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WHY NOT TAXATION AND REPRESENTATION? A NOTE ON THE AMERICAN
REVOLUTION

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ABSTRACT

Why did the most prosperous colonies in the British Empire mount a rebellion? Even more puzzling, why didn't the British agree to have American representation in Parliament and quickly settle the dispute peacefully? At first glance, it would appear that a deal could have been reached to share the costs of the global public goods provided by the Empire in exchange for political power and representation for the colonies. (At least, this was the view of men of the time such as Lord Chapman, Thomas Pownall and Adam Smith.) We argue, however, that the incumbent government in Great Britain, controlled by the landed gentry, feared that allowing Americans to be represented in Parliament would undermine the position of the dominant coalition, strengthen the incipient democratic movement, and intensify social pressures for the reform of a political system based on land ownership. Since American elites could not credibly commit to refuse to form a coalition with the British opposition, the only realistic options were to maintain the original colonial status or fight a full-scale war of independence.

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“ [...] there is not the least probability that the British constitution would be hurt by the union of Great Britain with her colonies. That constitution, on the contrary, would be completed by it, and seems to be imperfect without it. [...] That this union, however, could be easily effectuated, or that difficulties and great difficulties might not occur in the execution, I do not pretend.” (Adam Smith, *The Wealth of Nations*, Book IV, Chapter VII, Part III, p. 140).

1 Introduction

Why are we, two economists, writing about the American Revolution? The best answer we can offer is that this is a fascinating topic and that we are persuaded that modern economic theory can improve our understanding of it. Are we proffering yet another economic interpretation of the American Revolution? No, the focus of this work is not to unveil the economic forces behind the American Revolution. Economic forces are an integral part of our line of argument, but political and religious issues are too. The goal is to improve our understanding of the strategic interactions that led, first, to a rebellion and, then, to the independence of America, the most prosperous colonies in the British Empire. In order to do so, we approach the American Revolution as the outcome of a strategic interaction among several players and employ modern economic theory to explore the mechanisms that led to that outcome. In other words, we regard the American Revolution as a puzzle and employ modern economic theory as a tool for finding the protocol that will help us to put the pieces together.

One advantage of this approach is that, to some extent, the strategic interactions that we focus on are not determined by the specific underlying conflict that is placed at center stage. The factors involved could have been economic, political or religious issues or, most likely, a complex combination of all of them. Whatever the case, the dynamic mechanism that we highlight holds true. A second advantage of viewing the American Revolution as the outcome of a strategic interaction is that it forces us to take full account of the strategic responses of all the groups involved. An American or British approach to the Revolution cannot exist in isolation. For every British action, there must be a corresponding American response and vice versa. Finally, our approach combines the internal and external components of the conflict, but in a strategic rather than a mechanical way. Indeed, at the core of our analysis, there is a dynamic tension between American colonists and the internal political equilibrium in Great Britain.

Before the American Revolution, the American colonies were very prosperous. They had relatively

inclusive institutions with powerful state assemblies and paid much lower taxes than other subjects of Great Britain. The revenue collected in the colonies was not nearly enough to cover the cost of their defense. Nevertheless, the British Empire had demonstrated its willingness to protect the colonies in the Seven Years War. After that war, new taxes to finance fundamental public goods (e.g., defense and public order) were unavoidable. Although France and other British rivals in continental Europe were expected to provide military support, rebellion was nonetheless a dangerous enterprise for the American elites. Why did the American colonies mount a rebellion? Americans were willing to accept further taxation on the condition that they were granted political representation in the British Parliament. Why didn't the British agree to permit American representation in the British Parliament and quickly settle the dispute?

In part, the origins of the dispute between the British Empire and the American colonies can be traced back to the English Civil War. Indeed, after the Glorious Revolution, three points of conflict began to develop (Phillips, 1999). First, while the colonists identified more with Cromwell and his radical democratic ideas, in England the dominant political legacy of the Glorious Revolution was more conservative. Second, Protestant dissenters and adherents of the Low Anglican Church predominated in the colonies, while members of the High Anglican Church and Catholic hold-outs prevailed in England. Third, the colonists began to perceive the first signs of the ambiguous status of their rights and of their local assemblies.

Until the 1760s, these political and religious differences did not pose much of a problem because the Whig coalition that dominated British politics was sympathetic to the American colonies. Part of the glue that held the Whig coalition together was the fact that the Stuart cause was still alive, but this changed after 1745, which was when the last failed attempt by the Jacobites and the Tories to restore the House of Stuart to the throne occurred. Eventually, this led to a political realignment in British politics which empowered a new alliance of conservative Whigs and Tories with the support of former Jacobite and Catholic groups (Phillips, 1999). The new dominant coalition proved to be less sympathetic to American interests and less permeable to American influence (Olson, 1992). After the Seven Years War, the new coalition, menaced with the financial burden of the war and convinced that the colonies had not been properly managed, decided to tighten its control over the colonies.

Simultaneously, major economic changes were taking place in the Atlantic economy. In particular, Atlantic trade significantly expanded during the eighteenth century, especially from 1745 to 1775. This

consolidated a colonial elite formed by wealthy merchants, landlords and planters, who started pushing for their economic and political interests. More importantly, this expansion in the Atlantic economy was accompanied by a structural change in commercial practices. British companies began to expand their activities in America, bypassing the domestic elites and taking control of the marketing process in several different businesses (Egnal and Ernst, 1972), which was a source of irritation for the American elites. This expansion was also interrupted by several periods of recession and balance-of-payments crises. During those episodes, American elites and British authorities often disagreed as to what the proper macroeconomic remedies were (Egnal and Ernst, 1972). Thus, the growth and structural changes taking place in the Atlantic economy from 1745 to 1775 threatened the economic position of colonial elites, thereby inducing a demand for sovereign economic policies. This both coincided and clashed with the internal political realignment taking shape in Great Britain. The transition helped to dismantle the informal network of agents who had been lobbying the Crown and Parliament on behalf of American interests. The new dominant coalition in Great Britain pushed for tighter control over the colonies.

The combination of long-running political and religious differences, colonial elites' increasing demands for sovereign economic policies and internal political changes in Great Britain explain why the American elites decided to rebel. This, however, does not explain why the rebellion evolved into a war of independence. Indeed, a number of other proposals for resolving the dispute that did not involve gaining independence were being put forward during that period, with the proposals made by Thomas Pownall and Adam Smith being two excellent examples. Both of these men felt that it was mutually beneficial for Great Britain and the American colonies to find a mechanism for sharing the costs of the global public goods provided by the Empire (i.e., defense) in exchange for political power and representation for the colonies. In particular, Adam Smith considered a system in which the political representation of Great Britain and America would be proportional to the contribution that each polity was making to the public treasury of the Empire. Moreover, he was convinced that the introduction of American representation would have had a neutral effect on the political balance of the Empire. In his view, the strength of Parliament would have increased in proportion to the size of the American contingent in Parliament, while the strength of the Crown would have grown in proportion to the amount of new revenues being received. The puzzle is why such a deal was not reached. We argue that the political calculus in Great Britain was more complicated than the one envisioned by Adam Smith.

After the Seven Years War, the core of the dominant political coalition in Great Britain was composed of the landed gentry, whose power rested on a political system based on land ownership. The leader of the coalition, Prime Minister Lord North, had the support of the king. His cabinet was composed of Bedfordite ministers and, when dealing with serious issues, Lord North could always count on the support of Parliament, which was dominated by landed gentry. The coalition also enjoyed the support of the High Anglican Church. The members of this coalition were all loyal to a political system based on land ownership, and they considered the members of the general public to be unfit to participate in politics and objected to the idea of making any concessions to the American colonies.

The opposition, although relatively weak and not well represented in Parliament, was made up of urban groups that were demanding democratic reforms (the Wilkesites), together with remnants of the former Whig coalition that had governed England before the 1760s, namely, Lord Chatham and his small group of followers and the Rockingham Whigs. The Wilkesite movement promptly drew a parallel between American grievances and the situation of unfranchised people in England, and its members therefore backed colonial demands. The Chathamites also supported the colonies' bid for political representation. The Rockingham Whigs were more ambivalent. The opposition faced two critical problems. First, the Wilkesite and Chathamite movements simply did not have enough parliamentary representation. It is possible that the Wilkesites might have represented a majority of the electorate, but their electoral strength came from urban areas that were extremely underrepresented in Parliament. In other words, the democratic movement in England was growing and was starting to pose a threat to the established power structure but was still in its infancy. Second, the Rockingham Whigs, who were better represented in Parliament, suffered from several structural weaknesses. While they represented the landed gentry and were against radical democratic reforms, they believed that the cabinet and the king held too much power and they wanted to empower the Parliament.

Once the political disputes taking place in Great Britain at the time are taken into account, it becomes easier to understand the potentially disruptive effect of the introduction of American representatives. The landed gentry, who controlled the incumbent government, feared that making concessions to the American colonies would intensify the pressure for democratic reforms, thus jeopardizing their economic and political position. The opposition, especially the Wilkesites, would have been happy to accept American representation in the British Parliament. American representatives would most likely become

an excellent ally in their fight to push for democratic reforms. The Rockingham Whigs were hesitant for both of these reasons, as they feared both the authoritarian tendencies of the incumbent government and the threat of radical democratic reform. In this context, the incumbent government preferred to risk a war of independence with the American colonies rather than take the risk of going down a slippery road of democratic reforms that might well accelerate the demise of the existing land-based political system.

In order to check the consistency of our argument, we developed a simple dynamic model of independence that formalizes both the conflict between Great Britain and the American colonies and the internal conflict taking place in Great Britain. We show that both of these elements are necessary to produce a war of independence in equilibrium. In this model, there is a colony and a metropolitan power (metropolis) made up of two groups. Under colonial rule, the metropolis selects how the total output of the colony and the metropolis is divided among the colony and the two groups existing in the metropolis. Sometimes the colony can mount a rebellion and, in such cases, the metropolis offers temporary concessions. The problem for the colony is that these concessions can easily be reversed as soon as the rebels are placated and the metropolis regains control of the colony. The only credible way in which these concessions can be made more permanent is for the metropolis to give political representation to the colony. If there is no conflict of interest in the metropolis or, more generally, if the new representatives do not challenge the political balance in the metropolis, representation is a simple solution that avoids independence and the expense and waste associated with a war of independence. On the other hand, in cases where parliamentary representation of the colonies could destabilize the political balance in the metropolis, it is possible that at least one of the two groups in the metropolis would prefer to fight a war of independence rather than accept the entry of new representatives. In this case, the only options for the colony are to accept temporary concessions or to fight a full-scale war of independence.¹

In the preparation of this paper we have relied heavily on the studies conducted by many excellent historians who have analyzed colonial America and the American Revolution. Of course, it is impossible to do justice to the vast literature on the topic. We would just like to point out that, except in the case of Adam Smith, we have not used primary sources. Instead, we have simply employed the available pool

¹An issue that we do not consider in this paper is why there was open conflict, i.e., a war of independence, rather than a settlement under the shadow of conflict, i.e., a peaceful independence treaty. This is a more general issue which has already been addressed in the literature on the economics of conflict (see, for example, Garfinkel and Skaperdas, 2007). One mechanism that induces open conflict is asymmetric information between the contenders.

of historical knowledge in order to draw attention to two connected and, we think, somewhat overlooked issues relating to the American Revolution: Given that the colonies were so prosperous under British rule, why did they mount a rebellion? Given that the colonies were willing to accept taxation if representation were granted, why did the British not agree to have American representation in the British Parliament?

Ferguson (2004) asks similar questions about the American Revolution, but he does not elaborate to any great extent on possible answers. Phillips (1999) studies the divergence of the political and religious legacies of Britain and the American colonies and stresses its persistence and importance in accounting for the rebellion. For example, he shows how these legacies affected the positions regarding the colonies adopted by different groups in England. De Figuereido, Rakove and Weingast (2006) argue that the American and British elites had different beliefs about the nature of the Constitution that governed the colonies but that, before the Seven Years War, they did not have the chance to test them. Moreover, they show how these conflicting beliefs could have formed part of a self-confirming equilibrium. Egnal and Ernst (1972) emphasize the expansion of Atlantic trade in the eighteenth century and the structural changes in commercial practices and see them as the main factors behind the revolution. In their economic interpretation of the revolution, the American elites felt their economic and political position was being threatened by British companies, and they therefore started to think about how much they would gain by controlling their own economic policies. Olson (1973, 1992) highlights the erosion of the informal network of agents who had been lobbying for American interests in the British Parliament and before the Crown. Bunker (2004) studies internal political coalitions in Great Britain and their positions regarding the colonies.

There is also an extensive body of literature on institutions and institutional change (e.g., North and Weingast, 1989; Acemoglu and Robinson, 2006). Our approach and formal model take full advantage of this literature. In particular, there are three elements at the core of our model that are emphasized by any modern game-theoretic treatment of institutional change, namely, inter-temporal transactions, social conflict and commitment problems (see, for example, Acemoglu, 2003; Galiani, Torrens and Yanguas, 2014). Explicitly or implicitly, most institutional analyses and most formal models, in particular, tend to emphasize these issues within a given political unit. Fortunately, the institutional analysis of how international and domestic factors are connected has recently started to gather momentum, although the

development of this approach is still at a very early stage.² Independence processes, by their nature, necessarily entail the interaction of domestic and foreign factors. A three-group model is the simplest model that can capture these interactions, while a two-group model forces us to approach independence either as an external conflict between two homogenous states or as a civil war. Thus, our three-group model is also related to the literature on intra-elite conflict. While, in intra-elite conflict models applied to a given political unit, the relationships between the two elite groups depend on their alignments with the non-elite group (see, for example, Galiani and Torrens, 2014, who study the role of intra-elite conflict in the determination of trade policy and political regimes), in the present model, intra-elite conflict in the metropolis affects those groups' relationship with the colonies.

Finally, there is a popular view that simply argues that there was no fundamental issue behind the dispute between Great Britain and its American colonies other than the hubris of the elites on both sides of the Atlantic. Although in general we do not favor this view, it is worth mentioning that the strategic interactions we stress lead, in equilibrium, to intransigent positions and unwillingness to compromise, which can be easily misunderstood as arrogance.

