Douglass C. North, John Joseph Wallis, and Barry R. Weingast

Every explanation of large-scale social change contains a theory of economics, a theory of politics, and a theory of social behavior. Often the theories are implicit, and even more often, the theory of economics and the theory of politics are independent of each other. Despite a great deal of attention and effort, social science has not come to grips with how economic and political development are connected either in history or in the modern world.

The absence of an integrated theory of economics and politics reflects a lack of systematic thinking about the central problem of violence in human societies. How societies deal with the ubiquitous threat of violence shapes and constrains human interaction, including the form of political and economic systems. In our forthcoming book, we develop a conceptual framework that explains how, over roughly the last ten millennia, societies have used institutions to limit and contain violence. These institutions simultaneously give individuals control over resources and social functions and, in so doing, limit the use of violence by shaping the incentives faced by individuals and groups with access to violence. We call these patterns of social organization social orders. Social orders are characterized by the way societies craft institutions that support the existence of specific forms of human organization, limit...
Throughout all of human history, there have been just three types of social orders. The first was the foraging order: small social groups characteristic of hunter-gatherer societies. Our primary concern is with the two social orders that arose over the last ten millennia. The limited access order (or natural state) emerged between five and ten thousand years ago, and was associated with the increasing scale of human societies. Increasing scale is accomplished through a hierarchy of personal relationships among powerful individuals. Personal relationships among the elite at once form the basis for political organization and constitute the grounds for individual interaction. A natural state is ruled by a dominant coalition; people outside the coalition have only limited access to organizations, privileges, and valuable resources and activities. Open access orders emerged only recently, in the nineteenth century, and are associated with the beginnings of sustained modern economic and political development. Identity, which in natural states is inherently personal, becomes defined in open access orders by a set of impersonal characteristics. Impersonal categories of individuals, often called citizens, emerge. These categories allow people to interact over wide areas of social behavior where none need to know the identity of their partners. The ability to form organizations that the larger society supports is open to everyone who meets a set of minimal and impersonal criteria. Both limited and open access social orders have public and private organizations, but natural states limit access to those organizations. Open access societies do not.

The emergence of societies with widespread political participation, the use of elections to select governments, constitutional arrangements to limit and define the powers of government, and unbiased application of the rule of law results from the transition from limited to open access societies. If “democracy” is defined as a social system that creates responsiveness to citizen interests and polices corruption, then experience around the world shows that it requires more than elections; the formal political institutions of democracy do not produce modern societies by themselves. Open access to organizations in both the polity and the economy animates elections, and both are required to produce a democratic society. A free press – open access to information – is also essential for democracy. The transition entails a set of changes in the polity that ensures secure impersonal political rights, legal support for a wide range of organizational forms (including political parties and economic organizations), access to those organizations for all citizens, and enforcement of prohibitions against the use of violence. The transition also entails a set of changes in the economy: the ability to create organizations at will for the purpose of pursuing economic opportunities, open entry and competition in many markets, and the free movement of goods.
and individuals over space and time. Over the long-term, open access politics cannot be sustained without open access economics, and vice-versa. Although evidence from the last few decades is mixed, over the last two centuries, political and economic development appear to have gone hand-in-hand.\textsuperscript{22}

An underappreciated feature of the codevelopment of political and economic institutions in the two social orders has to do with the reasons why poor countries stay poor. Economic growth occurs when countries are able to sustain positive growth rates in per capita income over the long term. The evidence suggests that until about 1800, the long-run growth rate was close to zero: For every period of increasing per capita income, a corresponding period of decreasing income occurred.\textsuperscript{33} Modern developed societies that made the transition to open access, and subsequently became more wealthy than any others in human history, greatly reduced the episodes of negative growth through which they had to suffer.\textsuperscript{44}

