Organizing a Kingdom

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Abstract

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A large body of research has examined the extension of the franchise within a given organizational setting with representative institutions. We complement this work by studying the emergence of a state organization with parliaments – venues where the ruler discusses matters concerning the realm with representatives of regions and communities. Parliaments emerged across Western Europe during the Commercial Revolution in the 12th-14th centuries. We model the interaction between a ruler, a landed elite, and an urban elite. In the model, the ruler is privately informed about the state of the realm (e.g., war threats). The landed and urban elites make economic decisions that need to be adapted to this common state, but also to their own local economic conditions. In addition, the elites benefit from coordination with each other. The ruler optimizes the organizational structure, assigning administrative power over the rural and urban areas to the elites (including the possibility of one administering the area inhabited by the other). The ruler also decides whom to summon to Parliament to communicate the state of the realm. We show that, if towns are relatively unimportant economically, the landed elite runs both rural and urban administrations and attends Parliament. In this case, the urban elite learns about the common state of the world indirectly, via the landed elite. As towns become more important economically, the ruler finds it efficient to let the urban elite run the town administration itself. As a result, to have information flow effectively to all localities, the ruler summons the urban elite to directly attend Parliament alongside the landed elite.