The rest of this paper is organized as follows. Section 2 briefly touches upon some key unresolved issues relating to the American Revolution. Section 3 discusses the developments that led to the rebellion of the American colonies. Section 4 presents the proposals made by Thomas Pownall and Adam Smith for settling the dispute. Section 5 explains why these proposals, which at first glance seem very reasonable, were not implemented. Section 6 develops a simple formal model of the economic and political relationships between a metropolis and its colony. Section 7 concludes.

2 The American Revolution: A Puzzle

This section presents a brief, ten-point overview of the American Revolution. The goal is not to provide a comprehensive review, but rather to highlight the key issues that lead us to posit the existence of a puzzle that remains to be solved.

1. The American colonies were very prosperous, and this was particularly true of New England, the epicenter of the revolution. From 1650 to 1770, the colonies experienced such rapid economic growth that,

²Galiani, Torre and Torrens (2015), for example, study the role of international organizations in the political economy of reforms.

before the revolution, the American colonists may have been among the richest people on the planet. Growth was accompanied by a significant expansion of foreign trade as the colonies began to participate in trans-Atlantic trade flows. After 1750, inland trade also took off. New England was no exception to these developments. Not only was per capita income in New England probably at least equal to that of the United Kingdom, but it was more evenly distributed, New Englanders had bigger farms and families and were more educated than people in the United Kingdom.³

2. There is no doubt that the British Empire imposed a number of trade and other restrictions on the American colonies (e.g., monopolistic foreign trade measures, the Navigation Acts). However, most modern economic historians who have studied the subject believe that some of these restrictions were not binding and that, even in the case of those that were, the burden that they placed on the American colonies was relatively mild. Moreover, participation in the British Empire's trade system was probably quite beneficial for the colonies.⁴

³ *"In the century after 1650, the colonies enjoyed extraordinary economic growth. The gross national product (GNP) of British North America multiplied some 25 times between 1650 and 1770, and scholars estimate that American colonists may have enjoyed the highest standard of living in the world by the time of the Revolution. Overseas markets for colonial exports expanded as colonists increased their production levels and supplied valuable timber, tobacco, and rice to the Caribbean and the countries across the Atlantic. Imports also grew throughout the eighteenth century, as increasingly prosperous -and numerous- colonists expanded their demand for food and manufactured goods. After 1750, inland trade among the colonies also expanded by leaps and bounds, fostering both economic interactions and increased intercommunication among colonists."* (Shmoop Editorial Team 2008).

"[...] the ones who revolted against British rule were the best-off of all Britain's colonial subjects. There is good reason to think that, by the 1770s, New Englanders were about the wealthiest people in the world. Per capita income was at least equal to that in the United Kingdom and was more evenly distributed. The New Englanders had bigger farms, bigger families and better education than the Old Englanders back home." (Ferguson, 2004).

⁴Engerman (1994) summarizes the empirical literature on the quantitative burden which the Navigation Acts and other mercantilist policies instituted by the British Empire imposed on the American colonies. His summary follows Thomas (1965) and Thomas and McCloskey (1981). *"The restriction of manufactured imports to those produced in Britain had little, if any, effect since, based on pre- and post-Revolutionary War patterns, Britain was the major source of colonial (and then United States) imports of manufactured goods. Similarly, legislation to restrict colonial manufactures was believed to be of limited significance, given the great availability of land and the high productivity of the agricultural sector in the colonies. [...] To Thomas, and to his critics, the major component of economic costs to the colonies was imposed by enumerated commodities, particularly, tobacco, which had to be sent to Britain before being re-exported to continental consumers."* (Engerman 1994, p. 199). *"Thomas argues that, for plausible estimates of elasticities and of the cost of reshipment, the overall burden of*

3. The American colonies had fairly inclusive institutions, and their state assemblies were relatively powerful. Despite numerous early attempts to establish institutions that would restrict the economic and political rights of the settlers, it proved impossible to sustain special privileges while at the same time making the colonies economically viable. The colonists had many options available to them in America and were only willing to work if they were given the proper incentives to do so. All the colonies ended up offering land to many of the settlers, removing various political privileges, and establishing powerful local assemblies composed of white male property holders.⁵

4. The British Empire had shown its willingness to defend the American colonies, and the colonies had shown their willingness to be part of the Empire, especially if the alternative was to be ruled by France. In the middle of the eighteenth century, the French began to expand their holdings throughout the Mississippi Valley and their trade with the native inhabitants of the area, threatening to take control of the interior of North America. Despite the insistence of the British authorities, the colonies were not able to coordinate their own defense. Then, however, when the Seven Years War (which ultimately became a world war) broke out between France and England, the British government, led by Prime Minister William Pitt, sent troops to America and mobilized local militias made up of thousands of Americans settlers. The French were defeated and Britain laid claim to vast territories east of the Mississippi.⁶

enumeration was relatively small as a proportion of colonial income; adding the various other components of possible gross burden did not increase the general order of magnitude. Subtracting colonial defence costs paid by the British leaves a very small net burden, under 1 per cent of estimated colonial income, too small by itself, Thomas argues, to serve as the basis for an argument for economic causation of the American Revolution." Engerman (1994, p. 200).

⁵ "By the 1720s, all the thirteen colonies of what was to become the United States had similar structures of government. In all cases there was a governor, and an assembly based on a franchise of male property holders. They were not democracies; women, slaves, and the propertyless could not vote. But political rights were very broad compared with contemporary societies elsewhere. It was these assemblies and their leaders that coalesced to form the First Continental Congress in 1774, the prelude to the independence of the United States. The assemblies believed they had the right to determine both their own membership and the right to taxation. This, as we know, created problems for the English colonial government." (Acemoglu and Robinson 2011, p. 28).

⁶ "[...] in the 1750s the French were moving in from Canada and Louisiana, coming down the Great Lakes and up the Mississippi to trade furs and make treaties with the native people, and building forts at Detroit, Vincennes (now in Indiana), and St. Louis. From Quebec to New Orleans, the French were taking control of the continent's interior [...] but, [...] the British colonies would not unite against this threat ... the British government ordered the colonies to meet with the Iroquois leaders to secure their alliance against the French. In the summer of 1754 delegates from seven colonies assembled at Albany,

5. The American colonies did not pay high taxes. For example, in 1763, on average, a citizen in Britain paid 26 shillings per year in taxes, while a citizen in New England paid just 1 shilling per year. Moreover, after the Seven Years War, all of Parliament's attempts to increase taxes failed, and a number of taxes were repealed. For example, as the Stamp Act proved to be very unpopular, it was quickly repealed, and the minister who had proposed it was obliged to resign. In 1770, new customs duties were passed, but the tax on tea - the sole product that had generated so many political problems in Boston - had actually been reduced to a trifling amount.⁷

6. The amount that Great Britain was spending on the colonies was considerable, and the colonies did not generate sufficient revenue to make them an advantageous undertaking. *“Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies.”* (Smith, 1776, Book IV, Chapter III, Part III, p. 131). Before and during the Seven Years War, Great Britain had been paying for a significant part of the public goods enjoyed by the colonies, especially in the case of defense. There are few doubts that, after the Seven Years War, the British were trying to find a way to collect more taxes from the colonies to cover those expenditures. But the key

New York. The conference was a failure. Individual colonial agents made separate peaces with the Iroquois. [...] Though the Albany conference approved the plan [of union], the colonial assemblies would not. [...] frontier skirmishes led England and France to declare war on each other. This war [...] spread from North America to the Caribbean, to Africa and Europe and the Mediterranean, to India and the Pacific. [...] Pitt mobilized British ships and regulars and thousands of American militia troops to wrest Montreal and Quebec from the French. A subsequent force took Cuba and Florida from Spain. At the war's end Britain claimed all of America east of the Mississippi.” (Allison, 2011, pp. 1-5). *“Just twenty years before the ‘battle’ of Lexington, the American settlers had proved their loyalty to the British Empire by turning out in tens of thousands to fight against the French and the Indian allies in the Seven Years War.”* (Ferguson, 2004, p. 71).

⁷ *“And, crucially, they [New Englanders] paid far less tax. In 1763 the average Briton paid 26 shillings a year in taxes. The equivalent figure for a Massachusetts taxpayer was just one shilling.”* (Ferguson, 2004, p. 70).

“In 1765 Parliament passed the Stamp Act, which meant that everything from newspapers to playing cards had to be printed on specially stamped - and hence taxed - paper. [...] But the tax proved so unpopular that the minister who introduced it, George Grenville, was forced to resign and by March the following year it had been scrapped. From now on, it was accepted, the Empire would tax only external trade, not internal transactions. Two years later, a new Chancellor of the Exchequer, Charles Townshend, tried again, this time with a range of new customs duties. [...] However, the duty on one of the most popular articles of colonial consumption, tea, was actually cut [...] In January 1770 a new government in Britain [...] lifted all the new duties except the one on tea. [...] The [Boston Tea] ‘Party’ was organized not by irate consumers but by Boston's wealthy smugglers, who stood to lose out. On close inspection, then, the taxes that caused so much fuss were not just trifling; by 1773 they had all but gone.” (Ferguson, 2004, pp. 71-73).

point is that, from the colonies' perspective, there was no escape from these taxes. Unless the colonies believed that Great Britain would continue to subsidize their defense forever, independence, if anything, would force the colonies to collect more taxes to pay in full for their defense.⁸

7. The American colonists would have accepted taxation, but only if they were granted political representation in the British Parliament. Indeed, the motto of the American Revolution was "*No taxation without representation*" (Samuel Adams). "*It was the constitutional problem - the right of the British parliament to levy taxes on the American colonists without their consent - that was the true bone of contention.*" (Ferguson, 2004, p. 73).

8. During the war of independence, France provided key military support that helped to keep the Royal Navy out of the war and signed two treaties with the patriots in early 1778. The Treaty of Alliance was a defensive agreement under which America would be provided with French military support in the event of an attack by British forces. The Treaty of Amity and Commerce granted the colonies French recognition, together with considerable trade concessions. French military support significantly reduced the cost of the war of independence for the American colonies.⁹

9. Rebellion was a very risky and dangerous enterprise for the American elites. Those who sided with the independence cause were risking their properties, livelihoods, slaves, lands and even their lives if the Americans lost the war. In particular, those who signed the Declaration of Independence, if captured,

⁸Indeed, similar issues reappeared in the debate between Federalists and Anti-Federalists. A crucial argument of the Federalists was that the federal government was necessary to defend the colonies from external threats and internal turmoil and that taxes were required to finance a federal army.

⁹"*Saratoga was a turning point in the war; news of the American victory was jubilantly celebrated in France, which then signed two treaties with the Patriots in early 1778. The Treaty of Alliance provided George Washington's forces with the military support they so desperately needed, and the Treaty of Amity and Commerce granted French recognition of the United States along with important trade concessions. The two countries agreed that if France was to enter the war, both would fight until the Americans won their independence, and that neither party would sign a truce or peace treaty without the consent of the other. They also agreed to guarantee one another's North American possessions against all other powers, forever. France pledged not to try and regain British holdings in North America or to obtain Canada. France was fully engaged in the war by the summer of 1778. The next year, Spain also entered the war as a French ally (but not, officially, as an American ally), and only after the French had promised to help it regain land holdings previously seized by the British. Because the Dutch persisted in their lucrative trade with both France and the United States, Britain declared war on Holland in 1780.*" (Shmoop Editorial Team, 2008).

would most surely be tried as traitors and hanged.¹⁰

10. As has been pointed out by several historians from the progressive school of thought, American elites also faced the risk that the revolution would become too radical and might, for example, start them off on a slippery slope of demands on the part of the lower classes for a more profound democratization of colonial society that would threaten the position of the elites.¹¹

In a nutshell, the dispute between the American colonies and Great Britain was not about a tyrannical metropolis strangling the economic development of its colony. As we have seen, the colonies were very prosperous. Restrictions on foreign trade, such as the Navigation Acts, were probably not that influential. It was not about taxes either. Taxes were raised to pay for the defense of the colony. So, with or without

¹⁰ “Yet elites, whether slaveowners from Virginia or wealthy merchants from New England, also had plenty to lose once they sided with the cause for independence. If the Americans lost the war, these elites could expect to lose their property, their livelihoods, their slaves and other assets, and even their lives. In hindsight, however, they made out much better than most would have expected. [...] The names of those who signed the Declaration of Independence were publicly announced with the publication of the formal and complete draft in January 1777. In the Declaration, the 56 delegates to the Constitutional Congress ‘mutually pledge[d] to each other our Lives, our Fortunes, and our sacred Honor.’ From a British perspective, the signers would have been America’s most visible and well-documented traitors. If captured, they potentially risked death. According to legend, on 2 August 1776—the day that 54 of the signers inscribed their names on the Declaration—John Hancock employed some gallows humor by declaring, ‘Gentlemen, we must be unanimous; there must be no pulling different ways; we must all hang together.’ True to form (but again, according to legend), Ben Franklin is said to have responded: ‘Yes, we must indeed all hang together or most assuredly we shall all hang separately.’ These signers were overwhelmingly young—their average age was 43—and privileged. Although a handful, such as Bostonian radical Sam Adams, were of modest means, most were well off: nine were large landowners, eleven were prosperous merchants—and John Hancock was easily the richest man in New England, if not the richest merchant in all of America—and 24 were lawyers or jurists who would never be able to practice again if the British prevailed. They had quite a bit to lose.” (Shmoop Editorial Team, 2008).

¹¹ “As the urban lower classes became more involved in the pursuit of their own interests through such programs as non-consumption and domestic manufacturing, they also became more vociferous in articulating other demands of their own, demands for the further democratization of colonial society. This new militancy frightened many of the merchants who now saw the threat of social upheaval. Admittedly, in historical retrospect, there was little change in the structure of society though some in institutions. But there was ample justification for the fears of the wealthy, as numerous editorialists called for far-reaching changes in the nature of government. The mere airing of these demands was enough to convince many in the upper classes that the Revolution had gone too far and that it was better to bear the burdens of membership in the British Empire than to risk social disruption at home. This lower-class militancy helps explain the existence of important loyalist minorities in each of the port cities. On the other hand, most of the Whig elite felt with some prescience that the situation could be kept well under control.” (Egnal and Ernst, 1972, pp. 29-30).

the metropolis, taxes could not have been avoided. Taxation alone thus cannot have been the reason for the revolt. Americans would have been willing to accept taxation if the British Parliament would have granted them political representation. The position was “no taxation without representation”, not “no taxes”. Although the support of France significantly reduced the military cost of the war of independence for the colonies, the fact remains that, for the American elites, rebellion was very dangerous and the prospects of success extremely uncertain. There was also the internal risk that the revolt might become too radical. In order to solve the puzzle posed by the American Revolution, we must answer two crucial questions. First, why did the North American colonies rebel? Second, if the alternative was a rebellion in the colonies, why didn’t the British agree to have American representation in the British Parliament and thus quickly settle the issue?

