

Entry Barriers and Innovation in the Market for Governance

Patri Friedman* and Brad Taylor†

July 2011

Abstract: A number of theorists have recently argued that Tiebout competition can act as a discovery mechanism and produce institutional innovation. We extend these arguments by considering the extent to which barriers to entering the governance market limit innovation. If competition among governments is to produce new and better ways of governing, many diverse governance ideas need to be tested, and we argue that existing polities will generally be less willing and able to experiment with new institutions than newly-formed and relatively young jurisdictions. Organizational inertia and a rational desire to avoid the high cost of failed reform mean that most radical institutional innovation will come from new entrants in the governance market rather than the reform of incumbents. We provide evidence from American history, showing that the emergence of near-universal adult suffrage – the removal of economic, racial, and gender qualifications on the franchise – was driven by the formation of new polities rather than the reform of existing ones.

JEL Codes: B52, D70, H00, H77, L10, O31

Keywords: Tiebout competition, innovation, barriers to entry, institutional innovation, American institutional development, democracy

1. Introduction

Political economists have long recognized that competition among governments for mobile residents can constrain rulers and lead to better policy outcomes.¹ Following Tiebout (1956), most have taken a static, equilibrium approach to understanding the competitive process. Competition among a fixed population of governments leads to efficiency by reducing the scope for slack in the political system, constraining the power to tax, and generally making unpopular policies costly (G. Brennan & Buchanan, 1980; Oates & Schwab, 1988; S. Sinn, 1992).² While the disciplinary power of a decentralized market for governance is no doubt important, constraint is not the only effect of competition. Recently, a number of studies have argued that Tiebout competition has the potential to produce innovation in government (Feld, 2007; Frey & Eichenberger, 1999; Kerber, 2008; Kerber & Heine, 2003; Kerber & Vanberg, 1995; MacCallum, 1970; Stansel, 2010; Vanberg & Kerber, 1994; Vihanto, 1992; Welter, 1995; Wohlgemuth, 2008).

Drawing on Schumpeter (1934, 1942), these theorists argue that competition gives institutional entrepreneurs the incentive to formulate new governance ideas; drawing on Hayek (1948), they argue that competition is a discovery mechanism which allows us to sort good ideas from bad. If governments seek to attract migrants, one means of doing so will be to implement new and better rules. Designing good rules is not easy, however, and no new policy can be known with certainty to be desirable ahead of time. The implementation of new rules with the aim of attracting migrants must be a conjecture, and competition must act as a discovery mechanism which sorts good rules from bad. As the value of institutional conjectures is revealed by competition, other jurisdictions will emulate the best, and over time this will produce increasingly better institutions as judged by individual preference.

We follow this body of work in arguing that competition has dynamic effects, but argue that an important aspect of the competitive process has been largely neglected: entrepreneurial entry. Institutional innovation requires both the generation of novel institutions and *ex post* competition for mobile residents.

* The Seasteading Institute. patri@seasteading.org

† The Seasteading Institute; Department of Political Science and International Relations, Australian National University. brad.taylor@anu.edu.au

¹ Vaubel (2008) reviews the history of thought on institutional competition.

² Others have argued that Tiebout competition produces various market failures and prevents desirable redistribution (H. W. Sinn, 1990, 2003).

A large but fixed population of competing jurisdictions allows for the sorting of good ideas from bad, but we argue that the introduction of novelty will generally be low without the formation of new jurisdictions. Established polities will be relatively unwilling and unable to make radical institutional conjectures and relatively resistant to the adoption of institutions or policies which have proved effective at attracting residents elsewhere. A certain degree of institutional inertia is desirable within existing jurisdictions, but it presents a serious barrier to institutional innovation. In political environments with high rates of polity-formation, we argue, decentralized experimentation is much more desirable and feasible.

Wohlgemuth (1999, 2008) rightly recognizes that the cost of making institutional conjectures limits innovation. Wohlgemuth conceptualizes this as barriers to entry: the barriers to testing new governance ideas are lower in decentralized, competitive systems. We here make a stronger claim. While it is ultimately the barriers to experimentation which we are interested in, barriers to entry in the more conventional economic sense – i.e. the excess costs borne by new *producers* wishing to enter the market (Stigler, 1968, p. 63) – are an important determinant of the barriers to introducing new ideas. By “entry” we are not meaning the introduction of new rules to existing polities (i.e. reform), but the formation of new polities.

In section two we argue that institutional experimentation is less likely and less desirable in established jurisdictions and that regular state formation would encourage innovation. In section three we provide historical evidence by showing that extensions of the franchise to non-property owners, blacks, and women in America resulted from experimentation in newly-formed or relatively young frontier states. Section four concludes.

2. Barriers to entry and the generation of novelty

Standard microeconomic analysis does not see barriers to entry as independently important given sufficiently many existing competitors: it makes no difference whether a jurisdiction is old or new, it will have the incentive to act competitively and to innovate in a competitive market. Existing dynamic analyses of competitive government seem to extend this approach to innovation by assuming that variety at the level of rules can be produced within a large fixed population of competing governments. However, like firms (R. R. Nelson, 1991), polities differ, and these differences affect their reaction to competitive pressures. We argue here that the age of a polity is a crucial factor in determining the implementation of new governance ideas. There are life-cycle effects in any organization which alter its behavior. Some of these effects reduce the level of innovation in large and old organizations, while others shape the type of innovation. In both cases, the introduction of new organizations will increase the number of novel ideas introduced into an industry.

In ordinary markets, there has been an increasing recognition among economists and interdisciplinary organizational scholars of the importance of barriers to entry. Large established firms, it is argued, are less able than new firms to reorient their strategic direction, remake their organizational structure, or come up with radical innovations. These problems can be broadly classified into a relative inability to engage in *product* innovation on the one hand and a relative inability to engage in *organizational* innovation on the other. These two forms of innovation are closely interrelated, and barriers to entry seem to be an important factor in both types of innovation at the industry level.

There are plausible theories which use standard microeconomics to argue that established firms will invest less in radical innovations than new entrants under conditions of uncertainty (Gilbert & Newbery, 1982; Henderson, 1993; Reinganum, 1983). Another strand of literature, and one which we think is more relevant to the issue at hand, argues that innovation in established firms is limited by organizational inertia. Firms establish decision-making routines in order to economize on decision costs (Cyert & March, 1963; R. R. Nelson & Winter, 1982). These routines are learned from prior experience and are thus well-suited to the environment the firm faced in the past. In stable environments, this allows the firm to operate efficiently, but in rapidly changing environments such routines can prevent desirable organizational change. Routines are maintained by the behavioral norms and values of the individuals who constitute the organization. Routines evolve slowly and cumulatively as the organization learns from past experience and cannot be changed easily (R. R. Nelson & Winter, 1982). As the firm matures and grows larger, inertial forces will become stronger (Hannan & Freeman, 1984, pp. 157-162). This inertia

can be exacerbated by “competency traps”: as an organization gains experience in using a particular routine, its competency with that routine will increase, and short-sighted learning from often-reliable feedback mechanism will lock in suboptimal routines (Levinthal & March, 1993; Levitt & March, 1988; March, 1981).

