

Political Property Rights and Entangled Political Economy



Alexander William Salter

Abstract I contribute to the theory of entangled political economy by showing how entanglement can be characterized in terms of political property rights. A political property right grants its holder a share of decision-making power in a specific context, as well as specifies to whom the costs and benefits from those decisions accrue. Because entangled political economy focuses on the complex relationships that exist between market and political enterprises, theorizing about these relationships as exchanges of political property rights can give us meaningful information about what entanglement is, when it exists, and how it can be expected to develop. I briefly survey the theory of political property rights, show how political property rights within a broader entanglement perspective helps understand constitutions, and discuss several applications of political property rights that can advance entangled political economy scholarship.

Keywords Constitutional political economy · Entangled political economy
Political property rights · Public choice

JEL Codes H11 · P14 · P16

1 Introduction

This essay is a contribution to the literature on entangled political economy (Wagner 2014, 2016; Wagner and Patrick 2015; Wagner and Podemska-Mikluch 2010; Wagner and Rajagopalan 2013; Wagner et al. 2011), which differs in several ways from orthodox political economy. In orthodox political economy, the relationship between the entities known as ‘polity’ and ‘economy’ are treated, often explicitly, as additive. One example of this relationship is as follows. The economist *qua* policy scientist and expert giver of advice notes an imperfection in markets and seeks

A. W. Salter (✉)
Texas Tech University, Lubbock, TX, USA
e-mail: Alexander.w.salter@ttu.edu

to correct it. The economist models the imperfection as a ‘market failure’ that results *directly* from the choices of the agents comprising the model. Then the economist shows that this equilibrium is inferior to a conceivable alternative. Finally, the economist describes how public policy, such as targeted taxes or subsidies, can correct the market failure and move the market from its actual equilibrium to the more desirable equilibrium. In order for this to make sense, both market and polity must represent an already-ordered set of relationships that are simple enough for the economist to understand and manipulate.

Entangled political economy conceives the relationship between economy and polity quite differently. Like orthodox political economy, entangled political economy remains committed to individual maximizing behavior in the face of scarcity as the backbone of economic analysis. Human rationality is indeed implied by the pure logic of choice (Becker 1978; Leeson 2018; von Mises 1949). But economists within the entangled political economy approach recognize that economy and polity cannot meaningfully be treated as a set of pre-ordered (equilibrated) relationships. Instead, economy and polity both are properly treated as *networks* of organizations. These organizations exist in relationship with each other; social links exist between economy entities and polity entities, as well as between entities of the same kind. Thus, while it is important to have a theory of *order* in the complex interactions of economy and polity, it is unnecessary—and can even be unhelpful—to conceive of this order arising out of the already-reconciled plans of economy agents and polity agents. In other words, there are other, and oftentimes more complex, kinds of order than equilibrium. The great benefit of entangled political economy is that it enables its practitioners to study political-economic outcomes without committing ontological violence by assuming *a priori* that social wholes are no more complex than their constituent parts.

Entangled political economy entails the recognition that market and non-market “enterprises” (goal-seeking organizations) mutually impinge. Of key interest in this paradigm is the nature of the relationship between market enterprises and non-market enterprises, as well as what causes such relationships to quantitatively and qualitatively change over time. Here I add to the literature by showing how the concept of *political property rights* (Salter 2015a, b; Salter and Young 2018a, b) fits within entangled political economy. The “property rights paradigm” (e.g., Alchian 1965; Alchian and Demsetz 1973) greatly contributed to our understanding of the institutional foundations for commercial activity. But it is not often recognized that politics too can usefully be conceived in terms of the definition, redefinition, and exchange of property rights. Furthermore, these rights are not just rights to resources that emanate in non-market settings. Political property rights can be, and frequently are, procedural—they dictate who can make what decisions, and what consequences follow from those decisions. In other words, political property rights have *constitutional* implications. Because market enterprises can sometimes wield political authority, and because political enterprises can sometimes serve as gatekeepers for market activity, political property rights are a realm of analysis for increasing our understanding of how markets and politics mutually co-inhere.

