

The economic causes and consequences history essay



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The American Revolution led to the independence and nationhood of the United States of America. The Revolution began as an open conflict between the 13 colonies and Britain in 1775. The history of the causes of the American Revolution attributes many factors as contributing to the Revolution. These factors included economic, political, geographical considerations, enlightenment and the overall mindset of the American people. Similarly, the consequences were multidimensional in nature. Though these factors were interrelated and sometimes difficult to disentangle, this essay focuses primarily on the economic causes and consequences of the American Revolution.

The economic causes concentrated on the attempts of Britain to tax and restrict the trade of the colonists while the consequences focused on the drafting of the American constitution which had economic implications, the monetary cost of the war, the initial commercial problems, the states and national debts, creation of common markets and commitment to free market economic policies and lower taxation.

Section II of the essay provides a comprehensive account of the main economic causes while Section III concentrates on the key economic consequences. Section IV finally concludes the essay.

II. Economic causes of the American Revolution

The history of America starts with the settlement of the Pilgrims in 1620. According to Robert A. Peterson¹, the Pilgrims spent about 11 years in Holland when they left England in 1609. The 11 year stay in Holland allowed them to acquire the following experiences which contributed immensely to

their life in the United States; (i) freedom of worship and religious tolerance, (ii) exposure to market economy, (iii) no government handouts or subsidies, (iv) professional adaptation from farming to textile industry, and (v) self-government. Gary North also argues that the settler's initial attempt in common ownership, especially in land, served as incentives to waste and therefore led eventually to private property and free market in the purchase and sale of land². The movement to private property and its attendant voluntary exchange or free market constitutes one of the most far reaching economic philosophies adopted by the Americans. In reviewing Dilorenzo's book on capitalism, Lawrence Vance argues that Dilorenzo considers private property as the most important distinguishing feature of free market capitalism³. Vance argues that Dilorenzo concludes that free market capitalism is importantly characterised by secure property rights, the division of labour, freedom of contract, and voluntary exchange on the free market. Free market philosophy is also characterised by the absence of excessive government regulation/intervention in economic activities with its attendant higher taxation.

Thus on the eve of the American Revolution, the key economic features of America were (i) free market based on voluntary exchange and free trade, (ii) limited government intervention, (iii) lower taxation, (iv) private property ownership, (v) freedom of contract, and (vi) freedom of association and occupation. The economic causes of the American Revolution were the factors that impacted on these key economic features existing on the eve of the Revolution. The imposition of British mercantilism on the American colonies was clearly one of these causes. Again following the victory of the

French and Indian war, King George III and British Parliament enacted series of laws with the intention of making the colonies contribute to the debts of the war and to restrain settlement beyond the Appalachian Mountains. The key laws enacted with economic implications included; the Navigation Acts, the Coercive Acts/the Intolerable Acts, the Boston Port Act, the Quartering Act, the Sugar Act, the Stamp Act, the Townshend Act and the Tea Act. The other developments besides these laws which contributed to the Revolution were the Boston Tea Party and more importantly the formation of the Continental Congresses involving all the 13 colonies. Each of these factors is discussed in greater detail below.

Mercantilism

The essential features of mercantilism included an absorbing interest in foreign trade and through that the acquisition of precious metals which in turn were key to the military strength and the power of the state. Under mercantilism therefore, the economic life was circumscribed and controlled by the government. Indeed Clarence B. Carson argues that under mercantilism, “ the government controlled exports and imports, gave subsidies, bounties and grants to encourage certain undertakings, prohibited others, gave patents, charters and other forms of monopolies to individuals and companies, enforced craft regulations and maintained much power over the lands of the realm” 4. The practice of mercantilism by Britain with respect to the colonies involved the acquisition of raw materials from the colonies and their manufacture into goods which were exported to other countries for collection of precious metals in return. Mercantilism therefore

led to discontent in the colonies and was one of the economic causes of the Revolution.

The Navigation Acts

The Navigation Acts implemented aspects of mercantilism by channelling the flow of colonial raw materials and keeping foreign goods and vessels out of colonial ports. The Navigation Acts were multiple laws created over a period of time and with mercantilism in mind restricted free trade. For example, the Navigation Act of 1651 banned imported goods from other countries, unless the ship or cargo had an all-British crew.