One effect of such routines is that established firms will be relatively unable to seize on the opportunities presented by a changing technological environment. Large established firms do seem to be able to produce “competency-enhancing” innovations (i.e. those which increase the value of a firm’s existing resources), but not “competency-destroying” innovations (i.e. those which decrease the value of a firm’s existing resources), which come primarily from new entrants (Christensen, 1997; Henderson & Clark, 1990; Hill & Rothaermel, 2003; Tushman & Anderson, 1986). The point here is not that new firms are more innovative than incumbents, but rather that new firms and incumbents innovate *differently*, responding to different incentives and behaving differently depending on the technological environment (Acs & Audretsch, 1987, 1990; Winter, 1984). Incumbents can often devote large R&D budgets to research on well-defined problems but will be less effective at producing breakthrough ideas which open new markets. This suggests that high barriers to entry will reduce product innovation at an industry level, and the empirical record seems to suggest that this is in fact the case: high rates of entry in an industry are correlated with innovation and increases in productive efficiency (Caves, 1998, pp. 1971-1975; Geroski, 1995, p. 431).³

There is reason to think the effect of entry on organizational innovation will be even stronger. The evolution of routines described above will also limit the ability of an organization to remake its formal organizational structure, and other factors add to this difficulty. Hannan and Freeman (1977, 1984, 1989) argue that most organizational change comes from the establishment of new organizations rather than the reorientation of existing ones. They argue that firms in modern economies face selection pressures to reliably and predictably produce goods of a certain quality, and must demonstrate accountability to investors and customers. To achieve the goals of reliability and accountability, routines will be highly standardized and rigid. As in the arguments with respect to product innovation described above, this will produce efficient performance in stable environments, but will not allow for much organizational innovation. Organizational change, they argue, happens primarily at the population level as new firms replace old. Others argue that the existing web of contractual relationships which constitute a firm increase the bargaining costs of organizational reform. Incomplete contracts prompt employees to expend resources attempting to influence firm decision-making processes in their favor. Since organizational reform will impose costs on some employees, they will attempt to block such reforms (Milgrom & Roberts, 1988, 1990; Milgrom, 1988). While some firms are able to successfully remake their organizational structure (Romanelli & Tushman, 1994), the empirical evidence suggests that younger firms are more likely to successfully undergo organizational change (Amburgey, Kelly, & Barnett, 1993; Delacroix & Swaminathan, 1991; Halliday, Powell, & Granfors, 1993; Miller & Chen, 1994).

It is important to note that the relative inability of established firms to engage in product and organizational innovation is not necessarily undesirable. Tightly-constrained routines enable firms to operate more efficiently in stable environments, and predictability and reliability are valuable. When we combine the inflexible efficiency and reliability of established firms with the high-risk dynamism of new firms within a single industry, the performance of the industry as a whole will be greater than if either type of organization were universal. Startups are a major contributor to innovation, and this makes barriers to entry an important factor in industry performance.

³ Some might argue with Schumpeter (1942) that barriers to entry will reduce the incentive to innovate by decreasing the rents available to successful innovators. This argument that entry reduces the benefit of innovation needs to be balanced against the counterargument that entry also reduces the cost of innovation. In ordinary markets, the empirical evidence seems to suggest that there is an inverted U-shaped relationship between innovation and competition at the firm level – that is, firms in moderately competitive industries are the most innovative. At the industry level, though, more competition seems to reliably produce more innovation (Gilbert, 2006). Even if there were a “sweet spot” between too much and too little entry as far as innovation is concerned, it seems certain that there is currently too little competition in the market for governance.

These arguments hold *a fortiori* to government. Barriers to product (i.e. policy) and organizational (i.e. constitutional) innovation are much higher in established governments than they are in established firms. Like other organizations, governments as producers of policy establish routines which can lead to inertia. In democracies, there are many such inertial forces which tend to make the implementation of bold ideas unlikely: tight agenda-control (Tullock, 1981), party platforms shifting to match the preferences of the median voter, and various institutional barriers which dampen and delay the influence of public opinion on public policy (Riker, 1982) all work to thwart the generation of novel governance experiments.

Further, the life-cycle dynamics of organizations described above mean that inertia will increase over time. This becomes particularly obvious when we consider the fact that policy-making and implementation is heavily influenced by the bureaucracy. Downs (1965, 1967) looks at the incentives facing bureaucrats and concludes that the establishment of routines which give rise to inertia is a rational response to pervasive knowledge problems and the difficulty of reforming large hierarchical organizations. Further, inertia will be greater in bureaucracies of larger size (since top-down control is more difficult) and greater age (since routines accumulate and bureaucrats will be more concerned with maintaining and expanding the bureaucracy).

Another reason that governments are likely to be more inert than other organizations comes from the influence of special interests. While Milgrom and Roberts (1988, 1990; Milgrom, 1988) show that ordinary organizations are not immune to rent-seeking, greater heterogeneity in the costs and benefits of organizing for collective action make it a particularly salient problem in government (Buchanan, Tollison, & Tullock, 1980; Krueger, 1974; Olson, 1965; Tullock, 1967). Olson (1982) argues that organizing for collective action is difficult and only happens under the right conditions, but that once formed, distributional coalitions are quite robust. This means that distributional coalitions will gradually proliferate in politically stable societies, producing market distortions and retarding economic growth.⁴

This dynamic will also have an effect on institutional innovation. While distributional coalitions may sometimes seek to have new policies enacted or constitutional arrangements changed, they will more often seek to block such changes. The distribution of groups with the power to influence government is in part a function of the current institutional regime, meaning that those benefitted by the regime will be those with more power. Each institutional constellation will tend to produce its own array of powerful interest groups with the incentive and ability to main the status quo. They will thus tend to work against institutional experimentation.⁵ Even absent this bias in favor of the status quo, a large number of entrenched distributional coalitions will tend to work against policy change. Sufficiently strong interest groups can become veto players, and a greater number of veto players will make policy change more costly (Tsebelis, 2002). Moreover, those changes which distributional coalitions do instigate will generally be inefficient redistributive efforts rather than Pareto or Kaldor-Hicks dominant innovations.

Both the establishment and ossification of routines and institutional sclerosis will tend to make the implementation of radical new policy ideas less likely over time, and their effect is likely to be even stronger on constitutional arrangements. As in other organizations, reforming the fundamental organizing principles of a polity will involve very high bargaining and decision costs, and constitutions are often protected from change by institutional features such as supermajority requirements. The power of entrenched interests is particularly important when it comes to decision-making rules, since those with the

⁴ The possibility of Tiebout exit will reduce the scope for rent-seeking even with no possibility of entrepreneurial entry, since transfers become more costly as the outside options of the exploited group increase. Rent-seeking will remain profitable unless the exit costs of the vast majority of the population are very low. Distributional coalitions exploit their smaller size and greater organizational capacity relative to the exploited public. As more mobile citizens leave, the disparities which allow for rent-seeking will reduce, but moderate switching costs for a large proportion of the public will leave large rents for the seeking.

⁵ Writing on technological innovation, Mokyr (1994) argues that technological regimes produce their own idiosyncratic array of interest groups. Powerful groups are powerful in part because of the technological status quo and will thus tend to favor policies which retard innovation.

power to make choices have this power by virtue of current arrangements.⁶ Moreover, even if constitutional reform is achieved, such reforms will normally be piecemeal rather than wholesale. Reformers need to live with the legacy of past systems, and starting from scratch is generally not an option.