I organize the remainder of this essay as follows: In Sect. 2 I provide an overview of the concept of political property rights. In Sect. 3 I show how political property rights can serve as the building blocks of a “realist” constitutional political economy. In Sect. 4 I conclude by discussing the implications of my argument, as well as suggesting fruitful future topics awaiting study through the lens of entangled political economy, using political property rights.

2 An Overview of Political Property Rights

How do economists theorize about political authority? Within the ‘politics as exchange’ paradigm (Buchanan 1987)—a broad heading under which entangled political economy also falls—political authority is treated as the result of purposive behavior by maximizing agents who are prepared to offer and accept various “bundles” of collective action outcomes, within a given structure of rules for collective action (e.g., Buchanan and Tullock 1962). But what is it that is being exchanged, precisely? One obvious answer is states of the world: agents participating in collective action are exchanging various obligations (such as tax burdens) for various collective outputs (such as law and order). However, this answer is partly unsatisfying. Within the political arena, agents do not just exchange collective goods for collective costs; we just as often see *some* individuals securing collective goods for which the collective costs are imposed on *others*. Furthermore, oftentimes the nature of the exchanges are such that the relevant traded good is not outcomes, but procedures. Agents trade not just the results of particular decisions, but also the rights to make those decisions.

This is not to say the perspective of the Virginia School is without merit. In fact, the contributions of Buchanan, Tullock, and others are so important that they remain the starting point for current scholarly political economy. In a similar manner to Martin (2011), the way to make progress is to integrate Virginia political economy with a genuinely “catallactic” approach to social relations. This is even more important when focusing on entangled political economy. Given these considerations, we get the best of both worlds by conceiving of political authority as a “peculiar” (to use Wagner’s term) kind of property right. Call these kinds of property rights *political property rights*. More formally, a political property rights “grant a share of governing authority and specify the returns that accrue to their holders” (Salter and Young 2018a, b: 5). Political property rights thus specify (a) who is entitled to make a political decision, (b) under what conditions the decision can be made, (c) the costs and benefits that arise from the decision, and (d) to whom those costs and benefits accrue. Points (a) and (b) highlight that political property rights are contextual. Like their more familiar counterpart in markets (e.g., Barzel 1997), political property rights can be thought of as a “bundle of sticks” that grant holders of such rights specific privileges and impose on them specific obligations. Points (c) and (d) demonstrate the essentially social character of political property rights. Political property rights are relational. Unless individuals already exist in some sort of society, meaning they can be meaningfully categorized as having enough in common to

constitute joint membership in a polity, political property rights have no content. Indeed, there is no reason for them to be defined in the first place.

This definition of political property rights is intuitive and has many similarities with market property rights. We typically think of market property rights—property rights to goods and services—as defined and enforced by the legal system. But property rights *de facto* can and do diverge from property rights *de jure*, especially in the context of undeveloped formal institutions. Weak or failed states are a salient example. Take a historical case: during the decline and fall of the Roman empire, Roman aristocrats who owned large, rural estates often were forced to accept their workers turning over a smaller share of the estate’s product than that to which they had the legal (*de jure*) right. The fragmentation of Roman political authority meant that Roman aristocrats could no longer count on official Roman power to defend and enforce their rights. The aristocrats thus accepted their workers paying a smaller fraction of the estate’s produce, in order to reduce the workers’ incentives to revolt. Many of these workers were technically slaves, but because of the change in background governance institutions, the estate owners could no longer maintain their ownership of workers. This process, which began in the fifth century, was the first significant step from slavery to serfdom, itself a crucial point in the long transition to free labor (Belloc 1913 [1977]).

