A Theory of External Wars and European Parliaments

Brenton Kenkel Jack Paine

Emory University

jackpaine@emory.edu

February 2, 2023

Motivation

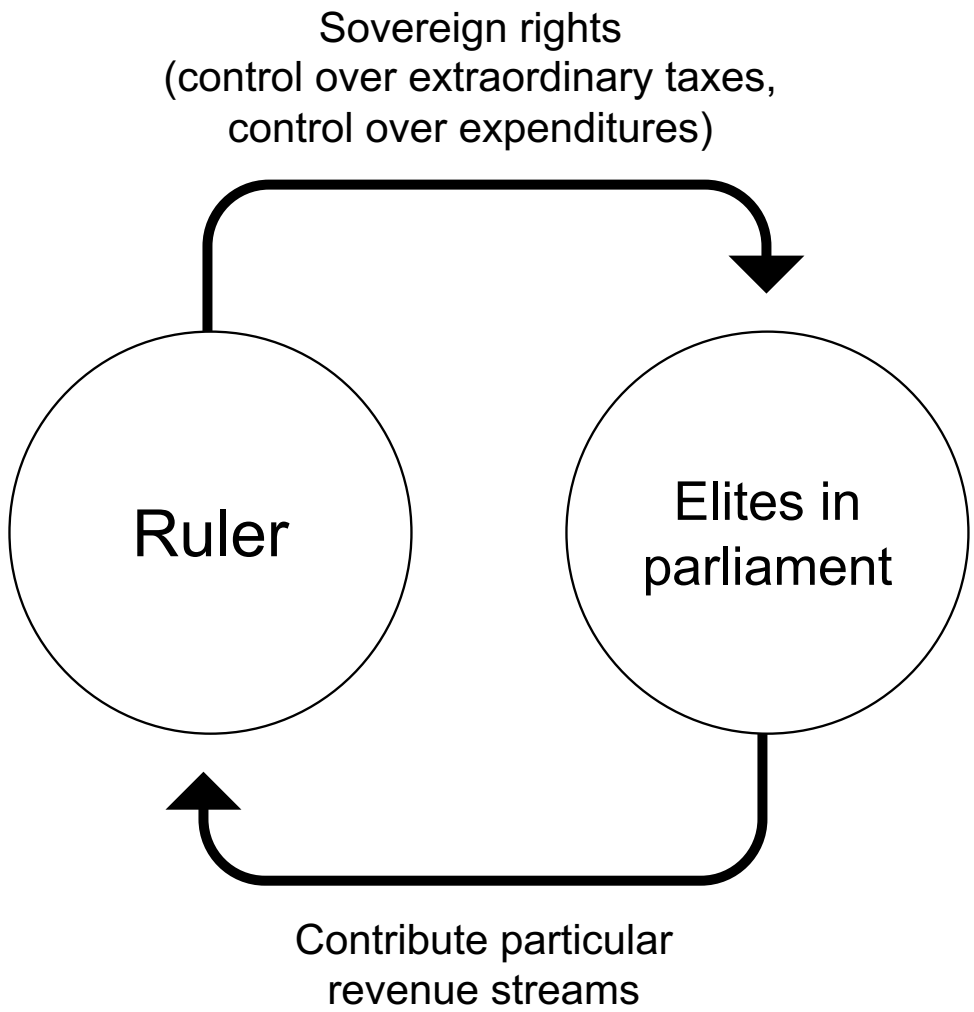
- The development of parliamentary constraints on the executive was critical in Western European political history
- How did external wars affect this process?

Tax bargaining

- The most widely discussed mechanism is that wars made rulers reliant on parliaments to secure funding for the war effort

- Myers 1975; Bates and Donald Lien 1985; Levi 1988; Tilly 1992; Finer 1997; Graves 2001; Ticchi and Vindigni 2008; Stasavage 2011; Van Zanden, Buringh, and Bosker 2012; Hoffman 2015; Blaydes and Paik 2016; Abramson and Boix 2019; Cox, Dincecco, Onorato 2019; De Magalhaes and Giovannoni 2019

Tax bargaining



- War threats/participation make this a worthwhile bargain for the ruler

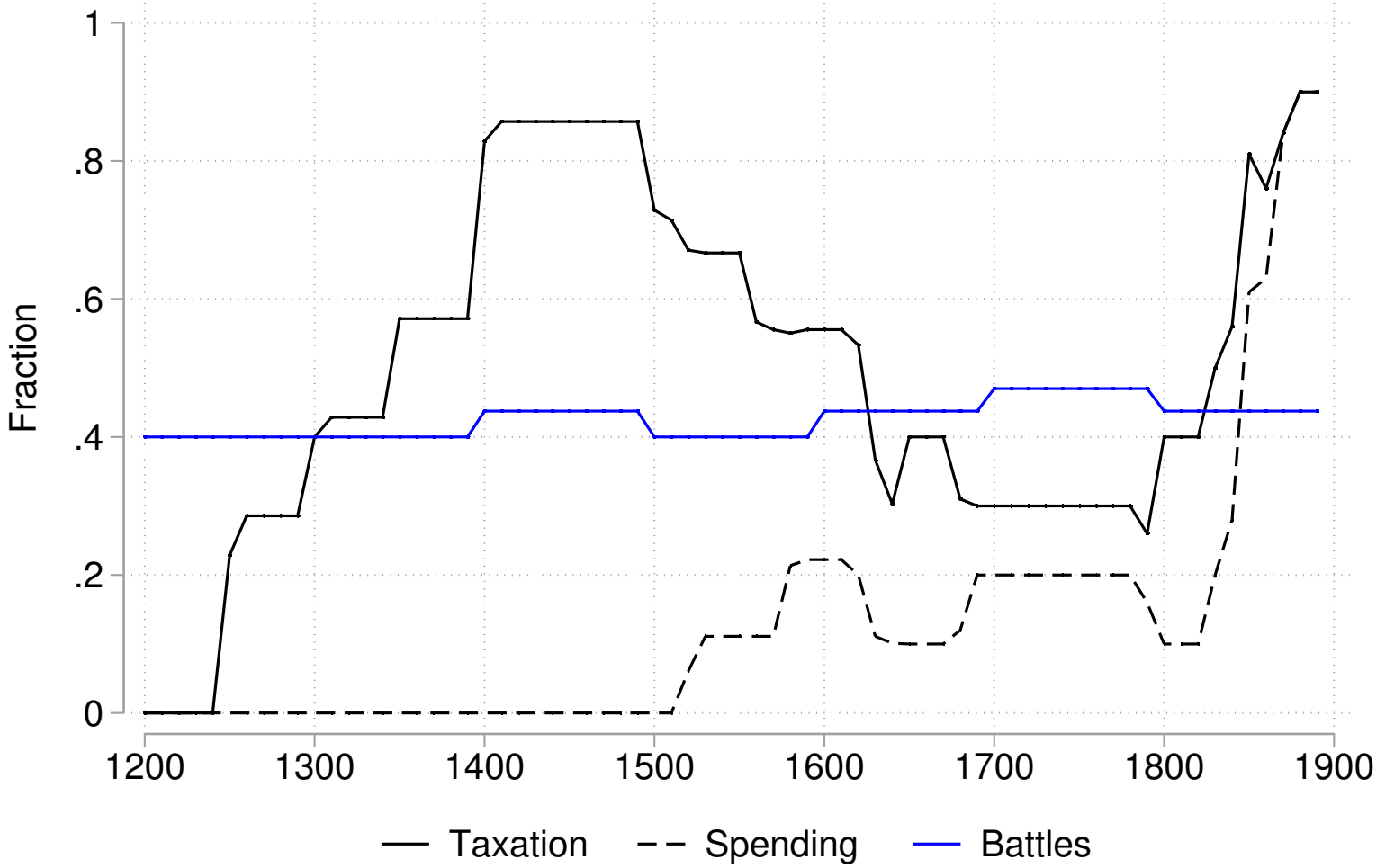
The problem

- Existing arguments focus solely on how external war threats affect the **ruler's** desire for revenues
- But war threats also affect the bargaining position of **elite** actors—and can either bolster or undermine it
- Previously unrecognized tension: stronger outsider threats increase pressure either on elites to fund the ruler or on the ruler to accept constraints—**but not both simultaneously**

Wars and parliaments revisited

- Only under circumscribed circumstances do war threats align three conditions needed for parliament to arise in equilibrium:
  - Ruler willingness
  - Elite credibility
  - Elite willingness
- The overall relationship between wars and parliaments is inverted U-shaped
- A marginal increase in external war threats on parliamentary delegation depends on additional parameters
  - Credibility of parliamentary constraints
  - Cost of effective war efforts
- Our main implications help to understand waves and reversals of historical European parliaments

Parliaments in Western Europe



SETUP

The economy

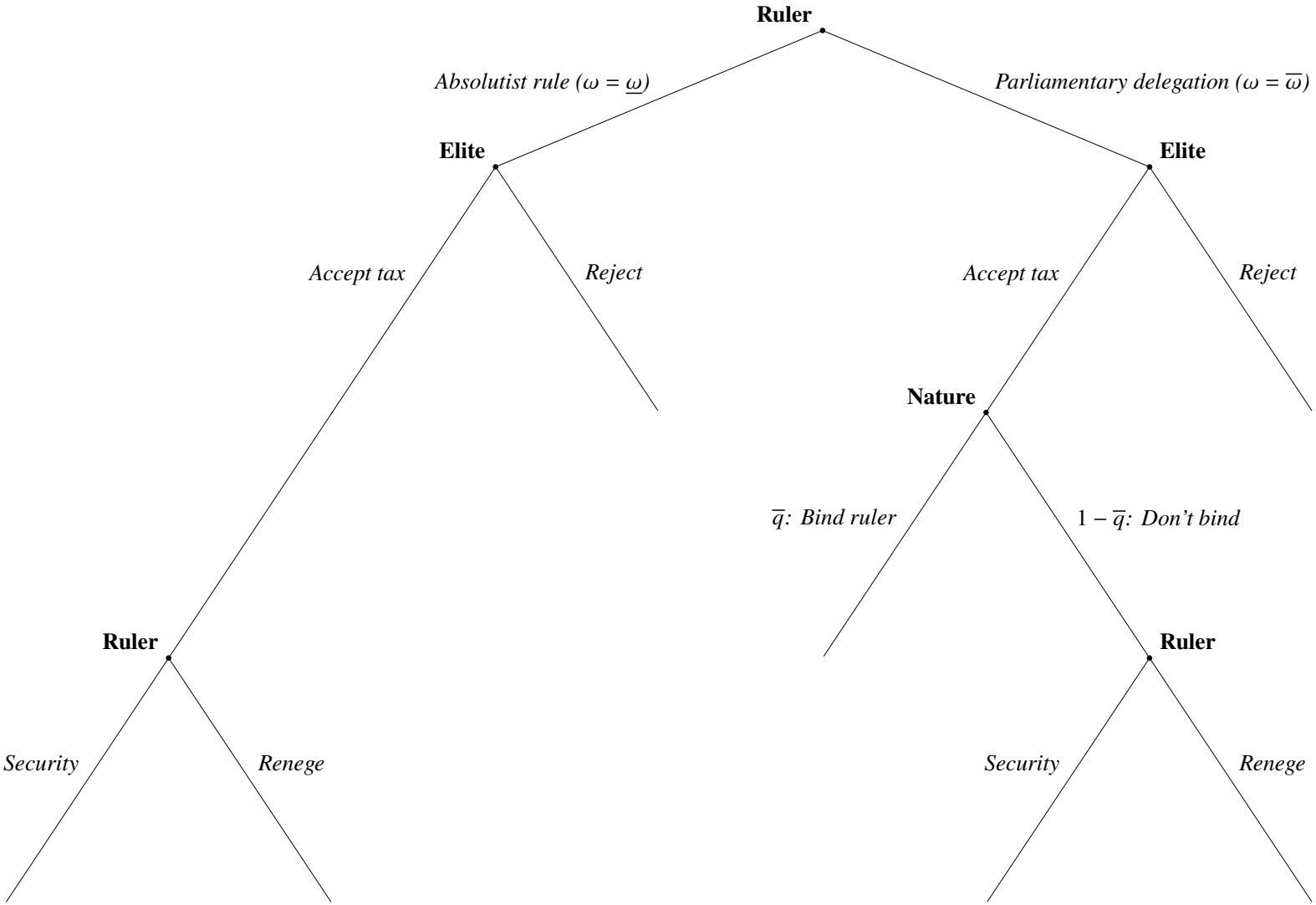
- A ruler and representative elite actor divide national wealth (normalized to 1)
- Elites control ω and the ruler controls $1 - \omega$

Strategic options

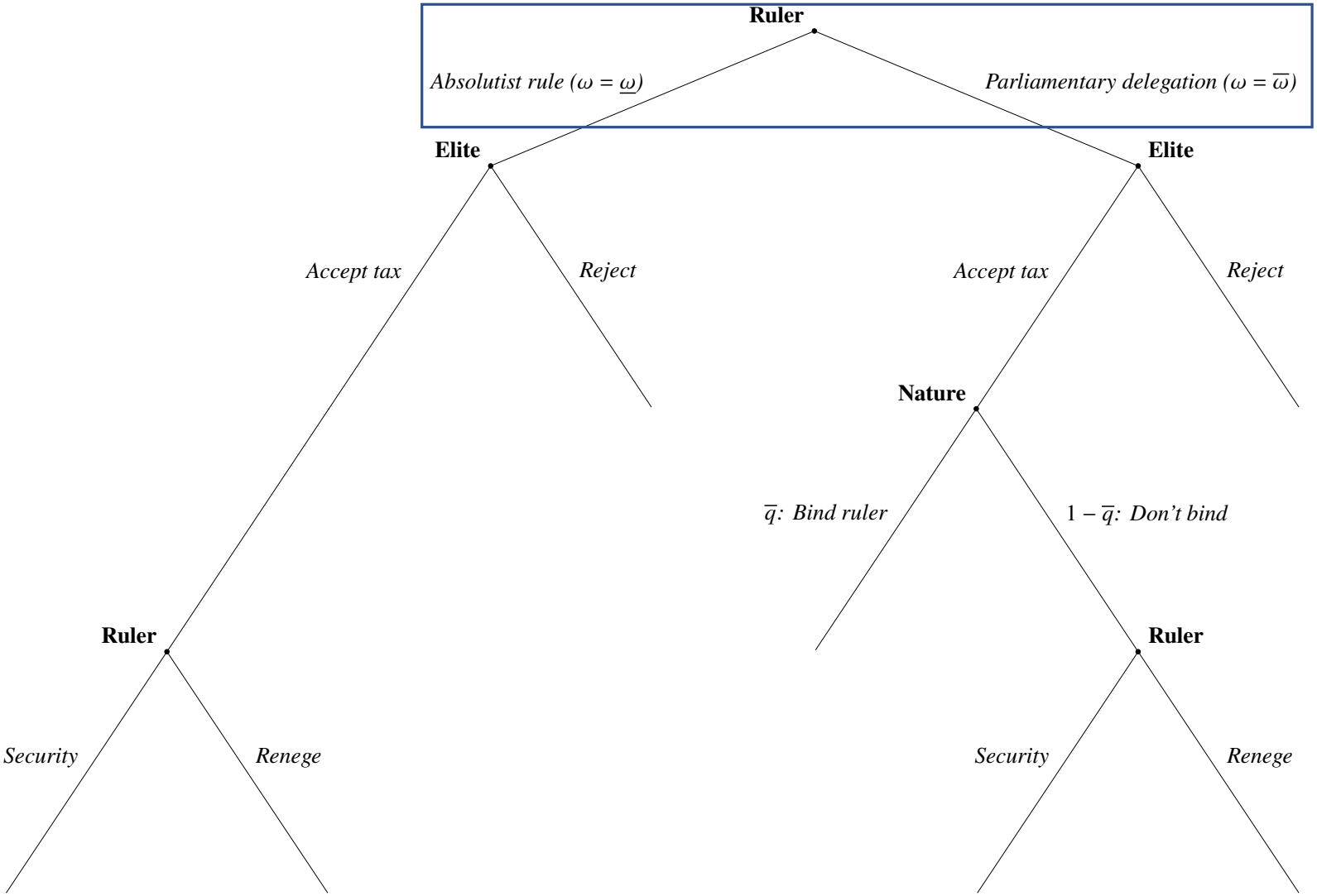
Three strategic moves occur sequentially (complete and perfect information):

- The ruler chooses institutions: rule absolutely or grant privileges to parliament