3 Why did North American Colonies Rebel?

In this section we will explore the developments in England and North America that led to a rebellion in the colonies after the Seven Years War. It is certainly possible to trace the roots of the American Revolution to the political and religious dynamics of the English Civil War and the Glorious Revolution. Without disregarding this long-run path, however, we will focus on developments in the eighteenth century. In particular, we will examine the following two factors that fueled the rebellion. First, we will show how the internal political struggles in Great Britain and the war with France had an impact on imperial policies and the ability of the colonies to influence them. Second, we will explore how the economic and political evolution of the colonies shaped colonial demands and affected imperial policies regarding the colonies.

3.1 The English Civil War, the Glorious Revolution and the American Colonies

After Henry VIII established the Church of England in 1533, Protestantism became one of the core components of England’s identity. A century later, English Protestants had divided into several subgroups. *“By the 1630s, English Protestantism itself was splitting into ranks of Anglicans, Puritans, separatists, High and Low Churchmen, conformers and dissenters, advocates of episcopacy and inveterate haters of bishops.”* (Phillips, 1999, Kindle locations 278-279). Puritans in East Anglia could not endure the Stu-

art monarchy and its pro-Catholic attitude and hated the episcopacy and the bishopry. Many of them emigrated to New England.¹²

In the 1640s, Parliament (especially the Puritans and Cromwell's group) finally rebelled against the Stuart monarchy, triggering the English Civil War between Parliamentarians ("Roundheads") and Royalists ("Cavaliers"). Men from New England were recruited to fight for the Parliamentary cause. The Parliamentarians won the war, Charles I was executed, Charles II was exiled, and the monarchy replaced, first by the Commonwealth of England and then by the Protectorate under the rule of Oliver Cromwell. Cromwell granted freedom to all denominations of Protestant dissenters, thereby putting an end to the monopoly of the Church of England. He also introduced radical political reforms, including the enfranchisement of more people and the redistribution of parliamentary seats in a manner that gave greater representation to areas of recent population growth. The English Civil War established a strong precedent that lent support to the proposition that the English monarchy could not govern without Parliament's consent.

Many Englishmen found Cromwell's reforms to be too radical and withdrew their support. In particular, the new political role of the army and the rise of the Levelers and their draft constitution convinced many people that the reforms had gone too far. As a result, in 1660 the Stuart monarchy was restored, the Anglican Church regained its central position, and many of the Puritans and Oliverians were expelled to New England and Virginia. Bishops recovered their positions, and a number of persons were convicted of complicity in the execution of Charles I. Between 1661 and 1665, a series of legal statutes, known as the Clarendon Code, were passed which significantly reduced the political power of the Puritans.¹³

¹² "Worry about the political, religious, and moral course of Stuart England had already made disgruntled Puritans the principal architects and settlers of New England in the two decades before 1640. Saxon districts were at the heart of the emigration. Carl Bridenbaugh has identified much of the exodus between 1620 and 1640 as originating within a circle fifty miles in each direction from the East Anglian town of Groton, Suffolk." (Phillips, 1999, Kindle locations 419-422).

¹³ "Many Englishmen who had supported Parliament [...] balked at the new developments [...] from the army's new political eminence to the rise of the Levelers and their draft constitution called 'The Agreement of the People'." (Phillips, 1999, Kindle locations 811-812).

"Cromwell had died in 1658, but his body was exhumed and decapitated, and his head stuck on a pole. Bishops were restored to office, and a small number of regicides, tried and convicted of complicity in the King's execution in 1649, were themselves put to death. Restoration England quickly became a boisterous polar opposite of the dour Cromwell years: ribald and immoral, and especially gleeful in its suppression of the troublesome Puritans. High Churchmen sought to recast Charles

In the 1660s, even former Parliamentarians chose to accept the Church of England. This does not mean that they did not work hard to introduce checks and balances to curb the political power of the Church. However, the Stuarts' pro-Catholic stance and their aspirations to a monarchy after the style of that of the French kings spurred the Parliamentarians to rebel again. Many of the leaders of the new Whig coalition that opposed the Stuarts were from Parliamentary and Puritan families. In 1688, they formed an alliance with William of Orange of the Netherlands and once again ousted the House of Stuart. The Glorious Revolution of 1688 marked the beginning of the adoption of what proved to be long-lasting positions on several important issues. The supremacy of Parliament was guaranteed and opposition to France consolidated. Religious tolerance of all Protestants was widely accepted, although dissenting Protestants were barred from political office for some years more.^{14,15}

Crucially, the new rulers did not favor radical democratic reforms. Indeed, Cromwell's many demom-

I as Charles the Martyr." (Phillips, 1999, Kindle locations 849-851).

"The so-called Clarendon Code, named for the new Lord Chancellor and passed by the vengeful new Cavalier Parliament in several parts between 1661 and 1665, effectively broke Puritan political power. These crippling enactments became a chilling symbol in hundreds of towns on both sides of the Atlantic, but they also confirmed the Puritan hegira: New England would indeed be Medina, the new seat of the faith." (Phillips, 1999, Kindle locations 852-854). *"The first shackle, the Corporation Act of 1661, reserved to communicants of the Church of England alone the privilege of membership in the municipal corporations that ruled the towns, and in many cases also chose the local Members of Parliament (MPs). Next came the Act of Uniformity of 1662, which reestablished the ritual of the Church of England, after which two thousand Puritan clergy were expelled from the church for refusing to accede."* (Phillips, 1999, Kindle locations 854-855).

¹⁴ *"Most of the gentlemen of the old Parliamentary stronghold, whatever their earlier inclinations, opted in the 1660s to conform to the Church of England, thereafter making no great effort to change or secede from it. What they could do -and did- was seek to limit the church's power in politics. These efforts were often successful."* (Phillips 1999, Kindle Locations 861-863).

"Many of the leaders who banded together in the 1670s and 1680s under the new Whig banner to oppose a new round of Stuart excesses came from the old Parliamentary and Puritan-allied families." (Phillips, 1999).

"Parliament's supremacy was assured; the future Protestant Succession was laid out; opposition to France was crystallized; and religious tolerance was established for all Protestants, although dissenting Protestants were still barred from political office for some years more." (Phillips, 1999, Kindle locations 898-900).

¹⁵ Murrell (2016) challenges the notion that the Glorious Revolution induced a fundamental institutional change in Great Britain and postulates the existence of a long evolutionary process of institution-building in which the Glorious Revolution was only one element. For the purposes of this paper, the crucial point is that England and the American colonies ended up following different political paths.

cratic and electoral reforms, which were then reversed during the Restoration period, were never seriously reconsidered thereafter. This was also true in other areas, such as law and education. The radicalism of Cromwell's era scared the English gentry and nobility, who thereafter opposed even modest political changes. Indeed, for the gentry and nobility, the Glorious Revolution had the virtue of ending absolutism without unraveling into radicalism. Thus, the revolution worked, to some extent, as a preemptive conservative move to ensure that Stuart vices would not trigger democracy again. Successful but restrictive in its goals, the Revolution of 1688 was a blessed event for the English gentry and nobility.¹⁶

The Glorious Revolution of 1688 had few direct consequences for the American colonies. However, after the revolution, the first signs of the political inequality of subjects on the two sides of the Atlantic began to appear. Protestant Englishmen in North America did not enjoy the same rights as their relatives in England. Their political rights were ambiguous. One crucial difference was the status of their respective legislatures. Colonial legislatures did not have the same stature as the English Parliament. Legislators in the colonial parliaments were denied the privileges enjoyed by their British counterparts; moreover, the new charter in Massachusetts did not allow voting restrictions to be placed on non-Puritans and, in Maryland, the legislature discovered just how vulnerable it was to royal prerogative power.¹⁷

¹⁶ *“Electoral reforms begun under Cromwell -in particular, the redistribution of seats in Parliament to areas of recent population growth- were reversed during the Restoration era and effectively abandoned for another 170 years. In matters of law, education, prisons, and local government, not only the reforms made under the Commonwealth were swept away. So were further plans for revision.”* (Phillips, 1999, Kindle locations 985-989).

“The regicide and radicalism of 1640-1660 [...] scared the soul of the English gentry and nobility for at least a century. The Revolution of 1688, extraordinary in the endurance of its settlement, also had aspects of a conservative pre-emptive move to ensure that Stuart excesses would not uncork democracy a second time. The rising of artisans and yeomen in the West Country for the Duke of Monmouth in 1685 -a rare popular mobilization- must have been as frightening to moderates among the gentry as the open participation of Jesuits in James Stuart's Privy Council. [...] among wearier and more sophisticated elites, the predominant legacy of the English Civil War was to rue the 1640s and to be glad that the upheaval of 1688 had been both successful and restrained.” (Phillips, 1999, Kindle locations 981-985).

¹⁷ *“Most of all, colonial legislatures were not little parliaments. When one colony sent to London a proposed charter that borrowed several Parliamentary privileges for its legislators -right of triennial meetings and immunity from arrest- the request wasn't taken seriously. There was only one true Parliament and it was now fused with the King.”* (Phillips, 1999, Kindle locations 963-965). *“Massachusetts got a charter back, but not the old one. The new version disallowed provincial restraints on voting by non-Puritan Protestants. The newly dominant Protestants of Maryland found that their legislature was vulnerable to royal prerogative power, and so was the new assembly in New York.”* (Phillips, 1999, Kindle locations

Another difference between England and the American colonies has to do with the legacy of the English Civil War and the Glorious Revolution. In the American colonies, people had a much more favorable view of the Commonwealth's and the Oliverian legacies than people in England did. In part, the reason for this difference was that the colonists did not suffer the worst consequences of Cromwell's authoritarian and personal rule. They also remembered Cromwell for his efforts to suppress piracy and to rebuild the navy and for the emphasis that he had placed on trade with the American colonies.

In short, in the aftermath of the Glorious Revolution, England and the American colonies began to embark on three divergent paths. First, the people in the colonies remembered and cherished the Commonwealth's and Oliverian legacies more than those in England did, where only a small faction of the population supported radical democratic ideas. Second, there was the religious division between Protestant dissenters and adherents of the Low Anglican Church in the colonies, on the one hand, and the members of the High Anglican Church and of the remaining Catholics in England, on the other. Third, the colonists began to see the first signs that they did not have the same rights as subjects in the mother country had.

3.2 From the Glorious Revolution to the Seven Years War

Whatever the political and religious differences between England and the American colonies during the first half of the eighteenth century were, they did not constitute a serious problem. The Whig politicians who governed Great Britain, directly or indirectly, took into account American interests when they made their decisions.¹⁸

In part, what held the Whig coalition together and kept it in power was that the Stuart cause was still alive. Indeed, there were Jacobite and Tory-linked attempts to restore the House of Stuart in 1715 and 1745, along with several lesser episodes. All of these attempts failed and, after 1745, the Stuart cause finally died out. This led to a sweeping reorganization of internal political coalitions in Great Britain.

956-959).

¹⁸ "In North America, this division of legacies from the civil war era mattered little in the first half of the eighteenth century. Colonies that had been at loggerheads with the Stuarts turned a corner after 1714. They proved distinctly unrevolutionary under the Whig governments basically sympathetic to Protestant dissenters that ruled in England most of the time through 1760. Whig policy-making in London generally ensured the collaboration of essentially Whig elites in Charleston, Hartford, and Philadelphia." (Phillips, 1999, Kindle location 989).

Conservative Whigs formed an alliance with the Tories, now detached from the Stuart cause. Also, old Jacobite and Catholic groups tried to help the king and secure favors from him by demonstrating their newfound loyalty.

The new political equilibrium in Great Britain would ultimately lead to a change in its relationship with the American colonies. British policies regarding the American colonies gradually shifted from a light-handed approach to a more hard-line position characterized by a series of attempts to tighten Britain's control over the colonies. The Whig coalition, which was sympathetic to American interests, eventually moved over to the side of the opposition, and a new, more conservative coalition began to dominate British politics. However, this political transformation was gradual and did not really become consolidated until after the Seven Years War with France.

3.3 After the Seven Years War

After France was defeated in the Seven Years War, a new hard-line approach toward the American colonies began to emerge. This newly adopted attitude was based on the belief that the colonies were not well-managed and that administrative reforms were required in order to regain control of the colonies and increase colonial revenues.¹⁹

¹⁹ *"Many sensed that something was happening. Thomas Pownall was witness in 1764 to the postwar mood in England wherein 'some new stage of things' was arising in regard to relations between [the] mother country and colonies. That was the maturation of 'hard line' thinking on the part of imperial officials. The attitude was new but some of the premises were old. Traced back to the Earl of Halifax's presidency of the Board of Trade, 1748-1761, is an increasingly prevalent belief that the somewhat ramshackle and disorderly Empire should be rationalized and made more efficient. The reports of a Board of Trade said that English authority was simply too weak in America."* (Brown, 1970, p. 24).

"Analysis of the operation of the Old Colonial System prior to 1763 suggests that the English attitude might be summarized in this way: First, whatever the objective truth may be about the effectiveness of the System prior to 1763, it seems clear that the information made available to the English government by their agents in the Colonies gave the impression that the System was ineffective and highly unsatisfactory; second, the one common thread that seems to run through many of most of the complaints about the ineffective operation of the System was the inherent weakness of English political authority in the Colonies; and third, recommendations for reform tended to center on the creation of a Colonial civil list and the more effective use of patronage opportunities, both of which involved an increase in the available Colonial revenues. If these propositions are valid, then the English attitude towards the Old Colonial System might best be characterized as one of increasing impatience both with the attitude of the colonists and with the ineffectiveness of the System itself." (Barrow, 1970, p. 137).