Focusing on *de facto* rather than *de jure* rights is necessary to ascertain the true economic and political relationships. In this essay, the primary concept of property rights will rest on *de facto* rather than *de jure* claims. This is true of political property rights as well: whatever the formal decision-making procedures of the governance apparatus, true political property rights specify *who* can do *what* under *which circumstances*. The essay will go into greater detail on this distinction in subsequent sections.

For now, we may ask: How ought the concept of political property rights be applied?. As a way of linking up political property rights with the literature on entangled political economy, consider an example from Wagner (2014): partial political control over financial asset allocation. In a hypothetical free market for finance, one that is as close as possible to a “pure” private ordering (Wagner 2012), the market-level distribution of financial assets is determined by supply and demand. The contents of a particular financial portfolio will be determined by its success in generating maximum returns for the holders of that portfolio. The market serves as a filter (Alchian 1950), ensuring the tendency towards maximization of returns on various financial assets. However, now suppose that an element of political control is injected into the asset exchange and allocation process. A new regulation requires that a certain percentage of assets in a portfolio must be structured such that scarce capital flows to politically favored groups, which by assumption are groups other than those who can employ the capital to maximize returns. For example, suppose that banks above a minimum size (perhaps in terms of total assets or, if the bank is a publicly traded corporation, market capitalization) are required to have a certain percentage of their mortgage portfolios contain loans to groups that have been deemed historically disadvantaged by the political authority. This clearly alters the exchange patterns among agents who comprise the financial sector, and as a conse-

quence, alters the flow of capital and its durable allocations. Whereas previously there was a relatively simple criterion for “success” in terms of what the market filter promoted, namely maximum returns, now the success criterion has shifted to a more complicated mixture of returns and the satisfaction of political criteria. An orthodox political economist would simply model this as one more constraint operating on the maximizing calculus of financiers. But an entanglement theorist recognizes that simply adding one more constraint does not fully capture the nature of the change from a system of predominantly private orderings, to one with significant elements of public or political orderings. The relationships between market enterprises and financial enterprises has changed. This means the *rules* underlying the financial sector have changed; one consequence of this is both market and political agents will have very different expectations going forward over what sorts of behaviors are adaptively beneficial.

What does this have to do with political property rights? The way to ascertain this is to categorize the new financial rule in terms of the four criteria listed above. The rule (a) grants a specific political regulator (whether a legislature or a bureau we have not said, but this is ultimately of secondary importance) the *right* to control, in part, the portfolios of financial organizations, (b) specifies that this right is exercised over banks above some threshold size (thus specifying the rule’s context), (c) creates differential costs and benefits for the regulator and the bank—political or ideological prestige for the regulator, lower and/or higher variance returns for the bank, for example—and (d) implies that the rule will be on net beneficial for the regulator, but costly for the bank. Another way of stating this is that the political authority is asserting partial *usage* rights over the capital employed by the bank, but the consequences in terms of *residual claimancy* are retained by the bank. The political body is content with non-financial benefits, such as increased popularity.

We have thus described an increasingly entangled arrangement, as Wagner (2016) understands entanglement, in the financial sector in terms of the changed relationships between market enterprises and political enterprises. We have also shown that this change can be broken down into specific alterations in the structure of rights and obligations that exist between these enterprises. But this still understates the degree to which the system has changed. Unless the financial rule had already been “on the books” and only just now was applied, the creation of the rule did not just give the regulator usage rights over assets to which it previously did not control. The rule also represented a change in *who has decision-making authority* over the rules that underpin the financials sector. What appeared to be a property right to specific goods (portfolio allocation) was also a property right to alter the rules that *constitute* the financial system. In other words, this change in political property rights had constitutional implications, as the word “constitutional” is understood in modern political economy (Buchanan 1990).

Thus changes in patterns of entanglement entail changes in the distribution and content of political property rights. This in turn will frequently have constitutional implications. A theory of political property rights, in the context of entangled political economy, contains implications for the practice of constitutional political economy. To those implications I now turn.

