

Gradual Franchise Extensions and Government Spending in Nineteenth-Century England

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This article investigates the effect of extending the franchise on government spending on public goods in nineteenth-century England and Wales. The effect of franchise extension is identified by exploiting extensive regional and temporal variation in the right to vote in municipal elections between 1867 and 1900. Semiparametric regressions show robust evidence of an inverted-U-shaped relationship: extending the right to vote from the rich to the middle class led to increased spending, but further franchise extensions—beyond around 50% of the adult male population—led to lower expenditure. Further, government spending was lower in towns where the poor were enfranchised by national reforms. A simple model shows that the inverted-U relationship can be explained by the trade-offs between public spending and private consumption faced by poor voters. These results suggest that enfranchising the poor may lead to smaller government, in contrast to the predictions of many theoretical models.

Investment in critical public goods such as clean water and sewage systems remains insufficient in many countries (Günther and Fink 2011). It is often argued that democratization, decentralization, and increased political participation can help solve these issues, through increased support for redistribution or overcoming elite capture. But severe public health challenges remain even in long established democracies, and in practice bringing public service provision “closer to the people” has hindered sustainable investment in sanitation (Herrera and Post 2014).

This article argues that enfranchising the poor may reduce government spending on public goods. In classic models of democratization, granting the right to vote to poorer citizens leads to higher government spending due to demands for redistribution from the wealthy (Acemoglu and Robinson 2006; Boix 2003). However, the same argument may not apply to government provision of public goods, where voters must trade off higher government spending with lower private consumption. Poorer citizens may value additional private consumption

particularly highly—if, for instance, they require extra food—and so may vote for lower taxation and government spending. A simple model, presented in appendix A (apps. A–F are available online), formalizes this intuition and predicts that the relationship between the franchise and government spending on public goods is inverted-U shaped: extending the right to vote from the rich to the middle class increases spending, but further extensions lead to lower expenditure.

The article investigates the effect of extending the franchise in nineteenth-century British towns and presents two empirical analyses supporting the theoretical prediction. First, semiparametric regressions show clear evidence that the relationship between the extent of the franchise and the size of government is inverted-U shaped. Second, both tax receipts per capita and expenditure on public goods were lower in towns where national reforms led to poor citizens gaining the right to vote. There is thus clear evidence that extending voting rights to extremely poor households can inhibit investment in critical public infrastructure.

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I am grateful for financial support from National Science Foundation grant 1357995. Replication files are available in the *JOP* Dataverse (<https://dataverse.harvard.edu/dataset/jop>). The empirical analysis has been successfully replicated by the *JOP* replication analyst. An online appendix with supplementary material is available at <https://doi.org/10.1086/726930>.

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EMPIRICAL CONTEXT AND DATA

The empirical analysis investigates the effect of extending the franchise using a new annual data set of British towns between 1867 and 1900. These towns were governed by autonomous, locally elected councils. Importantly, these councils held responsibility for spending on urban public goods and services but could not legally provide education or welfare.¹ Further, in the absence of central government grants, town spending had to be funded locally, predominantly through taxes. Town councils were locally elected, with extensive cross-sectional and temporal variation in the municipal franchise. I construct a data set combining town-level information on the franchise with annual data from town accounts and flexibly model the effect of gradually extending the right to vote.²

The detailed franchise data offer an important advance on a previous study, Chapman (2018), offering an alternative test of the theoretical mechanism analyzed here. The earlier study introduces and tests a simplified version of the model in appendix A and finds that an 1894 democratic reform led to lower levels of town council spending on public goods, relative to towns that were democratized at an earlier date—with the effect strongest where prereform local elites were predominantly middle class. The franchise data that are used in this article allow me to isolate the effect of enfranchising the poor and enable a direct test of the hypothesis that the relationship between the extent of the franchise and the size of government is inverted-U shaped.³ More generally, the data offer a rare opportunity to study the effect of gradually extending voting rights, rather than a reform that enfranchises large swathes of the population simultaneously (e.g., Husted and Kenny 1997).

The empirical analysis exploits extensive heterogeneity in the extent of the municipal franchise over time and across towns (see fig. 1A). This heterogeneity resulted from a combination of local and national factors. National legislation established the basic framework for voting rights. From 1835 onward all resident male heads of household could, in principle, vote in municipal elections. In practice, however, many citizens were disenfranchised by a combination of lengthy residence

and tax-paying requirements, filtered through idiosyncrasies in local customs and implementation of voting law. Over time, a series of reforms lightened the conditions on voting rights, broadening the franchise nationally and reducing—but not removing—the cross-sectional variation in the franchise.