There were political and economic factors underlying the attempts made to tighten control over the American colonies. As already mentioned, the death of the Stuart cause eventually weakened the Whig coalition, which had been more permeable to American influence. Indeed, by 1771, George III had removed William Pitt, and the Whig coalition had moved over to the side of the opposition. The war had left the British government with a substantial debt, and it was looking for new sources of revenue to repay it. The colonies, with their low tax burden, were a natural candidate. At the same time, the American colonies continued to grow and expand toward the west, which posed two problems for the British government. First, the colonies' geographic expansion could give rise to a need for additional resources in order to defend the enlarged territory. Second, the growth of the colonies might eventually shift the center of the Empire from England to America.²⁰

With a new dominant coalition in Great Britain trying to tighten the British government's control over the colonies and with the formerly sympathetic Whig coalition in retreat, the Americans also started losing their ability to influence imperial policies by informal means. Indeed, prior to the Stamp Act crisis, many different organizations had effectively lobbied for American interests in London. However, by the end of the 1760s, this dense network of pressure groups had been dismantled, leaving Americans with few means of influencing imperial politics. The representation of North American interests was particularly weak in the British Parliament at that time. An early example of how little influence the American colonies had in Parliament is provided by the passage of the Sugar Act. Everybody in the colonies, even imperial officials, considered the Sugar Act to be a sacrifice made by the northern colonies, which had to bow to the stronger parliamentary influence wielded by the West Indies. The Board of Trade is a good example of an organization that was fairly open to American interests but that lost much of its power after 1763.²¹

²⁰ "America kept growing and English politicians thought that soon they would have to introduce geographical regulations to keep the Indians from having antipathy to the colonies and provide financial regulation to relieve the burdened British taxpayers in reducing the national debt. Also they tried to make regulations to prevent a possible shift of the center of imperial power from England to America." (Olson, 1992, pp. 134 -135).

²¹ "Until the Stamp Act crisis, North America's interest at the seat of Empire had been advocated by a coalition of agents, merchants, religious societies, and others. By the later 1760's, the agent's supporting cast had been partially stripped away, so that their isolation was intensified by group disintegration. In summary, at a time when pressure groups constituted much of the matrix of British and imperial politics, the North American interest was a relative weak sister, especially within Parliament. As Issac Barre' commented, "there are gentlemen in this House from the West Indies, but there are very few

The American colonists started to realize how the mother country's attitude toward them was changing and, whereas before they had felt that they were somehow represented in Parliament through their agents and correspondents, they now began to feel that they were being discriminated against. Equally importantly, they began to pressure their local assemblies to work harder to advance their interests.²²

3.4 The Atlantic Economy and the American Elites

The eighteenth century witnessed a significant expansion of trans-Atlantic trade. This trend can be roughly divided into two periods. From 1720 to 1745, trade flows rose steadily, but at a moderate rate. From 1745 to 1775, the expansion accelerated, with this upward trend mainly being triggered by the growth of the British economy.²³ This impressive expansion had three major effects on the colonies.

First, growth made a significant contribution to the consolidation of a colonial elite composed of wealthy merchants, landowners and planters.

Second and, of great importance, this wave of growth was accompanied by a structural change in commercial practices. In the North, British companies began to establish their own trade channels while avoiding local merchants. This posed a serious threat to the colonial elites in urban centers such as Boston, New York and Philadelphia. In the South, the largest Glasgow tobacco companies began to take control of the commercialization of tobacco. At some point, southern planters feared that the Scots were holding too much commercial power and would undermine their economic, political and social status.²⁴

who know the circumstances of North America." (Kammen, 1970, pp. 151-152).

"[...] the Board of Trade, which interest groups had enjoyed their greatest influence through, lost much of its power in the Seven Years' War (1756-1763), and never got it back." (Olson, 1992, p. 138).

²² "As the cost of appealing to England went up and the possibilities of success went down, some of the American interests that had frequently looked to London in the past began shifting their attention to lobbying in the colonies." (Olson 1992, p. 160).

²³ "The fundamental change affecting the Atlantic economy was that during the period 1720 to 1775 trade grew in two long swings. The areas involved included the British Isles, the slave coast of Africa, the British West Indies, and the American mainland colonies. These swings may be roughly dated 1720 to 1745 and 1745 to 1775. The first wave of growth was gradual, the second marked by an unprecedented expansion [...] This rapid expansion after 1745 seems to have been produced by the strong growth of the British economy which was able to transmit significant new purchasing power to its trading partners across the Atlantic." (Egnal and Ernst, 1972, p. 11)

²⁴ "Increasingly, British houses were bypassing the established colonial merchant to promote the sale of dry goods. [...] British firms also increasingly entered into direct dealings with shopkeepers and other marginal importers in the urban centers,

Third, the expansion of the Atlantic economy was not a smooth process, but was instead interrupted by periods marked by recessions, debt problems, and balance-of-payments crises. These economic downturns were particularly problematic for the colonial elites because their attempts to mitigate the effects of these recessions on their businesses often clashed with British interests. The non-importation agreements that were used to temporarily shut down British imports in order to bankrupt the businesses of wealthy colonial merchants in the North are a good example of the ways in which these clashes played out. Another example is the Currency Act of 1764.

In sum, developments in the Atlantic economy from 1745 to 1775 seriously threatened the economic position of colonial elites and spurred their demands for sovereign economic policies. At the same time, political changes in Great Britain and the pressure exerted by the national debt that had built up during the war against France prompted the British government to tighten its control over the colonies and dismantled the network of informal colonial agents who had lobbied for American interests before the Crown and in Parliament.²⁵

importers who normally would have bought from one of the established merchants.” (Egnal and Ernst, 1972, pp. 15-16).

“The distinguishing mark of the new system, whose real development accompanies the second period of imperial economic growth (1745-1775), was the establishment of chains of stores stretching along the great river valleys. These Scottish firms soon dominated the tobacco economy in the Piedmont and made serious inroads into the trade of the older Tidewater areas.” (Egnal and Ernst, 1972, p. 25).

“[...] the power of the Scottish merchants went far beyond these commercial dealings and threatened the planter elite on the most basic levels of political, social, and economic power.” (Egnal and Ernst 1972, p. 26).

²⁵ *“The upper-class whigs who stood in the forefront of the Revolutionary movement retained their coherence and their momentum after 1776. Independence was no more their ultimate goal than was the repeal of any specific piece of British legislation. The control over the American economy that they sought required a restructuring of government and a comprehensive program of legislation: for those in urban centers, a national banking system and American navigation acts, and for the tobacco planters of the South, the encouragement of national cities. In addition, upper-class whigs showed a continued concern for challenges from the “lower orders.” The Constitution of 1789, from the whig elite’s viewpoint, was the culmination of the movement for Independence, not its antithesis.”* (Egnal and Ernst, 1972, p. 32).

“In effect, the struggle between 1763 and 1774 was not over abstract principles, however important rhetoric may have been in communicating the danger. Nor was the dispute simply over such peripheral issues as standing armies or unnecessary burdens on Colonial trade and commerce. The ineffectual operation of the Old Colonial System, as seen in London, suggested the need for the more effective exercise of English authority in America. For the Americans, the efforts at taxation represented a threat to the very self-government that had made their Colonial status tolerable. The consequence was a dispute which ended in revolution.” (Barrow, 1970, p. 139).

4 Proposals for Resolving the Dispute

An understanding of the developments and conditions in England and North America that led to the rebellion in the colonies does not automatically translate into an explanation for the American bid for independence. There were several alternative avenues for peacefully settling the dispute. Two outstanding proposals that were made at the time were those put forward by Thomas Pownall and Adam Smith. Although these two men differed on some points, they agreed that it was possible and in the long-run interest of both England and the American colonies to reach a peaceful settlement which provided for some mechanism for sharing the economic burden of defending the colonies in exchange for more political power for the American colonies.

4.1 Thomas Pownall

Thomas Pownall was a political theorist who was advocating the colonies' parliamentary representation well before the revolutionary war. During the 1760s and early 1770s, he unsuccessfully tried to persuade Parliament to adopt conciliatory policies. *"Pownall was one of the most outspoken advocates of a conciliatory approach to America. For a decade, in his writings on the colonies and in his speeches to a rudely inattentive House of Commons, he hammered on the urgent need to listen sympathetically to colonial grievances and demands. [...] his mind also played with the possibilities of a radically different basis for Empire, one similar to that which developed in the nineteenth century and would be called Commonwealth."* (Shy, 1970, p. 157).

Pownall accepted that the Constitution of the British Empire admitted two conflictive interpretations. *"There were current, he admitted, two views of the imperial constitution: the one prevalent in America emphasized the equal rights of all Englishmen, whereas the other, held widely in Britain, stressed the necessary subordination of colonies."* (Shy, 1970, p. 165). However, he was convinced that there was room for a compromise that would preserve the Empire while also taking into account colonial demands.

Pownall was aware of the potential problems for the mother country associated with giving political representation to the colonies, and he devised several institutional mechanisms for dealing with them. He believed that *"[...] the colonial claim to possess 'the right of representation and legislation' was valid and ought to be respected; only some of its abuses and encroachments should be prevented. This would*

mean, above all, guaranteeing to the executive and judicial officers of provincial government an income free from legislative manipulation. Perhaps it would also be well to separate the provincial council into quite distinct bodies for the performance of executive and judicial functions, respectively, and to create several regional supreme courts of appeal which would further the cause of justice and produce greater legal 'conformity'. The legal and judicial systems were critical, for Pownall emphasized 'how little the crown, or the rights of government, when opposed to the spirit of democracy, or even to the passion of the populace', could expect from colonial courts in the way of protection. These minor improvements would create an administration 'that shall firmly, uniformly, and constitutionally govern the colonies'." (Shy, 1970, p. 166).

Finally, Pownall understood that England could be at risk of seeing the political power of the Empire eventually shifting to America. However, he thought that parliamentary representation of the colonies would reduce this risk. He also was aware of the political constraints that could interfere with the implementation of his proposals. "*Later, because of the increasing power of the colonies, he [Pownall] was worried about the shift of political power from England to America. To prevent this problem, he suggested the Parliament should grant representation to the colonies.*" (Shy, 1970, p. 172).

4.2 Adam Smith

In *The Wealth of Nations*, Adam Smith considers three possible political reforms that could put an end to the conflict between the American colonies and Great Britain.

The first option was a peaceful independence process and some kind of defense and free trade treaty. This was his preferred alternative, but he also believed that it was not very likely to occur. "*To propose that Great Britain should voluntarily give up all authority over her colonies, and leave them to elect their own magistrates, to enact their own laws, and to make peace and war, as they might think proper, would be to propose such a measure as never was, and never will be, adopted by any nation in the world. No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expense which it occasioned.*" (Smith, 1776, Book IV, Chapter VII, Part III, p. 131). "*If it was adopted, however, Great Britain would not only be immediately freed from the whole annual expense of the peace establishment of the colonies, but might settle with them such a treaty of commerce as would effectually secure to her a*

free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly which she at present enjoys. By thus parting good friends, the natural affection of the colonies to the mother country, which, perhaps, our late dissensions have well-nigh extinguished, would quickly revive. It might dispose them not only to respect, for whole centuries together, that treaty of commerce which they had concluded with us at parting, but to favour us in war as well as in trade, and instead of turbulent and factious subjects, to become our most faithful, affectionate, and generous allies; and that same sort of parental affection on the one side, and filial respect on the other, might revive between Great Britain and her colonies, which used to subsist between those of ancient Greece and the mother city from which they descended.” (Smith, Book IV, Chapter VII, Part III, p. 132).

The second alternative was to reach a deal on taxation without independence. Smith considered different possible deals whereby the colonial assemblies could tax their constituents to finance the colonies' share of the cost of the public goods provided by the British Empire. He was extremely skeptical about this solution as well, however, because he thought that the colonies would not collect enough taxes and/or would refuse to do so. *“That the colony assemblies can ever be so managed as to levy upon their constituencies a public revenue sufficient, not only to maintain at all times their own civil and military establishment, but to pay their proper proportion of the expense of the general government of the British empire, seems not very probable.”* (Smith, Book IV, Chapter VII, Part III, p. 133). A variant of this option which is also discussed by Smith was that the British Parliament could tax the colonies by requisition. He was also very skeptical about this solution because he believed that not enough revenues would be collected under this arrangement.

Finally, the British Parliament could tax the colonies and give them representation that was proportional to their contribution to the public revenues of the Empire. *“The parliament of Great Britain insists upon taxing the colonies; and they refuse to be taxed by a parliament in which they are not represented. If to each colony which should detach itself from the general confederacy, Great Britain should allow such a number of representatives as suited the proportion of what it contributed to the public revenue of the empire, in consequence of its being subjected to the same taxes, and in compensation admitted to the same freedom of trade with its fellow-subjects at home; the number of its representatives to be augmented as the proportion of its contribution might afterwards augment; a new method of acquiring importance, a new and more dazzling object of ambition, would be presented to the leading men of each colony.”* (Smith,

1776, Book IV, Chapter VII, Part III, p. 137).

He was aware that this solution would raise several concerns on both sides of the Atlantic, but Smith thought that all of those concerns were misplaced. He argued that the new American representatives would not disrupt the political balance of the British Empire. *“We, on this side of the water, are afraid lest the multitude of American representatives should overturn the balance of the constitution, and increase too much either the influence of the crown on the one hand, or the force of the democracy on the other. But if the number of American representatives were to be in proportion to the produce of American taxation, the number of people to be managed would increase exactly in proportion to the means of managing them; and the means of managing, to the number of people to be managed. The monarchical and democratical parts of the constitution would, after the union, stand exactly in the same degree of relative force with regard to one another as they had gone before.”* (Smith, 1776, Book IV, Chapter VII, Part III, p. 140). He also believed that the American representatives would help to protect colonial subjects from the imposition of oppressive laws or rules. *“The people on the other side of the water are afraid lest their distance from the seat of government might expose them to many oppressions. But their representatives in parliament, of which the number ought from the first to be considerable, would easily be able to protect them from all oppression. The distance could not much weaken the dependency of the representative upon the constituent, and the former would still feel that he owed his seat in parliament, and all the consequence which he derived from it, to the good-will of the latter. It would be the interest of the former, therefore, to cultivate that good-will, by complaining, with all the authority of a member of the legislature, of every outrage which any civil or military officer might be guilty of in those remote parts of the empire. The distance of America from the seat of government, besides, the natives of that country might flatter themselves, with some appearance of reason too, would not be of very long continuance. Such has hitherto been the rapid progress of that country in wealth, population and improvement, that in the course of little more than a century, perhaps, the produce of American might exceed that of British taxation. The seat of the empire would then naturally remove itself to the part of the empire which contributed most to the general defense and support of the whole.”* (Smith, 1776, Book IV, Chapter VII, Part III, p.140).