3 Constitutions and Political Property Rights

In orthodox political economy, constitutions are treated as devices amenable to analytical closure. The constitution is comprised of the rules for rule-making; these rules can be amended subject to some agreed-upon procedure; ordinary politics proceeds until and unless exogenous events induce a constitutional moment, at which time the meta-rules are revised according to a rational standard. This is an implicitly harmonious and pacific approach to constitutional political economy.

Entangled political economy proceeds along quite different lines. Although peace and harmony within the polity are certainly possible, tension and conflict are equally possible. Furthermore, some sub-set of political and market enterprises be in harmony at the same time as others are in conflict. Rather than imposing analytical closure, entangled political economy takes an open-systems approach to constitutions (Salter and Wagner 2018a, b). Constitutions, by which we mean the actual rules governing the durable decision procedures of the polity, are constantly in flux, simultaneously being renewed and eroded.

We need a theoretical apparatus that is capable of capturing the complexity of constitutional politics. Political property rights is such an apparatus. First, we must make an important distinction that is often overlooked in constitutional political economy. Especially to citizens of modern liberal democracies, “constitution” typically means the *formal* or *de jure* rules for rule-making. These are usually expressed in written form, as in the Constitution of the United States. Not every polity has a formal constitution, a notable exception being Great Britain. But every polity has an *informal* or *de facto* constitution. This refers to whatever the decision rules of the governing power actually are. The essence of a political property rights approach to constitutions can be summed up by paraphrasing Lysander Spooner (1870): if the *de facto* constitution does not match the *de jure* constitution, the latter is powerless; if it does, it is irrelevant.

Political power follows a logical process independent of our hopes and desires. A “realist” constitutional political economy must investigate this process, both for the sake of pure social science, and for the sake of ascertaining—and hopefully forestalling—worrying trends in the body politic. But because political power is a product of human action, it must still be analyzed in terms of the pure logic of choice, just as is market behavior. The difference lies in the institutions that channel and filter this behavior in politics, as opposed to markets. A body of thought from the early twentieth century, usefully summarized and extended by Burnham (1943), captures this realist element of constitutional politics. These thinkers are sometimes collectively known as the Italian elite theorists, due to their nationality and their preferred subject. For our purposes, the most important of these writers are Michels (1915), Mosca (1939), and Pareto (1935). These thinkers each offer a key insight into constitutions that are implicitly grounded in a rigorous logic of human action.

Robert Michels (1915) coined the famous term, “iron law of oligarchy.” His work showed that even in political organizations with stated commitments to democracy and equality, there is a tendency for a distinction between political

insiders and political outsiders to arise. Furthermore, the internal structure of political organizations can and frequently will develop hierarchically. For given ends, “command and control” is often an effective institutional technology for getting things done. With increasing political complexity, and for policies hoped to endure beyond relatively short-run electoral cycles, political agents will naturally create quasi-official organizations, such as political parties, that maintain a sharp distinction between ingroup and outgroup, as well as internally rely on command rather than consent.

Gaetano Mosca (1939) wrote about the importance of political formulas. All societies above trivial size and age develop a distinction between those who exercise power and those who do not. In such societies, political formulas develop that justify the restriction of political power to some subset of society. A society’s political formula can be thought of as its legitimating principle of power. Political formulas do not have to be false; in fact, they may often be true. Ultimately their truth value is of secondary importance. What matters is the political formula effectively perpetuates stability among the ruling class by legitimating that class and, implicitly, ascribing some content to its membership requirements. While this may seem pernicious to those with strong democratic commitments, it is important to note that without the political formula acting as a pacifying agent, politics would be more contentious, resulting in much higher costs of reaching agreement. In fact, in many societies, (liberal) democracy itself is a notable element of the political formula, despite the inegalitarian political realities within liberal-democratic states.

