion, the size of the franchise is doubled. In this case, extending the franchise makes the public good more valuable in the eyes of the candidates. To see this, observe that one unit of transfers purchases half as many vote shares after the extension as it did before, while the public good suffers no such drawback. This increased electoral efficiency of the public good leads to increased provision.30 A different way to relax Assumption 1 is to consider selective franchise expansion. If one or more groups of disenfranchised citizens are known to be less responsive to electoral promises than group \( H \) (the most responsive group which does not receive any transfers before the expansion), then extending the franchise to those groups would result in increased public good provision.31

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30 An easy way to convince oneself of this fact is to consider the case in which all groups receive positive transfers. Before the expansion, investment \( I^* \) in the public good solves \( g' (I^*) = 1 / (\sum_{i} n_i) \). After the expansion, the corresponding equation is \( g' (I^*) = 1 / \left( 2 \cdot \sum_{i} n_i \right) \).

31 Some restriction on the characteristics of the newly enfranchised is necessary, however. Indeed, there can be cases in which increasing the size of a group that receives positive transfers reduces provision of the public good. Intuitively, this happens when the group that expands is one which is much more responsive than the average to...
3.5 Conditions for franchise expansion to benefit a majority of the elite

We now provide conditions under which a majority of the elite strictly prefers to extend the franchise. These conditions are related to the value of investing in the public good. When the public good is very powerful, i.e., investing in the public good produces a large return, much of the resources of the economy will be devoted to public good production and little will be left for redistribution. This means that few groups within the elite will receive any transfers. All the remaining groups will be in favor of franchise expansion, since that increases public good provision.

**Theorem 2** Suppose that voters are heterogeneous \((f_0(0) > f_s(0))\). For any \(s\), there exist \(V_{\text{MAX}} > V > V_0 > 0\) such that,

(i) for \(V_{\text{MAX}} > V > V_0\), a majority of the elite strictly prefers any extension of the franchise relative to the status quo. Larger extensions (those with more new voters) are preferred to smaller ones;

(ii) for \(V < V_0\) the elite unanimously opposes extending the franchise;

(iii) for \(V > V_{\text{MAX}}\) the elite is indifferent to extending the franchise.

**Proof:**  **Part i.** By part (iv) of Proposition 1, for any \(m\), there is a \(V\) such that for \(V > V\), groups \(i = m, ..., s\) only receive the public good (no transfers); extending the franchise increases the welfare of all groups \(i = m, ..., s\) because the provision of the public good increases (Proposition 2). Larger extensions lead to larger public good provision, hence groups \(i = m, ..., s\) prefer larger extensions to smaller ones. If \(\sum_{i=m}^{s} n_i > (\sum_{i=0}^{s} n_i)/2\), a majority of elite members benefits from the extension of the franchise. This proves part (i).

**Part ii.** By part (iii) of Proposition 1 a \(V > 0\) exists such that for \(V < V\), in equilibrium, all members of the elite receive positive transfers. Extending the franchise makes all these voters worse off. To see this, observe that condition (5) holds as an equality for these voters. This guarantees that the utility change of these voters as a result of the increased provision of the public good has the same sign. Hence, if one of these voters prefers the change, then all of them would. Thus, if any of these voters were made better off following an extension of the franchise, then the elite would be unanimously in favor of higher provision of the public good before the extension. This cannot be part of an equilibrium with the restricted franchise.

**Part iii.** When \(V > V_{\text{MAX}}\) all the resources are devoted to public good production. Extending the franchise will therefore not change the equilibrium outcome.

The proof of theorem 2 can immediately be adapted to show that, if \(V\) is large, a supermajority within the elite will benefit from expanding the franchise. By choosing \(V\) large enough, the electoral promises. In this case, candidates will find it expedient to divert resources from the public good to members of this group.
supermajority can be made as large as to include groups 1, ..., s. Note, however, that the elite can never be unanimous in its support for expansion: group 0 will never strictly favor expansion. This is because, as long as not all the resources are invested in the public good, group zero receives positive transfers and therefore stands to lose from the expansion.

Theorem 2 may seem counterintuitive. If a majority of the elite is not satisfied with the status quo, one should expect a more appealing alternative to be proposed by the parties. The reason this does not happen is that, in addition to caring about policy, voters also care about ideology. Indeed, assume that $V_{MAX} > V > V$ and consider for instance a deviation by party L from the equilibrium platform towards a greater provision of the public good. As was shown in Theorem 2, when $V$ is high enough, a majority of voters receive zero transfers. Hence party L would receive some more votes from the majority of voters in the groups who receive no transfers from party R. However, not all voters in these groups would switch their vote in favor of party L because those with high ideological attachment to party R would still vote for party R despite the more favorable promise by party L. In fact, the gain in votes among the voters who receive zero transfers would be more than offset by a loss in the votes from the voters who receive positive transfers in equilibrium. The reason is that the latter voters are more responsive to promises of economic benefits, or in other words, less prone to vote according to their ideology at the margin ($f_i(0)$ is larger for these groups). This discussion leaves open the question of how an extension of the franchise can come about. This is the subject of the next section.

3.6 Incentive for political actors to propose franchise expansion

In this section we discuss two mechanisms by which a franchise expansion might come about: a referendum among elite members, and the inclusion of reform by a party in his electoral platform. For each we present a well-defined game and study its equilibrium. Our analysis is framed within an infinite-horizon dynamic game in which an election happens in each period. The election is similar to the one analyzed in the previous sections. Voters, however, may be called to vote not only on platforms of public good and transfers, but also on the issue of reform. If franchise reform is adopted, then all future elections are conducted under the expanded franchise. Parties maximize the discounted value of their expected vote share. Voters maximize the discounted sum of utilities, and discount the future at a rate $\delta$. We shall assume that at date zero there is a permanent change in the value of investing in the public good $V$ and draw out the implication for voting on extending the franchise.

We restrict attention to subgame perfect equilibria that are obtained as limits of equilibria of finite horizon games. We also maintain the assumption that voters vote as if they are pivotal (which we have assumed thus far). Throughout this subsection, we will use the unqualified terminology
“equilibrium” to refer to this equilibrium notion.

The case $V > V_{\text{MAX}}$ is trivial, since then all the resources are already devoted to producing the public good. Extending the franchise will not change the equilibrium allocation and, therefore, the elites are indifferent over whether a referendum passes and the disenfranchised have no incentive to ask for enfranchisement. In what follows we assume that when $V > V_{\text{MAX}}$ a referendum passes. We choose this convention mainly to streamline the statement of the following propositions.

### 3.6.1 Extension via referendum

This is a dynamic game in which each period is composed of a referendum stage and an electoral stage. The electoral stage is identical to the one analyzed in the previous sections. Prior to the electoral stage, a referendum stage takes place in which any elite member can submit a proposal for a referendum expanding the franchise to all citizens. Submitting the proposal is costless. If the proposal is submitted, then elite members vote for or against it, and the proposal passes if it is approved by a majority of the elite members. While we shall mainly be interested in the infinite horizon version of the game, it is convenient to think of the game consisting of $T$ periods (with $T$ possibly equal to infinity). If a referendum is successful in period $t$, it defines the voting population in all subsequent periods $t+1, \ldots, T$.

Let us first analyze the case in which $T < \infty$, and let us analyze the backward induction equilibrium of this finite horizon game. Consider period $T$, and assume that a referendum has not yet been called. If a referendum is called in period $T$ in which members of the elite are asked to vote Yes or No on extending the franchise, then for $V_{\text{MAX}} > V > \overline{V}$, a majority who votes as if they are pivotal would vote Yes. This is because, before the expansion, a majority within the elite receive no transfers and hence all their consumption is in the form of the public good. After the expansion, voters anticipate that the level of public good promised by politicians will increase. Therefore, a majority of the elite benefits from expansion and will vote Yes in the referendum. This, in turn, gives a strict incentive for some elite members to call a referendum in period $T$ when $V_{\text{MAX}} > V > \overline{V}$. The argument shows that in any subgame perfect equilibrium, voters call a referendum in period $T$ unless the suffrage is already universal. Consider now period $T-1$. We have shown that when $V_{\text{MAX}} > V > \overline{V}$ the platforms implemented in period $T$ do not depend on the outcome of previous periods. Therefore, in period $T-1$ players need not concern themselves with the consequences of their actions for period $T$. Hence, when $V > \overline{V}$ the same logic as in period $T$ shows that in any subgame perfect equilibrium, voters call a referendum in period $T-1$ unless the suffrage is already universal. Repeating these steps for periods $T-2, \ldots, 1$ we obtain that when

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32 The reasoning and the results will be analogous if passing the referendum required the approval of a supermajority, say $2/3$, of the elite.
$V_{\text{MAX}} > V > \overline{V}$ in the unique subgame perfect equilibrium the referendum is proposed in every period unless the suffrage is already universal. On the equilibrium path the franchise is extended in the first period. If $V < \overline{V}$, then if a referendum is called in period $T$ it would be defeated. Analogously, the referendum would be defeated in any period in which it is proposed.\textsuperscript{33}

Letting $T \to \infty$ yields a subgame perfect equilibrium in the infinite horizon game; its equilibrium path is summarized in the following proposition.

