

A Crisis Like Never Before: The Economic and Ideological Divide of the Colonists and  
Britain, 1763-1769

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During the era preceding the Revolutionary War, the relationship between American colonists and Britain became increasingly contentious. The feelings of colonists resembled an indignant child, seeking independence from an overzealous and overbearing parental figure. This can be gleaned quite clearly from letters and publications from the time. However, this sentiment reaches back farther than the Boston Tea Party. In fact, it started with an entirely different conflict. A letter sent by Thomas Paine to the publisher of *The Pennsylvania Magazine* in 1776 compared the help of Britain during the Seven Years' War to "... a boy who entices a horse with a handful of oats, to fix a bridle in his mouth, and a yoke upon his neck."<sup>1</sup> While there was an obvious need for monetary support during the disruptive and expensive conflict, by 1776, colonists were vexed with Britain. So distinctly in their minds had the British taken advantage of them in their time of need. However, Britain was doing everything they could to avoid a complete financial collapse in the wake of the war.

Despite colonists pushback and apparent anger, Britain moved forward with measures that deprived Americans of their liberty and financial independence. These actions would only serve as divisive tools in the undoing of Britain's control of colonial affairs. The question, however, is whether or not Britain had any other option. The Seven Years' War was uniquely expensive and required years of extensive efforts to force out the French. Being seen as a war for colonial interests, it only made sense to lay the financial burden on the colonists. Yet competing ideals and viewpoints made what would have been a slight inconvenience on the colonists' part, break out into full scale revolution. The hour of independence was dawning and Britain was stuck in the crossfire.

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<sup>1</sup> Paine, Thomas. "Scheme for Taxing the Colonies in the Year 1754." *The Pennsylvania Magazine; Or, American Monthly Museum*, March 1776.

The letter from Paine described a tragedy of epic proportions. Britain had taken advantage of colonists when they were in need of monetary support during the Seven Years' War by imposing strict taxes which was enslaving them forever. On the other side of this narrative was Britain. The country was struggling with a debt crisis like never before due to the Seven Years' War. This war was fought in a different hemisphere with expensive interests at stake. At the conclusion, Britain had won but they were drowning. New methods of taxation were circulating Parliament and colonists were dealt a blow when news of seemingly unwarranted taxes arrived. Some of the anger can be credited to the fact that colonists were already attempting to resolve the debt on their own terms. Colonial paper money and government debt became standard procedures for resolution. However, Britain crushed the majority of these efforts. As the financial independence of colonists was called into question, a different divide was beginning to drive its way into their relationship. No longer was the financial crisis a solely financial problem. It quickly became an ideological divide that would completely sever ties between colonists and Britain. As the seeds of change were planted, Britain continued pushing restrictions, seemingly unaware of the trouble brewing. It is important to recognize that Britain's taxes were entirely justifiable and incredibly easy to pay off. However, the principle stood and colonists viewed it as a burden that they should not have to carry. All of this came to a head when the Stamp Act of 1765 passed. Any attempts at reconciliation were nullified and the colonists had arguably split from Britain both economically and ideologically at this point.

As colonial ideologies began to mold into an American identity, the debt crisis persisted. However, these two actually seem to go hand in hand. Economic principles that changed during this time as a result of the Seven Years' War directly contribute to ever changing colonial ideologies. The Seven Years' War sets the stage for revolution, not through taxation necessarily,

but rather through the ideological fracture that came as a result of taxation. Because of the unusual and unique nature of the Seven Years' War, the debt crisis in Britain was managed differently than any other previous conflict which led to not only an economic divide but rather an ideological split between the colonists and Britain.

The British debt crisis following the Seven Years' War has been examined by numerous historians, all of whom have a unique perspective on its consequences for colonists and Britain alike. Mark Harrison has focused on the broad picture of hypothetical economic impacts on war in a way that many historians have based their analyses of the Seven Years' War upon<sup>2</sup>. Harrison and other scholars have focused heavily on spending and its impacts on growth. For Britain, this holds true only to an extent. Other factors certainly play a role in the uncertainty in Britain regarding the colonists following this conflict. However, Larry Neal suggests that many historians have simply brushed over the economic consequences of the Seven Years' War making it difficult to really grasp its full impact.<sup>3</sup> Despite its odd nature, this conflict can show how deep the divide between Britain and the colonists was becoming on an economic level.

