

Opening Access in America

- *Violence and Social Orders: A Conceptual Framework for Interpreting Recorded Human History.*

Douglass North, John Wallis, and Barry Weingast. Cambridge University Press, 2009.

Social Order

- How do societies get social order?
- Create economic rents by limiting access, and using the rents to coordinate powerful and violent individuals
- The most important source of rents is the ability to form an organization that the society will support.

- Political manipulation of the economy to ensure political stability sounds good, but in American history it is regarded as

Corruption!

The Republican Synthesis

- This is the argument of Bernard Bailyn in “The Ideological Origins of the American Revolution” or Gordon Wood in the “Creation of the American Republic.”
- Americans were concerned about a faction taking over control of the polity through manipulation of the economy.

- All obstructions to the execution of the laws, all *combinations and associations*, under whatever plausible character, with the real design to direct, control, counteract, or awe the regular deliberation and action of the constituted authorities, are destructive of this fundamental principle and of fatal tendency. *They serve to organize faction*; to give artificial and extraordinary force; to put in the place of the delegated will of the nation the will of a party, often a small but artful and enterprising minority of the community, and, according to the alternate triumphs of different parties, to make the public administration the mirror of the ill concerted and incongruous projects of faction rather than the organ of consistent and wholesome plans, digested by common counsels and modified by mutual interests.

- However combinations or associations of the above description may now and then answer popular ends, *they are likely in the course of time and things to become potent engines by which cunning, ambitious, and unprincipled men will be enabled to subvert the power of the people, and to usurp for themselves the reins of government, destroying afterwards the very engines which have lifted them to unjust dominion.* (Richardson, 1897, vol.1, pp. 209-210; emphasis added).

- Federalists and Republicans and the First Bank of the United States in 1791
- Democrats and Whigs and the Second Bank of the United States in 1832.

- The solution to the problem was opening access to corporate forms in the 1840s.
- Eight states adopted mandatory “General Incorporation Laws.”