

Whig Oligarchy, Corruption, Growth, and Challenges to New Institutional Economics

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1 Whig Oligarchy and Corruption

The period from 1714 onward, following the accession of George I and the establishment of the Hanoverian dynasty, is marked by a significant consolidation of power by the Whigs, leading to a lengthy period of political dominance. This era, often referred to as the “Whig Oligarchy,” saw the intertwining of political control with financial interests, leading to widespread corruption, the erosion of parliamentary accountability, and public disillusionment.

1. The Hanoverian Succession and the Rise of Whig Dominance marked a transformative era in English politics, characterized by the establishment of a new dynasty and the consolidation of political power by the Whig faction. This period, beginning in 1714, followed the death of Queen Anne, the last Stuart monarch. The transition was governed by the Act of Settlement of 1701, which ensured a Protestant monarchy and bypassed the Catholic Stuart claimants. As a result, George I of Hanover ascended the throne, inaugurating a new chapter in English constitutional and political history.

The political context of this transition was deeply contentious. The succession of George I was met with resistance from factions loyal to the Stuart line, notably the Tories, many of whom harbored Jacobite sympathies and sought to restore the Stuarts. In contrast, the Whigs emerged as the staunch defenders of the Hanoverian dynasty. Their unwavering support for the Protestant Succession positioned them favorably with the new king, who relied on their backing to secure his reign. The Whigs capitalized on this royal favor, systematically marginalizing the Tories and consolidating their influence in government. This political alignment not only entrenched Whig power but also created a profound divide in English politics, with the Whigs becoming synonymous with the defense of the Protestant monarchy and parliamentary sovereignty.

The dominance of the Whigs in this period was facilitated by their effective leadership and strategic use of political tools. Key figures such as Charles Townshend and Robert Walpole emerged as central architects of Whig power. Walpole, in particular, would go on to become Britain’s first de facto Prime Minister, using his political acumen to manage the delicate balance between the monarchy and Parliament. The Whigs employed patronage and financial

incentives to secure parliamentary majorities, rewarding allies and creating a network of loyalty that sustained their dominance. This period witnessed the rise of what has been termed the “Whig oligarchy,” where a small, elite group of politicians effectively controlled the levers of power.

The Whigs’ alignment with the monarchy also facilitated the development of policies that favored economic growth and stability. They supported measures that strengthened the financial system, such as the establishment of the Bank of England and the development of a national debt. These policies not only bolstered the state but also aligned with the interests of the burgeoning merchant and landowning classes, further cementing Whig support among influential segments of society. Their commitment to maintaining peace and stability also ensured the continuation of prosperity, which contributed to their prolonged political dominance.

In sum, the Hanoverian Succession and Whig ascendancy represent a critical period in English history. The Whigs’ ability to align themselves with the new monarchy, marginalize their political rivals, and leverage patronage and policy to maintain control established a template for modern party politics. Their dominance, while controversial, laid the groundwork for many aspects of Britain’s constitutional development, including the evolution of parliamentary sovereignty and the modern role of the Prime Minister. The era exemplifies the interplay of political strategy, economic policy, and royal favor in shaping the trajectory of a nation.

2. Corruption and Patronage Networks in the Era of Whig Dominance

During the Whigs’ prolonged control of British politics in the early 18th century, corruption and patronage became defining features of governance. These mechanisms were not only tools for maintaining power but also emblematic of the broader political culture of the time, where loyalty and political success were often secured through financial incentives and personal rewards. The reliance on patronage as a political tool, coupled with rampant bribery and electoral manipulation, entrenched a system that many critics regarded as deeply corrupt.

At the heart of the Whigs’ political strategy was the use of patronage to build and maintain loyalty. Government positions, lucrative contracts, and sinecures—positions requiring little to no work but providing substantial income—were distributed strategically to secure support from Members of Parliament (MPs), influential political allies, and local powerbrokers. This system created a culture of dependency, where MPs and other beneficiaries were incentivized to align their interests with the ruling party. The allocation of rewards extended beyond Parliament, reaching local constituencies where support for Whig candidates was cultivated through similar financial inducements. This pervasive patronage network ensured the stability of Whig dominance but also fostered a political environment that prioritized loyalty over merit and efficiency.

Bribery and electoral corruption were rampant in the electoral system of the time. Many constituencies, particularly the infamous “rotten boroughs,” were highly susceptible to manipulation. Rotten boroughs were parliamentary constituencies with very small electorates, often controlled by a single landowner or patron who could effectively dictate the election outcome. Elections in these

areas, and even in more populous constituencies, were characterized by overt bribery. Voters were frequently offered money, food, and alcohol in exchange for their support. Such practices not only undermined the integrity of elections but also reinforced a system where political power was concentrated in the hands of a few wealthy and influential individuals. These corrupt practices fueled public discontent and laid the groundwork for future demands for electoral reform.

The era of Robert Walpole, often referred to as the “Robinocracy,” epitomized the use of patronage and corruption as tools of governance. Serving as First Lord of the Treasury from 1721 to 1742, Walpole is widely regarded as Britain’s first Prime Minister. His approach to governance was pragmatic and centered on maintaining stability and avoiding controversial policies that could disrupt the Whigs’ grip on power. To achieve this, Walpole relied heavily on patronage networks, using his control over government resources to reward loyalty and neutralize opposition. His administration became synonymous with corruption, as critics accused him of prioritizing political expediency over principles of transparency and good governance.