5 Why didn't the British Agree to American Representation?

This section explores why the proposals suggested by Adam Smith and Thomas Pownall did not prosper. We will begin with a brief but comprehensive characterization of the positions, socioeconomic composition and leverage of the main political cleavages in Great Britain at the time that the American colonies revolted. We will then show how and why the expected effects of the presence of American representatives on the political balance among those coalitions made American representation in the British Parliament unacceptable for the dominant coalition in Great Britain.

5.1 The Incumbent Coalition in Great Britain

The leader of the coalition that took a coercive approach to the American colonies was the prime minister, Lord North. He had the support of the king and led a cabinet composed of Bedfordite ministers who took a very hawkish view of the American colonies. Parliament was dominated by the landed gentry, who also supported North's cabinet. The High Anglican Church was also in favor of coercive policies regarding the colonies. Finally, the king also obtained the backing of the Highlands Scots, the Irish Catholics and old-line Tories, who, after the failure of the Jacobite rebellion, were striving to show their loyalty to George III.²⁶

²⁶ *"The lower chamber had 558 members, of whom 513 sat for constituencies in England and Wales. The other 45 were Scottish. Behind Lord North and his colleagues from the Treasury there sat a loyal regiment of about 150 men, who would never vote against him on any serious question [...] Another 20 belonged to the Bloomsbury gang, sitting for seats where Gower and his friends controlled the votes. Forty more were old allies of George Grenville, recently dead, the architect of the Stamp Act. They would also tend to rally behind the cabinet, partly because Lord Suffolk (another leading minister of North's cabinet) had been Grenville's dearest disciple. North had a base of support of more than 200 members. Add the MPs from Scotland who were mostly very tame, and the number rose to nearly 250."* (Bunker, 2014, p. 141). *"The House of Commons chosen in 1774 was controllable by the first treasury lord or prime minister, Lord North, because he had support from the monarch, as well as from several major factions, sinecure holders, and members from controlled boroughs."* (Phillips, 1999, Kindle locations 2798-2799).

"Anglican churchmen and parishioners, most members of the local 'corporations' that ran the boroughs, the bulk of the lawyers, and virtually all of the merchants with contracts or ties to the government were on the King's side. Coercion, they felt, was not only proper but necessary." (Phillips, 1999, Kindle locations 2869-2871). *"The Anglican clergy were particularly supportive of coercion, but study after study has also shown a sharp polarization among voters and petition-signers of the 1770s between dissenters and Anglican parishioners."* (Phillips, 1999, Kindle locations 3121-3122). *"Certainly, churchmen*

The position of the coercive coalition was unequivocal. Its members regarded the American colonists as rebels and strongly believed in the supremacy of the British Parliament and the king over the colonies. They were loyal to a political system based on land ownership and considered the public and American radicals as unstable and not fit to participate in politics. As a consequence, they strongly objected to any concessions to the American colonies, much less the possibility that the colonies might be granted representation in the British Parliament.²⁷

At the core of the coercive coalition were the landed gentry, whose economic power came from their land revenue; more importantly, their political power rested on a political system that was still heavily based on land ownership. The landed gentry were organized on the basis of local strongholds, where few people voted. They controlled the tenancy of the farmers within the shire, financed the church and other local public goods, and designated the vicars as justices of the peace. As a consequence, their seats in Parliament were almost impossible to challenge. All this led to a system that Benjamin Disraeli described *were prominent, as we have observed, both in lauding the King and royal authority and in promoting coercive addresses.*" (Phillips, 1999, Kindle locations 3128-3129).

"Beginning in the summer of 1775, former Jacobite lairds and chieftains in the Great Glen that bisects the Highlands from Fort William to Inverness competed, literally, to raise regiments to fight the Americans. The Fraser, Argyll, and MacDonnell Regiments were especially speedily formed and embarked. The goal was to prove Scotland's new loyalty and that of the clan chieftains." (Phillips, 1999, Kindle locations 2914-2915). *"Catholic Ireland itself was a bulwark of support for the British war effort. Like the mostly Protestant Scots, the small Catholic middle class of Ireland had given up Jacobite inclinations during the Great French War. Their new intention was to establish a record of loyalty to the Crown. This made Irish Protestants, already sympathetic to the Americans, even more so."* (Phillips, 1999, Kindle locations 2925-2928). *"The Crown's core English constituencies for coercion, of course, were High Church Anglicans and old-line Tories from traditional bailiwicks like rural Lancashire and the West Midlands."* (Phillips, 1999, Kindle locations 3120-3121).

²⁷ *"How did the cabinet [...] treat the American question? [...] they were hard-liners. In their eyes, the king and his Parliament were legally supreme over each and every colony. [...] Gower, Sandwich, and Suffolk never wavered from this principle, and neither did Lord North. Six years before [...] during the debates on the repeal of the Stamp Act, they opposed severely the repeal of the Stamp Act. [...] It was the duty of the House of Lords, they believed, to stand up against the mob and to resist democracy wherever it appeared."* (Bunker, 2014, p. 98.) *"They were utterly loyal to a political system built on the ownership of property. A gentleman's rank and status depended on his assets, and in England, the most prestigious asset of all was real estate. When merchants strove to succeed, they did so in the hope of acquiring land and becoming the equals of men above them who already owned many acres."* (Bunker, 2014, p. 234). *"In their opinion, the public was inherently capricious, easily misled by troublemakers such as Wilkesite or his counterparts in Boston. [...] Hand the Americans one concession, and they would ask for more until they won autonomy."* (Bunker, 2014, p. 99).

as “a territorial constitution”.²⁸

In sum, the coercive coalition was solidly based on the political power of the landed gentry, who feared that making concessions to the American colonies would intensify the pressure for democratic reforms that would jeopardize their economic and political position.

5.2 The Pro-American Coalition in Great Britain

London radicals led by John Wilkes were the core opposition group that fought for the American colonies’ political rights. The Wilkesites sought to introduce radical democratic reforms, including broader enfranchisement and constituency reform. The Wilkesites’ program had wide appeal among shopkeepers, skilled artisans and religious dissenters. While the bulk of the Wilkesites were in London, especially in the eastern districts of the city, they were gaining electoral support in other growing cities such as Bristol, Hull, Newcastle, and Worcester (Bunker, 2014). Naturally, the Wilkesites equated the American colonies’ grievances with the situation of many unfranchised people in England. As a consequence, they backed colonial demands, denounced coercive policies aimed at the colonies and called for conciliatory solutions. The Bill of Rights Society, probably the first public opinion lobby in British politics, supported Wilkes’ cause when he was repeatedly excluded from Parliament. In particular, the Society amalgamated American grievances with those of the electors of Middlesex, effectively combining democratic demands in England and the colonies.²⁹

²⁸ “Landed gentries had their own shires. In those shires, there were few enfranchised people. The gentries built the church and social infrastructure, and gave the tenancy to the farmers in that shire. By appointing the vicars who played the role of judges in those shires, they could control their shire, and their seats in the Parliament were always safe. The people in the shire got the church and land from the gentries in return for electoral power. There is a phrase, coined with his usual flair by Benjamin Disraeli, that perfectly describes the English system of the eighteenth century. The country had what he called ‘a territorial constitution’. It lay embedded in the fabric of the nation, as deeply as the rust that stains the masonry in Oxford shire. When Lord North led a meeting at the Treasury, he occupied the summit of the edifice of power, but its foundations lay in thousands of parishes like this, each with a local elite whose authority arose from their tenure of the soil.” (Bunker, 2014, p. 367).

²⁹ “The first [pro-American] group was the Wilkesites, followers of John Wilkes. They were the London radicals. They were usually shopkeepers, skilled artisans, attorneys, West India merchants, some of the traders who did business with America, and some of the religious dissenters, Baptists, Presbyterians, and the like.” (Bunker, 2014, p. 130).

“Wilkes and his entourage had drawn up a program for democratic reform. [...] As a way to cleanse the stable of corruption, the Wilkesites called for annual elections, a law against bribery at the polls, and another law to bar the king’s

Lord Chatham (William Pitt the Elder) and his few followers, including Shelburne, also supported the American cause. Americans respected him because he had helped to fight the French in Canada. He also believed that concessions to the colonies, including political representation, were necessary in order to hold the empire together. “[...] *how Parliament could justify not giving three million Americans representation, when an English ‘borough with half a Dozen houses’ had a representative. Pitt predicted that this ‘rotten Part of our Constitution’ would not survive, warning that the struggle with America would force England to reform her own government.*” (Allison, 2011, p. 10). As a consequence, he opposed the Declaratory Act, which asserted the Parliament’s sovereignty over the American colonies.³⁰

The Rockingham Whigs, including Edmund Burke, also favored some concessions and a “soft” stance on the American colonies. Being part of the landed gentry, they did not advocate radical democratic reforms, but rather wanted to put some limits on what they perceived as the unchecked and growing power of the king. From the perspective of Burke and the Marquis of Rockingham, the king and his allies were using favoritism as means of subjugating Parliament. This could explain why the Rockingham Whigs drew up the Declaratory Act, which established Parliament’s sovereignty over the American colonies.

officials from sitting in Commons. At their most radical, they called for ‘a full and equal representation of the people’. This phrase could mean many things, but it would definitely include an end to tame little boroughs like Lord North’s seat at Banbury. It might also imply a wide extension of the franchise and a vote for every householder.” (Bunker, 2014, p. 130).

“Wilkes and his entourage had drawn up a program for democratic reform. [...] As a way to cleanse the stable of corruption, the Wilkesites called for annual elections, a law against bribery at the polls, and another law to bar the king’s officials from sitting in Commons. At their most radical, they called for ‘a full and equal representation of the people’. This phrase could mean many things, but it would definitely include an end to tame little boroughs like Lord North’s seat at Banbury. It might also imply a wide extension of the franchise and a vote for every householder.” (Bunker, 2014, p. 130).

“The Bill of Rights Society had added American grievances to those of the electors of Middlesex. In May 1769 the Middlesex freeholders’ petition, prepared under the Wilkesites’ direction, linked the ministry’s mismanagement of American affairs with its violations of subjects’ right in England. The Wilkesites went further than merely superimposing American grievances on their own list: at one level they blended American complaints inseparably with their own. They applied the American demand for ‘no taxation without representation’ to the plight of the people without suffrage in England, using it as the rationale for demanding an expansion of the English electorate.” (Olson, 1992, p. 146).

³⁰ *“Lord Chatham understood that the colonies could not be conquered. He worked for the empire and later believed that giving more concessions which was almost near the political representation to the colonies was the best way to preserve the empire. He was opposed to the Declaratory Act, which was made by Rockingham Whigs.”* (Olson, 1973, p. 172). *“Americans counted Pitt as a friend because of his role in expelling the French from Canada and because he steadfastly opposed the Declaratory Act.”* (Bunker, 2014, p. 142).

Their main concern was to defend the political status of the Parliament from the encroachment of the Crown. There was also an opportunistic component in the Rockingham Whigs' position with respect to the American colonies. They claimed that North's ministries did not manage the colonies well and used the dispute as an opportunity to attack the incumbent government in an effort to make themselves a viable alternative in the event that England lost the war. The great majority of the Rockingham Whigs would never have approved of giving political representation to American colonies.^{31,32}

British merchants were divided on the issue, depending on what product they traded and what benefits they derived from the incumbent government's policies. In fact, the first petitions for conciliatory policies were presented to Parliament by merchants who thought coercive policies would hurt their business with America. Merchants' views also differed with respect to the Wilkesites. Some believed that the Wilkesite movement was the best way to advance their interests. Others viewed the movement's radical agenda with suspicion. Protestant dissenters were another important pro-American group. They were infuriated by the Anglican Church's attempt to implant the episcopacy in America with the support of George III. Catholicism, popery, and episcopacy were considered to be threats to their liberties.³³

The pro-American coalition faced two crucial obstacles. First, London radicals and the Chathamites did not have enough parliamentary representation. Although the Wilkesites might have represented a majority of the electorate and eventually won the city of London, they were not even close to forming a parliamentary majority. The root of the problem was the existence of a political system that was heavily biased in favor of the landed gentry. This was a time when the democratic movement was still

³¹ "According to Burke and the Marquess of Rockingham, the king and his friends -North, Sandwich, and the rest- were engaged in a project to subvert the constitution. They intended to create what Burke called 'a system of favouritism' in which, in return for jobs, rank, title, and promotion, Parliament became the willing slave of the Crown." (Bunker, 2014, p. 143).

³² Among the Rockingham Whigs, only Lord Richmond supported radical democratic reforms.

³³ "The first petitions for conciliation had come to Parliament in early 1775 from trade-sensitive merchants and manufacturers in London, Bristol, the Midlands, Yorkshire, and Lancashire. The House of Commons, however, declined to accept or to discuss them." (Phillips, 1999, Kindle locations 2854-2856).

"London merchants who were related to American trade were usually divided over the issue on whether they should support the Wilkesite movement to achieve their goals or not." (Olson, 1992, p. 1947).

"Regional sympathy for the colonists was greatest where Puritan and Covenanter support had been highest: in East Anglia and the urban East Midlands, in the old Puritan West Country, in the ports and the clothing towns, and in Ulster and the populist Presbyterian districts of the southwest of Scotland." (Phillips, 1999, Kindle locations 2777-2778).

in its infancy. Indeed, some Members of Parliament represented densely populated areas while others represented virtually unpopulated counties. Moreover, a large proportion of the seats were effectively uncontested.³⁴

Second, the Rockingham Whigs were better represented in Parliament but, as we have already seen, their support for the American cause was fairly unassertive and opportunistic. Furthermore, their foundations were quickly eroding. On the one hand, they faced the challenge of the Wilkesites and their demands for democratic reforms. Although the Rockingham Whigs agreed with some of the more moderate demands of the Wilkesites, they were extremely suspicious that lesser political reforms would be just the beginning of a more radical program. On the other hand, they were in the odd position of opposing the excesses of the king and his attempts to dominate Parliament, but having to find a way to do so without attacking the institution of the Parliament itself.³⁵

³⁴ *"In the city of London, the radicals now reigned supreme, with a Wilkesite as lord mayor, not Wilkes himself, but a close friend, a tea merchant called Frederick Bull. In Parliament, however, where the real battle would be waged, they were too few to make a difference."* (Bunker, 2014, p. 246).

