

I. The "Europeanization" of North America began with Columbus who "sailed the ocean blue in 1492"

- A. Columbus had accepted a theory of the size of the earth that implied China was only about 3000 miles to the West of Europe, rather than the 10,000 miles believed by many sophisticated theorists. (Taylor. p. 34)
- i. He persuaded the new King Ferdinand and Queen Isabella of Spain to finance the trip to China and off he went.
 - a. Ferdinand and Isabella are somewhat famous within Europe for driving the Moors out of Southern Spain, unifying the country, and for being the parents of Charles V's mother Joanna.
 - b. It is mostly the success of the Spanish army, but partly the success of Columbus, that induced Charles V to move from Belgium to Spain to become King of Spain in 1517 and soon after also the Holy Roman Emperor in 1519.
 - ii. Ferdinand and Isabella are very **famous in American history** and mythology, but mainly for sponsoring Columbus's trips (after rejecting his lobbying efforts three times).
 - a. In US history, Columbus is considered to be the discoverer of "American," although he was convinced for at least a decade that he had found a new route to the East Indies and China.
 - b. However, the two "new" continents were not named after Columbus, but rather after Amerigo Vespucci who wrote letters that were published and widely circulated in Europe announcing the discovery of a "new world" in approximately 1505, after a voyage on which he represented Medici bank interests.
 - c. Martin Waldseemuller named the new continent America on his new maps of the New World in 1507.
 - iii. South America was rapidly claimed by Spain and Portugal.
 - a. The natives of South America (Incans and Aztecs) were more sophisticated and much wealthier at the time than the North, although the residents of both continents were evidently decimated by European diseases such as small pox.
 - b. Neither the Spanish nor the Portuguese devotee much effort to the lands north of Florida and Mexico, probably because there was no gold to be found among North America's natives.
 - c. The great influx of South American gold into Spain, had important effects on the balance of power within Europe as it allowed the purchase of both military ships and favors from other kingdoms.

- B. Word of new world riches reached the ears of the rulers and merchants in England, France, and the Netherlands--and they sent ships to explore the north in hopes of finding wealth where Spain had not.
- i. They commissioned explorers who mapped North America fairly carefully with an eye for gold, other marketable resources, and for potential settlement.
 - ii. Since no gold was found, perhaps land sales and trade were the only source of profits for North European commoner investments in North America.
- C. In the early sixteen hundreds, successful English, Dutch, and French colonies existed along the east coast of what is now the United States, and along several of the larger rivers--especially the St Lawrence Seaway in what is now Canada.
- a. The French established colonies in what is now Canada (and also on a few Islands in the Caribbean).
 - b. The English established colonies along the coast of what is now the United States from about South Caroline to Maine.
 - c. The Dutch established colonies in what became New York, New Jersey, and Delaware.
 - d. (And a small colony of New Sweden was established by Dutch and Scandinavian settlers near what became Wilmington, Delaware. The American **log cabin** originated in this short-lived colony. Its design was imported from Finland.)
- D. Note that in all of these cases, **the motivation for exploration, conquest, and settlement was largely economic.**
- E. It bears noting, however, that many of the New World's major effects on Europe were unanticipated and, thus, largely accidental.
- i. For example, completely unanticipated food stuffs were found and introduced to Europe from the New World.
 - a. The potato, corn and cassava grew in places that the major European crops--wheat, barley, and oats--could not and also provided about 50% more calories per acre.
 - b. This allowed more of Europe to be farmed and more people to be supported on an acre of land than the older crops, both of which contributed to European population growth in the next two centuries (Taylor, p. 45).
 - ii. Discovery of the "new world," also **demonstrated that the state of knowledge during the late medieval Europe was incomplete in major ways, and could be made more complete through exploration.**