Game tree


Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Game tree

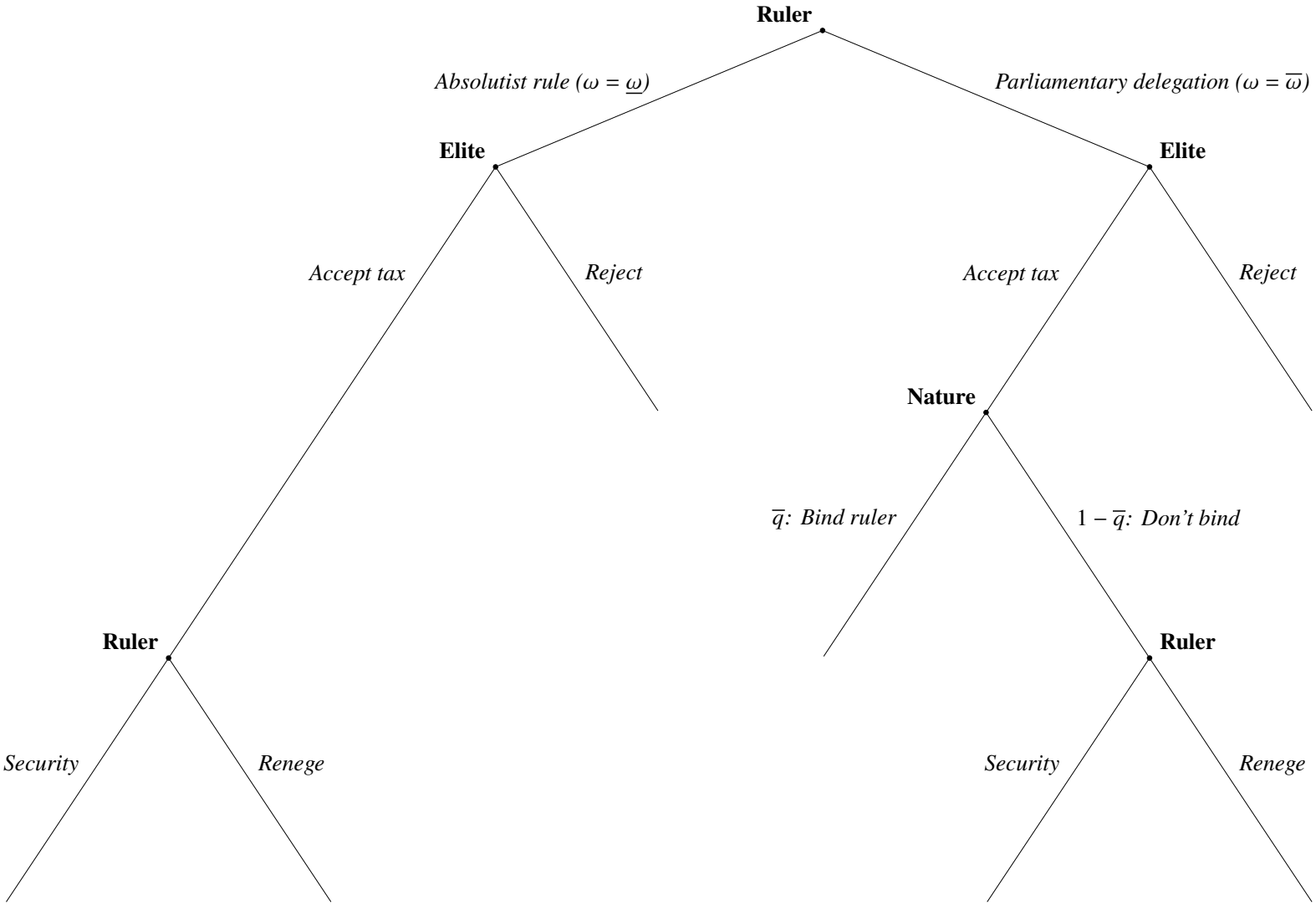

Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Strategic options

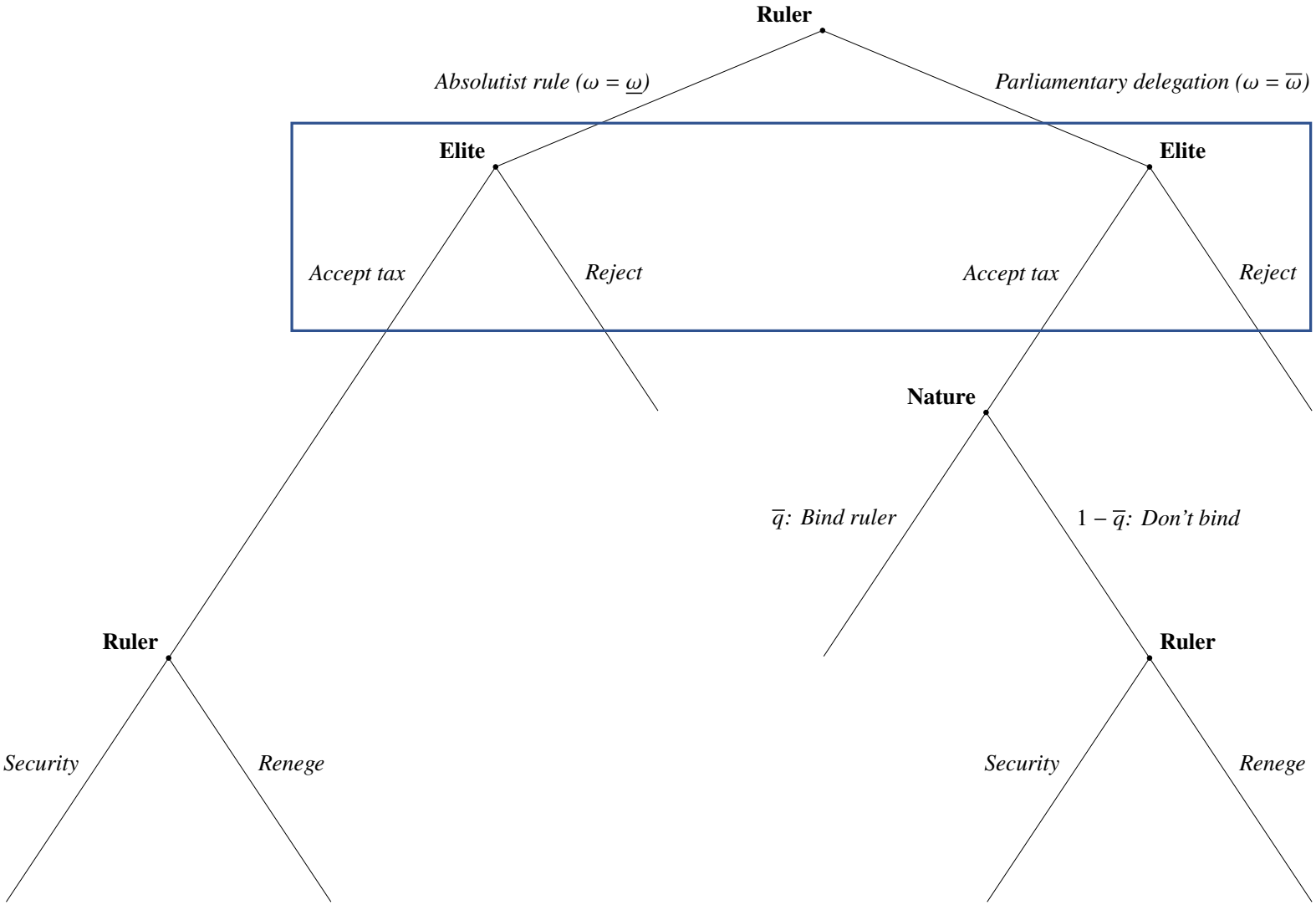
Three strategic moves occur sequentially (complete and perfect information):

- A ruler makes a choice over institutions: rule absolutely or grant privileges to parliament
- The elite actor decides whether to provide funds τ to the ruler or to exercise an outside option

Game tree


Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Game tree

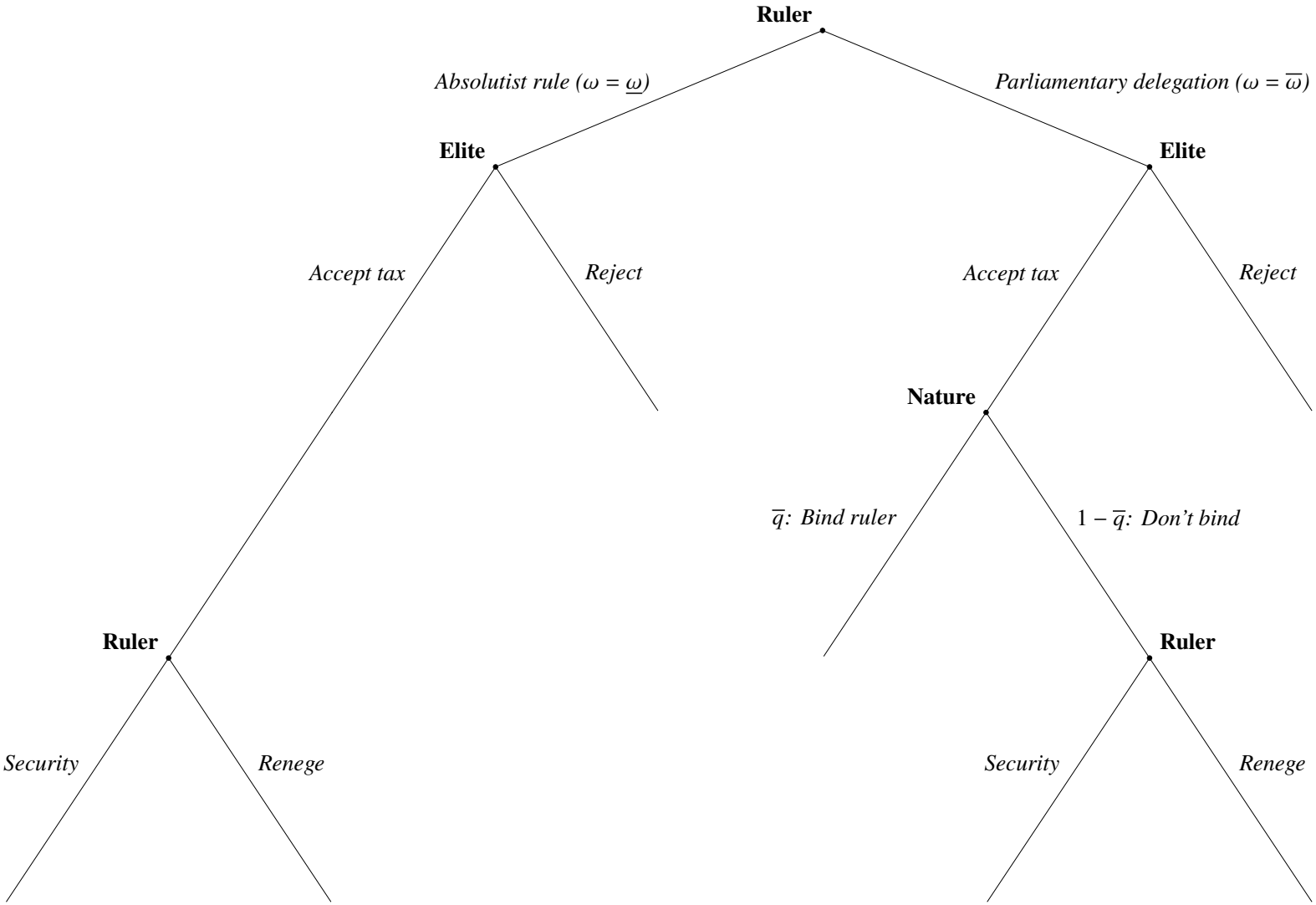

Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Strategic options

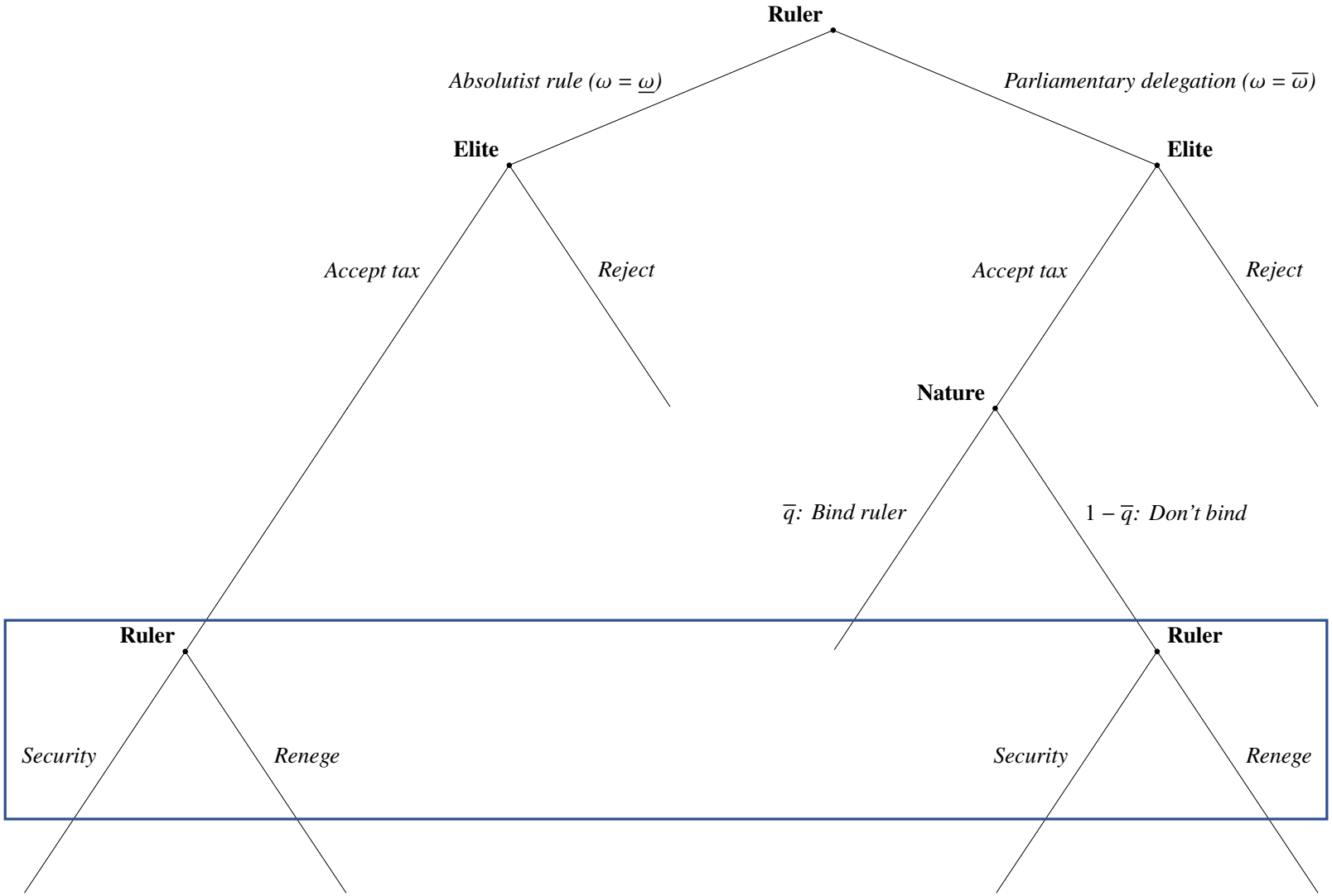
Three strategic moves occur sequentially (complete and perfect information):

- A ruler makes a choice over institutions: rule absolutely or grant privileges to parliament
- The elite actor decides whether to provide funds τ to the ruler or to exercise an outside option
- (If not constrained by parliament) The ruler chooses how to spend funds from the elite: improve security or personal consumption

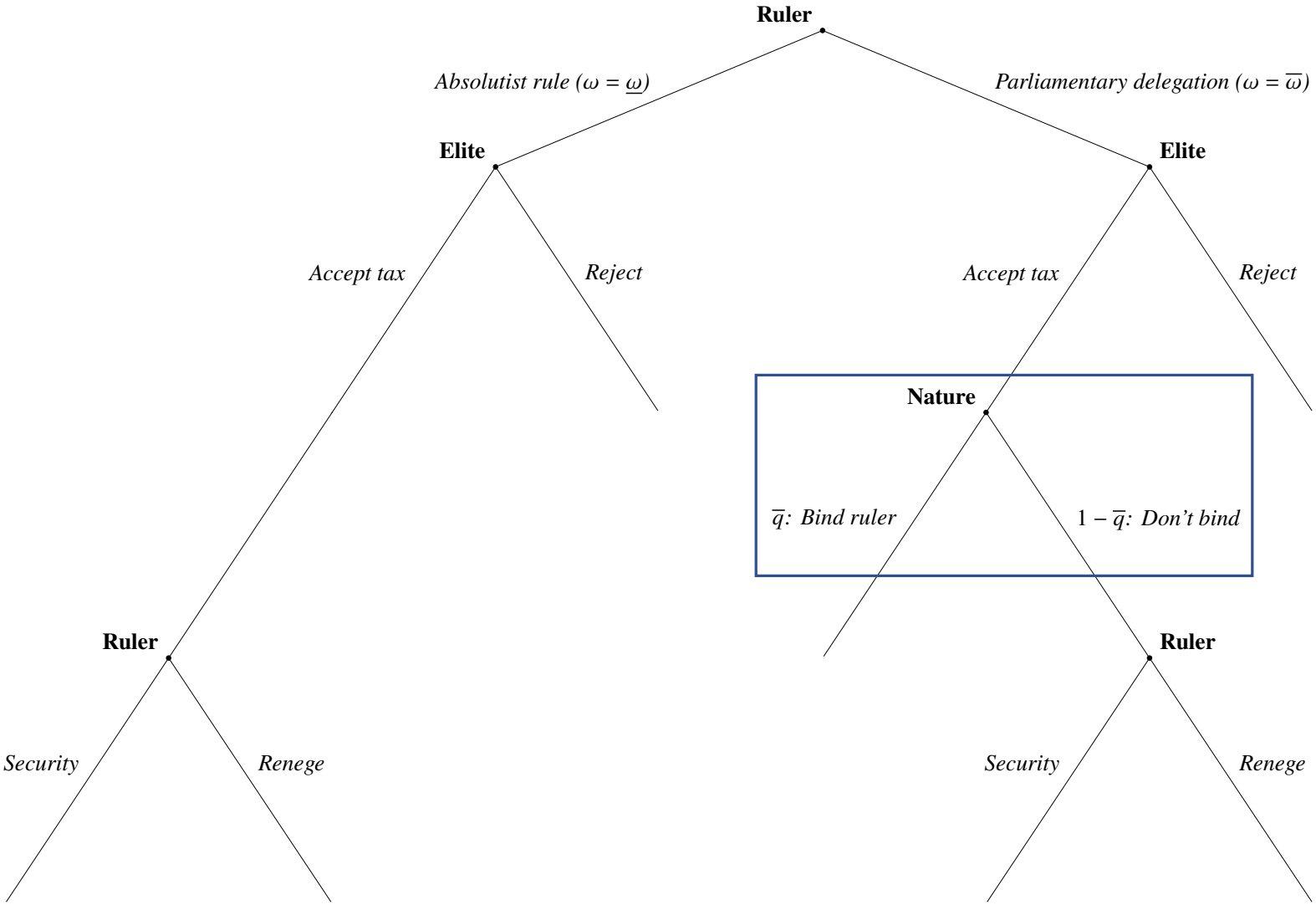
Game tree


Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Game tree


Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Game tree

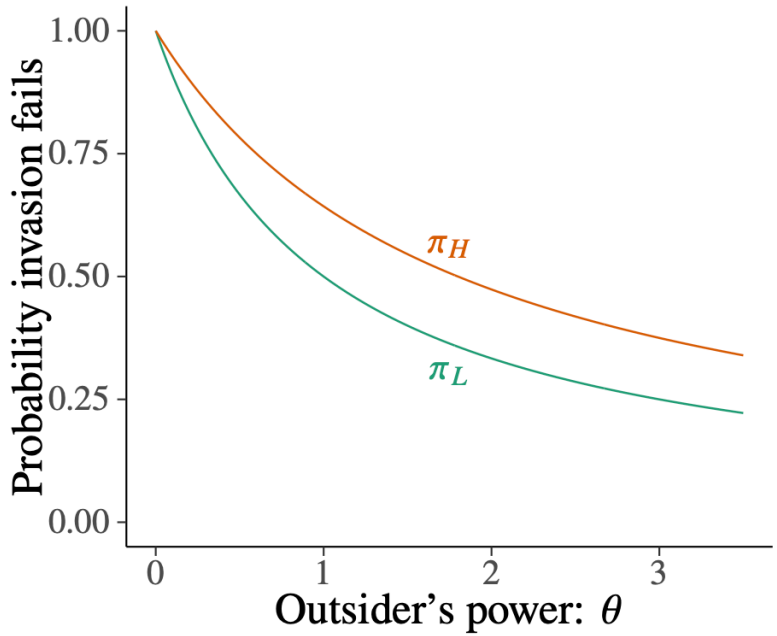

Ruler
Absolutist rule ($\omega = \underline{\omega}$)
Parliamentary delegation ($\omega = \overline{\omega}$)
Elite
Elite
Accept tax
Reject
Accept tax
Reject
Nature
$\overline{q}$: Bind ruler
$1 - \overline{q}$: Don't bind
Ruler
Ruler
Security
Renege
Security
Renege

Defending against invasion

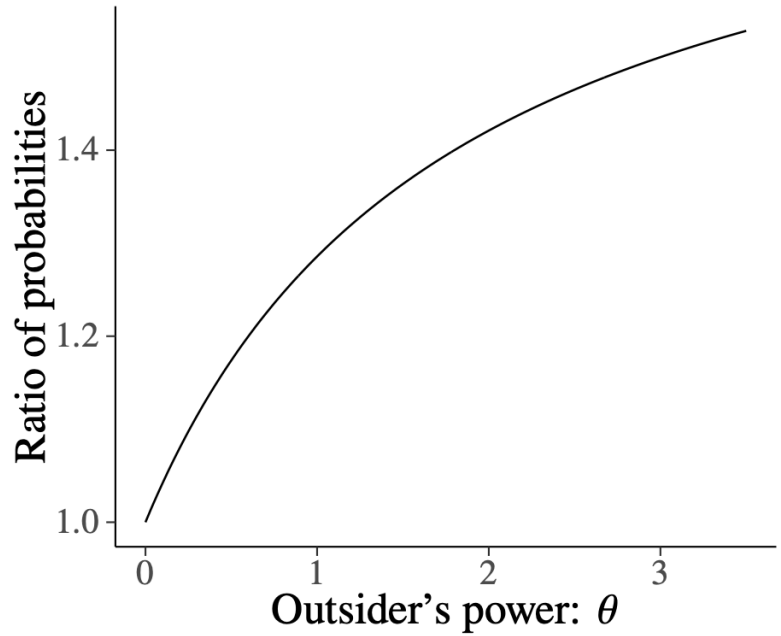
- The strategic decisions affect the probability with which a Nature-controlled external actor expropriates all the wealth from the country
- Elite funds and the ruler spends on security: survive the attack with relatively high probability, $\pi_H(\theta) = \frac{1+\Delta}{1+\Delta+\theta}$
- Otherwise they survive the attack with lower probability, $\pi_L(\theta) = \frac{1}{1+\theta}$

A stronger external threat enhances the premium on cooperating

(a) Probability of successful resistance.