**Proposition 3** In the equilibrium of the referendum game, if $V > \overline{V}$ a referendum will be called in the first period and will be successful i.e. the franchise will be expanded. If $V < \overline{V}$ a referendum will never be approved.

Historically however, the extension of the franchise did not come about via referendum. Rather, franchise reform was implemented by legislatures elected under the restricted franchise. In the remainder of this section we turn to environments in which franchise expansion can only come about as part of a politician’s platform. In this environment, politicians have control of the reform agenda. We now show that this makes franchise reform harder to implement compared to the benchmark case of a referendum. This is because parties have relatively weak incentives to include franchise reform in their platform. The reason is that franchise expansion benefits precisely those elite members who are not very responsive to electoral promises, and who are therefore electorally less valuable to parties.

### 3.6.2 Extension via election of parties who propose franchise reform

This is a dynamic game in which each period is composed of an electoral stage only (no referenda). The electoral stage is the same as the one analyzed in the previous sub-sections, except for the following feature. In addition to a platform of public good and transfers, a party can also promise to extend the franchise. If a party who proposes franchise extension is elected, then franchise reform is permanently adopted, i.e., all future elections are conducted under the larger franchise. For simplicity, we shall describe the equilibrium of the game in which parties are given only one chance to include reform in their platform. If in period 0 reform is not adopted, i.e. if no party includes reform in his platform or if the party who includes reform is defeated, then reform will never again be available in the future.\textsuperscript{34}

To understand whether reform is adopted in equilibrium, we now discuss the party’s incentives to include reform as part of his platform. These depend on whether the vote share is increased.

\textsuperscript{33} If there is even a tiny cost of proposing the referendum, the referendum would not even be proposed.

\textsuperscript{34} The assumption of a one-off opportunity of extending the franchise is not essential for the result obtained in Proposition 4 below. We have considered the game in which parties can propose reform at any date. In that game there is an equilibrium in which immediate franchise expansion obtains.
by proposing reform given that the other party does not. This is turn depends on how voters feel about electing the reform party. Again, start by considering the truncation of the game to period $T > 1$, and let us analyze the backwards induction equilibrium of this finite horizon game. Consider a voter with ideology $x$, and suppose party $R$ offers reform whereas party $L$ does not. If reform is never implemented, which means party $L$ is elected in the current period, this voter’s discounted stream of utility is

$$U(c^*_i + g(I^*)) + \sum_{t=1}^{T} \delta^t \left[U(c^*_i + g(I^*)) + \frac{1}{2}x\right],$$

where $\delta$ represents the discount factor (assumed identical for all voters), and $c^*_i$ and $I^*$ represent the equilibrium policies implemented under the restricted franchise as characterized in Proposition 1. If reform is implemented, which means that party $R$ is elected, the voter’s utility stream is

$$U(c^*_i + g(I^*)) + x + \sum_{t=1}^{T} \delta^t \left[U(c^*_i + g(I^*)) + \frac{1}{2}x\right].$$

(4)

where $c^*_i + I^*$ represent the equilibrium policies implemented under universal suffrage which were also characterized in Proposition 1.

Note that the term $\sum_{t=1}^{T} \delta^t \left(\frac{1}{2}x\right)$ appears in both expressions. This term represents the discounted value of the voter’s ideology given that in equilibrium both parties win with probability $\frac{1}{2}$ regardless of the size of the franchise.

The voter will vote for the reform party if the first expression is smaller than the second one, i.e., if

$$x \geq \sum_{t=1}^{T} \delta^t \left[U(c^*_i + g(I^*)) - U(c^*_i + g(I^*))\right]$$

The term in brackets is positive only for those groups who before the expansion receive positive transfers, and is negative for the rest. As $\delta$ converges to 1 and $T \to \infty$, the right hand side converges to $+\infty$ for those groups who before the expansion receive positive transfers, and to $-\infty$ for those groups who receive zero transfers. Thus, voters in the latter groups will vote for party $L$ for sure. By Theorem 2, when $V$ is high enough (i.e., when $V > \overline{V}$), the proportion of these groups within the elite exceeds 50%. Thus, when $V$ is high enough and voters are sufficiently patient, the reform party is victorious in period 0. This proves the following statement.

**Proposition 4** In the equilibrium of the political reform game, if $V > \overline{V}$ and if voters are sufficiently patient, both parties include reform in their platform in the first period, and reform is adopted immediately.

Note that, in order to ensure franchise expansion, an additional condition on the voters’ patience is necessary that was not necessary in the referendum game. The reason why this additional
condition is necessary is that in the political reform game if a voter wants reform he has to choose the party who proposes it, and incur the ideological cost (or benefit) $x$. That was not the case in a referendum, where the reform issue is voted upon in isolation. In the political reform game, voting for reform entails selecting a particular party: the issue of franchise reform is bundled with the ideological baggage of the party who proposes it. The idea that calling a referendum entails an unbundling of issues has been introduced and studied by Besley and Coate (2002). In our setup, the fact that reform is more difficult to pass when it is bundled with the rest of a party’s platform (i.e., in the political reform game) reflects the intuition discussed at the end of section 3.5. When voters are patient, however, Proposition 4 shows that the long-run benefits of reform overwhelm the friction created by the bundling.

3.7 Discussion of the model

We have shown that in this model an increase in the value of public goods induces: (a) changes in the nature of public spending toward more spending on public goods; (b) no greater direct transfers to the lower classes; (c) a shift in policy in a direction favored by a majority within the elite (the commercial and urban classes) but not necessarily of all of the elite (not the landed classes); and (d) a change in the nature of political competition away from patronage politics. These features are consistent with the stylized facts of 19th century England highlighted in the introduction which will be discussed in the next section.

Our model can be extended to incorporate a threat of revolution as in Acemoglu and Robinson (2000, 2001). Introducing a threat of revolution would facilitate the extension of the franchise. In this respect, our model and the model by Acemoglu and Robinson are truly complementary. Formally, the main effect of a threat of revolution in such a “hybrid” model would be to lower the threshold value $V$ that specifies the value of a marginal investment in the public good above which a majority of the elite would vote for an extension of the franchise.

4 The British Age of Reform

In this section we offer corroborating evidence for the interpretation of franchise reform that was outlined in the introduction. Here is a roadmap for this section.

Three franchises and their different dynamics We distinguish between (i) parliamentary franchise, (ii) municipal franchise, and (iii) franchise for bodies that govern welfare spending. At the same time that the franchise in the first two bodies were expanded, the franchise for welfare spending became more restrictive. We interpret this duality as an indication that
it may be misleading to read the process of franchise reform primarily through the lens of redistribution from rich to poor.

**Urbanization and the increased value of local public goods** In the early decades of the 19th century, England experienced rapid urbanization in connection with the industrial revolution. We document a dramatic increase in the value of urban public goods, particularly public health infrastructure such as sewerage, waterworks, and paved roads. According to our model, it is this increase in the value of public goods that pushed support for the franchise reforms within the elite above the majority threshold.

**Failure of old institutions and the need for franchise reform** We discuss the pre-1832 failure to provide local public goods. Municipal corporations were controlled by a small and entrenched subgroup within the elite to the detriment of the rest of the elite.

**The contemporary viewpoint** This section reports extracts from the correspondence and speeches of some key contemporary politicians to demonstrate that they viewed franchise reform as a means of reducing patronage and increasing the effective provision of local public goods. Extension of the parliamentary franchise was viewed as a pre-condition for municipal reform.

**Franchise reform and the decline of special interest politics** We provide additional evidence of shifts in the nature of electioneering and of voting patterns in connection with the reform acts. This evidence is consistent with a shift away from pork-barrel redistribution and towards policies with broad appeal.

**Franchise reform associated with increased spending on public health.** We describe the effects of franchise reform on the role of government during the 19th century. We show that the increase in local public spending, which was described in the introduction, was mostly devoted to improvements to public health infrastructures. This is consistent with the predictions of our model.

**Franchise reform and education** Expenditure on public education greatly increased in the latter part of the 19th century. We outline a possible connection between the expansion of the franchise and the advantages for the capitalist elite of public education. Public education may represent an additional rationale, alongside local public goods, for the elite’s willingness to extend the franchise in the second part of the 19th century.
4.1 Three franchises and their different dynamics

The main sources for this section are Hennock (1973), Keith-Lucas (1952, 1977), and Seymour (1915).