The French and the Indian War

At the end of the French and Indian war, the victorious British government became nearly bankrupt from the war costs. Thus beginning in 1765, King George III of Britain enacted series of tax laws for the American colonists, who have benefited from the protection of the British army to contribute to the payment of the war costs. All these tax laws were enacted by the British Parliament and the responses in America were not positive because of (i) the colonies were not represented in British Parliament and these colonies believe in the maxim that there should be 'no taxation without representation', and (ii) more importantly the intrusion upon the fragile autonomy of the colonies after nearly a century of self-government through their own legislatures. Before these tax laws however, the Proclamation Act of 1763 prohibited settlement beyond the Appalachian Mountains and many colonists took offence with that law. Again the currency Act of 1764

prevented the colonies to print and use their own money based on the <https://assignbuster.com/the-economic-causes-and-consequences-history-essay/>

argument that the colonial currency had caused devaluation harmful to British trade. The tax laws which angered and frustrated the colonists most were; (i) the Sugar Act of 1764, (ii) the Stamp Act of 1765, and (iii) the Townshend Act of 1767. Other relevant laws with economic implications which were not acceptable to the colonists were the Quartering Act, the Intolerable Acts and the Tea Act. The summary provisions of these laws are given below.

The Sugar Act of 1764

The law levied/imposed taxes on imported sugar from West Indies into America. The objective was to raise revenue to help pay for the expenses of colonial administration.

The Stamp Act of 1765

This law taxed all kinds of printed paper from wills, licenses, newspapers and even playing cards. The tax was intended for the colonies to pay for defence. The colonists in the face of this plethora of taxes started speaking out against the new taxes and in October 1765, representatives of nine of the colonies met in New York City and held discussions on the Stamp Act. They concluded that the Stamp Act and all other tax laws were illegal because the colonies were not represented in British Parliament and there can be no taxation without representation. The representatives therefore requested for the repeal of the Stamp Act but the British government did not heed to their request. Instead, new taxes like the Townshend Act were imposed on the colonies.

The Townshend Act of 1767

This Act placed taxes on imported glass, paper, paints and tea and the proceeds from these taxes were to make British Officials independent of the colonists. Many of the colonists were against these taxes and led to the boycott of British goods.

Besides the tax laws there were other laws enacted by Britain which infuriated the Americans. These included the Tea Act, the Coercive/Intolerable Acts, the Boston Port Act and the Quartering Act.

The Tea Act of 1773

This Act was intended to help the British East India Company to sell its tea in America without the payment of the colonial tax. In effect the law granted the company a monopoly status because their low prices destroyed competition in tea trading since American tea traders had to pay taxes to Britain. The Tea Act led to the Boston Tea Party.

The Coercive Acts/Intolerable Acts

The Coercive Acts were passed in 1774 and were known in America as the Intolerable Acts. These laws were passed in response to the Boston Tea Party. Some of the laws under the Coercive Acts which had economic repercussions for the colonists were the Boston Port Act and the Quartering Act. The Boston Port Act closed the harbour of Boston to all commerce until its citizens paid for the tea that were destroyed in the Boston Tea Party. The Quartering Act ordered the colonists to house and feed British soldiers and the colonists considered that as a form of indirect taxation in which the <https://assignbuster.com/the-economic-causes-and-consequences-history-essay/>

Americans were forced to use their money for the benefit of the British Monarchy

The Boston Tea Party of 1773

The Boston Tea Party was one of the consequences of the Tea Act which granted monopoly in tea trading to the British East India Company by exempting them from British tax. This angered the American colonists because all the other traders had to pay taxes to Britain. Consequently a group of colonists disguised as Indians dumped tea overboard from three ships in Boston Harbour. This event became known as the Boston Tea Party. Most historians would agree that this was one of the most important events that led to the start of the American Revolution.

The other major cause of the American Revolution with economic implications was the emergence of Continental Congresses. The colonies met at these Congresses to take a uniform decision against the British government. At the 1775 Congress all the 13 colonies were represented for the first time in Philadelphia and had hoped that all their grievances would be met by King George III. The King rather proclaimed the colonies in rebellion and immediately the issue of fighting for independence came to the fore. George Washington was named the head of the Continental army. In 1776 another Continental Congress met at the Pennsylvania State House and took a final decision on independence. Thomas Jefferson was given the job of writing the Declaration of Independence. By July 4, 1776, the Declaration of Independence was approved by the Continental Congress. Independence

was won on the battlefield and was confirmed at the Paris conference in 1783

III. Economic Consequences of the American Revolution

The first of the economic consequences of the American Revolution was the drafting of the American Constitution. This is because though the Constitution was first and foremost, a legal document, it also contained some provisions with economic implications. Provisions relating to the contract clause, the commerce clause and the uniform taxation clause obviously had clear economic repercussions. The Constitution also created the largest common market in history by forbidding States to levy tariffs against each other. Again the Constitution protected property rights including patents and copyrights.