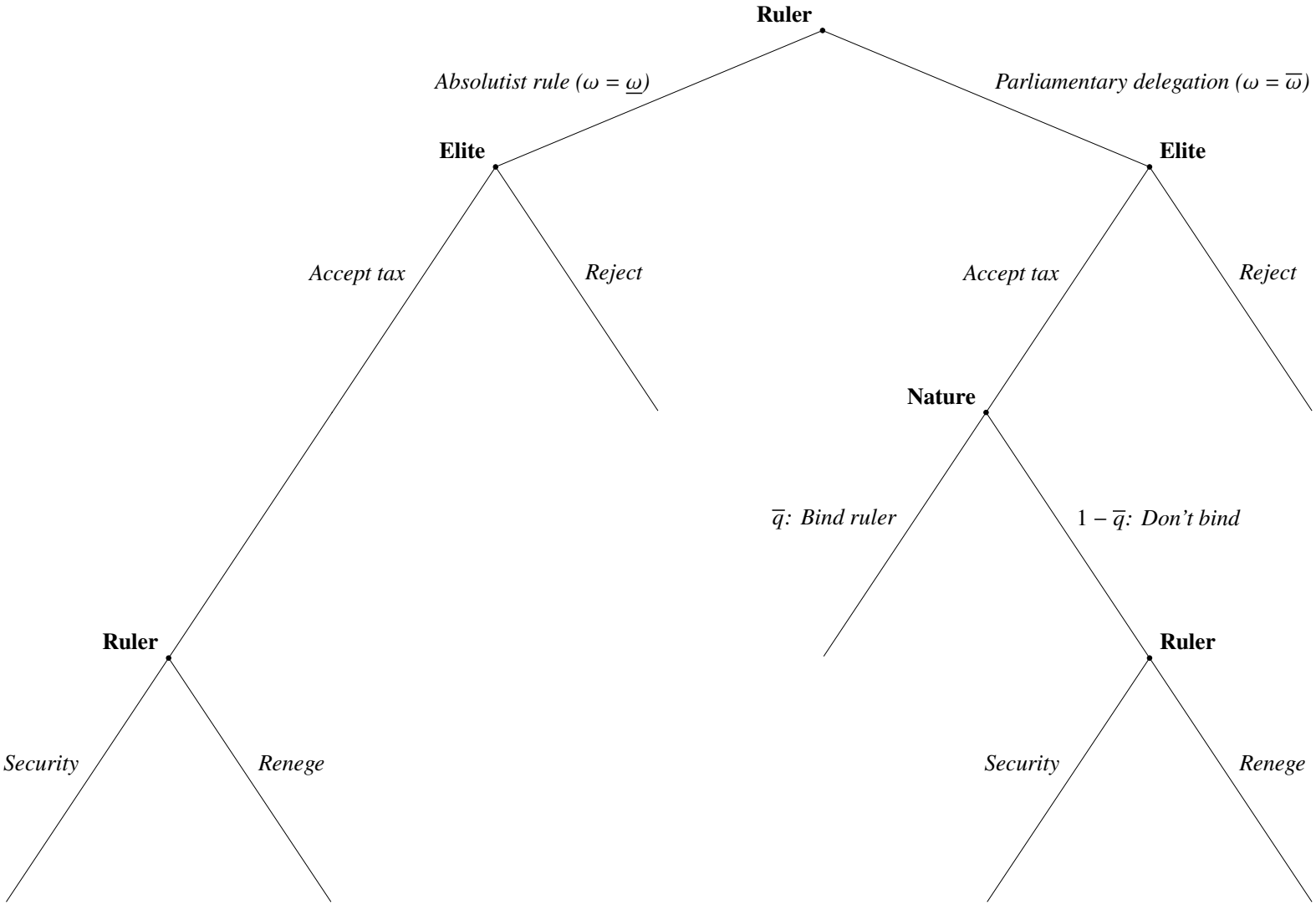


(b) Ratio of probabilities: π_H/π_L.

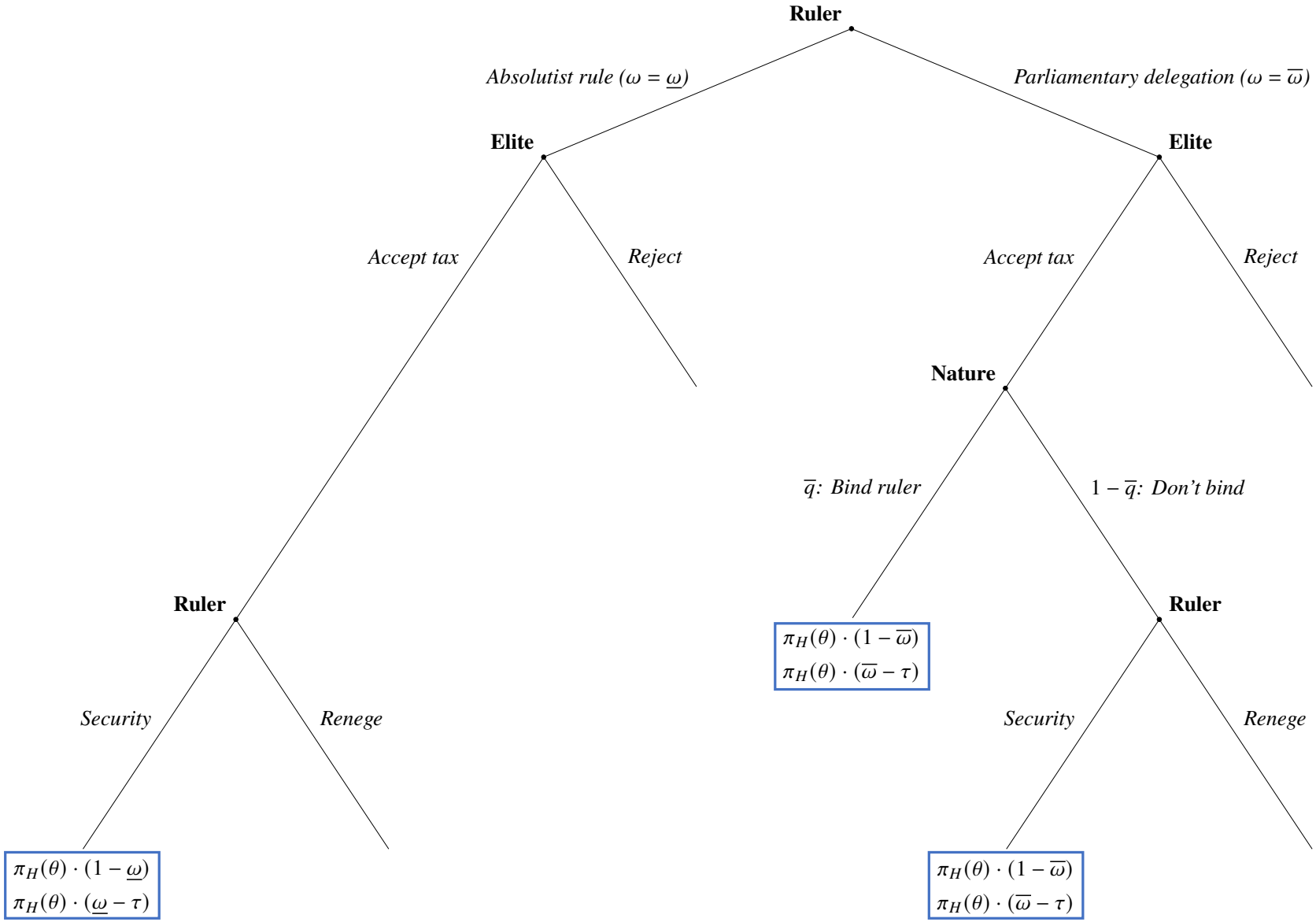


Parameters: $\Delta = 0.8$.

Payoffs: Elite provides funds and the ruler provides security



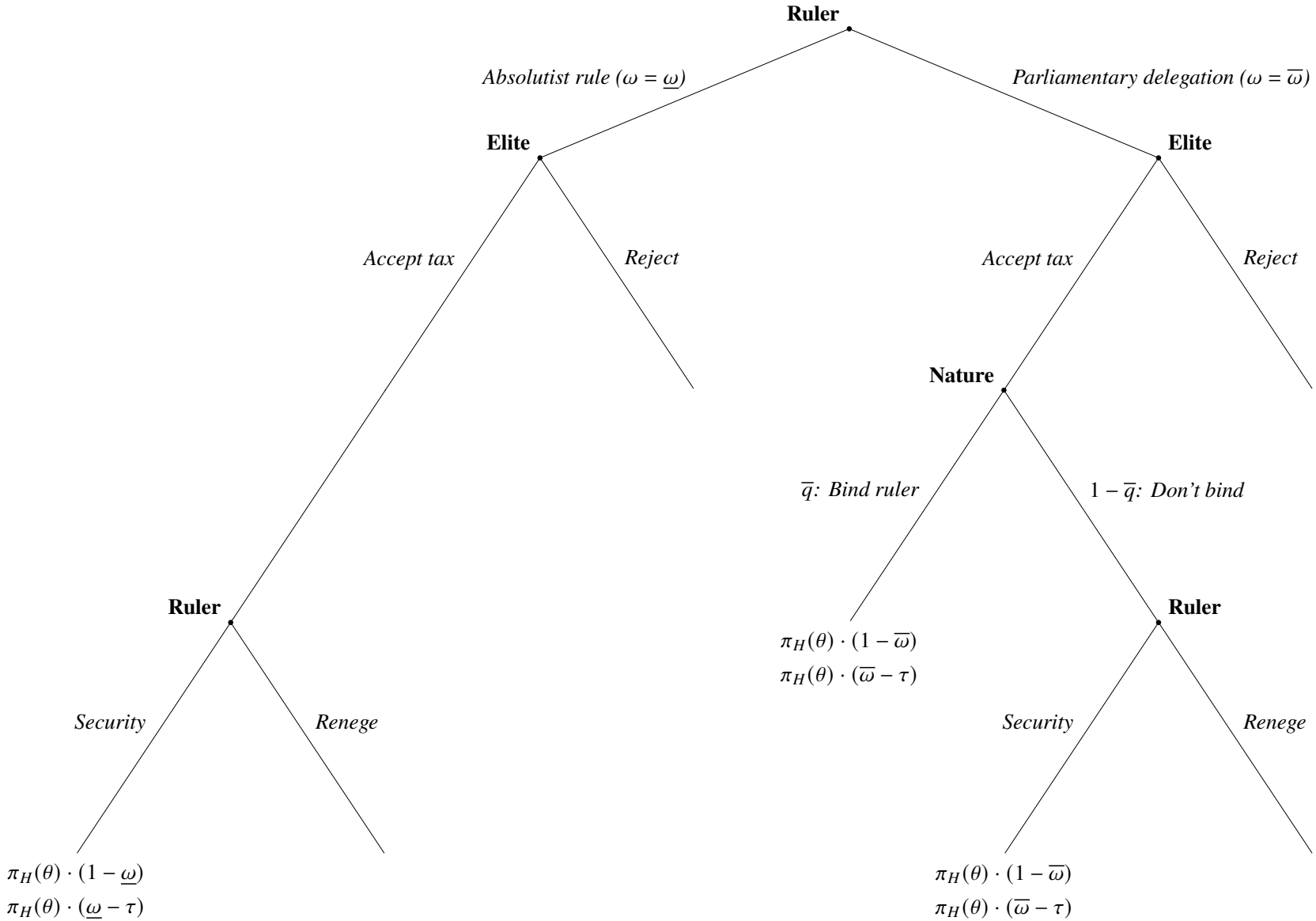
Payoffs: Elite provides funds and the ruler provides security



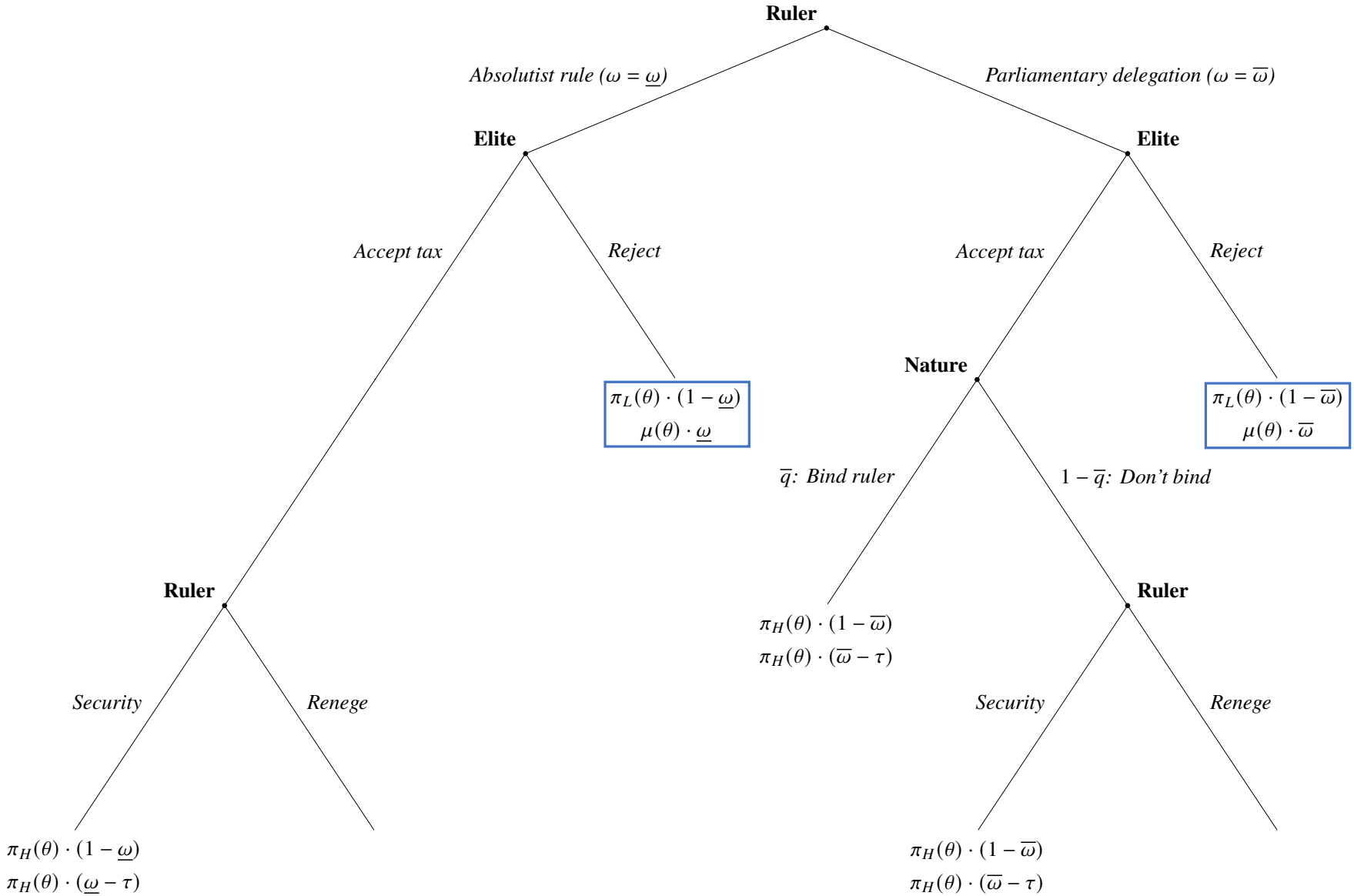
Payoffs: Elite provides funds and the ruler provides security

- Ruler consumes $\pi_H(\theta) \cdot (1 - \omega)$
- Elite consumes $\pi_H(\theta) \cdot (\omega - \tau)$