The historical pattern of offsetting periods of positive and negative growth episodes is apparent in the modern world where we have comprehensive data. Using data on per capita income for 184 countries between 1950 and 2004, we calculated annual growth rates for each year, and then separated the years by whether the economy was growing or shrinking.\textsuperscript{55} Surprisingly, the richest countries are not distinguished from poorer ones by higher positive growth rates when they do grow. In our dataset, in fact, the richest non-oil countries with per capita incomes over US$20,000 grow at an average rate of 3.9 percent in years when income is growing and fall by an average rate of 2.3 percent when income is shrinking. In contrast, incomes in countries where the per capita share is less than $20,000 grow at an average annual rate of 5.4 percent when income is rising, but shrink at a rate of 4.9 percent when income is falling. Even more striking, the rich countries experience positive growth in 84 percent of all years, while poor countries experience positive growth in only 66 percent of the years. The poorest countries, with per capita incomes below $2,000 a year, experience positive growth in only 56 percent of the years. Poor countries are not poor because they grow more slowly when they grow. They are poor because they experience both more years of negative income growth and more rapid declines during those years.\textsuperscript{66}

While economic outcomes do not map directly into political outcomes, the slow but steady growth of open access societies suggests that modern development is not the result of faster growth per se, but instead results from new forms of political, economic, and social organization that make the society much better able to handle change. The variation over time in the respective economic performances of limited access and open access societies reflects the varying ability of the two social orders to deal with change, including a wide range of sudden changes or shocks.
Our conceptual framework does not posit a static social equilibrium, but instead offers a way of thinking about societies that face shifting constraints and opportunities. The dynamism of social orders is a dynamic of change, not a dynamic of progress. Most societies, especially natural states, move backwards and forwards with respect to political and economic development.

**Violence, Institutions, and Organizations**

All societies must face the problem of violence, and considerations of social scale always affect how different societies containing it. Controlling violence through repeated personal contacts can only sustain cooperation among small groups of maybe 25 to 50 people. In larger groups, few individuals have sufficient personal knowledge of the members of the group, so personal relationships alone cannot be used to control violence. If societies are to develop larger groups, some form of social institution must arise to control violence. No society eliminates violence; at best, violence can be contained and managed.

Ways of dealing with violence are embedded in institutions and organizations, concepts about which we need to be clear. Institutions are the “rules of the game,” the patterns of interaction that govern and constrain the relationships among individuals. Institutions include formal rules, written laws, informal norms, and shared beliefs about the world, as well as the means of enforcement. The critical question is what types of institutions can survive given the interactions of institutional constraints, people’s beliefs, and their behavior.

In contrast to institutions, organizations are made up of individuals pursuing a mix of common and individual goals through partially coordinated behavior. Organizations coordinate their members’ actions, so an organization’s actions are more than the sum of the actions of the individuals who belong to it.

We distinguish two types of organizations: An adherent organization features self-enforcing agreements among its members. Third parties are not involved. Cooperation by adherent organizations’ members must be, at all times, “incentive-compatible” for all members. Contractual organizations, in contrast, utilize not only incentive-compatible agreements among members but also third-party enforcement of contracts. Third-party enforcement allows individuals to commit themselves in advance to a subset of arrangements that may not otherwise be incentive-compatible. Our framework revolves around the development of institutional forms that can support complicated and sophisticated contractual organizations, both inside and outside the state.

Modern open access societies often limit violence through institutions. Institutions frame rules that deter violence directly by changing the payoffs expected from violent behavior—most obviously by estab-
lishing credible punishments for those who are violent. People are more likely to obey rules, even at considerable cost to themselves, if they believe that other people will obey the rules as well. This is particularly true with rules concerning the use of violence. An individual has an incentive to shoot first and talk later when he fears that others will fail to follow such rules. In order for a formal institution to constrain violence, some organization must exist in which a set of officials enforce the rules in an impersonal manner. In other words, formal institutions control violence only in the presence of an organization capable of enforcing the rules impersonally. The larger the society, the larger the set of enforcers that must somehow be organized.

At this point, arguments can take one of two paths. Most social scientists abstract from the question of how the enforcers are actually organized, preferring to treat them as a single entity in order to focus on the relationship between the enforcement entity and the rest of society. For example, social scientists concerned with understanding how the state develops and interacts with the larger society have modeled the state as a revenue-maximizing monarch, a stationary bandit, or a single-actor “representative agent.” As Max Weber famously said, the state is that organization with a monopoly on the legitimate use of violence. Collapsing the identity of the state into a single actor or ruler greatly simplifies the conceptual problem of explaining state behavior given various constraints and incentives facing the ruler.