- a. This doubtless made the arguments of Protestant reformers such as Luther and Calvin in the first decades of the sixteenth century more persuasive by **undermining** the reputation of "received wisdom."
- b. If North and South America was completely new to European map makers, perhaps other parts of received wisdom were also incomplete or wrong.
- c. And, for roughly the same reason, it also helped catalyze the scientific revolution that continues through to the present, by demonstrating that the received scientific wisdom of the Greeks was open to question, research and new experiments (even though their estimates of distances to China were proven to be more accurate than those of Columbus).
- d. A lot was being learned from direct observation and exploration that was completely unknown to the Greek and Christian scholars of the past.
- iii. **Columbus and his successors proved that direct observation and experiment could add to the "wisdom of the ages."**
- F. **Although the search for profits was most important, religious** men and women also were interested in the new world as a source of converts: "souls that could be saved," and as places in which religious beliefs could be perfected.
 - i. A few of the English colonies in "New England" were established as places where they would be free to "purify" their religion, away from the corrupting influence of Europe.
 - a. The New England group of Puritans--as with the "Pilgrims"--turned out to be quite influential in the long run, particularly with respect to US myths and holidays (Thanksgiving) but also with respect to many of "Puritan" moral and religious traditions.
 - b. Other colonies used promises of religious toleration to attract diverse groups of immigrants, as in New Amsterdam and with Marylands' *Religious Toleration Act* of 1649.
 - ii. However, even in these cases, it is clear that economic incentives were important.
 - a. New Amsterdam rapidly became a thriving commercial center, in part, by attracting religious refugees from Europe and New England.
 - b. The shipping center that emerged in New England (Boston) provided the resources that the "Puritans" needed for successful development (and moderation) in the seventeenth century.
 - c. (This is not to say that the New England religious communities were nonbelievers or hypocrites, because of their interest in economic success. Rather it is to point out that even devote settlers knew that one could not "eat" a prayer.)

II. The Demand for Labor and Capital and the Democratic Origins of the United States

- A. It bears remembering North American colonies were "done on the cheap."
 - i. The lack of gold meant that returns from European investments were likely to be lower than in South America, and thus few resources were invested by the governments of France, England, and the Netherlands.
 - ii. Indeed, most of the development by the English and Dutch colonies were financed by crown-chartered companies--that is to say as private firms granted charters by the English king or Dutch States General.
 - iii. That is to say, government services were not freely provided by the European governments, police, and armies, but rather had to be created essentially "whole cloth" by the crown companies and the colonists.
- B. Land rather than gold was the direct economic return for most investors in the North American colonies, but land is not very valuable unless it is "improved" in some sense.
 - i. Farming requires clearing and tilling.
 - ii. Mining requires exploration and development, as well as smelting.
 - iii. Timber requires lumberjacks, saws, and sawmills.
 - iv. All these require transportation of some kind (normally by boat in this period).
- C. All of these activities require what economists call "labor" and "capital" as well as land to produce a stream of income.
 - i. Consequently, those who received large land grants (often nobles or members of noble families in England), or subsequently purchased them, **had a strong demand for labor and capital**, without which their land was essentially without value.
 - ii. Some investors and land-grant recipients were sufficiently wealthy to provide their own capital, but they could not supply enough labor.
 - iii. **Both skilled and unskilled labor had to be attracted to** colonies, plantations, farms, or cities, if these wealth individual were to profit from their investments in the North America.
- D. How could this be done?
 - i. In order to attract labor and capital to their colonies, the landowners needed to assure these people that they would be better off there than at home in England (and elsewhere in Europe, where immigrants were widely sought).
 - ii. Landowners and ship owners engaged in extravagant "promises" of land or riches to fool people into going and then exploit them after they arrive.

