

Chapter 5 The Economy Revolution: 1750-1800

§ 1. Two 18th Century Revolutions

The conclusion of the Seven Years' War in Europe in 1763 and its American auxiliary, the French and Indian War, marks a crucial inflexion point in American history. In the aftermath of the Seven Years' War an era of revolution gained increased momentum in America. This era was marked by two social revolutions in the colonies – an Economy Revolution and, of course, the political revolution known to history as the American Revolution. Almost every contemporary American knows of the latter at least insofar as almost all Americans of school age and older know that America broke away from Britain and gained its independence as a nation in the Revolutionary War. This is not to say most Americans know very much about this political revolution. The simple fact is that many contemporary Americans are almost wholly uneducated about the details of the American Revolution, do not know very much about even its surface causes, and many seem to know a great many things about it that are not true. But at least Americans do know one happened and that the United States of America was born of it.

As much cannot be said of the Economy Revolution. Most Americans today are unaware that it ever happened and completely unaware that its effect on public education in America was both wholesale and devastating. Historians of American education for the most part know that the post American Revolution period witnessed major setbacks in the quality and availability of public education in America. Many, although not all, presume that the war was the principal cause of these setbacks. The Revolutionary War did damage American school institution in a number of ways, but in point of fact the greatest damage to the institution of education in America was done by the Economy Revolution in its first phase, not the political Revolution.

This is not to say that the two revolutions were not intimately intertwined. It is not possible for two great social revolutions to take place at the same time in the same place involving the same people and *not* be intimately intertwined. The individual human being is the social atom and a moving power in determining all social occurrences. Political events leading to the political Revolution and socio-economic events occurring during the Economy Revolution were co-determining events, each a partial cause of the other and a partial effect of the other. To speak in the strictest sense, the two revolutions were dimensions of a single revolution, and for this single revolution we lack even a name suitable for describing it unless that name be Interregnum. It was during this Interregnum that pre-1763 America disintegrated and post-1789 America formed. These two Societies are manifestly and essentially different Societies and it is not scientifically correct to say the latter "evolved" out of the former. Revolution, not evolution, is the correct term to use. The mere fact that many of the same individuals lived in both Societies is irrelevant to the fact that the Societies were different. Every person self-defines his own society and Society is the general dynamic of the interactions and co-determinations of individuals' societies.

However, both a society and a Society, as Objects, are mathematical Objects. People are the seat of those sensuous real experiences that phenomenally manifest the *Dasein* of these *noumena*. It is therefore neither surprising nor even unreasonable if history theories grounded in ontology-centered pseudo-metaphysics could come to incorrectly posit the political revolution as *the* cause of the breakdown in public education made visible in the period immediately surrounding and including the Revolutionary War. For example, Cubberley wrote,

The effect of the War for Independence, on all types of schools, was disastrous. The growing troubles with the mother country had, for more than a decade previous to the opening of hostilities, tended to concentrate attention on other matters than schooling. Political discussion and agitation had largely monopolized the thinking of the time.

With the outbreak of the war education everywhere suffered seriously. Most of the rural and parochial schools closed, or continued a more or less intermittent existence. In some of the cities and towns, the private and charity schools continued to operate, but in others they were closed entirely. Usually the charity schools closed first, the private pay schools being able to keep open longest. In New York City, then the second largest city in the country, practically all schools closed with the British occupancy and remained closed until after the end of the war. The Latin grammar schools and academies often closed from lack of pupils, while the colleges were almost deserted. Harvard and Kings, in particular, suffered grievously and sacrificed much for the cause of liberty. The war engrossed the energies and the resources of the peoples of the different colonies, and schools, never very securely placed in the affections of the people, outside of New England, were allowed to fall into decay or entirely disappear. The period of the Revolution and the period of reorganization which followed, up to the beginning of our national government (1775-1789), were together a time of rapid decline in educational advantages and increasing illiteracy among the people. Meager as had been the opportunity for schooling before 1775, the opportunities by 1790, except in a few cities and in the New England districts, had shrunk almost to the vanishing point.

The close of the war found the country both impoverished and exhausted. All the colonies had made heavy sacrifices, many had been overrun by hostile armies, and the debt of the Union and of the States was so great that many thought it could never be paid. The thirteen States, individually and collectively, with only 3,380,000 people, had incurred an indebtedness of \$75,000,000 for the prosecution of the conflict. Commerce was dead, the government of the Confederacy was impotent, petty insurrections were common, the States were quarreling continually with one another over all kinds of trivial matters. [Cubberley (1919), pp. 51-52]

To put the war debt in perspective – assuming Cubberley is using the year 1792 (the year the U.S. dollar was first defined) as the basis for the figure he cites – adjustment for a 1934 redefinition of the number of (troy) grams of fine gold per dollar, and for inflation in the consumer price index since 1934, puts the Revolutionary War debt at around \$18,000 per person in the United States when expressed in equivalent 2010 dollars. This is about half the debt load a typical U.S. college student attending a state university has accrued by his or her graduation day today.

It is not uncommon to find educators like Cubberley who undertake to document the history of education to make the sorts of errors he does in this passage from his book. Cubberley exhibits an aspect of egocentric thinking not infrequently encountered among professional educators, namely, he implicitly equates "schooling" with "schools." As already discussed, the two objects are not the same and although schools make up part of the institution of schooling, they are not the sole institution of schooling. In pre-Revolutionary America, they were not even a principal institution of schooling. That burden was carried by home schooling and the apprenticeship system (both home- and trade-apprenticeships). Of these, most of the functions of instructional education were being carried out within the apprenticeship system, as the Critique in chapter 4 found.

There even seems to be a trace of moral censure in Cubberley's remark about schools being "never very securely placed in the affections of the people," as if there existed any *real* social-natural reason they should have been. If so, this judgment of taste is perhaps pardonable in an educator unlearned in epistemology-centered metaphysics, but it is nonetheless an objectively baseless censure. The error lies in a transcendent flight of wishful fancy that "what ought to be so" also ought to, by whatever supernatural means, prevail in "the world as it is." This is Plato's basic fantasy and is as empirically untrue as both the evangelical Christian fantasy that religion is a sure cure for alcoholism and the BaMbuti Pygmy belief that the forest will punish a committer of incest with leprosy.

Certainly during the Revolutionary War itself there was a disruption of education in America.

However, a considerable degree of restraint must be used in assessing precisely what factors were most influential for the subsequent history of American education. Pulliam and Patten point out,

The Revolutionary War directed men's energies away from education and science, as De Witt Clinton observed years later. Illiteracy increased because rural schools had to close their doors and because even the larger-town Latin grammar schools were crippled. British occupation of New York caused schools to be abandoned there. New England schools continued to operate, but they suffered from a lack of funds and teachers. . . .

British support, as in the case of the Anglican SPG, was cut off and never revived. Lack of money and the interruption of the normal economic process made the operation of educational institutions almost impossible. Teachers and scholars joined the fighting forces, and school buildings were converted into barracks. Tory or Loyalist teachers were turned out of their schools. Sometimes the schools were burned and libraries scattered or destroyed. Nevertheless, the conflict was restricted to certain parts of the colonial territory, and areas that escaped destruction continued with education. Peace allowed for a restoration of many schools, even though the money was scarce and authority uncertain. [Pulliam & Patten (2007), pg. 114]

Well, no. Areas that "escaped destruction" continued to operate *schools*. Education, on the other hand, was in growingly desperate circumstances before the first shot was fired at Lexington. The cause was the start of the Economy Revolution.

The Economy Revolution is what I call the transformative change in American moral customs that ever afterwards altered the social interrelationships among people as each individual carried out his personal enterprise activities for the exercise, maintenance, and attempts to improve or extend his own tangible *Personfähigkeit*. In appearances its most visible characteristics are economic characteristics, but the Economy Revolution is much broader in scope than the mere mechanistics of economy. It altered the social chemistry of colonial American Society and produced a proliferation of mini-Communities whose self interests were often in direct contradiction with one other. The resulting competitions between these mini-Communities can and usually does generate antibonding relationships among large groups of people in a Society that threaten to disintegrate its civil Community. Indeed, it often does precisely this as the competitions turn internecine in character and personal hostilities come to eclipse personal prudence in individuals' self-governance of their actions. Nothing less than this took place during the period I am calling the Interregnum period in America. When the Economy Revolution began in America, Americans were unprepared to deal with it constructively and progressively, left so by the inadequacies of the American institution of public education that were detailed in the previous chapter. The Economy Revolution was such a significant phenomenon in the history of the United States – as have been other economy revolutions in past civilizations – that we must examine it in some detail.