Payoffs: Elite exercises outside option



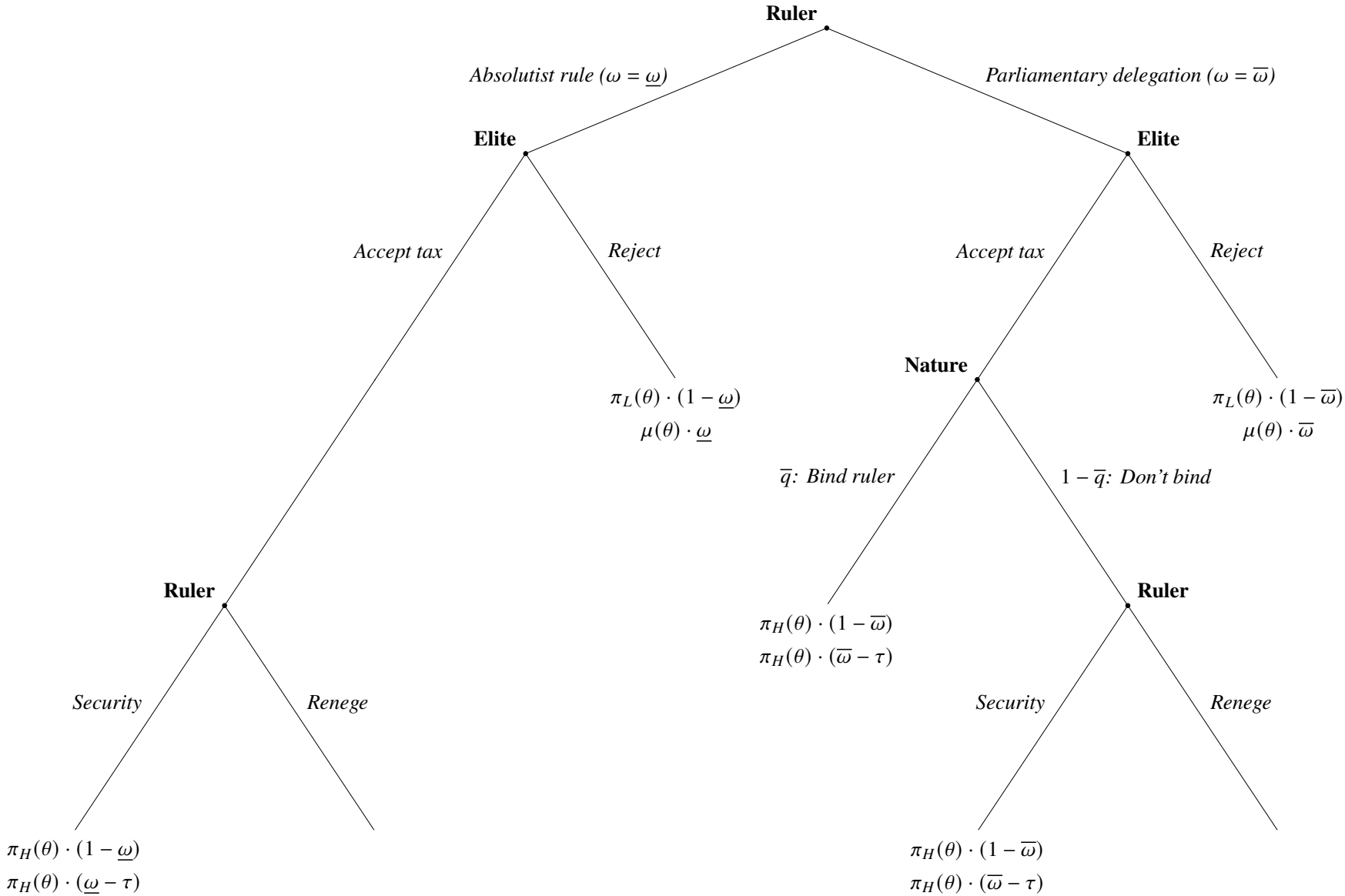
Payoffs: Elite exercises outside option



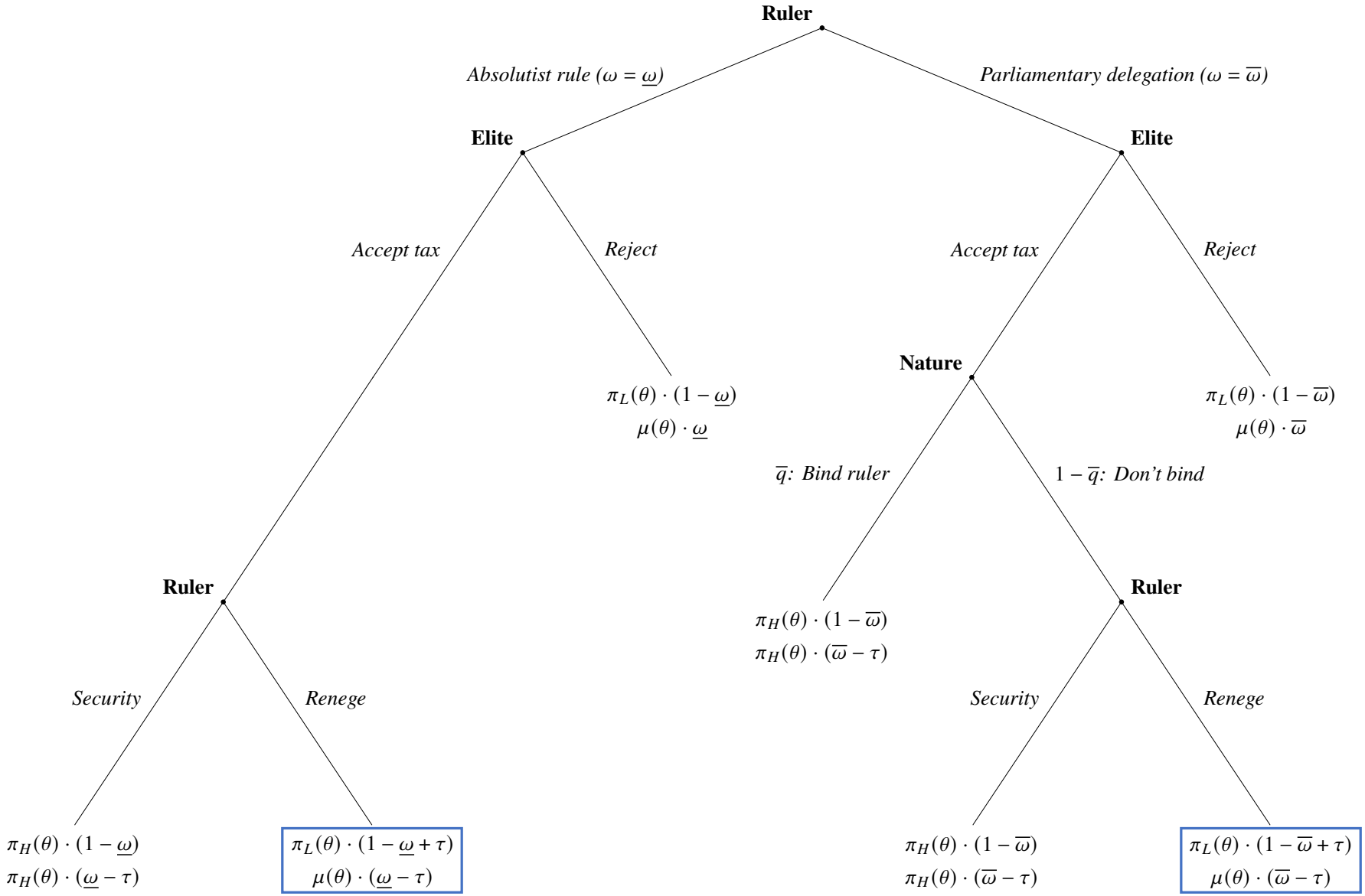
Payoffs: Elite exercises outside option

- Ruler consumes $\pi_L(\theta) \cdot (1 - \omega)$
- Elite consumes $\mu(\theta) \cdot \omega$
- Landed elites with immobile wealth have refuse as their outside option: $\mu(\theta) = \pi_L(\theta)$
- Naval merchant elites with mobile wealth have exit as their outside option: $\mu(\theta) = \sigma \in [0, 1)$

Payoffs: Elite provides funds and the ruler reneges



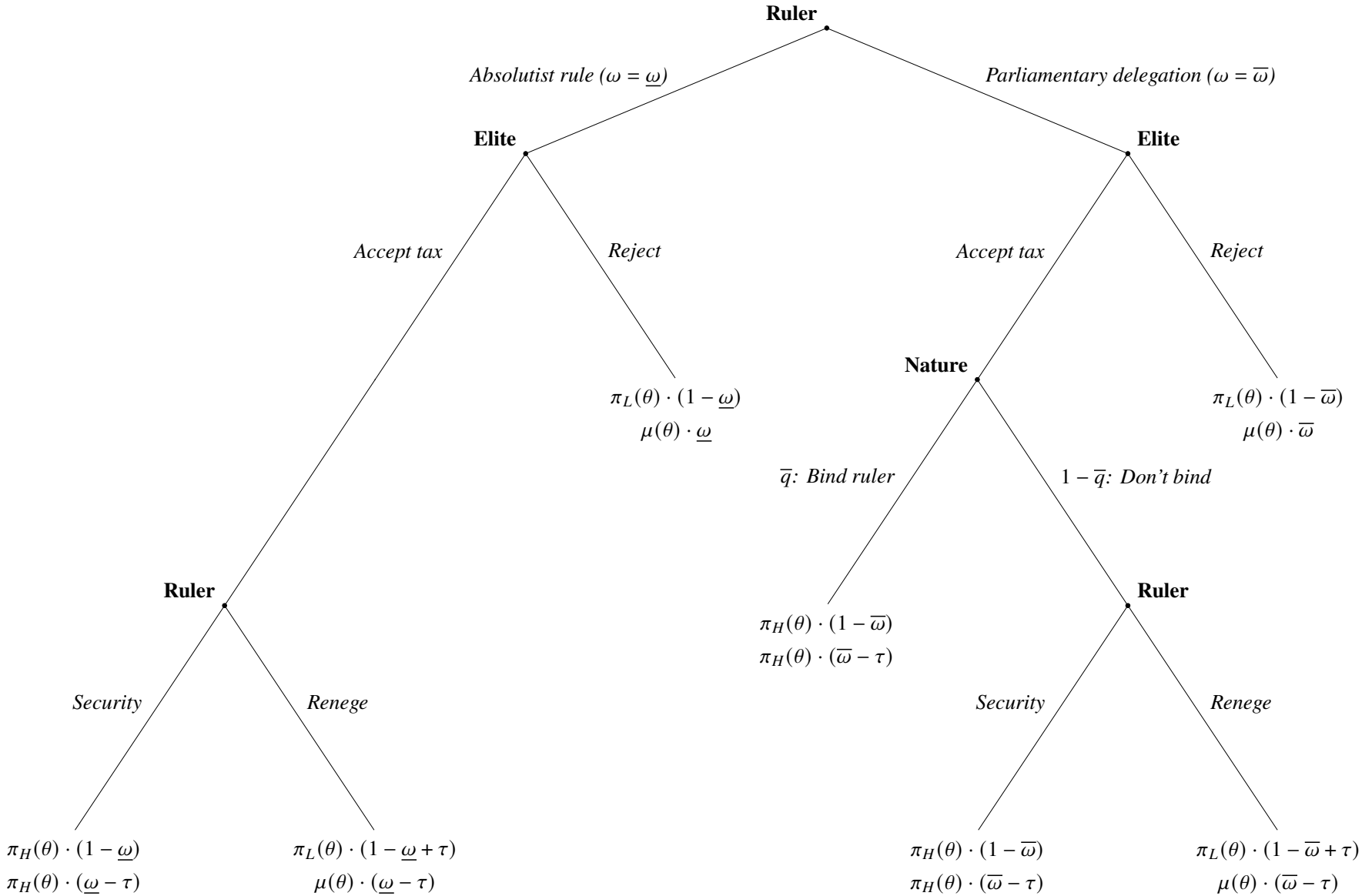
Payoffs: Elite provides funds and the ruler reneges



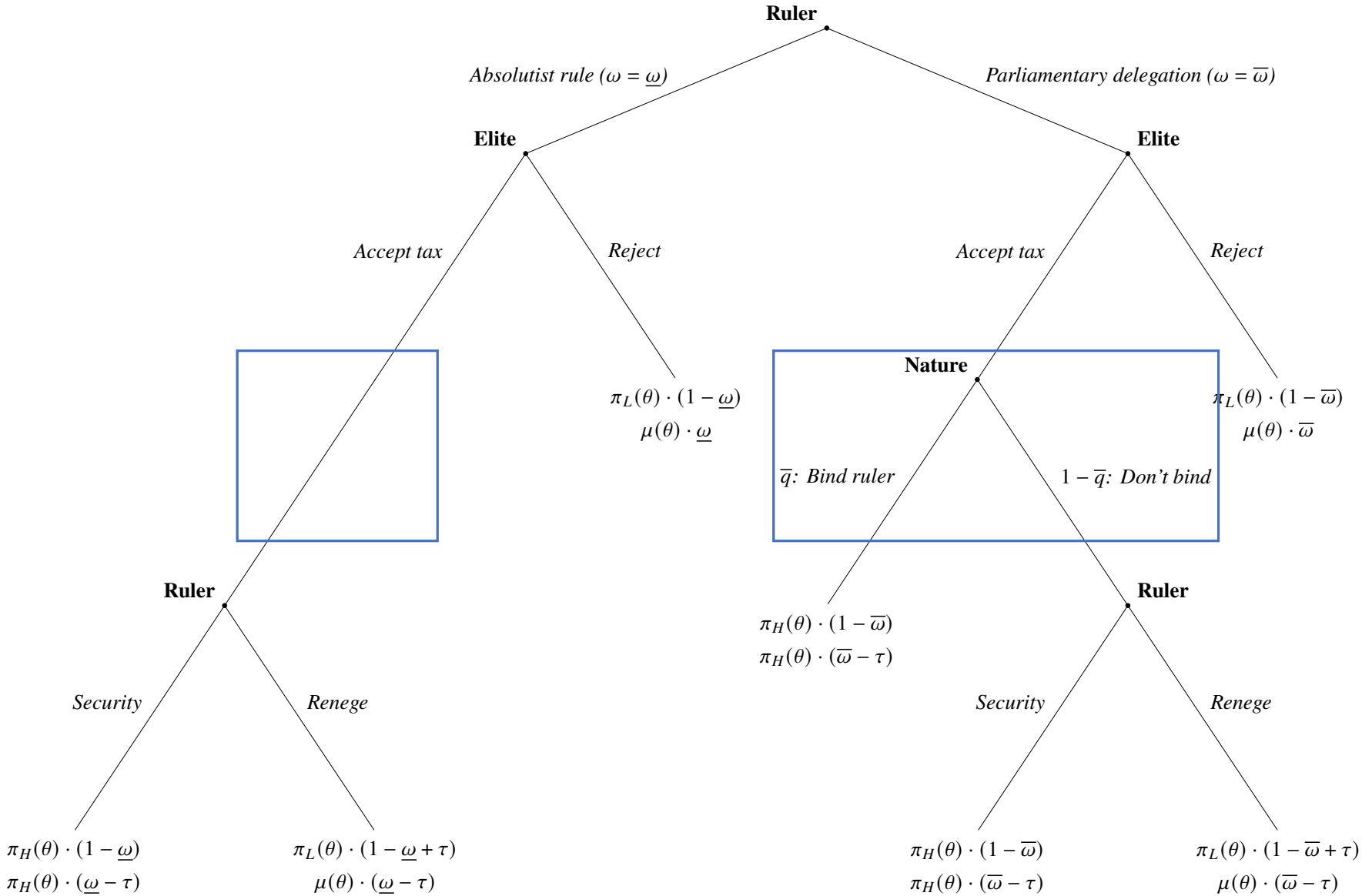
Payoffs: Elite provides funds and the ruler reneges

- Ruler consumes $\pi_L(\theta) \cdot (1 - \omega + \tau)$
- Elite consumes $\mu(\theta) \cdot (\omega - \tau)$

What are the effects of delegating to parliament?



What are the effects of delegating to parliament?



What are the effects of delegating to parliament?

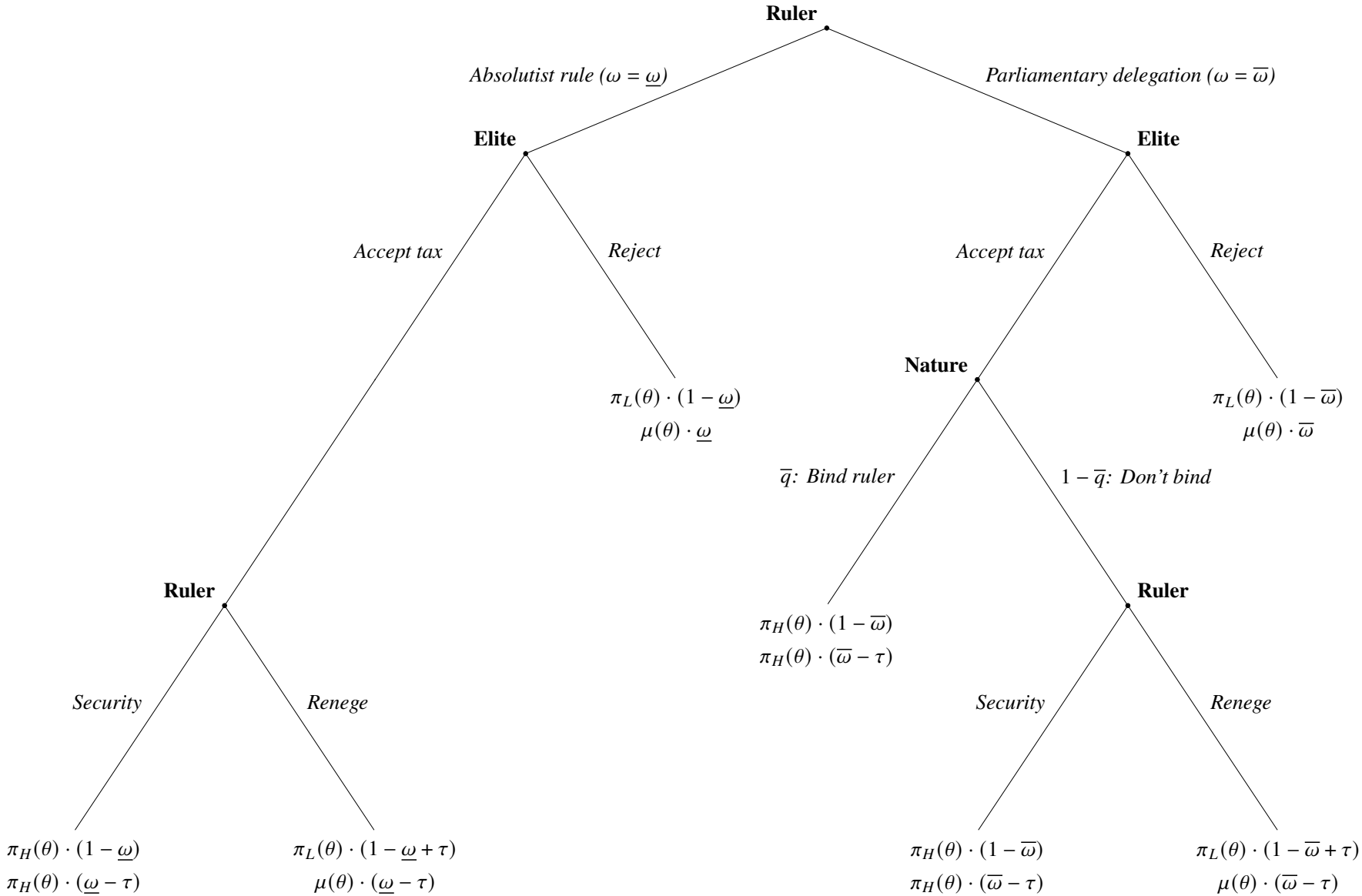
- Tying the ruler's hands against irresponsible expenditures $\Longrightarrow$ enhanced commitment ability may induce the elite actor to provide funding they would have refused for an absolutist ruler

- But conditional on receiving funding from the elite, tying hands is bad; ruler prefers to have discretion to spend funds as she sees fit

What are the effects of delegating to parliament?