Another economic consequence was the monetary costs of the war. The war was the joint effort between the States and Congress. The debts of both the States and Congress were financed by bond issues and increased money supply. Consequently the value of the currency fell rapidly causing inflation. Thus, much of the war debts were paid for through the depreciation of people's savings and this undermined the public confidence of the new government. Another consequence was the freedom of American trade from British mercantilism. There were initial commercial problems however, for though Americans could now trade directly with Europe, it brought economic losses of a much larger magnitude than expected. Moreover, under the advice of Alexander Hamilton, the Treasury Secretary, America did not pursue free trade because its commercial policy was based on protectionism which was anchored on the infant industry argument. This policy

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compounded the initial trade problems but eventually allowed America to build and expand its manufacturing industry. The cherishing of the public credit was another consequence of the American Revolution. One method of cherishing public credit is to use it as sparingly as possible and that apart from making war, public borrowing and accumulation of debt were to be discouraged. Alexander Hamilton helped restore faith in the public credit and the dollar, whose value fell initially, regained its value and was put on the bimetallic standard of silver and gold. The government under Thomas Jefferson and his Swiss financier and economist, Albert Gallatin was committed to limited government and free market policies which contributed significantly to the reduction in national debt and reduction in taxation. “ For the next eight years, Jefferson and Gallatin worked to reduce the nation’s debt as well as its taxes. The national debt was cut from \$83 million to \$57 million, and the number of Federal employees was reduced” 5. Under Jefferson’s government also America experienced no internal restrictions and monopoly, no occupational restrictions or exclusions and industry in every respect became perfectly free and unfettered. In other words one of the most important consequences of the American Revolution was a liberalised economic environment which created a competitive industry with no restrictions on employment.

There were other consequences of the American Revolution which indirectly had economic implications. These included the separation of church and state which positively affected the maintenance of democracy. Most economists believe that democratic institutional arrangements are positively related to economic growth and in that sense the separation of state and

church can be classified indirectly as one of the economic consequences of the American Revolution. Another consequence which indirectly had economic implications was the beginning of the end of slavery. The realisation that slavery was not a good thing had major economic implications in terms of production, exchange and distribution of goods. The third consequence which indirectly had economic implications was the positive effects of the Revolution on women since it allowed women to actively participate in economic activities by running and managing businesses and by taking lead positions in both the public and private sectors of the economy. The fourth consequence which indirectly had economic implications was the growth of American nationalism. The growth of American nationalism gave identity to Americans and united them in the fight for economic growth, prosperity and higher living standards.

Thus, the economic consequences of the American Revolution incorporating the principles of self-government, property rights, free markets and limited civil government yielded positive dividends in the form of higher economic growth and prosperity after the revolution.

IV. Conclusion

The American Revolution was essentially the American war of independence. The economic causes of the Revolution can be broadly grouped under practice of mercantilism by Britain and the imposition of taxes by the British government on the American colonies. There were other important causes which included political, geographical, enlightenment, and the overall mindset of the Americans. The consequences were also multidimensional in nature and included economic, social, legal and political consequences. The <https://assignbuster.com/the-economic-causes-and-consequences-history-essay/>

economic philosophy of mercantilism discouraged free trade with other countries and Britain's practice of mercantilism had a negative effect on the economic growth of the colonies. The negative effects included higher tariffs on imported goods which led to higher prices and sometimes complete ban on the importation of some selected goods. Besides the use of tariffs and complete ban, Britain enacted Navigation Acts as another vehicle for the implementation of its mercantilism. The plethora of taxes imposed on the colonies limited their wealth creation and economic growth through inefficient resource allocation and the limitation on the generation of savings for capital accumulation. Moreover, the Tea Act in particular was discriminatory in that it favoured the British East India Company by granting it a monopoly status. Meanwhile these taxes were imposed without the colonies' representation in British Parliament. The colonies were therefore frustrated and angered by these practices and policies of Britain. The natural result was for the colonies to come together and fight against these practices and policies. The Continental Congress therefore emerged as an institution to unite the colonies for the fight of the war of independence following the declaration of independence on July 4, 1776. The war finally led to American independence resulting in the drafting of the American Constitution as the first consequence of the Revolution. The Constitution, though primarily a legal document, contained provisions which had economic implications. The other economic consequences of the American Revolution included the creation of a common market, protection of property rights, the freedom from the hard effects of British mercantilism, the initial increase in money supply to finance war debts that led to inflation and the fall in the value of the dollar, the subsequent recovery of the dollar to be put on the <https://assignbuster.com/the-economic-causes-and-consequences-history-essay/>

bimetallic standard of silver and gold, the restoration of faith in public credit and commitment to limited government and free market economic policies.

NOTES

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