§ 2. Principal Characteristics of Economy Revolutions

What I call "the" Economy Revolution was just one instance of a general social phenomenon that has appeared many times in history. The one I dignify by capital letters here is the specific occurrence of this social phenomenon in America, but Great Britain was experiencing one of its own during the same historical period (the economy revolution in Britain predated the American one by many years and the two overlapped each other for many decades after the American one began). There have been many others even older going back in history, so far as we can tell, to before history itself as a scholarly pursuit began. It may therefore seem to some that I am being a bit ethnocentric in calling the one that happened in America "the Economy Revolution," and if so I plead *nolo contendere* to the charge; I don't apologize for being an American. It doesn't change

the basic social-nature of the phenomenon one whit.

An **economy revolution** is manifested in experience by the following characteristics: (1) it is always a social phenomenon that comes to affect most or all of the people in a Society; (2) it is first manifested in individual activities taken in pursuit of preserving Order or achieving Progress in individual tangible *Personfähigkeit*; (3) it alters phenomena of social intercourse in the ways and means of entrepreneurial interactions among individuals¹; (4) these alterations come to affect other actions that individuals express in service of the other three powers of their persons, i.e., in a person's physical, intellectual, and persuasion *Personfähigkeit*; and (5) the changes produced present a Toynbee challenge to the Society. Some of these changes are beneficial to specific individuals, others disbeneficial. Social problems arise because the benefits and disbenefits are not the same for each individual with respect to individuals' Duties-to-Self with regard to their external situations. Where incompatible Duties are in play among interacting people, competitive interactions result. These present Toynbee challenges to the Society, and how the Society deals with these challenges determines if economy revolution leads to growth of the Society or to its arrest, breakdown or disintegration. Economy revolution also quite often affects inter-Society relationships and, again, these external relationship changes can lead either to improvements in Society-to-Society interactions or to internecine competitive interactions – the most commandingly visible of the latter being war².

Economy revolutions can be logically divided into classifications according to commonalities in the types of Societies they characteristically produce. It is convenient and in line with traditions in sociology and anthropology to call the most general levels of classification by the names: (1) genus of the agricultural revolution; and (2) genus of the trade revolution. These names are not without some problems of ambiguity, and future developments in social-natural science will likely insist on refinements to the system of classification, but these will do for now.

By agricultural revolution I mean the passage from a foraging Society to a Society set up around tillage and herding. The change is one of passing from hunting and gathering (foraging) to one of organized food production. It is notable that in the uncounted thousands of years over which BaMbuti Society has existed, the BaMbuti Pygmies have never passed through an agricultural revolution and have remained foragers. Their way of life is not quite as simple and unsophisticated as our Western cultural prejudices might suggest. The BaMbuti are in fact in frequent contact with Bantu plantations and villages, and between them there is a sometimes busy level of exchange and barter. Life in a forager Society in no way precludes commercial exchange with other Societies one comes into contact with. Turnbull provides the following description of this commerce:

¹ An **entrepreneur** is any person undertaking personal enterprise activity for the purpose of satisfying a Duty-to-himself in regard to the tangible power of his person.

² I do not ever use the word "war" in a metaphorical connotation such as those employed by propagandists (e.g., "war on poverty"; "war on drugs"; "war on illiteracy"; "trade war"; etc.) in this treatise. War is violent conflict between two or more Societies involving the application of deadly force against specific persons or groups of persons another corporate person (usually a nation) regards as an enemy. I do not accept artificial attempts to delineate classifications between different instantiations of the application of deadly force between corporate entities in order that one might Platonically argue that *this* application of deadly force is somehow "not war" and only *that* application of deadly force "is war." In the news headlines today as I write these words, one phrase keeps coming up again and again, viz., "the conflict in Syria is threatening to become a civil war." Hogwash. "The conflict in Syria" is a war and has been since the first shot was fired. The real consequences of war for the people involved are too awful to ignore, and in my personal view any attempt to sooth away personal disturbances the concept of war provokes in most people by trying to justify it or find ways to pretend it isn't happening are inexcusable. War can never be "justified" because a state of war is the ultimate expression of competition in a rawest state-of-nature, and in the state-of-nature there are no such things as justice or injustice. For more discussion of this point, see Wells (2010), chapter 8.

While the only place the villager could call home was the temporary, sun-scorched clearing which he had cut out for himself, and in which he would live a few years at the most, to the Pygmy the whole forest was home, and the village an isolated and foreign territory, hostile but ultimately impotent, to be regarded with indifference, amusement, and occasionally with annoyance. The village people were envious of the Pygmies, though they tried to look down on them. They were compelled to respect the Pygmies by the fact of their own belief in the mystical bond between a people and the land of its ancestors. They had no such bond. Just as they were afraid of the spirits of the forest, so they were secretly afraid of the Pygmies, and made them offerings of the first fruits of their plantations, and gave them an important part in the ceremonies for the village dead – the dead who had to be buried in foreign soil that might belong to the village world now, but which would soon belong once again to the forest.

The relationship between the two people was a strange one, full of ambivalence and uncertainty. By and large the village was their only common meeting place, for the Negroes disliked going into the forest except when absolutely necessary. The village was the world of the Negro, so he naturally assumed a position of authority and domination in that world. But it was a position without any foundations, for the Pygmy had only to take a few steps to be in his own world.

The Negroes were unable to exercise any physical force to maintain their control over the Pygmies, so they created and maintained the myth that there was a hereditary relationship between individual Pygmies and their families and individual Negroes and families.

It was not a matter of slavery, rather of mutual convenience. The cost to the Negro was often high, but it was worth while. The Pygmy was able to do for him all the necessary chores that necessitated going into the forest and could bring him game that supplemented an otherwise largely vegetarian diet. And in latter days, with the compulsory maintenance of larger plantations, the Negro found the Pygmy a useful source of additional labor. But for all of this he had to pay, and he was always uncertain how long any one Pygmy or group of Pygmies would stay with him. They were frequently miles away in the heart of the forest, and if the hunting was good no amount of coaxing would bring them back. [Turnbull (1961), pp. 172-3]

The Bantu villagers Turnbull described are plantation farmers and their Society long ago went through an agricultural revolution. They, too, are not strangers to trade and barter, and coexist with relatively more urbanized inhabitants of the Congo, officially under a common national government but yet not a part of the urbanized Communities. Here some similarity exists in their relationships with both the Pygmies and the more urbanized centers and the relationships between the Piedmont settlers and Native American Societies and the Tidewater regions of the American colonies. You can perhaps see from this why I said there are problems with nominally defined classifications of economy revolutions. Crisp divisions appear to lack real objective validity and a fuzzy-set-like classification method will be necessitated for future social-natural science practice. This is consistent with epistemological requirements of Critical metaphysics, which dictates that real objective validity between mathematical Objects and empirical Objects can only be obtained if the mathematical system is founded upon techniques of set membership theory [Wells (2009), chap. 1].

The first agricultural revolutions predate history. Evidence of tillage and/or herding is taken in contemporary anthropology and paleontology to be a necessary sign of transition from the Paleolithic era (old and middle stone ages) and the Neolithic period (new stone age, c. 10,000 B.C.). It was apparently also a necessary step on the road to that indefinable but much-lauded condition most people call "civilization" – another nominal classification without a common real definition and occasionally argued about by historians, anthropologists, and sociologists. Durant noted, with not-quite-complete correctness,

If from such [archeological] remains we attempt to patch together some picture of the New Stone Age, we find at once a startling innovation – agriculture. In one sense all human history hinges upon two revolutions: the neolithic passage from hunting to agriculture, and the modern passage from agriculture to industry; no other revolutions have been quite as real or basic as these. The remains show that the Lake-Dwellers ate wheat, millet, rye, barley and oats, besides one hundred and twenty kinds of fruit and many varieties of nuts. No ploughs have been found in these ruins . . . but a neolithic rock-carving unmistakably shows a peasant guiding a plough drawn by two oxen. . . . [With tillage] now began that multiplication of mankind which definitely confirmed man's mastery of the planet.

