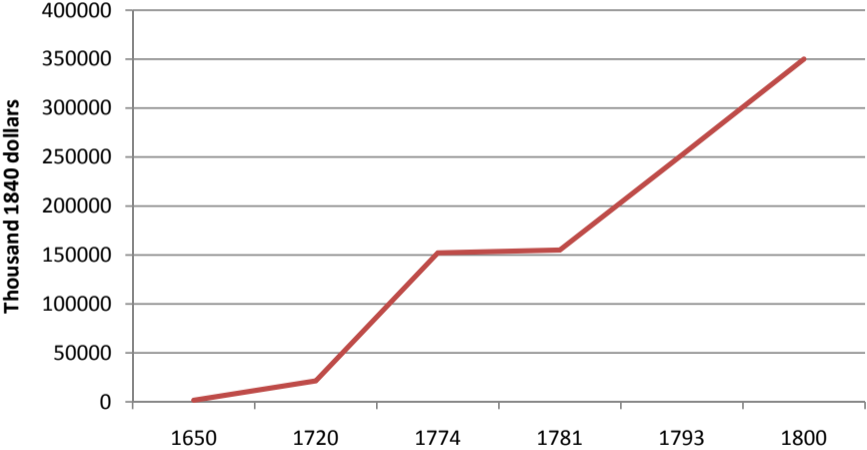
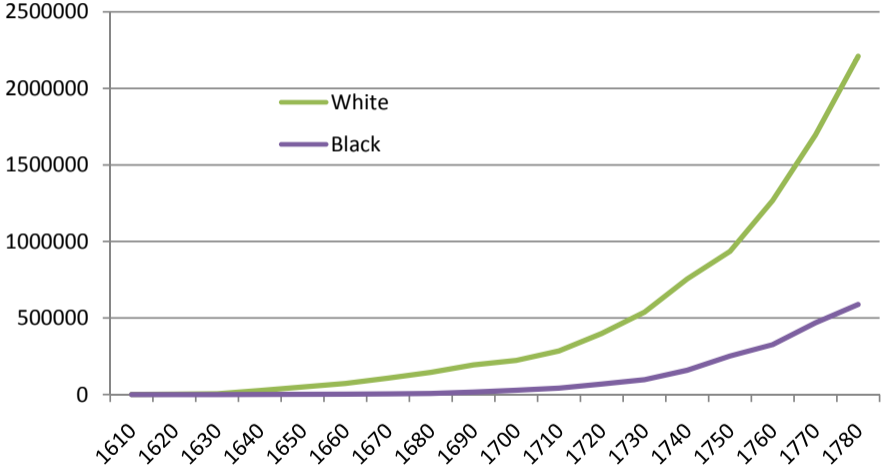


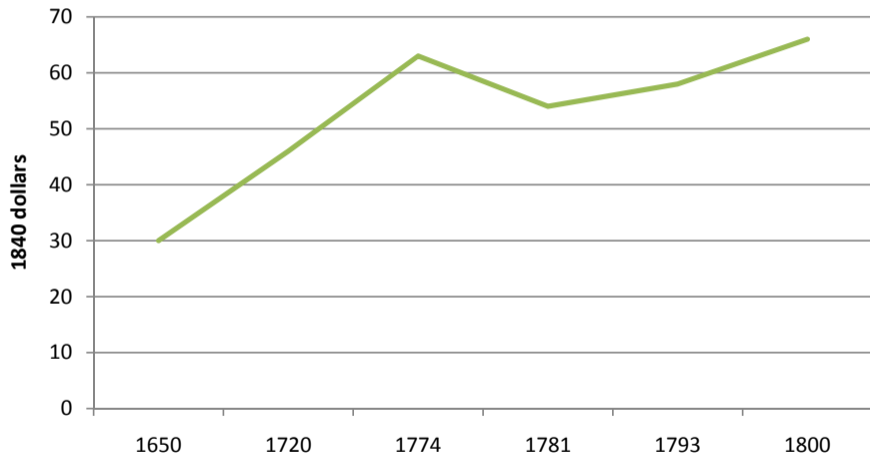
Growth of the Colonial Economy - GDP



Growth of the Colonial Economy - Population



Growth of the Colonial Economy - GDP per capita



Why Settle America?

- ▶ Early exploration of the Americas had a lot to do with *mercantilism*
- ▶ An oversimplification: countries assumed greater military and political power came from greater stocks of gold and silver
- ▶ The Spanish had success in finding places with gold and silver that could be mined
- ▶ Other countries had to rely on trade to build up stocks of silver and gold
- ▶ This led countries to seek out colonies that had different resources from the mother country and to set up extractive institutions (recall our reversal of fortunes discussion)

Mercantilism and Role of Colonies

Philipp Wilhelm von Hornick, *Austria Over All, If She Only Will*, 1684
(quoted in Robert Ekelund Jr. and Robert Hebert, *A History of Economic Theory and Method*, Waveland Press, 1997):

- ▶ That every inch of a country's soil be utilized for agriculture, mining or manufacturing
- ▶ That all raw materials found in a country be used in domestic manufacture, since finished goods have a higher value than raw materials
- ▶ That a large, working population be encouraged
- ▶ That all export of gold and silver be prohibited and all domestic money be kept in circulation
- ▶ That all imports of foreign goods be discouraged as much as possible

Mercantilism and Role of Colonies

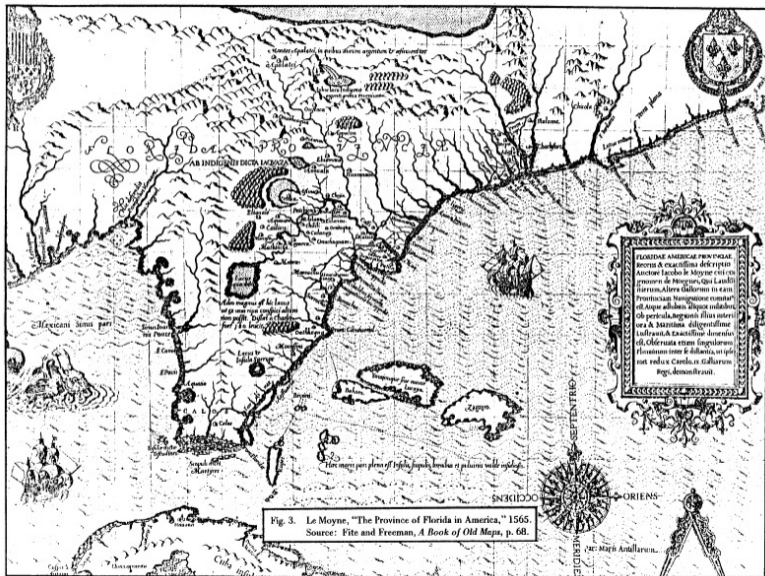
Philipp Wilhelm von Hornick, *Austria Over All, If She Only Will*, 1684
(quoted in Robert Ekelund Jr. and Robert Hebert, *A History of Economic Theory and Method*, Waveland Press, 1997):

- ▶ That where certain imports are indispensable they be obtained at first hand, in exchange for other domestic goods instead of gold and silver
- ▶ That as much as possible, imports be confined to raw materials that can be finished [in the home country]
- ▶ That opportunities be constantly sought for selling a country's surplus manufactures to foreigners, so far as necessary, for gold and silver
- ▶ That no importation be allowed if such goods are sufficiently and suitably supplied at home

Why Settle America if You're British?

- ▶ The colonies in the mid-Atlantic didn't yield gold or silver
- ▶ Initially, British businessmen thought the southern colonies might be good for silk and winemaking
- ▶ That didn't really pan out, but tobacco did
- ▶ The northern colonies were about subsistence agriculture and port services

Why Settle America if You're British?