- a. This method only works for a few years, as people and stories returned to Europe about what life (and death) were like in the colonies.
- iii. A more important method was to attempt to recruit very poor people, who felt they had little to lose by crossing the Atlantic. Landowners and shipping companies could pay the way for those who were interested in the New World, but who could not afford the trip.
 - a. This was the origin of most of the early "indentured servants" in the first decades of North American development
 - b. These "servants" normally borrowed the transatlantic fare from a company or land owner. In exchange, they worked for five to ten years for very low wages, after which they would be free men--in some cases with a piece of their own land.
- iv. Obviously, such contracts are risky for the indentured servant, because once in America, they could not buy a ticket home.
 - a. (Indeed, in the early days, many died from various diseases before paying off their debt.)
 - b. Clearly, people would be more willing to sign such contracts if the contract terms were reasonable and would be enforced once they reached the colonies.
- E. Economists often call such problems "contracting problems."
 - i. In principle, many such problems can be solved through well constructed contracts.
 - ii. However, such self-enforcing contracts cannot solve all problems.
 - iii. Thus attracting labor to the new world, required some reliable method of enforcing the contracts signed in Europe, where judicial systems had a long history of enforcing contracts.
 - iv. However, European courts were not really available to colonists.
 - a. Indeed, the worst indentured contracts and contract owners were such they probably would not have been enforced in England.
 - b. And, the worst contract owners (masters) might well have been punished for violating criminal law.
 - c. In most cases, there would be recourse in European courts, but only relatively wealth people could afford the trip back to Europe to try the case, and even for them it was an expensive remedy for contract breach.
 - v. Clearly, **some method of securing property rights and enforcing contracts in the colonies would reduce the risks** faced by both skilled and unskilled labor, and with small and large capital investors.
- F. That is to say, the relative attractiveness of colonial political in legal institutions clearly affected the flow of labor and capital to particular colonies, and thus the wealth of the large landholders.
 - i. **In North America, large land owners could compete for labor and capital by improving legal and political institutions.**
 - ii. Potential colonists could choose among colonies, and would tend to choose the colony or town offering the best protection--other things being equal.
 - iii. (This degree of competition for labor was far less common in Europe, where labor was almost freely available, and it was not always easy for peasants and working class folk to move from one place to another.)
 - iv. Improvements in legal and political institutions would increase the flow of labor and capital to the New World in general and to particular colonies, which in turn would make political elites wealthier.
 - v. In this case, elites faced a tradeoff between protecting their political power and increasing their economic wealthy, which together with competition for labor, caused the to develop relatively liberal political institutions.
- G. Notes on Political Institutions for Protecting Property Rights and Enforcing Contracts
 - i. There are many institutions that can enforce contracts and secure property rights to various degrees.
 - a. For example, a King may appoint a more or less representative council of advisors who would discuss policies from many points of view, so that the King's final decision would not ignore the effects of policy on various people in the kingdom.
 - b. That council may be given some veto power over taxes and other legislation.
 - c. The council may be selected by those whose interests are at risk rather than by the king.
 - d. The selection process may use explicit electoral procedures to select representatives.
 - ii. The elective process tends to provide the most protection for their group, because the persons elected from a particular group clearly has reason to represent his or her group's interests rather than the king's.
 - iii. In practice, **many colonial governments used bicameralism to secure property rights.**
 - a. The upper chamber protected elite interests (and was often appointed by the crown company directors).

- b. The lower chamber was directly elected (with fairly broad "freeman" suffrage) and represented the interest of middle class colonists.
- c. Granting veto power over new taxes and new laws to both chambers tended to guarantee that neither group would be exploited by the other, nor by the governor.
- iv. Insofar as the governor needed parliamentary approval for taxes every year (unlike most European kings at this time), these colonial governments rapidly became very important parts of government, even though the government was formally supreme (being the crown's representative) in many of the colonies.

III. Tiebout Competition and the Spread of Democratic Institutions

- A. It bears noting that, governments were not as powerful in the North American colonies as in Europe or South America .
 - i. This was largely because the new colonies were less profitable, and so they were less directly supported by well organized European armies and police.
 - ii. It was also because it was relatively easy for colonists to escape from oppressive laws by joining Indian settlements or moving to other colonies.
 - a. The latter was especially important, because it increased competition among the colonies for manpower and capital.
 - b. Ships ran up and down the coast of North America, and the same rivers that allowed commerce to develop inland from the coast, also allowed pioneers to move from town to town.
 - c. Many of the colonies, were physically close together because they were relatively small--as in the North with Massachusetts, Rhode Island, and Connecticut--and/or were linked together by common water ways--as with Maryland and Virginia in the South.
 - iii. Migration was often done by groups who seceded from existing towns, particularly in the religious communities in the North, to found their own independent settlements.
- B. All this lead to a good deal of experimentation with governmental forms.
 - i. Experiments were made at both the local government level and at the colonial level.
 - a. Success was evident in population increase, and failures with population decrease.
 - b. Moreover, because population increases tended to increase the wealth of the colonial elites they had strong economic reasons to adopt successful patterns.
 - c. In the these colonies, there was in effect