Colonial response to this economic divide has also been studied quite extensively by many historians. Two historians in particular have studied colonial paper money and its emergence after the Seven Years' War, along with its impact on Britain. E. James Ferguson states that colonial governments had a hard time using the money of their citizens so paper money had to be issued. Leslie V. Brock builds upon this idea, arguing that the colonies had no other way of even paying for the war other than issuing paper money.<sup>4</sup> This builds upon the idea of economic principles eventually leading the colonists towards a more independent mindset in their

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<sup>2</sup> Jari Eloranta and Jeremy Land. "Hollow Victory? Britain's Public Debt And The Seven Years' War." *Essays in Economic and Business History* 29.1 (2011):4.

<sup>3</sup> Larry Neal. "Interpreting Power and Profit in Economic History: A Case Study of the Seven Years War." *The Journal of Economic History* 37, no. 1 (1977): 20.

<sup>4</sup> Elmus Wicker. "Colonial Monetary Standards Contrasted: Evidence from the Seven Years' War." *The Journal of Economic History* 45, no. 4 (1985): 871,872.

governmental practices following the Seven Years' War. While colonists were outraged by taxes brought on by Britain, Parliament believed they were completely justified in their actions. This suggests that the economic crisis was being molded into an ideological one by the colonists. Debt obviously ran high, but colonists were angry over what is seemingly nothing in the eyes of these historians. Jack Rakove says that Britain viewed itself as a generous and tolerant body, whereas colonists began to doubt their motives.<sup>5</sup> He goes on to answer how colonists began to fight for their ideals in a way that was never seen before the imposition of these taxes.

The specific tax that laid the groundwork for the split following the Seven Years' War was The Stamp Act of 1765. The most referenced piece of scholarship on this topic came from Edmund S. Morgan and Helen M. Morgan. The Morgans argue that the political upheaval following the Stamp Act was a catalyst for revolution.<sup>6</sup> The Stamp Act caused controversy in the colonies, specifically in regards to British ministers there. Paul Langford assesses the situation as one in which force would be used to coerce colonists but John Bullion disagrees.<sup>7</sup> He sees the Stamp Act as the point of no return. Even without force, these ministers were essentially helpless in America. Furthermore, H.T. Dickinson provides an in depth analysis regarding taxation as the breaking point between Britain and the colonists.<sup>8</sup> All of these historians have brought perspectives on the economic crisis and have touched on ideology but by examining the responses on both sides and analyzing specific acts that drive the conflict further, this essay seeks to explore how the two go hand in hand when it comes to the years following the Seven Years'

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<sup>5</sup> Rui J. P. de Figueiredo, Jack Rakove, and Barry R. Weingast. "Rationality, Inaccurate Mental Models, and Self-Confirming Equilibrium: A New Understanding of the American Revolution." *Journal of Theoretical Politics* 18, no. 4 (October 2006): 388.

<sup>6</sup> Edmund S. Morgan and Helen M. Morgan. *The Stamp Act Crisis: Prologue to Revolution*. (Chapel Hill; London: University of North Carolina Press, 1995).

<sup>7</sup> John L. Bullion. "British Ministers and American Resistance to the Stamp Act, October- December 1765." *The William and Mary Quarterly* 49, no. 1 (1992): 89.

<sup>8</sup> Dickinson. "The Failure of Conciliation," 3.

War. Before delving into colonial response, it is important to travel across the sea and examine Britain more closely.

The state of the economy in Britain after the Seven Years' War was unlike any other debt crisis they had had; it was beginning to tip into ideological debt and not just an economic crisis. However, it is important to recognize how deep this debt crisis ran in Britain. A letter addressed to William Pitt in 1762 expressed an urgency from Parliament to end the conflict. The sender wrote "that we can have no reparation for the expence [sic] this war has put us to..."<sup>9</sup> While Britain was certainly interested in getting France out of North America, it is very clear in this desperate letter that Britain was beginning to struggle immensely under the debt of the Seven Years' War.

Their cry for negotiation is only a small portion of this. Even after the war had ended, Britain's handling of this unique war made the problem worse. Military spending during the Seven Years' War and Britain's response to the rapidly growing debt became a new economic battle. The cost of a conflict fought in a completely North American arena was much larger than any other war debt Britain had seen, and the debt was rising at an exponential level. Eloranta and Land write, "This seems to have been the trigger toward deficit-spending and public debt as the main source for funding the British war efforts, and it also seems evident that they got more used to this tool over time."<sup>10</sup> Britain was comfortable resorting to public debt, which in turn led to a reliance on the British empire to curb some of this spending through tax measures. These newly established standards for debt and taxation began to encroach upon American independence.