Vilfredo Pareto (1935) was, in addition to a prescient student of politics, a great economist. Because of the importance of his contributions to economics, his political writings have been unjustly overlooked. One of his most important ideas is the distinction between logical and non-logical action. To Pareto, all action is rational, because it is goal-oriented. But not all action is logical. Logical action pertains to social realms where there is clean feedback between action and consequence. Making purchases in the market frequently fits this category: a consumer spends money on a product because she expects the benefits of the product to exceed the foregone satisfaction that could have been obtained with the purchase price. If she is correct, she is satisfied, and perhaps continues to purchase the product. If not, she alters her behavior going forward to avoid the product, at least if the price remains unchanged. Logical action is analogous to an experiment: in this context, Pareto avers, the phrase “passing the market test” is more meaningful than its adherents know. Non-logical action, in contrast, does not exhibit a tight link between cost and choice. Feedback is messy, and frequently temporally separated from action. Politics, especially in large and complex polities, is a realm where non-logical action is the norm. Political outputs are frequently lumpy, comprised of discrete bundles of multiple goods. And the process by which inputs are channeled into outputs in politics is often opaque. Because of this, there is little direct feedback of consequences upon individual decision-makers, meaning individuals cannot really “test” hypotheses relating their proposed course of action with changes in perceived satisfaction. Because of this, political institutions will not filter outcomes as strongly

as market institutions. Agents can quickly learn which market behaviors are conducive to their interests. In politics, mistakes can persist for quite some time.

The Italian elite theorists all tell us something important about the nature of political action. Their insights are abstract, and hence are generalizable across polities. Furthermore, these insights are all readily incorporable into a theory of constitutions resting on entangled political economy. Once again, the key is political property rights. I interpret the Italian elite theorists as claiming there are concrete laws governing the generation, distribution, an exchange of political property rights, and that while these laws can operate differently depending on institutional particulars, they cannot be voided. Consider another similarity to market property rights. Imagine the state declares a jubilee: all debts are cancelled, all assets and property liquidated; the proceeds are pooled and distributed to each citizen equally. At the instant of the jubilee, there is complete economic equality. Would we expect this situation to persist? Of course not. Because of differences in personal endowments, such as human capital, some individuals would take risks and start up new business enterprises; some would be satisfied to exchange risk for security, taking employment on a fixed wage; others still would drop out of labor markets and enjoy consuming the fruits of their windfall. As economic activity picks up, wealth and income differentials would once again appear. The same is true of political property rights. Even if we declare a direct democracy, eliminating all institutions and ceding all “power to the people,” it would not long be the case that one man’s voice in the public arena was just as impactful as another’s. Individuals would begin rebuilding political institutions and organizations, formally or informally, to advance their ends. Political power would flow to those best capable of wielding it. Political fiat is secondary to the durable distribution of political property rights.

The above analysis shows a strong congruence between informal (*de facto*) constitutions and political property rights. Because political property rights can be procedural—in fact, the ones that are most contested are procedural—political property rights can be constitutional rights. In fact, a polity’s informal constitution simply is the distribution of procedural political property rights at a moment in time. Mapping out what this distribution looks like is an important task. Taxonomy and categorization are relatively low status in the social sciences, due to its perceived unimportance compared to devising theories with clear testable predictions. This is a mistake. It is very important to ascertain who has what decision rights in which contexts—especially since the possessors of such rights frequently have an incentive to keep that information hidden!—mapping a polity’s true constitution in terms of its political property rights is actually a crucial task for the applied constitutional political economist. Furthermore, to undertake the activity of studying constitutional politics in terms of the divergence between formal and informal constitutions reflects a pre-analytical commitment to entangled political economy. The reason such a mapping is a difficult task requiring the specialized attention of a constitutional political economist is due to, in part, the complexities of the relationships between market enterprises and political enterprises. Market enterprises frequently are constitutional actors: although they portray themselves as pure commercial entities, firms such as large and prestigious financial institutions frequently wield their influence

to bring about favorable political outcomes. And political enterprises that are not typically thought of as constitutional actors, such as various Executive Branch agencies in the United States, possess the *de facto* power to create new rules, enforce those rules, and oftentimes serve as their own adjudicator in instances of dispute.

