

Political Rent-Seeking during Great Britain's early Democracy

More than 40 years ago, British historians Ronald Wraith and Edgar Simpkins (1963) tried to make sense of the rampant corruption they were able to observe while living in Nigeria. While uncritical observers of the time might have attributed this corruption to some degree of 'backwardness' in the former colonies, Wraith and Simpkins were more analytical: as historians they knew that Britain itself had experienced two centuries of a hopelessly corrupt polity, particularly in the early days of Parliament. Their book 'Corruption in Developing Countries' puts the African experience into context with British history.

The purpose of this small essay is to provide a re-interpretation of the account that Wraith and Simpkins provide of the British experience in the late 17th and 18th centuries in the light of the theory of the Kleptocratic State¹. For that purpose, I will document several key characteristics of a predatory hierarchy, will describe the tensions between King and Aristocracy, which may warrant a classification of 17th century Great Britain as a 'weak' or at least 'contested' autocracy. In that regime, rent-seeking efforts of King and Aristocracy are not only complementary, but increasingly also competitive. The early days of Parliament may be interpreted as an effort on the side of the Aristocracy to tilt the balance of power in its favour.

In the following, I shall provide what I will consider 'key' quotations from Wraith and Simpkins², and use them to narrate my own account of how the political regime they describe fits into the model of the Kleptocratic State.

The role of the military

Since the Kleptocratic state arises from a regime of anarchy, fighting – or military – technology is the key ingredient of success in this world: while it allows the regime to 'tax' citizens in a more or less extortionist way by suppressing all resistance, it provides a threat to the rulers at the same time, since members of the armed forces have the means at their disposal to stage a palace revolution. Thus, the great challenge of the ruling elite is to integrate the armed forces into their society in such a way as to minimize the incentives for a palace revolution, while at the same time making sure that the wealth collected through rent-seeking efforts still finds its way to the top of the pyramid.

Wraith and Simpkins (p. 125.) – citing Montesquieu – describe: "The reasons for the state of the Army were based on a fear of a military tyranny or dictatorship. 'To render the executive sovereign incapable of tyranny, the armies entrusted to him should consist of citizens and should be of the same mind as their fellow citizens There are but two possible means to obtain this. Either those who serve in the army should possess sufficient wealth to pledge their good conduct towards the other citizens, and should be enlisted for a year only as was done in Rome, or if there were a standing army and the soldiers be drawn from the worst order of people, the legislature must possess the authority to disband the forces at pleasure'. The British Army fulfilled both these conditions, and the corruption we have noted was a reflection both of what existed in the remainder of society and a hatred of all types of tyranny. The laws of England followed Montesquieu's doctrine; the 1694 mutiny Act gave Parliament the power to discharge the Army, while an Act of 1757, which gave greater powers to the

¹ Charap and Harm (2000)

² Page numberings refer to the 1963 edition of their book.

Royal Prerogative, stipulated greater ‘pledges’ by the military. A colonel had to possess an income of more than £ 400 per annum from real estate, a lieutenant £ 100 and an ensign £ 50.”

The purchase system in the British military made sure that only people of sufficient wealth would be able to command armies. Thus, the (monopolistic) owners of land monopolized power at the same time to defend their purse against internal and external threats.

In the days before Parliament, the extraction of rents from the populace had been seen as a matter of course, and all walks of life participated in the game. One may even take the example of university education (p.56): “For instance, in 1583, Philipp Stubbs described how to enter an Oxford College: ‘Except one be able to give the Regent or Provost of a house a piece of money, ten pounds, twenty pounds, yea a hundred pounds, a yoke of fat oxen, a couple of fine geldings, or the like, though he be never so toward a youth, nor have never so much need of maintenances, yet he come not there I warrant you’.”