Again, much of this inertia is desirable. The limits of human foresight make it impossible to know with certainty whether a proposed innovation will prove beneficial or harmful, and the magnitude of downside risks reduces the optimal level of innovation. Compared to innovation in ordinary markets, the downside risks of policy failure are enormous. The Soviet Union is a case in point. Communism seemed like a reasonable idea to many people, but it was tested in such a high-stakes environment that failure was catastrophic. Conservatives such as Oakeshott (1947, 1962) reasonably assert that we should prefer not to radically remake rules which have proved more-or-less acceptable in the past.

Further, an important feature of political and legal institutions is their predictability. Considering institutions as the rules of the game, play will not proceed smoothly unless all players can be reasonably confident that those rules will not change markedly in the near future. The rule of law ensures that individuals and firms can plan for the future, and the possibility of reform reduces the scope for planning (Scalia, 1989).⁷ Inertia is even more desirable in constitutional structure, since the entire constitutionalist paradigm is premised on the idea that politics must proceed according to relatively stable and predictable rules of the game (G. Brennan & Buchanan, 1985). The need for predictability in rules limits the extent to which we should want existing polities to experiment with policies and constitutions.

With the regular formation of new jurisdictions, however, the benefits of institutional stability could be combined with those of experimentation. If new polities are formed on a frontier, we have an opt-in experiment similar to entrepreneurial entry in an ordinary market. New rules are not imposed on an existing population, and the polity must attract settlers in part through the design of good rules. If institutional experiments on the frontier are unsuccessful, the damage will be limited by the lack of population. Jurisdictions which implement bad ideas will fail to attract migrants and the experiment will be abandoned; jurisdictions which implement good ideas will grow. Of course, frontier areas are seldom entirely unsettled before a polity is formed, but sparse settlement reduces risk relative to dense settlement.⁸

The founding of new jurisdictions on the frontier is not without risks, but these are normally much lower than reforming an existing jurisdiction and can be mitigated more easily. When reforming an existing jurisdiction, the costs and benefits of reform will be felt by all individuals within that jurisdiction from the beginning; when founding a new jurisdiction in open space, individuals accept the costs and benefits only by opting into the jurisdiction, and will be able to mitigate those risks through insurance and diversification. By reducing the risk of introducing new ideas and avoiding the inertia of established jurisdictions, low barriers to entry make institutional experimentation more desirable and more likely. We should thus expect to see newly-formed and relatively young polities making a disproportionate contribution to institutional innovation.

3. Evidence from the American Frontier

Anecdotal evidence that the formation of new states leads to political innovation abounds: the new states formed after the disintegration of the Soviet Union experimented with a number of radical policy ideas (Liuhto, 1996), most notably a flat tax (Baturo & J. Gray, 2009); and two of the most constitutionally innovative political cultures in history – early America and ancient Greece – saw high rates of state-formation. Competition without entry, such as we see in the Swiss federal system today (Feld, 2007; Feld

⁶ Congleton (2004) shows that the median voter is benefitted by current degree of suffrage and will not want it expanded absent exogenous change. We suggest this idea holds more generally with respect to rules for reaching political decisions.

⁷ Higgs (1997), for example, argues that the great depression was deepened and prolonged by a lack of confidence among investors about the security of property rights.

⁸ This argument applies to only some types of entry. Secession, for example, may reduce institutional inertia, but institutional experiments of this sort will remain very risky.

& Reulier, 2009; Feld & Kirchgässner, 2001), seems to constrain government and increase static efficiency, but it does not produce the stellar levels of political innovation we saw in Greece and America. The Swiss constitution of 1848 was very innovative in its federalism and use of direct democracy, but subsequent competition among the cantons has not produced any major breakthroughs in the art of governance.

Rigorous empirical testing of our proposition is difficult, however, since we have no good way of measuring institutional innovation.⁹ Looking closely at a single case in which competition seemed to have produced innovation allows us to trace the causal mechanisms at work and reach tentative conclusions about the importance of barriers to entry.¹⁰ We here look at the emergence of near-universal adult suffrage in the United States from 1776 to 1920.¹¹ We show that the major breakthroughs in this period came from newly-formed polities and relatively young polities adopted innovations sooner and more vigorously than long-established ones. We thus agree with Frederick Jackson Turner's (1906, 1920) contention that the western frontier was a democratizing force which forced change in the east.¹²

We look at the extension of the franchise because broad-based democracy is the most unique feature of the American political system which was not present in embryonic form in the early colonies. Colonial America was a very competitive and innovative political culture, and it saw the emergence of a novel form of constitutionalism later carried over to state and federal governments. The United States Constitution was a unique development which has since been copied widely (Billias, 1990, 2009; Blaustein, 1987; W. J. Brennan, 1991), and its design anticipates many findings of public choice theory (Ostrom, 1987). The framers of the constitution did not create these features *de novo*, but drew on the constitutional experiments in the colonies (Lutz, 1980, 1988, 1998). The key ideas of American constitutionalism seem to have emerged naturally from the established commercial and religious institutions upon which settlers relied.¹³

While the colonies had representative institutions, they were not democratic in the modern sense. English democrats saw democracy as property-owner democracy, and American settlers agreed. This was not entirely unreasonable. Citing Montesquieu and Blackstone, arguments against the extension of the franchise to the unlanded suggested that only freeholders had an enduring stake in the welfare of the community and the autonomy to make wise electoral choices. While this might seem a rather elitist justification for franchise restrictions, and indeed it was, it also had egalitarian elements. If the overly dependent were given the vote, they would simply vote as their masters dictated, thus giving undue

⁹ There has been some interesting empirical work on the "diffusion of innovations" among U.S. states (Berry, 1994; V. Gray, 1973; Mintrom, 1997; Walker, 1969). These studies, however, are concerned with the adoption of governance ideas which have already been developed elsewhere. An innovation is defined as "a program or policy which is new to the states adopting it, no matter how old the program may be or how many other states may have adopted it" (Walker, 1969, p. 881) and no attempt is made to assess the significance or desirability of various innovations. Walker shows that large, industrialized states – many of which are among the oldest in the Union – are more innovative in his sense. Our conception of innovativeness is different. We are concerned with the *generation* of new governance ideas rather than their diffusion and see the significance and desirability of these ideas as important.

¹⁰ We are here following the "analytic narratives" approach of Bates et al (1998). Rather than attempting to infer causation from correlation as in comparative and statistical methods, we look in depth at the process through which our dependent and independent variables are related in a single case and attempt to establish causation on this basis. The aim is to uncover causal mechanisms rather than establish causal relationships (Elster, 1989; Hedström & Swedberg, 1998).

¹¹ More specifically, we consider the emergence of suffrage institutions which did not discriminate on the basis of economic status, race, or gender. Other qualifications such as excluding criminals and immigrants are far from uncontroversial today, and we wish to consider the emergence of the modern conception of universal suffrage. We also ignore the exclusion of illiterates, the insane, and paupers. These tests were mostly used in later periods in order to disenfranchise already enfranchised groups.