The single-actor model of the state, however, assumes away the problem of how societies create a monopoly on violence in the first place. This approach also overlooks the reality that all states are organizations. We take another path to understanding the state. The process of controlling violence is central to how individuals and groups behave within a society and how a coalition emerges to structure the state and society. Choosing this path requires us to formulate a model of the state as an organization of several actors rather than a single actor.

The Logic of the Natural State

The logic of the natural state follows from its method for coping with the problem of violence. Individuals and groups with access to violence form a dominant coalition, granting one another special privileges. These privileges – including limited access to organizations, valuable activities, and assets – create rents. By limiting access to these privileges, members of the dominant coalition create credible incentives to cooperate rather than fight among themselves.

Crucially, should violence break out, these rents will fall. Because the coalition’s members know that violence will reduce their own rents, each has incentives not to fight, and because elites believe that other elites face the same situation, they can credibly believe that other elites
will not fight. In this way, the political system of a natural state manipulates the economic system to produce rents which then secure political order. Members of the dominant coalition typically specialize in a range of military, political, religious, political, and economic activities.

Systematic rent-creation through limited access in a natural state is not simply a method of lining the pockets of the dominant coalition. It is the essential means of controlling violence. Rent-creation and limits on both competition and access to organizations are central to the state, its institutions, and the society’s performance.

Subhead

To understand the logic of how the dominant coalition functions, it is helpful to lay out an account (which is a logical exploration and is not meant as an actual historical narrative) that begins with specialists in violence. Consider a world of endemic violence in which the population is made up of many small groups with no organized governments set over them. Though all individuals must stand ready to defend their rights by force of arms, some individuals specialize in the effective use of violence. The violence specialists may provide protection to a small group of clients, but the biggest threat facing the specialists is one another. If two specialists try to agree to disarm, the first to put down his weapons risks being killed by the other. Therefore, both specialists remain armed.

In order for the specialists to stop fighting, each must perceive that it is in the other’s interest not to fight. The prospect of peaceful cooperation between the specialists becomes credible when both believe that the costs of fighting will exceed the expected benefits. This arises when the two specialists divide their world, one part controlled by each specialist, and where each respects the other’s right to control the land, labor, resources, and trading within his sphere. The specialists do not disarm, and each controls a set of rents and privileges. To be credible, the commitment requires that the violence specialists are both better off when there is peace, generating rents through the rights they control, rents that the rest of the population produces.

Gathering rents from the rest of society requires, in turn, elites who specialize in other activities. In a natural state, each nonmilitary elite either controls or enjoys privileged access to a vital function, such as religion, production, resources, trade, education, or the administration of justice. Because of their positions, privileges, and rents, the individual elites in the dominant coalition depend on the regime to keep entry limited. All elites therefore have incentives to support and help maintain the coalition: failure to do so risks violence, disorder, and the loss of rents.

Among the most valuable sources of elite rents is the privilege of forming organizations that the state will support. Elite organizations
generate and distribute rents to members of the coalition. By devising ways to support contractual organizations and then extending the privilege of forming those organizations solely to its members, the dominant coalition creates a way to generate and distribute rents. The ability of elites to cooperate under the aegis of the state enhances the elites’ return from society’s productive resources (land, labor, capital, and organizations) and therefore improves the stability of the dominant coalition and hence the state.

The incentives embedded in these organizations produce a double balance: a correspondence between the distribution and organization of violence potential and political power on the one hand, and the distribution and organization of economic power on the other hand. Societies that are out of balance are less stable: When a subset of members believes that its share of the rents is smaller than its capacity to fight, it is likely to threaten violence to gain what it believes to be its due. The idea of the double balance suggests that the political, economic, cultural, social, and military systems must contain sets of incentives that are compatible across the systems if a society is to remain stable. Because the dominant coalition in any natural state is an adherent organization, peace is not inevitable: peace depends on the balance of interests created by the rent-creation process.

The framework generates three implications. First, natural states are stable, but not static—no dominant coalition is permanent. As conditions change, some members of the dominant coalition become more powerful and others weaker. Violence and civil war are always a possibility as those who are growing more powerful seek greater privileges at the expense of those becoming weaker. Dispersed military power—a classic example would be a set of feudal barons, each with his own castle and private force of armed retainers—is central to the logic of the natural state. In this way, the threat of violence becomes part of the arrangement that controls the actual use of violence.