- ii. It bears noting that mobility must also have moderated the behavior of other colonial governments around the world with respect to their immigrants as well.
 - a. But, many were more profitable than the North American colonies, and thus they were better policed.
 - b. Also, European diseases had greatly reduced the native "Indian" population, which provided many more opportunities for resettlement (more open land) than in many other parts of the world.
- iii. Consequently, although the North American colonies were **founded for profit and often run by chartered companies, they turned out to be great experimental laboratories of governance.**
- C. The scarcity of labor among the colonies induced elites to copy successful political and economic institutions among the colonies.
 - i. Otherwise, less labor would be attracted, and land (and capital) would be less valuable to their owners.
 - ii. And, thus, **relatively broad suffrage was in the economic interest of political elites** (who were normally major landowner-investors in the crown companies
 - iii. Without relatively liberal political institutions, a colony's elites might have a bit more political power, but they would have been less wealthy, because there would be no one to farm, timber, mine, and mind their land holdings!
 - iv. (Farming techniques in the South shifted to tobacco and then cotton plantation run by slaves, which reduced this liberalizing tendency, but did not eliminate it.)
- D. New models of government, based loosely on European models, rapidly emerged throughout the English colonies.
 - i. These typically included bicameral legislatures with veto power over new taxes and new laws, with one elected chamber and one appointed chamber.
 - a. The appointed chamber was often a Noble chamber of sorts, augmented by other important shareholders.
 - b. These chambers, thus, were very similar to the first chambers of European parliaments.
 - c. However, the elected second chamber was often elected on the basis of much broader suffrage than in Europe, and so had a quite different character.
 - ii. Rather than 5 or 10% male suffrage as was common in Europe in the Seventeenth century, English colonial suffrage was generally greater than 50% and often close to 100%.
 - a. This was a degree of suffrage not reached in Europe until the nineteenth century, nearly three hundred years later.

- b. (Indeed, this could be counted as **another of the great unexpected consequences of the discovery of the New World**, perhaps the greatest in the long run, the demonstration that relatively democratic governments could actually work.)
- iii. Without standing tax bases and little support from English taxpayers, the colonial governments were very dependent on their legislatures for revenues, and often for their salaries.
 - a. This made the colonial parliaments among the most powerful in the world insofar as their impact on legislation and governance was concerned.
 - b. Governors needed reliable majorities in the colonial parliaments to secure the resources for governing, which in many cases included their own salaries.
- E. The English colonies were, of course, relatively small places compared to nation states.
 - i. However, their populations rapidly increased in the seventeenth century, and by centuries end they were not so much smaller than the smaller European states in 1700.
 - a. A good deal of the population growth was simply the effect of learning to farm in the new world.
 - b. But, some must be attributed to the fairly rapid improvement in governance and government services.
 - ii. The latter was often simply the absence of arbitrary laws and confiscatory taxation--which contemporary work in economics shows tends to increase economic growth.
 - iii. (Of course, the consequent increase in political, religious, and economic freedom also encouraged immigration to the New World, but **increased prosperity was clearly the most important factor** for most immigrants, as true of today's.)
- F. A Digression on Tiebout models of local government competition
 - i. Charles **Tiebout** (1954) pointed out that this "tax competition" is very similar to "price competition" in ordinary markets.
 - a. In order to tax mobile resources, communities (towns, states, and countries) have to provide services commensurate with their tax costs.
 - b. Otherwise "public consumers" will **vote with their feet** and move to other places that provide better value for their tax dollars (taking "their tax bases" with them).
 - ii. In the limit, this process may move to a competitive equilibrium among communities where:
 - a. Competition among communities for residents produces a wide range of fiscal packages to choose from.