Meanwhile the men of the New Stone Age were establishing another of the foundations of civilization: the domestication and breeding of animals. Doubtless this was a long process, probably antedating the neolithic period. . . . The oldest bones in the neolithic remains (c. 8000 B.C.) are those of the dog . . . A little later (c. 6000 B.C.) came the goat, the pig, and the ox. . . . The new lord of the earth began to replenish his food supply by breeding as well as hunting [Durant (1935), pp. 99-100].

The other genus of economy revolution is the trade revolution, and it was one of these that took place in colonial America in the aftermath of the French and Indian War. Here I do not use the word "trade" to mean "barter" or "exchange"; bartering and exchange defy classification in terms of Society type. I use the term to mean a Society with a substantial social institution of specialized divisions of labor giving rise to commercial enterprises of a specialized and non-self-subsistent sort (e.g., a candlestick maker cannot self-subsist on the making of candlesticks but must, as Smith put it, exchange the surplus of his labor for other economic goods he requires to sustain himself; being self-subsistent and being able to sustain yourself are not the same thing)³.

Under this genus additional classifications into species of trade revolutions can be made. It is quite obvious that colonial Society was already a trade Society, at least in more densely populated areas, long before 1750. Nonetheless, an economy revolution took place in the colonies and we must therefore have a finer grade of classification to describe it. Of all the many divers ways by which classifications into species are possible, I propose to you that the one most efficacious for the purposes of this treatise is one taking as its specifying concept the interpersonal and social relationships between the various types of entrepreneurs present in a Society's division of labor.

A few more technical definitions are needed at this point. A **laborer** is a person regarded as part of or belonging to a Labor group. A **Labor group** is any group of people who render economic services. I frequently shorten this term to "Labor" and designate the idea of a Labor group with the capitalization. When used as a noun, **labor** means the economic services a laborer provides. When used as a verb, it means to render an economic service. The term **laboring** means the rendering of an economic service.

Under the genus of trade revolution we can identify two species of economy revolution. A **Labor revolution** is an economy revolution characterized by changes in the social structure of Labor groups in a Society without fundamental changes in the enterprise skills of the laborers and to a degree sufficient to present a Toynbee challenge to the Society. An **industrial revolution** is an economy revolution grounded in changes in the enterprise skills of the laboring provided by a significant fraction of the Society's Labor groups such that economic supply and demand factors in the dynamics of social Enterprise are altered to a degree sufficient to present a Toynbee challenge to the Society. The first industrial revolution that was taken note of by Western civilization is the one conventionally called the Industrial Revolution. This term was first coined

³ Trade Society, by the way, is usually what most people mean when they the term "civilization." Toynbee discovered this nominal definition is a repository for a great many issues and questions and does not work as a real definition.

by a Frenchman and Toynbee popularized it. Webster's Dictionary defines Industrial Revolution as "the change in social and economic organization resulting from the replacement of hand tools by machine and power tools and the development of large-scale industrial production: applied to this development in England about 1760 and to similar later changes in other countries." In this treatise I mean this dictionary definition when I use the term Industrial Revolution (capitalized).

I have been able to remember no instances in history prior to the nineteenth century when an industrial revolution was not preceded in time by an earlier Labor revolution⁴. A Labor revolution is not necessarily followed by the occurrence of an industrial revolution. In the colonies and the new United States, the trade revolution developed in two almost-contiguous phases. The first was a Labor revolution, and this was followed in the first decades of the nineteenth century by an industrial revolution almost identical to the example Great Britain had earlier presented of the Industrial Revolution. America's Labor revolution set the social stage for its industrial revolution a few decades later. The Toynbee challenge presented by America's trade revolution has never been successfully met to this day – one of Toynbee's more ominous indicators of a process of breakdown taking place in a Society.

§ 3. Macroeconomic Provocations of the American Revolution

The Toynbee challenge America's Labor revolution presented is multifaceted. The facet of it most immediately pertinent to the institution of education in America is this one: it produced the demolition of the apprenticeship institution in America's towns and cities. This did not have an immediate impact on the rural home apprenticeship institution, but the latter eventually did suffer a very significant impact owing both to developments that took place in the cities and towns and, in greater degree, to the subsequent impact of the American industrial revolution. As the previous chapter explained, the apprenticeship institution in America was the primary institution of public education in America at the time, and so its demolition during the initial Labor revolution had the most serious long term repercussions for American Society.

Many of the specific events occurring after the French and Indian War that were provoking stimuli for the Economy Revolution are either identical to or inseparable from specific provoking stimuli for the political revolution in America. Those effecting the most widespread provocations were essentially economic provocations, which means that they were events that provoked ratio-expressions of practical rules (represented in the manifold of rules in *H. sapiens*) relating to Obligations-to-Self in regard to a person's external situation. This is to say that they stood in direct relationships to individuals' personal welfare interests and produced uncivic competitive actions. Propagation of provocative effects through the Enterprise-protein structure of American Society was enhanced by the size and distribution of the colonial population during and at the end of the French and Indian War.

From 1760 to 1790, the American population was growing at a rate of about 2.8% per year. The population is estimated to have been approximately 1,650,000 in 1760 [Bolton & Marshall (1920), pp. 329-30] and rose to a census figure of 3,929,214 by 1790 [Morison & Commager (1930), pg. 918]. Table 5.1 gives the estimated and census figures for the decades 1760 to 1790. A part of this growth rate was due to immigration, but there is little reasonable doubt that during this period birth-death rate was the principal contributor to population growth. Facts favoring this hypothesis are: (1) the population figures follow the pattern of reasonably accurate natural population growth models in the absence of overcrowding effects; and (2) immigrants newly released from indentured servitude tended to settle in the Piedmont, while population distribution

⁴ Since the example of the Industrial Revolution in Great Britain, there have been historical cases where a trade revolution proceeded directly as an industrial revolution without an intervening Labor revolution.

Table 5.1: American Population Statistics for 1760-1790

<u>Year</u>	<u>Population</u>
1760	1,650,000
1770	2,205,000
1780	2,781,000
1790	3,929,241

patterns clearly show the eastern and Tidewater regions becoming much more densely settled along an Atlantic coast line – running from Massachusetts down into New York, through New Jersey, the Philadelphia area, Maryland, and continuing into Virginia – than in the frontier regions [Nettels (1938), pp. 391-98]. This means that although America was still predominantly agrarian, trade and commerce grew vigorously in town and city regions, precisely where available land had become much scarcer and more expensive to buy. This inevitably stimulated growth in capital Enterprise and the division of labor.

It is, I think, essential to clear up an important popular misconception concerning the human-nature of capitalism. Political rhetoric of the past century and a quarter has handed over popular and dictionary definitions of the *economic* term "capitalism" to distortions the word has acquired primarily due to the propaganda of Marx and Engels. Howsoever well these misdefinitions suit purposes of political propaganda, they are divorced from the social atom – the individual human being – and can therefore have no *real* scientific significance for social phenomena. The proper real explanation of this term is owed to Smith, and it is *not* the same as the misuse made of it by so-called "proponents of capitalism" in political rhetoric. **Capitalism** means *employment of part of one's personal stock of goods-in-general for the purpose of producing personal revenue*. Every person who so employs a part of his or her stock of goods is a **capitalist**.

If you have ever hired a babysitter or used a day care center so that you could go to work at a job, you have been a capitalist (because otherwise you would have had to forego producing a personal revenue in order to take care of your child). A twelve-year-old paperboy who deposits a dollar a week in his savings account at a bank is every bit as much a capitalist as John D. Rockefeller or Andrew Carnegie. The *amount* doesn't matter in the least; the *action* with its intent is *all* that matters *because the action is taken pursuant to a maxim of duty-to-oneself* directly involving the individual's use of his tangible *Personfähigkeit*. You do not have to own a factory or hold a controlling interest in Walmart to be a capitalist. It is important to distinguish between being a *plutocrat* and being a capitalist. You can always choose to be the latter without also choosing to be the former. In *civic* free enterprise, you *must* so choose because if you choose to act as a plutocrat you are *ipso facto* choosing to engage in *uncivic* free enterprise⁵.