¹² This section is informed generally by the histories of American suffrage by Keyssar (2000), Porter (1918), and Williamson (1960).

¹³ Commercial charters and religious covenants led to single-document written constitutions drafted at the formation of a polity and subsequently meant to limit the powers of government (Elazar, 1998; Lutz, 1980, 1988, 1998). The separation of powers was also present in the early colonies, with power being divided between Crown, proprietor or company, and settlers (Lutz, 1988). Judicial review was simply a continuation of early colonial corporate law with the replacement of English law with the constitution (Bilder, 2006; Black, 1987).

influence to a few individuals with many servants or tenants (Keyssar, 2000, pp. 9-12; Williamson, 1960, pp. 5-11). While there were also compelling arguments on the other side of the debate (Keyssar, 2000, pp. 12-15), it seems reasonable to conclude that white manhood suffrage, let alone universal adult suffrage, did not sound like an obviously good idea to colonial ears. Extending the franchise would need to be an institutional experiment in the sense described above, since its desirability could not be fully assessed ahead of time.

There was some variation across colonies as to the precise nature of property qualifications, but all were based on the idea that only the right sort of person should vote. Until the time of the revolution, seven of the thirteen colonies (Virginia, New Hampshire, Rhode Island, North Carolina, New Jersey, New York, and Georgia) had a land-owning qualification, five (Massachusetts, Maryland, Connecticut, Delaware, and Pennsylvania) allowed personal property to be counted towards minimum requirements, and one (South Carolina) gave the vote to taxpayers. Qualifications were sometimes based on the value of land and sometimes of raw acreage. The thresholds varied, and economic conditions in the various colonies meant that the same rule could enfranchise a drastically different proportion of the population across colonies. In all the colonies, however, the abundance of land and greater equality meant that a much higher proportion of white males were able to vote.

Table 1: Suffrage reform in the thirteen colonies, 1776-1787

	Founded	Suffrage reform
Virginia	1607	No significant reform
Massachusetts	1620	More restrictive qualifications introduced
New Hampshire	1623	Moderate: Freehold replaced with taxpayer qualification
Maryland	1634	Minor: Property requirement weakened but retained
Connecticut	1635	No significant reform
Rhode Island	1636	No significant reform
North Carolina	1653	Moderate: Freehold replaced with taxpayer qualification for lower house
South Carolina	1663	No significant reform
Delaware	1664	No significant reform
New Jersey	1664	Moderate: Freehold replaced with fifty pound value qualification.
New York	1664	Minor: Property requirement reduced for lower house (twenty pound freehold or forty shilling tenancy)
Pennsylvania	1682	Major: Property replaced with taxpayer qualification; poll tax meant almost universal white male suffrage
Georgia	1732	Major: Property replaced with 10 pounds value, taxpayer, or tradesman
Sources: Keyssar (2000), Porter (1918), Williamson (1960).		

While America was effectively much more democratic than England, no colony before the revolution had embraced democratic principles as we understand them today. The first major moves towards expanding the franchise began in the revolutionary period. This seems to have been due in part to competitive pressures and in part to the natural rights philosophy of the revolution with its “no taxation without

representation” slogan (Williamson, 1960, chap. 5). As table 1 shows, younger states were more likely to engage in radical reform.¹⁴

By the time the federal constitution was adopted in 1787, suffrage laws in the thirteen colonies had become more liberal, with around sixty or seventy percent of adult white males eligible to vote,¹⁵ but each retained either property or taxpayer qualifications.¹⁶ At the same time, though, new states were being formed and entering the union, and the vast majority would grant the vote to at least all white men.

The first of these was Vermont, which declared independence in 1777 and was admitted to the union in 1791. The constitutions of 1777 and 1793 granted suffrage to all men “of a quiet and peaceable behaviour” who were over twenty one years of age and had resided in the state for a year. Thus, this new entrant in the governance market did not have any economic or racial qualifications.¹⁷ The abandonment of economic qualifications would be quickly replicated by other states entering the union, with only Ohio, Louisiana and Mississippi implementing a taxpayer qualification. No new state would enter the union with a property qualification.¹⁸

The removal of economic qualifications to voting was driven significantly by the need to attract migrants (Engerman & Sokoloff, 2005, pp. 899-901; Keyssar, 2000, p. 38). With scarce labor and a very mobile working class (Ferrie, 2006; Keyssar, 2000, pp. 428-429), attracting migrants through any means available was important. Migrants seemed to value suffrage very highly. Western states generally saw higher voter turnout, and many letters of settlers in the west to their families in the east refer to their right to vote (Engerman & Sokoloff, 2005, p. 900). While the need to attract migrants was more often cited in the extension of the franchise to aliens and the general relaxation of residency requirements (Keyssar, 2000, pp. 38-39), it also seems to have played some role in debates about removing property and taxpayer qualifications (Williamson, 1960, p. 131).

The original thirteen colonies did not give up economic qualifications on suffrage easily, and there were drawn out political battles. Advocates of universal suffrage in the established eastern states were at least as numerous and enthusiastic as those on the western frontier, but generally fought longer and harder for the removal of economic qualifications and were less successful (Williamson, 1960, chap. 8-11). Nevertheless, the original thirteen colonies were slowly forced to liberalize electoral laws. The last to abandon property qualifications were Rhode Island (1842), Virginia (1850), and North Carolina (1856). Pennsylvania and Rhode Island retained tax qualifications into the twentieth century. While America as a whole was politically very innovative, there was a widespread distaste for political innovation, and particularly constitutional innovation, within established states and colonies. Constitutional and legal innovation was seen as excessively risky, reducing the predictability of law, and allowing for state encroachment on basic liberties (Reid, 1986, pp. 156-158). Even when changes were widely desired, special interests or vocal minorities would often go to great lengths to maintain the status quo. For example, John Adams and other prominent New Englanders fought against the removal of a property

¹⁴ The eyeball test is suggestive but not entirely convincing. An ordered logistic regression of the degree of reform (with ascending categories for reversal, no reform, minor reform, moderate reform, and major reform) against age as of 1776 produces a coefficient of -0.059, meaning that for every 17 years of age the state is likely to slip down one reform category. This result is significant at $p=.05$ and remains so if we add dummy variables for slave states as of 1812 and for southern states.

¹⁵ Estimates of the size of the American electorate vary quite widely, but it safe to say that a much higher proportion of white American men had the vote than their counterparts in Europe and the other colonies, and that the franchise expanded in the revolutionary period (Keyssar, 2000, p. 42; Williamson, 1960, pp. 111-112).

¹⁶ New Hampshire (in 1792) and Georgia (1798) were the first of the thirteen colonies to abandon economic qualifications.

¹⁷ Vermont is an interesting case for a number of reasons. At the time of independence it had no established government, and those drafting its constitution were selected directly by popular vote in towns rather than by a pre-existing legislature. This removed the problems of organizational inertia discussed above and allowed for an innovative constitution, which not only implemented manhood suffrage but also abolished slavery (Keyssar, 2000, pp. 17-18).

¹⁸ Economic qualifications were later used by southern states in an effort to disenfranchise blacks following the fifteenth amendment. The exclusion of “paupers” also remained common.

requirement for suffrage, their arguments being based in part on the idea that institutional experimentation was not worth the risk (Breen, 1967).

