

**Roger D. Congleton and Birgitta Swedenborg, eds.,
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Political economy is fundamentally about exchange and the institutions within which exchange takes place. This book is concerned with the latter. It considers one of society's "meta-institutions" that shapes our political and economic rules at the highest level: constitutions.

"Constitutions" in this context are not limited to the formal documents that many democracies create to provide rules for their political-economic systems. The editors of this volume define it more expansively, "as the fundamental and durable procedures and constraints through which laws and public policies are adopted" (2006: 2). Further, they encompass "a nation's legal and regulatory setting, which might be considered a nation's 'economic constitution'" (2006: 3).

In the broadest sense, the project of analyzing constitutional design is very old. But new models, datasets, and empirical techniques have opened up avenues of its exploration previously unavailable to older research that addressed this issue. It is these avenues that this book explores.

The volume's goal is to empirically examine aspects of constitutional design in mature democracies to determine their effects on public policies. To do this, Congleton and Swedenborg compile a dozen essays by leading researchers in three different "branches" of constitutional political economy: public choice, new institutional economics, and the new political economy.

As the editors of this volume point out, despite being unified in several important respects, these different branches of constitutional political economy remain relatively uncoordinated efforts. Indeed, reading any particular strand of the literature alone, one would get the impression that the different branches were scarcely aware of each other's existence. One of the important achievements of the present volume is to bring these branches together. In doing so, it both highlights the connections between them and makes readers familiar with research occurring in only one of them aware of the undertakings and results of the others.

Together, the contributors to this volume empirically analyze five general areas of constitutional design. The first of these investigates the effects of electoral systems on public

policy. In the first chapter of this section, Bruno Frey and Alois Stutzer review the effects of direct democracy, with particular attention to their implications for constitutional design in the European Union. Their overview of the literature suggests that direct democracy is an important institutional mechanism for mitigating political agency problems that plague representative democracy.

Torsten Persson and Guido Tabellini review the literature on constitutional architecture and public policy. The primary finding of this work is that electoral systems (proportional representation or plurality) and forms of government (parliamentary or presidential) do in fact matter for public policy. Agency problems, government spending, and public corruption are all impacted by these matters of constitutional design. In the next chapter, Thomas Stratmann sheds a slightly different light on these findings. He examines whether electoral systems affect the behavior of political agents in office and finds that they do.

The second area of constitutional design this volume analyzes is the effects of alternative decision-making procedures within legislatures of representative democracy. In this section, contributors Daniel Diermeier, Hulya Eraslan, Antonio Merlo, Roger Congleton, Mark Crain, and Charles Bradbury explore issues ranging from how rules for forming and dissolving parliamentary governments affect the stability of coalition governments, to the effects of bicameral versus unicameral legislature structures on policy stability and government expenditures.

The third area of this book considers is federalism and political decentralization. Here, Dennis Mueller compares the normative cases for federalism and centralization, and concludes that in light of the benefits and drawbacks of both, the superiority of one over the other for promoting citizen interests is an empirical question. Following Mueller, Brian Knight discusses how policies created by national governments may be affected by local government interests when representatives are elected at the local level.

The fourth area of empirical constitutional research this volume considers is, in my opinion, the most interesting. It examines the effects of judicial independence and the rule of law. Important contributions by Lars Feld and Stefan Voigt, and James Gwartney, Randall Holcombe and Robert Lawson confirm dual hypotheses forwarded by Friedrich Hayek's influential work in the 1960s and 70s.

Feld and Voigt overview the effects of judicial independence on economic development and, consistent with Hayek's arguments, find that independence promotes wealth creation. They highlight that what matters for judicial independence are not *de jure* rules, which governments can ignore or circumvent, but instead *de facto* independence, which although uncodified, is the primary determinant of political interference with the judicial system. The results of their empirical analysis confirm this. Countries with *de facto*, rather than *de jure*, judicial independence grow faster.

In the next chapter, Gwartney, Holcombe and Lawson confirm a second major hypothesis associated with Hayek: capitalist institutions create growth and prosperity. These contributors measure capitalist institutions using the Fraser Institute's index of Economic Freedom of the World. Not only are economically freer countries wealthier, but among highly developed nations, those that score highly on freedom index components most closely related to constitutional features of government restraint, grow the fastest.

The final area of constitutional political economy this volume analyzes might be called the dynamic aspects of constitutional design. This includes, for instance, mechanisms for constitutional amendment, and those constitutional features that promote or inhibit constitutional stability. Bjorn Rasch and Roger Congleton review the literature that examines the effects of amendment procedures. In the final chapter, Barry Weingast examines how sudden increases in the "stakes" of public policy can disrupt constitutional stability. Weingast

emphasizes the importance of informal, as well as formal, agreements between political leaders in overcoming this problem.

Although the volume covers significant territory regarding constitutional design, conspicuously absent from its pages are discussions of related issues in the context of developing countries. Several reasons account for this. As the editors point out in their introductory chapter, data availability has severely constrained analyses of many constitutional design issues in developing countries. In the first place, many of these countries are not genuinely democratic. And even where they are, their stability is dubious. Further, as the editors suggest, there are important benefits of examining questions of constitutional design in developed, stable democracies. Perhaps foremost among these is the ability to compare outcomes of alternative constitutional designs across equilibrium states.

Nevertheless, the reader cannot help but be somewhat disappointed with the absence of application or discussion in the context of those countries for which matters of constitutional design – especially at the broadest level, such as those considered in Section 4 – presumably matter the most. For instance, it is informative to learn that the U.S. is likely to have narrower programs of expenditures than say, Britain, because of its plurality system. But this prediction, based on the empirical findings of constitutional research directed at wealthy countries, does not seem to carry the importance of establishing whether, for instance, codified constitutions are useful inputs for bringing the countries of Sub-Saharan Africa out of poverty.

The issue of developing countries also has ramifications for the focus that many (though not all) of the chapters in this volume have on formal institutions. In the developing world where formal institutions, such as state courts, are often totally dysfunctional, informal institutional arrangements fill this void. Given the broad definition of “constitutions” the editors use in this volume, it would seem that many of these informal institutions would also be of considerable importance for development – especially where formal institutions are weak or failed. Feld and Voigt and Weingast’s chapters deal with informal “constitutional arrangements” somewhat, but for the most part, this book ignores these arrangements.

It is hardly fair to complain, however, that this volume, which in large part overviews the existing literature, does not do more to discuss issues that have only recently begun to receive attention in constitutional research. In my opinion, the essays Congleton and Swedenborg have compiled are an excellent resource for anyone interested in learning about the broad research agenda and empirical findings of the recent scholarship in constitutional political economy. It will be particularly useful to those who are interested in learning more about the work taking place in related, albeit largely separated branches of constitutional political economy.