Second, privileges in the natural state solve the problem of violence, but, in comparison with open access orders, they greatly hinder economic growth by creating monopolies, rents, limits on the formation of new organizations, and an absence of widespread, secure, and impersonal property rights. This suggests a fundamental dilemma of development: The means by which developing countries, as natural states, solve the problem of violence hamper long-term growth.

Third, because privileges are inherently personal in natural states, all natural states look corrupt from the perspective of open access societies. Corruption, defined as personal use of public resources, is not a moral failing of leaders in natural states but an integral part of how those societies limit violence. These societies are not sick, and therefore will not be made well by applying the right policy medicine.
The Logic of Open Access

Open access orders control violence through a logic different from the one found in natural states. These societies create powerful, consolidated military and police organizations that are subservient to the political system that satisfy Weber’s notion that the state possesses a monopoly on the legitimate use of violence within its territory.

Consolidating control of violence carries the danger that the state may wield force for its own ends. As a result, controlling violence in the open access order involves three elements. 1) The political system creates consolidated control of military and police forces; 2) a set of institutions and incentives constrain the political system and limit the illegitimate use of violence; and 3) an open access economic system combines with political institutions to prevent the political system from manipulating economic interests, and ensures that if a political group abuses its control of the military, it will lose office. These elements of a state monopoly on violence—the use of force controlled by a competitive polity, which in turn is constrained by the set of interests that a competitive economy spawns—must develop within an institutional framework that makes commitments to limit the use of violence and maintain open political and economic entry. Control of violence in the larger society occurs both through deterrence (the threat that the state will punish illicit uses of force) and through denying to nonstate organizations that use violence access to enforceable organizational supports.

Control of the political system is open to entry by any group and contested through prescribed, and typically formal, constitutional means. These societies are characterized by open access: All citizens have the right to form organizations, and they use the services of the state to structure the internal and external relationships of their organizations. The ability to form organizations at will, without any need for the state’s consent, helps ensure nonviolent competition in the polity and the economy—indeed, in every area of society that is characterized by open access. When embedded in a constitutional setting with institutions that provide credible incentives for the protection of various rights, open access and democratic competition prevent illegitimate uses of violence.

Impersonality is a central feature of open access orders: they treat everyone the same. Impersonality grows out of the structure of organizations and the ability of society to support impersonal organizational forms—that is, organizations with their own identity independent of the individual identity of the organization’s members. In the legal terms that came to characterize impersonal organizations in the western tradition, organizations become perpetually lived, meaning that their existence is independent of the lives of their members. Perpetually lived organizations must have an impersonal identity. The Romans had organizations that were legal persons capable of bearing rights and duties. But
only over the last five centuries did the identity of the organization truly become independent of the identity of its members.

Competition in an open access order, therefore, differs from competition in natural states for two reasons. We have already mentioned the limits that the open access order places on competition through violence. In addition, these societies sustain impersonal relationships on a large scale through their ability to support impersonal, perpetually lived organizations. Impersonality fundamentally changes the nature of competition by creating impersonal markets and impersonal exchanges. Individuals and organizations pursue rents as vigorously as in a natural state, but in an open access society impersonal economic and political competition rapidly erodes rents.

In his 1942 classic Capitalism, Socialism, and Democracy, Joseph Schumpeter described this process of innovation and change in the economy as “creative destruction.” Economic competition occurs through the development of new products and services, rather than simply by offering lower prices or higher quality on existing products and services. When an organization invents a valuable product or service not easily duplicated by its competitors, the innovation creates a source of rents. Organizations form to exploit new opportunities and to pursue the rents associated with innovation. Open entry and access to sophisticated economic organizations are prerequisites for creative destruction and a dynamic economy.