- b. Each community provides its bundle of public services at least cost.
- c. Every community is ideally sized to produce its bundle of services.
- d. Each community's residents are "homogeneous" in their demand for local public services.
- e. Each voter-resident pays the marginal cost of his own services.
- f. (Note that this process does not require an effective political system to work, only very mobile tax payers who can take their part of the tax base with them.)
- iii. Tax competition does not always work as well as Tiebout suggests, but this idea has informed a good deal of discussion about the desirability of decentralizing the provision of services.
 - a. Decentralizing the provision of local services potentially allows voters to get just what they want from government--no more and no less.
 - b. However, there may be problems with inter-community externalities and with economies of scale.
- iv. The existence of intergovernmental **externalities** may imply that "treaties-Coasian contracts" or "interventions by other levels of government" may be necessary to make competition yield efficient outcomes.
 - a. **Economies of scale** may reduce the number of competing "town-firms" that can be sustained in a "Tiebout world" in a manner that reduces the range of choice available to voter-taxpayer-consumers.
 - b. (The menu of government services that voter-taxpayer-consumers can choose from may be more limited than the Tiebout model implies. This parallels the microeconomics analysis of perfect competition vs. monopolistic competition. In this case, politics will again be an important determinant of citizen welfare.)
- v. Note that in the case of **constitutional competition** among governments, the same basic logic applies, although in this case the services of interest of fundamental ones of legal and political institutions that provide representation of the interests of current and potential residents.
 - a. Indeed, it could be argued that the model works better for the colonial context than for ordinary local governments insofar as elites have strong economic interests to maximize labor and capital flows into "their" colonies.
 - b. (However, negative effects of immigration--for example, falling wage rates and congestion--would be taken into account by voters and their representatives in the second chamber, which reduces the "maximize the number of residents" logic after the representative assemblies are up and running.)

IV. Some Illustrations of Early Democratic Institutions from Colonial Constitutions

- A. The class website includes links to "From Revolution to Reconstruction" which includes many colonial documents, including colonial charters and constitutions, and several precursors to the American developments.
- i. For example, the website includes the Dutch Act of Abduration, (Plakkaat van Verlatinghe, 1581) which is the Dutch declaration of independence. It includes a very "modern" description of the right of a people to revolt against tyrants.
 - ii. It was written about a hundred years before Locke's famous, but similar, statement of the same principle in his *Treatises on Government*, published anonymously in 1689.
- B. These documents help chart the formal development of constitutional law in the colonies.
- i. The **Mayflower Compact** of 1620 is perhaps the first true social contract, and was written about thirty years before Hobbes developed his contract theory of the state in the *Leviathan*. This social compact was negotiated on a ship (the Mayflower) rented by English and Dutch puritans on their way to founding a religious colony near Plymouth Rock in Massachusetts and signed by all (men) on board.
 - a. "We, whose names are underwritten, the Loyal Subjects of our dread Sovereign Lord King James, by the Grace of God, of Great Britain, France, and Ireland, King, Defender of the Faith, &c. Having undertaken for the Glory of God, and Advancement of the Christian Faith, and the Honor of our King and Country, a Voyage to plant the first colony in the northern Parts of Virginia;
 - b. Do by these Presents, solemnly and mutually in the Presence of God and one another, covenant and combine ourselves together into a civil Body Politick, for our better Ordering and Preservation, and Furtherance of the Ends aforesaid;
 - c. And by Virtue hereof do enact, constitute, and frame, such just and equal Laws, Ordinances, Acts, Constitutions, and Offices, from time to time, as shall be thought most meet and convenient for the general Good of the Colony; unto which we promise all due Submission and Obedience."
 - ii. "An Ordinance and Constitution of the Virginia Company in England" written in 1621 is the first (more or less) democratic parliamentary constitution of the West.
 - a. "We therefore, the said treasurer, council, and company, by authority directed to us from his majesty under the great seal, upon mature deliberation, do hereby order and declare, that, from hence forward, there shall be two supreme councils in Virginia, for the better government of the said colony aforesaid."
 - b. "The one of which councils, to be called the council of state (and whose office shall chiefly be assisting, with their care, advice, and circumspection, to the said governor) shall be chosen, nominated, placed, and displaced, from time to time, by us the said treasurer, council and company, and our successors"
 - c. "The other council, more generally to be called by the governor, once yearly, and no oftener, but for very extraordinary and important occasions, shall consist for the present, of the said council of state, and of two burgesses out of every town, hundred, or other particular plantation, to be respectively chosen by the inhabitants: which council shall be called The General Assembly, wherein (as also in the said council of state) all matters shall be decided, determined, and ordered by the greater part of the voices then present"
 - d. "And this general assembly shall have free power, to treat, consult, and conclude, as well of all emergent occasions concerning the publick weal of the said colony and every part thereof, as also to make, ordain, and enact such general laws and orders, for the behoof of the said colony, and the good government thereof, as shall, from time to time, appear necessary"
 - iii. The "Charter of Freedoms and Exemptions to Patroons" written in 1629 assures Dutch Investors and other settlers of New Amsterdam (present day New York city and New York State) that they will have the rights of Dutchman in the new world, may engage in trade, and claim as much land as they improve. (Note similarity with Lockes' 1689 theory of property.)
 - a. "The Company promises the colonists of the Patroons that they shall be **free from customs, taxes, excise, imposts or any other contributions for the space of ten years**; and after the expiration of the said ten years, at the highest, such customs as the goods pay here for the present."
 - b. "All the Patroons of Colonies in New Netherlands, and of Colonies on the Island of Manhattan, shall be **at liberty to sail and traffic all along the coast**, from Florida to Terra Neuf, provided that they do again return with all such goods as they shall get in trade to the Island of Manhattan, and **pay five per cent duty** to the Company, in order, if possible, that, after the necessary inventory of the goods shipped be taken, the same my be sent hither"
 - c. "In regard to such private persons as on their own account. . . shall be inclined to go thither and settle, they shall, with the approbation of the Director and Council there, **be at liberty to take up and take possession of as much land as they shall be able properly to improve. . . .**"
 - d. "The Patroons and colonists shall in particular, and in the speediest manner, **endeavor to find out ways and means whereby they may support a Minister and Schoolmaster**, that thus the service of God and zeal for religion may not grow cool and be neglected among them, and they shall, for the first, procure a **Comforter of the sick** there. . . ."