Why Settle America if You're British?



PANACEA;
OR
The Universal Medicine,
BEING
A DISCOVERY
of the
Wonderfull Vertues
OF
Tobacco
Taken in a Pipe,
WITH
Its Operation and Use both in
Physick and *Chyrurgery*.

By D^r EVERARD, &c.

LONDON,
Printed for *Simon Miller* at the Star in *S^t Pauls*
Church-yard, near the West-end, 1659.

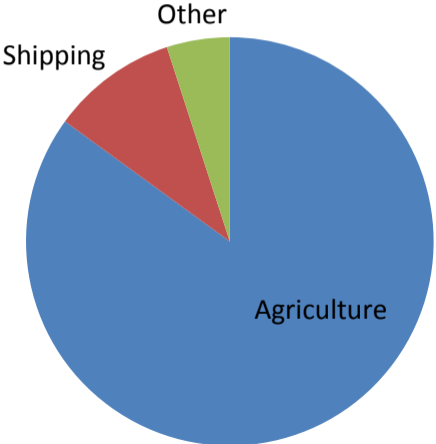
Mercantilist Policy and the Colonial Economy

- ▶ Although the colonies didn't have gold and silver, the colonial economy was very much shaped by mercantilist policy
- ▶ Colonies were supposed to provide England with commodities unavailable in England and to serve as a captive market for English finished products
- ▶ Colonies weren't supposed to compete with the mother country: you sell your resources to England, not to other countries, and you buy your finished goods from England, not from other countries

Mercantilist Policy and the Colonial Economy

- ▶ These mercantilist policies had very different effects on the southern and northern colonies
- ▶ Southern colonies had land that could be used for tobacco
- ▶ Britain provided a growing market for tobacco, supply of tobacco rose dramatically during the entire colonial period
- ▶ Northern farmland wasn't all that good so as population grew, the marginal product of labor dropped
- ▶ Mercantilist policy didn't leave many manufacturing jobs for these farmers to switch to
- ▶ The one big industry the north did have was shipping (they had timber and lots of things needed to be shipped)

Colonial Workforce by Sector



The Colonial Economy

- ▶ So the colonial economy was dominated by agriculture
- ▶ The good news: there was plenty of land to farm
- ▶ The bad news: to farm all that new land, the colonies needed more people
- ▶ More good news: wages were good in the colonies relative to Britain so people wanted to work in the colonies
- ▶ More bad news: travel from England to the colonies was extremely costly (almost equal to a German migrant's annual salary)
- ▶ Solution: indentured servitude

The Geographic Distribution of Indentured Servants

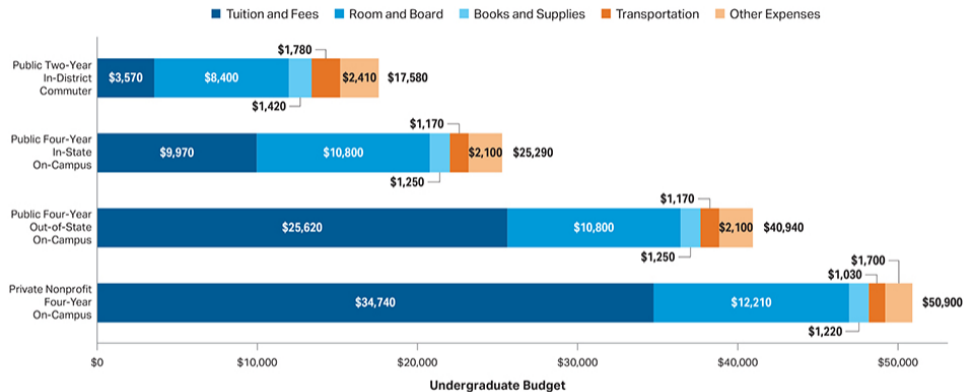
Incidence of Immigrant Servitude across Colonies, English Emigration, 1773-1776

	Total emigration	Percentage listed as servants
<u>Northern colonies</u>		
Canada	31	9.68
Nova Scotia	425	7.76
New England	54	1.85
New York	303	11.55
<u>Middle colonies</u>		
Pennsylvania	859	78.81
Maryland	2217	98.33
Virginia	767	90.35
<u>Southern colonies</u>		
Carolinas	106	23.58
Georgia	196	17.86
Florida	5	0

Credit Constraints and Indentured Servitude

- ▶ The cost of passage to America was £5 to £10, an amount greater than average annual income at the time
- ▶ To put that in perspective, think about college tuition
- ▶ If there were no student loans, how would people pay for college?
- ▶ Maybe you work first and save up for college
- ▶ Median income for a high school graduate age 25 to 34 in 2016 was \$32,143 (CPS data)

Credit Constraints and Indentured Servitude



Sources: College Board, Annual Survey of Colleges; NCES, IPEDS Fall 2015 Enrollment data.

How Indentured Servitude Works

This Indenture

Witnesseth, That *James Spaulkin* late of *Apprentice in*
the City of Philadelphia in *Pennsylvania*
Hath put himself, and by these Presents,

doth voluntarily, and of his own
free Will and Accord, put himself Apprentice to *Benjamin Franklin*
of the City of Philadelphia, *Printer*.

to learn his Art, Trade, and Mytery, and after the Manner of an Apprentice
to serve *the said Benjamin Franklin* from the Day of the Date
hereof, for, and during, and unto the full End and Term of *seven years*

next ensuing: During all which Term, the said Apprentice his said
Master faithfully shall serve, his Secrets keep, his lawful Commands every-
where readily obey. He shall do no Damage to his said Master, nor see it to be
done by others without leaving or giving Notice thereof to his said Master.
He shall not waste his said Master's Goods, nor lend them unlawfully to any.
He shall not commit Fornication, nor contract Matrimony within the said Term.
At Cards, Dice, or any other unlawful Game, he shall not play, whereby his
said Master may have Damage. With his own Goods, nor the Goods of others,
without Licence from his said Master, he shall neither buy nor sell. He shall
not absent himself Day nor Night from his said Master's Service, without his
Leave: Nor haunt Ale-houses, Taverns, or Play-houses; but in all Things
behave himself as a faithful Apprentice ought to do, during the said Term.
And the said Master shall use the utmost of his Endeavour to teach or cause
to be taught or instructed the said Apprentice in the Trade or Mytery of
Printing, and procure and provide for him sufficient
Meat, Drink, *& Cloaths*, Lodging and Washing fitting for an
Apprentice, during the said Term of *seven years*, and at the
Expiration thereof shall give him *one good*
new Suit of Cloaths, besides his common
Apparel.

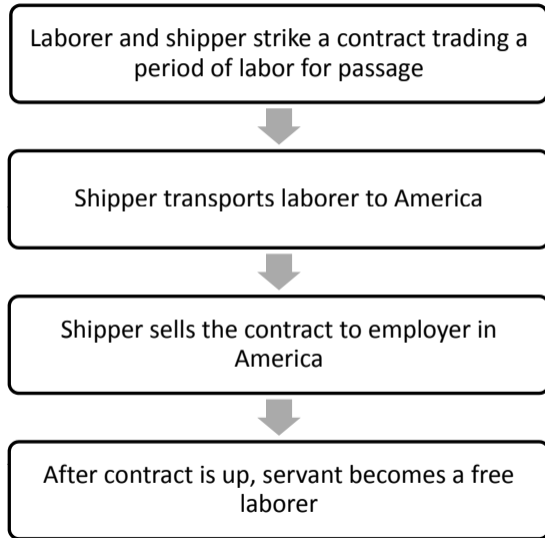
AND for the true Performance of all and singular the Covenants and Agree-
ments aforesaid, the said Parties bind themselves each unto the other firmly by
these Presents. IN WITNESS whereof, the said Parties have interchange-
ably set their Hands and Seals hereunto. Dated the *twelfth*
Day of *November* in the *fourteenth* Year of the Reign of our
Sovereign Lord *George the second* King of Great-Britain, &c.
Asseser Downe One Thousand Seven Hundred and *seventy*.