"Despite its advanced representative government compared to continental Europe, the Britain of 1775 was far from democratic (or representative) in the modern sense. Five hundred fifty-eight Members of Parliament sat for constituencies that ranged from large counties and freeman boroughs with several thousand voters to one hundred and fifty or so corporation-boroughs and other "pocket" boroughs controlled by a few officials or patrons." (Phillips, 1999, Kindle locations 2779-2781). *"In the national elections of the period, usually only a small minority of seats were contested – ninety-eight in 1774, fewer still in 1780."* (Phillips, 1999, Kindle locations 2781-2783). *"Many constituencies represented more sheep or abandoned cottages than voters, and were at the disposal of the government or powerful families and interests."* (Phillips, 1999, Kindle locations 2784-2785). The Chathamites were also a very small group in the House of Commons: *"Lord Chatham had only about a dozen seats in the Commons."* (Bunker, 2014, p. 142).

³⁵ *"As yet the reformers were not prepared to lay rude hands on the representative system. Their most vigorous demands were for the instruction of members, more frequent elections, and the exclusion of placemen from Parliament. It is true that tentative proposals were made for an addition to the representation of counties and the disenfranchisement of some rotten boroughs; but these proposals involved only a more equitable distribution of existing votes, not an increase in the electorate. They sought to restore the supposedly ancient practice of the constitution, and were not yet based on a radical philosophy of change. Even so, they were unwelcome to the Whigs, whose suspicions were confirmed in the next few years by the appearance of a genuinely radical program. The future was to show that no party or group could afford to ignore this growing movement, and those who called themselves Whigs would soon have to decide whether their gospel of liberalism was a book closed in 1689 or a living principle of change."* (Guttridge, 1963, p. 32).

"[...] Rockingham Whigs agreed with the king that the existing constitution of Parliament must be preserved. Upon it

The complicated nature of the position of the Rockingham Whigs helps to explain why they systematically failed to form a parliamentary majority that could advance their agenda and, specifically, why they were not able to successfully push for conciliatory policies with the colonies. Overall, the pro-American coalition was poorly represented and divided.³⁶

depended their political power and their following in the Commons. This influence could not be risked in fundamental reform. The instruction of members would break the solidarity of party. Frequent election would put an intolerable strain on private purses. A wider electorate would destroy local control. As a recent historian has remarked, getting rid of the rotten boroughs was for them too high a price to pay for getting rid of the influence of the crown. The old system was essential. And yet it was precisely this system that the king was using. He was no Stuart tyrant. He preferred to govern as a parliamentary leader. He was beating the Whigs at their own game of patronage and influence. The Parliament they wanted to preserve was being discredited by the arbitrary acts of the ministry; and it was not easy to attack the ministerial majority, on behalf of the electorate, without attacking Parliament itself. But the Whigs had to do this. They had to fight the king without destroying the source of his power which was also theirs. They were in the position of a besieging army which could not afford to hurt the fortress it was attacking.” (Guttridge, 1963, p. 32).

³⁶ *“In the three years before the fighting began at Concord, the arithmetic of politics in Great Britain did not change materially. The bottom line is this: while Lord North always had a majority, it existed only because he worked harder than the Rockingham Whigs to win the political battles of the day. The upper chamber, the House of Lords, consisted of 167 peers of the realm and the compliant bishops of the Church of England, including Brownlow North. [...] It was here that the Rockinghams possessed their strongest cohort of supporters who [...] might have prevented the sending of the tea to Boston.” (Bunker, 2014, p. 140). “In the House of Commons, the Rockinghams commanded a smaller following than they did in the Lords. Rockingham Whigs had around 120 seats, and in their opinion they spoke for liberty [...] By November 1772, their core vote had dropped to fewer than sixty. Even then, the Rockinghams might have achieved an occasional victory, because the Commons still contained a hundred independent members, mainly landed gentry from the shires. From time to time the country gentlemen would rebel, voting against Lord North. If Burke and his colleagues had made a cogent case against the government, they might have won the day. But as the debates about India would show, the Rockinghams were confused and demoralized.” (Bunker, 2014, p. 143).*

“For the opposition, the problem had been simply this: that in the debates in the spring and summer of 1774, the great question of British supremacy had already been discussed at great length and apparently settled for good. Unequivocally, Parliament had decided in favor of its right to make laws for America. How could it retreat now, when Americans challenged that right by force of arms? This left the opposition with only two alternatives. On the one hand, it might follow Lord Chatham – as John Wilkes did, branding Lord North a man ‘of injustice and cruelty’ – and opt for a complete reversal of British policy. But this was something the Rockinghams simply could not do. For them it was out of the question, since they had drawn up the Declaratory Act and passed it into law nine years earlier.” (Bunker, 2014, pp. 361-362).

5.3 British Politics and American Representation

Given the economic and social composition and the political agendas of the incumbent government and the opposition, understanding their respective positions regarding the American colonies is a simple task. The landed gentry feared that the arrival of American representatives would strengthen the incipient democratic movement led by the Wilkesites. Opening the door of political representation to the Americans could quickly solve a dispute with a colony, but it would put at risk the landed gentry's dominant position in the British political system and even the territorial constitution itself. Better to risk losing a colony than to face the risk of a new, powerful coalition that would push for further democratic reforms.³⁷

On the other side of the political spectrum, the Wilkesites welcomed the rebellion of the American colonies. They were fighting to reform a biased political system that gave little political representation to the modest but growing middle class in London and other urban centers. American representatives could be a formidable ally that would improve the Wilkesites' chance of pushing their reformist agenda through.³⁸

The fact that the Wilkesites and their reformist program were seen as a serious threat is clearly reflected in the disputes that arose regarding the election of John Wilkes as the Lord Mayor of London. Although the city of London was the closest to having a democratic government of any district in England, there was a small group of powerful aldermen who usually managed to manipulate the elections in order to ensure that the candidate favored by the Crown won. The first time that John Wilkes won the election, the aldermen resorted to several maneuvers to void enough of the votes for Wilkes to overturn the result. Riots of Wilkes' supporters followed, but the king's candidate ultimately assumed the mayorship. This did not discourage the Wilkesites, who tried again in the following election. Although the Wilkesites

³⁷ "Given the way that the British system worked, the Wilkesites could not hope to win more than a handful of seats at the general election. But even so, they could cause trouble for Lord North and make him worry for the future." (Bunker, 2014, p. 130).

³⁸ "A bond of sympathy aligned the Wilkesites with the patriot opposition in America, not only in Charleston, but also in Virginia and New England. From the colonies, men and women followed the politics of London with keen attention. [...] The patriot leader Samuel Adams [...] had two American contacts in London, Arthur and William Lee from Virginia. Both men belonged to Wilkes's inner circle. An even tighter connection existed between the Wilkesites and Adams's Boston ally, John Hancock. [...] Whenever John Wilkes scored a political point, his admirers in America saw it as an extra reason to defy the empire." (Bunker 2014, p. 131).

only won a few seats in the Commons, they performed remarkably well, particularly among free urban constituencies. Their platform was simple but appealing. They called for shorter parliamentary sessions, the enfranchisement of more people and justice for the American colonies. They took six seats in the London area, and John Wilkes won the election for Lord Mayor of London. This time, the margin was so wide that there was no room for the aldermen to manipulate the election results.³⁹

Although the democratic movement was growing and posing a greater threat to the established order, at the time of the American Revolution it still had little formal representation in Parliament, while the incumbent British government was controlled by the landed gentry. Moreover, the rest of the members of the opposition, especially the Rockingham Whigs, who had a fairly strong parliamentary coalition, were not able to successfully champion a conciliatory approach. It seems that they were equally fearful of the authoritarian tendencies of the incumbent government and of the threat posed by radical democratic reforms, leading to paralysis and confusion in their ranks.

Taxation in exchange for representation was a reasonable solution for Great Britain and the American colonies. Unfortunately, it appears that the political calculus was more complicated than the one envisioned by Adam Smith. The entry of American representatives would potentially disrupt the balance of power in Great Britain, which would in turn speed the implementation of democratic reforms – or, at

³⁹ “About nine thousand citizens were qualified to vote, making the city of London the nearest thing Great Britain had to a popular government. Often, an inner circle of aldermen found a way to fix the result in favor of a candidate with whom the king and his ministers were happy. So they had done in the past, but for nearly three years, since he lost his fight to take his seat in the Commons, Wilkes had been busy organizing a political machine. As each vote was taken, his support increased. When the polls closed on October 6, fewer than half the voters had opted for candidates loyal to the king and the cabinet. John Wilkes emerged as the winner.” (Bunker 2014, p. 129). “However, as North and the king had expected, the city aldermen had disqualified enough of Wilkes’s votes to stop him from becoming lord mayor. Another candidate was inaugurated as lord mayor despite a riot led by unemployed seamen and a huge crowd.” (Bunker 2014, p. 137).

“When the dust settled, it emerged that Lord North had kept his solid majority in the Commons with about 320 members likely to support him. But while the Wilkesites had taken only a handful of seats, they performed far more strongly than mere numbers would suggest. Their appeal was broad and genuine. Wherever the electorate was large and free and urban, they did well, with a manifesto that could not have been more outspoken. At its heart lay the old Wilkesite program – shorter Parliaments and a wider franchise – but it also called for justice for America in the most uncompromising terms. With the press still full of Massachusetts, the Wilkesites swept the capital, taking six seats in the London area, with Hancock’s friend George Hayley among the victorious candidates. Better still, John Wilkes won the election to follow Frederick Bull as lord mayor, by a margin so wide that this time it could not be vetoed.” (Bunker, 2014, p. 323).

the very least, this must have been the predominant view in Great Britain in the 1770s.

6 A Simple Model of Independence

This section presents a simple model of independence that captures the basic features of the American Revolution that have been discussed in previous sections. Consider a society with two political units (a colony and a metropolitan power) and three groups of subjects (one group in the colony, denoted by C , and two groups in the metropolis, denoted by 1 and 2, respectively). Let v_t^i indicates the payoff of group $i = C, 1, 2$, in period $t = 1, 2, \dots, \infty$. The output of the metropolis is $\bar{v}^M > 0$, while the output of the colony is $\bar{v}^C > 0$. The metropolis and the colony bargain over the distribution of $\bar{v}^M + \bar{v}^C$. In the process, part of $\bar{v}^M + \bar{v}^C$ can be wasted. There are three possible political arrangements between the metropolis and the colony that structure this bargaining process: colonial rule, representation and independence, denoted by $Pol_t = COR, REP, IND$, respectively. Under colonial rule, the metropolis, dominated by group 1, has control over the distribution of the payoffs between the metropolis and the colony, but the colony can start a war of independence. Under representation, the metropolis and the colony share control over the distribution of payoffs. Finally, under independence, the metropolis and the colony become two independent political units, each making its own decisions.

The timing of events under *colonial rule* is as follows.

1. The probability that the colony wins its independence μ_t is realized and observed by all players. μ_t is an i.i.d. random variable that adopts the values $\mu_t = 0, \mu$ with probabilities $(1 - \pi)$ and π , respectively.
2. The metropolis, i.e., group 1, makes an offer to the colony. The metropolis can offer political representation ($r_t = 1$) or not ($r_t = 0$). In the later case, the metropolis also selects the payoff for the colony $o_t \in \{v_L^C, v_H^C\}$, where v_L^C indicates a low payoff and v_H^C a high one.
3. The colony observes the metropolis's offer and decides whether to start a war of independence ($w_t = 1$) or not ($w_t = 0$).
4. Suppose $w_t = 0$. Then:

(a) If $r_t = 0$, then $v_t^1 = s^1 (\bar{v}^M + \bar{v}^C - o_t)$, $v_t^2 = (1 - s^1) (\bar{v}^M + \bar{v}^C - o_t)$ and $v_t^C = o_t$, with $s^1 \in (0, 1)$, is a measure of the political power of group 1 in the metropolis. Moreover, in the following period, colonial rule persists, i.e., $Pol_{t+1} = COR$.

(b) If $r_t = 1$, then the colony will start to have representation immediately, i.e., $Pol_t = REP$. Moreover, in the following period the colony will be represented, i.e., $Pol_{t+1} = REP$.

5. Suppose $w_t = 1$. Then, nature determines who wins the war of independence (with probability μ_t that the colony wins the war).

(a) If the colony wins its independence, then, $v_t^1 = s^1 \beta \bar{v}^M$, $v_t^2 = (1 - s^1) \beta \bar{v}_t^M$ and $v_t^C = \gamma \bar{v}_t^C$, where $\beta \in (0, 1)$ and $\gamma \in (0, 1)$ is the proportion of the output that the metropolis and the colony lose in the war. Moreover, in the next period, the colony is independent, i.e., $Pol_{t+1} = IND$.

(b) If the metropolis wins the war, then, $v_t^1 = s^1 \beta \bar{v}^M$, $v_t^2 = (1 - s^1) \beta \bar{v}_t^M$ and $v_t^C = \gamma \bar{v}_t^C$. Moreover, in the following period, colonial rule persists, i.e., $Pol_{t+1} = COR$, and $\mu_{t+1} = 0$.

Under Independence, we have $v_t^1 = s^1 \bar{v}_t^M$, $v_t^2 = (1 - s^1) \bar{v}_t^M$ and $v_t^C = \bar{v}_t^C$. Moreover, $Pol_{t+1} = IND$.

That is, as soon as the colony wins its independence, each country collects its own output and the two groups in the metropolis divide their output based on their political power.