Walpole’s use of patronage was not without its defenders. His supporters argued that his policies and methods brought stability to a nation recovering from economic crises and political unrest. However, his reliance on financial incentives and avoidance of contentious reforms made him a polarizing figure. While Walpole’s leadership ensured a long period of Whig dominance, it also entrenched a system of governance that many contemporaries and later historians viewed as emblematic of political corruption.

Thus, the corruption and patronage networks of the 18th century were both a symptom and a strategy of Whig dominance. Patronage was used to secure loyalty, maintain parliamentary majorities, and control elections, while bribery and manipulation became integral to the political process. This system, though effective in consolidating power, contributed to widespread cynicism about politics and underscored the urgent need for electoral and administrative reform in the centuries that followed.

3. Financial Corruption and the South Sea Bubble

The South Sea Bubble stands as one of the most infamous episodes of financial corruption in British history, emblematic of the intertwined nature of speculative finance, political manipulation, and systemic corruption in the early 18th century. This financial disaster not only revealed the fragility of speculative markets but also exposed the deep-rooted connections between economic ventures and political power, with devastating consequences for public trust in governance.

The South Sea Company, established in 1711, was granted an exclusive monopoly on trade with Spanish colonies in South America as part of a broader effort to reduce the national debt. However, the company’s trade prospects were always tenuous, as Britain’s ability to access Spanish-controlled markets was limited by ongoing conflicts and diplomatic constraints. The company’s primary profits were not derived from actual trade but were largely speculative, rooted in promises of immense wealth from the Americas. Its financial model depended on the continual sale of stock, with its value driven more by public

confidence and manipulated narratives than by tangible economic activity.

By 1720, a frenzy of speculative investment in the South Sea Company caused its stock prices to skyrocket to unsustainable levels. Promoters of the company used exaggerated claims and rumors to fuel the speculative mania, with the public eagerly investing in what appeared to be a foolproof venture. Wealthy elites, small investors, and even government officials participated, hoping to capitalize on the seemingly boundless opportunities promised by the company. However, the stock prices were grossly overinflated, detached from the company's actual capacity to generate profits. When the inevitable collapse occurred, the bubble burst, wiping out the savings of countless investors and plunging many into financial ruin.

The political implications of the South Sea Bubble were profound and far-reaching. Many high-ranking officials, including prominent Whigs, were directly implicated in the scandal. Some engaged in insider trading, leveraging their positions of power to manipulate stock prices and secure personal financial gains. The close relationship between the South Sea Company and the government was laid bare, with allegations of bribes and kickbacks directed at senior officials who had actively promoted the company. The involvement of figures at the highest levels of government exposed the blurred lines between financial and political power, further eroding public confidence in the integrity of the ruling elite.

The collapse of the South Sea Company revealed the fragility of speculative ventures and underscored the dangers of unchecked financial manipulation. It also served as a damning indictment of the era's political corruption. The scandal led to public outrage, with calls for greater accountability and reforms in both the financial sector and government. While some officials were held to account, many others escaped serious consequences, highlighting the systemic nature of the corruption.

In the aftermath of the South Sea Bubble, efforts were made to restore stability and rebuild public trust. Robert Walpole, who emerged as a key figure in managing the crisis, worked to stabilize the financial system and mitigate the damage caused by the collapse. Nevertheless, the scandal left an indelible mark on Britain's political and economic landscape, serving as a cautionary tale about the risks of speculative excess and the corrosive influence of corruption at the highest levels of power. It underscored the need for stronger regulatory frameworks and more transparent governance, lessons that would resonate in financial crises for centuries to come.

4. Concentration of Power and Marginalization of Opposition

The early 18th century in England was marked by a dramatic concentration of political power in the hands of the Whigs, who skillfully marginalized their Tory rivals to establish a near-monopoly over governance. This period of Whig dominance, often referred to as the "Whig Supremacy," saw the systematic suppression of opposition, the manipulation of parliamentary processes, and the unchecked exercise of authority, leaving little room for dissent or accountability.

One of the key factors enabling this consolidation of power was the political marginalization of the Tories, whose fortunes declined significantly after the Hanoverian Succession in 1714. The Tories were tainted by their perceived as-

sociation with Jacobitism, the movement supporting the exiled Catholic Stuart claimants to the throne. Their ties to the failed Jacobite uprisings of 1715 and 1745 further solidified their image as disloyal and reactionary. This association gave the Whigs ample justification to exclude them from positions of influence, portraying them as a threat to the stability of the Protestant Hanoverian dynasty. With royal favor firmly in their camp, the Whigs secured a virtual stranglehold over Parliament, sidelining the Tories and reducing their political relevance for decades.

The Whigs did not merely rely on public perception to suppress their rivals; they actively employed patronage and legislative control to shape the political landscape in their favor. The extensive use of patronage networks ensured that loyalty to the Whig cause was handsomely rewarded with lucrative government positions, contracts, and sinecures. By distributing these rewards strategically, the Whigs built a formidable base of support among members of Parliament, effectively neutralizing dissent. Those who resisted were often intimidated or marginalized, ensuring that the Whig agenda faced little substantive opposition.