4.1.1 Evolution of the Parliamentary Franchise

The parliamentary franchise was extended gradually during the 19th century. The first important reform is the so-called Great Reform Act of 1832. This reform formalizes the link between franchise and property ownership which was only partial prior to 1832. This act had two major components. First, it lowered the property restrictions on voting; second, it enfranchised some large cities such as Birmingham and Manchester which previously had no representation. Thus, this act reformed the geographic as well as the socio-economic basis for the right to vote. It represented a shift in favor of cities and the middle classes, and it almost doubled the size of the voting population to approximately 800,000 people.

For the second extension of the franchise we must wait until the 1867 Representation of the People Act which significantly lowered the property threshold for the franchise and led to an 88% increase in the size of the electorate. The next change in suffrage was the 1884 Franchise Act which essentially brought household suffrage to England by extending the franchise especially in counties. At this point about 1 in 5 citizen had the franchise.

4.1.2 Evolution of the Local Franchise

Up to the first half of the 19th century, the panorama of English local institutions was quite complex. Keith-Lucas (1977) divides these into four major categories: The Quarter Sessions, the vestries, the municipal corporations, and a variety of bodies that have been called statutory or ad hoc commissions. The 19th century saw a complete transformation of local institutions.\(^\text{35}\) The 1835 Municipal Corporations Act, which established elected bodies that became the precursors of the modern municipal councils, represents a milestone in the reform of local institutions in the first half of the century. Prior to 1835 many towns were not even incorporated, and in others, the municipal corporation was run by oligarchies for the purpose of jobbery and of influencing parliamentary elections (see section 4.3). By mid-century, almost all cities were incorporated and, in most cities, the municipal corporation was becoming the most important vehicle for undertaking most local

\(^{35}\)Keith-Lucas (1952) writes: “when Lord Melbourne took office in 1834 very few elected local authorities were to be found in the whole of England; when Mr Gladstone resigned in 1894 every town and village which was more than a mere hamlet had its governing council, elected by the people themselves. During these sixty years there had been born the two democracies of Central and Local Government, as partners to manage the affairs of England.”
public projects. The franchise established in 1835 was based on the principle of one ratepayer-one vote: anyone who paid the rates (a property tax) had the right to vote. Despite the appearance of democracy, however, there were two major obstacles to a large electorate. First, there was a three year residence requirement. This contrasted with a one year requirement for parliamentary elections and represented a substantial restriction in an era of great mobility and immigration into cities. The second obstacle to a large electorate was the treatment of “compounders.”36 Finally, recipients of aid of any sort, most notably poor relief, were disqualified from voting. The overall effect of these restrictions was that the municipal electorate was approximately the same as the parliamentary one despite the fact that the latter was in principle much more narrowly defined by the act of 1832 (see Keith-Lucas 1952).

As mentioned before, the role of municipal corporations evolved gradually as more towns (e.g, Manchester and Birmingham in 1838, and Bradford in 1847) became incorporated, and corporations took over a growing number of the tasks previously undertaken by improvement and ad hoc commissions, and by the parishes (see Hennock 1973). In terms of the municipal franchise though, the next change took place as a result of the 1850 Small Tenements Act which enfranchised compounders. However, adoption of this Act was voluntary so that some cities had substantial increases in the size of the electorate whereas others did not.

A substantial expansion of the franchise occurred following the 1869 Municipal Franchise Act & Assessed Rates Act which is analogous to the parliamentary reform of 1867. This act reduced the residence requirement to one year and definitively enfranchised compounders, thereby effectively bringing the vote to laborers. This act brought the municipal electorate to 1 voter for every 5 to 7 citizens, depending on the city. The electorate increased sixfold in some cities. The 1888 act extended to the municipal level the reforms instituted at the parliamentary level by the 1884 Act. The following table summarizes the evolution in the local franchise for a few major cities.

<table>
<thead>
<tr>
<th>Year</th>
<th>Birmingham</th>
<th>Leeds</th>
<th>Ipswich</th>
</tr>
</thead>
<tbody>
<tr>
<td>1841</td>
<td>3</td>
<td>10</td>
<td>8</td>
</tr>
<tr>
<td>1851</td>
<td>3</td>
<td>9</td>
<td>8</td>
</tr>
<tr>
<td>1861</td>
<td>3</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>1871</td>
<td>18</td>
<td>19</td>
<td>15</td>
</tr>
<tr>
<td>1911</td>
<td>19</td>
<td>20</td>
<td>20</td>
</tr>
</tbody>
</table>

Percentage of population with right to vote in municipal elections. (Source: Hennock 1973)

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36 Cities did not bother collecting taxes from individuals with relatively low income; they collected taxes from their landlord who was expected to collect from his tenants by raising the rent. The individuals who thus paid rates indirectly through their landlord were called compounders. Heterogeneous treatment of compounders by different cities led to significant differences in the size of electorate.
4.1.3 Evolution of the Franchise for Welfare Spending

The poor laws refer to the system of law and norms governing poor relief. Spending on poor relief was almost exclusively a local affair. Parish vestries were mainly responsible for the management of poor-law spending. In the first half of the century, the administration of poor relief evolved in a manner that provides a sharp contrast with the gradual democratization of the parliamentary and municipal franchise.

The two major reforms in this respect were the 1818-9 Sturgess-Bourne Act and the Poor-Law Amendment Act of 1834. While vestries were very heterogeneous prior to these reforms, several vestries were effectively very democratic, making decisions in meetings open to all, and often attended by crowds of poor individuals with a stake in voting for increased relief. Both acts introduce a graduated franchise based on property: there was a minimal threshold for obtaining one vote, and wealthier individuals could cast more votes up to a maximum of six. Furthermore, property owners who were not resident in the area had the right to vote with a graduated franchise. Finally, the consent of a supermajority (two thirds) of the property owners was required to substantially raise taxes. By 1834 it becomes clear that property owners have taken a dominant role in voting on issues related to poor-law spending.

4.1.4 Key Lessons from the Evolution of the Franchises

The previous discussion highlights the following instructive features of the reform process.

First, there is an important contrast between the reform of the franchise for institutions devoted to public spending in local infrastructure (municipal corporations) and for those devoted to poor relief: the latter are reformed to become less democratic. Second, until 1917, those who receive public assistance are disqualified from voting. Third, there is a different treatment of county and borough franchise: the extensions before 1884 are clearly in favor of cities (see Davis and Tanner 1996).

The first two features do not necessarily square with a theory of linear progress toward democracy based on the progressive acceptance by the elites of democratic values. The duality in the reform of the franchise indicate that a full understanding of the forces driving franchise reform requires going beyond a simple picture of redistribution from the rich to the poor, and suggest the destination of public spending should be taken into account. We saw in the introduction that

\footnote{This is only a partial picture: other vestries, known as closed or select vestries, were governed by small groups of individuals accountable to no-one. Closed vestries were abolished in 1831.}

\footnote{The main difference between the two acts is that the Sturgess-Bourne Act related to parishes, while the Poor Law Amendment Act created the Boards of Guardians that supervised unions of parishes. While both acts were designed to limit the electoral voice of recipients of public assistance, the Sturgess-Bourne Act was only partially successful.}
the evolution of public spending reflects this pattern in the evolution of the franchise: poor-law spending declines at the same time that spending on public goods increases dramatically. The third feature, the different treatment of counties and boroughs, is evidence of what we suggest as the major force driving franchise reform, namely the failure of urban infrastructure to cope with the rapid inflow of immigrants from the countryside.

4.2 Urbanization and the increased value of local public goods

4.2.1 The Plight of Cities: Urbanization and Urban Mortality

In the first decades of the 19th century some cities in England grew at phenomenal rates. Between 1820 and 1830, Bradford grew by 78%, Manchester by 47%, and Glasgow by 38%. In 1700 there were only six provincial (not London) towns with a population over 10,000 (all less than 33,000), by 1801 there were 48. In 1801 only 17% of the population of England and Wales lived in cities of more than 20,000 inhabitants; by 1911, 61% did. In 1801 only London had more than 100,000 inhabitants. By 1841 six English provincial towns and one Scottish city recorded populations over 100,000, with Liverpool, Manchester, and Glasgow each well over 200,000.

This mass urbanization had a dramatic effect on mortality. Until the first decades of the 19th century, life expectancy in England had been increasing steadily for almost a century (Wrigley and Schofield 1981). As can be seen from Figure 3 in the introduction, there was no further increase until the 1870s. This is despite the fact that economic growth was as high as it had ever been. Figure 3 also shows that life expectancy in major provincial cities was much lower than in the rest of the nation and that things worsened between the 1820s and the 1840s. While life expectancy was much higher in the countryside, wages were higher in cities than in the countryside, and the disparity was increasing (Lindert 1994). Thus, the plight of cities cannot be solely attributed to poverty.