A political property rights perspective on constitutions thus enables us to study political power as it actually exists. When a theorist begins discussing the properties of political property rights, and especially when she does applied work that ascribes content to real-world political property rights, she is advancing the project of entangled political economy. In fact, this project only makes sense as an extension of entangled political economy. Orthodox political economy, which assumes a pre-reconciliation of expectations and plans within polity and market, such that the interactions between polity and market are of no greater complexity than the choices that generate such interaction, has no room for political property rights to do any work. Political property rights in that framework could only be the policy itself, as executed by agents for whom there are no disagreements concerning who may decide what, and in which contexts. Thus there is no increased understanding by categorizing the action-reaction of polity-market in terms of political property rights. The project I have spent the last two sections describing, which can justly be called “forensic constitutionalism,” adopts the entanglement framework by necessity.

4 The Future of Political Property Rights and Entangled Political Economy

I have argued that entangled political economy, as a framework for investigating the relationship between commerce and politics, can and should incorporate political property rights explicitly into its analyses. An entangled political economy does not presuppose that there exists a pre-reconciliation of expectations and plans among the various enterprises that inhabit commercial and political spheres. As such, market and polity are best conceived as a network of overlapping relationships. Political property rights can help ascribe empirical content to these relationships, as well as formally categorize the lines along which entanglement proceeds.

There are several lines of research within entangled political economy where incorporation of political property rights can significantly advance the analysis. Perhaps the most obvious pertains to the dynamics of entanglement. We understand, in the abstract, that political-economic arrangements can be more or less entangled. And we also have a decent understanding of what more entangled and less entangled look like. What we lack is a description of the process by which entanglement (or *disentanglement*) proceeds. How does a system where political enterprises exist in relationship mainly with other political enterprises, and market enterprises exist in relationship mainly with other market enterprises, develop into a system where there are many overlapping relationships between political and market enterprises?

The answer immediately suggested in terms of the above analysis is the exchange of political property rights. For example, when a well-established market enterprise lobbies the political process for protection against competitors, and the relevant political enterprises oblige, the distribution of political property rights has changed significantly. The market enterprise that did the lobbying now possesses a share of political power: the right to exclude competitors. It is in effect claiming a property right to the market itself. But the political enterprises are also asserting a political property right: they claim the authority to act as a gatekeeper into the industry in question, and thus indirectly assert a right to the flow of resources occurring within that industry. The lobbying market enterprise has exchanged a fraction of the control rights to its resources to the political enterprises; the political enterprises have ceded a privately valuable (but socially costly) exclusion right to an area of commerce. This example suggests that the exchange of political property rights will proceed in much the same manner, formally speaking, as the exchange of market property rights: when holders of political property rights perceive an opportunity for mutually advantageous exchange, they will engage in such an exchange. A corollary is when the exchange takes place between market and political enterprises that previously were only loosely in relationship, the exchange of political property rights creates a new social link between the exchanging entities. If this can reasonably be depicted as market enterprises gaining a share of political power, and political enterprises gaining a share of market control, then the political-economic system has become more entangled.

A second research area is entrepreneurship. Orthodox economics and political economy has had a difficult time dealing with entrepreneurship. Entrepreneurial activities and characteristics, such as creativity, risk-bearing, and the injection of novelty into market and political arrangements, are difficult if not impossible to capture meaningfully in a world where mutual plan consistency is a starting assumption. Because entangled political economy does not rest on this presupposition, there is room for the market, political, or “hybrid” entrepreneur to act as a meaningful agent for social change. In an entangled political-economic system, the entrepreneur will probably be most fruitfully modeled as the agent that facilitates exchanges of political property rights. This can be captured within multiple existing theoretical frameworks. An entrepreneur must first be alert to potential mutually beneficial exchanges of political property rights (Kirzner 1973). The entrepreneur may also bear the risk associated with facilitating the exchanges, operating within or even at the apex of a hierarchy whose goal is to profit by underwriting such exchanges (Foss and Klein 2012). And the entrepreneur can also be a disruptor of existing political-economic arrangements, affecting changes in the distribution of political property rights that radically upset existing plans and expectations (Schumpeter 1939). Because entangled political economy requires that coordination, or discoordination, be demonstrated rather than assumed, there will necessarily be an important role for the political-economic entrepreneur as the agent that performs this role. Entanglement