Under Representation, $v_t^1 = \alpha s^1 \bar{v}_t^M$, $v_t^2 = (1 - \alpha s^1) \bar{v}_t^M$ and $v_t^C = \bar{v}_t^C$, where $\alpha \in (0, 1)$ measures how the new colonial representatives reduce the relative political power of group 1. The intuition is that the new representatives will form a coalition with one of the groups in the metropolis. Note also that $v_t^C = \bar{v}_t^C$, i.e., we assume that, at the least, the colonial representatives can guarantee that the colony will keep its own output. Moreover, $Pol_{t+1} = REP$.⁴⁰

⁴⁰Alternatively, we might have assumed that, under representation, Nature determines if the winning coalition will be $(1, C)$, $(2, C)$ or $(1, 2)$. Moreover, $Pol_{t+1} = REP$. If the winning coalition is $(1, C)$, then $v_t^1 = \bar{v}_t^M$, $v_t^2 = 0$ and $v_t^C = \bar{v}_t^C$. If the winning coalition is $(2, C)$, then $v_t^2 = 0$, $v_t^1 = \bar{v}_t^M$ and $v_t^C = \bar{v}_t^C$. If the winning coalition is $(1, 2)$, then $v_t^2 = s^1 \bar{v}_t^M$, $v_t^1 = (1 - s^1) \bar{v}_t^M$ and $v_t^C = \bar{v}_t^C$. The intuition is that there is uncertainty about the new winning coalition once the new representatives enter Parliament. The main results are not affected if we use this alternative specification.

As the notion of equilibrium, we employ a Markov perfect equilibrium, i.e., the decision of a player in period t depends only on the political arrangement in period t , the realization of μ_t and, in the case of the colony, on the offer made by the metropolis.

Finally, we impose the following assumptions:

$$\text{Assumption 1: } \frac{v_H^C - \delta(1-\pi)(v_H^C - v_L^C)}{\delta + \gamma(1-\delta)} < \bar{v}^C < \frac{v_L^C}{\gamma}.$$

$$\text{Assumption 2: } \frac{(1-\gamma)\bar{v}^C}{(1-\beta)} \left[\frac{\pi\delta v_H^C + (1-\pi\delta)v_L^C - \bar{v}^C}{\bar{v}^C - v_L^C} \right] + \frac{v_H^C - v_L^C}{(1-\beta)} < \bar{v}^M < \frac{\bar{v}^C - v_L^C}{\delta\pi(1-\beta)}.$$

Assumption 1 means that independence is worthwhile for the colony in the long run (even if the metropolis offers temporary concessions), but costly in the short run (even if the metropolis does not offer temporary concessions). Assumption 2 serves two purposes. First, it ensures that the metropolis first considers concessions and then considers the possibility of fighting a war. In other words, the metropolis does not push for a war if simple concessions can solve the dispute. Second, it ensures that the value for the metropolis of fighting a war is increasing in the probability of winning the war.

6.1 Equilibrium Analysis

In order to characterize the Markov perfect equilibrium of the independence model, it is useful to define the following two thresholds for the colony:

$$\begin{aligned} \bar{\mu}^{1,Col} &= \left(\frac{v_L^C - \gamma\bar{v}^C}{\bar{v}^C - v_L^C} \right) \left(\frac{1-\delta}{\delta} \right), \\ \bar{\mu}^{2,Col} &= \left[\frac{v_H^C - \gamma\bar{v}^C + \delta\pi(v_H^C - v_L^C)}{\bar{v}^C - v_L^C - \delta\pi(v_H^C - v_L^C)} \right] \left(\frac{1-\delta}{\delta} \right), \end{aligned}$$

and the following threshold for the metropolis:

$$\bar{\mu}^M = \frac{\delta(\bar{v}^M + \bar{v}^C - v_L^C) + [1 - \delta(1-\pi)]\beta\bar{v}^M - (1 + \delta\pi)\alpha\bar{v}^M}{(1-\delta)(\bar{v}^C - v_L^C) - \pi(1-\alpha)\delta\bar{v}^M} \left(\frac{1-\delta}{\delta} \right).$$

Lemma 1 characterizes the equilibrium response of the colony to different offers made by the metropolis.

Lemma 1 *The Colony.* *Suppose that assumption 1 holds. Then:*

1. *If $\mu \leq \bar{\mu}^{1,Col}$, then the colony accepts colonial rule, i.e., (v_L^C, COR) .*
2. *If $\bar{\mu}^{1,Col} < \mu \leq \bar{\mu}^{2,Col}$, then the colony accepts (v_H^C, COR) , but not (v_L^C, COR) . The metropolis has three alternatives to consider: temporary concessions and avoidance of a war, i.e., (v_H^C, COR) ; no concessions and facing a war, i.e., (v_L^C, COR) ; and offering representation, i.e., (REP) .*

3. If $\mu > \bar{\mu}^{2,Col}$, then the colony only accepts representation. The metropolis has two alternatives to consider: no concessions and facing a war, i.e., (v_L, COR) ; and offering representation, i.e., (REP) . **Proof:** see the online appendix. ■

The intuition behind lemma 1 is straightforward. For the colony, representation produces a higher expected payoff than temporary concessions, while temporary concessions produce a higher expected payoff than no concession at all. Moreover, these expected payoffs do not depend on μ , the probability that the colony wins its independence. The expected payoff of fighting a war of independence is increasing in the probability of winning the war. Moreover, under assumption 1, when the colony does not have any chance of winning a war, the expected payoff of fighting is lower than the payoff of accepting no concessions, whereas, when the colony definitively wins a war, the payoff is higher than it is for temporary concessions, but lower than it is for obtaining parliamentary representation. Thus, there are three regions to consider. When the probability of winning the war is low (formally $\mu \leq \bar{\mu}^{1,Col}$), the colony is willing to accept colonial rule. When the probability of winning the war reaches intermediate values (formally $\bar{\mu}^{1,Col} < \mu \leq \bar{\mu}^{2,Col}$), to avoid a war the metropolis must offer temporary concessions or representation. Finally, when the probability of winning the war is high (formally $\mu > \bar{\mu}^{2,Col}$), only representation will avoid a war.

Lemma 2 characterizes the best offer for the metropolis.

Lemma 2 The Metropolis. *Suppose that assumption 2 holds. If $\mu > \bar{\mu}^{1,Col}$, then the metropolis always prefer temporary concessions rather than facing a war or offering representation. Moreover, assume that $\mu > \bar{\mu}^{2,Col}$. Then:*

1. *If $\alpha < (1 - \delta)\beta + \delta$, then the metropolis prefers to fight a war rather than to offer representation.*
2. *If $\alpha > (1 - \delta)\beta + \delta$ and $\bar{v}^M < \frac{(1-\delta)\delta(1-\bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1-\delta)\beta - \delta][1-\delta(1-\pi)] + \delta^2\pi(1-\bar{\mu}^{2,Col})(1-\alpha)}$, then the metropolis prefers to fight a war rather than to offer representation when $\mu \in (\bar{\mu}^{2,Col}, \bar{\mu}^M)$, and prefers to offer representation rather than to fight a war when $\mu \in [\bar{\mu}^M, 1]$.*
3. *If $\alpha > (1 - \delta)\beta + \delta$ and $\bar{v}^M > \frac{(1-\delta)\delta(1-\bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1-\delta)\beta - \delta][1-\delta(1-\pi)] + \delta^2\pi(1-\bar{\mu}^{2,Col})(1-\alpha)}$, then the metropolis prefers to offer representation rather than to face a war. **Proof:** see the online appendix. ■*

In order to obtain a full characterization of the Markov perfect equilibrium, we simply need to combine lemmas 1 and 2. Define $\tilde{\mu}^M$ as follows:

$$\tilde{\mu}^M = \begin{cases} 1, & \text{if } \alpha < (1 - \delta)\beta + \delta, \\ \bar{\mu}^M, & \text{if } \alpha > (1 - \delta)\beta + \delta \text{ and } \bar{v}^M < \frac{(1 - \delta)\delta(1 - \bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1 - \delta)\beta - \delta][1 - \delta(1 - \pi)] + \delta^2\pi(1 - \bar{\mu}^{2,Col})(1 - \alpha)}, \\ \bar{\mu}^{2,Col}, & \text{if } \alpha > (1 - \delta)\beta + \delta \text{ and } \bar{v}^M > \frac{(1 - \delta)\delta(1 - \bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1 - \delta)\beta - \delta][1 - \delta(1 - \pi)] + \delta^2\pi(1 - \bar{\mu}^{2,Col})(1 - \alpha)}. \end{cases}$$

Note that $\bar{v}^M < \frac{(1 - \delta)\delta(1 - \bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1 - \delta)\beta - \delta][1 - \delta(1 - \pi)] + \delta^2\pi(1 - \bar{\mu}^{2,Col})(1 - \alpha)}$ if and only if $\bar{\mu}^{2,Col} < \bar{\mu}^M$. Proposition 1 summarizes the results.

Proposition 1 *Suppose that assumptions 1 and 2 hold. Before the first time $\mu_t = \mu$, the metropolis implements $o_t = v_L^C$. Thereafter:*

1. *If $\mu \leq \bar{\mu}^{1,Col}$, then there is no independence, the colony does not obtain representation and the metropolis always implements $o_t = v_L^C$.*
2. *If $\bar{\mu}^{1,Col} < \mu \leq \bar{\mu}^{2,Col}$, then the metropolis offers temporary concessions, i.e., whenever $\mu_t = \mu$, the metropolis offers $o_t = v_H^C$.*
3. *If $\mu > \bar{\mu}^{2,Col}$, then either the metropolis offers representation or there is a war of independence. Specifically, there is a war if $\mu < \tilde{\mu}^M$ and the colony obtains representation if $\mu \geq \tilde{\mu}^M$. **Proof:** immediately derived from lemmas 1 and 2. ■*

The intuition behind Lemma 2 and Proposition 1 is as follows. When the probability that the colony will win a war of independence is low (formally $\mu \leq \bar{\mu}^{1,Col}$), the colony is not willing to start a war even if the metropolis does not offer any concession. Since this is the preferred situation for the metropolis, in equilibrium, the metropolis always implements no concessions (i.e., $o_t = v_L^C$) and there is no independence. The interesting cases occur when $\mu > \bar{\mu}^{1,Col}$. Suppose that the probability that the colony will win the war is intermediate (formally $\bar{\mu}^{1,Col} < \mu \leq \bar{\mu}^{2,Col}$). Then, the metropolis must choose between three alternatives: offer temporary concessions, offer representation, or fight a war. Lemma 2 simply establishes that when temporary concessions are enough to placate the colony, the metropolis prefers to use them rather than any other alternative. Moreover, note that this does not depend on the effect of the arrival of colonial representatives in Parliament on the relative amount of political power

held by group 1. Formally, the value of α is irrelevant when $\mu \leq \bar{\mu}^{2,Col}$. Suppose that the probability that the colony wins the independence war is high (formally $\mu > \bar{\mu}^{2,Col}$). Then, the metropolis has only two alternatives: offer representation or fight a war. Lemma 2 establishes the best course of action for the metropolis, i.e., for group 1, which controls the metropolis. When $\alpha < (1 - \delta)\beta + \delta$, offering representation would be very costly for group 1 because the new colonial representatives will form a coalition with group 2, which will significantly reduce the bargaining power of group 1. In such a case, the metropolis will choose to fight a war. On the contrary, when $\alpha > (1 - \delta)\beta + \delta$, offering representation is less costly for group 1 and, hence, worth considering. Indeed, representation becomes more attractive when the colony has a greater chance of winning the war.

7 Final Remarks

The American Revolution was a complex historical process with multiple causes. We have tried to understand why the American colonies revolted and, in particular, why Britain and the American colonies were unable to reach an agreement that would have avoided war and independence. We have argued that the internal political equilibrium in Great Britain made such an agreement very unlikely. The entry of American representatives would have allowed them to form a coalition with the incipient democratic movement in England, which would have posed a serious threat to the position of the landed gentry. Moreover, there was no way for the American elites to credibly commit to a different course of action. If American representatives had been granted entry into the British Parliament, it would have been in their best interest to form an alliance with the opposition (Wilkesites and Chathamites). Our simple model of independence captures this dynamic.

There are several ways to extend our line of analysis. Here we will mention just two of them. First, one promising avenue of inquiry would be to build a more general game theoretic model of independence that incorporates internal conflict within the colony and the metropolis. The peculiarity of independence is that it is neither a civil war nor an interstate war, yet it has elements of both. Thus, a good game theoretic model of independence should be able capture how the strategic interactions between internal and external issues lead to different independence paths. Second, it would be very interesting to explore the role that the difficulties of giving political representation to the colonies played in the decline of the

British Empire.

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Online Appendix to “Why Not Taxation and Representation?: A Note on the American Revolution”

In this appendix we present the proofs for all the results shown in Section 6.

Proof of Lemma 1.

Independence. Once independence is successful, the colony remains independent forever. Independence is an absorbing state. Hence, the expected payoff for the colony is given by:

$$V^C(IND) = \frac{\bar{v}^C}{1 - \delta}. \quad (1)$$

No Concessions. Suppose that the metropolis always offers $o_t = v_L^C$ and the colony accepts it. Then, the expected payoff for the colony is given by:

$$V^C(w = 0, v_L^C, COR, \mu_t = \mu) = \frac{v_L^C}{1 - \delta}. \quad (2)$$

Temporary Concessions. Suppose that every time $\mu_t = 0$, the metropolis offers $o_t = v_L^C$, while every time $\mu_t = \mu$, it offers $o_t = v_H^C$. Assume that the colony accepts this offer. Then, the expected payoff for the colony must satisfy the following Bellman equations:

$$\begin{aligned} V^C(w = 0, v_H^C, COR, \mu_t = \mu) &= v_H^C + \delta \left[\begin{array}{l} \pi V^C(w = 0, v_H^C, COR, \mu_t = \mu) + \\ (1 - \pi) V^C(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right], \\ V^C(w = 0, v_L^C, COR, \mu_t = 0) &= v_L^C + \delta \left[\begin{array}{l} \pi V^C(w = 0, v_H^C, COR, \mu_t = \mu) + \\ (1 - \pi) V^C(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right]. \end{aligned}$$

Solving this system of equations, we obtain:

$$V^C(w = 0, v_H^C, COR, \mu_t = \mu) = \frac{[1 - \delta(1 - \pi)]v_H^C + \delta(1 - \pi)v_L^C}{1 - \delta}. \quad (3)$$

Note that $V^C(w = 0, v_H^C, COR, \mu_t = \mu) > V^C(w = 0, v_L^C, COR, \mu_t = \mu)$ because $v_H^C > v_L^C$.