Rent-Seeking Competition between King and Aristocracy

The aristocratic state exists because it provides a stable governmental form that extracts rents from the (mostly agricultural) society by monopolizing the most important factor of production – land. The military technology necessary to sustain this de facto enslavement rests with the ruling elite. The organizational structure that allows also larger geographic areas to be controlled by one clan is the predatory hierarchy, in which several layers of Aristocracy collect from the bottom (agricultural output) while passing the necessary dues to the top (Lehenswesen). Nonetheless, the power balance between King and Aristocracy is delicate. The larger the territory controlled, the more power the King needs to sustain control. A weak King – on the other side – invites challenges of the Aristocracy in his power base.

In England, the first major successful challenge to the King’s privileges was a contract that the nobility forced onto the King in 1215: the Magna Charta. Every single provision of that contract curtails the King’s right to income from the economy, and allocates it to the nobility in return. The ensuing financial compromise the King had to accept would have contributed to the simultaneous weakening of the Royal armies. British history of the 14th and 15th centuries is full of accounts of territorial disputes that epitomize a weak Royalty.

By the early 17th century, the recognition that a more permanent dialogue needed to be established between King and Aristocracy had manifested itself in the creation of Parliament. We may not confuse this early Parliament with any type of democratic institution we might observe today: only land owners were entitled to vote members of Parliament into office. Parliament was – in the first place – an extension of aristocratic power against the King.

Accordingly, control over various institutions of public life began to shift from the Crown to the Aristocracy. Local government – here understood as a lower level in the predatory hierarchy – was first controlled by the King, but the aristocracy understood to bring it under its own control through Parliament (p.99): “In the country at large local government from about 1600 to 1760 was controlled by the County Justices, that is to say the administration of justice and of public services were in the same hands; the unit of administration was the ecclesiastical parish.” Note that the Church of England was a part of this organizational structure. While in the rest of Europe the Catholic Church – through inspiring people’s beliefs

– could establish itself as a power base rather independent of Aristocracy and Kings, the Church of England was much more integrated into the worldly power structures.

Recognizing the importance of the parish and local magistrates, both Aristocracy and Royalty vied for increasing their influence over this group (p.99): “Their [the local magistrates] power had been steadily growing since the days of the Tudors, who sought to lessen the powers of the nobles and barons by giving more of it to the justices. With the social revolution of the 16th century and the growth of roads and bridges, as well as with the dissolution of monasteries, the JP’s increased their local dominion, although they were formally under the control of the King’s Council and the Court of King’s Bench. Then in 1642 Parliament (containing many local magistrates) abolished these methods of control in order to reduce the power of the Stuart monarchy, and the mass of the people came automatically under the direct and often harsh rule of the landed gentry.”

Both King and Aristocracy understood their economic role as rent-seeking. Thus, it was not surprising that Wraith and Simpkins (p. 63) observe that the primary role of Parliament was taxation, not the provision of public goods: “At first Parliament, and especially the House of Commons, which quickly divided itself from the aristocratic House of Lords, seems to have regarded itself mainly as a taxing machine, and was singularly slow to grasp that this control of money enabled it to claim other privileges and powers.”

The land-owning elite understood that gaining assent to Parliament opened the key to great riches through the taxation rights of Parliament, but – as shall be seen below – also because members were bribed by the King, who didn’t like the increased concentration of power in the hands of the Aristocracy, and tried to limit its (legislative) influence by buying votes. The economic attractiveness of a Parliamentary seat made it correspondingly desirable, but there was in many instances little electoral competition, since land-ownership was so concentrated. An example from Scotland (p. 66-67) illustrates the problem:

“In Scotland, Lord Melville, who was Lord Advocate for twenty-five years at the beginning of the nineteenth century, used to boast that of the 45 Scottish members he could return 39, and an example of this farce may be taken from Bute, which had a population of 14,000, with twenty-one electors of whom one was resident. During an early nineteenth century election only one person besides the sheriff and the returning officer attended the meeting. He took the chair, constituted the meeting, called out the names of the freeholders, answered his own name, took the list of candidates and chose himself, moved and seconded his own nomination, put the question to the vote and unanimously returned himself. There appears to have been no vote of thanks to the chairman.”