The principal factors in the disintegration of the institution of education in America at the close of the eighteenth century were economic in nature. A disintegration was in progress before the outbreak of the American Revolution and the disintegration would have taken place even if the American Revolution had never happened. In one way, the Revolution did speed up certain aspects of this process – and in this sense education historians are not in error when they cite the Revolution as having had disastrous effects on the education institution. However, in another way the Revolution, while it did hasten developments, *also* laid key foundations that figured into education's *reinstitution* in the nineteenth century. This was the consequence of socio-political educational Self-development many Americans took from the Revolution itself. Without this educational Self-development the question of whether or not public education in America would

⁵ All this is assuming you *do* possess a stock of goods in excess of what you must consume for the purpose of sustaining your own *Existenz* (and that of all persons whose sustenance you have made it your Duty to provide) *and* you have likewise decided *not* to merely consume your entire stock of goods revenue.

have been reinstituted at all, and how, is problematic. We might well have ended up as a splintered aggregate of Third World countries.

This section of the chapter summarizes factors leading up to the outbreak of the Revolutionary War, while the next focuses on the Economy Revolution itself. What must be kept in mind is that these two aspects of the Revolutionary War period are tightly interrelated by economic factors common to both. To see the social-natural roots of all this, let us first turn to Smith and some general principles of social-natural economics:

As it is the power of exchanging that gives occasion to the division of labor, so the extent of this division must always be limited by the extent of that power, or, in other words, by the extent of the market. When the market is very small, no person can have any encouragement to dedicate himself entirely to one employment, for want of the power to exchange all that surplus part of the produce of his own labor, which is over and above his own consumption, for such parts of the produce of other men's labor as he has occasion for.

There are some sorts of industry, even of the lowest kind, which can be carried on nowhere but in a great town. . . . In the lone houses and very small villages which are scattered about in so desert a country as the Highlands of Scotland, every farmer must be butcher, baker and brewer for his own family. In such situations we can scarce expect to find even a smith, carpenter, or mason within less than twenty miles of another of the same trade. The scattered families that live at eight or ten miles distance from the nearest of them must learn to perform themselves a great number of little pieces of work for which, in more populous countries, they would call in the assistance of those workmen. Country workmen are almost everywhere obliged to apply themselves to all the different branches of industry that have so much affinity to one another as to be employed about the same sort of materials. A country carpenter deals in every sort of work that is made of wood; a country smith in every sort of work that is made of iron. The former is not only a carpenter, but a joiner, a cabinet-maker, and even a carver in wood, as well as a wheelwright, a ploughwright, a cart and wagon maker. The employments of the latter are still more various. [Smith (1776), pp. 15-16]

So it was in early colonial America. In its beginning, the division of labor was coarse at best even in the earliest specialized Enterprises such as fishing or lumbering. Early colonial industry is classifiable into two categories: household manufacturing and commercial industries. Nettels tells us,

The colonial settler was determined not only to retain his European way of life but also to improve his economic condition as much as possible. Because a rising standard of living entailed an increasing utilization of manufactured products, the procuring of such goods was a paramount interest. These the settler purchased partly in England, but due to his limited buying power he had to produce many commodities with his own labor. Two types of industrial production developed during the seventeenth century. The more prominent was household manufacturing – the making of articles by members of the family primarily for their own use. The second – commercialized industry which produced goods to be sold at a profit in a general market – made but slow progress before 1700. The open frontier drew laborers away from the older settlements, thereby creating a labor shortage that kept wages two or three times as high as in Europe and hence retarded industries dependent upon hired workers. Moreover, colonials lacked capital, not only machines and large workshops, but also a surplus of specie or cash which employers need in order to support their operations while advancing goods to their customers on credit. . . . By and large, colonial industries merely converted raw materials into crude products. [Nettels (1938), pp. 237-8]

Nettels goes on to describe in interesting detail the many different sorts of labor and craft skills householders – men, women and children – practiced in their daily commerce of life [*ibid.*, pp.

238-42]. These details provide very interesting insight into early colonial life and the breadth of skills needed to live it. Some amount of barter and exchange no doubt took place, but in the main a household family or the residents of a tiny hamlet or typical New England town were self-sufficient in employment and control of the tangible powers of their persons. The details also hint at the breadth of practical education provided to children by household apprenticeship.

Even where capital Enterprises were established, the nature of working relationships, while admitting to a greater division of labor, did not lose the character of civic free enterprise, i.e., individual entrepreneurs civically cooperating with one another to their mutual self-benefits:

Commercialized industry differed from the household crafts in that it produced goods to be sold at a profit, not for the immediate use of the manufacturer. It required a fairly substantial capital in the form of tools, ships, or mills owned by a capitalist and operated for his profit by workers to whom he paid wages. The principal commercial industries which developed during the seventeenth century were the fishery, lumbering, ship building, flour milling, and the manufacture of iron. . . .

The capital for the initial development of the New England fishery was contributed by English merchants, some of whom operated by sending vessels from England and others by financing fishing settlements on the American coast. . . . [The resident settlers] fished at the start simply to supply themselves with food, but when they produced a surplus they soon felt that the profits earned by English capitalists might as well enrich themselves. . . .

Gloucester, Marblehead, and Salem became the principal bases of operations, which were conducted by small capitalists who owned the boats, fishing supplies, and stages. They obtained the utmost labor from their workers by giving them between a sixth and a tenth of the season's catch. By 1720 complaints were made that the fishery had fallen under the sway of a few wealthy capitalists. The fish were sold to Boston or Salem merchants (some of whom were also operators in the industry) and exported to distant markets. The better grades [of fish] . . . went to Spain, Portugal, France, the Madeiras, the Canaries, and Ireland while the inferior fish, called refuse, were sent to the West Indies for the use of Negro slaves. . . .

As in the fisheries so in lumbering the abundance of raw material, the utilization of concentrated capital, and an extensive foreign market provided conditions suited to capitalistic enterprise. The forest products prepared for commercial sale included ship timber, for which pine, cedar, spruce, and oak were utilized as masts, spars, yards, bowsprits, and planks. Shingles, clapboards, and building frames, preferably of cedar, were in great demand, while red and white oak served admirably in the manufacture of staves for pipes, barrels, and casks in which meat, fish, flour, sugar, molasses, and rum were carried to market. . . .

A fair degree of specialization marked the progress of lumbering in New Hampshire and Maine. The farmer-lumbermen lived in forest villages; many of the northern settlements were primarily logging camps. The woodman felled the trees with his axe, whereupon they were hauled overland to a nearby sawmill or harbor . . . The small, crude sawmills which dotted the northern region stood at the falls of the rivers . . . Whatever the deficiencies of the early sawmills, they offered a vast improvement over the strenuous work of sawing logs by hand, since the labor of one mill operator was about twenty times more effective than that of a hand sawyer. This fact gave to the mill owner a strategic position in the industry. The first mills carried only one saw and could be operated by the owner assisted by his son or a hired worker. . . . [Profits] were commonly invested in additional mill equipment. . . . By 1700 . . . it was reported that the lumber-timber trade was dominated by a few dozen men . . . The enlargement of the mills in turn increased the number of wage-earners employed by the owners. . . . [*ibid.*, pp. 242-245]

Nettels goes on to similarly describe the shipbuilding, ironworks, and flour milling industries. He

then adds,

Between the commercialized industries and the household crafts there was an intermediate form of industrial organization represented by skilled artisans. In a new, sparsely settled community such specially trained craftsmen traveled from farm to farm where they labored in the household on materials furnished by the farmer, receiving their pay in board, lodging, and produce or money. Chief among such traveling artisans were shoemakers, chandlers, carpenters, weavers, blacksmiths, and masons. As a community became more compactly settled the traveling artisan established a permanent workshop. In the earliest stage of this development, the settled artisan received orders from his neighbors who furnished the raw materials and paid him with produce or money. He then devoted his spare time to producing goods for general sale . . . He commonly owned a plot of ground sufficient to supply him with fruits, vegetables, meat, and dairy products. The crafts represented by the settled artisan in New England and the middle colonies during the seventeenth century included brick-making, leather tanning, weaving, fulling and dyeing, shoemaking, candle making, blacksmithing, and the manufacture of pottery, paper, and hats. Some of these trades could not be carried on by traveling artisans and consequently did not appear until communities were developed sufficiently to support a settled craftsman. [*ibid.*, pp. 249-50]

You should pay particular attention to Nettels' remarks concerning the concentration of capital Enterprises that was developing even early in the eighteenth century. This was the harbinger of the Economy Revolution that gathered steam as the century progressed. It is an issue to which we shall return in the next section. For now, the key point about the early Enterprises in colonial America was that the basic character of them was self-sufficiency of the individual entrepreneurs and the cooperative mutuality of interests between, say, the owner of a small fishery or mill and his small society of hired or indentured workmen. Business was personal, even in the cases of the owner of the capital resources and his fellow entrepreneurs, the hired workmen. This closeness in interpersonal relationship inevitably tends to stimulate development of civic free enterprise as cooperative joint Enterprise efforts. It was this feature of early Enterprise that was the casualty of the Economy Revolution, during which the close bonding was lost and uncivic enterprise arose.