- Increases the elite's share of domestic wealth from $\underline{\omega}$ to $\overline{\omega}$, which diminishes the ruler's share

What are the effects of delegating to parliament?



What are the effects of delegating to parliament?

- Institutions have distributional consequences
- And institutions constrain rulers

ANALYSIS

Granting parliamentary privileges?

- The ruler incurs costs from giving powers to parliament ($\overline{\omega}$ and $\overline{q}$)
- To make this worthwhile, she needs to receive something in return
- Delegating to parliament must be pivotal to gain tax revenues
- And the gain from these tax revenues must be large enough to compensate for spending constraints and a lower endowment

Three conditions

- Elite credibility
  - Elites can credibly withhold funds from an absolutist ruler
  - Delegating to parliament is necessary to secure funding
- Elite willingness
  - Elites will provide funds to a parliamentary ruler
  - Delegating to parliament is sufficient to secure funding
- Ruler willingness
  - Even when granting parliamentary privileges is necessary and sufficient to secure funding, the ruler still does not necessarily do so
  - The ruler must value the additional revenue stream more highly than the losses in spending powers and economic endowment

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness		
Elite credibility		
Elite willingness		

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility		
Elite willingness		

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness	✓	

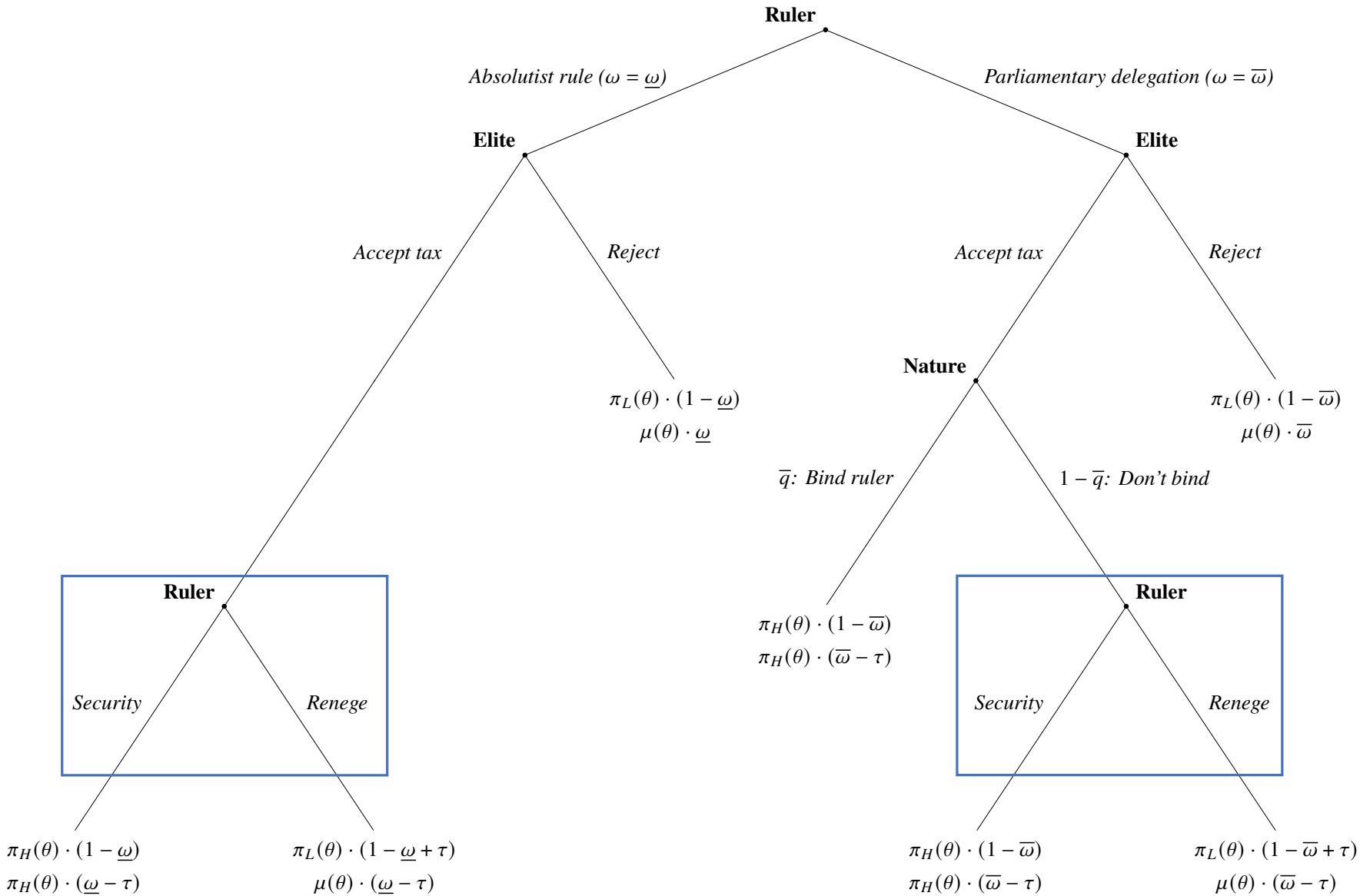
Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	✓
Elite willingness	✓	✗

A stronger external war threat pushes the elite credibility and elite willingness conditions in opposite directions

Preliminary result: Will the ruler voluntarily provide security?

Preliminary result: Will the ruler voluntarily provide security?



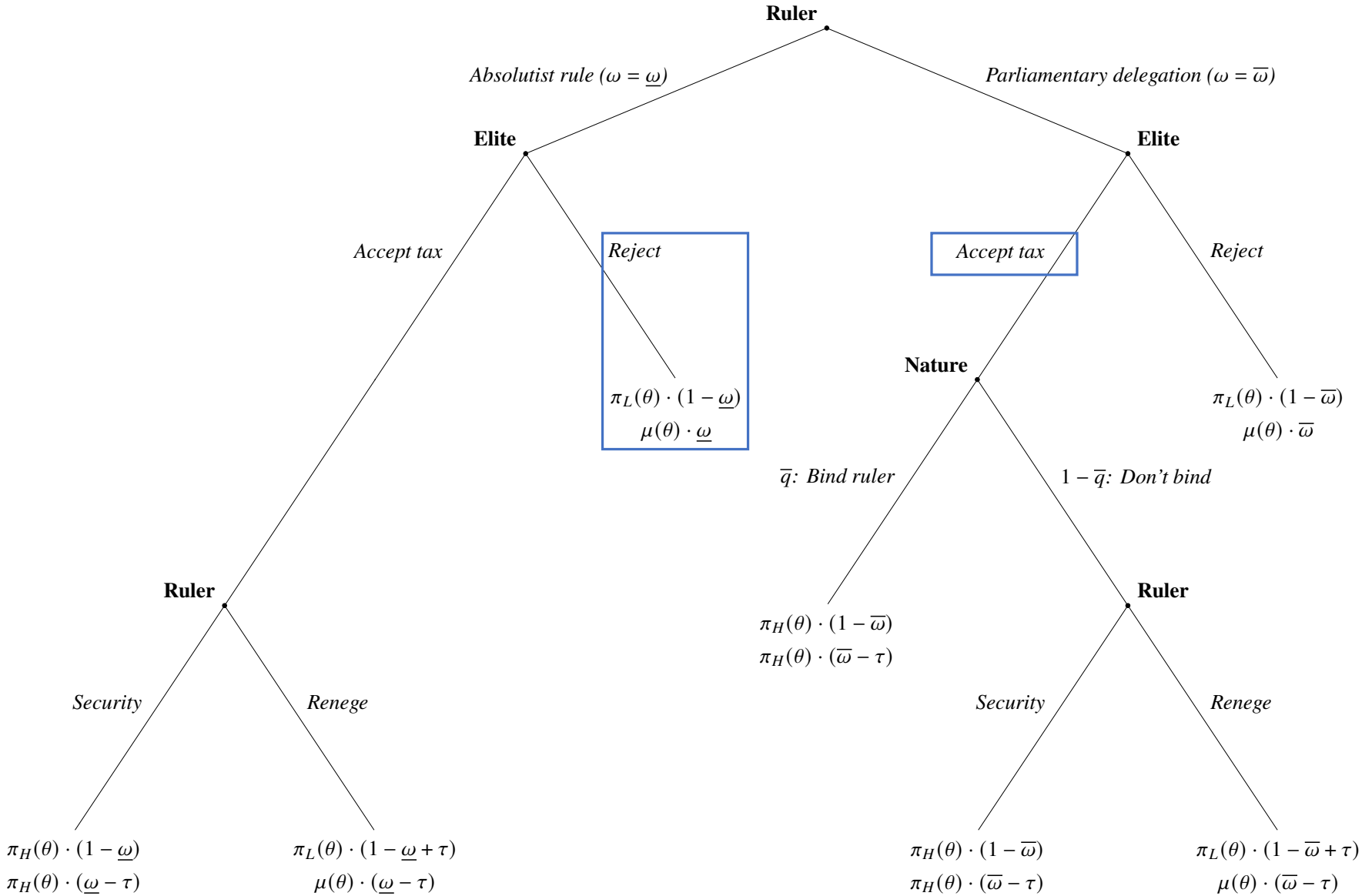
Preliminary result: Will the ruler voluntarily provide security?

$$\frac{\pi_H(\theta)}{\pi_L(\theta)} \quad \geq \quad \frac{1-\omega+\tau}{1-\omega}$$

$\frac{\pi_H(\theta)}{\pi_L(\theta)}$ strictly increases in θ $\quad \Longrightarrow$

Strong external threat bolsters the value of security

Ruler willingness



Ruler willingness

Case 1: Ruler always spends on security

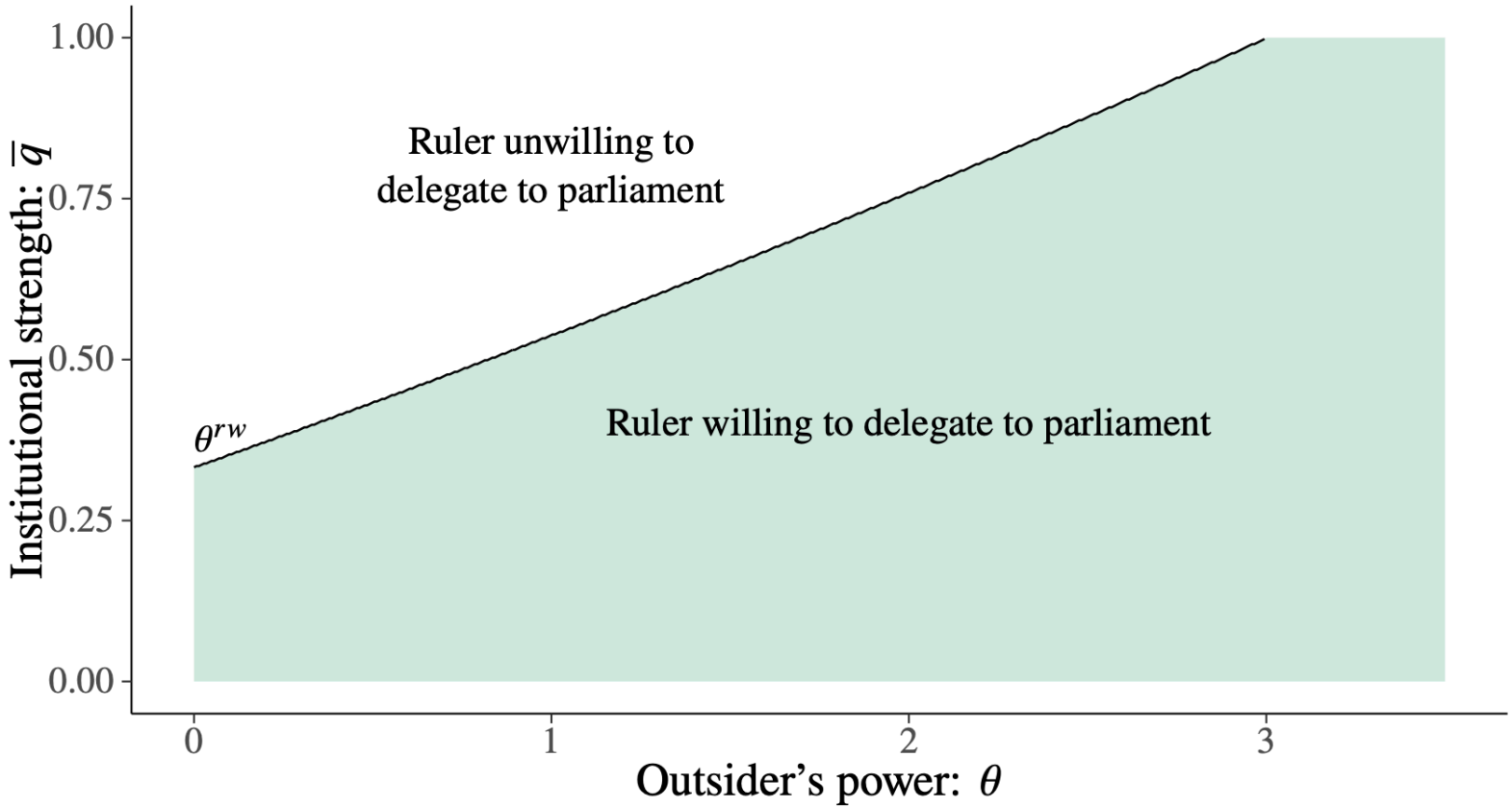
$$\frac{1-\underline{\omega}}{1-\overline{\omega}} \leq \frac{\pi_H(\theta)}{\pi_L(\theta)}$$

Case 2: Ruler reneges if possible

$$\frac{1-\underline{\omega}-(1-\overline{q})\cdot(1-\overline{\omega}+\tau)}{\overline{q}\cdot(1-\overline{\omega})} \leq \frac{\pi_H(\theta)}{\pi_L(\theta)}$$

Strong external threat bolsters the value of security
$\Longrightarrow$ delegate to parliament

Ruler willingness



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$.

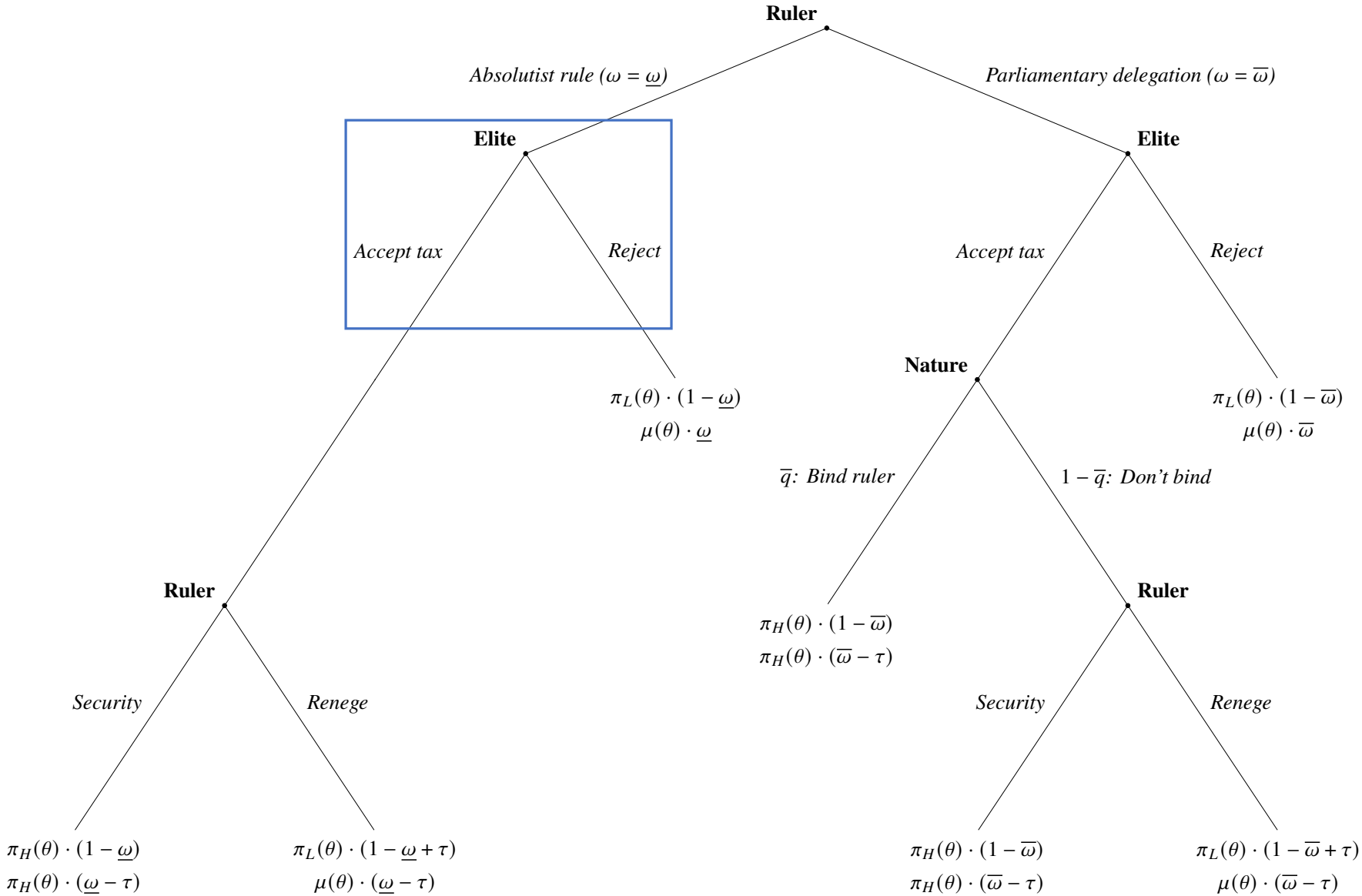
Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness		
Elite credibility		
Elite willingness		

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility		
Elite willingness		

Elite credibility



Elite credibility

Case 1: Ruler will renege (trivial)

$$\mu(\theta) \cdot \underline{\omega} \quad \geq \quad \mu(\theta) \cdot (\underline{\omega} - \tau)$$

Elite credibility

Case 2: Ruler will spend on security

$$\frac{\underline{\omega}}{\underline{\omega} - \tau} \geq \frac{\pi_H(\theta)}{\mu(\theta)}$$