While Vermont's rejection of economic qualifications set the pattern for the emergence of white manhood suffrage, its rejection of racial qualifications was not so influential. Kentucky entered the union in 1792 with suffrage requirements identical to Vermont's, but disenfranchised "negroes, mulattoes, and Indians" in 1799. Maine seceded from Massachusetts in 1820 and gave the vote to blacks but excluded "Indians not taxed." All other states entering the union before the ratification of the fifteenth amendment in 1870 had racial qualifications which prevented blacks, and normally all nonwhites, from voting.

Economic qualifications tended to exclude nonwhites and women by default, and specific provisions were thus largely redundant. With the extension of the franchise to the relatively poor, the specification that only white males could vote became increasingly common. In 1790, only three of the thirteen states in the union excluded nonwhites, though the property or taxpayer qualifications of those states had the effect of disenfranchising them anyway.

At the beginning of the civil war, only two states, Vermont and Maine, allowed blacks to vote on the same basis as whites. Three other New England states (Massachusetts, New Hampshire, and Rhode Island) gave blacks the same de jure voting rights as whites but maintained economic qualifications which excluded most blacks, New York retained a property qualification only for blacks, and the remaining states barred blacks from voting outright. The civil war prompted many calls for universal suffrage in the north, and the issue was taken to referendum in many northern states. In most cases, however, black suffrage was overwhelmingly rejected by voters. Only Iowa and Minnesota (both in 1868) adopted manhood suffrage before the ratification of the fifteenth amendment.

Four states adopted manhood suffrage without a requirement by the federal government, and did so at formation or soon after. Their innovations were not widely copied, however, and it was federal interventions which ultimately gave most blacks the right to vote. The debate over black suffrage was much more ideological and less practical than the debates over removing economic qualifications, and the need to attract migrants was not a pressing concern. On the contrary, many northerners feared that extending the franchise to blacks would unleash a wave of undesirable black migration.

Like the extension of the vote to the unlanded and nonwhite, granting women the vote went against long-held assumptions. In addition to the idea that women were better suited to domestic than public life, arguments against women's suffrage were similar to those used to maintain economic barriers to the franchise: women were economically dependent on men and thus lacked the independence and will to make electoral choices (Keyssar, 2000, p. 174). Suffragettes had to fight hard to give women the vote, and they eventually succeeded first in the newly-formed western states.

Women who owned property were often allowed to vote in the colonial era, but new states entering the union without economic qualifications generally excluded women explicitly, and reforming states would often disenfranchise women as they removed economic qualifications. Beginning with Kentucky in 1838, women were with certain qualifications allowed to vote on certain issues such as education, and the younger western states tended to lead this movement towards tightly-limited female enfranchisement. Full female suffrage came first in 1869 in the newly-organized territory of Wyoming. Fourteen other states followed in extending the franchise to women prior to the nineteenth amendment in 1920. Of these states, all but New York and Michigan had entered the union in 1850 or later. Indeed, of the 18 states entering the union at that time, all but five entered with full female suffrage (see table 2).

The enfranchisement of women seems to have been driven in part by the need to attract migrants. Labor in frontier states was scarce, as were marriageable women. In 1870, there were six men for every woman in Wyoming.¹⁹ An article in the *Cheyenne Leader* said after the passing of the bill that "We now expect at

¹⁹ This not only made levelling the gender ratio desirable for unmarried men in the state, but also limited the effect that enfranchising women would have on the composition of the electorate (Larson, 1990, p. 80).

once quite an immigration of ladies to Wyoming” (quoted in Larson, 1990, p. 80).²⁰ Many saw women’s suffrage as a cheap means of advertising for migrants. At least one legislator gave this as his reason for supporting the bill, and the *Cheyenne Leader* called it “nothing more or less than a shrewd advertising dodge” (quoted in Larson, 1990, p. 80).²¹ On this understanding, women’s suffrage, and less discriminatory policies more generally, may also have attracted families rather than simply single women, since wives surely have some say over the locational decisions of households, and innovative policies were a way of bringing notoriety to the territory.

Table 2: Extensions of the franchise in American states, 1777-1920

	Founded/ organized	Statehood	White manhood suffrage	Black suffrage	Female Suffrage
Virginia	1607	1788	1850 ^a		
Massachusetts	1620	1788	1891		
New Hampshire	1623	1788	1792		
Maryland	1634	1788	1802		
Connecticut	1635	1788	1845		
Rhode Island	1636	1790	1888		
North Carolina	1653	1789	1868 ^a		
South Carolina	1663	1788	1810 ^a		
Delaware	1664	1787	1907		
New Jersey	1664	1787	1844		
New York	1664	1788	1826		1917
Pennsylvania	1682	1787	1933		
Georgia	1732	1788	1798 ^a		
Vermont	1777	1791	1777	1777	
Kentucky	1792	1792	1792	1792 ^b	
Tennessee	1796	1796	1796 ^a		
Mississippi	1798	1817	1832 ^a		
Indiana	1800	1816	1800		

²⁰ This seems to have been a factor in the extension of rights to women more generally (Brinig & Buckley, 1996, p. 205). In addition to giving women the vote earlier, western states also had more liberal divorce laws (Riley, 1988, pp. 80-81) and enacted woman-friendly community property laws (Prager, 1977; Vaughn, 1967). One man urged his fellow bachelors to support a community property law in California on the basis that it would attract “women of fortune” and was thus “the very best provision to get us wives” (quoted in Schuele, 2003, p. 172).

²¹ There is some speculation that women’s suffrage was introduced to the legislature as a joke and was supported by some legislators for its comedy value, though many were undoubtedly serious about enfranchising women (Larson, 1990, p. 81). If this was the case, it is a stark demonstration of the greater willingness of new polities to engage in bold experiments.

Ohio	1803	1803	1851	
Louisiana	1804	1812	1845 ^a	
Michigan	1805	1837	1805	1918
Illinois	1809	1818	1809	
Missouri	1812	1821	1812	
Alabama	1817	1819	1817 ^a	
Arkansas	1819	1836	1819 ^a	
Maine	1820	1820	1820	1820
Florida	1822	1845	1822 ^a	
Texas	1836	1845	1836 ^a	
Wisconsin	1836	1848	1836	
Iowa	1838	1846	1838	1868
Oregon	1848	1859	1848	1912
Minnesota	1849	1858	1849	1868
California	1850	1850	1850	1911
Utah	1850	1896	1850	1895
New Mexico	1850	1912	1850	
Washington	1853	1889	1853	1883
Kansas	1854	1861	1854	1912
Nebraska	1854	1867	1854	
Nevada	1861	1864	1861 ^a	1914
Colorado	1861	1876	1861	1893
North Dakota	1861	1889	1861	
South Dakota	1861	1889	1861	1918
West Virginia	1863	1863	1863	
Idaho	1863	1890	1863	1896
Arizona	1863	1912	1863	1910
Montana	1864	1889	1864	1887
Wyoming	1868	1890	1868	1869
Oklahoma	1890	1907	1890	1918
a Later introduced/reintroduced poll tax to disenfranchise blacks				

b Racial restrictions introduced in 1799

White manhood suffrage refers to the elimination of all economic qualifications (property and tax); black suffrage to the inclusion of blacks without economic qualifications; female suffrage to the full suffrage of women without economic qualifications.