The trend leading to Enterprise alliances with those possessing fungible skills that can replace the direct labor of the individual who has sufficient capital resources to provide necessary facilities – such as a sawmill with its saws – is a natural product of maxims of prudence that are so simple almost everyone can understand and self-develop them. It produces precisely the sort of small business Enterprise many of us are familiar with in small town settings. *Ceteris paribus*, it tends to foster civic free enterprise among divers private entrepreneurs. However, the cooperative stability and robustness of such economic institutions rely upon a key factor in the macro-economics of the social environment. Smith precisely details what this factor is:

The demand for those who live by wages, it is evident, cannot increase but in proportion to the increase of the funds which are destined for the payment of wages. These funds are of two kinds: first, the revenue which is over and above what is necessary for the maintenance; and, secondly, the stock which is over and above what is necessary for the employment of their masters. . . .

When an independent workman, such as a weaver or shoemaker, has got more stock than what is sufficient to purchase the materials of his own work, and to maintain himself till he can dispose of it, he naturally employs one or more journeymen with the surplus, in order to make a profit by their work. Increase this surplus, and he will naturally increase the number of his journeymen.

The demand for those who live by wages, therefore, necessarily increases with the increase of the revenue and stock of every country, and cannot possibly increase without it.

The increase of revenue and stock is the increase of national wealth. The demand for those who live by wages, therefore, naturally increases with the increase of national wealth, and cannot possibly increase without it.

It is not the actual greatness of national wealth, but its continual increase, which occasions a rise in the wages of labor. It is not, accordingly, in the richest countries, but in the most thriving, or those which are growing the fastest, that the wages of labor are the highest. England is certainly, in the present times, a much richer country than any part of North America. The wages of labor, however, are much higher in North America than in any part of England. [Here Smith footnotes that "This was written in 1773, before the commencement of the late disturbances." He refers to the revolutionary developments then in progress in America, which apparently were just then bringing to his attention the changes in economic and social environment that were taking place in America as part of the Economy Revolution]. . . .

But though North America is not yet so rich as England, it is much more thriving, and advancing with much greater rapidity to the further acquisition of riches. The most decisive mark of the prosperity of any country is the increase of the number of its inhabitants. In Great Britain, and most other European countries, they are not supposed to double in less than five hundred years.⁶ In the British colonies in North America, it has been found that they double in twenty or five-and-twenty years. Nor in the present times is this increase principally owing to the continual importation of new inhabitants, but to a great multiplication of the species. . . . Labor there is so well rewarded that a numerous family of children, instead of being a burden, is a source of opulence and prosperity to the parents. The labor of each child, before it can leave their house, is computed to be worth a hundred pounds clear gain to them. . . .

Though the wealth of a country should be very great, yet if it has been long stationary, we must not expect to find the wages of labor very high in it. The funds destined for the payment of wages, the revenue and stock of its inhabitants, may be of the greatest extent; but if they have continued for several centuries of the same, or very nearly of the same extent, the number of laborers employed every year could easily supply, and even more than supply, the number wanted the following year. There could seldom be any scarcity of hands, nor could the masters be obliged to bid against one another in order to get them. The hands, on the contrary, would, in this case, naturally multiply beyond their employment. There would be a constant scarcity of employment, and the laborers would be obliged to bid against one another in order to get it. If in such a country the wages of labor had ever been more than sufficient to maintain the laborer, and to enable him to bring up a family, the competition of the laborers and the interest of the masters would soon reduce them to this lowest rate which is consistent with common humanity. . . .

But it would be otherwise in a country where the funds destined for the maintenance of labor were sensibly decaying. Every year the demand for servants and laborers would, in all the different classes of employments, be less than it had been the year before. Many who had been bred in the superior classes, not being able to find employment in their own business, would be glad to seek it in the lowest. The lowest class being not only overstocked with its own workmen, but with the overflowings of all the other classes, the competition for employment would be so great in it as to reduce the wages of labor to the most miserable and scanty subsistence of the laborer. Many would not find employment

⁶ It is unclear how or where Smith arrived at this figure. It corresponds to a 0.14% annual growth rate. Perhaps the issue here is as simple as a lack of accurate census statistics in eighteenth century Europe. The best estimates available [A.M. Carr-Saunders (1936), *World Population*, London, NY] put the growth rate in Europe in 1750 at about 0.4% per year. This increased to about 0.7%/year after the Industrial Revolution. The qualitative point, though, is well taken. As a nation economically thrives less and less, its rate of population growth must slow, whether out of communal violence, famine, or government intervention (as in the case of contemporary China). Smith's figure on the growth rate of the American population, on the other hand, is well substantiated and fits the 2.8% annual growth rate figure cited earlier.

even upon these hard terms, but would either starve, or be driven to seek a subsistence either by begging, or by the perpetration perhaps of the greatest enormities. Want, famine, and mortality would immediately prevail in that class, and from thence extend themselves to all the superior classes, till the number of inhabitants in the country was reduced to what could easily be maintained by the revenue and stock which remained in it, and which had escaped either the tyranny or calamity which had destroyed the rest. . . .

The liberal reward of labor, therefore, as it is the necessary effect, so it is the natural symptom of increasing national wealth. The scanty maintenance of the laboring poor, on the other hand, is the natural symptom that things are at a stand, and their starving condition that they are going fast backwards. [Smith (1776), pp. 61-65]

It is a too-underappreciated calamity that economics, under the misguidance of nineteenth century positivism, turned from being a social-natural science in the hands of Smith to the stale, Platonic and crippled mathematics speculation it has become. This error in direction not only promotes the profound widespread ignorance of basic economic social-natural laws that exists in the general population today, but also to a degree earns its practitioners Carlyle's contemptuous dismissal,

Respectable Professors of the Dismal Science – Thomas Carlyle (1850), *Latter Day Pamphlets*, 1.

It is precisely here at Smith's point about the expanding, stagnating, or contracting wealth of a nation where the American Economy Revolution and the political Revolution become entangled and mutually reinforcing. Historians of the American Revolution have written volumes on the series of crises between the colonies and the British government leading to America's secession from the British Empire. I will not rehash these details here because these are ably covered in the historical literature. I do especially recommend that you consult the following sources: Hart (1897), pp. 42-68; Nettels (1938), pp. 600-629; Bolton & Marshall (1920), pp. 425-457; and Alden (1969), pp. 45-110 and 125-157. Taken together, these sources provide a comprehensive overview of the detailed situation from a variety of viewpoints and brings the overall picture into what I think is an excellent focus. The authors complement each others' works quite admirably. I limit my remarks here to citing a few of the most relevant points pertaining to the interplay of the political Revolution and the Economy Revolution from a macroeconomic perspective. However, as I do so it is important to keep in the back of your mind a point Bolton & Marshall make:

While British statesmen were working out a system of government for the newly acquired domains⁷, in the empire forces of disintegration were at work which brought on the American Revolution. The causes of that convulsion cannot be traced to a group of events or laws. Through a long period social, political, and economic forces were at work which gradually brought thirteen of the mainland colonies into open rebellion. Because this opposition is more evident after the French and Indian War, and because the economic is the most obvious phase of the struggle, historians have sometimes concluded that the laws passed by parliament between 1763 and 1776 were the cause of the Revolution. The policy pursued by the British government no doubt hastened it, but alone does not account for it. [Bolton & Marshall (1920), pg. 425]

First, at the core of the American-British confrontation we find a direct, head-on collision of two incongruent *de facto* policies, namely, the doctrine of British mercantilism and a less well articulated doctrine of American mercantilism. Both policies were seeking for the same end but achieved by different competitors. It seems most likely that neither side appreciated what was at stake for the other, and this lack of mutual understanding foreclosed earnest efforts of cooperation and left matters to resolution by the laws of internecine competition in a mutual state-of-nature.