Scaled and delivered in
the Presence of us
Christophers Hooper
Richard Parkinson

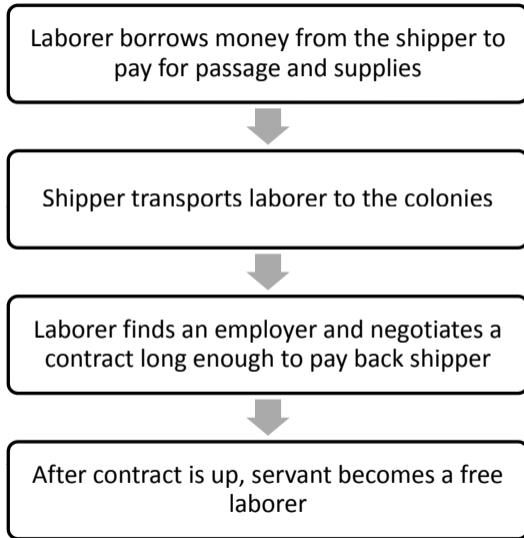
How Indentured Servitude Works

This indentured...between [Alexander Beard]...of the one part, and [John Dickey]...of the other part, witnesseth, that the said [Alexander Beard] doth hereby covenant, promise and grant, to ...[John Dickey]...and his assigns, from the day of the date hereof until the first and next arrival at [Philadelphia] in America...and during the term of [three] years to serve in such service and employment as the said [John Dickey] or [his] assigns shall there employ [him]...In consideration whereof the said [John Dickey] doth grant...to pay for [his] passage, and to find allow [him] meat, drink, apparel and lodging, with other necessaries, during the said term; and at the end of the said term to pay unto him the usual allowance, according to the custom of the country in the like kind...

How Indentured Servitude Works - Standard



How Indentured Servitude Works - Redemptioners



A Quick Poll on the Economics of Indentures

- ▶ Let's have a little class discussion on the economics of indentures
- ▶ We'll take a few poll questions and discuss our answers
- ▶ Head on over to:

<https://pollev.com/jmparman>

- ▶ Note that as always, all polls are anonymous

Features of a Contract

- ▶ The main thing negotiated on the contract was the length
- ▶ Fairly standard was the provision of food, shelter and clothing during the length of the contract
- ▶ Contracts also included freedom dues (payments at the end of the contract)
- ▶ Some included the equivalent of a no-trade clause
- ▶ What kind of issues might come up? Servants trying to leave before contract is up, employers trying to shirk on provision of goods, ...

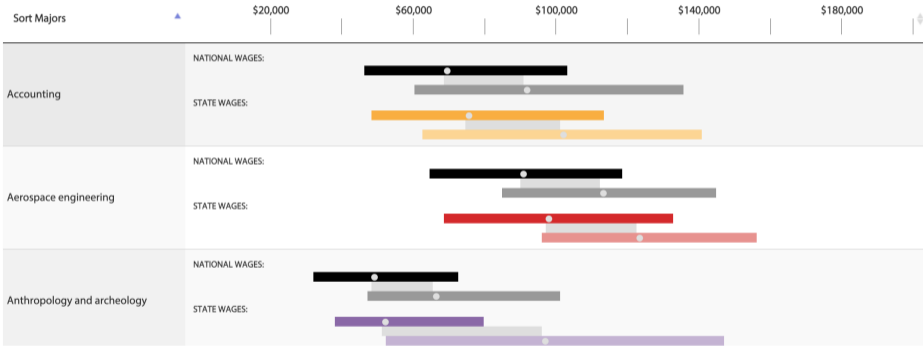
Credit Constraints and Indentured Servitude

- ▶ Let's continue thinking about the college example
- ▶ Suppose we did write indenture contracts for college that covered tuition in return for working for a company for a specified number of years
- ▶ What might determine the length of this contract?
 - ▶ Choice of major
 - ▶ Grades in college
 - ▶ Skills like computer programming
 - ▶ Job characteristics
- ▶ In theory, you could learn quite a bit about a worker given the contract they signed
- ▶ Let's go back to the polls:

<https://pollev.com/jmparman>

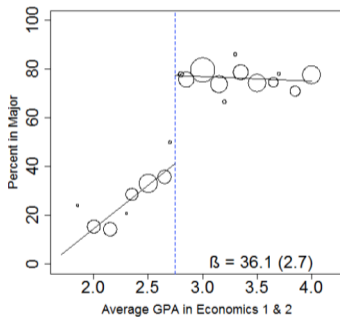
Credit Constraints and Indentured Servitude

State data for Virginia



An Econometrics Aside

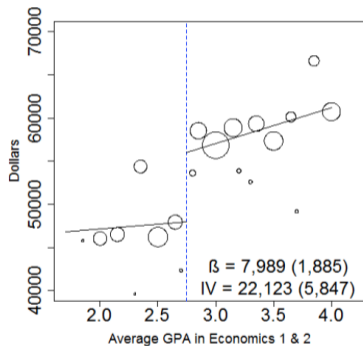
Figure 1: The Effect of the UCSC Economics GPA Threshold on Majoring in Economics



Bleemer and Mehta (forthcoming)

An Econometrics Aside

Figure 2: The Effect of the UCSC Economics GPA Threshold on Annual Wages



Bleemer and Mehta (forthcoming)

Contract Length and Human Capital

ESTIMATED REGRESSION COEFFICIENTS, MIDDLESEX AND LONDON SAMPLES

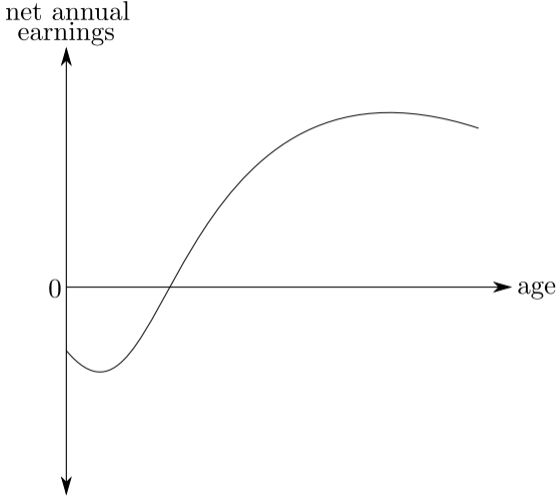
INDEPENDENT VARIABLE	MIDDLESEX, 1683-84		LONDON, 1718-59	
	Estimated Coefficient	Standard Error	Estimated Coefficient	Standard Error
Age (years): ^a				
Total sample:				
Less than 15	2.655	.385	2.749	.134
15	2.201	.400	2.147	.080
16	1.457	.304	1.304	.068
17	.893	.367	.728	.062
18	.174	.270	.331	.055
19	.738	.306	.169	.050
Sex ^b	-1.484	.207	-.195	.073
Literacy ^c	-.575	.217	-.082	.037
Date ^d	...	...	-.0060	.0023
Trade ^e	-.727	.445	...	...
Farmer ^f	...	...	-.313	.074
Laborer	...	...	-.146	.079
Services*	...	...	-.348	.066
Metal and construction ^h	...	...	-.320	.067
Clothing and textiles ⁱ	...	...	-.313	.060
Antigua ^j	-.227	.812	-.403	.110
Barbados	-.553	.274	-.176	.154
Jamaica	-.398	.462	-.233	.060
Other West Indies*	-.401	1.094	-.479	.088
Maryland	.203	.209	.306	.059
Virginia	...	...	.127	.073
Other mainland ^l	-.389	.673	.050	.116
Constant	5.227	...	4.665	...
R ²	.555	...	.539	...
F	12.87	...	112.82	...
n	171	...	2,049	...