Thus, it appears that a sizeable number of Parliamentary seats were not readily contestable. If, however, there was competition, it more likely took the form of a bidding process: the competitors engaged in a bidding war with the electorate, in effect allocating the member’s seat to the highest bidder in a contest of bribing voters. Since only freemen were voters, they singularly benefited from the dissipation of Parliamentary rents to the electorate (p. 64): “... it was these that were most subject to bribery at election times, as is shown by an incident in Rochester in 1831, when a young man on trial for assaulting his father thought it sufficient justification to plead that his father had refused to make him a freeman of the Borough, which would have been worth at least £ 60 to him as a voter.” In fact, the principle of looking at Parliamentary seats as an economic asset that could be bought and sold was seen as a matter of course. Evidence may be given by the following advertisement in an early nineteenth century newspaper (p.63): “*Seat in Parliament.* To be disposed of, a property to command

sufficient influence to return a Member. Apply personally to Mr. Whitham, Solicitor, No. 8 Gray's Inn Square, London; if by letter post to be pre-paid."

The King's approach to Parliament

The Royalty obviously saw the use of Parliament's legislative power to compromise its position in society critically: taxation rights, control over local government and similarly the military, shifted towards the Aristocracy. Over time, the regime looked less and less like a predatory hierarchy with the ultimate beneficiary – the King – at the top, and more and more like a predatory hierarchy with an oligarchy at the top that used the King merely to exert a check that no one member of the oligarchy would become dominant.

The King, however, had one important weapon: money. In a dispute with the Aristocracy at large, the King's position would benefit from stacking Parliament with loyal people, or making sure that people would become loyal to the King once in Parliament.

Obviously, loyalties could be gained by paying people to vote for a person known to be loyal to the King. Yet, as was seen above, many districts were not readily contestable. In those districts, however, where there was electoral competition, the King could gain grounds by bribing the electorate to return the right member (p. 67): "George III was determined to destroy the power of the Whig³ government, and to do this he had to become 'the first of the borrow-mongering electioneering gentlemen of England'."

Already early on, the destructive effects of a corrupt system had become apparent, and laws had been passed against corrupt behaviour. However, since both sides thought they'd gain by engaging in corruption and bribery, enforcement of such laws seems to have been rather weak (p.57): "At Shaftsbury in 1774, amidst a great deal of drunkenness, one of the alderman disguised as Mr. Punch passed sums of 20 guineas through a hole in the door, for which each elector had to sign a bill to an imaginary character called Mr. Glenbucket. This was a device to circumvent the laws against bribery. In 1771 the electors of New Shoreham formed the 'Christian Society', which sold the seat to the highest bidder and then distributed the proceeds among the electorate."

But also those members assenting to Parliament without the King's money would quickly find themselves with offers they couldn't refuse (p.80): "In George I's first Parliament 271 Members held offices, sinecures or pensions of some kind; in the first Parliament of George II there were 257; during the reign of George III until about 1780 the total rose again, but by the first Parliament of George IV in 1820 there were only 89 and by 1830 there were only 60." And: "Another form of corruption that was frequently employed was the award of some kind of contract to Members, such as providing supplies to the Army and Navy Partly owing to the shock of the American War of Independence, ... this form of corruption also began to diminish"

The interpretation of these lines is easy: the King used his money to secure influence in Parliament, but infesting the state bureaucracy as well as military supplies with the virus of corruption weakened the system as a whole, which was in part held responsible for military failures such as the victory of the American Independence fighters.

³ Parliamentarians siding with the Aristocracy were called 'Whigs'.

Much as in the spirit of game theory, the Aristocracy had observed these activities, and had initiated measures against it. These, however, were not always crowned with ultimate success, leading to at times rather ridiculous results (p. 92): “An amendment to the Act of Settlement of 1707 had prohibited MP’s from holding offices of profit under the Crown if those offices had been created after 1705⁴, which is the main reason why during the eighteenth century they held posts with such antiquated titles. The Act did not stop the flood of office distribution which took place during the rest of the century, and which, as we had seen, overflowed into the nineteenth, but at least it contained it within bounds.”