⁷ acquired as a result of the outcome of the Seven Years' War.

The collision of contradictory interests was exemplified by particular parliamentary acts seeking to bring the colonies under tighter control by the British government, and by taxes imposed on the colonies by parliament, but these must be regarded as empirical foci for deeper issues and resentments. Hart noted,

By far the most effective cause of the Revolution was the English commercial system. One reason why a tax was felt to be so great a hardship was, that the colonies were already paying a heavy indirect tribute to the British nation by the limitations on their trade. The fact that French and Spanish colonists suffered more than they did was no argument to Englishmen accustomed in most ways to regulate themselves. The commercial system might have been enforced; perhaps a tax might have been laid: the two together made a grievance which the colonies would not endure. [Hart (1897), pg. 66]

Great Britain had emerged from the Seven Years' War as the most powerful nation on earth. It also emerged from it with a new king, George III (1760), who was determined to restore to the throne the old prerogatives and powers it had had under the Stuarts and which had been assumed by Parliament following their overthrow. King George's cabinet, headed by George Grenville, elaborated three new lines of policy in 1763 that lit the fuse of rebellion in the colonies. These were: (1) rigid enforcement of the old Acts of Trade, which colonial smugglers and merchants had been violating at will for years; (2) the permanent establishment of British garrison troops in America, which Pontiac's movement and the subsequent Indian war in the territory of the Upper Great Lakes in 1763 had motivated; and (3) taxation of the colonies for the partial support of these troops. Colonial merchants could not tolerate the first, colonists generally feared the second as a threat to their liberty and self government, and all bitterly resented the third.

A strong argument can be made that these British actions could not have occurred at a worse moment. Nettels wrote,

The British acts of 1763-65 fell upon the colonies when in the midst of an economic depression. Wartime prosperity had been sustained by British military expenditures in America, by privateering, and by the inflation of colonial currency. When all these artificial factors were removed in 1762, trade dwindled, prices declined, and unemployment gripped the towns. The new British taxes and trade restrictions levied a toll upon a shrunk colonial trade that could only mean further impoverishment to the working class, dependent as it was upon the industries that served external commerce. More particularly the artisans resented both the British restrictions upon colonial manufactures and Britain's current policy which denied to the colonies a money and credit structure necessary to sustain industrial activity. In denouncing Britain's restraints upon colonial manufactures and paper money Benjamin Franklin voiced the protests of the artisan class, of which he himself was the greatest product. A writer in a Boston paper of April 29, 1765, lamented that a "colonist cannot make a button, a horseshoe, nor a hobnail but some sooty iron-monger or respectable button-maker of Britain shall bawl and squall that his honor's worship is most egregiously maltreated, injured, cheated, and robbed by the rascally American republicans." Nor could the colonial workers look with favor upon Britain's new land policy which retarded the movement of surplus farmers and workers into unoccupied areas. As Franklin wrote in 1751: "It is the multitude of poor without land in a country . . . who must work for others at low wages or starve. . . ." All the British measures adopted after 1760 worked toward a common result: to curtail those industries dependent upon the foreign commerce of the colonies, to deny to the American workers employment in new industries, and to increase the host of landless workers competing for employment in a restricted economy. [Nettels (1938), pp. 623-4]

You should compare Nettels' summary here with Smith's earlier-quoted economics conclusions. The aim of the British doctrine of mercantilism was to benefit Britain's home market; that of the

American mercantilism was to benefit America's home economy. Couple this with politicians' and businessmen's judgments of taste that reflect adult egocentrism and moral realism, and you have the world-stage equivalent of a person standing between two seven-year-olds with one ice cream cone. A fearsome row must be expected to follow.

The fundamental condition of growth that Smith finds to be a *sine qua non* for supporting a growing population could not be met in the colonies under the policies adopted by Britain:

Having expelled the French from North America in 1763, Britain proceeded to consolidate her new territories and to strengthen her colonial system, long weakened by concessions to the colonies in return for their assistance against the French. The measures adopted after the [Seven Years'] war exposed a crisis in British mercantilism, indicated alike by antagonisms among commercial groups within Britain and by irreconcilable conflicts between British merchants on one side and colonial merchants and planters on the other. Because the colonies had copied the English methods of business enterprise they tended to rapidly duplicate the merchant capitalism of the mother country – with the result that mercantilist tendencies took shape in America and clashed violently with British mercantilism. Both Britain and the colonies operated through expanding economies, the essential features of which were the accumulation of surplus capital by merchants and planters and the investment of such surpluses in a manner that opened new areas for exploitation and created new employments for the poor, the unemployed, and the dispossessed. Two fundamental conditions had to be met if eighteenth-century mercantilism was to function successfully: first, both British and colonial capitalists must protect those enterprises in which they had previously invested; second, both groups needed new fields of exploitation in which they could utilize their newly acquired profits.

The central fact governing such investments in America was Britain's policy of prohibiting the development of colonial manufactures that would compete with the products of her own industry. Necessarily this policy greatly limited the opportunities for investment in the colonies, since it confined colonial and British enterprisers to non-manufacturing pursuits. Prior to 1760 there had been three general outlets in North America for the surplus capital of British and colonial investors. First, the tobacco, rice, and indigo plantations had attracted British investments in the form of merchants' loans to planters and had also absorbed colonial capital through the purchase of lands and slaves. Secondly, the northern economy, revolving around the fishery, lumbering, grain and cattle farming, shipbuilding, and the manufacture of rum, flour, bread, cooperage stock, and crude iron had employed the vessels and other capital of the northern merchants and had enabled them to accumulate new capital to invest in lands, warehouses, trading goods, ships, mills, mortgages, and short term loans. Thirdly, the fur trade and investments in western lands afforded outlets when plantation economy and northern enterprises were insufficient to absorb the surplus of new capital. [Nettels (1938), pp. 600-601]

Note especially Nettels' points that American entrepreneurs had "copied the English methods of business enterprise" and "tended to rapidly duplicate the merchant capitalism of the mother country." This mimesis, long underway in the colonies throughout the late seventeenth and entire eighteenth centuries, was itself a principal cause of the American Economy Revolution. The habit of maintaining this method of capital Enterprise still dominates today's American capitalism. This does not mean "this is the way capitalism *must* work"; that is not necessarily true. It only means "this is the way capitalism has always been *made* to work" in America. The habits of colonial era mimesis are, to use Piaget's term, pseudo-necessities, not real necessities. This is a fact I intend to take up in a later work, which I plan to call *The Economic Idea*.

Britain's policy of benefiting the growth of her home industries at the expense of Enterprise in the colonies was, viewed from the mental physics of human-nature, a fatally flawed policy insofar as ensuring the survival of a British Commonwealth Community is concerned. As maxims of a

group of policymakers and entrepreneurs unaware of the foundations of social psychology, and socially accustomed to governing a Society through plutocratic despotism, the policies are at least comprehensible:

The Sugar Act and the Stamp Act at once focused the attention of the colonists upon their long-standing commercial conflicts with Britain. The colonies now supplied British capitalists with income from three principal sources: the general commerce and shipping of the empire, investment in the British sugar islands, and manufacturing industries in England sustained by colonial markets. But because the colonial merchants had to resort to similar enterprises⁸ they constantly menaced their British rivals – partly by obtaining a large share of the profits of imperial commerce and partly by trading with the foreign sugar colonies, thus undermining British investments in the British islands. Britain's interests therefore dictated that the colonies should be regulated in such a manner as to protect her West Indian investments, to strengthen her manufacturing industries, and to safeguard the profits of her merchants in colonial trade. These objectives were to be realized in two ways: by imposing new restrictions on colonial commerce and by enforcing more rigidly the existing Acts of Trade. [*ibid.*, pg. 613]

The consequences to themselves of Britain's policies were glaringly evident to the Americans:

Had all the acts on the British statute books after 1763 been rigorously enforced their cumulative effect would undoubtedly have crushed the colonies. Let us consider first the region north of Maryland, where the producers of fish, lumber, and farm commodities were steadily enlarging their output and therefore in need of expanding markets, and where the merchants required an extended field of investment for their surplus capital. Prior to 1763 the foreign West Indies and the Wine Islands had afforded two such necessary markets and outlets. The Sugar Act, however, burdened the trade with both regions and tended to raise the prices of the products involved – particularly rum and molasses, ingredients in nearly every important branch of colonial commerce. Restraints upon trade made shipowning unprofitable and not only depressed the colonial shipbuilding industry but also induced shrewd merchants to sell vessels previously acquired. More particularly the Sugar Act made it difficult for the Northerners to obtain their customary means of buying in England, while payment of tax money to Britain promised to deprive them of a large part of such remittances as remained. Since colonial commerce revolved around trade from Britain, anything which reduced the buying power of the colonial merchants for British goods threatened to dislocate all other trades. . . . The general effect of Britain's measures, if enforced, would have been to raise the price of all imported goods (the Townshend duties taxed imports even from Britain) and to reduce the prices of colonial exports; losses sustained by colonial producers and merchants through being compelled to buy dear and sell cheap were to provide the gains of British merchants and the tax revenues of the Crown. And if foreign commerce became inadequate and unprofitable, what could the northern colonies do? They were not allowed to develop manufacturing industries and they were to be excluded from the fur trade and the development of the West. In place of growth long characteristic of the colonies, British policy now threatened repression, contraction, and decay.