Contract Length and Human Capital

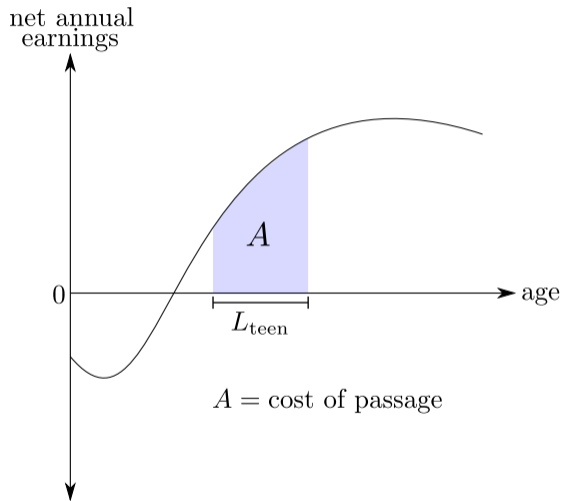
Contract Length and Servant Characteristics

Characteristic	Months More or Less Service
15 years old	26
17 years old	9
19 years old	2
Female	-2
Literate	-1
Farmer	-4
Metalworker	-4
Textile worker	-4

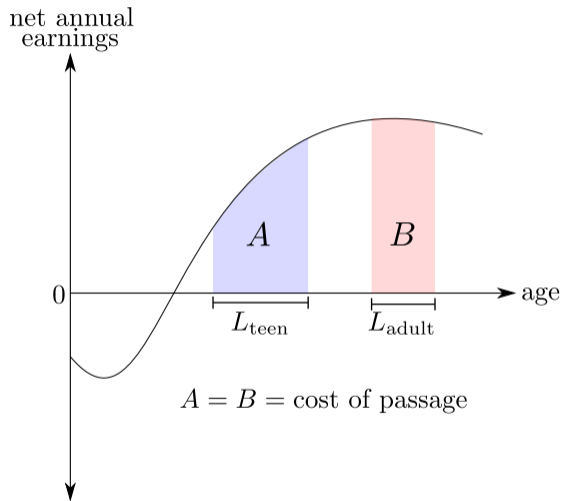
Contract Length and Human Capital



Contract Length and Human Capital



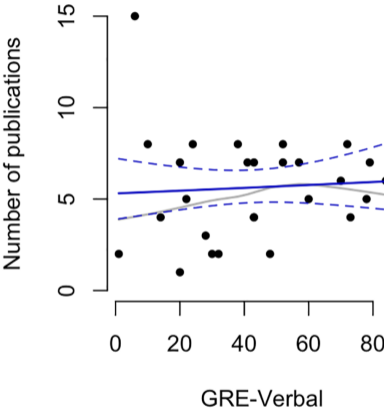
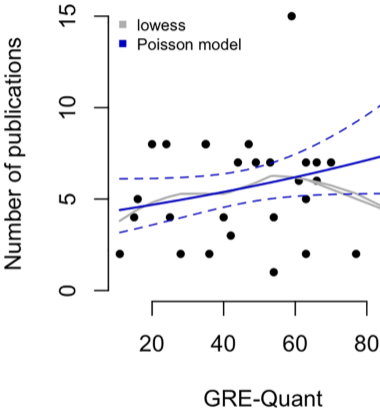
Contract Length and Human Capital



Contract Length and Human Capital



What Are We Really Learning From Contracts?



Sealy et al. (2019)

Other Things in Short Supply

- ▶ A lack of workers wasn't the only complaint, the supply of money was also an issue
- ▶ People complained of shortages of specie and other forms of currency (complaints often came when taxes were due)
- ▶ Paper currency had issues with depreciation (partly due to the lack of specie)
- ▶ In general, colonial money was a mixture of several types of money, each with its own set of problems

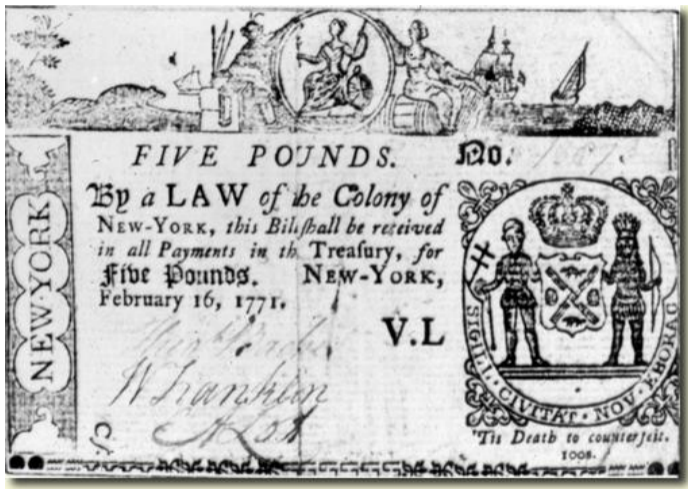
Colonial Money Supply



Spanish silver dollar

http://en.wikipedia.org/wiki/File:Philip_V_Coin.jpg

Colonial Money Supply



Colonial currency, New York Colony, 1771

<http://iarchives.nysed.gov/PubImageWeb/viewImageData.jsp?id=137>

Colonial Money Supply

Wheat Prices in Massachusetts: 1720-49

Year	Massachusetts Shillings	Silver- Equivalence Units
1720	7.00	3.98
1725	8.73	3.93
1730	10.75	3.76
1735	13.25	3.38
1740	13.00	
1745	17.92	3.49
1749	50.25	5.85

Colonial Money Supply

Massachusetts Exchange Rates: 1720-49

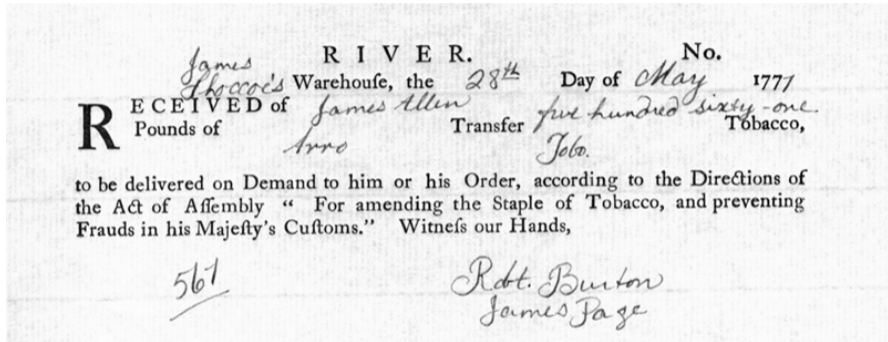
Year	Mass. £ per £100 British	
	Sterling	% Depreciation
1720	£ 219.43	--
1725	289.11	31.8%
1730	337.71	16.8
1735	360.00	6.6
1740	525.00	45.8
1744	588.61	12.1
1745	644.79	9.5
1746	642.50	-0.4
1747	925.00	44
1748	912.00	-1.4
1749	1033.33	13.2

Colonial Money Supply



Colonial currency, Virginia, 1776

Colonial Money Supply



Virginia tobacco note, 1777

<http://www.history.org/history/teaching/enevletter/volume3/images/cropLg.jpg>

Foreshadowing a Revolution



Patrick Henry arguing the Parson's Cause case at the Hanover County courthouse

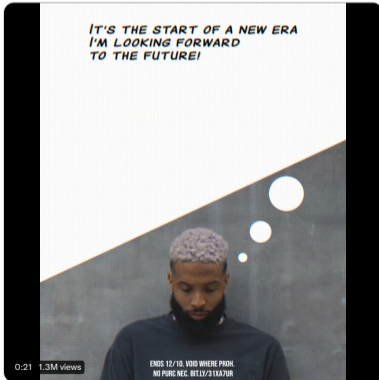
Economics and Independence



Odell Beckham Jr 
@obj

...