The high mortality in the new large cities is attributed by several scholars to a breakdown of public health infrastructure, in particular, the inability of a fragile infrastructure to cope with rapid city growth. Many cities did not have an integrated sewerage system, drinking water was not filtered, roads were unpaved and did not have proper drainage systems, thereby becoming breeding grounds for bacteria. Lack of sanitation and crowding were responsible for repeated outbreaks of diseases such as cholera, typhus, typhoid fever, and smallpox.

39 The discussion in this section draws on Szreter (1997).

40 For the period preceding 1851 the data is much less reliable and Szreter and Mooney draw mainly from information from Glasgow. However, the worsening living conditions in cities during those decades are confirmed by a number of other accounts. For instance, Huck (1995) report that infant mortality increased in cities during that period.

4.2.2 Public Good Nature of Health Infrastructure

We now argue that (a) health infrastructure really was a public good that benefited all social classes and that (b) contemporaries understood the link between the state of public health infrastructure and the spread of disease.

With respect to (a), Williamson (1990, p. 282) writes: “Mortality was less class-specific in the early nineteenth century than it was to become in the early twentieth century after the sanitary reformers had made significant progress in eradicating the water-borne diseases.” The following quote, drawn from the Second Report of the Parliamentary Commission of Inquiry into the State of Large Towns and Populous Districts (1844) bears witness to the perceived externality in the sanitary conditions of the poor districts. “The presence of such emanations, whether they be derived from stagnant ditches, open cesspools, or from accumulation of decaying refuse, is a great cause of disease and death, not confined to the immediate district in which they occur, but extending their influence to neighborhoods, and even to distant places.”

Note that our argument is not that there were no differences in life expectancy across social classes, but simply that all classes had their life expectancy reduced by the unsanitary conditions of the poor parts of towns. Figure 5 provides some support for the view that the life expectancy of most professions moved in lockstep. It shows evidence of a common trend affecting the rise in life expectancy, at least since the 1870s.

With respect to point (b), it is important to note that until late in the 19th century there was no germ theory of disease. The theory was that disease was carried by miasma. In the words of W. Farr, “This disease-mist, arising from the breath of two millions of people, from open sewers and cesspools, graves and slaughterhouses, is continual ... in one season it is pervaded by cholera ... at another it carries fever [typhus] on its wings. Like an angel of death it has hovered for centuries over London. But it may be driven away by legislation.” Some of the knowledge about the consequences of water contamination was based on sound empirical evidence. For instance, the link between cholera and water was shown by Snow in 1849 in a famous study of the pattern of infection around a fountain in central London. Thus, while contemporaries could not have a detailed understanding of the causes of disease, they did have a theory that, for the purpose of justifying investment in health infrastructure, had a similar effect.

42 More anecdotally, the Brontes, Shelley, and Keats, are all well-to-do individuals who die of tuberculosis.
43 We were unable to find earlier data on mortality by profession. These data are taken from Woods (2000), Table 6.7.
4.3 Failure of old institutions and the need for franchise reform

In this section we establish two points. First, before the 1835 municipal reform the structure of local government was not suited to undertaking the vast spending programs on local public goods that were necessary to cope with the growing size of cities. Second, the post-1835 municipal corporations were more successful in gradually assuming responsibility for providing local public goods.

Before the Municipal Corporations act, cities were unable to provide investment in local public goods. According to Williamson (1994), “[b]y 1830 [...] Britain had accumulated an enormous deficit in her social overhead capital stocks by pursuing seventy years of industrialization on the cheap.” What are the roots of this failure of city government? Much attention has been devoted to the failure of the corporation before 1835. Pre-1835 corporations were private institutions, which held property not in trust, but just as individuals own property. The corporations were governed by the common council, which was sometimes elected by the freemen but more commonly self-perpetuating. “Few corporations admit a positive obligation to expend the welfare of their income for objects of public advantage. Such expenditure is regarded as a spontaneous act of generosity [...] At Cambridge, the practice of turning corporation property to the profit of individuals was
avowed and defended by a member of the council.”45 The state of affairs that resulted from this organizational structure is described in the 1835 Municipal Corporations Report.

The evils which have resulted from mismanagement of the corporate property are manifold and are of the most glaring kind. Some corporations have been in the habit of letting their land by private contract to members of their own body, upon a rent and at fines wholly disproportionate to their value, and frequently for long terms of years. Others have alienated in fee much of their property for inadequate considerations. [...] In general the corporate funds are but partially applied to municipal purposes [...] but they are frequently expended in feasting, and in paying the salaries of unimportant officers [...]46

While the Municipal Corporations Report is not necessarily an impartial source, it is evidence of the fact, widely accepted in the literature on the history of local government, that the pre-1835 corporations were a failure as a system of local government. In the words of the Webbs, “the complaint was not so much that the Corporations performed the Municipal Functions badly, as that they did not, in the great majority of cases, perform them at all.”47

The Municipal Corporations Act of 1835 provided a new unified structure that superseded the myriad of local exceptions. This unified structure was more democratic, as the council was now composed for three quarters by representatives elected by the ratepayers. In addition, corporations were now public bodies, whose surplus could only be used for “the public benefit of the inhabitants and the improvement of the borough.”48 The effects of the act of 1835 were felt gradually, as initially the act applied only to the 179 boroughs which were incorporated. In time, however, more cities adopted corporations charters (e.g, Manchester and Birmingham in 1838, and Bradford in 1847). While the initial power of the corporations was relatively restricted, they saw their powers increased by a series of reorganizations that eliminated the power of special authorities that pre-existed 1835. “By the time the Municipal Corporations Act of 1882 was passed, [the corporations] had acquired powers for the general regulation of their roads and streets, the provision of a system of drainage and sewage, the care of public health [...], the supply of gas and water, [...] the provision of fire brigades and control of an adequate police force.”49

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49 Cited from Smellie (1949).
4.4 Franchise reform: the contemporary viewpoint

Our model argues that it is the move away from patronage and toward broad based public spending programs that can motivate an elite to extend the franchise. We now present the views of some of the key actors in the reform movement to show, in their own words, that they thought of the gains from reform in terms of the trade-off between redistribution and efficient government.

Lord Russell\textsuperscript{50} was a key figure in the reform process for almost half a century. He made numerous speeches in parliament in favour of reform or describing specific reform proposals. Especially interesting for evaluating his early thinking is his speech made in the House of Commons on April 25 1822. This speech outlines in more detail than later speeches the broad philosophical underpinnings of his thinking on reform. In this speech he describes the current situation thus:

"I could, if I did not fear to fatigue the attention of the House, and if the thing were not so well known, read a number of letters clearly showing many instances in which the return of members to this House was returned by money only; by bribery the most direct: but the thing is so commonly acknowledged, so universally allowed to be the case, that it would be taking up the time of the House unnecessarily."

After talking of other shortcomings of the system, Lord Russell adds:

"One of the worst consequences of this system is the possession of power without responsibility. In fact, the individual thus buying himself in, represents only the commercial House to which he belongs. I remember on one occasion, a member who had got into the House by dint of money, and who was afraid lest I should criticize the means by which he had obtained his seat, came to me, and assured me, that he had no wish whatsoever to enter parliament, but that he did so to oblige his partners in trade. Now, that is exactly the kind of representative that I do not wish to see in this House. I do not wish to see men returned here for commercial houses, representing only their partners, and naturally anxious to oblige the government in order to procure patronage and favour for their establishment."\textsuperscript{51}

Later in the speech,\textsuperscript{53} Lord Russell offers an empirical analysis to support his contention that a narrow franchise is responsible for inefficiency and corruption. He makes use of the fact that there

\textsuperscript{50}Lord (later Earl) John Russell, 1792-1878 the third son of the 6th Duke of Bedford. Was several times prime minister and leader of the Whigs for many decades.

\textsuperscript{51}Parliamentary Debates (Hansard), April 25 1822, p. 62.

\textsuperscript{52}Parliamentary Debates (Hansard), April 25 1822, pp. 63-64.

\textsuperscript{53}Parliamentary Debates (Hansard), April 25 1822, p. 70.
is a large variation in the size of the population of districts electing members of parliament, and effectively correlates the size of the voting population in a constituency with the likelihood that the member representing it will vote against the government on projects that he judges wasteful. His argument is collected in the following table.