Taxation from Britain was new, seemingly unprecedented, and was an infringement of rights in the eyes of the colonists. Britain's attempt to combine power and profit had major

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<sup>9</sup> Anonymous to William Pitt 1762, A Letter to the Right Honourable William Pitt, Esq. on the Present Negotiations for a Peace with France and Spain. England: Printed for J. Coote, 1762, 2.

<sup>10</sup> Eloranta and Land, "Hollow Victory?," 16.

economic consequences. The Seven Years' War set new standards for expenses during war for Britain, which became detrimental later on. Spending on a strong military took precedence for Britain and eventually sent them spiralling into a debt that had never been seen before, not even in previous conflicts. This spending manifested itself as taxes, even for citizens in Britain.<sup>11</sup>

However, this was not supported by colonists in any way. Their discontent can be seen quite clearly in a letter from D.Y. to *The American Magazine* in 1769. He wrote that if the British, who are being actually represented in Parliament, began "laying the burden upon those who are only virtually represented, would not the virtually represented part of the people take alarm?"<sup>12</sup> This is an important distinction to make in regards to taxation because "representatives of the people of England lay a tax upon the Americans, to which neither they themselves nor their constituents, pay any part..."<sup>13</sup> This newspaper clipping showed how taxation became a point of contention in the colonies. This taxation was unlike any other form of interference from Britain before the Seven Years' War, and the colonists were angry at the fact that their lack of representation was costing them for a war they did not feel responsible for. This is important to note before delving into the colonial responses after the war.

The colonists responded to Britain's debt crisis with a combination of actions and ideology. During and after the Seven Years' War, the colonists began forming a government and issuing their own paper money. This was something Britain pushed back upon heavily, but not necessarily for economic reasons. In 1764, Britain tried to issue bans on the circulation of paper money in the colonies.<sup>14</sup> The question here is why would Britain want to ban paper money in the colonies if they were only attempting to defer the costs of the war and help Britain? This was

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<sup>11</sup> Neal. "Interpreting Power and Profit," 32.

<sup>12</sup> D.Y. "Article 1," *The American Magazine; Or, General Repository (1769-1769)*, September 1769.

<sup>13</sup> D.Y. "Article 1," *The American Magazine; Or, General Repository (1769-1769)*, September 1769.

<sup>14</sup> Wicker. "Colonial Monetary Standards," 869.

where ideology began to seep into the dealings and taxes imposed by Britain. At this point the colonists really had no other form of unity than the currency.

In acts passed in 1764, it became clear that Britain was restricting the American economy to keep them under British influence. The New York Petition to the House of Commons, a petition in response to the Sugar Act which imposed trade restrictions and coincided with the Currency Act that abolished all colonial currency shows this. In it the New York colonial legislators write, “What can be more apparent, than that the State which exercises a Sovereignty in Commerce, can draw all the Wealth of its Colonies into its own Stock?”<sup>15</sup> Colonists were angry that Britain was restricting their economic independence in an attempt to pay for the Seven Years’ War. The actions from Britain emboldened the colonists to develop an independent government. After all, they had previously been issuing money and forming local legislatures. These attempts being crushed by British authorities seem to encourage the colonists more than anything. Regardless, Britain saw what they were doing as entirely fair, even as the colonists began to push back.

Clearly there was a fundamental disagreement between colonists and parliament. Rui J.P. de Figueiredo, Jack Rankove, and Barry R. Weingast write, “The differing... conceptions of sovereignty and the constitution guided both sides in their interpretation of their own and their opponent’s actions.”<sup>16</sup> Colonists and Britain completely misinterpreted each other’s actions. American colonists viewed Britain as a looming threat to their sovereignty in trade, government, and domestic affairs. Britain saw no reason for the colonists to oppose these taxes. They spent all the money fighting the Seven Years’ War for the colonists and their interests, or at least that is what they thought they fought for.

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<sup>15</sup> “The New York Petition to the House of Commons.” in *Prologue to Revolution : Sources and Documents on the Stamp Act Crisis*, compiled by Edmund S. Morgan, (Chapel Hill: University of North Carolina Press, 1959), 11.

<sup>16</sup> Figueiredo Rakove, Weingast. “Rationality, Inaccurate Mental Models, and Self-Confirming Equilibrium,” 397.

Nevertheless, the colonists pushed against Britain for years following the war. A publication from *The Newport Mercury* shows how the colonists viewed their right to resist. The author stated, “That any Person, who shall... assert or maintain, that any Person ... have any Right or Power to impose or lay any Taxation on the People here, shall be deemed an Enemy to this his Majesty's Colony.”<sup>17</sup> The colonists believed it was their right to resist taxation, because Britain had absolutely no right to impose taxes in the first place. Not only that, but colonists went as far as stating that anyone who opposed colonial rights in the legislation of economic liberties was an enemy to the colony itself. Their resistance rose after this was published.