Nor did the prospects of the tobacco colonies appear in a happier light. As the profits of the tobacco industry vanished the energetic planters had turned to the production of new commodities – fish, grain, and livestock; they had tried to check the importation of slaves; they had fostered home manufacture of textiles and leather goods; and they had invested in western lands. Yet each of these activities inspired hostile orders from Britain. The slave trade was to remain open and unhampered; home manufactures were not to expand; the markets for southern grain and livestock in the foreign islands were to be curtailed; and the

⁸ because colonial entrepreneurs had learned no other methods of devising Enterprise than by mimesis in copying British objects of Enterprise and British state-of-nature maxims of uncivic free enterprise

West was to be closed to Virginia speculators. The planters should continue to produce tobacco, even though forced to use inefficient slave labor on exhausted lands, to stagger under an oppressive burden of debt, and to market their crops through creditor-merchants who took the cream of the profits. British policy decreed that the tobacco planters remain wedded to a declining productive system, faced with the certain prospect of economic bondage.

By 1763 the contradictions in mercantilism had become self-evident. If the colonies were to buy more in goods and services from Britain than they sold her, the deficit could be cared for in only a few ways. . . . Clearly, by 1763 the colonies had to expand in order to prosper, and yet Britain sought to restrain their manufactures, their foreign trade, and their westward settlements, seeking thereby to protect her own commerce, industry, and investments . . . and to reserve the West as a field for British enterprise. Such enterprises as Britain proposed to leave free to the colonists would have yielded little beyond a subsistence living and the means of paying their sterling debts. . . . In a conflict so profound as the American Revolution the interests of all classes were vitally affected by the issues at stake. In some way or other every man's fortune felt the impact of British policies, and for the most part the effect was injurious. [*ibid.*, pp. 617-619]

Had Britain's policies affected only those Nettels and other historians call "the merchants" or Smith called "the masters," leaving the great majority of other Americans unaffected, there would have been no American Revolution. Tenets of practical mutual Obligation and shared reciprocal societal Duties productive of a social contract are grounded at the root in individuals' practical maxims of Duties-to-Self in regard to individual external situations. Servicing individual Duties to Order in *Personfähigkeit* is what compelled "working man" and "master" to make common cause against Great Britain. But how did this happen in a region originally populated by homestead farmers who were largely self-sufficient? The answer, of course, is: the American Economy Revolution took place first and rendered a great fraction of the population non-self-sufficient.

§ 4. The Economy Revolution: Labor Revolution Phase

What is a "revolution" in general? The American Revolution is an example of a "political" revolution. A "Toynbee" revolution was defined by Toynbee as "a retarded and proportionally violent act of mimesis" [Toynbee (1946), pg. 280]. Kuhn writes of "scientific" revolutions. We commonly speak of "technology" revolutions, an "information age" revolution, and a great many other "revolutions" specified by leading adjective phrases. But what Object is it that is specified and delimited by the adjective? What is a "revolution" in the general sense? The word itself derives from Later Latin, *revolutio*, "a revolving." If the social usages of the term are examined for commonality of concept, we come to the following real explanation: a **revolution** is *any process of social adaptation occurring as a response to a Toynbee challenge that essentially alters the empirical character of interpersonal interaction expressions in and alters the social dynamics of a Society*. A revolution "upsets the order of things" and results in "a new order."

That is what happened in the American Economy Revolution. There are many factors making a difference at the margins in individual cases, but partial causes of great social trends arising from a Toynbee challenge are relatively few. In 18th century America, those most determining for the Economy Revolution were: (1) population density distribution; (2) distribution of capital funding individual enterprise and joint Enterprise; (3) efficiency of production of exchangeable goods or services; (4) supply of laborers with necessary enterprise skills; (5) supply of capital materials and facilities necessary for conducting enterprises and Enterprises; (6) density of competing enterprises and Enterprises in the same market for specific goods or services; (7) the level of available market demand for consumption of particular goods or services; and (8) relative ease or difficulty in the transportation of goods or services from one locality to another.

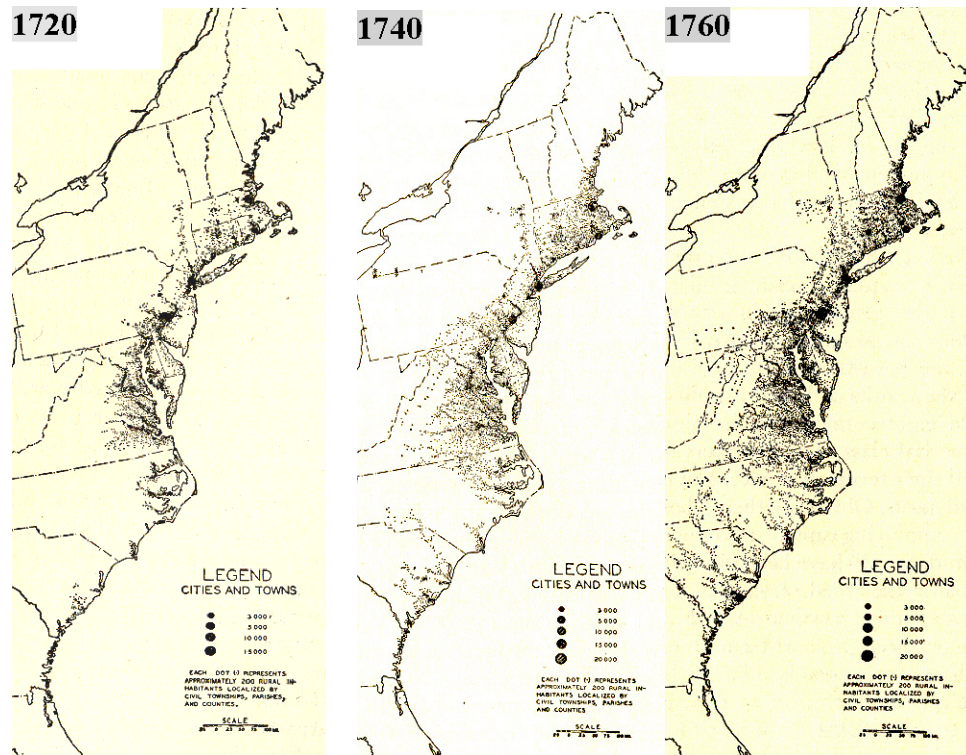


Figure 5.1: Population distribution in the colonies: 1720, 1740, and 1760 [Nettels (1938), pp. 394-7].

Figure 5.1 illustrates how the distribution of population developed in the 18th century. It is clear from these maps that the colonial population pushed west from the Atlantic coast into the inlands and, in particular, into the Piedmont. What is nonetheless striking, though, is how narrow this growth inland was. Especially from 1740 to 1760, westward expansion from New England down into Virginia made very little westward progress, its westernmost edge remaining almost unchanged. The same is true for the northern part of North Carolina, although western expansion, as well as southern expansion, is significant in southern North Carolina and South Carolina. Even though there are few cities and large towns, the distribution illustrates quite clearly that in the most populated regions of the colonies the colonists were aggregating into townships and compact counties. The general character of the colonies, while still primarily agrarian, was nonetheless becoming "urbanized" in the sense that the *isolated* small farm is not so prominently a feature of American demographics as a more romantic reading of American history might lead one to suppose. The principal trend is that of the growth of geographically localized townships and counties. Farms were small and farm neighbors not really so remote from each other as many people today tend to assume. Population demographics in 18th century America more resembles the "strip" civilization of Egypt along the Nile River than it resembles the later sparsely populated distributions characteristic of the late 19th century American Southwest and Inland Northwest.