Schumpeter’s approach has an important implication for political behavior. Because the constellation of economic interests regularly changes through innovation, economic evolution, and the entry of new players, politicians must deal with a world that is fundamentally different from the one which their natural-state counterparts face: Open access orders cannot manipulate interests in the same way that natural states can. Politicians in both natural states and open access orders want to create rents: Rent-creation at once rewards their supporters and binds their constituents to support them. Because open access orders enable any citizen to form organizations for a wide variety of purposes, rents created by either the political process or economic innovation attract competitors in the form of new organizations. The relative ease with which organizations may be formed means that those hurt by rent-formation have the ability to mobilize in ways that are not available in natural states. Further, in Schumpeterian terms, political entrepreneurs have incentives to put together new coalitions and organizations to compete for the rents and, in so doing, reduce existing rents and struggle to create new ones. In open access politics, just as in open access economics, creative destruction rules. Finally, open access ensures that the creation of new interests is beyond the control of the state. The creation of new interests and the generation of new sources of rents occurs continuously in open access orders.
Like natural states, open access orders exhibit a double balance: Open access and entry to organizations in the economy support open access in politics, and open access and entry in politics support open access in the economy. Open access in the economy generates a large and varied set of organizations that act as primary agents of creative destruction. This forms the basis for the existence of an active civil society, featuring many groups that can mobilize politically when they fear that their interests are being threatened. Creative economic destruction produces a constantly shifting distribution of economic interests, making it difficult for political officials to solidify their advantage through rent-creation. Similarly, open access in politics results in creative political destruction through party competition. The opposition party has strong incentives to monitor the incumbent and to publicize attempts to subvert the constitution. While the opposition in natural-state electoral systems may have similar incentives, the lack of open access and limits on competition weakens the opposition’s ability to counter an incumbent’s efforts. Put simply, party competition works far better with open access than without it.

A final characteristic of open access orders is adaptive efficiency. As with natural states, open access orders face various shocks. Open access orders provide more flexible means of adapting in the face of such challenges. By virtue of open access, these societies generate a range of new ideas in the face of dilemmas. Political competition provides those in power with strong incentives to adapt policy in ways that address the problem; failing to do so risks losing power. The political system also embodies Schumpeterian creative destruction, as the political opposition has especially strong incentives to devise creative solutions to dilemmas that incumbents seemingly cannot solve.

Open access orders are therefore better than natural states at generating new ideas and at discarding bad ideas in the face of the omnipresent unfolding of new problems faced by all societies. The open access order’s adaptive efficiency is in part responsible for its much greater ability to achieve long-term growth. As we noted above, poor countries (as natural states) remain poor because they are much less able to withstand shocks than are open access countries.

The Logic of the Transition

Limited access orders predominated overwhelmingly until just a century or two ago, making them seem the “natural state” of humankind. This prompts the question: How do natural states become open access societies? In seeking to understand this transition, we confront two obstacles. First, the transition begins in the natural state and must therefore be consistent with the logic of that state, so how does the transition ever get started? An explanation of the transition must show how conditions arise within a natural state that put elites in a position where, consistent
with the logic of the natural state, they find it in their interest to transform personal and privileged intra-elite arrangements into impersonal ones that treat all elite members the same way.

Second, how do impersonal intra-elite arrangements translate into open access for those who are not members of any elite? Some scholars frame the question as “Why do elites give up their privileged position in society by allowing non-elites into full participation?” This approach is problematic: It carries the implication that elites give something up, but it is not clear that they do.¹¹⁷³ We frame the question differently: Why do elites transform their unique and personal privileges into impersonal rights?

When elites create more open access for themselves to political and economic organizations, they sometimes have incentives to expand access to the non-elite population as well. The transition, as a result, has two stages. First, a natural state must develop institutional arrangements that enable elites to create the possibility of impersonal intra-elite relationships. Second, the transition proper begins when members of the dominant coalition finds it a matter of self-interest to expand impersonal relationships and to institutionalize open access for all.

We call the conditions that may evolve in a natural state and help to foster impersonal relationships among elites the doorstep conditions. The doorstep conditions reflect institutional and organizational support for increased impersonal exchange, as well as institutions consistent with the logic of the natural state that can be used during the transition to support open access orders. The three doorstep conditions are: 1) the application of the rule of law to the elites; 2) the creation of perpetually lived elite organizations in both the public and private sphere; and 3) consolidated political control over the military.