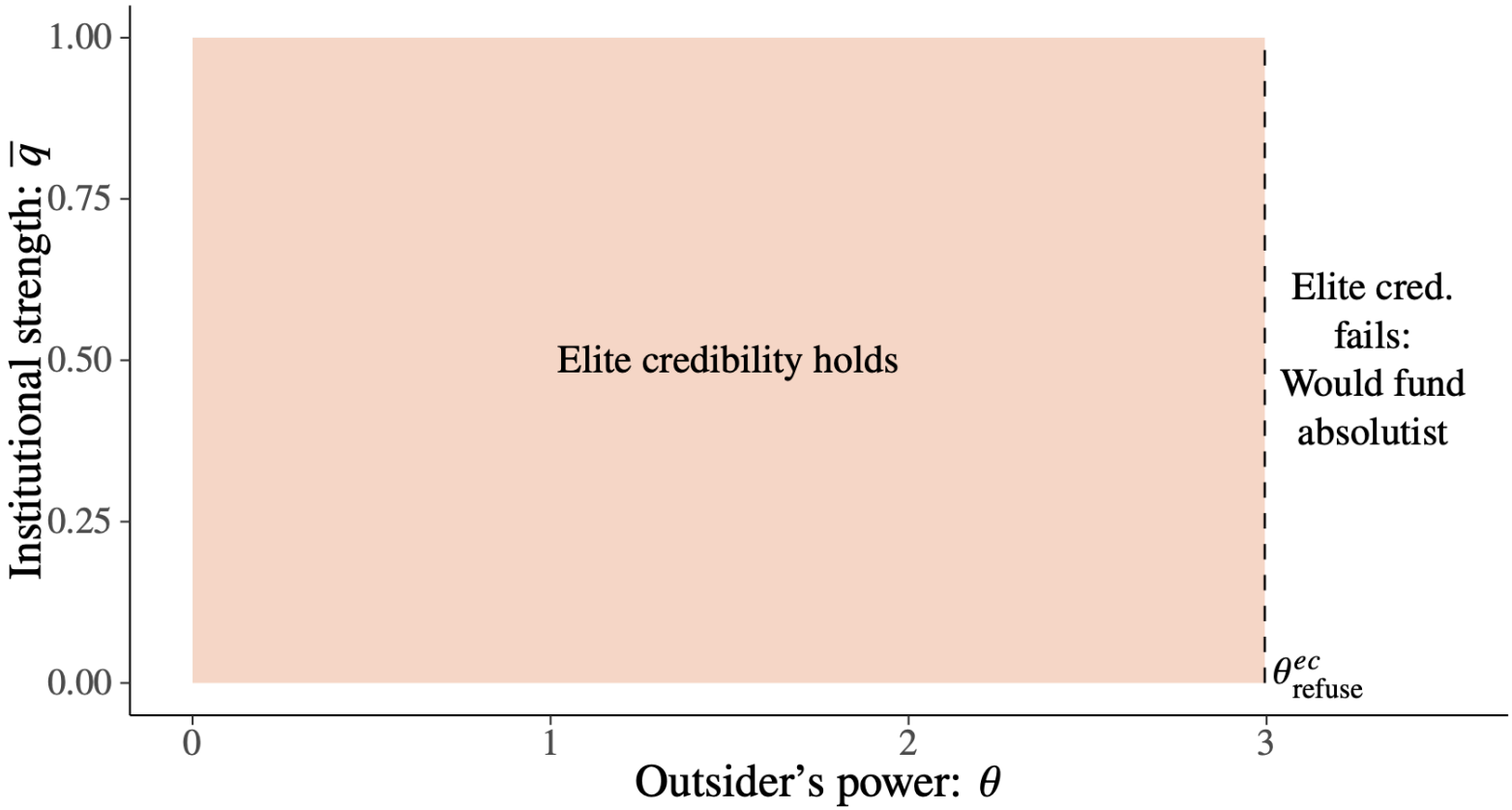
Elite credibility with immobile wealth

Case 2: Ruler will spend on security

$$\frac{\underline{\omega}}{\underline{\omega} - \tau} \quad \geq \quad \frac{\pi_H(\theta)}{\pi_L(\theta)}$$

Strong external threat bolsters the value of security
$\Longrightarrow$ not credible to reject funding for an absolutist ruler

Elite credibility with immobile wealth



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$.

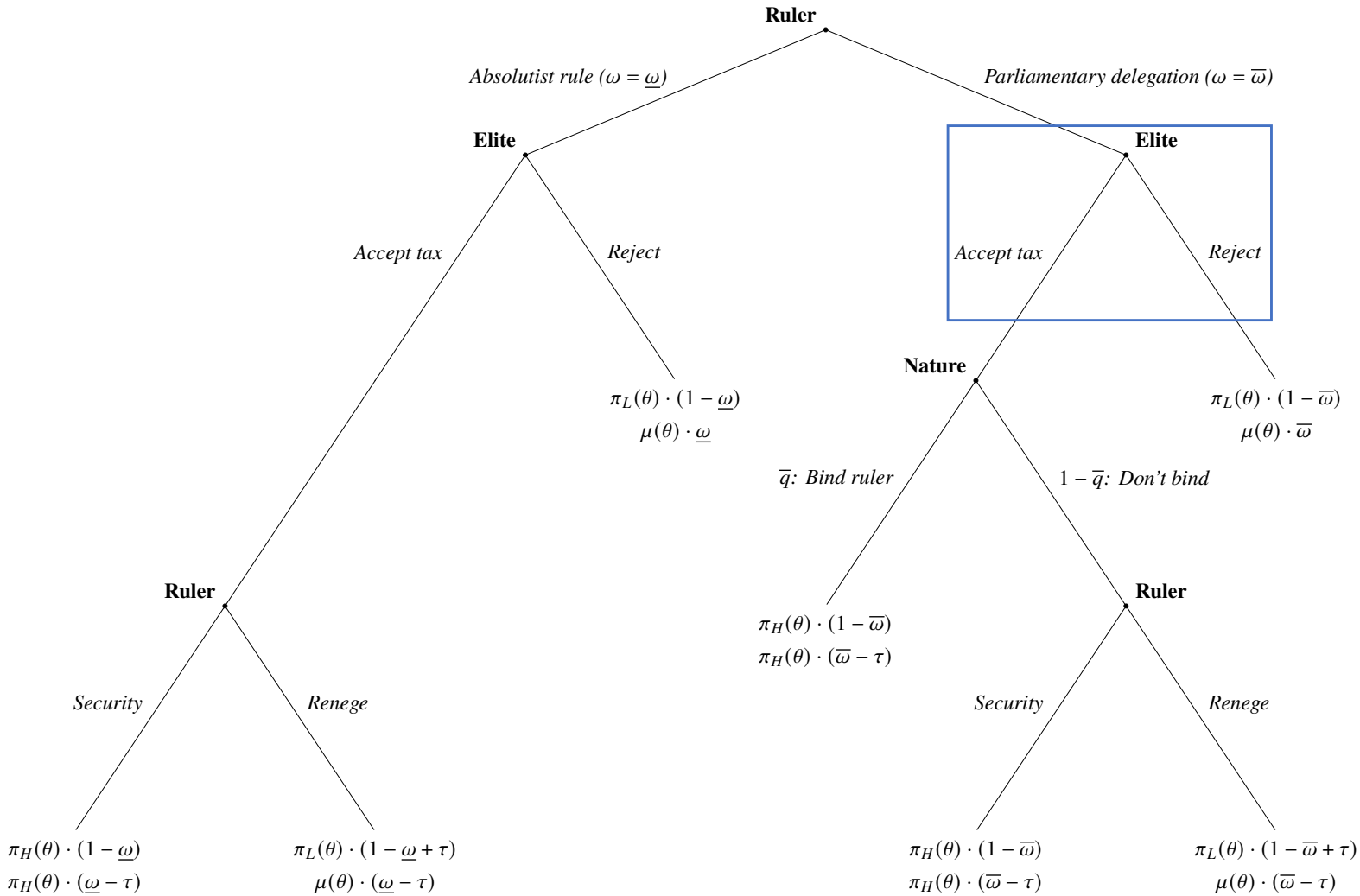
Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility		
Elite willingness		

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness		

Elite willingness



Elite willingness

Case 1: Ruler will spend on security

$$\frac{\overline{\omega}}{\overline{\omega} - \tau} \quad \leq \quad \frac{\pi_H(\theta)}{\mu(\theta)}$$

Case 2: Ruler reneges if possible

$$\frac{\overline{\omega} - (1 - \overline{q}) \cdot (\overline{\omega} - \tau)}{\overline{q} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\mu(\theta)}$$

Elite willingness with immobile wealth

Case 1: Ruler will spend on security

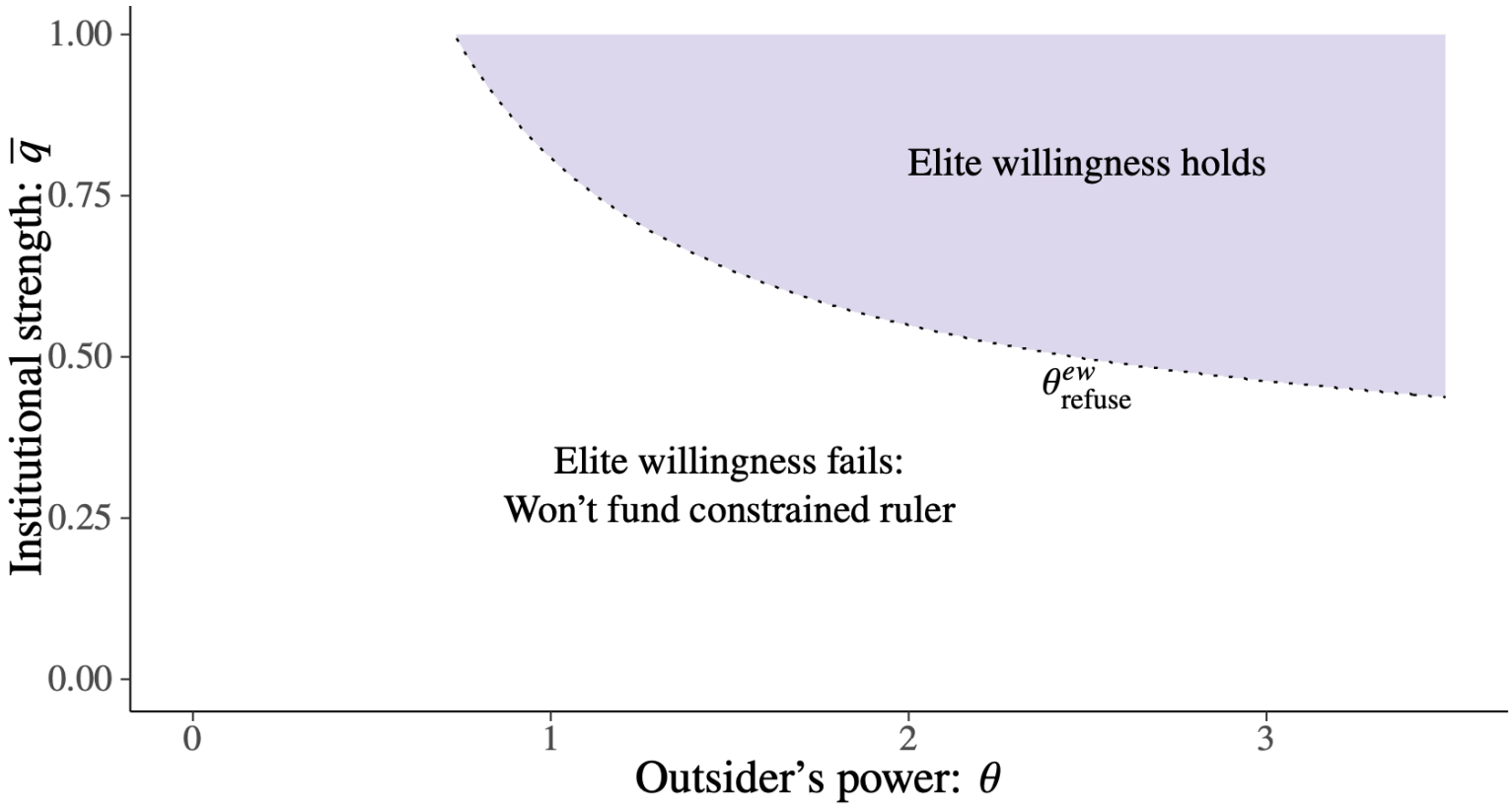
$$\frac{\overline{\omega}}{\overline{\omega} - \tau} \quad \leq \quad \frac{\pi_H(\theta)}{\pi_L(\theta)}$$

Case 2: Ruler reneges if possible

$$\frac{\overline{\omega} - (1 - \overline{q}) \cdot (\overline{\omega} - \tau)}{\overline{q} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\pi_L(\theta)}$$

Strong external threat bolsters the value of security
$\Longrightarrow$ more willing to fund a parliamentary ruler

Elite willingness with immobile wealth



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$.

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness		

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness	✓	

A stronger external war threat pushes the elite credibility and elite willingness conditions in opposite directions

Tension for elite with immobile wealth

$$\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\pi_L(\theta)} \quad \leq \quad \frac{\underline{\omega}}{\underline{\omega} - \tau}$$

Tension for elite with immobile wealth

$$\overbrace{\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)}}^{\text{Elite willingness}} \leq \frac{\pi_H(\theta)}{\pi_L(\theta)} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}$$

Tension for elite with immobile wealth

$$\overbrace{\underbrace{\frac{\overline{\omega}-(1-\overline{\boldsymbol{q}})\cdot(\overline{\omega}-\tau)}{\overline{\boldsymbol{q}}\cdot(\overline{\omega}-\tau)}}_{\text{Stronger threats} \implies \text{easier to hold}} \leq \frac{\pi_H(\theta)}{\pi_L(\theta)}}^{\text{Elite willingness}} \leq \frac{\underline{\omega}}{\underline{\omega}-\tau}$$

Tension for elite with immobile wealth

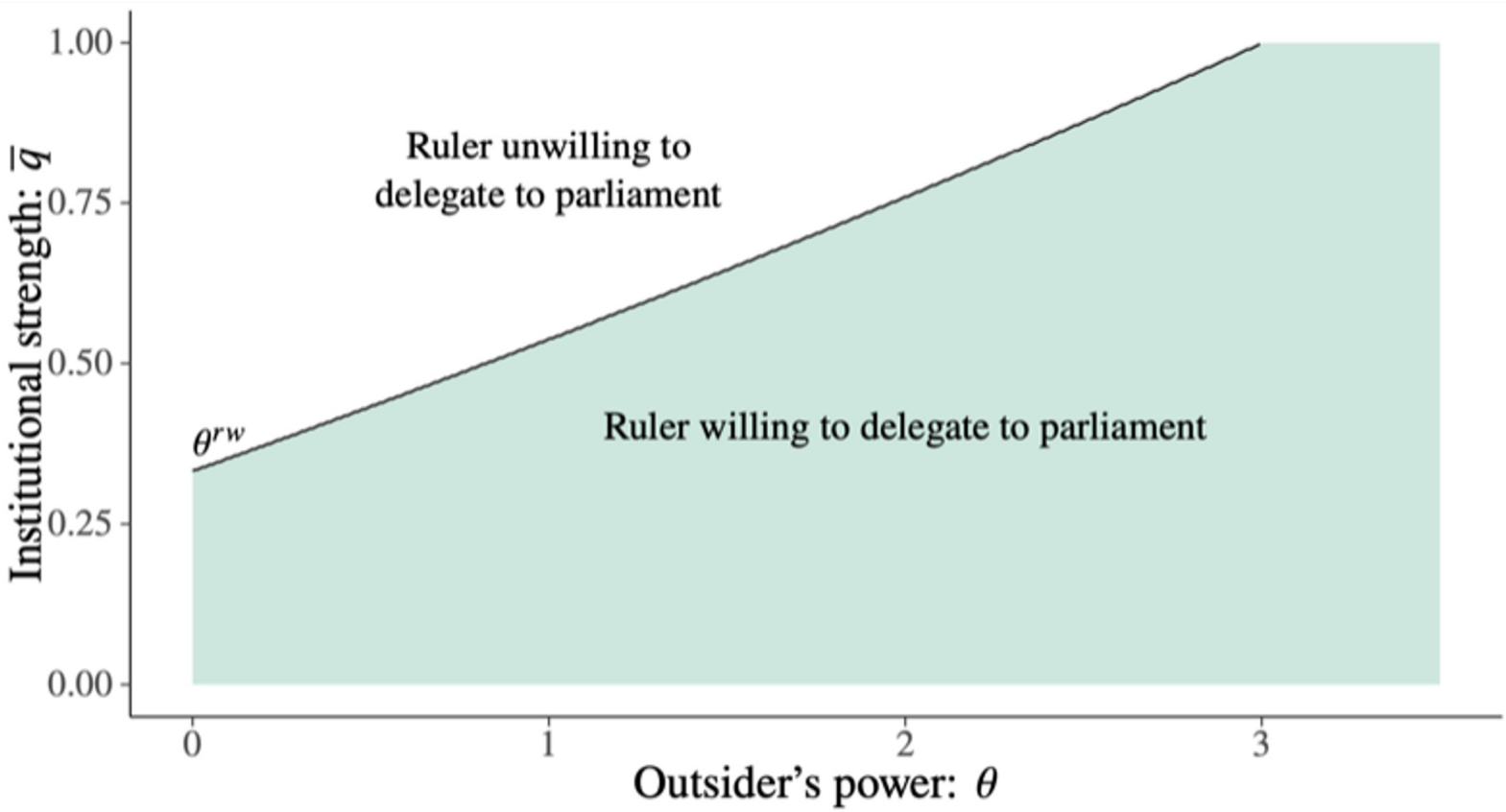
$$\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)} \leq \overbrace{\frac{\pi_H(\theta)}{\pi_L(\theta)} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}}^{\text{Elite credibility}}$$