- e. "The Colonists shall **not be permitted to make any woolen, linen or cotton cloth**, nor weave any other stuffs there, on pain of being banished, and as perjurers, to be arbitrarily punished."
- f. "The Company will use their endeavors to **supply the colonists with as many Blacks as they conveniently can**, on the conditions hereafter to be made, in such manner, however, that **they shall not be bound** to do it for a longer time than they shall think proper."
- g. (Although not free by today's standards, the Dutch colony was the freest in North America for much of the first half of the sixteenth century, and one of the most prosperous. Recall that the Netherlands, was the most liberal place on earth at that time, and Dutch rights included the right of conscience, for Christians. However, governance in New Amsterdam was not particularly liberal.)
- iv. "The fundamental orders of Connecticut" written in 1639 develops an even more democratic government than in Virginia that includes freeman suffrage an elected governor (which was relatively rare in the colonies).
- a. "It is Ordered, sentenced, and decreed, that there shall be **yearly two General Assemblies or Courts**, the one the second Thursday in April, the other the second Thursday in September following; the first shall be called the Court of Election, wherein shall be yearly chosen from time to time, so many Magistrates and other public Officers as shall be found requisite: Whereof **one to be chosen Governor for the year ensuing and until another be chosen**, and no other Magistrate to be chosen for more than one year: provided always there be six chosen besides the **Governor**, which being chosen and sworn according to an Oath recorded for that purpose, **shall have the power to administer justice according to the Laws here established, and for want thereof, according to the Rule of the Word of God;**
- b. [The vote or] **choice shall be made by all that are admitted freemen** and have taken the Oath of Fidelity, and do cohabit within this Jurisdiction having been **admitted Inhabitants by the major part of the Town** wherein they live or the major part of such as shall be then present.
- c. It is Ordered, sentenced, and decreed, that the election of the aforesaid Magistrates shall be in this manner: **every person present and qualified for choice shall bring in** (to the person deputed to receive them) **one single paper with the name of him written in it whom he desires to have Governor, and that he that hath the greatest number of papers shall be Governor for that year.**
- d. And the rest of the Magistrates or public officers to be chosen in this manner: the Secretary for the time being shall first read the names of all that are to be put to choice and then shall severally nominate them distinctly, and every one that would have the person nominated to be chosen shall bring in one single paper written upon, and he that would not have him chosen shall bring in a blank; and **every one that hath more written papers than blanks shall be a Magistrate for that year**, which papers shall be received and told by one or more that shall be then chosen by the court and sworn to be faithful therein; but in case there should not be six chosen as aforesaid, besides the Governor, out of those which are nominated, than he or they which have the most written papers shall be a Magistrate or Magistrates for the ensuing year, to make up the aforesaid number."
- e. (Note that the governor becomes, effectively, the prime minister of Connecticut, as an executive selected by the public assembly of freemen.)