Critically for interpreting the results, a broader male franchise reflects the enfranchisement of relatively poor voters, as shown in figure 1B. Poor citizens were more likely to fail head-of-household and residency requirements because of living in cramped accommodations and moving frequently. Further, poor renters were often asked to pay taxes indirectly through their landlords—a practice known as “compounding”—leading to legal ambiguity in whether they had met the tax-paying conditions required to vote. As a result, whether these so-called compounders were enfranchised depended on the decisions of local authorities who, importantly, were governed independently of the town councils that determined municipal spending.

The share of the poor in the electorate increased significantly because of a series of reforms between 1869 and 1878 (see fig. 1C). Reforms in 1869, consolidated in 1878, reduced the length of residence and tax-paying requirements by two years and enshrined compounders’ voting rights in law. Women also gained the right to vote in 1869, although the restriction to heads of household meant that they remained a small proportion of the electorate. Smaller reforms continued throughout the nineteenth century, but the basic framework for voting rights remained unchanged until the First World War.

The following two sections take advantage of this historical context to test the theoretical predictions. I first use the whole panel data set and flexibly model the relationship between the extent of the franchise and the size of government. The subsequent section then isolates the effect of enfranchising very poor citizens, exploiting the “shock” of the 1869–78 reforms.

THE EXTENT OF THE FRANCHISE AND GOVERNMENT SPENDING

This section tests the theoretical prediction that the relationship between the extent of the franchise and government spending on public goods is inverted-U shaped. To do so, I allow for a flexible relationship between the franchise and the size of government while assuming a linear relationship with other town characteristics. That is, I estimate

$$y_{i,t} = \alpha + g(\text{franchise}_{i,t}) + \beta X_{i,t} + \gamma_0 Z_i + \delta T_t + \varepsilon_{i,t}, \quad (1)$$

where i indexes towns, t indexes year, $g(\cdot)$ is a function to be estimated, and ε is an error term. Dependent variables are (per capita) tax receipts and public goods expenditure, X is a

1. Sanitation—spending on water supply, sewers, and streets—was by far the largest component of public goods expenditure. These public goods contributed significantly to Britain’s mortality decline (Chapman 2019, 2022).

2. See app. A for detailed discussion of how the historical context matches the theoretical argument. Appendix B provides full details of data sources and variable construction.

3. Appendix A addresses potential alternative mechanisms for an inverted-U shape, such as party politics or apathy from the poor, using evidence from political debates reported in local newspapers. Aidt, Daunton, and Dutta (2010) use data similar to mine but find different results. A replication analysis in app. F demonstrates that the difference is explained by the larger, more comprehensive, data set used in this article.

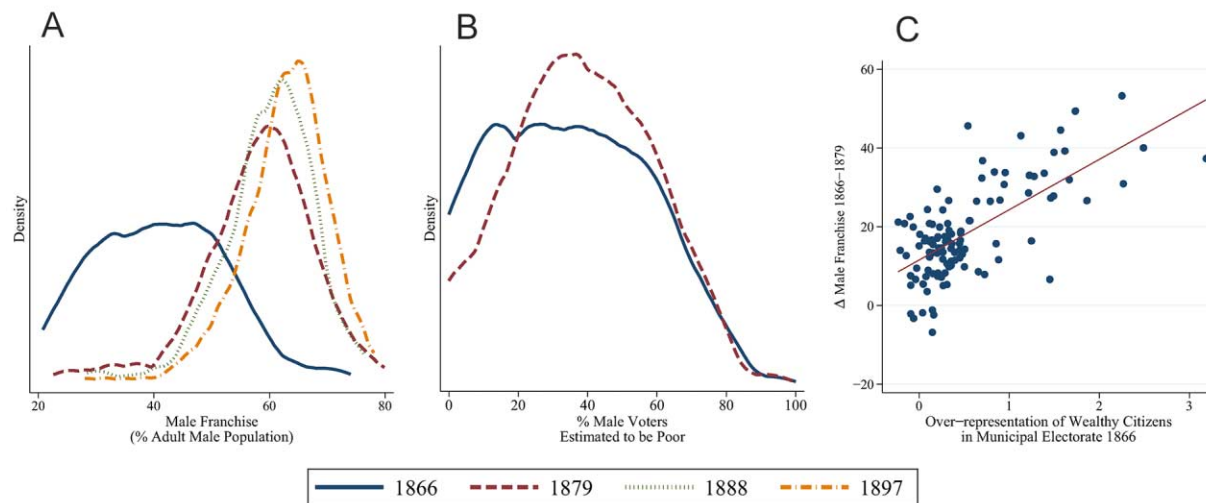


Figure 1. The extent of the franchise varied over time and within individual cross-sections: A, extent of male franchise; B, share of poor voters in electorate; C, growth in franchise due to 1866–78 national reforms. The franchise grew considerably between 1866 and 1879 because of reforms to national legislation governing voting rights. Reforms led to poor voters becoming a larger share of the electorate (B), with larger franchise expansions occurring where the “wealthy” were overrepresented in the prereform municipal electorate (C). Wealthy is defined by having the right to vote in parliamentary elections, which generally required meeting property value thresholds. See appendix B for detailed variable definitions.