<table>
<thead>
<tr>
<th>Population of Borough</th>
<th>Against Wasteful Projects</th>
<th>In Favor of Wasteful Projects</th>
</tr>
</thead>
<tbody>
<tr>
<td>Under 500</td>
<td>1</td>
<td>19</td>
</tr>
<tr>
<td>500-1,000</td>
<td>12</td>
<td>33</td>
</tr>
<tr>
<td>1,000-2,000</td>
<td>17</td>
<td>44</td>
</tr>
<tr>
<td>2,000-3,000</td>
<td>19</td>
<td>46</td>
</tr>
<tr>
<td>3,000-5,000</td>
<td>25</td>
<td>44</td>
</tr>
<tr>
<td>over 5,000</td>
<td>66</td>
<td>47</td>
</tr>
</tbody>
</table>

Source: Lord Russell, speech of April 25, 1822.

As this line of argument suggests, a major part of Lord Russell’s argument in favor of reform is actually based on its desirability for enhancing the efficiency of the political system. Notably, and particularly relevant from our perspective, much of this discussion makes no reference to how reform would improve the lot of the disenfranchised. Rather, reform is viewed as desirable from the perspective of the elite itself. The pre-reform system is viewed as too flawed to offer any prospect of efficient public policies.

The idea that franchise reform would favor efficient government was shared by many other politicians. For instance, in a speech on October 7 in the House of Lords in support of the second reading of the Reform bill, Lord Brougham (Lord Chancellor) says this about the pre-reform political system:

> [...] the borough system affords endless temptations to barter political patronage for parliamentary power - to use official influence for the purpose of obtaining seats in the Commons, and, by means of those seats, to retain influence.\(^{54}\)

The Crown is stripped of its just weight in the government by the masters of the rotten boroughs; the may combine; they do combine, and their union enables them to dictate their own terms. The people are stripped of their most precious rights by the masters of the rotten boroughs - for they have usurped the elective franchise, and thus gained an influence in Parliament which enables them to prevent its restoration. The best

\(^{54}\)Hansard, p. 235.
interests of the country are sacrificed by the masters of the rotten boroughs - for their nominees must vote according to the interest, not of the nation at large, whom they affect to represent, but of a few individuals whom alone they represent in reality.\(^55\)

and in a speech in the House of Commons, in February 1831 Mr D.W. Harvey said:

“A Reform would extinguish the influence which now corrupted the elections. A reform would sweep away those places to obtain which electors were corrupted. Great and little men, landlords and tenants, masters and servants, would have but one interest—that of good government.”\(^56\)

The shift away from patronage politics was felt immediately by contemporary politicians. In 1833, D. Le Marchant, private secretary to the Lord Chancellor, Lord Brougham, writes about the effect of the reform:

“They [the government that passed the reform bill] demolished by this blow the groundwork which had supported all previous administrations. — All that, for which former parties contended, and for which they sought to be in place. — With this reform, patronage, the main lever of former politicians, inevitably perished, and has left the present ministers, as it will leave all future administrations, dependent solely on the support of the people. [...] To get rid of this wretched system was the great object of the Reform Bill: and it has been got rid of.”\(^57\)

As we saw, our model connects the reduction in patronage or pork-barrell politics with the increased provision of public goods and argues that this is likely to have been a motive for reform. In this connection it is particularly helpful to look at the debate concerning the Municipal Corporations Act of 1835 which, as shown above, brought democracy to the English towns. A Royal Commission was established in 1833 to report on the state of local government and the necessity for reform. The report was completed in 1835 and concluded:

“we report to YOUR MAJESTY that there prevails amongst the inhabitants of a great majority of the incorporated towns a general, and, in our opinion, a just dissatisfaction with their Municipal Institutions; a distrust of the self-elected Municipal Councils, whose powers are subject to no popular control [...] a discontent under the burthens of Local Taxation, while revenues that ought to be applied for the public advantage are

\(^{55}\)Hansard p. 245.
\(^{56}\)Parliamentary Debates (Hansard), February 28 1831, p. 16.
\(^{57}\)Cited from Le Marchant (1833).
diverted from their legitimate use, and are sometimes wastefully bestowed for the benefit of individuals, sometimes squandered for purposes injurious to the character and morals of the people. We therefore felt it to be our duty to represent to YOUR MAJESTY that the existing Municipal Corporations of England and Wales neither possess nor deserve the confidence or respect of YOUR MAJESTY’S subjects, and that a thorough reform must be elected, before they can become, what we humbly submit to YOUR MAJESTY they ought to be, useful and efficient instruments of local government.\footnote{Report of the Royal Commission, 1835.}

The parliamentary debate on the Municipal Corporations Act of 1835 echoed this sentiment. Particularly notable is the following quote from a speech made by Sir Robert Peel (many times prime minister and a Tory leader during the first half of the century).

“I think Parliament has a right to require, by the law now passed, that the revenues of these corporations [...] shall be henceforth devoted to public purposes, connected with the municipal interests. I must say that if I were a member of any corporation, so far from looking at this question in a mere narrow, party light, I should feel a much greater interest, a much stronger, direct, personal, pecuniary interest, in seeing the corporate funds applied to public purposes, than in seeing them applied [...] to any object of mere electioneering and party interest.”\footnote{Parliamentary Debates (Hansard), June 5 1835, p. 560.}

These quotes show that contemporary politicians saw Parliamentary Reform as a means of reducing patronage, and Municipal Reform as a means of replacing patronage with the pursuit of projects of public utility. We conclude this section by arguing that the Parliamentary and Municipal Reforms were inextricably linked. In the eyes of politically-savy contemporaries, the extension of the franchise at the local and parliamentary level were one and the same political project. This point is especially important, since our model deals with franchise expansion without distinguishing between a local and a national level, as the means for the elite to ensure an increased provision of the public good. In support of this position we have the words of Joseph Parkes, the secretary of the Royal Commission appointed by the Whigs in 1833 to report on municipal corporations. Parkes wrote in his personal correspondence that the Corporations Act was

“Our postscript to the Reform Bills; in fact Municipal Reform is the steam engine for the Mill built by Parliamentary Reform.”\footnote{Joseph Parkes to the Earl of Durham, Sep. 1835, quoted by Fraser (1982) page 4.}

In another letter he describes the Municipal Reform Bill as

\footnotesize

\begin{footnotesize}
\begin{itemize}
\item \footnote{Report of the Royal Commission, 1835.}
\item \footnote{Parliamentary Debates (Hansard), June 5 1835, p. 560.}
\item \footnote{Joseph Parkes to the Earl of Durham, Sep. 1835, quoted by Fraser (1982) page 4.}
\end{itemize}
\end{footnotesize}
“the greatest political revolution ever accomplished. I don’t except the [parliamentary] Reform Bills ...”, for though they were the keys to this change, yet this Municipal Reform alone gives the vitality ... It is the ‘breath of life’.”

Parkes’ correspondence, of course, is the ultimate political insider document. But the connection between Parliamentary and Municipal reform was clear to a much broader audience. In 1833, The Times newspaper wrote:

“the fact is that parliamentary reform, if it were not to include corporation reform likewise, would have been literally a dead letter.”

4.5 Franchise reform: the political historian’s view

We conclude our historical analysis by discussing two important transformations in political life during the first half of the 19th century. The first transformation is in the organization of political activity itself, with a move away from personal politics and toward voting on broad programs proposed by national parties. The second transformation is the so called end of ‘old corruption,’ i.e., a reduction in the cronyism that was prevalent until the beginning of the 19th century. We see these two transformations as two sides of the same coin, and argue that they can, at least in part, be attributed to the reform process in a way that is consistent with our model.

4.5.1 Impact of reform on voting behavior

As we have seen in the introduction, the 1832 reform was associated with a marked decrease in the number of “floating voters,” voters who switched their allegiance between parties in successive elections. Since a large fraction of these floating voters is regarded as indicative of an electoral contest dominated by patronage, we have interpreted this pattern as supportive of our theory. Additional evidence of a change in voters’ behavior is provided by Cox (1987) and Phillips and Wetherell (1995). They focus on the percentage of split voting in elections, i.e., the fraction of voters who, when voting in a two-member constituency, cast one vote for a Tory candidate and one for a Whig candidate. The fraction of the split voters declines after 1832. Cox differs from Phillips and Wetherell as to the precise timing of the decline in split voters (see Cox 1995), but both agree that the decline reflects a decrease in patronage brought about by the reform acts, as predicted by our theory. In addition, Cox (1987 pp. 59 and ff.) suggests that the reforms increased the tendency of parliamentary representatives to introduce new broad-based legislation.

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61 Joseph Parkes to the Earl of Durham, 5 Jan 1836, quoted by Fraser (1982) page 5. Italics are ours.
62 Cited from Fraser (1979), p.5. On the same page, Fraser writes that the 1832 and 1835 reforms were “but two horses in the same harness”.