All of their grievances came to a boiling point with the passing of The Stamp Act of 1765, a major ideological and economic conflict. Britain attempted to reconcile with the colonists in numerous ways after this Act, but it had already set the stage for a massive split in beliefs. British ministers were tasked with enforcing this act but many knew they would be unable to.<sup>18</sup> In order to argue for the repeal of the Stamp Act, a collection of testimonies was compiled to present to Parliament. These testimonies came mostly from merchants and manufacturers closely related to the issues presented by the Stamp Act. This specific testimony comes from Capel Hanbury, a British exporter. Despite the drawbacks of repealing it, he advised Britain to do so because, “In order to establish a solid Government for the future it will be necessary to bring it to a quiet state...”<sup>19</sup> The repeal of the Stamp Act would have had major consequences for Britain, such as instilling a sense of independence in American colonists. However, this process was already underway. Based on Hanbury’s account, colonists were already wary of anything that came from British Parliament. They would have continued to push

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<sup>17</sup> “The Resolutions.” in *Prologue to Revolution : Sources and Documents on the Stamp Act Crisis*, compiled by Edmund S. Morgan, (Chapel Hill: University of North Carolina Press, 1959), 49.

<sup>18</sup> Bullion. "British Ministers and American Resistance to the Stamp Act," 89.

<sup>19</sup> Hanbury, Capel. “The Testimonies.” In *Notes and Documents: Repeal of the Stamp Act: The Merchants' and Manufacturers' Testimonies*. Compiled by Stuart A. Green. *The Pennsylvania Magazine of History and Biography* 128, no. 2 (2004): 184.

back against taxation. This not because of the economic consequences, but rather because of the ideological separation.

As the divide grew even larger in the years following the Seven Years' War, American colonists felt as though they had no responsibility to pay this tax. It violated economic independence which really began to violate the idea of American independence. Ultimately, the political ramifications of this act created the final wedge needed to fully separate colonists from their home country. In an article published in 1764 in *The North Carolina Magazine* outlining colonial rights stated, "This would put it in the power of the superior to reduce the inferior to a state of slavery; which cannot be rightfully done, even with conquered enemies and rebels."<sup>20</sup> The idea of the superior violating the inferior also materializes in the taxation dispute as the author writes, "if taxes are laid on either, without consent, they cannot be said to be free."<sup>21</sup> This magazine depicted the suspected infringement upon colonial way of life. Taxes were not just economic anymore, but ideological. This is really what allows for the colonists to break away from Britain. All of the economic measures, specifically the Stamp Act of 1765 culminate in an ideological crisis for the colonists.

The writing of Thomas Paine in 1776 shows the culmination of years of discontent. He asserted that Britain had been scheming to ruin the colonies since the beginning of the Seven Years' War. In regards to taxation, he wrote "That compelling the colonies to pay money without their consent, would be rather like raising contributions, in an enemy's country, than taxing Englishmen for their own defence."<sup>22</sup> Britain was not only imposing unnecessary taxes, at least in the colonists eyes, but they were treating them as an enemy. This kind of behavior was unprecedented and can be blamed on the fiscal crisis of the Seven Years' War.

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<sup>20</sup> "Of the Political and Civil Rights of the British Colonists," 209.

<sup>21</sup> "Of the Political and Civil Rights of the British Colonists," 209.

<sup>22</sup> Paine, Thomas. "Scheme for Taxing the Colonies in the Year 1754."

In the years before and even after revolution, colonists began to combine economy and ideology. Taxation was seen as a violation of rights. This was clearly portrayed in the writing of the Articles of Confederation. As the writing of this first draft for the Constitution was in place, the colonists insisted that the government have no role in taxation. Ultimately, this is why the entire document fails. It rendered the government useless and created a disjointed and fragmented union of states.

Paine wrote that during the Seven Years' War, Britain "took advantage of the distressed situation of the colonies and offered the present use of the British treasury to fasten upon them the chains of servitude forever."<sup>23</sup> The Seven Years' War was an economic anomaly, one that propelled Britain into a debt crisis like never before. Their economic decisions however, had serious ideological consequences in the colonies. These consequences would manifest themselves as a revolution, but the real origins started with the Seven Years' War.

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<sup>23</sup> Paine, Thomas. "Scheme for Taxing the Colonies in the Year 1754."

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