vector of time-varying controls, and Z and T refer to town and year fixed effects. In order to focus on extensions of the right to vote to poorer citizens, and avoid possible confounds from changes in the gender composition of the electorate, the main franchise variable is the male franchise.

The identification assumption underpinning this analysis is that the variation in the franchise is exogenous, conditional on controlling for town and year fixed effects and demographic characteristics. These controls account for factors that may affect the franchise through the national regulations governing voting rights and also be associated with the demand for public goods—for instance, rapid population growth may require urgent investment in sanitation, while also leading to a low franchise due to citizens’ failing residence requirements. However, after controlling for these factors, the residual variation in the extent of the franchise is plausibly exogenous since it resulted from a mixture of nationally imposed reforms and idiosyncratic decision-making by local authorities that were governed separately to town councils. This identification strategy is justified in detail in appendix C.

Figure 2 presents the results of estimating $g(\cdot)$ semiparametrically. That is, the relationship between the male franchise and the dependent variables is shown after “purging” both fixed effects and time-varying controls, using the method of Baltagi and Li (2002). There is clear evidence of the inverted-U-shaped relationship predicted by the model, with spending and taxation highest when approximately 50% of the adult male population held the right to vote. This level of the franchise represents approximately the median level before the reforms of 1869 and approximately the 25th percentile im-

mediately after the reforms. The magnitude of the relationship is quite large, with extensions beyond the maximum leading to a reduction of up to around 15% of the median tax receipts per capita and 25% of the median spending per capita.

Figure 3 shows that the inverted-U-shaped relationship is robust to the inclusion of alternative sets of controls. The shape of the relationship is clear even when including only year fixed effects to account for the general trend of increased spending (left-hand panels). Once town fixed effects are included, the effect of extending the franchise beyond the 50% mark is less marked (notice the differing Y-axis scale) but still large. The fourth panels in each row add town tax base per capita (a measure of wealth) and town occupational structure, both of which could affect the demand for public goods. The remaining panels include population-decade fixed effects to capture any possible differential take-up of new public goods according to town size and, finally, lagged dependent variables to account for historical investment and potential persistence in expenditure. The estimated effect of the franchise is similar when incorporating these additional variables, with the theoretical prediction strongly supported in all instances.

THE EFFECT OF ENFRANCHISING THE POOR

The results in the previous section show clear support for the inverted-U-shaped hypothesis, but they do not pin down the attitudes of the poorest citizens to increased public spending. The next analysis thus directly tests the prediction that enfranchising the poor reduced the size of government, exploiting the shock to the municipal electorate caused by the 1869–78 national reforms to the franchise regulations.