The practice of paying Members for loyalty arose from the origins of bureaucracy (p.87.) “The ‘Civil Service’ in Britain was originally a group of the King’s servants, sometimes his domestics, and its growth was assisted by the Church, which had a virtual monopoly of education and provided most of the public servants before the Reformation.”

This Civil Service was ‘modified’ to buy the loyalty of Parliamentarians, albeit at predictable results (p.88): “Horace Walpole thought that the sinecures and ill-earned pensions which existed for Members of the eighteenth century House of Commons represented a thoroughly good system, on the principle that men who inherited titles might be stupid, but that people who bought sinecures were not. The evidence for the second part of this theory seems to be lacking, and many of those posts were filled by the duller family connections of leading men. Not long after the Scottish Lord Bute became Prime Minister there were sixty-three Macs, twenty-five Campbells, an uncertain number of Hamiltons and many other Scots to be found on the Pensions List. This applied not only to Ministers’ relations but also to Members’ relations as well, which was one of the reasons why the price of Parliamentary seats was rising so high.” This potential for a rich bounty greatly increased electoral competition as well as political competition within Parliament. Within a longer-term perspective, however, such practices weakened the system as a whole – inept bureaucracy and a weaker military – so that a century-long reform process was begun.

Conduct within Parliament

The rent-seeking society addresses all political office with the question how to appropriate rents. Before the creation of Parliament, the predatory hierarchy consisting of Royalty and Aristocracy had successfully established a culture of rent-seeking. It would not to be a big surprise, if the new political institution would first and foremost be seen similarly. While the origins meant Parliament to be a tool of the Aristocracy for taxation and legislation in its favour, the legislative and taxation powers of Parliament were soon to be overshadowed by the effects of competition between Royalty and Aristocracy, which would create significant cash flows for Members (p.67): “.. the corruption of the Scottish MP’s was proverbial even at Westminster. Erskine May states that it was said of one such Member ‘his invariable rule was never to be present at a debate, or absent at a division, and that he only once in his long political life ventured to vote according to his conscience, and that he found on that occasion he had voted wrong’.”

⁴ Apparently, Grandfathering was already a legal principle then.

Parliament was an altogether economic creation, and behaving accordingly didn't really strike people as odd until the system showed systemic defects as shown above. Until that time, it was the place of contested rent-seeking so typical for a weak autocracy. Of course, such competition divided Parliament (p. 78): “.. the system which could contain both Government and Opposition had begun. Those who supported the Earl of Danby, who became the King's principal advisor after 1673, eventually formed the Tory Party, and those who followed Shaftsbury and the 'Country' Party became known as the Whigs. Since both of them owned great wealth, prestige and power, they relied considerably on 'gifts' to maintain their following and during the reign of Charles II bribery and corruption grew steadily worse.”

Over time, this economic contest accelerated (p.79): “George III was determined to break up the party machines which were now developing, and used bribery even more extensively than it had been used before. Lord Rockingham went further than most of his colleagues in attacking his methods: ‘The great number of offices of more or less emolument which are now tenable by parties sitting in Parliament, really operate like prizes in a lottery. The value of the ticket depends upon the quantum of prizes in the wheel’.” Competitive corruption was in full force.

Competition from the Outside

One of the more pleasant aspects of complex social systems is that while their logic may be somewhat discernible, the exact direction the system will take is impossible to forecast. This is the intellectual foundation of Sir Karl Popper against historical schools of thought: trend extrapolators bet wrongly since they fail to understand the complexities of the system at large.

In this vein, the colonization of the world by Europe – at first an extension of the logic of predatory hierarchies to the global environment – created people so successful that they threatened the economic power base of the Aristocracy that had been left behind (p.57): “The unknown merchants of the eighteenth centuries who sailed to the Indies were able to make such fortunes that they helped to destroy the apparently invincible Whig landlords who had the power, wealth and status in abundance. These [nabobs] were East and West Indian merchants of whom Lord Chesterfield so querulously complained ... that the average price of boroughs had gone up from £ 2,500 to £ 4,000 or £ 5,000 because of ‘interfering people of the Indies’, and that Northampton even cost ‘at least £ 30,000 a side’.