In combination, the doorstep conditions create an environment that fosters impersonal elite relations. Applying the rule of law among elites extends the range of the contracts and relationships that can flourish and allows mutual dependency to exist that could not survive without some form of legal protection. Perpetually lived organizations can undertake a wider range of economic and political activities. The existence of this type of organization transcends any human’s personal lifespan and thus contains an irreducible element of the impersonal. Moreover, creating political institutions that bind not only today’s officials but tomorrow’s requires creating a perpetually lived state. Most limited access orders lack such states. Consolidated control over the military removes the need for elites to maintain alliances with military factions.

Once elite relationships become impersonal, new possibilities begin to open up. If a society on the doorstep creates and sustains new incentives for elites to open up one sort of access followed by another within the elite, then a transition proper ensues. Nothing, however, inevitably impels a society on the doorstep to make the transition.
During the transition proper, all elites gain the right to form organizations, be they political, economic, or social. At that point, the logic holding the dominant coalition together has changed from the natural-state logic of rent-creation through privileges to the open access logic of rent-erosion through entry. Elite factions find it profitable to allow wider access, but they also want to ensure that their rights are protected.

**Implications for Democracy**

Our approach has significant implications for a wide range of problems, including economic development, the theory of the state, and democracy. In the remaining space we concentrate on the implications for democracy.

One of the main conclusions to which our conceptual framework points is that the same institutions work differently under limited access as opposed to open access orders. Markets, for example, perform differently in natural states than they do in open access orders because the former are characterized by extensive privileges, limited access to organizations, and the absence of secure, impersonal property rights available to all.

This lesson has special force with respect to democracy: Elections and party competition work differently in natural states than they do in open access orders. This view contrasts with the dominant scholarly view, which follows that of Adam Przeworski and his coauthors, and includes the lion’s share of empirical studies. The dominant view defines democracy in terms of whether a country sustains competitive elections with peaceful partisan turnover. Similarly, the popular press commonly identifies democracy with the existence of elections. This approach to democracy lumps together elections in limited access orders with those that take place in open access orders.

We have a different perspective. Although elections are central to democracy, democracy is not solely about elections, as Robert A. Dahl argued in his landmark 1971 work Polyarchy. As a set of institutions in an open access order, democracy gives citizens a degree of control over political officials, thereby generating responsiveness to citizens’ interests while helping to limit corruption. For democracy to work, elections must be embedded in an institutional environment that allows political competition to constrain politicians as well as convey information to them. Elections in natural states typically either fulfill these functions inadequately or not at all. Indeed, a host of important differences distinguish elections in limited access orders from their counterparts in open access orders. These differences show that only open access orders can sustain democracy in the sense of citizen control of governments and officials.

Open access orders can deliver policies to citizens on an impersonal basis. This allows such orders to provide a wide range of public goods
and large-scale social-insurance programs of the type that are missing from natural states. Poverty-reduction programs can be targeted to reach the poor as measured by impersonal and observable characteristics; driver’s licenses can be given to anyone who meets an age requirement and passes a competency test; unemployment insurance is available to those who contribute to the system and meet the impersonal requirements for being unemployed.

Impersonal delivery of public goods and services prevents political officials from threatening to withhold such goods as a means to manipulate citizens. In contrast, when natural states provide public goods on a personal basis, officials can use the threat of taking them away in order to force citizens to support the incumbents. The provision of publicly provided goods in natural states combines with elections to provide natural-state governments with a way to keep citizens in line. Under such circumstances, elections do not represent the free exercise of citizen choice.

Impersonal and credible delivery of public goods has another important implication for the success of democracy: Many scholars emphasize the danger that democracy will be used as a means of redistribution: If a country includes more low- and middle-income voters than rich ones, then democracy is likely to result in the redistribution of wealth from the richer to poorer voters. This analysis, however, ignores the means for redistribution that exist if the government is able to deliver redistribution impersonally. Impersonal policies allow open access orders to respond to citizens in ways that complement markets so that these policies becomes a positive-sum game. Social insurance programs are not simply means of redistribution; they lower individual risk from market participation. Natural states cannot credibly deliver impersonal public services, so the poor have incentives to use their votes to secure cash transfers now. These states are therefore more susceptible both to populist appeals launched by factional leaders who seek to shift wealth and to coups meant to prevent such shifts. This double vulnerability to sudden populist and antipopulist maneuvers is the dark side of democracy, a side often visible in natural states.