39
These findings jibe with contemporary accounts of pre-1832 elections being fought with bribes and feasting, of political agents who handed out money outside the polling booths, and of voters who unashamedly declared their allegiance to “Mr. Most,” the candidate willing to pay the highest bribe. The conventional view, to which we subscribe, is that expansion of the suffrage made it too expensive to contest elections on the basis of bribery. Cox (1987, pp.56 and ff.), for example, states that “When Parliament sought to deal with bribery that had become too extensive, their method was often simply to expand the offending borough boundaries so as to include more electors.”63 As a result of the expansion of the franchise, Seymour estimates a significant decrease in the sums spent on elections (pp. 448 and ff.) and finds that “the very nature of electioneering has been transformed,” from purchasing a constituency with bribes to winning it by promises of legislation (pp. 453-4).64

These transformations are consistent with what our model predicts is the consequence of a franchise expansion. Once direct bribery becomes unprofitable as an electoral strategy, electoral politics and parliamentary politics become more directly linked, leading to the possibility of national policies with broad electoral appeal. Our view, then, accords with that expressed in Cox (1987), who sees in the reform act the beginning of powerful political parties with broad platforms.

4.5.2 Impact of reform on ‘old corruption’

The term ‘old corruption’ was introduced by the radicals between the end of the 18th century and the beginning of the 19th century. It refers to what Harling (1996) calls “A parasitic system that taxed the wealth of the nation and diverted it into the pockets of a narrow political clique whose only claim to privileged status was its proximity to the sources of patronage.” These diversions represented the reward to the ability to procure votes. There is a lot of anecdotal evidence on the pervasiveness of this type of corruption during 18th century England. A considerable fraction of the energies of the radical movement was focused on exposing and decrying various instances of patronage and sinecures that fell under the rubric of old corruption. For instance, in 1816 (and again in following editions) the radicals published a Black Book and a Red Book detailing names and takings of thousands of placemen and pensioners (Rubinstein 1983). Buying off parliamentary votes was a necessary part of politics in a world with no strong parties, where personal politics

63 Another historian making the same argument is Seymour (1915, p. 447), who writes that “[a] different attitude on the part of agents must have resulted from an increased electorate and the comparative equality in the value of votes; direct bribery would have proved too expensive, if it could have been made possible, to provide for it on a large and organized scale.”

64 That the methods of electioneering were transformed by the reforms is well accepted in the scholarly literature. In fact, many scholars read the reform process as one of dealing with “corruption” (i.e., contesting elections by bribing voters). See Seymour (1915), Harling (1996).
predominated (Harling p.15-16, see also Cox (1987)).

Getting rid of corruption required changing the political system. Rubinstein (1983) presents evidence that the numbers of rent-seekers and the size of the pie that they appropriated declined dramatically by the middle of the 19th century. This process of transformation of the public sector culminates with the Northcote-Trevelyan report of 1854 which spurred a substantial reform of the civil service. At the end of this process, civil service jobs were no longer subject to patronage.

If we accept the notion that extensive rent-seeking by the political elite is a reflection of a political system that is essentially redistribut...ine nature (i.e., one where politics is more about gaining a share of pork-barrell spending than about efficient ways of providing public goods), then the observed decrease in rent-seeking connected to the reform process is consistent with the predictions from our model, in which extending the franchise reduces the amount of wasteful redistribution.

4.6 Franchise reform associated with increased spending on public health

As described in the introduction, the size and composition of local public spending changed dramatically through the 19th century. At the beginning of the century, the major function of local government was the organization and provision of poor relief. By 1890 local expenditure had increased to five times the 1820 level, and poor relief was only 12 percent of local expenditure in 1890. We now discuss evidence that most of the increase in local public spending was devoted to public health infrastructures.

Capital formation in social overheads and infrastructure was the most rapidly growing sector of the British economy between 1850 and 1910. Consistent with this statement, Figure 2 in the

65We could not find detailed data on the size and importance of old corruption. However, there is some evidence that its existence and importance was not simply a propaganda exercise by the radicals. For instance, Rubinstein (1983) writes that “A sizable proportion of those who flourished during the early 19th century were neither landowners nor merchants, but were engaged in activities which would now be classified as in the professional, public administrative, and defense occupational categories, including especially Anglican clerics, soldiers, lawyers and judges, government bureaucrats and placemen. Nearly 10% of all British half-millionaires deceased in the early 19th century, and as many as 23% of those leaving more than 150,000 but less than 500,000 during 1809-1829 were engaged in such activities” (p. 74-75).

66For instance, Rubinstein argues that “The reform of parliament itself was seen by nearly all radicals as a necessary preliminary measure for the systematic ending of old corruption, and whatever the reforming work of the previous Tory governments it is difficult to disagree with this assessment. If one studies the long-term effects of the Great Reform Bill upon Britain’s elite structure, I think one sees just how fundamental a reforming measure it really was, and why one should not underestimate its importance or interpret it merely as a clever holding action by the old elite.” (Rubinstein (1983), p. 74-75).


introduction shows a large increase in the fraction of government spending that was local. Education, a big item in local government spending after 1890, was much less important before that date and thus cannot account for the shift in the composition of public spending. A large fraction of the increase in local spending that took place before 1890 is investment in public health infrastructure. As an indication of this fact, the amount requested by local authorities in subsidized loans for sanitary activities from the central exchequer increased eightfold, from 11 million during 1848-1870 to 84 million during 1871-1897.69 Bell and Millward (1998) inform us that “together, water and public-health schemes constitute between 1/2 and 3/4 of all local annual capital expenditure on non-trading services.”

The same phenomenon emerges from a different angle, when we look at the breakdown of government expenditure by destination, as a percentage of total expenditure. The total of “social” and “economic and environmental” services almost doubles between 1840 and 1890. Most of the increase in these two items are public goods, since poor-law spending decreases after 1834.

The precise timing of the increase in investment in public health is debated; some historians place it right after the 1867 reform act, and see that act as instrumental in diluting the power of the “shopocracy” that resisted the provision of public goods by borough councils on grounds of economy (see Szreter 1997). There is also anecdotal evidence of attempts to improve the local infrastructure which failed in the 1840s and 1850s which finally succeeded in the 1870s. As predicted by our model, after the 1867-1869 acts extending the franchise, investment in local infrastructure starts to increase.

The impact on mortality of these expenditures is hard to quantify rigorously, but is substantial. Even conservative estimates such as McKeown & Record (1962) calculate that in the period of 1850-1900, improvements in public health infrastructures account for 25% of the decline in mortality. Szreter (1988), Bell & Millward (1995) suggest a greater impact of public health.70

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4.7 Franchise reform and education

We conclude our historical analysis by outlining a complementary but different rationale for voluntary franchise expansion, besides the increase in the value of local public goods. Some historians have linked the franchise expansions in the latter part of the 19th century with the sharp increase in educational achievement (see e.g. Simon 1974). In 1870 the so-called Forster Act was the first of a series of major legislative and administrative changes through which government took over an education sector that until then had largely relied on private initiative. The Act established School Boards that had the right to compel children to attend school and were supposed to build primary schools in areas that did not have a sufficient number of them. Subsequently, in 1880 School Boards lost discretion and education became compulsory up to the age of 10, then raised to 12 in 1899. In 1891, primary education was made free in all Board schools. In 1902 the Education Act (Balfour Act) provided for the funding of secondary schools out of local rates with helps of grants from central government.71

This legislative activity had considerable impact. Total spending on education by local authorities increased eightfold between 1881 and 1905 (Millward and Sheard, 1995). In terms of educational output, the percentage of 10, 14, and 17 year olds attending school full time was 40, 2, and 1 in 1870; these numbers had grown to 100, 9, and 2 by 1900.72

Some scholars (see Williamson 1985, Abramovitz 1993) have argued that in the second phase of the industrial revolution (starting in the second half of the 19th century), skilled labor intensity in production increased sharply. Galor (2002) argues that the increased requirements for a skilled labor force made it rational for capitalists to lobby for expanded public education. According to this view, public education is a program whose benefits cut across classes and that is implemented in connection with the franchise reforms; this view has some points of contact with the theory advanced in this paper.73 Specifically, insofar as the alternative to financing public education is targeted transfers within the capitalist elite, public education could play the role of the public good in our model. This view is somewhat distinct from the alternative view which is to consider public education as a transfer from the rich to the poor to avoid a revolution (see e.g. Justman and Gradstein 1999 and Acemoglu and Robinson 2000). It is possible that education might be viewed as an additional alternative, besides local public goods, to redistributive politics. If that is the case, public education would constitute an additional source of impetus for the franchise reforms in the

71 For an outline of the legislative history in this period see e.g. Redlich and Hirst (1970) and Mitch (1992).
72 See Ringer (1979). Some caution should be used in interpreting these numbers as resulting exclusively from public intervention. Indeed, West (1975) argues that the increase in public spending created a big displacement of private education. See also West (1978) concerning the timing of the effects of reform. However, the last three decades of the 19th century did see a major change in education and in the role of the state in its financing and provision.
73 We are grateful to an anonymous referee for pointing out this connection.
second half of the 19th century.