Sources: Engerman and Sokoloff (2005), Keyssar (2000), Lott and Kenny (1999), Porter (1918), Williamson (1960).

The first major extensions of the franchise which led to universal suffrage as we understand it today – the removal of qualifications by economic status, race, and sex – came from newly-formed polities before they entered the union. The Republic of Vermont removed all economic and racial qualifications on its establishment, and the Territory of Wyoming enacted women in its first legislative session. Moreover, it was the newer states which would most eagerly imitate these innovations. This supports our contention that institutional innovation is more likely in political cultures with lower barriers to entry. In two of the three extensions of the franchise we consider (white manhood suffrage and women’s suffrage), frontier states enacted change first and were followed quickly by a number of other states, with other young states being the most receptive to these new ideas. In the case of black suffrage, we saw experimentation on the frontier but no widespread emulation.²²

4. Conclusion

An important benefit of competition among governments lies in its tendency to produce innovation. Static efficiency concerns are no doubt important, but institutional innovation has effects far more profound in the long run. The main point of contention in contemporary debates over competition is currently its effect on static efficiency (Oates & Schwab, 1988; H. W. Sinn, 2003). While static and dynamic efficiency are not easily commensurable, greater attention to the prospect of innovation should at the very least push the debate towards a conclusion that more competition is desirable (Vihanto, 1992). We have argued here, though, that not all competitive systems of government are equal in terms of dynamic efficiency. If we are correct that the formation of new jurisdictions is an important part of the innovation process, simple decentralization will fail to live up to its promises. The inertia of established organizations means that even a highly competitive system of fixed jurisdictions would be less innovative than a system which allowed entry. Simple decentralization of government, then, might be effective in promoting static efficiency, but its capacity to promote innovation will be limited.

Given that the frontier has closed and political borders (at least in the developed world) are relatively stable, our argument may seem pessimistic: we have benefitted from the innovations of the past, but we are now in an eternal period of institutional stagnation. We suggest otherwise. Secession is always a possibility (Buchanan & Faith, 1987; Gordon, 2002; Sorens, 2011), and there are a number of unorthodox proposals for reform which would allow for the regular formation of new polities. There have been serious arguments for the creation of private local governments governed by residents or proprietors (Foldvary, 1994; MacCallum, 1970; R. H. Nelson, 2005; Tullock, 1994); the creation of new cities on uninhabited land in the third world (Romer, 2010); the entrepreneurial creation of special economic zones (Strong & Himber, 2009); the incremental construction of floating polities in international waters (Friedman & Taylor, 2011); and the unbundling of government services in order to allow competition among special-purpose jurisdictions (Frey & Eichenberger, 1999; Kling, 2009, chap. 3). Our argument suggests that these are far more likely to produce institutional innovation than simple decentralization or

²² Our argument is an extension and supplement rather than an alternative to other rational choice analyses of the emergence of democracy in America. Engerman and Sokoloff (2005) argue that frontier states faced a greater scarcity of labor and were thus had a greater incentive to extend the franchise. Congleton (2011, chap. 18, forthcoming) and Horpedahl (forthcoming) see the granting of political rights as a mutually-beneficial political exchange between elites and citizens driven in part by Tiebout competition. More detailed empirical work would be required to adequately tease out the relative importance of various factors.

other proposals which focus on the costs of switching governance providers as the main constraint on competition.

Acknowledgements: We thank Geoff Brennan, Keith Dowding, Kevin Lyons, David Monk, William Shughart, Michael Strong, and participants at the 2010 Australasian Public Choice Conference, the 2011 Association of Private Enterprise Education Conference, and a seminar at Australian National University. This work was funded by The Seasteading Institute.

References

- Acs, Z. J., & Audretsch, D. B. (1987). Innovation in large and small firms. *Economics Letters*, 23(1), 109–112.
- Acs, Z. J., & Audretsch, D. B. (1990). *Innovation and small firms*. Cambridge, MA: The MIT Press.
- Amburgey, T. L., Kelly, D., & Barnett, W. P. (1993). Resetting the clock: The dynamics of organizational change and failure. *Administrative Science Quarterly*, 38(1), 51–73.
- Bates, R., Greif, A., Levi, M., Rosenthal, J. L., & Weingast, B. (1998). *Analytic narratives*. Princeton: Princeton University Press.
- Baturo, A., & Gray, J. (2009). Flatliners: Ideology and rational learning in the adoption of the flat tax. *European Journal of Political Research*, 48(1), 130–159.
- Berry, F. S. (1994). Sizing Up State Policy Innovation Research. *Policy Studies Journal*, 22(3), 442–456.
- Bilder, M. S. (2006). The Corporate Origins of Judicial Review. *The Yale Law Journal*, 116(3), 502–566.
- Billias, G. A. (Ed.). (1990). *American constitutionalism abroad: selected essays in comparative constitutional history*. Westport: Greenwood Press.
- Billias, G. A. (2009). *American constitutionalism heard round the world, 1776-1989: a global perspective*. New York: New York University Press.
- Black, B. A. (1987). An Astonishing Political Innovation: The Origins of Judicial Review. *University of Pittsburgh Law Review*, 49, 691.
- Blaustein, A. (1987). The Influence of the United States Constitution Abroad. *Oklahoma City University Law Review*, 12(3).
- Breen, T. H. (1967). John Adams' Fight against Innovation in the New England Constitution: 1776. *The New England Quarterly*, 40(4), 501–520.
- Brennan, G., & Buchanan, J. M. (1980). *The power to tax: Analytical foundations of a fiscal constitution*. Cambridge: Cambridge University Press.
- Brennan, G., & Buchanan, J. M. (1985). *The reason of rules: Constitutional political economy*. Cambridge: Cambridge University Press.
- Brennan, W. J. J. (1991). The Worldwide Influence of the United States Constitution as a Charter of Human Rights. *Nova Law Review*, 15, 1-9.
- Brinig, M. F., & Buckley, F. H. (1996). The Market for Deadbeats. *The Journal of Legal Studies*, 25(1), 201-232.
- Buchanan, J. M., & Faith, R. L. (1987). Secession and the limits of taxation: Toward a theory of internal exit. *The American Economic Review*, 77(5), 1023–1031.
- Buchanan, J. M., Tollison, R. D., & Tullock, G. (1980). *Toward a theory of the rent-seeking society*. College Station, TX: Texas A & M University Press.
- Caves, R. E. (1998). Industrial organization and new findings on the turnover and mobility of firms. *Journal of economic literature*, 36(4), 1947–1982.
- Christensen, C. M. (1997). *The innovator's dilemma: when new technologies cause great firms to fail*. Cambridge, MA: Harvard Business Press.
- Congleton, R. D. (forthcoming) Why Local Governments Do Not Maximize Profits: On the Value Added by the Representative Institutions of Town and City Governance. *Public Choice*.
- Congleton, R. D. (2004). Economic Development and Democracy, Does Industrialization Lead to Universal Suffrage? *Homo Economicus*, 21(2), 283–311.
- Congleton, R. D. (2011). *Perfecting Parliament: Constitutional Reform, Liberalism, and the Rise of Western Democracy*. Cambridge: Cambridge University Press.
- Cyert, R. M., & March, J. G. (1963). *A behavioral theory of the firm*. Englewood Cliffs: Prentice Hall.
- Delacroix, J., & Swaminathan, A. (1991). Cosmetic, speculative, and adaptive organizational change in the wine industry: A longitudinal study. *Administrative Science Quarterly*, 36(4), 631–661.