Within Parliament, the Whigs managed debates with an iron grip, often stage-managing proceedings to maintain their dominance. Parliamentary sessions, intended to be forums for open debate and discussion, became increasingly scripted affairs, with dissenting voices drowned out or ignored. The Whigs controlled the legislative process to such an extent that they could pass measures with minimal resistance, often leveraging their majority to stifle any serious challenges to their policies. The lack of meaningful opposition rendered parliamentary proceedings a mere formality, undermining the institution's role as a check on executive power.

The absence of a strong opposition created a dangerous imbalance in the political system. With the Tories effectively sidelined and no other party capable of mounting a significant challenge, the Whigs were free to govern with minimal accountability. This concentration of power fostered an environment where corruption and self-interest flourished, as there were few mechanisms to hold the ruling elite to account. The unchecked dominance of the Whigs during this period underscored the risks of a political system lacking robust opposition, where the absence of balance allowed power to be wielded without restraint or oversight.

This era of Whig supremacy not only shaped the trajectory of 18th-century English politics but also highlighted the importance of political pluralism and accountability in any democratic system. The marginalization of the Tories and the concentration of power in Whig hands served as a cautionary tale, demonstrating how unchecked dominance could erode the principles of representative governance and give rise to systemic abuses.

5. Public Disillusionment

The prolonged dominance of the Whigs and the entrenched culture of corruption and patronage during the 18th century inevitably sparked a wave of public disillusionment. This growing dissatisfaction manifested in both cultural critiques by prominent writers and calls for systemic reform by political leaders and emerging movements. The period became a crucible for debates about

morality, governance, and the need to restore public trust in political institutions.

One of the most influential forms of criticism came from satirists and reformist writers, who wielded their pens as powerful tools to expose and ridicule the moral decay of the political elite. Figures such as Jonathan Swift, Alexander Pope, and John Gay created enduring works that laid bare the venality, self-interest, and hypocrisy of those in power. Swift's *Gulliver's Travels* is a prime example, using allegory and biting wit to critique the arrogance and corruption of the ruling classes. His depiction of the Lilliputians and their petty political squabbles resonated as a scathing indictment of contemporary governance.

Similarly, Alexander Pope's *The Dunciad* took aim at the intellectual and moral mediocrity of those who benefited from the patronage system, while John Gay's *The Beggar's Opera* offered a satirical portrayal of society's power dynamics. Gay's opera juxtaposed the criminal underworld with the political sphere, suggesting that the two were disturbingly similar in their reliance on manipulation, bribery, and self-serving behavior. These cultural critiques resonated widely, amplifying public awareness of the abuses of power and inspiring a growing sense of indignation.

Beyond literary critiques, public frustration with political corruption gave rise to growing demands for reform, as citizens increasingly recognized the need for systemic changes to counter the dominance of patronage and ensure accountability. By the mid-18th century, voices like William Pitt the Elder emerged as advocates for a more responsible and transparent government. Pitt's tenure as Prime Minister reflected a deliberate effort to distance himself from the more egregious practices of the Whig oligarchy, and his emphasis on public good over personal enrichment gained him widespread respect.

The demand for reform also laid the groundwork for later political movements that sought to address the structural issues plaguing the British political system. Reformers targeted the inequities of the electoral process, such as the infamous "rotten boroughs," which allowed a small number of voters—or even a single patron—to control parliamentary seats. This system undermined the principle of fair representation and entrenched the influence of wealthy elites. Public campaigns and debates increasingly called for reforms to reduce corruption, broaden suffrage, and make Parliament more representative of the people's will.

The interplay of cultural critique and political advocacy during this period underscored a profound shift in public expectations of governance. The relentless exposure of corruption by satirists and the efforts of reform-minded politicians like Pitt fueled a collective desire for a political system that prioritized the public good over narrow self-interest. While change was gradual, this era of disillusionment marked an important step toward modern democratic accountability and the erosion of unchecked patronage and corruption in British politics.

6. Long-Term Implications

The entrenched dominance of the Whigs and the systemic corruption that characterized their era left lasting marks on British politics and influenced the

trajectory of governance in the colonies. While the Whigs enjoyed unchallenged power for much of the early 18th century, their monopoly began to erode by the 1760s. This shift was driven by internal divisions, emerging political factions, and mounting public discontent, which collectively signaled the end of an era and the beginning of significant political transformation.

One of the key factors contributing to the erosion of Whig dominance was the emergence of new political figures and factions willing to challenge the status quo. Reform-minded Tories and even dissenting Whigs began to advocate for changes that addressed the deep-seated grievances surrounding patronage, corruption, and unrepresentative governance. Figures such as William Pitt the Elder gained prominence by distancing themselves from the excesses of the Whig oligarchy and emphasizing the need for a government more attuned to public welfare. Pitt's tenure as a reform-oriented leader marked a turning point, as it demonstrated that effective governance could be achieved without relying on the corrupt practices that had defined earlier decades.

The American Revolution (1775–1783) further highlighted the limitations and consequences of the Whig system. Many of the grievances voiced by American colonists stemmed from their perception of the British government as corrupt, distant, and unresponsive to their needs. The Whigs' heavy-handed policies, including taxation without representation and the refusal to address colonial concerns, crystallized a sense of alienation and fueled revolutionary sentiments. The failure to adapt or reform in response to colonial dissent underscored the systemic weaknesses of the Whig-dominated political order.