5 Related Literature

The question of franchise expansion has been studied by historians, political scientists, and more recently economists. The literature has put forward some explanations for voluntary expansion. The leading explanation is one of expansion under threat: the disenfranchised group gains enlargement by effectively threatening the social order and hence the position of the enfranchised group. Justman and Gradstein (1999), Acemoglu and Robinson (2000) and Conley and Temimi (2001) present such a model. In Acemoglu and Robinson’s model, the franchise is a favored instrument used to transfer (future) resources because the franchise entails a commitment.74 As we have already discussed in the introduction, we view our contribution as complementary, not alternative, to that of Acemoglu and Robinson.

Acemoglu and Robinson (2000, 2003) also consider alternative theories of franchise expansion, notably a model of “middle-class drive.” In this model, the working classes’ preferences are assumed to be aligned with the middle class. If both classes are enfranchised, the probability that the upper class gets into power decreases relative to the case in which the working classes do not have the franchise. Thus, extending the franchise influences future policies in favor of the middle class against the interest of the upper class. Therefore, it is rational for the middle class to support franchise extension to the working classes. Interestingly, in this model franchise extension arises in the absence of a threat of revolution. However, Acemoglu and Robinson discount the power of the model to explain the historical evidence. Indeed, the 1832 Act was chiefly about enfranchising the middle classes. Furthermore, the 1867 Act was passed by a conservative government (Disraeli) and it was largely a bipartisan act.

A different strand of the literature sees the democratization of certain political systems as the solution to a commitment problem of the elite in the context of a hold-up problem (see e.g. Olson 2000, and Weingast 1997 for a review of that literature). In this vein, Fleck and Hanssen (2002) provide a model where farmers underinvest in the land because of fear of being expropriated by a dictator. In their model, democracy is a way to commit not to expropriate. Fleck and Hanssen relate this result to exogenous variation in the type of land in different areas of ancient Greece, and argue that democracy is more likely to emerge in areas where the type of cultivation requires more intensive investment. Thus, this paper provides an interesting explanation for why different types

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74 Justman and Gradstein (1999) focus on the reduction in inequality associated with democratization. Conley and Temimi (2001) place particular emphasis on the degree to which the preferences of the disenfranchised are opposed to those of the elite.
of institutions were able to thrive at the same time in ancient Greece. However, a key element of
the hold-up model of franchise extension is that the most important component of investment was
undertaken by the disenfranchised population. In cases in which a substantial fraction of investment
is undertaken by members of the elite, the same argument would suggest that democratization may
actually deter investment since the returns to the investment undertaken by the elite would be
subject to expropriation. Thus, in these circumstances democratization is unlikely to be favored
by the elites. This point seems especially relevant for the case of early 19th century England:
those resisting extension of the franchise were the members of the landed aristocracy, whereas
those in favor of extending the franchise were the members of the urban and industrial elite who
were responsible for a large fraction of capital investment during the industrial revolution. This
composition of support for the extension of the franchise seems to be hard to reconcile, at least
in 19th century England, with the hold-up rationale for extension. In a similar vein, but in a
more general framework, Jack and Lagunoff (2003) present a general dynamic model of franchise
extension in which the franchise is extended progressively. In their model, the elite may favor
franchise expansion as a way to commit to future policies.

Llavador and Oxoby (2002) consider a median voter model in which an incumbent government
can extend the franchise without the approval of a majority of the voters. In contrast, tax policy
needs approval of a majority of the voters. Therefore, a party in power may be able to manipulate
the median voter in the population by changing the franchise. In our model, we do not allow
franchise changes to occur under less than majority approval. Indeed, we can even allow for
franchise reforms that require supermajorities.

Lott and Kenny (1999) show that the introduction of women’s suffrage in the U.S. is accom-
panied by an expansion in spending on public goods. Kenny (2001) shows that the introduction
of women’s suffrage came earlier in states with a smaller percentage of women. This is consistent
with the notion that extending the franchise has a cost for the elite because the extension induces
politicians to divert resources away from the elite towards the newly enfranchised group. When that
group is too large, in our model the cost to the elite exceeds the benefits of expansion. Engerman
and Sokoloff (2001) consider the evolution of suffrage institutions in the Americas. They argue
that societies where the wealth distribution was initially more unequal, perhaps due to differences
in their initial factor endowments, had narrower franchises than more equal societies. This is also
consistent with our model because, as shown in Section 3, in societies that are more heterogenous,
the value of targeting transfers is more valuable to parties, so that the provision of public goods is
particularly inefficient. Another piece of historical evidence discussed by Engerman and Sokoloff is
that frontier states in the US adopted universal white male suffrage earlier. Finally, Aidth, Dutta,
and Loukoianova (2001) estimate the relation between public spending and the spread of democ-
racy in western Europe in the period 1830-1939. They estimate panel regressions, and find that the extension of the franchise to poorer voters had no impact on the size of government but, consistent with our model, it had a substantive effect on the composition of government spending, moving expenditures towards spending on public goods.

Our model is based on the idea that distortions can arise when redistributional policies targeted to particular subsets of the electorate are overprovided at the expense of projects with diffuse benefits. This idea can be traced back at least to Buchanan and Tullock (1962). Bates (1981), in his analysis of programs designed to boost agricultural production in Africa, describes the incentives to set up inefficient production schemes which require hiring officials in various localities, instead of just allowing prices to increase which would not allow politicians to target any spoils. Lizzeri and Persico (2001) compare winner-take-all with proportional systems, and consider the effects of the magnitude of districts, in terms of public good provision. Persson and Tabellini (1999, 2000a,b) provide empirical evidence on the provision of public goods in different political systems.

6 Conclusions

We have presented a new model of voluntary franchise extension that is based on divisions within the elite. In our model these divisions arise endogenously through the political process: groups within the elite benefit differently from the status quo. We have shown that it is possible that a majority within the elite may favor expanding the franchise. From the theoretical viewpoint, this constitutes a novel and, we believe, interesting rationale for voluntary expansion of the franchise.

Focusing on divisions within the elite is important from the applied viewpoint, because they seem an important part of how peaceful extensions of the franchise come about. In England, substantial subgroups within the elite championed franchise expansion. Our analysis can also account for some key shifts in the role of the public sector during the British age of reform, notably the increased provision of public goods and the decline of special interest politics. In our model, these shifts are a consequence of the reform process; in fact, reform happens when increased necessity of public good provision leads a majority of the elite to demand a redirection of the role of government away from special interest politics towards increased provision of the public goods. In 19th century England, rapid urbanization created a strain on urban infrastructures and made necessary a large program of spending on local public goods.

In a sense, our paper is also about the end of “clientelism.” In our model, an extension of the franchise reduces the incentives for clientelism. The connection between electoral reform, the end of clientelism, and the rise of political parties, has previously been discussed in Cox (1987) and Shefter (1994). While our approach is similar in spirit to Cox’s, Shefter’s approach to the
question of why parties engage in patronage is quite different. Shefter focusses on the historical circumstances that prevailed at the time of party formation. He argues that if the impetus for party formation came from elites which controlled patronage, then the party is more likely to rely on patronage for political support. If a party was formed by outsiders or disenfranchised who did not have access to patronage, then the party is less likely to rely on patronage and more likely to rely on broad based political platforms.

Our analysis can also be seen as going back to an older tradition in the analysis of the extension of the franchise in England, especially the 1867 Reform Act (see Collier 1999, pp. 61-66, and Himmelfarb 1966). This view emphasized the peaceful political competition between the conservatives under Disraeli and the liberals under Gladstone: according to Himmelfarb (1966), “The Tories were democratic . . . because they assumed the demos was Tory.” This literature focuses on partisan motives for reform. However, it views the electorate as an almost passive collection of Tory or Liberal voters. Our analysis shares with this literature its emphasis on political competition. In contrast with this literature however, we focus more explicitly on the voters’ instrumental motives in supporting parties that favor reform. In our view, support for reform becomes irresistible once the value of public projects becomes sufficiently large.

We emphasize again that we do not see our thesis as alternative to other views of reform. In particular, we believe that the “threat of revolution” thesis of Acemoglu and Robinson is also important in accounting for franchise reform. Both theses can help explain why the franchise was expanded peacefully in 19th century England, and in our view, neither explanation by itself constitutes a complete account of the elite’s incentives to introduce reform.