It's a NEW ERA & to kick that off I'm hyped to announce that I'm taking my new salary in bitcoin thanks to @CashApp. To ALL MY FANS out there, no matter where u r: THANK YOU! I'm giving back a total of \$1M in BTC rn too. Drop your \$cashtag w. #OBJBTC & follow @CashApp NOW



12:34 PM · Nov 22, 2021 · Twitter Web App



Darren Rovell 
@darrenrovell

...

The amount of people applauding players changing their salary into Bitcoin as if they were heroes has been comical.

Rams WR Odell Beckham Jr., at least in the moment, provides a cautionary tale.

On November 12, Odell Beckham Jr. signed a deal with the Rams worth \$750,000. He announced he would take that in Bitcoin.

At the time, Bitcoin was worth \$64,293. Today, it is worth \$35,400.

Today, that deal is worth \$412,953.

Odell will be taxed on \$750,000. Federal & CA state tax will be 50.3%

That means Odell, as of now, has netted \$35,703 from the Rams contract this year.

1:11 PM · Jan 23, 2022 · Twitter for iPhone

Economics and Independence

“We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable Rights, that among these are Life, Liberty and the pursuit of Happiness....”

“For cutting off our Trade with all parts of the world”

“For imposing Taxes on us without our Consent”

Economics and Independence



The Costs and Benefits of Empire Membership

- ▶ Being of part of the British Empire had its advantages and disadvantages
- ▶ Many of the economic benefits and costs of membership arose from British mercantilist policies
- ▶ Most of these policies were contained in the Acts of Trade and Navigation
- ▶ The passage of these acts began in 1651 and continued to be modified and expanded until the 1840s
- ▶ The acts severely restricted the ways in which the colonies could trade with Britain and other countries

The Costs and Benefits of Empire Membership

The main provisions of the Navigation Acts:

- ▶ All trade of the colonies was to be carried in vessels built, owned and commanded by English or colonialists
- ▶ All foreign trade with the colonies had to be conducted through England
- ▶ Specific enumerated goods could be exported only to England (these included tobacco, sugar, cotton and other goods)

The Costs and Benefits of Empire Membership

First, the benefits of being part of the British Empire:

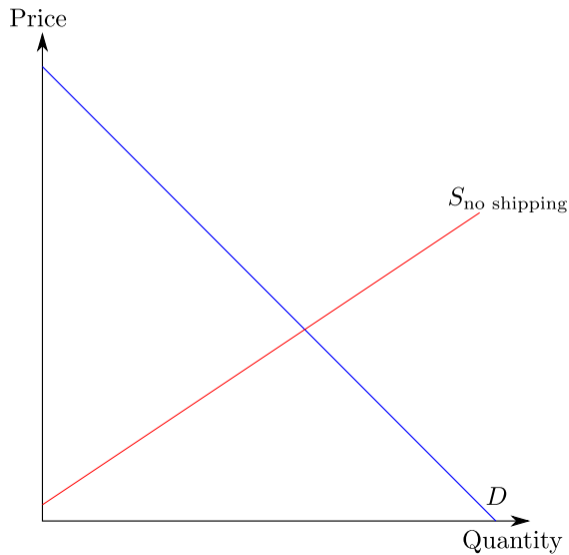
- ▶ Military protection (important to protect naval trade and important because of the threat of the French in North America)
- ▶ Protection of growing industries from foreign competition
- ▶ Subsidies for particular colonial products (indigo, lumber)
- ▶ Protection in the British domestic market

The Costs and Benefits of Empire Membership

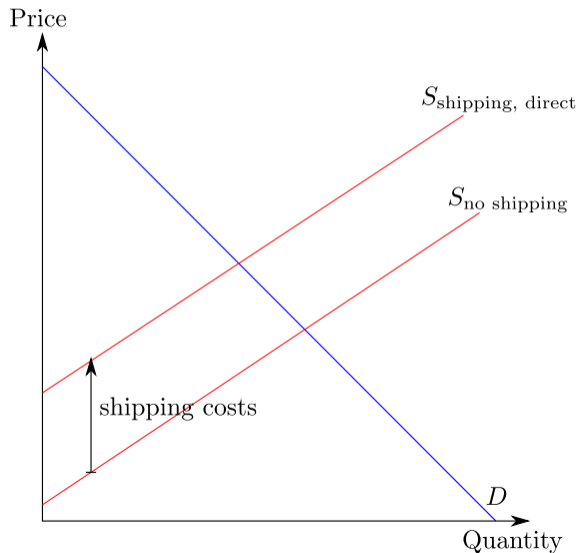
Now for the costs of being part of the British Empire:

- ▶ Having to transport enumerated goods through England before selling them to the rest of Europe increased shipping costs, leading to lower prices received for exports and lower quantities of exports
- ▶ Imports having to pass through England before reaching the colonies increased the price of imports and decreased the quantities of imports
- ▶ The need for Britain to generate revenue to pay off public debt led to additional tax burdens on the colonies

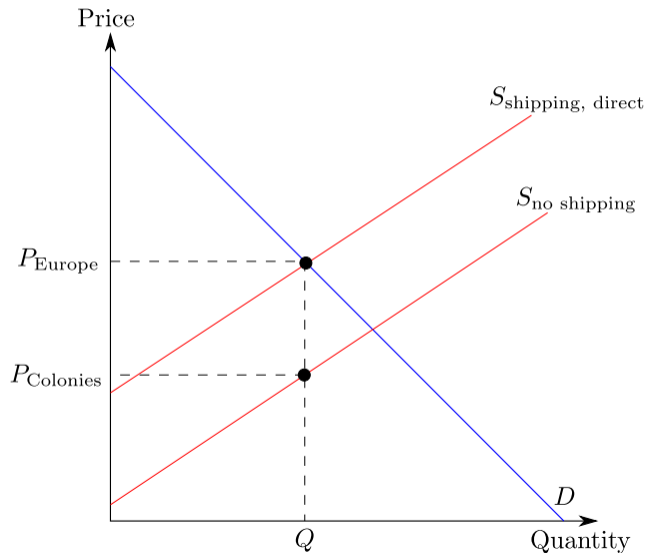
The Burden of the Navigation Acts on Exports



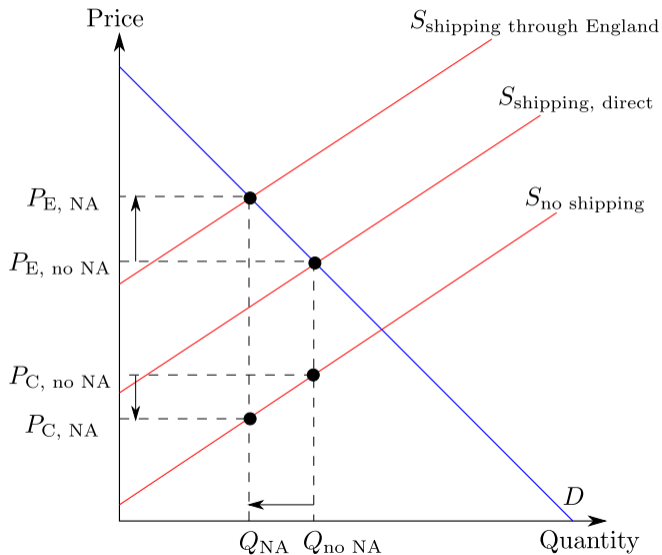
The Burden of the Navigation Acts on Exports