Tension for elite with immobile wealth

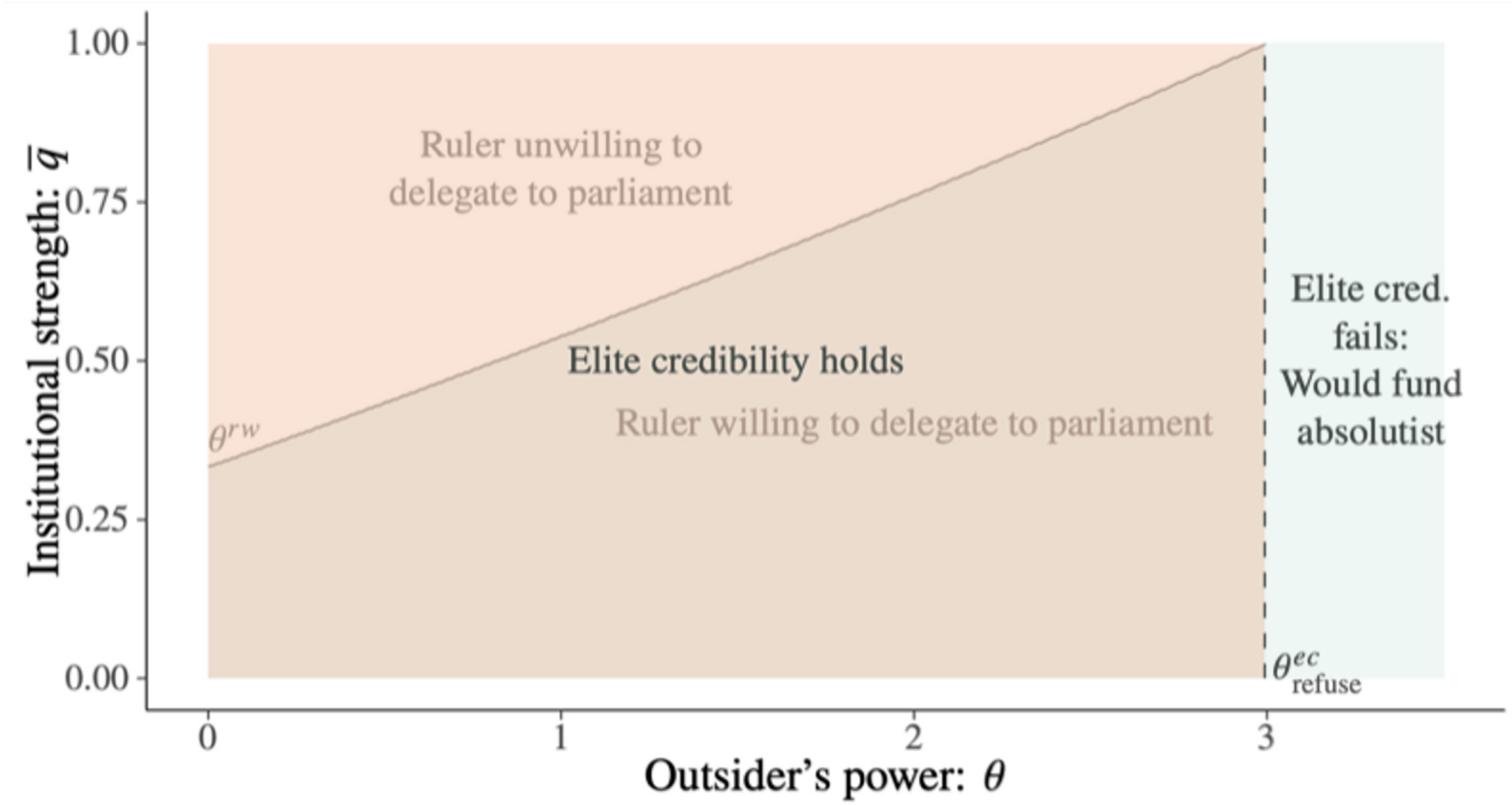
$$\frac{\overline{\omega} - (1 - \overline{q}) \cdot (\overline{\omega} - \tau)}{\overline{q} \cdot (\overline{\omega} - \tau)} \leq \overbrace{\frac{\pi_H(\theta)}{\pi_L(\theta)} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}}^{\text{Elite credibility}}$$

Stronger threats $\Longrightarrow$ harder to hold

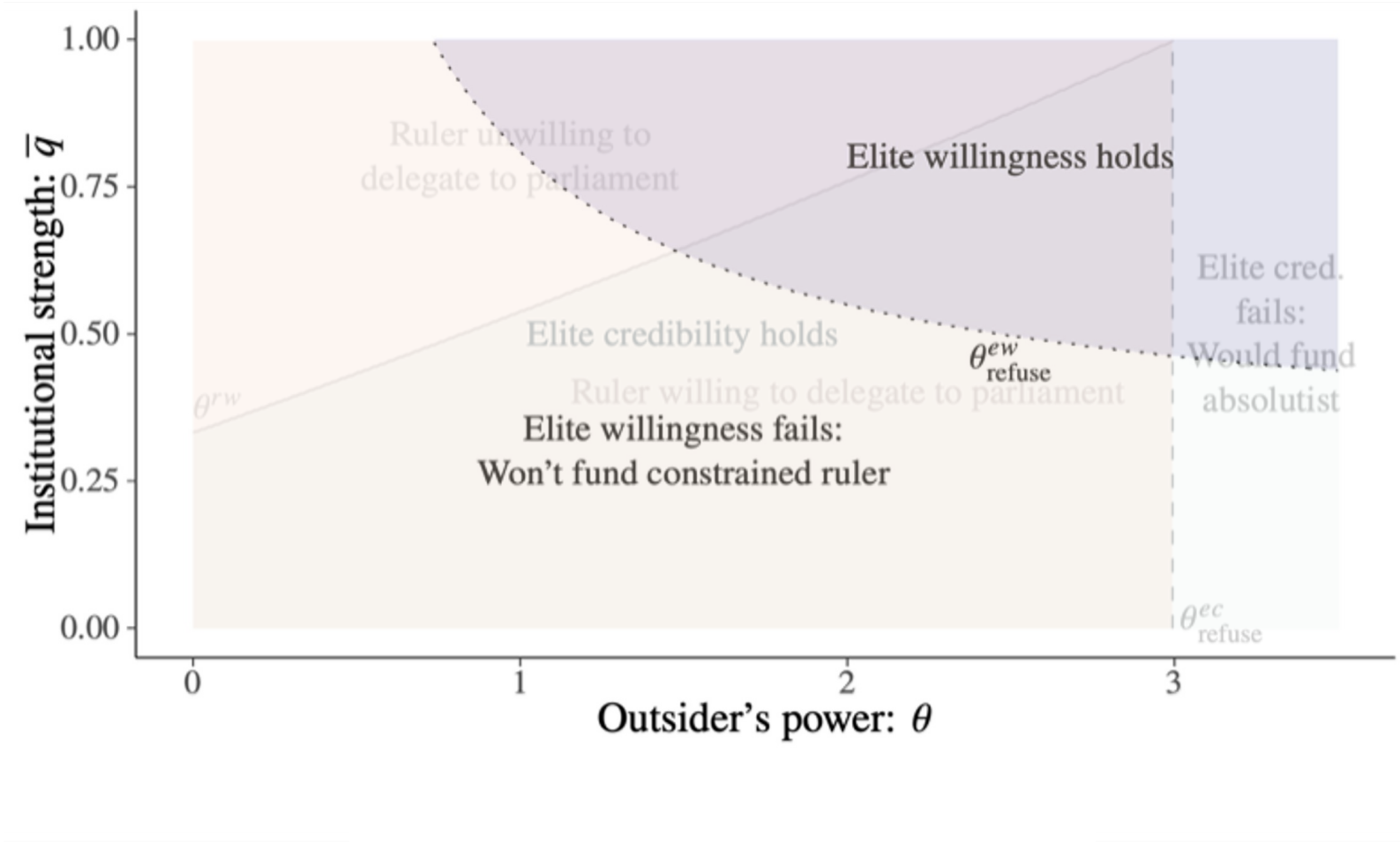
Parliamentary equilibrium with immobile elite wealth



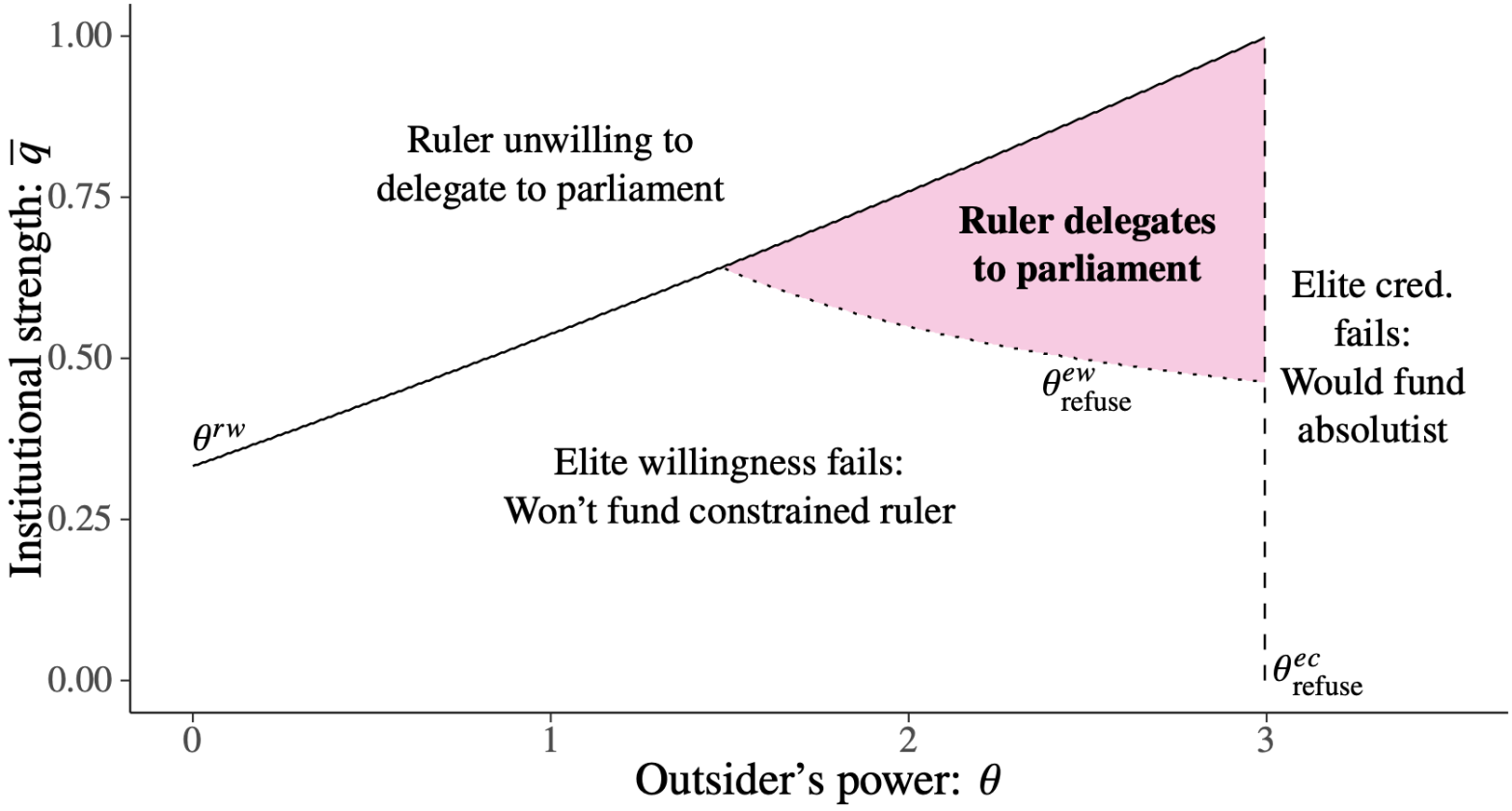
Parliamentary equilibrium with immobile elite wealth



Parliamentary equilibrium with immobile elite wealth



Parliamentary equilibrium with immobile elite wealth



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$.

Elite willingness

Case 1: Ruler will spend on security

$$\frac{\overline{\omega}}{\overline{\omega} - \tau} \quad \leq \quad \frac{\pi_H(\theta)}{\mu(\theta)}$$

Case 2: Ruler reneges if possible

$$\frac{\overline{\omega} - (1 - \overline{q}) \cdot (\overline{\omega} - \tau)}{\overline{q} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\mu(\theta)}$$

Elite willingness with mobile wealth

Case 1: Ruler will spend on security

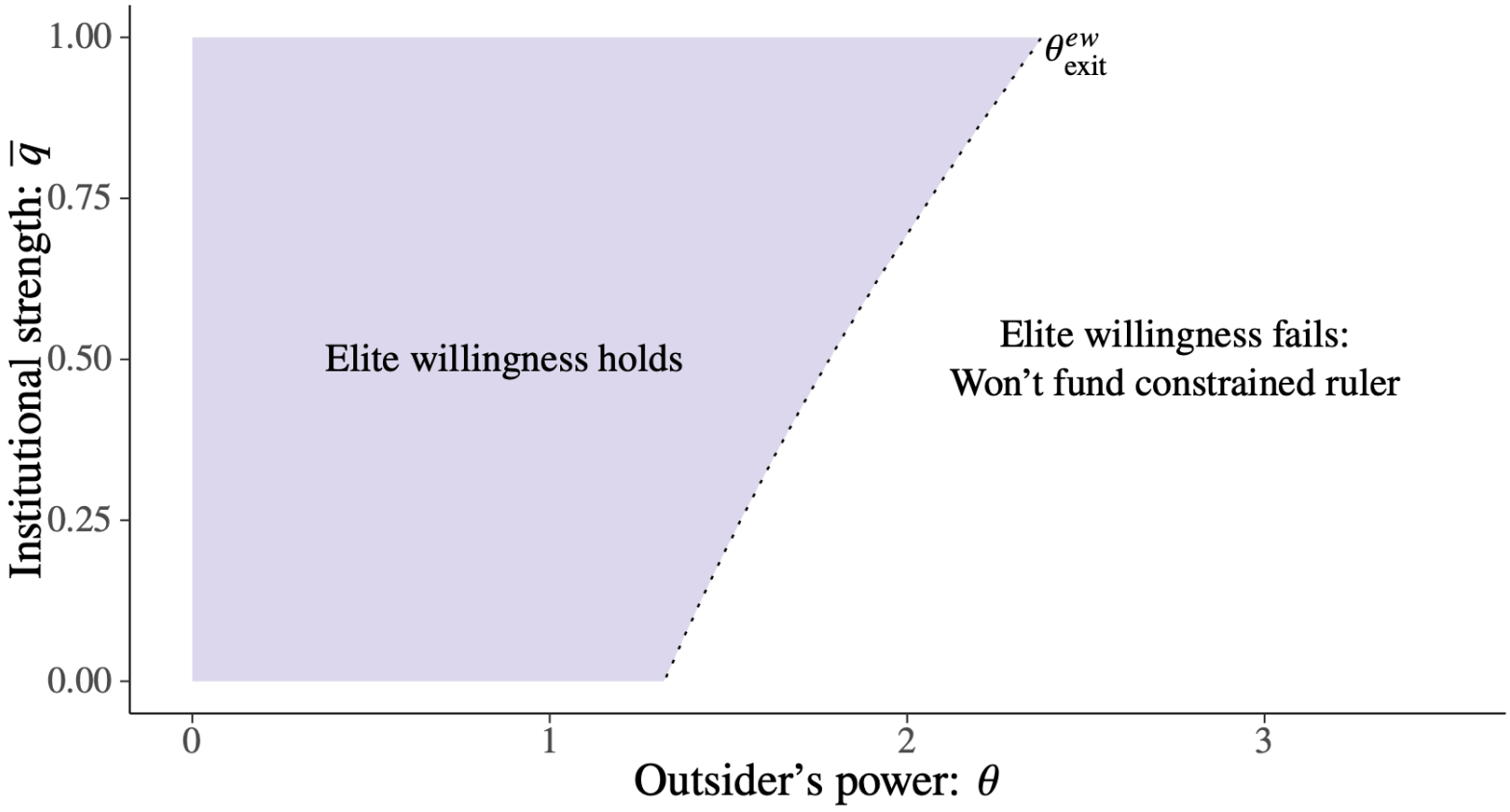
$$\frac{\overline{\omega}}{\overline{\omega} - \tau} \quad \leq \quad \frac{\pi_H(\theta)}{\sigma}$$

Case 2: Ruler reneges if possible

$$\frac{\overline{\omega} - (1 - \overline{q}) \cdot (\overline{\omega} - \tau)}{\overline{q} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\sigma}$$

Strong external threat makes exit relatively more attractive
$\Longrightarrow$ less willing to fund a parliamentary ruler

Elite willingness with mobile wealth



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$, $\sigma = 0.35$.

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness	✓	

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	
Elite willingness	✓	✗

Summary of results

	Immobile wealth	Mobile wealth
Ruler willingness	✓	✓
Elite credibility	✗	✓
Elite willingness	✓	✗

A stronger external war threat pushes the elite credibility and elite willingness conditions in opposite directions

Tension for elite with mobile wealth

$$\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)} \quad \leq \quad \frac{\pi_H(\theta)}{\sigma} \quad \leq \quad \frac{\underline{\omega}}{\underline{\omega} - \tau}$$

Tension for elite with mobile wealth

$$\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)} \leq \overbrace{\frac{\pi_H(\theta)}{\sigma} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}}^{\text{Elite credibility}}$$

Tension for elite with mobile wealth

$$\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)} \leq \overbrace{\frac{\pi_H(\theta)}{\sigma} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}}^{\text{Elite credibility}}$$

Stronger threats $\Longrightarrow$ easier to hold

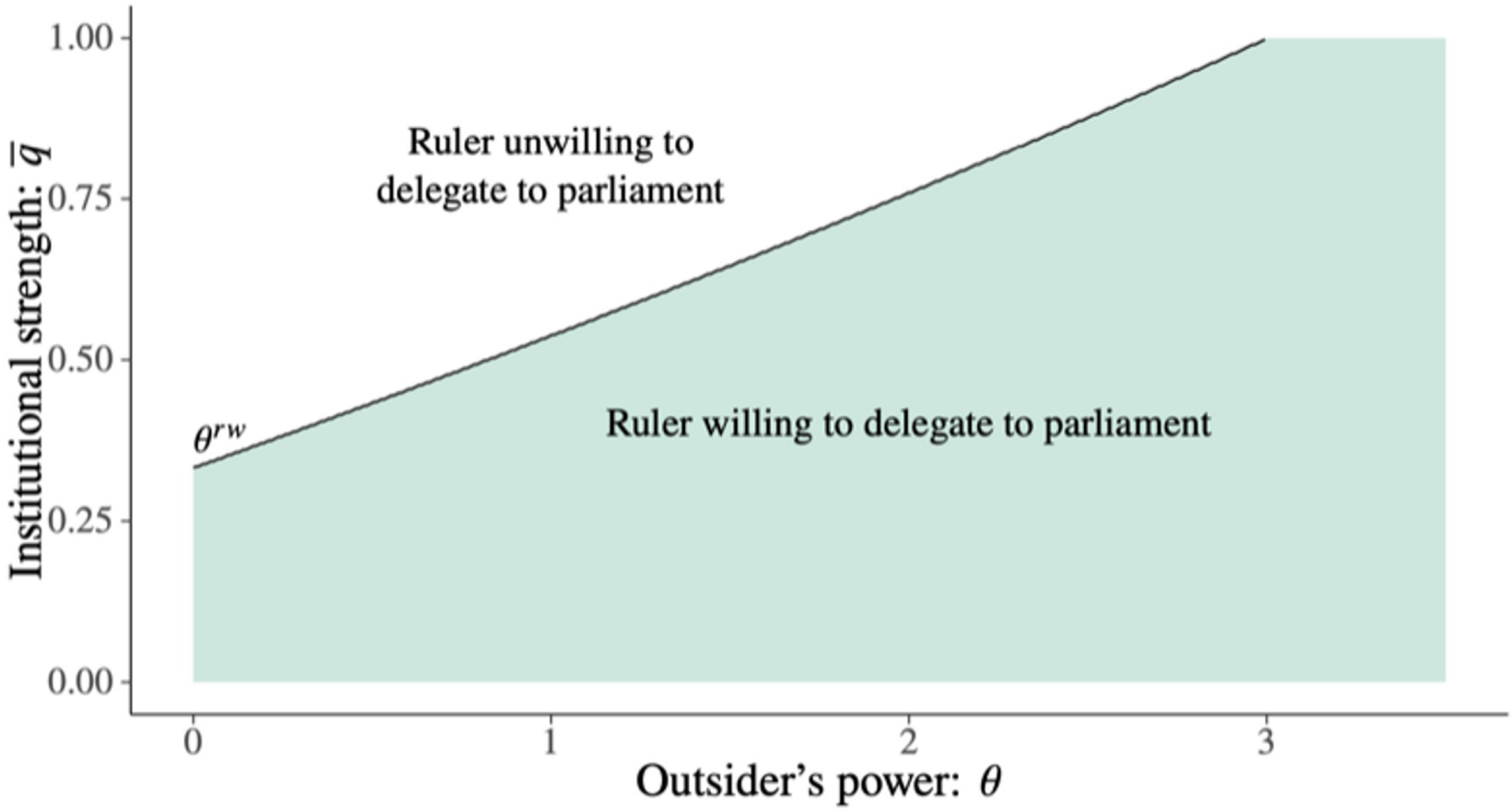
Tension for elite with mobile wealth

$$\overbrace{\frac{\overline{\omega} - (1 - \overline{\boldsymbol{q}}) \cdot (\overline{\omega} - \tau)}{\overline{\boldsymbol{q}} \cdot (\overline{\omega} - \tau)}}^{\text{Elite willingness}} \leq \frac{\pi_H(\theta)}{\sigma} \leq \frac{\underline{\omega}}{\underline{\omega} - \tau}$$