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75 As emphasized by Acemoglu and Robinson (2000), this view is not very plausible, especially because it seems that those who promoted reform in 1867 and 1884 managed to lose the subsequent elections.
7 Appendix

Proof of Proposition 1.

Proof: We ignore the trivial case in which $I^*_L = \omega$ (in this case underprovision of the public good is not possible by definition).

The Lagrangean for party $L$ can be written as:

$$\mathcal{L}_L = \sum_{i=0}^{s} n_i \left[ F_i(U(c_{i,L} + g(\omega - \sum_{j=0}^{s} n_j c_{j,L}, V)) - U(c_{i,R} + g(I^*_R))) \right] + \sum_{i=0}^{s} \mu_i n_i c_{i,L}$$

The first order conditions for party $L$ at the symmetric equilibrium require:

$$f_k(0) U'(c^*_{k,L} + g(I^*_L, V)) \leq g_k(I^*_L, V) \sum_{i=0}^{s} \left[ n_i f_i(0) U'(c^*_{i,L} + g(I^*_L, V)) \right]$$

for $k = 0, \ldots, s$, and equality holds whenever $c^*_{k,L} > 0$.

**Part (ii)** Consider those groups $k$ for which equality holds in equation (5). Since the right-hand side is independent of $k$, and since on the left hand side $f_k(0)$ is decreasing in $k$, then $c^*_{k,L}$ must be non-increasing in $k$ (remember that $U$ is concave). This argument establishes that if the nonnegativity constraint on $c_{k,L}$ is not binding for some $k$, then it is also not binding for all $k' < k$. Thus, there is an $H$ such that for $k \geq H$ the non-negativity constraints are binding and for $k < H$, the non-negativity constraints are non-binding. (We allow for the possibility that $H = s + 1$, in which case all groups receive positive transfers). This establishes part (ii).

**Part (i)** Multiply both sides of equation (5) by $n_k$ and sum over $k$, to obtain

$$\sum_{k=0}^{s} n_k f_k(0) U'(c^*_{k,L} + g(I^*_L, V)) \leq \left( \sum_{k=0}^{s} n_k \right) \cdot g_k(I^*_L, V) \cdot \sum_{i=0}^{s} \left[ n_i f_i(0) U'(c^*_{i,L} + g(I^*_L, V)) \right].$$

Thus, we obtain

$$g_k(I^*_L, V) \geq \frac{1}{\sum_{k=0}^{s} n_k},$$

and the inequality holds strictly if and only if at least one group receives zero transfers.

When all groups are identical, then the first order conditions are the same for all groups. Thus, all groups receive the same transfers in equilibrium. Since $I^*_L < \omega$, all transfers are positive and equality holds in equation (6). This shows that the equilibrium level of investment $I^*_L$ is equal to $I^{SM}$. This proves part (i).

**Part (iii)** Since all groups receive positive transfers, equation (6) holds with equality. This shows that the equilibrium level of investment $I^*_L$ is equal to $I^{SM}$. We now prove the existence of
a $V \in (0, \nabla)$ such that, if $V < \nabla$ all groups receive positive transfers. To this end, note that (5) implies that, for all groups $i = 1, ..., H - 1$, we have

$$f_i(0) U'(c^*_i, L + g(I^*_L, V)) = f_0(0) U'(c^*_0, L + g(I^*_L, V)).$$

(7)

We can therefore rewrite equation (5) as

$$f_0(0) U'(c^*_0, L + g(I^*_L, V)) \left[ 1 - g_I(I^*_L, V) \sum_{i=0}^{H-1} n_i \right] = g_I(I^*_L, V) U'(g(I^*_L, V)) \left\{ \sum_{j=H}^s n_j f_j(0) \right\}.$$  

(8)

Suppose by way of contradiction that there exist a sequence $\{V_j\}_{j=0}^\infty$ converging to zero such that when $V = V_j$ some groups receive zero transfers. Since $\lim_{V \to 0} g_I(I, V) = 0$, equation (6) requires that equilibrium investment converges to zero as $j$ grows. But then the right hand side of equation (8) converges to infinity; in order to preserve equality with the left-hand side, $c^*_0, L$ must converge to zero. This implies that transfers to all groups also converge to zero (see part ii). But all transfers and the investment level cannot simultaneously converge to zero in equilibrium, and so we have obtained a contradiction.

**Part (iv)** Define $V_{MAX}$ by

$$f_0(0) U'(g(\omega, V)) = g_I(\omega, V_{MAX}) \sum_{i=0}^s \left[ n_i f_i(0) U'(g(\omega, V)) \right].$$

If $V > V_{MAX}$ the inequality in equation (5) holds strictly for $k = 0, ..., s$ and for $I^*_L = \omega$, which means that it is an equilibrium for both parties to invest all the resources in the public good. If $V < V_{MAX}$, by the same reasoning, it cannot be an equilibrium for all the resources to be invested in the public good. We now need to establish that there is a $V < V_{MAX}$ such that for $V < V < V_{MAX}$ groups $m, ..., s$ receive zero transfers. We proceed by contradiction. Suppose there is no such $V$. Then there exists an increasing sequence $\{V_t\}_{t=0}^\infty$ converging to $V$ such that for each $t$ at least one group among $m, ..., s$ receives positive transfers. In light of part (ii), this implies that groups $0, ..., m$ receive positive transfers for every $t$. Thus, equation (7) requires that for every $t$ we have

$$\frac{f_m(0)}{f_0(0)} = \frac{U'(c^*_0, L + g(I^*_L, V_t))}{U'(c^*_m, L + g(I^*_L, V_t))}.$$  

Note that the left-hand side is independent of $V$ and $c$, and is a number strictly smaller than one. The right-hand side converges to 1 as $t \to \infty$, since then $I^*_L \to \omega$. This is a contradiction.

**Proof of Case B of Proposition 2.**

Proof: In this case, groups $0...H - 1$ (with $1 < H \leq s + 1$) receive positive transfers at the equilibrium, but no-one in group $H...s + 1$ receives any transfers. We now show that in this case increasing $\eta$ increases investment in the public good.
The argument is developed here for the generic case in which a small expansion of the franchise does not change the set of binding nonnegativity constraints, i.e., the groups \( H, \ldots, s + 1 \) which receive no transfers. It is clear that this argument extends to cover the measure-zero cases in which a small expansion of the franchise drives the transfers of one more group to zero.

Rewrite equation (8), taking into account the presence of the mass \( \eta \) of group \( s + 1 \),

\[
 f_k(0) U''(c_{k,L}^* + g(I_L^*)) \left[ 1 - g'(I_L^*) \sum_{i=0}^{H-1} n_i \right] = g'(I_L^*) U'(g(I_L^*)) \left\{ \eta f_{s+1}(0) + \sum_{j=H}^{s} n_j f_j(0) \right\}.
\]

Rearranging,

\[
 f_k(0) \frac{U''(c_{k,L}^* + g(I_L^*))}{U'(g(I_L^*))} = \frac{g'(I_L^*)}{1 - g'(I_L^*) \sum_{i=0}^{H-1} n_i} \left\{ \eta f_{s+1}(0) + \sum_{j=H}^{s} n_j f_j(0) \right\}.
\] (9)

Consider now an increase in \( \eta \). The direct effect is to increase the right-hand side. To restore equality in equation (9), we claim that \( I_L^* \) must increase. Suppose by way of contradiction that \( I_L^* \) decreases. Observe first that the right hand side increases further as \( I_L^* \) decreases (recall that \( g'' < 0 \)). We now show that there is a \( k \) such that the left-hand side decreases when \( I_L^* \) decreases, which yields the contradiction. To verify the latter claim, we will show that there is a \( k \) such that \( c_{k,L}^* + g(I_L^*,V) \) increases with a decrease in \( I_L^* \). From the budget constraint,

\[
 \sum_{i=0}^{H-1} n_i \frac{\partial c_{k,L}^*}{\partial I_L^*} = -1.
\]

Thus, there must be a \( k \) such that

\[
 \frac{\partial c_{k,L}^*}{\partial I_L^*} \leq -\frac{1}{\sum_{i=0}^{H-1} n_i},
\]

or equivalently

\[
 \frac{\partial c_{k,L}^*}{\partial I_L^*} + g'(I_L^*) \leq -\left( \frac{1 - g'(I_L^*) \sum_{i=0}^{H-1} n_i}{\sum_{i=0}^{H-1} n_i} \right) < 0.
\]

The last inequality follows because the term in parenthesis is positive (by equation 9). The left hand side represents the change in the allocation received by group \( k \) as \( I_L^* \) increases. The inequality guarantees that this change is negative. It follows that the left-hand side of equation (9) increases as \( I_L^* \) increases. This concludes the proof.
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