- Downs, A. (1965). A theory of bureaucracy. *The American Economic Review*, 55(1/2), 439–446.
- Downs, A. (1967). *Inside bureaucracy*. Boston: Little, Brown and Company.
- Elazar, D. J. (1998). *Covenant and constitutionalism: the great frontier and the matrix of federal democracy*. New Brunswick: Transaction Publishers.
- Elster, J. (1989). *Nuts and bolts for the social sciences*. Cambridge: Cambridge University Press.
- Engerman, S. L., & Sokoloff, K. L. (2005). The evolution of suffrage institutions in the new world. *The Journal of Economic History*, 65(4), 891–921.
- Feld, L. P. (2007). Regulatory competition and federalism in Switzerland: diffusion by horizontal and vertical interaction. In P. Bernholz & R. Vaubel (Eds.), *Political competition and economic regulation* (pp. 200–240). New York: Routledge.
- Feld, L. P., & Kirchgässner, G. (2001). Income Tax Competition at the State and Local Level in Switzerland. *Regional Science and Urban Economics*, 31, 181 – 213.
- Feld, L. P., & Reulier, E. (2009). Strategic tax competition in Switzerland: Evidence from a panel of the Swiss cantons. *German Economic Review*, 10(1), 91–114.
- Ferrie, J. P. (2006). Internal Migration. In S. Carter, M. Haines, A. Olmstead, R. Sutch, & G. Wright (Eds.), *Historical Statistics of the United States, Millennial Edition* (pp. 489–494).
- Foldvary, F. E. (1994). *Public goods and private communities: The market provision of social services*. Northampton, MA: Edward Elgar.
- Frey, B. S., & Eichenberger, R. (1999). *The new democratic federalism for Europe: functional, overlapping and competing jurisdictions*. Cheltenham: Edward Elgar.
- Friedman, P., & Taylor, B. (2011). Seasteading and institutional innovation. Presented at the Association of Private Enterprise Education Conference, Nassau.
- Geroski, P. A. (1995). What do we know about entry? *International Journal of Industrial Organization*, 13(4), 421–440.
- Gilbert, R. (2006). Looking for Mr. Schumpeter: Where Are We in the Competition–Innovation Debate? *Innovation policy and the economy*, 6, 159–215.
- Gilbert, R. J., & Newbery, D. M. (1982). Preemptive patenting and the persistence of monopoly. *The American Economic Review*, 514–526.
- Gordon, D. (Ed.). (2002). *Secession, State, and Liberty*. New Brunswick: Transaction Publishers.
- Gray, V. (1973). Innovation in the states: A diffusion study. *The American Political Science Review*, 67(4), 1174–1185.
- Halliday, T. C., Powell, M. J., & Granfors, M. W. (1993). After minimalism: Transformations of state bar associations from market dependence to state reliance, 1918 to 1950. *American Sociological Review*, 58(4), 515–535.
- Hannan, M. T., & Freeman, J. (1977). The population ecology of organizations. *American journal of sociology*, 82(5), 929–964.
- Hannan, M. T., & Freeman, J. (1984). Structural inertia and organizational change. *American sociological review*, 49(2), 149–164.
- Hannan, M. T., & Freeman, J. (1989). *Organizational ecology*. Cambridge, MA: Harvard University Press.
- Hayek, F. A. (1948). The meaning of competition. In *Individualism and economic order* (pp. 92–106). Chicago: University of Chicago Press.
- Hedström, P., & Swedberg, R. (1998). *Social mechanisms: an analytical approach to social theory*. Cambridge: Cambridge University Press.
- Henderson, R. (1993). Underinvestment and incompetence as responses to radical innovation: Evidence from the photolithographic alignment equipment industry. *The RAND Journal of Economics*, 24(2), 248–270.
- Henderson, R. M., & Clark, K. B. (1990). Architectural innovation: The reconfiguration of existing product technologies and the failure of established firms. *Administrative science quarterly*, 35(1), 9–30.
- Higgs, R. (1997). Regime Uncertainty: Why the Great Depression Lasted So Long and Why Prosperity Resumed after the War. *Independent Review*, 1(4), 561–590.
- Hill, C., & Rothaermel, F. T. (2003). The performance of incumbent firms in the face of radical technological innovation. *The Academy of Management Review*, 28(2), 257–274.
- Horpedahl, J. (forthcoming) Political exchange and the voting franchise: universal democracy as an emergent process. *Constitutional Political Economy*.
- Kerber, W. (2008). Institutional Change in Globalization: Transnational Commercial Law from an

- Evolutionary Economics Perspective. *German Law Journal*, 9(4), 411-436.
- Kerber, W., & Heine, K. (2003). Institutional evolution, regulatory competition and path dependence. In P. Pelikán & G. Wegner (Eds.), *The evolutionary analysis of economic policy* (pp. 191-222). Cheltenham: Edward Elgar.
- Kerber, W., & Vanberg, V. (1995). Competition among institutions: evolution within constraints. In L. Gerken (Ed.), *Competition among Institutions* (pp. 35-64). London: Macmillan.
- Keyssar, A. (2000). *The right to vote: The contested history of democracy in the United States*. New York: Basic Books.
- Kling, A. S. (2009). *Unchecked and unbalanced: how the discrepancy between knowledge and power caused the financial crisis and threatens democracy*. Lanham: Rowman & Littlefield.
- Krueger, A. O. (1974). The political economy of the rent-seeking society. *The American Economic Review*, 64(3), 291-303.
- Larson, T. A. (1990). *History of Wyoming* (2nd ed.). Lincoln: University of Nebraska Press.
- Levinthal, D. A., & March, J. G. (1993). The myopia of learning. *Strategic management journal*, 14, 95-95.
- Levitt, B., & March, J. G. (1988). Organizational learning. *Annual review of sociology*, 14, 319-340.
- Liuhto, K. (1996). Entrepreneurial Transition in Post-Soviet Republics: The Estonian Path. *Europe-Asia Studies*, 48(1), 121-140.
- Lott, J. R., & Kenny, L. W. (1999). Did Women's Suffrage Change the Size and Scope of Government? *The Journal of Political Economy*, 107(6), 1163-1198.
- Lutz, D. S. (1980). From covenant to constitution in American political thought. *Publius*, 10(4), 101-133.
- Lutz, D. S. (1988). *The origins of American constitutionalism*. Baton Rouge: Louisiana State University Press.
- Lutz, D. S. (1998). *Colonial origins of the American Constitution: a documentary history*. Indianapolis: Liberty Fund.
- MacCallum, S. H. (1970). *The art of community*. Menlo Park: Institute for Humane Studies.
- March, J. G. (1981). Footnotes to organizational change. *Administrative Science Quarterly*, 26(4), 563-577.
- Milgrom, P., & Roberts, J. (1988). An economic approach to influence activities in organizations. *The American Journal of Sociology*, 94(1), 154-179.
- Milgrom, P., & Roberts, J. (1990). Bargaining costs, influence costs, and the organization of economic activity. *Perspectives on positive political economy*, 57-89.
- Milgrom, P. R. (1988). Employment contracts, influence activities, and efficient organization design. *The Journal of Political Economy*, 96(1), 42-60.
- Miller, D., & Chen, M. J. (1994). Sources and consequences of competitive inertia: A study of the US airline industry. *Administrative Science Quarterly*, 39(1), 1-23.
- Mintrom, M. (1997). Policy Entrepreneurs and the Diffusion of Innovation. *American Journal of Political Science*, 41(3), 738-770.
- Mokyr, J. (1994). Cardwell's Law and the political economy of technological progress. *Research Policy*, 23(5), 561-574.
- Nelson, R. H. (2005). *Private neighborhoods and the transformation of local government*. Washington, DC: Urban Institute Press.
- Nelson, R. R. (1991). Why do firms differ, and how does it matter? *Strategic management journal*, 12(S2), 61-74.
- Nelson, R. R., & Winter, S. G. (1982). *An evolutionary theory of economic change*. Cambridge, MA: Belknap Press.
- Oakeshott, M. (1947). Rationalism in politics. *Cambridge Journal*, 1, 81-98, 145-157.
- Oakeshott, M. (1962). On being conservative. In *Rationalism in politics and other essays* (pp. 168-196). New York: Basic Books.
- Oates, W. E., & Schwab, R. M. (1988). Economic competition among jurisdictions: efficiency enhancing or distortion inducing? *Journal of Public Economics*, 35(3), 333-354.
- Olson, M. (1965). *The logic of collective action: Public goods and the theory of groups* (2nd ed.). Cambridge, MA: Harvard University Press.
- Olson, M. (1982). *The rise and decline of nations: economic growth, stagflation, and social rigidities*. New Haven, CT: Yale University Press.
- Ostrom, V. (1987). *The political theory of a compound republic: designing the American experiment* (2nd ed.). Lincoln: University of Nebraska Press.
- Porter, K. H. (1918). *A history of suffrage in the United States*. Chicago: University of Chicago Press.
- Prager, S. W. (1977). Sharing Principles and the Future of Marital Property Law. *UCLA L. Rev.*, 25, 1-22.