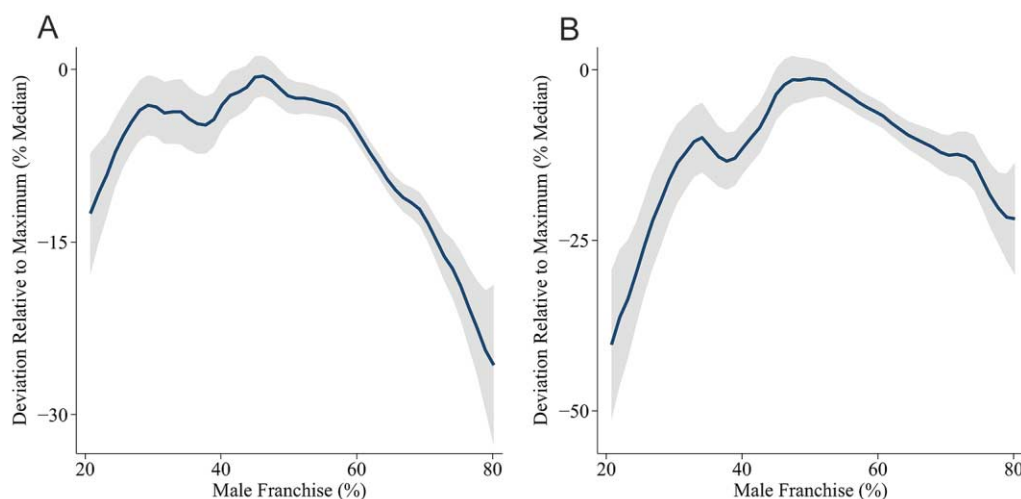


Figure 2. Semiparametric regression shows inverted-U-shaped relationship between franchise and both per capita tax receipts (A) and expenditure (B). Nonlinear part of the partially linear model estimated using method of Baltagi and Li (2002), plotted with Nadaraya-Watson regression. Sample includes 4,810 observations across 150 towns. Each specification controls for year and town fixed effects, population, population growth, urban crowding, and the female franchise. Y-axes reflect the reduction in taxation/spending at each level of the franchise, relative to the maximum point, displayed as a percentage of the median.

Specifically, I compare the size of government in towns where the reforms enfranchised additional poor voters to those where no new poor voters were added to the voting register. To do so, I estimate the proportion of poor voters in each town, using information on the distribution of household rental values in 1866. I then define a variable poor Enfranchised By Reform, which equals 1 for towns where the estimated share

of poor voters in the electorate increased between 1866 and 1879 and 0 otherwise. I then estimate

$$y_{i,t} = \beta_1 \text{poorEnfranchisedByReform} \times 1[\text{year} \geq 1873]_{i,t} + \phi X_{i,t} + \gamma_0 Z_i + \delta T_t + \varepsilon_{i,t}, \quad (2)$$

where indexes and variables are defined as in specification 1. If, as predicted, enfranchising the poor reduced spending, then

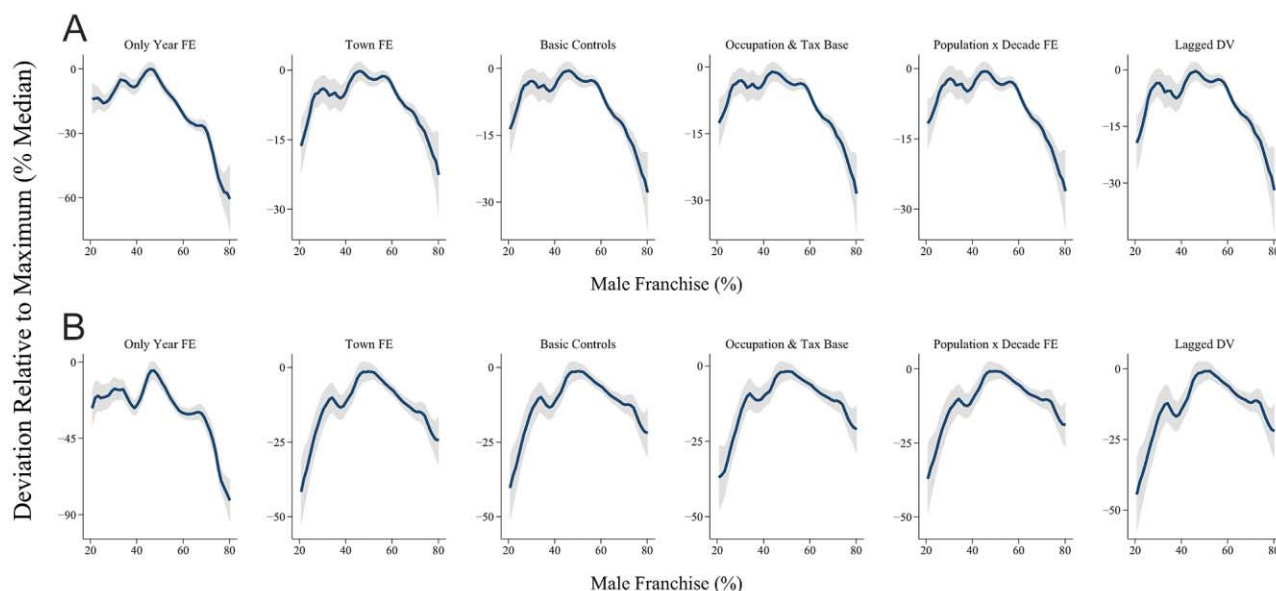


Figure 3. Inverted-U-shaped relationship is robust to inclusion of alternative controls: A, dependent variable = tax revenue per capita; B, dependent variable = total public goods spending per capita. Nonlinear part of the partially linear model estimated using the procedure of Baltagi and Li (2002) (Robinson [1988] when town fixed effects are not included). Sample includes 4,810 observations across 150 towns. Y-axes reflect the reduction in taxation/spending at each level of the franchise, relative to the maximum point, displayed as a percentage of the median of the relevant dependent variable in the sample. Occupational controls include the percentage in agriculture, the percentage in commerce, and the percentage of adult men who are heads of household. "Population $\times$ Decade FE" allows for differential time trends for each population category.