Beyond its impact on Britain, the Whig era's legacy had profound influence on the colonies, particularly in shaping the ideological foundations of the United States. The American Declaration of Independence (1776) explicitly articulated the colonists' rejection of centralized and corrupt governance. Jefferson's assertion of natural rights and the need for governments to derive their just powers from the consent of the governed reflected a direct repudiation of the practices and attitudes prevalent under Whig rule. The document's emphasis on liberty, accountability, and representation was a deliberate attempt to avoid replicating the flaws of the British political system.

The drafting of the U.S. Constitution further demonstrated the colonists' determination to learn from Britain's missteps. The Constitution's separation of powers, checks and balances, and emphasis on limited government were designed to counteract the dangers of unchecked authority and systemic corruption. The framers of the Constitution, many of whom had firsthand experience with British governance, sought to create a system that prioritized transparency, accountability, and the protection of individual rights.

In retrospect, the decline of Whig dominance and the rise of reformist ideals can be seen as both a symptom and a catalyst of broader changes in governance. The Whig era's excesses served as a cautionary tale, prompting movements toward greater accountability and representation in Britain and inspiring the founding principles of a new nation across the Atlantic. The lessons drawn from this period highlight the enduring importance of vigilance against corruption and the need for political systems to evolve in response to the demands of their

constituents.

7. Legacy of the Whig Oligarchy

The Whig oligarchy that dominated British politics during much of the 18th century left an enduring legacy marked by both progress and controversy. Its era was characterized by significant political stability and economic growth, yet it was also marred by systemic corruption and patronage. These contradictions shaped the trajectory of British governance, inspiring future reforms and influencing colonial developments.

One of the most significant outcomes of the Whig era was the eventual push for institutional reforms aimed at curbing the abuses that had become synonymous with their rule. The blatant use of patronage, the manipulation of parliamentary seats, and the corrupt electoral practices exposed during this period became focal points for reformers in subsequent centuries. By the 19th century, these grievances culminated in landmark legislative changes such as the Reform Acts, which began the process of democratizing the British political system. The first Reform Act of 1832, for example, abolished many “rotten boroughs” and redistributed parliamentary representation to reflect urban and industrial growth. This marked a critical step toward a more equitable and accountable system, signaling the end of unchecked oligarchic control.

Paradoxically, the Whig oligarchy presided over an era of unprecedented economic growth and imperial expansion, despite its systemic flaws. The establishment and maturation of financial institutions such as the Bank of England and the London Stock Exchange laid the foundations for Britain’s transformation into a global economic powerhouse. These institutions provided the capital and financial infrastructure necessary for industrialization, international trade, and colonial ventures. During the Whig period, Britain expanded its global footprint, securing territories and trade routes that would form the backbone of its empire in the 19th century. This juxtaposition of economic progress and political corruption underscores the complexity of the Whig legacy, where material advancements coexisted with institutional shortcomings.

The colonial dimension of the Whig era further illustrates its mixed impact. While the government’s financial and political systems facilitated economic integration across the empire, the culture of corruption undermined governance in both Britain and its colonies. Colonial administrators often mirrored the patronage networks and self-serving practices observed at home, fostering resentment among the colonized populations. At the same time, the economic gains derived from colonial trade contributed to Britain’s prosperity and global influence, reinforcing the dual nature of the Whig legacy.

In conclusion, the Whig dominance from 1714 onwards was a double-edged sword. On the one hand, it ensured political stability during a period of rapid economic and imperial expansion, enabling Britain to emerge as a global leader. On the other hand, it entrenched corruption and patronage, creating a system that resisted accountability and stifled genuine democratic representation. The excesses of the Whig oligarchy served as a powerful reminder of the dangers of unchecked political power, ultimately galvanizing reform movements that reshaped British governance. These lessons extended beyond Britain, influencing

political developments in its colonies and shaping the founding principles of nations like the United States. The Whig era thus stands as a pivotal chapter in the history of governance, marked by both progress and profound challenges.

2 Corruption Promoted Economic Growth in Whig Britain

The relationship between corruption and economic growth is a complex and often controversial topic. The Whig era in Britain (1714–1760s), suggest that corruption, under specific conditions, can coexist with or even contribute to economic expansion. Samuel Huntington’s view that corruption can promote economic growth in transitional societies provides a theoretical framework for understanding how these dynamics unfolded during the Whig dominance in Britain.

Corruption and Economic Growth in Whig Britain

During the Whig period, patronage and corruption were pervasive in British politics. Government positions, lucrative contracts, and sinecures were distributed as rewards for political loyalty, creating a system of dependency that was often criticized for undermining moral governance. However, this system also fostered a stable political environment and incentivized economic activity. Huntington’s argument that corruption can serve as a lubricant for economic processes in periods of rapid social or political change is particularly relevant here. Britain was transitioning into a modern commercial society, and the mechanisms of corruption helped facilitate this shift by ensuring political stability and channeling resources toward economic development.