Representation. Once the colony gets representation, it has representation forever. Representation is an absorbing state. Hence, the expected payoff for the colony under representation is given by:

$$V^C(REP) = \frac{\bar{v}^C}{1 - \delta}. \quad (4)$$

War. Suppose that the colony does not accept a temporary concession. Then, whenever $\mu_t = \mu$, the colony embarks in a war of independence, which means that the expected payoffs for the colony must satisfy the following Bellman equations:

$$\begin{aligned} V^C(w = 1, COR, \mu_t = \mu) &= \gamma \bar{v}^C + \delta [\mu V^C(IND) + (1 - \mu) V^C(w = 0, v_L^C, COR, \mu_t = 0)], \\ V^C(w = 0, COR, \mu_t = 0) &= v_L^C + \delta \left[\begin{array}{l} \pi V^C(w = 1, v_L^C, COR, \mu_t = \mu) + \\ (1 - \pi) V^C(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right]. \end{aligned}$$

Solving this system of equations, we obtain:

$$V^C(w = 1, COR, \mu_t = \mu) = \frac{[1 - \delta(1 - \pi)] [(1 - \delta)\gamma + \delta\mu] \bar{v}^C + (1 - \mu)\delta(1 - \delta)v_L^C}{(1 - \delta)[1 - \delta(1 - \pi) - (1 - \mu)\delta^2\pi]} \quad (5)$$

Since whenever $\mu_t = \mu$, the colony embarks in a war of independence, while, whenever $\mu_t = 0$, the metropolis always offers v_L^C , this expression does not depend on the metropolis's offer. Moreover, $V^C(w = 1, COR, \mu_t = \mu)$ is a strictly increasing function of μ for $\mu \in [0, 1]$. Formally:

$$\frac{\partial V^C(w = 1, COR, \mu_t = \mu)}{\partial \mu} = \frac{\delta [1 - \delta(1 - \pi)] \{ [1 + \delta\pi(1 - \gamma)] \bar{v}^C - v_L^C \}}{[1 - \delta(1 - \pi) - (1 - \mu)\delta^2\pi]^2} > 0,$$

where we have used $\bar{v}^C > v_L^C$.

Representation versus Temporary Concessions and War. Note that representation induces a higher expected payoff for the colony than any temporary concession. Formally, $V^C(REP) > V^C(w = 0, o_t, COR, \mu_t = \mu)$ for $o_t = v_L^C, v_H^C$. Although, under representation, the colony obtains the same stream of payoffs that it would under independence, representation is always better than fighting a war of independence. Formally, $V^C(REP) > V^C(w = 1, COR, \mu_t = \mu)$. Summing up, for the colony, representation predominates over any other alternative.

War versus Concessions. $V^C(w = 1, COR, \mu_t = 0) < V^C(w = 0, v_L^C, COR, \mu_t = \mu) < V^C(w = 0, v_H^C, COR, \mu_t = \mu) < V^C(w = 1, COR, \mu_t = 1)$ if and only if $\frac{v_H^C - \delta(1 - \pi)(v_H^C - v_L^C)}{\delta + \gamma(1 - \delta)} < \bar{v}^C < \frac{v_L^C}{\gamma}$, which holds due to assumption 1. The colony accepts no concession if and only if $V^C(w = 0, v_L^C, COR, \mu_t = \mu) \geq V^C(w = 1, COR, \mu_t = \mu)$. Since $V^C(w = 1, COR, \mu_t = 0) < V^C(w = 0, v_L^C, COR, \mu_t = \mu) < V^C(w = 1, COR, \mu_t = 1)$ and $V^C(w = 1, COR, \mu_t = \mu)$ is a strictly increasing function of μ for $\mu \in [0, 1]$, the intermediate value theorem implies that there exists a unique

$\bar{\mu}^{1,Col} \in (0, 1)$ such that the colony accepts no concession if and only if:

$$\mu \leq \bar{\mu}^{1,Col} = \left(\frac{v_L^C - \gamma \bar{v}^C}{\bar{v}^C - v_L^C} \right) \left(\frac{1 - \delta}{\delta} \right). \quad (6)$$

Analogously, the colony accepts a temporary concession $o_t = v_H^C$ if and only if $V^C(w = 0, v_H^C, COR, \mu_t = \mu) \geq V^C(w = 1, COR, \mu_t = \mu)$. Since $V^C(w = 1, COR, \mu_t = 0) < V^C(w = 0, v_H^C, COR, \mu_t = \mu) < V^C(w = 1, COR, \mu_t = 1)$ and $V^C(w = 1, COR, \mu_t = \mu)$ is an strictly increasing function of μ for $\mu \in [0, 1]$, the intermediate value theorem implies that, there exists a unique $\bar{\mu}^{2,Col} \in (0, 1)$ such that the colony accepts the temporary concession $o_t = v_H^C$ if and only if:

$$\mu \leq \bar{\mu}^{2,Col} = \left[\frac{v_H^C - \gamma \bar{v}^C + \delta \pi (v_H^C - v_L^C)}{\bar{v}^C - v_L^C - \delta \pi (v_H^C - v_L^C)} \right] \left(\frac{1 - \delta}{\delta} \right). \quad (7)$$

Finally, since $V^C(w = 0, v_H^C, COR, \mu_t = \mu) > V^C(w = 0, v_L^C, COR, \mu_t = \mu)$, while $V^C(w = 1, COR, \mu_t = \mu)$ is strictly increasing in μ , it must be the case that $\bar{\mu}^{2,Col} > \bar{\mu}^{1,Col}$.

■

Proof of Lemma 2.

Independence. Independence is an absorbing state. Hence, the expected payoff for player 1 is given by:

$$V^1(IND) = \frac{s^1 \bar{v}^M}{1 - \delta}.$$

No Concessions. Suppose that the metropolis always offers $o_t = v_L^C$ and the colony accepts it. Then, the expected payoff for player 1 is given by:

$$V^1(w = 0, v_L^C, COR, \mu_t = \mu) = \frac{s^1 (\bar{v}^M + \bar{v}^C - v_L^C)}{1 - \delta}. \quad (8)$$

Temporary Concessions. Suppose that the metropolis always offers $o_t = v_H^C$ and the colony accepts it. Then, the expected payoffs for player 1 must satisfy the following Bellman equations:

$$\begin{aligned} V^1(w = 0, v_H^C, COR, \mu_t = \mu) &= s^1 (\bar{v}^M + \bar{v}^C - v_H^C) + \delta \left[\begin{array}{l} \pi V^1(w = 0, v_H^C, COR, \mu_t = \mu) \\ + (1 - \pi) V^1(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right], \\ V^1(w = 0, v_L^C, COR, \mu_t = 0) &= s^1 (\bar{v}^M + \bar{v}^C - v_L^C) + \delta \left[\begin{array}{l} \pi V^1(w = 0, v_H^C, COR, \mu_t = \mu) \\ + (1 - \pi) V^1(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right]. \end{aligned}$$

Solving this system of equations, we obtain:

$$V^1(w = 0, v_H^C, COR, \mu_t = \mu) = s^1 \left[\frac{(\bar{v}^M + \bar{v}^C - v_H^C) + \delta(1 - \pi)(v_H^C - v_L^C)}{1 - \delta} \right]. \quad (9)$$

Representation. Once the colony obtains representation, it has representation forever. Representation is an absorbing state. Hence, the expected payoff for player 1 under representation is given by:

$$V^1(REP) = \frac{\alpha s^1 \bar{v}^M}{1 - \delta}. \quad (10)$$

War. Suppose that the colony does not accept a temporary concession. Then, the expected payoff for player 1 must satisfy the following Bellman equations:

$$\begin{aligned} V^1(w = 1, COR, \mu_t = \mu) &= s^1 \beta \bar{v}^M + \delta [\mu V^1(IND) + (1 - \mu) V^1(w = 0, v_L^C, COR, \mu_t = 0)] \\ V^1(w = 0, v_L^C, COR, \mu_t = 0) &= s^1 (\bar{v}^M + \bar{v}^C - v_L^C) + \delta \left[\begin{array}{l} \pi V^1(w = 1, COR, \mu_t = \mu) \\ + (1 - \pi) V^1(w = 0, v_L^C, COR, \mu_t = 0) \end{array} \right] \end{aligned}$$

Solving this system of equations, we obtain:

$$V^1(w = 1, COR, \mu_t = \mu) = s^1 \frac{[1 - \delta(1 - \pi)] \beta \bar{v}^M + \delta (\bar{v}^M + \bar{v}^C - v_L^C) + \mu \delta \left[\frac{\delta \pi}{1 - \delta} \bar{v}^M - (\bar{v}^C - v_L^C) \right]}{1 - \delta(1 - \pi) - \delta^2 \pi (1 - \mu)}.$$

Since whenever $\mu_t = \mu$, the colony embarks on a war of independence, while whenever $\mu_t = 0$, the metropolis always offers v_L^C , this expression does not depend on the metropolis's offer. Moreover, $V^1(w = 1, COR, \mu_t = \mu)$ is a decreasing function of μ for $\mu \in [0, 1]$. Formally:

$$\frac{\partial V^1(w = 1, COR, \mu_t = \mu)}{\partial \mu} = \frac{\delta [1 - \delta(1 - \pi)] [\delta \pi \bar{v}^M (1 - \beta) - (\bar{v}^C - v_L^C)]}{[1 - \delta(1 - \pi) - \delta^2 \pi (1 - \mu)]^2} < 0,$$

where we have used $\bar{v}^C > v_L^C + \delta \pi \bar{v}^M (1 - \beta)$, which holds due to assumption 2.

Representation versus Temporary Concessions. $V^1(w = 0, v_H^C, COR, \mu_t = \mu) > V^1(REP)$ if and only if $\bar{v}^C > \delta(1 - \pi)v_L^C + [1 - \delta(1 - \pi)]v_H^C - (1 - \alpha)\bar{v}^M$, which holds due to assumption 1. Thus, for the metropolis, temporary concessions are always better than representation. Since, $V^1(w = 0, v_L^C, COR, \mu_t = \mu) > V^1(w = 0, v_H^C, COR, \mu_t = \mu)$, no concession is also preferred to representation.

War versus Temporary Concessions. When $\mu = \bar{\mu}^{1,Col}$, the metropolis prefers to offer temporary concessions rather than to engage in war. Formally, $V^1(w = 0, v_H^C, COR, \mu_t = \bar{\mu}^{1,Col}) > V^1(w = 1, COR, \mu_t = \bar{\mu}^{1,Col})$ if and only if $\bar{v}^M > \frac{(1-\gamma)\bar{v}^C}{(1-\beta)} \left[\frac{\pi\delta v_H^C + (1-\pi\delta)v_L^C - \bar{v}^C}{\bar{v}^C - v_L^C} \right] + \frac{v_H^C - v_L^C}{(1-\beta)}$, which holds due to assumption 2. Since $V^1(w = 0, v_H^C, COR, \mu_t = \bar{\mu}^{1,Col})$ does not depend on μ and $V^1(w = 1, COR, \mu_t = \mu)$ is decreasing in μ , the metropolis prefers temporary concessions to war in all cases.

Representation versus War. When $\mu_t = 1$, we have $V^1(REP) > V^1(w = 1, COR, \mu_t = 1)$ if and only if $\alpha > (1 - \delta)\beta + \delta$. When $\mu_t = \bar{\mu}^{2,Col}$, we have $V^1(w = 1, COR, \mu_t = \bar{\mu}^{2,Col}) > V^1(REP)$ if and only if $\frac{(1-\delta)\delta(1-\bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1-\delta)\beta - \delta][1-\delta(1-\pi)] + \delta^2\pi(1-\bar{\mu}^{2,Col})(1-\alpha)} > \bar{v}^M$.

Thus, we must distinguish among three possible cases:

Case i: If $\alpha < (1 - \delta)\beta + \delta$, then $V^1(w = 1, COR, \mu_t = 1) > V^1(REP)$. Since $V^1(REP)$ does not depend on μ and $V^1(w = 1, COR, \mu_t = \mu)$ is decreasing in μ , this implies $V^1(w = 1, COR, \mu_t = \mu) > V^1(REP)$ for all $\mu \in [\bar{\mu}^{2,Col}, 1]$.

Case ii: If $\alpha > (1 - \delta)\beta + \delta$ and $\bar{v}^M < \frac{(1-\delta)\delta(1-\bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1-\delta)\beta - \delta][1-\delta(1-\pi)] + \delta^2\pi(1-\bar{\mu}^{2,Col})(1-\alpha)}$, then $V^1(w = 1, COR, \mu_t = \bar{\mu}^{2,Col}) > V^1(REP) > V^1(w = 1, COR, \mu_t = 1)$. Since $V^1(w = 1, COR, \mu_t = \mu)$ is decreasing in μ , there exists a unique $\bar{\mu}^M \in (\bar{\mu}^{2,Col}, 1)$ such that $V^1(w = 1, COR, \mu_t = \bar{\mu}^M) = V^1(REP)$, $V^1(w = 1, COR, \mu_t = \mu) > V^1(REP)$ for all $\mu \in (\bar{\mu}^{2,Col}, \bar{\mu}^M)$, and $V^1(w = 1, COR, \mu_t = \mu) < V^1(REP)$ for all $\mu \in (\bar{\mu}^M, 1)$. $\bar{\mu}^M$ is given by:

$$\bar{\mu}^M = \frac{\delta(\bar{v}^M + \bar{v}^C - v_L^C) + [1 - \delta(1 - \pi)]\beta\bar{v}^M - (1 + \delta\pi)\alpha\bar{v}^M}{(1 - \delta)(\bar{v}^C - v_L^C) - \pi(1 - \alpha)\delta\bar{v}^M} \left(\frac{1 - \delta}{\delta} \right).$$

Case iii: $\alpha > (1 - \delta)\beta + \delta$ and $\bar{v}^M > \frac{(1-\delta)\delta(1-\bar{\mu}^{2,Col})(\bar{v}^C - v_L^C)}{[\alpha - (1-\delta)\beta - \delta][1-\delta(1-\pi)] + \delta^2\pi(1-\bar{\mu}^{2,Col})(1-\alpha)}$, then $V^1(REP) > V^1(w = 1, COR, \mu_t = \bar{\mu}^{2,Col})$. Since $V^1(REP)$ does not depend on μ and $V^1(w = 1, COR, \mu_t = \mu)$ is decreasing in μ , this implies $V^1(REP) > V^1(w = 1, COR, \mu_t = \mu)$ for all $\mu \in [\bar{\mu}^{2,Col}, 1]$. This completes the proof of lemma 2. ■