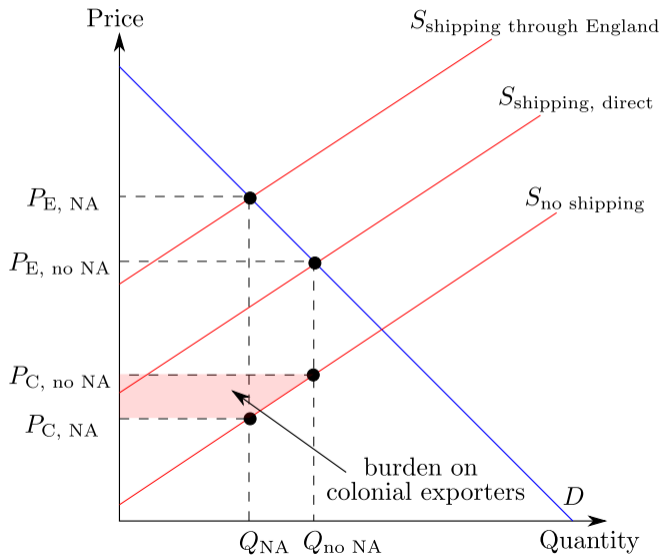
The Burden of the Navigation Acts on Exports



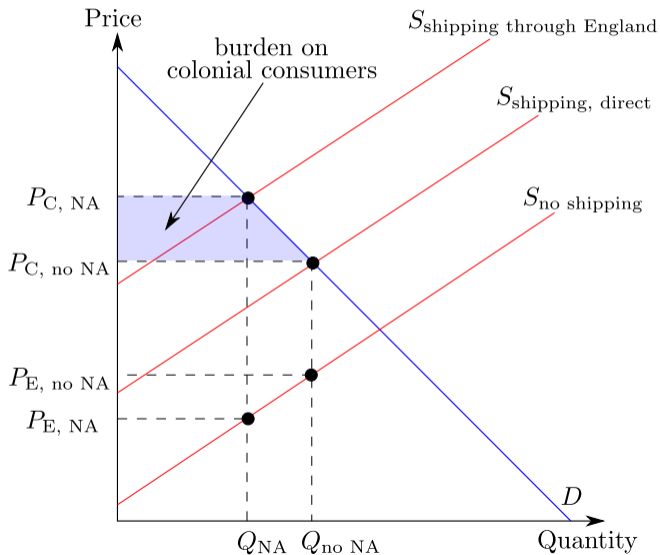
The Burden of the Navigation Acts on Exports



The Burden of the Navigation Acts on Exports



The Burden of the Navigation Acts on Imports



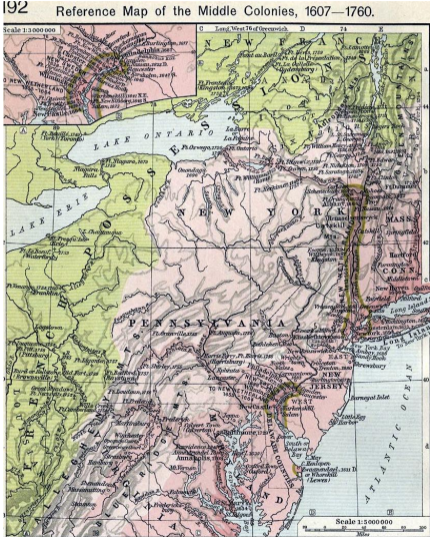
Quantifying the Benefits and Costs of Empire Membership

- ▶ It's clear that the Navigation Acts affected the colonial economy, but how big was the impact?
- ▶ If the burdens of empire membership were small, economics probably had little to do with revolution
- ▶ However, if the burdens were large they may have driven revolution
- ▶ Robert Paul Thomas set out to quantify just how much being under British rule cost the colonies

Quantifying the Costs of the Navigation Acts

- ▶ Thomas focuses on the effects of the Navigation Acts for 1763-1772
- ▶ He argues that in earlier periods, the benefits greatly outweighed the costs because of the need for protection
- ▶ He also argues that the Navigation Acts imposed a much larger economic burden than other restrictions (the Revenue Acts, land regulations, interference with colonial issues of paper money, regulations discouraging manufactures)

The Threat of the French



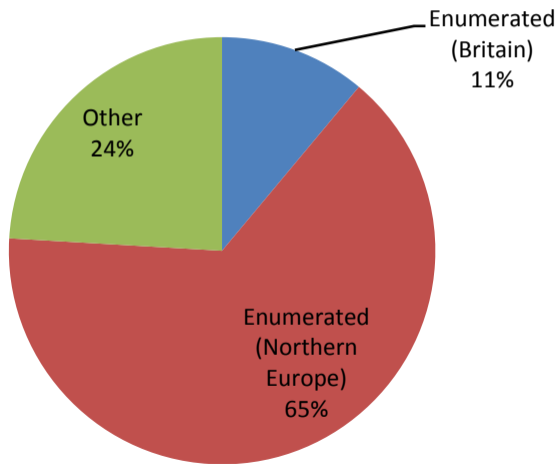
Quantifying the Costs of the Navigation Acts

Thomas splits up the problem into several pieces:

1. the effects of regulations on exports of colonial products
2. the effects of regulations on imports into the colonies
3. colonial foreign commerce
4. colonial shipping earnings
5. the compensating benefits of being in the British Empire

The Effects on Exports of Colonial Products

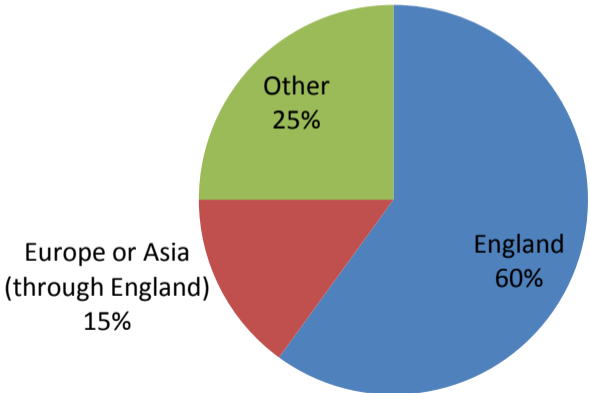
Colonial Exports, 1770



The Effects on Exports of Colonial Products

- ▶ The added transportation costs on enumerated goods lowered the price received by the colonies and the quantities sold
- ▶ How large these effects were depended on the supply and demand elasticities (quick chalkboard aside)
- ▶ Tobacco as an example:
 - ▶ Thomas estimates that the colonial price would have been 34 percent higher under independence
 - ▶ He assumes that supply would have increased by one percent for every percent increase in price
 - ▶ These estimates put the lost surplus of tobacco growers around 64,000 pounds for 1770
- ▶ Thomas also calculates the benefits from bounties and preferential duties

Sources of Colonial Goods



The Effects on Imports

- ▶ Same approach as exports, you need to estimate supply and demand elasticities
- ▶ Tea and pepper were the two main imports in determining the size of the burden
- ▶ Thomas finds that the prices for these goods would have been 16 percent lower under independence

Estimating the Value of Military Protection

- ▶ One of the biggest benefits of the British Empire was military protection
- ▶ Thomas figured that the colonies would have needed to maintain a standing army of 5,000 men
- ▶ That's a simple enough calculation
- ▶ But military might doesn't just protect you from land invasion, it also protects your commercial ships
- ▶ How do you price that?