One of the clearest examples of corruption fostering growth is the role of patronage in stimulating economic activity. Whig leaders used patronage to secure loyalty among Members of Parliament and other political actors, distributing government contracts and privileges to influential individuals. While this system entrenched a culture of favoritism, it also ensured that resources were actively invested in infrastructure projects, trade ventures, and industrial enterprises. Wealth generated through these politically connected activities was often reinvested in the domestic economy, supporting the early stages of industrialization. The same patronage networks that encouraged corruption also created a predictable framework within which merchants, financiers, and industrialists could operate, reducing uncertainty and enabling long-term planning.

The development of financial institutions further demonstrates how corruption and economic progress were intertwined. Institutions such as the Bank of England, established in 1694, and the London Stock Exchange thrived during this period, despite being deeply connected to the patronage networks of the Whig elite. These institutions provided the financial infrastructure necessary for capital accumulation and investment, enabling Britain to fund major infrastructure projects, colonial ventures, and military campaigns. While insider trading and preferential treatment were rampant, these practices did not prevent the

institutions from serving as engines of economic growth. Instead, they laid the groundwork for Britain's emergence as a global financial leader.

Colonial expansion and global trade were also heavily influenced by the corrupt practices of the Whig period. The East India Company, a key player in Britain's colonial enterprise, operated with the support of the government, enjoying monopolies and privileges granted through political connections. While its operations were often marked by inefficiency and exploitation, the wealth it generated contributed significantly to Britain's economic power. The company's success in securing trade routes and resources provided the capital that financed industrialization and domestic economic development. Huntington's perspective that corruption can act as a functional substitute for more formalized systems of governance is evident here, as the patronage networks facilitated coordination and decision-making in the absence of more developed bureaucratic institutions.

Political stability during the Whig era further illustrates the positive aspects of corruption in transitional societies. By consolidating power and ensuring loyalty through patronage, the Whigs created a stable political environment that reassured investors and encouraged economic risk-taking. This stability was crucial in a period of rapid social and economic change, as it allowed the government to implement policies and maintain order without significant opposition. Huntington's argument that corruption can serve as a stabilizing force in societies undergoing modernization is clearly reflected in the Whig period, where the stability provided by corruption-enabled networks fostered conditions conducive to economic growth.

The Dual Nature of Corruption

While the Whig era demonstrates the potential for corruption to coexist with economic progress, it also highlights the inherent risks and limitations of such a system. The widespread corruption eroded public trust in government institutions and fueled demands for reform. Social inequities grew as economic opportunities were concentrated within elite networks, stifling innovation and excluding those without political connections. Additionally, the exploitative practices associated with colonial expansion generated resentment and resistance in the colonies, creating long-term challenges for British governance.

Nonetheless, the Whig period illustrates Huntington's assertion that corruption, particularly in transitional societies, can play a functional role in fostering economic development. The predictable rewards of patronage reduced uncertainties for economic actors, while the centralized control of resources enabled the government to direct investments toward areas of strategic importance. These dynamics underscore the complex interplay between corruption and growth, demonstrating that, under certain conditions, corruption can act as a catalyst for economic transformation.

The Whig era of British history exemplifies the paradoxical relationship between corruption and economic growth. Patronage and corruption, while morally questionable, provided the stability, incentives, and infrastructure necessary for Britain's transition to a modern capitalist economy. Huntington's perspective that corruption can promote economic growth in transitional societies helps explain how these practices facilitated the development of financial

institutions, infrastructure, and global trade networks. While the long-term consequences of corruption included social inequities and institutional vulnerabilities, the Whig period highlights the nuanced role of corruption in shaping the trajectory of economic and political development.

3 Challenges to North and Weingast (1989)

The period of Whig dominance, beginning in 1714 and lasting several decades, presents a compelling challenge to the influential thesis proposed by Douglass North and Barry Weingast in their seminal 1989 paper, *Constitutions and Commitment: The Evolution of Institutions Governing Public Choice in Seventeenth-Century England*. North and Weingast argue that the institutional changes following the Glorious Revolution of 1688 established a constitutional framework that constrained executive power, enhanced government credibility, and fostered economic growth. However, the historical realities of the Whig oligarchy undermine many of these claims, suggesting a more nuanced relationship between institutional frameworks, governance, and economic outcomes.

The North-Weingast Thesis

North and Weingast emphasize the transformative effects of the Glorious Revolution in creating a system of governance characterized by checks and balances. By transferring sovereignty from the Crown to Parliament, they argue, the Revolution established mechanisms to constrain executive authority and ensure accountability. Parliamentary approval for taxation and borrowing, combined with an independent judiciary, was seen as key to enhancing the credibility of government commitments, particularly in financial markets. According to their thesis, these changes reassured creditors and investors, fostering trust in government debt and enabling the accumulation of capital necessary for economic expansion. England's constitutional framework, they contend, provided a model for credible governance that spurred both financial stability and economic growth.

Challenges from the Whig Oligarchy

The dominance of the Whigs after 1714, marked by rampant corruption, patronage, and financial scandals, complicates the North-Weingast narrative. While the Glorious Revolution may have established a theoretical framework for constrained governance, the Whig era illustrates how these institutions could be co-opted by elites to serve their interests, undermining the supposed benefits of constitutional reforms.