- Reid, J. P. (1986). *Constitutional history of the American Revolution: The authority to legislate* (Vol. 3). Madison: University of Wisconsin Press.
- Reinganum, J. F. (1983). Uncertain innovation and the persistence of monopoly. *The American Economic Review*, 73(4), 741–748.
- Riker, W. H. (1982). *Liberalism against populism: A confrontation between the theory of democracy and the theory of social choice*. San Francisco: WH Freeman.
- Riley, G. (1988). *The female frontier: A comparative view of women on the prairie and the plains*. Lawrence: University Press of Kansas.
- Romanelli, E., & Tushman, M. L. (1994). Organizational transformation as punctuated equilibrium: An empirical test. *The Academy of Management Journal*, 37(5), 1141–1166.
- Romer, P. (2010). *Technologies, Rules, and Progress: The Case for Charter Cities*. Washington, DC: Center for Global Development.
- Scalia, A. (1989). The Rule of law as a law of Rules. *The University of Chicago Law Review*, 56(4), 1175–1188.
- Schuele, D. C. (2003). "None Could Deny the Eloquence of This Lady": Women, Law, and Government in California, 1850-1890. *California History*, 81(3/4), 169-198.
- Schumpeter, J. A. (1934). *The theory of economic development: an inquiry into profits, capital, credit, interest, and the business cycle*. Cambridge, MA: Harvard University Press.
- Schumpeter, J. A. (1942). *Capitalism, Socialism and Democracy*. New York: Harper & Row.
- Sinn, H. W. (1990). Tax Competition and Tax Harmonization in Europe. *European Economic Review*, 34, 489–504.
- Sinn, H. W. (2003). *The new systems competition*. Oxford: Blackwell.
- Sinn, S. (1992). The taming of Leviathan: competition among governments. *Constitutional Political Economy*, 3(2), 177–196.
- Sorens, J. (2011). *Secessionism: Identity, Interest, and Strategy*. Montreal: McGill-Queen's University Press.
- Stansel, D. (2010). *Competition, Knowledge, and Local Government*. Working Paper, Florida Gulf Coast University.
- Stigler, G. J. (1968). *The organization of industry*. Chicago: University of Chicago Press.
- Strong, M. J., & Himber, R. (2009). The Legal Autonomy of the Dubai International Financial Centre: A Scalable Strategy for Global Free-Market Reforms. *Economic Affairs*, 29(2), 36–41.
- Tiebout, C. M. (1956). A pure theory of local expenditures. *The journal of political economy*, 64(5), 416-424.
- Tsebelis, G. (2002). *Veto players: How political institutions work*. Princeton: Princeton University Press.
- Tullock, G. (1967). The welfare costs of tariffs, monopolies, and theft. *Economic Inquiry*, 5(3), 224–232.
- Tullock, G. (1981). Why so much stability. *Public Choice*, 37(2), 189–204.
- Tullock, G. (1994). *The new federalist*. Vancouver: Fraser Institute.
- Turner, F. J. (1906). *The rise of the new west*. New York: Harper and Brothers.
- Turner, F. J. (1920). *The Frontier in American History*. New York: Henry Holt and Company.
- Tushman, M. L., & Anderson, P. (1986). Technological discontinuities and organizational environments. *Administrative science quarterly*, 31(3), 439–465.
- Vanberg, V., & Kerber, W. (1994). Institutional competition among jurisdictions: An evolutionary approach. *Constitutional Political Economy*, 5(2), 193–219.
- Vaubel, R. (2008). A history of thought on institutional competition. In A. Bergh & R. Hoiijer (Eds.), *Institutional competition* (pp. 29-66). Cheltenham: Edward Elgar.
- Vaughn, M. J. (1967). Policy of Community Property and Inter-Spousal Transactions, The. *Baylor Law Review*, 19, 20-72.
- Vihanto, M. (1992). Competition between local governments as a discovery procedure. *Journal of Institutional and Theoretical Economics*, 148(3), 411–436.
- Walker, J. L. (1969). The diffusion of innovations among the American states. *The American Political Science Review*, 63(3), 880–899.
- Welter, P. (1995). International migration and institutional competition: an application of Hayek's evolutionary theory. In L. Gerken (Ed.), *Competition among institutions* (pp. 119–151). London: Macmillan.
- Williamson, C. (1960). *American suffrage from property to democracy, 1760-1860*. Princeton: Princeton University Press.
- Winter, S. G. (1984). Schumpeterian competition in alternative technological regimes. *Journal of Economic Behavior & Organization*, 5(3-4), 287–320.
- Wohlgemuth, M. (1999). Entry barriers in politics, or: why politics, like natural monopoly, is not

organised as an ongoing market-process. *The Review of Austrian Economics*, 12(2), 175–200.

Wohlgemuth, M. (2008). Learning through institutional competition. In A. Bergh & R. Höijer (Eds.), *Institutional competition* (pp. 67-89). Cheltenham: Edward Elgar.