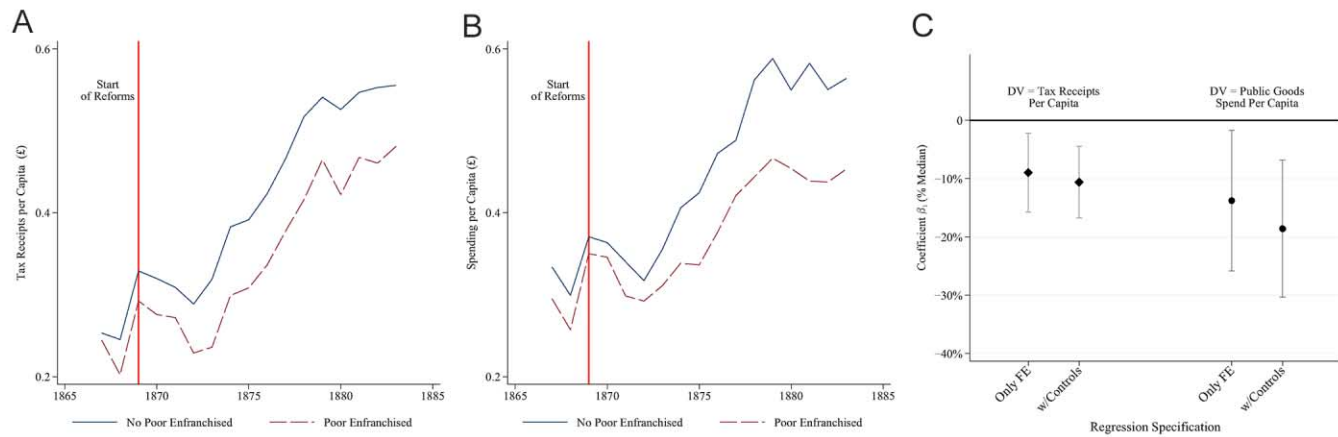


Figure 4. Enfranchisement of poor voters led to slower growth of government: A, mean tax receipts per capita; B, mean public goods spending per capita; C, effect of enfranchising poor estimated using specification 2 (see app. E for further details) with variables scaled as a percentage of the sample median for comparability with figure 2. “Only FE” refers to specifications with town and year fixed effects, while the specifications “w/Controls” add controls for population, population growth, and urban crowding. Bars represent 90% confidence intervals.

coefficient $\beta_1 < 0$ —tax and spending will be lower once the reforms take effect, relative to the group of towns without any new poor voters.

As well as being of intrinsic interest, this analysis provides reassurance that we are identifying causal effects of franchise extension. The identification strategy underpinning the analysis in the previous section relies on the assumption that local decision-making affecting the franchise was (conditionally) exogenous to contemporaneous town spending decisions. By studying the national reforms, which are plausibly exogenous to each town, we need assume only that local authorities could not shape the expansion of the electorate caused by the reforms and that the decisions affecting the prereform franchise were exogenous to future tax and spending outcomes.⁴

Towns where the poor were enfranchised by the reforms of 1869–78 saw lower growth in both tax revenue and expenditure, as shown in figure 4. There is clear evidence, in figures 4A and 4B, that the paths of taxation and spending diverged after the reforms started in 1869. Figure 4C provides a formal test of this claim, by displaying the results from estimating specification 2. Towns in which poor citizens were enfranchised experienced lower growth in both tax receipts and government spending on public goods after the reforms, with similar results with and without including sociodemographic control variables.

4. Appendix C presents further evidence that the relationship is causal, including an analysis in which the interaction between the prereform treatment of compounders and the reduction in the length of residence requirements serves as a source of exogenous variation in whether the 1869–78 reforms increased the share of poor voters.

IMPLICATIONS

These findings have important implications for our understanding of the relationship between democratization and government spending. In contrast to the predictions of leading models in political economy, the extension of the franchise in this context cannot be explained by demands for greater government spending by either the poor (Acemoglu and Robinson 2006) or the middle class (Lizzeri and Persico 2004). Instead, the results suggest that the poor may align with the wealthy to oppose larger government, and so provide a possible explanation for elites implementing mass, rather than gradual, enfranchisement. Disraeli’s support for the Second Reform Act provides a particularly apposite example.

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