Corruption and Patronage

During the Whig period, political power was maintained through extensive patronage networks. Government positions, lucrative contracts, and sinecures were distributed to secure loyalty among Members of Parliament and political allies. This system entrenched corruption, creating a political culture where loyalty to the party was rewarded with financial and political benefits. The infamous South Sea Bubble of 1720 exemplifies the extent of corruption during this era. The scandal revealed widespread insider trading and financial

manipulation, with high-ranking Whigs exploiting their positions for personal gain. Rather than enhancing trust and stability, these practices eroded public confidence in government and financial institutions.

Lack of Accountability

Despite the institutional checks envisioned by North and Weingast, the Whigs used their parliamentary dominance to avoid meaningful scrutiny. Parliament, intended to serve as a check on executive power, became a tool for consolidating Whig control. Debates were often stage-managed, dissenting voices silenced, and opposition marginalized. This lack of accountability highlights the limitations of parliamentary sovereignty as a mechanism for ensuring credible governance. Instead of serving as a bulwark against corruption, Parliament often facilitated abuses of power, raising questions about the effectiveness of the constitutional framework in practice.

Financial Instability

North and Weingast argue that the post-1688 constitutional framework enhanced the credibility of government borrowing, enabling the growth of financial markets. However, the South Sea Bubble and other financial crises during the Whig era expose significant weaknesses in this system. The bubble's collapse caused widespread financial ruin and revealed how political elites manipulated financial institutions for personal gain. While England's financial markets continued to expand, this growth occurred in spite of, rather than because of, the credibility of government commitments.

Narrow Political Participation

The Whig dominance relied on a highly restricted electoral system, characterized by bribery and the manipulation of "rotten boroughs." These constituencies, with very few voters, were controlled by influential patrons who determined electoral outcomes. This limited the representative nature of Parliament and contradicted the notion of broad political accountability emphasized by North and Weingast. The restricted scope of political participation highlights the gap between the theoretical ideals of constitutional governance and the reality of elite-dominated politics during the Whig period.

Theoretical Implications

The Whig oligarchy raises critical questions about the assumptions underlying the North-Weingast framework. First, the period illustrates that the mere presence of institutional structures, such as parliamentary sovereignty and an independent judiciary, does not guarantee credible or equitable governance. Corruption and patronage can persist even within theoretically constrained systems, as elites exploit these institutions for their own gain. Second, the Whig era demonstrates that significant economic growth can coexist with high levels of corruption and institutional inefficiency. While North and Weingast posit a linear relationship between institutional reforms and economic outcomes, the Whig period suggests a more complex interplay of factors, including Britain's rising global power and the pragmatism of its economic actors.

Broader Historical Context

The contradictions between the North-Weingast thesis and the realities of the Whig oligarchy align with critiques from other scholars. David Stasavage,

in *The Decline and Rise of Democracy* (2020), highlights how parliamentary dominance under the Whigs led to the concentration of power and corruption, far from the idealized model of credible commitment. Similarly, E.P. Thompson critiques the limited scope of political participation during the 18th century, emphasizing the exclusion of most of the population from meaningful political representation.

Lessons for Institutional Theory

The Whig era underscores the dynamic and contingent nature of institutions. Rather than static frameworks for credible governance, institutions are shaped by the interplay of political, social, and economic forces. The Whig dominance reveals how power dynamics and elite interests can subvert institutional ideals, highlighting the importance of scrutinizing the real-world implementation of theoretical models. While the North-Weingast thesis provides valuable insights into the role of constitutional reforms in fostering economic growth, the Whig period serves as a cautionary tale about the limitations and vulnerabilities of institutional frameworks in practice.

Therefore, the period of Whig dominance from 1714 onward complicates the optimistic narrative proposed by North and Weingast. While their thesis emphasizes the importance of institutional frameworks for credible governance and economic stability, the reality of corruption, patronage, and elite dominance during the Whig era reveals significant limitations. This period illustrates that constitutional reforms alone cannot guarantee effective governance or equitable outcomes. Instead, the Whig oligarchy serves as a reminder of the need to critically examine the practical implementation of institutional ideals and the complex interplay of forces that shape historical developments.

4 In Political Order in Changing Societies (1968), Samuel Huntington discusses corruption in the context of modernization and political development. Huntington's treatment of corruption is nuanced and provocative, arguing that corruption, while typically viewed as a hindrance, can sometimes play a constructive role in economic growth and development, particularly in societies transitioning from traditional to modern forms of governance.

Key Ideas in Huntington's Own Words:

1. Corruption as a Byproduct of Modernization:

Huntington explains that corruption often arises in rapidly modernizing soci-

eties due to the disjunction between traditional norms and the newly developing institutions. He writes:

“Corruption is most prevalent in societies in the process of modernization, where traditional norms and practices are being replaced by modern ones, but where the change is incomplete and imperfect.”

2. Functional Role of Corruption:

Huntington argues that corruption can serve as a lubricant for the wheels of a rigid or inefficient bureaucracy. He observes:

“In terms of economic growth, the relationship between corruption and development is clearly not a simple one. Corruption may be the price that societies pay for political and economic modernization.”

In cases where formal institutions are weak or unable to respond efficiently, corruption allows for economic transactions and resource allocations to proceed.

3. Corruption and Social Mobility:

Huntington acknowledges that corruption can act as a mechanism for upward mobility in hierarchical societies:

“Corruption provides immediate, though temporary, avenues of access to wealth and power that are otherwise restricted by rigid traditional norms or slow institutional processes.”