Often times, the nabobs would have the upper hand in the contests, and turned out to be the more determined players in the corruption game (p.68): “The Bribery Acts did not, for example, discourage Sir Manasseh Masseh Lopez, a rich merchant who was convicted of offering £ 2,000 in bribes to the electors of Grampound. He was sentenced to two years' imprisonment and a fine of £ 1,000; meanwhile he was elected to the even more corrupt town of Barnstaple, where he paid £ 3,000, but he was unseated again and again tried and imprisoned. On his release he sat for the pocket Borough of Westbury.”

The nabobs proved by their existence the inefficiencies of the Aristocratic Kleptocracy: if smart traders in a comparatively competitive market manage to financially outperform an aristocracy benefiting from the monopolization of land, that latter system cannot have been very efficient. In that spirit, the nabobs only foreshadowed the demise of aristocracy during the next wave of successful economic competitors in the era of industrialization.

Lifestyles of the rich and famous

The following example illustrates the life of the aristocracy in two important aspects: it first of all demonstrates the way in which the aristocracy played its role within the Kleptocratic State, but secondly also hints at the inefficiencies of this system (p.127-8): “Perhaps the best hated man in England, and one of the worst commanders in British military history, was flourishing at this time – James Brudenell, 7th Earl of Cardigan – and his career may be used to illustrate some of the defects of the Army and its organization.

Born in 1797, he was admitted to Christchurch, Oxford, in 1816, but on coming of age he was given the pocket borough of Marlborough to represent in Parliament. After an elopement, and a singularly unfortunate marriage, and neglecting his parliamentary duties, he bought the command of the 15th Hussars for about £ 40,000. In 1833 he stood for northern Northamptonshire, the family seat, where he successfully spent £ 30,000 to get himself elected. In 1834, after quarrelling with most of his officers and trying to remove one of them, he was himself removed from command by a court martial; despite protest he then bought the lieutenantcy of the 11th Light Dragoons. Disputes with officers, duels with officers and quarrels with newspapers ended by his being found guilty of intent to murder at Old Bailey. The House of Lords, however, found him not guilty. He also survived an action of adultery brought against him, in which he probably bought off the principal witness. He was put in charge of the Light Brigade and proceeded privately to the Crimea, where he lived on his private yacht in great style, and eventually led the famous charge. For a time he was a hero, but his popularity did not long survive official inquiries and newspaper attacks.”

This little episode serves to remind us that the ultimate purpose of the kleptocratic regime is personal wealth, and that personal wealth in turn is a precondition to access important positions in society, be it university education, a parliamentary seat, or a commanding position in the military.

It also indicates why the creation of affluence outside the predatory hierarchy is so destabilizing to the regime as such: people having obtained their wealth in a more competitive marketplace know the value of a strong and impartial court system and of a strong and mature civil society. If they can buy their way into parliament, their influence is more likely driven by reforms that benefit their own kin.

In fact, civil society had finally triumphed during the Victorian age. Rooting out corruption in politics had taken a long time, but the solution seemed rather straightforward in hindsight: by successively opening the vote to more people, more people needed to be bribed to win an election, and the amounts needed quickly outpaced the spoils to be gotten once in Parliament.

According to Wraith and Simpkins, no one cause can be isolated to explain the ultimate success of democracy and civil society in late 19th century England. Anti-corruption laws and the opening of the voter base were only elements of a larger societal change: efficiency driven reforms in the military and the bureaucracy, a wider access to education, as well as the economic developments during industrialization all contributed to the Kleptocratic State being increasingly unsustainable. However, these developments lasted for two-hundred years in Great Britain.

Today, a number of countries stage relatively young experiments with democracy which was often preceded by autocratic kleptocracies. The British experience demonstrates that also today, democratic structures may go hand in hand with institutionalized corruption. The checks and balances implemented by the democratic vote alone are not enough to guarantee mature democracy as an outcome. Open access to education, information, and economic opportunities is ultimately needed to contain nepotism and self-interest seeking in public institutions.

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