Inclusive institutions and the protection of property rights are a cornerstone of economic growth and development (c.f. North and Thomas 1973 and Acemoglu and Robinson 2012). A leading explanation for the emergence of inclusive institutions is that democratization serves as a commitment device for redistribution under the threat of revolution (see Acemoglu and Robinson 2000 for a theoretical contribution and Aidt and Franck 2015 for empirical results that support this channel). Similarly, autocratic rulers or oligarchies may indirectly benefit from democratization if this process leads to the expansion of public good provision (Lizzeri and Persico 2001). Another strand of literature argues that institutional change and, in particular, democratization, follows socio-economic changes (Lipset 1959). In this line of argument, the emergence of inclusive institutions is seen as a by-product of a broader process of economic development (Glaeser et al. 2004), in which trade can play a central role (Puga and Trefler, 2014).

In this paper, we study the deep historical roots of democratization in England over a period of eight centuries leading up to the Great Reform Act of 1832 that significantly extended the franchise. Our analysis begins with the Norman Conquest of England in 1066. The Norman Conquest represents a key turning point in English history, largely wiping out pre-existing institutions and hierarchies. The Normans asserted strong control over the territory and replaced the existing ruling elite with their own. Boroughs either belonged to the King or to a local lord (e.g., baron, bishop, etc.), and uniform formal institutions were imposed across English boroughs.

The period that followed the Norman Conquest was one of booming trade, resulting in substantial taxable income. The fact that the Norman Kings were frequently absent made it difficult for them to monitor tax-collecting authorities. This led to corruption and inefficiencies. As we document, tax farming, the practice whereby officials bid for the right to collect, for instance, a borough’s farm, led to numerous abuses and complaints by the population. When the resulting inefficiencies were significant, the ruler granted Charters of Liberties, transferring the control of tax collection and judicial authority to
the better-informed local merchants, who were willing to pay to run their own local administration. We show that these Charters of Liberties were particularly likely to be granted to boroughs that were important trade locations. We find that geographic conditions conducive to trade are a strong predictor of charters of liberties, but only for Royal boroughs. This asymmetric finding can be rationalized by the King’s greater difficulty in controlling his local administration. Local lords, by contrast, tended to control much smaller territories and therefore found it less difficult to control their local administration. Our finding therefore suggests that – within royal boroughs – differences in economic and geographic conditions caused differences in institutions. It also suggests that initial ownership (royal versus local) determined whether a boom in trade triggered institutional changes. In sum, a first step towards self-governance had its foundation in economic prosperity.

We then show that Charters of Liberties predict subsequent steps in democratization. First, boroughs that were granted Charters of Liberties in the period following the Norman Conquest were more likely to be represented in Parliament in subsequent centuries. The creation of the English Parliament (c. 1295) was a milestone towards democratization. The Parliament’s main function was to discuss taxation and warfare. We find that Chartered boroughs were both more likely to become enfranchised and more likely to be enfranchised early. Although franchise rules that governed MP elections were initially uniform across enfranchised boroughs, by and large, local elections became closer for all boroughs as time passed. Corruption was widespread and local oligarchies (representing either the landed interest or a coalition of both landed and merchant interest) had a large influence over the choice of MPs. However, boroughs differed in the extent to which their boroughs were running closed elections. In all boroughs, a conflict existed between the landed interest and the merchant class. Our second finding is that Chartered boroughs ran persistently more open MP elections, presumably because the merchant class in Chartered boroughs tended to be more powerful and thus able to secure political representation.

Finally, we show that Charters of Liberties are a strong predictor of MP voting for extending the franchise during the Great Reform Act of 1832. This reform triggered a series of further extensions of the franchise and is thus considered a cornerstone of the democratization of England (Aidt and Franck 2015). The trade-intensive Chartered boroughs had a natural interest in enfranchising newly industrial boroughs, because this shifted the balance of power towards the interests of the merchant class (as opposed to the landed interests of “rotten” boroughs). Following the Reform, newly industrialized
boroughs such as Manchester gained representation in Parliament and old boroughs – of importance in medieval times but decadent by the 19th century – were disenfranchised.

The fact that the Norman Conquest leveled the playing field of institutions in England makes it unlikely that our results are confounded by pre-existing differences in local institutions. Thus, our results support the “modernization hypothesis,” suggesting that trade and economic prosperity played an important role in the process of democratization.