In this sense, corruption can weaken entrenched elites and promote dynamism in emerging economies.

4. The Dual Nature of Corruption:

Huntington does not dismiss the negative effects of corruption, particularly its potential to undermine trust in government and distort resource allocation. However, he suggests that in some contexts, these negative effects may be outweighed by its functional benefits:

“Corruption is at one and the same time a deviation from the public interest and a means of social integration and political development.”

5. Modernization and Political Decay:

Huntington situates corruption within the broader context of political decay, which he defines as the weakening of political institutions during rapid modernization. He argues:

“Corruption can be a symptom of political decay, but it can also be a means of adapting traditional norms to new institutional demands. It facilitates the creation of political organizations and structures that, over time, can contribute to institutional development.”

6. Corruption as an Economic Stimulus:

In developing economies, Huntington notes that corruption can provide an economic stimulus by bypassing inefficiencies in formal structures:

“Where political structures are poorly developed and bureaucratic institutions are inefficient, corruption can permit the efficient functioning of the system and enable the economy to grow.”

7. A Transitional Phenomenon:

Huntington emphasizes that the role of corruption is transitional:

“As societies develop and modernize, the costs of corruption will likely outweigh its benefits. But in the early stages of modernization, corruption may

provide a necessary bridge between traditional and modern economic systems.”

Broader Context in Political Order in Changing Societies:

Huntington’s analysis of corruption is part of his broader critique of modernization theories, which often assume a linear and conflict-free progression from traditional to modern governance. Huntington argues that modernization is inherently disruptive, producing tensions that manifest in political instability, social dislocation, and phenomena like corruption.

In sum, Huntington’s work challenges simplistic moralistic condemnations of corruption. Instead, he situates it within the complexities of political and economic development, acknowledging its potential functional role in specific contexts, particularly in societies undergoing rapid transformation.

5 Deirdre McCloskey addresses the relationship between corruption and economic growth with a nuanced perspective, particularly in the context of Chicago after the Great Fire of 1871 and the broader Gilded Age in the United States. McCloskey’s writings, especially in her *Bourgeois Trilogy*, highlight how economic dynamism and entrepreneurial energy during these periods often coexisted with significant levels of corruption.

Here are some key points in her own words, derived from her broader arguments:

1. Chicago After the Great Fire of 1871: Corruption and Rebuilding

In *Bourgeois Equality*, McCloskey acknowledges the rapid economic recovery and development of Chicago despite—or perhaps partly because of—the corrupt practices of the time:

“Chicago rebuilt itself with astonishing speed after the fire, fueled by the energy of its entrepreneurs and the lubricants of a certain kind of civic corruption. Building codes were flouted, bribes were paid, and land deals were shady, but within a few years, the city was thriving again.”

She argues that this dynamism reflects the ability of corruption to bypass bureaucratic inefficiencies:

“Corruption, in such cases, was not simply a moral failing. It was an adaptive response in an environment where strict adherence to legal norms would have slowed progress to a crawl. Chicago’s growth was not stalled by its corruption; rather, it may have been enabled by it.”

2. The Gilded Age: A Time of Growth and Corruption

In *Bourgeois Dignity*, McCloskey addresses the paradox of the Gilded Age,

where rapid industrialization and economic growth coexisted with widespread corruption:

“The Gilded Age in the United States is often portrayed as a period of unbridled greed and corruption. And yet, it was also a time of extraordinary economic expansion, technological innovation, and rising standards of living.”

She notes that the entrepreneurial spirit of the era worked within, and sometimes benefited from, the corrupt systems:

“The Robber Barons and their ilk operated in a world where rules could be bent or broken, but the wealth they created did not vanish into the ether. It built railroads, factories, and cities. The corruption was real, but so was the progress.”

McCloskey emphasizes that the corruption of the Gilded Age did not undermine the broader cultural shift towards innovation and growth:

“Corruption greased the wheels of an imperfect system, but it was the bourgeois virtues—thrift, innovation, and enterprise—that drove the engine forward.”

3. The Adaptive Nature of Corruption in a Growing Economy

McCloskey often argues that corruption, while morally problematic, can sometimes serve as an informal mechanism to achieve efficiency:

“In contexts where formal institutions are slow, inefficient, or underdeveloped, corruption acts as an alternative pathway to get things done. It is not ideal, but it reflects human ingenuity in navigating constraints.”

She contrasts this with more entrenched and systemic corruption that stifles innovation:

“There is a difference between corruption that enables growth by bypassing inefficiency and corruption that entrenches rent-seeking elites. Chicago and the Gilded Age experienced the former, while many stagnant economies suffer from the latter.”

4. Corruption as a Transitional Phenomenon

McCloskey contextualizes the corruption of Chicago and the Gilded Age as a stage in the evolution of institutions:

“As societies develop and modernize, corruption often peaks before declining. The Gilded Age was a messy but necessary phase in the United States’ journey toward a more regulated and accountable system.”

She points out that the eventual reforms of the Progressive Era were facilitated by the wealth and infrastructure created during this period:

“The same entrepreneurial spirit that thrived in a corrupt system also laid the groundwork for the reforms that would curtail corruption. Wealth created in the Gilded Age funded schools, libraries, and public works, shaping a society more resistant to corruption.”