Estimating the Value of Military Protection



Estimating the Value of Military Protection



Estimating the Value of Military Protection



Estimating the Value of Military Protection

- ▶ To think about the value of the British Navy for commercial ships, you can look at shipping insurance
- ▶ There was a big difference in shipping insurance with and without British naval protection
- ▶ This difference isn't about the ocean getting choppier
- ▶ Insurance rates were around 3.5 to 7 percent when protected by the British navy and rose as high as 28 percent without those protections

The Costs and Benefits of Empire Membership

Summary of Costs and Burdens (Thomas, 1965)

	1763-1772	1770
Burden on foreign commerce	\$2,255,000	\$2,660,000
Burden per capita	\$1.20	\$1.24
Benefit of British protection	\$1,775,000	\$1,755,000
Benefit per capita	\$0.94	\$0.82
Balance	(\$0.26)	(\$0.42)

Colonial per capita income at the time was roughly \$100.

A Critique of Thomas's Results

- ▶ By Thomas's numbers, economics didn't spark the revolution, maybe it was all about life, liberty and the pursuit of happiness
- ▶ This countered the belief for decades that economics was an important part of the reasons for revolution and became generally accepted
- ▶ Decades later, another economist came along to question Thomas's results
- ▶ Larry Sawers published a paper in 1992 challenging Thomas's methodology and results

Sawer's Critique

- ▶ Sawers finds several problems with the approach that Thomas took and the interpretations he made
- ▶ He believes Thomas was using the wrong counterfactual
- ▶ He also believes Thomas was focusing on the wrong numbers
- ▶ Sawers conclusions are that the economic burden was an important motivation for independence

What is the Right Counterfactual?

- ▶ Thomas was estimating things right around the time of the revolution
- ▶ But if you're thinking revolution, you're thinking about the long run
- ▶ Manufacturing was becoming more important, protection from the French less important
- ▶ The empire was designed to protect against foreign competition but promote competition within the empire, as the colonies grew this became less and less beneficial

What is the Right Way to Measure the Burden?

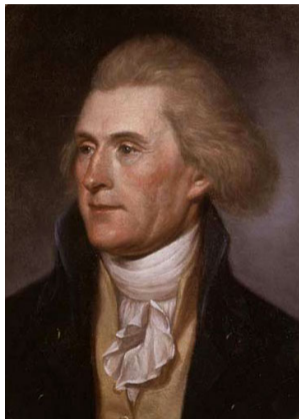
- ▶ Thomas calculates the economic burden per person
- ▶ In these terms, the burden was indeed quite small
- ▶ But the benefits and costs were not equally shared
- ▶ The leaders of the revolution had more to gain economically than other groups of colonial society

The Distribution of the Burden



John Hancock – merchant involved in Atlantic trade

The Distribution of the Burden



George Washington, Thomas Jefferson – tobacco planters

The Distribution of the Burden

The Founding Fathers by Occupation and Region

Occupation	New England	Middle	South
Merchant	37%	18%	5%
Lawyer	42	55	38
Politician	11	3	14
Minister	0	3	5
Physician	10	3	8
Farmer-Planter	0	12	30
Landowner	0	6	0

From "The Founding Fathers of 1776 and 1787: A Collective View" by Richard Brown, William and Mary Quarterly, Vol. 33, No. 3, 1976

The Distribution of the Burden

Distribution of prior occupations for senators in the
111th Congress

Occupation	% reporting occupation
Law	54
Public service / politics	32
Business	26
Education	16
Real estate	6
Journalism	5
Agriculture	5
Medicine / doctor	3
Labor / blue collar	2
Artistic / creative	2
Military	1
Professional sports	1
Homemaker / domestic	1
Actor / entertainment	1
Miscellaneous	1

Economics and Independence

- ▶ Being part of the British Empire had a variety of economic advantages and disadvantages
- ▶ As the colonies grew, many of the benefits declined while the costs grew
- ▶ Thomas's analysis suggests that at the time of independence, the costs of empire membership were very small, concluding economics weren't a major factor
- ▶ Sawers disagrees, arguing that the costs were getting more and more significant and that the planters and merchants stood to gain a great deal from independence
- ▶ Sawers does not claim that economics was the only force driving revolution, but maintains that it was important

Economics and Independence

- ▶ There is one more point of contention in this debate
- ▶ Regardless of the costs and benefits, did people care?
- ▶ Where are all of the fiery speeches about economic burden?
- ▶ Why are there just a couple of economic grievances buried in the middle of the Declaration of Independence?

Economics and Independence




The Declaration of Independence

Economics and Independence

Attention Taxpayers,

PROTECT YOUR RIGHT TO VOTE.



Right now local governments in California can spend public money or incur public debt to take over private electric businesses without letting local voters have the final say. That's why California needs Prop. 16. In tough economic times like these, voters deserve the right to have the final say about how our money is spent. **Learn more about Prop 16** and **join us to stand up for the Taxpayers Right to Vote - Yes on Prop 16.**

Do you think voters deserve the right to have the final say on how our money is spent?

YES, I AGREE **NO, I DISAGREE**

Your Email Address

SUBMIT

Follow us on Twitter Join us on Facebook Email your friends




Image from <http://www.postcarbon.org/article/102372-an-even-bigger-spill-looming/13916-government>

Economics and Independence

It's your money. YES on Prop 16.

Please join the following groups in voting Yes on Prop 16:

Coalition for Green Jobs
California Taxpayers' Association
Greater Los Angeles African American Chamber of Commerce
Hispanic Chamber of Commerce Alameda County
California Alliance For Consumer Protection
Bay Area Council
Coalition of Labor, Agriculture & Business (COLAB)
Hispanic Chamber of Commerce of Contra Costa County
Inland Empire African American Chamber of Commerce
Oakland African-American Chamber of Commerce
African American Chamber of Commerce of San Joaquin County
Oakland Chinatown Chamber of Commerce
The Central California Black Chamber of Commerce

International Brotherhood of Electrical Workers (IBEW) Local 1245
Silicon Valley Black Chamber of Commerce
Asian Business Association-Los Angeles
California Metals Coalition
San Leandro African American Business Council
23rd Street Merchants Association
California State Conference NAACP (including 53 local branches)
Chinese Hospital
San Francisco Committee on Jobs
Oakland Jobs and Housing Coalition
Peninsula Coalition
Black American Political Action Committee of Contra Costa County
(partial list)



Prop 16 would require a vote of the people *before* local government can spend or borrow taxpayer dollars to go into the electricity business.

Endorsed by the Coalition for Green Jobs

Join us at www.YesOnProposition16.com or on Facebook 

Paid for by Yes on 16/Californians to Protect Our Right to Vote, major funding from Pacific Gas and Electric Company and CA Business PAC, sponsored by CA Chamber of Commerce, a coalition of taxpayers, business and labor. FPPC ID: 1318623

Timeline of Independence

- ▶ 1774 - First Continental Congress
- ▶ 1775 - Second Continental Congress
- ▶ 1776 - Articles of Confederation are drafted, Declaration of Independence
- ▶ 1778 - 8 of 13 states ratify the Articles of Confederation
- ▶ 1781 - Surrender at Yorktown, final states ratify Articles of Confederation
- ▶ 1783 - Treaty of Paris
- ▶ 1787 - Constitutional Convention

The Revolutionary War

- ▶ Eventually revolution happened
- ▶ Declaring independence raised issues of how the new national economy would be structured
- ▶ These were fairly pressing issues considering that there was a war to fight
- ▶ The Continental Congress had limited options: it could (and had to) spend money on the military but couldn't easily raise revenue

How Can a Country Raise Money?