entrepreneurs will be “loose joints” in the system, but are not unconstrained. They too are subject to scarcity and choice, and they also operate within meta-institutions that structure their incentives and govern the feedback of information that they use to forecast their decisions. The difficult but important task confronting the theorist of entangled political economy will be to integrate the entrepreneur, as a political property rights re-arranger, that neither reduces entrepreneurial behavior to mechanical pseudo-choice nor permits entrepreneurial behavior as a social *deus ex machina*.

The final topic I will discuss is constitutional theory. I have argued that a polity’s constitution is its stable distribution of political property rights. We can use this insight to push the boundaries of knowledge concerning constitutional durability and change. Under what conditions will constitutions be stable over time? And what kinds of constitutions are commensurate with widely held social values? These are interesting questions that incorporate a mixture of positive and normative considerations. Especially for those interested in liberal political economy, discovering and achieving constitutions that enable protective and productive collective action, while forestalling collective action, is of highest importance (Buchanan 1975). A political property rights perspective on constitutions suggests that, to achieve a durable and broadly welfare-enhancing constitution, political property rights must be structured in such a way that holders (a) have an incentive to act in the interests of the general welfare and (b) have the ability to resist encroachment on their political property rights, should such attempts at encroachment arise. Salter and Young (2018a, b) refer to the simultaneous achievement of these criteria as *polycentric sovereignty*. They characterize the pan-European (*de facto*) constitution of the High Middle Ages as one that achieved a balance of power among the “shareholders” of the realm such that this constitution can be reasonably characterized as respecting a generality norm (Buchanan and Congleton 1998). Interestingly, political property rights during the High Middle Ages were certainly entangled. There was no clear separation between commercial and political authority, whether in theory or in practice; the various estates of the realm were simultaneously important players in markets and in politics. Yet this did not prevent constitutional developments from achieving an impressive balance of power, which early liberal theorists centuries later would look to when formulating their theories of rightly exercised sovereignty. We thus arrive at an intriguing insight: a high degree of political-economic entanglement does not necessarily result in pernicious consequences, such as widespread rent seeking. Political property rights can exhibit significant commercial-political entanglement while still performing important incentive-aligning and information-generating functions (Salter 2015a, b). Thus suggests the development of a theoretical framework that systematically “predicts” the conditions under which entanglement will be broadly welfare enhancing, as opposed to welfare enhancing for some at the expense of others, is an important work at the frontier of entangled political economy.