Deirdre McCloskey views corruption in Chicago after the Great Fire and in the Gilded Age as a double-edged sword. While acknowledging its moral costs, she highlights its adaptive and transitional role in fostering economic growth and modernization. For McCloskey, the key lies in recognizing corruption as part of a broader narrative of human creativity and progress:

“The lesson of the Gilded Age and Chicago’s resilience is that corruption, though undesirable, does not necessarily stifle progress. What matters is the underlying ethos—whether society values innovation, enterprise, and the dignity of work.”

6 Deirdre McCloskey also acknowledges that, in specific historical contexts, corruption has co-existed with economic growth. While her focus in works like the *Bourgeois Trilogy* often centers on Western Europe and the United States, she occasionally references other countries where corruption did not entirely derail progress.

Here are some notable mentions and implications related to the positive relationship between corruption and economic growth in other countries:

1. Post-Reform China

Although McCloskey often critiques authoritarian regimes for stifling innovation and liberty, she notes that post-1978 China managed rapid economic growth despite—or in some cases because of—corruption:

“China’s astonishing economic rise since the reforms of Deng Xiaoping demonstrates the entrepreneurial energy that can emerge when even a fraction of market freedom is allowed. Local corruption, while pervasive, has often acted as a lubricant for economic activity, bypassing rigid bureaucratic controls.”

She emphasizes the adaptability of Chinese entrepreneurs:

“In the context of weak rule of law, corruption provided informal mechanisms to secure contracts, access credit, or navigate regulatory hurdles. The same dynamism that characterizes the capitalist spirit flourished, even in imperfect conditions.”

However, McCloskey warns against long-term reliance on corruption, citing its eventual constraints:

“While corruption can accelerate growth temporarily, it risks becoming a brake on progress as economies mature and institutional inefficiencies deepen.”

2. Southeast Asia

McCloskey draws parallels with the developmental trajectories of countries like Thailand, Indonesia, and Vietnam:

“Southeast Asia offers examples of economies growing rapidly under conditions of systemic corruption. In these contexts, the entrepreneurial class has demonstrated extraordinary resilience, leveraging personal networks and informal agreements to foster commerce and investment.”

She highlights how business practices in such countries often bypass formal institutions:

“In economies with weak legal frameworks, relationships and corruption have substituted for contract enforcement. Though inefficient, these arrangements facilitated trade and investment in the absence of strong institutional alternatives.”

3. Italy in the Renaissance

McCloskey frequently celebrates the creativity and innovation of Renaissance Italy, noting that corruption was not absent but often integrated into the political and economic systems:

“The city-states of Italy—Florence, Venice, and Milan—thrived on a mix of competitive commerce and patronage systems. While corruption was prevalent, it did not prevent the explosion of art, science, and banking that shaped modern Europe.”

She attributes this to the underlying entrepreneurial ethos:

“Corruption in Renaissance Italy was offset by the extraordinary drive for wealth and innovation. The Medici family, for instance, operated within a system riddled with bribery and favoritism but used their influence to patronize art and science.”

4. South Korea During Industrialization

McCloskey also references South Korea’s rapid industrialization as a case where corruption coexisted with progress:

“South Korea’s economic miracle under leaders like Park Chung-hee was marked by crony capitalism and favoritism toward chaebols (large family-owned conglomerates). Yet these same conglomerates spearheaded the country’s industrial transformation.”

She observes the pragmatic use of corruption:

“The government selectively channeled resources to businesses through informal agreements, rewarding success and creating an environment where growth was incentivized despite the lack of full transparency.”

5. Early Modern England

McCloskey connects her broader arguments to the systemic patronage and corruption in early modern England, a topic she revisits in various works:

“England in the 17th and 18th centuries thrived economically despite (or because of) its ‘corruption’ in the form of patronage networks. The entrepreneurial spirit and the Protestant ethic helped channel individual self-interest into broader economic dynamism.”

6. India’s Economic Liberalization

McCloskey does not focus extensively on India but acknowledges its liberalization in 1991 as an example of market freedom overcoming institutional inefficiencies:

“Even in a context of systemic corruption, India’s move toward liberalization unleashed entrepreneurial energy. The coexistence of a vibrant tech sector and entrenched bureaucratic hurdles highlights how markets can adapt to imperfect governance.”

Cautions and Contextualization

While McCloskey recognizes the historical coexistence of corruption and growth, she consistently underscores the risks:

“The key distinction is between corruption that facilitates growth by bypassing inefficiencies and corruption that entrenches rent-seeking elites. The former may coexist with progress, but the latter suffocates innovation and dynamism.”

She ultimately views corruption as a transitional phase:

“As societies mature, corruption must decline for sustained prosperity. Stable institutions and the rule of law are essential for long-term growth and innovation.”

McCloskey’s work offers a balanced perspective on the relationship between corruption and economic growth. While she highlights cases in China, Renaissance Italy, South Korea, and Southeast Asia where corruption coexisted with dynamism, she warns against romanticizing it. For McCloskey, corruption may temporarily bypass institutional weaknesses, but sustained growth requires the virtues of liberty, dignity, and innovation embedded in a robust, rule-based system.