Open access typically supports an effective opposition and a competitive electoral process. It supports a rich civil society, fostering a wide range of economic, political, and social groups that can mobilize interests and help to constrain democratic policy making. Schumpeterian competition constantly produces new interests and groups. Widespread access to organizations makes it difficult for public officials to manipulate economic interests in support of the regime. In contrast, most natural states inhibit or compromise electoral competition by the use of violence to intimidate opposition; for example, by limits on citizens’ ability to organize and the opposition’s to compete, and by restrictions on freedom of the press.
Taken together, the differences that distinguish limited access from open access orders explain why elections in the former do not perform the same functions that they do in the latter. Elections in open access orders implement the democratic ideals of citizen expression and control over political officials in ways that elections simply cannot accomplish in natural states. Open access limits the stakes of power, creates perpetually lived organizations that survive crises and partisan turnover, allows a wider range of groups to form and mobilize, allows more effective competition for office, and allows the impersonal provision of public goods and services.

The ability of open access orders to sustain political competition depends on their parallel ability to sustain open access economic competition. It is not simply the form of the institutions in open access societies that makes democracy work, it is the dynamic relationships among political, economic, and other social systems that result when the ability to create organizations is open to all. In order to spread democracy—and not just elections—more widely, we must learn how to get societies to adopt social arrangements that move them to the doorstep conditions beyond which sustainable impersonal relationships can develop. Then the problem will become one of fostering the spread of those political and economic institutions to a wider share of the population. Sustainable democracy requires not only an open access polity, but an open access economy too.

NOTES


2. In Political Man: The Social Bases of Politics (Garden City, N.Y.: Anchor, 1959), Seymour Martin Lipset asked why sustainable democracy seemed to require economic development. Adam Przeworski et al., (2000) examined the correlation quantitatively and found substantial evidence that while episodes of democracy have occurred at all income levels, sustainable democracy is primarily a feature of high income countries (see also Barro 1996 and 1999). Whether a causal link exists between democracy and economic development, and if so which way the links run, remains an open question. Acemoglu, Johnson, Robinson, and Yared, 2007 provide an overview of the modernization hypothesis and the latest empirical results. As we discuss in our final section, one problem with the empirical literature is that it equates elections with democracy, an identification we reject.


4. Since there is no reliable way of gauging annual per capita income for any period of time before the early nineteenth century, the idea that the recent growth in developed countries is due to the elimination of negative- growth episodes remains an assertion, but one that accords with evidence about economic performance in the past.
5. The following discussion summarizes the analysis of Table 2 in North, Wallis, and Weingast, A Conceptual Framework, ch. 1.


7. (North 1990, p 3-4),

8. (Greif 2005, Weingast 2002)


11. A rent is a return to an economic asset that exceeds the return the asset can receive in its best alternative use. If a person is just willing to work at a particular job for $10 an hour, but not for $9.99 an hour, and is paid $15 an hour, she receives a rent of $5 an hour. Importantly, rents can be created or increased by limited access, for example, when the state grants an individual monopoly privileges over an activity.

12. Although organizations, such as corporations, require approval of the state, open entry occurs when the state approves one for any group that meets a minimal set of requirements. In Britain, for example, open entry for corporations occurred in 1844 through a process of “registration” which allowed a group to form a corporation by filing the appropriate forms at an administrative office.

13. A perpetually lived organization is not infinitely lived but an organization whose existence is independent of the lives of its members. For example, a modern corporation is a perpetually lived organization. Because a modern partnership must be reorganized on the death of a partner, it is not perpetually lived

14. The processes by which rents are created and destroyed are more complicated than the simple examples used here suggest; see Khan and Jomo (2000) for a sophisticated discussion of rent-creation.

15. (Hayek 1960, North 2005)


17. Daron Acemoglu and Robinson, 2006, take this approach, stressing how elites, threatened by revolution or civil unrest, grant non-elites concessions, such as democracy.

18. We deal with several of these issues in ch 7 of our book (North, Wallis and Weingast 2008, ch. 7).

19. Adam Przeworski et al., 2000


22. Garrett (1998,5) makes a similar point.

23. Moreover, as the label, social insurance programs, suggests, these policies are
more about insurance than they are about redistribution. See Lindert 2005.