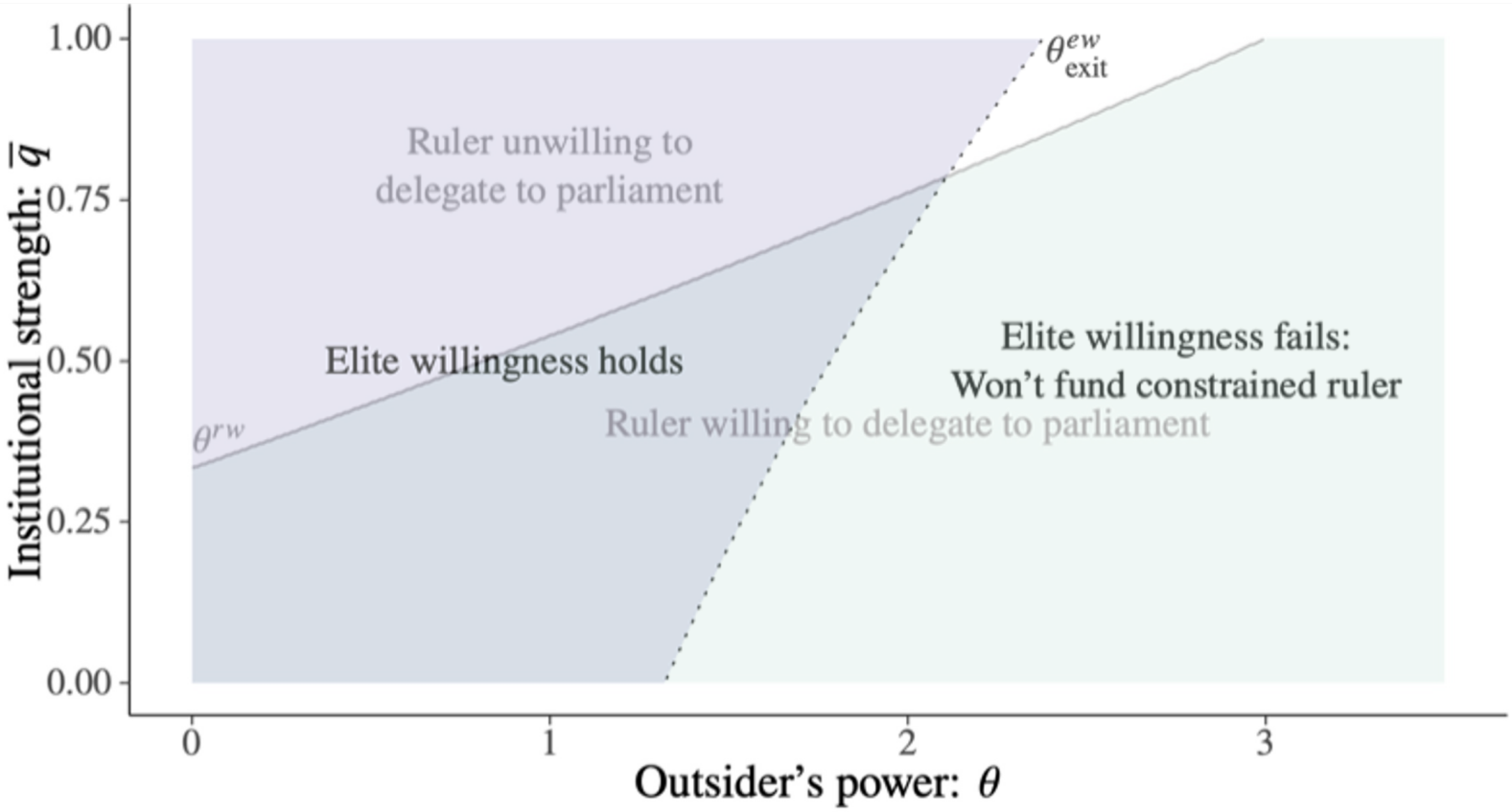
Tension for elite with mobile wealth

$$\overbrace{\underbrace{\frac{\overline{\omega}-(1-\overline{\boldsymbol{q}})\cdot(\overline{\omega}-\tau)}{\overline{\boldsymbol{q}}\cdot(\overline{\omega}-\tau)}}_{\text{Stronger threats} \implies \text{harder to hold}} \leq \frac{\pi_H(\theta)}{\sigma}}^{\text{Elite willingness}} \leq \frac{\underline{\omega}}{\underline{\omega}-\tau}$$

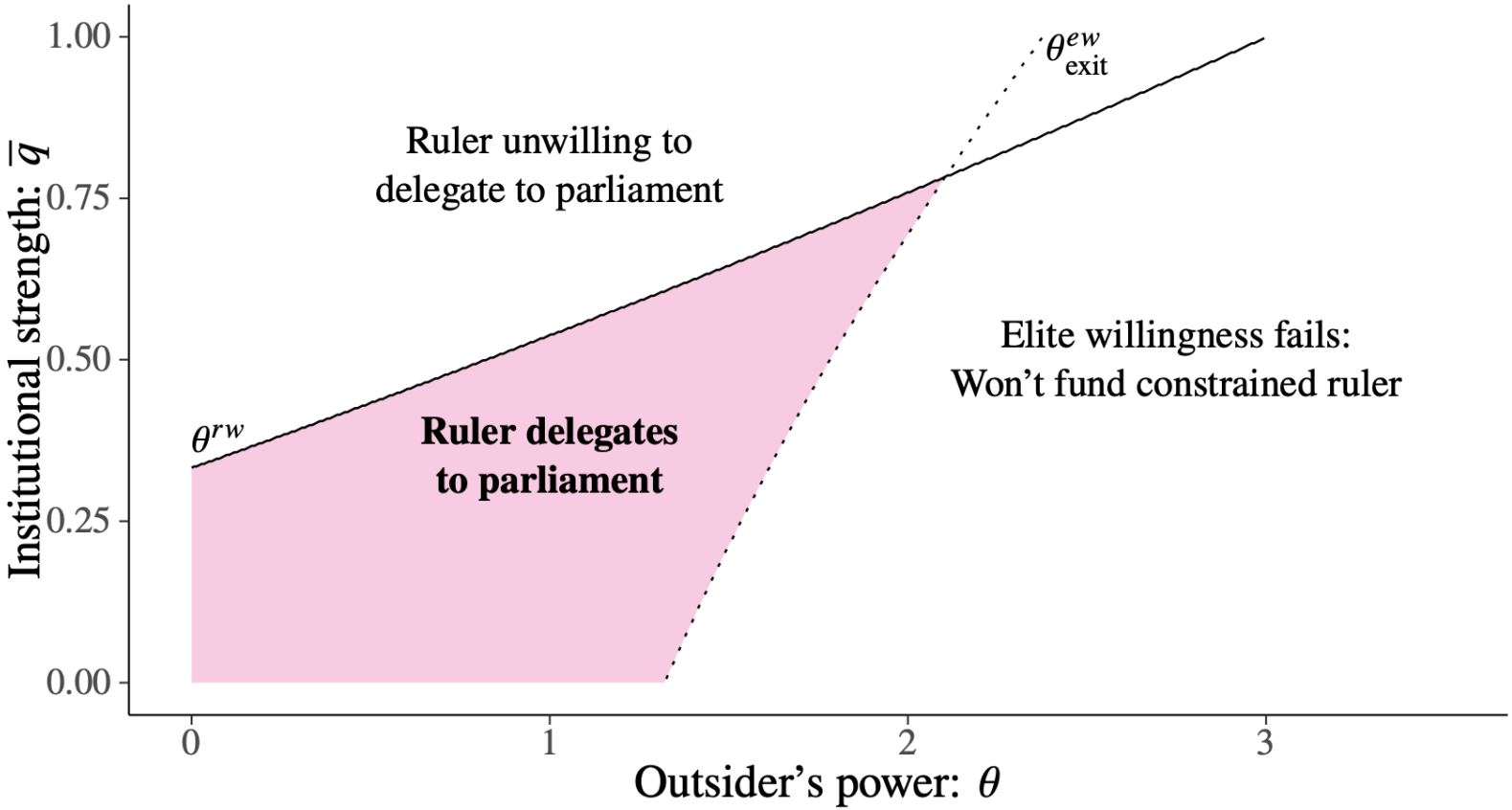
Parliamentary equilibrium with mobile elite wealth



Parliamentary equilibrium with mobile elite wealth



Parliamentary equilibrium with mobile elite wealth



Parameters: $\Delta = 0.8$, $\underline{\omega} = 0.7$, $\overline{\omega} = 0.8$, $\tau = 0.15$, $\sigma = 0.35$.

Summing up the logic

- The effect of war on parliaments depends on how a strong invasion threat affects the parameter space under which each of three conditions hold

- A stronger external threat does indeed make the **ruler more willing** to trade parliamentary concessions for revenues

- But a strong external threat undermines the **credibility** of landed elites to demand parliamentary rights in return for revenue

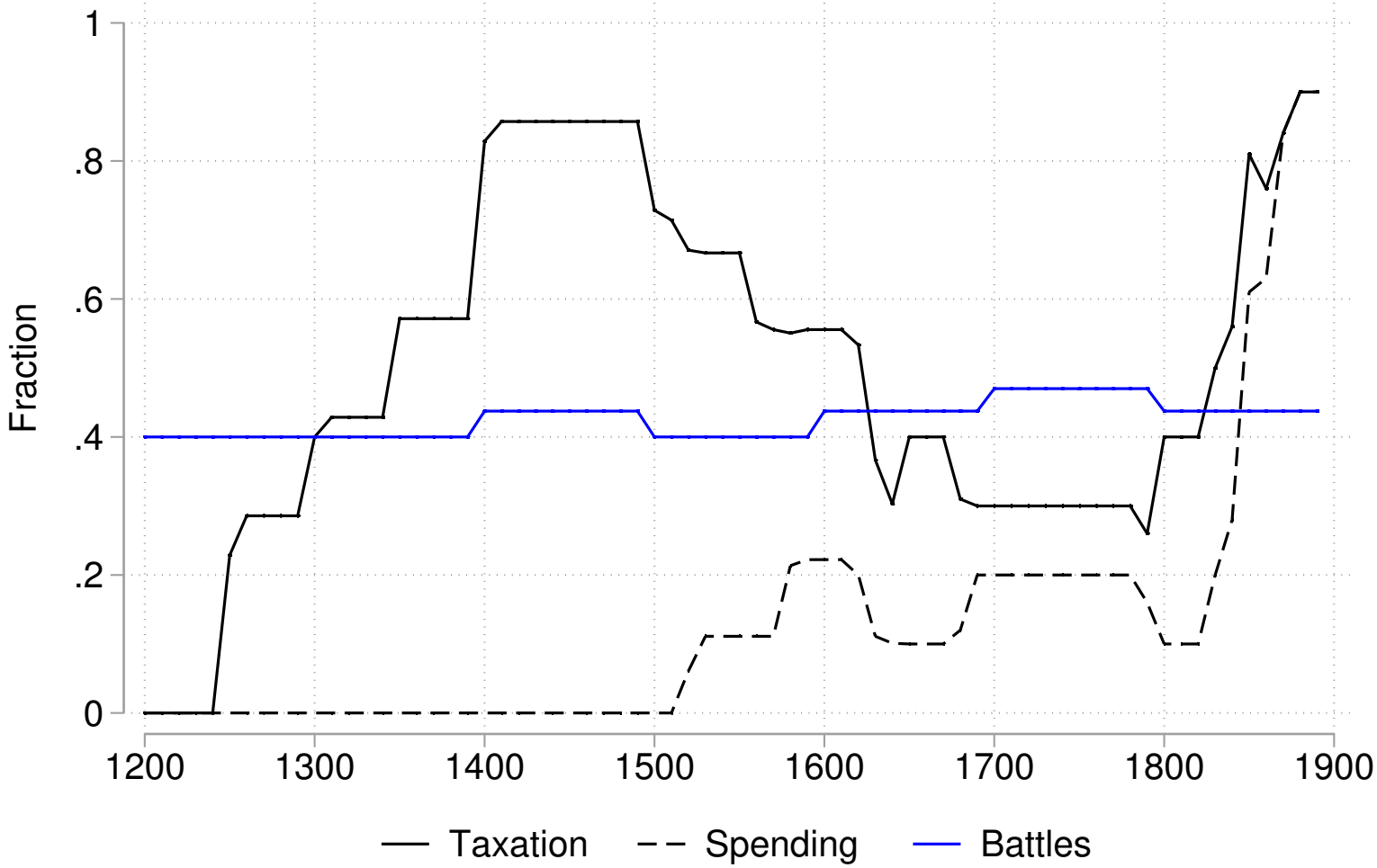
- A strong invasion threat causes the opposite problem for merchant elites, who are **unwilling** to fund the ruler even if granted rights in parliament

- A stronger external war threat pushes the elite credibility and elite willingness conditions in opposite directions—therefore at least one usually fails

Two extensions

- What if the ruler can use the military for domestic coercion?
- What if the war is offensive (predate stuff from another country) rather than defensive?
- Some intuitions change but, qualitatively, the non-linear relationship between external threats and equilibrium parliament is unchanged

Western European parliaments over time



How did elite willingness vary over time?

	$\overline{q}$	τ
1200–1500	Moderate	Rising but low
1500–1800	Low	High
1800–	High	High

Conclusion

- Rulers trade away some of their sovereign prerogatives to elites in parliament in return for revenues if and only if three conditions are met:
  - Ruler willingness
  - Elite credibility
  - Elite willingness
  - These are in fact very general conditions for authoritarian power sharing; see Meng, Paine, and Powell 2022
- Stronger external war threats enhance ruler willingness but push elite credibility and elite willingness in opposite directions
- Therefore, war promotes parliament only under circumscribed conditions

EXTRA SLIDES

Parliamentary monopoly

- A very strong parliamentary privilege is a monopoly over revenue-raising and expenditures
- Cases: England after the Glorious Revolution, most of Western Europe in the nineteenth century
  - Dincecco (2011); Cox (2016); Cox and Dincecco (2021)
- $\overline{q} \approx 1$ because parliament legally controls spending and the ruler lacks alternative means to gain funding without parliamentary approval
- $\overline{\omega}$ is very high because parliament continues to control the budget if the ruler does not reach a deal with it

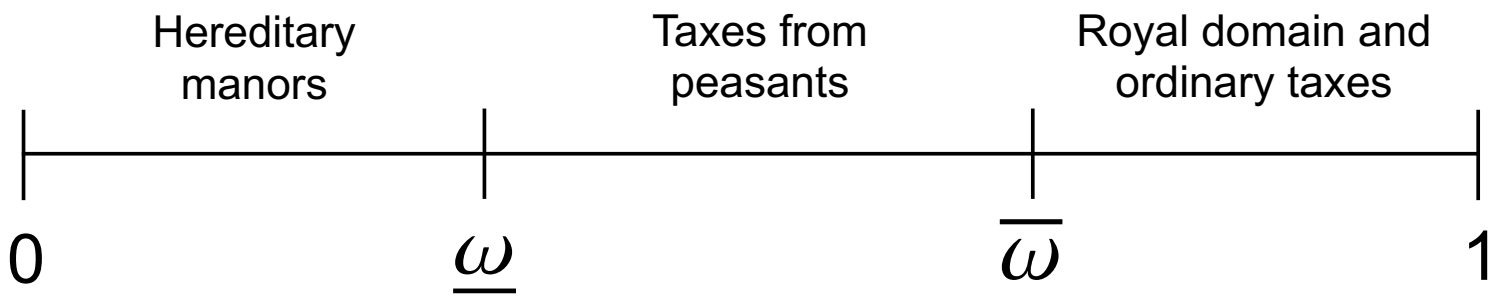
Veto rights over extraordinary taxes

- Prior to the nineteenth century, the most common parliamentary privilege in Western Europe was veto rights over extraordinary taxes (e.g., taxing salt)
  - Stasavage (2010, 2011)
- It was logistically infeasible to make $\overline{q}$ really high
- In large territorial states, it was infeasible (given poor roads and communication) for parliaments to meet frequently enough to control expenditures, especially for emergency provisions such as war
- But they could sanction extraordinary revenues over less frequent intervals

Veto rights over extraordinary taxes

- In these cases, $\overline{q}$ was medium-high
- The ruler retained some means to raise revenues independent of parliament, including ordinary taxes, external rents, debasing the currency, or issuing new debt
- Elites affected expenditures only through de facto power rather than de jure privileges
  - $\overline{q}$ as reduced form for elites denying future sources of extraordinary revenues for a ruler who reneges

Veto rights over extraordinary taxes



Veto rights over extraordinary taxes

In 1653, Frederick William gained revenues from the Brandenburg Estates in return for granting the following economic privileges for large landowners:

"Eliminating the legal restrictions which had bound the Junkers in the past, [Frederick William] recognized them as the only class authorized to acquire estates and confirmed and stabilized privileges they had extorted from his predecessors, like exemption from taxation and the right to control the lives of their peasants. Finally, he specifically recognized their authority in local affairs and their right to be regarded as the governing class in all matters that concerned the state as a whole" (Craig 1964, 4)

Extension with coercion

- What if the ruler can use the military for domestic coercion?
- Elite willingness is more likely to fail because it is more lucrative for the ruler to renege (gains additional transfers from elites)
- The ruler can rule directly through coercion, and therefore gain funding even when elite willingness fails

Extension with offensive wars

- What if the war is offensive (predate stuff from another country) rather than defensive?
- Reneging now means that the ruler personally consumes all spoils gained in war
- Elite credibility always holds; their domestic wealth isn't threatened
- Relationship between θ and elite willingness (immobile wealth) flips: expected spoils of conflict are greater against a weaker opponent