Ways to Raise National Revenue

Revenue Source	Problems
Taxation	Difficult to set up quickly, need consent of individual colonies
Borrowing	Hard to borrow without something to borrow against (future tax revenue)
Printing Money	Not really a long run solution

Congress's Solution: The Continental Dollar



Continental Dollar Emissions

Continental Dollar Emissions (1775-1779)

Year of Emission	Nominal Dollars Emitted
1775	\$6,000,000
1776	19,000,000
1777	13,000,000
1778	63,000,000
1779	140,500,000

What Happened When Congress Printed Money

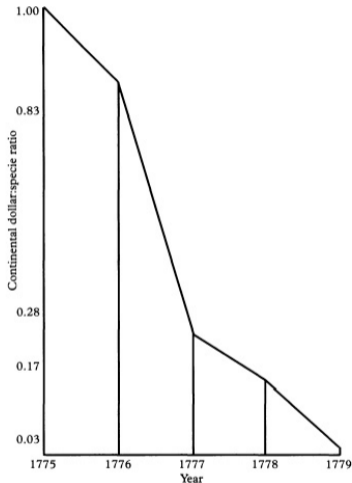


Figure 1. *Average annual specie value of continental dollar, 1775-1779*

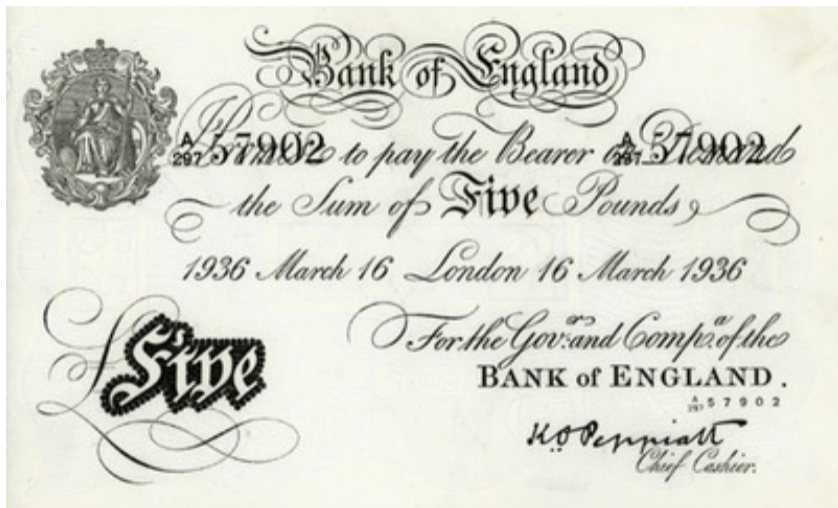
Note: The period covered is from the initial issue of currency to the year in which the Continental Congress first resolved to end issues as a source of revenue. Ratio on 22 June 1775 = 1.00

Source: Bullock, 'Finances', p. 135

Financing the War

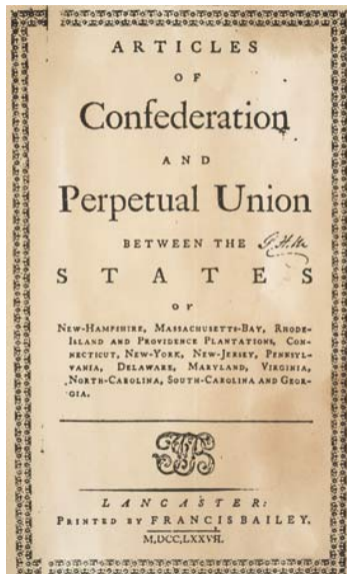
- ▶ Printing money worked at first to fund the military
- ▶ However, the currency quickly began to depreciate for a couple of reasons:
 - ▶ The individual colonies were issuing their own money that competed for the same resources
 - ▶ The British were actively attempting to devalue the Continental dollar
 - ▶ People lost faith that the government could back up the Continental dollar
- ▶ Ultimately, this was a fairly poor approach to a national monetary policy

Financing the War



Operation Bernhard

The Articles of Confederation - ratified 1781

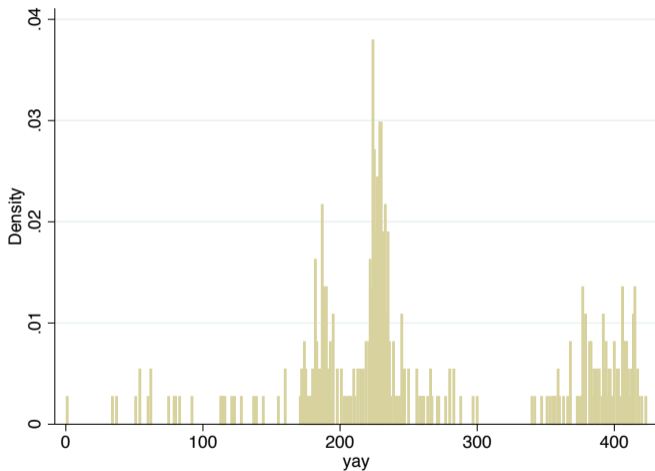


The Articles of Confederation

Each state retains its sovereignty, freedom, and independence, and every power, jurisdiction, and right, which is not by this Confederation expressly delegated to the United States, in Congress assembled.– Article II, Articles of Confederation

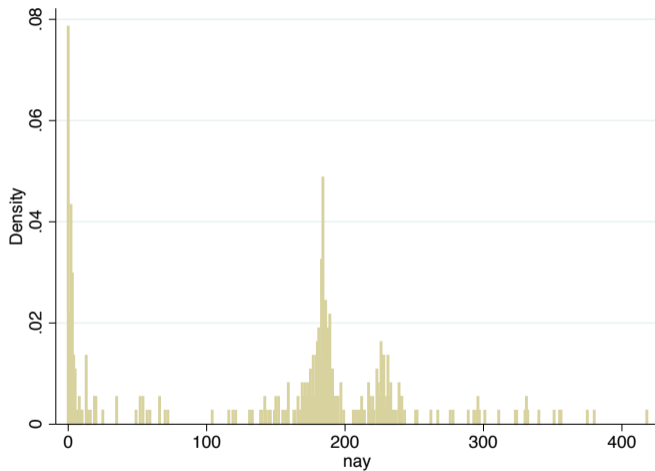
- ▶ States rights were the focus
- ▶ Voluntary contributions by states were set up in an attempt to get around free rider problem
- ▶ Federal government still did not have powers to tax directly
- ▶ Gaining the power of taxation required a unanimous vote of the states

The Articles of Confederation



Distribution of house votes for the 115th Congress

The Articles of Confederation



Distribution of house votes for the 115th Congress

Announcements

- ▶ Reading for this week: Sawers (1992) “The Navigation Acts Revisited”
- ▶ Readings for week: Federalist Papers No. 11, 30, 35
- ▶ Time to get going on your first referee report
- ▶ Feel free to stop by office hours with any and all questions or email me

Announcements

- ▶ Reading for today: Sawers (1992) “The Navigation Acts Revisited”
- ▶ Readings for next lectures: Federalist Papers No. 11, 30, 35
- ▶ Make certain you are working on your first referee report
- ▶ Feel free to stop by office hours with any and all questions or email me
- ▶ Also remember that I am happy to look at full or partial drafts (but count on that taking longer than answering direct questions)

Announcements

- ▶ Readings for next lectures: Federalist Papers No. 11, 30, 35, Ziebarth (2013)
- ▶ Planning to do a little mini-conference on Tuesday to show you the latest research related to our course
- ▶ Make certain you are working on your first referee report
- ▶ Feel free to stop by office hours with any and all questions or email me
- ▶ Also remember that I am happy to look at full or partial drafts (but count on that taking longer than answering direct questions)