References

- Alchian, A. A. (1950). Uncertainty, evolution, and economic theory. *Journal of Political Economy*, 58(3), 211–221.
- Alchian, A. A. (1965). Some economics of property rights. *Il Politico*, 30(4), 816–829.
- Alchian, A. A., & Demsetz, H. (1973). The property rights paradigm. *Journal of Economic History*, 33(1), 16–27.
- Barzel, Y. (1997). *Economic analysis of property rights*. New York: Cambridge University Press.
- Becker, G. S. (1978). *The economic approach to human behavior*. Chicago: University of Chicago Press.
- Bello, H. (1913 [1977]). *The servile state*. Indianapolis: Liberty Fund.
- Buchanan, J. M. (1975). *The limits of liberty: Between anarchy and Leviathan*. Chicago: University of Chicago Press.
- Buchanan, J. M. (1987). The constitution of economic policy. *American Economic Review*, 77(3), 243–250.
- Buchanan, J. M. (1990). The domain of constitutional economics. *Constitutional Political Economy*, 1(1), 1–18.
- Buchanan, J. M., & Congleton, R. D. (1998). *Politics by principle, not interest: Towards nondiscriminatory democracy*. Cambridge: Cambridge University Press.
- Buchanan, J. M., & Tullock, G. (1962). *The calculus of consent: Logical foundations of constitutional democracy*. Ann Arbor: University of Michigan Press.
- Burnham, J. (1943). *The Machiavellians: Defenders of freedom*. New York: John Day.
- Foss, N., & Klein, P. G. (2012). *Organizing entrepreneurial judgment: A new approach to the firm*. Cambridge: Cambridge University Press.
- Kirzner, I. (1973). *Competition and entrepreneurship*. Chicago: University of Chicago Press.
- Leeson, P. T. (2018). *Logic is a harsh mistress: Welfare claims for economists* (Working paper). Available from author.
- Martin, A. (2011). The catallactic point of view. *Studies in Emergent Order*, 4, 133–148.
- Michels, R. (1915). *A sociological study of the oligarchic tendencies of modern democracy*. New York: Hearst's International Library Co.
- Michels, R. (1915). *Political parties. Paul, E. and Paul, C., trans.* New York: Hearst International Library Company.
- Mosca, G. (1939). *The ruling class*. New York: McGraw-Hill.
- Pareto, V. (1935). *Mind and society* (Livingston, A. and Bongiorno, A., trans). Harcourt, Brace and Company.
- Salter, A. W. (2015a). Rights to the realm: Reconsidering Western political development. *American Political Science Review*, 109(4), 725–734.
- Salter, A. W. (2015b). Sovereignty as exchange of political property rights. *Public Choice*, 165(1), 79–96.
- Salter, A. W., & Wagner, R. E. (2018a). *Constitutional Catallaxy: Friends and enemies in an open-ended social order*. Journal of Public Finance and Public Choice. forthcoming.
- Salter, A. W., & Wagner, R. E. (2018b). Political entrepreneurship, emergent dynamics, and constitutional politics. *Review of Social Economy*, 76(3), 281–301.
- Salter, A. W., & Young, A. T. (2018a). Medieval representative assemblies: Collective action and the antecedents of limited government. *Constitutional Political Economy*, 29(2), 171–192.
- Salter, A. W., & Young, A. T. (2018b). Polycentric sovereignty: The medieval constitution, governance quality, and the wealth of nations. *Social Science Quarterly*. forthcoming.
- Schumpeter, J. (1939). *The theory of economic development*. Cambridge: Harvard University Press.
- Spooner, L. (1870). *No treason: The constitution of no authority*. Self-published. Public domain.
- von Mises, L. (1949). *Human action: A treatise on economics*. New Haven: Yale University Press.
- Wagner, R. E. (2012). Viennese Kaleidics: Why it's liberty more than policy that calms turbulence. *Review of Austrian Economics*, 25, 283–297.

- Wagner, R. E. (2014). Entangled political economy: A keynote address. *Advances in Austrian Economics*, 18, 15–36.
- Wagner, R. E. (2016). *Politics as a peculiar business: Insights from a theory of entangled political economy* (p. 234). Cheltenham: Edward Elgar.
- Wagner, R. E., & Patrick, M. (2015). From mixed economy to entangled political economy: A Paretian Socialtheoretic orientation. *Public Choice*, 164, 103–116.
- Wagner, R. E., & Podemska-Mikluch, M. (2010). Entangled political economy and the two faces of entrepreneurship. *Journal of Public Finance and Public Choice*, 28, 99–114.
- Wagner, R. E., & Rajagopalan, S. (2013). Legal entrepreneurship within a system of entangled political economy. *American Journal of Entrepreneurship*, 6, 24–36.
- Wagner, R. E., Smith, A., & Yandle, B. (2011). A theory of entangled political economy, with application to TARP and NRA. *Public Choice*, 148, 45–66.