This geographical restriction was partly due to policies of both the colonial and the British governments, and partly due to capital considerations involved with settling the frontier. It had less to do with resistance by Native Americans than popularized folklore would have one believe. A century of warfare had by and large ended significant Native American resistance to European expansion except much farther west, in the Upper Great Lakes regions, eastern Kentucky and Indiana, and in Georgia-Florida (where Cherokees and Seminoles were regional great powers). The unsettled frontier regions depicted in figure 5.1 were claimed as property by the colonial and also by the British governments. A colonist was not at *legal* liberty to simply go west and take

whatever unoccupied land he might find. Some did anyway; this is why many of the frontiersmen were called "squatters" in the East and why unfriendly relationships existed between them and the Tidewater. But for most American-born colonists, western land had to be purchased and as time went by the price of this land went ever higher because eastern speculators had been allowed to purchase it – not for the purpose of settling it themselves, but for the purpose of making a profit on their capital investments by reselling it to others. An American-born colonist of limited financial means found it increasingly difficult to acquire land either in the west or in the east.

Furthermore, many of those who did pioneer the western expansion did so as *developers* rather than from the motive of becoming homestead farmers. There is evidence your author's ancestors were pioneers of this type. It was a factor in western expansion well into the 19th century when Tocqueville made his famous tour and study of the United States. Tocqueville wrote,

But what most astonishes me in the United States is not so much the marvelous grandeur of some undertakings as the innumerable multitude of smaller ones. Almost all the farmers of the United States combine some trade with agriculture; most of them make agriculture itself a trade. It seldom happens that an American farmer settles for good upon the land which he occupies; especially in the districts of the Far West, he brings land into tillage in order to sell it again, and not to farm it: he builds a farmhouse on the speculation that, as the state of the country will soon be changed by the increase of population, a good price may be obtained for it. [Tocqueville (1840), pg. 157]

This aspect of American farmer enterprise is one it seems to me that many historians too much overlook. Farming was necessary in colonial America because without it the Americans would starve. But the colonial farmer was usually not the simple "sodbuster" contemporary city people seem to widely presume. He was a land owner/capitalist and his enterprising interests extended as far as the tangible power of his person permitted him to extend them. This last point is the point I wish to emphasize here. The capacity of the tangible power of the individual determined whether he was at liberty to be a small merchant making just enough revenue from his operations to support himself and his family, a middle class artisan of the sort described in the earlier quotes, a plantation or mercantile aristocrat, or any of the other gradations possible. We are, I think, too much misled today by romantic Jeffersonian notions of simple rustic virtues in agrarian Society, a life Jefferson himself never led. From the beginning, American farmers were agribusinessmen; only this mere *terminology* was absent in the 18th century.

The capacity of his tangible power also determined if he was less than a "master" of an Enterprise and subsisted as a tenant farmer or a journeyman. The practical difference basically turned on whether or not the individual held legal title-of-ownership to the physical facilities of his enterprise. A tenant farmer did not own his own land; he rented it and, in this sense, worked for the man who did own title to the land. A journeyman craftsman did not own his own shop; he worked for the master craftsman who did own the facilities. Lower still on the economic ladder were the indentured servants and the apprentices. Especially in the earlier periods these two could be one and the same person. Economically – that is, in social-natural economics – there is little to no *real* distinction between a tenant farmer and a journeyman artisan except for the material form of his stock-of-goods revenue. The tenant farmer grew his; the journeyman artisan obtained his by wages – either in terms of bartered tangible goods or money. The revenue income a person receives in exchange for his enterprise labors comes in some form of stock (a good) and this is the fundamental real explanation of what the term *wages* means in a social-natural theory of economics: *any form of stock good received by an individual in exchange for labor services*. It might be a barrel of apples; it might be that intangible economic good called "money".⁹

⁹ Money is a species of what Smith called *circulating capital* [Smith (1776), pp. 243-8].

A person who exchanges labor services for a revenue of stock goods is called a **wage earner**. The principal empirical characteristic of the Economy Revolution in its Labor revolution phase is change in the environment of economic resistance that a journeyman craftsman, tenant farmer, or freed indentured servant encountered affecting the degree to which he was at economic liberty of enterprise to operate his enterprise as a master (a land-owning farmer, master artisan with his own shop, a master merchant, etc.). Adams and Vannest wrote,

For the most part the free white worker in colonial days was an artisan or a journeyman. When young he was an apprentice working at his master's side and usually living in his master's home as a member of the family. When older, he worked for himself. Even before the machines came, however, some trades began to undergo a change. Men began to employ groups of workmen, whether they worked together in one building or not, and in such trades, notably shoemaking, quite a new social relation came to exist between the owner of the group business and his workmen. It was in such trades that dislike of the new conditions began to result in strikes, chiefly with regard to hours and wages. [Adams & Vannest (1935), pp. 656-7]

Adams and Vannest do not have it quite right here; masters employing small teams of journeymen and apprentices existed from relatively early in the 18th century and it was not uncommon for journeymen as well as apprentices to reside with the master. The fact was that there was for a long time a severe shortage of wage-earning laborers in the colonies. This was one of the primary factors behind the development of the colonial institution of indentured servitude. This laborer shortage limited Progress in the tangible corporate power of small Enterprises, which were at that time truly "incorporations" because master and men formed a civil mini-Community in which all were partners in their enterprises. The role of the master was that of the group's acknowledged and accepted authority figure¹⁰. Terms and conditions were jointly agreed to and formalized in contracts that established for the mini-Community a *local* social contract, and so these mini-Communities for the most part were constituted as *civil* mini-Communities. The *Existenz* of such mini-Communities became an accepted and expected part of the folkways of American colonial Society, thus one of the early institutions of the larger Society.

Because the master worked side-by-side with the journeymen, apprentices, and the indentured servants who were not also apprentices, his behavior provided examples stimulating educational Self-development actions by these people. The master was in this context acting as a teacher and so the Enterprise itself was one of colonial Society's institutes of education. Collectively, the accidental educational role of Enterprise commerce, embedded as it was in colonial folkway, was indeed one of the Society's primary institutions of education. The master was *in deed* as well as in expectation a true authority figure for the mini-Community. Despite the fact he was writing about a much later era, a point Scott made is equally pertinent to this pre-revolutionary institution if we broaden the scope of his reference to "industrialization" to that of commerce generally:

A study of the history of education reveals the fact that educational movements and educational systems are, in far greater measure than is generally realized, the outgrowth of social and economic conditions. Education is the attempt of a civilization to perpetuate what it believes to be most vital in itself. This attempt is sometimes so successful, however, that a type or a phase of education often persists beyond the time of its real usefulness. Suited to the conditions of one period, it has little value at a later age when the social forces

¹⁰ In Critical terminology, **authority** means possession of the *Kraft* of causing something to become greater, to increase, to be strengthened, or to be reinforced in some way. **Authority figure** means the position of an agent of leadership governance charged with the duty of causing the association's general success and welfare to become greater, to increase, to be strengthened, or to be reinforced. Success and welfare are measured in terms of average Progress and Order in the Community.

that gave it birth have passed away. The study of rhetoric at Rome, of intense practical value in the time of Cicero, when the state needed orators to defend its liberties, became the useless ornament of a decadent nobility when the Roman Empire fell under the sway of the imperial hierarchy. When a type of education has thus persisted and lost its value there comes, sooner or later, the demand for a readjustment to the life of the times and the construction of a new type, or types, which will more perfectly mirror the age. . . .

Among the factors that render probable the general adoption of a great system of industrial and technical education are the following: 1 – the present difficulty of obtaining skilled labor; 2 – the passing of the American frontier; 3 – the growing competition between American and foreign manufacturers; 4 – the dependence of national power upon industrial strength, . . . and; 5 – the general tendency of a civilization to perpetuate what it believes to be most vital in itself [Scott (1914), pp. 73-4]

The last sentence in the first paragraph above is true of all institutions of a Society. What he says in the second paragraph is likewise true if we replace "industrial and technical" with "Enterprise" and "industrial strength" with "commercial strength" in his fourth point. Indeed, the collapse of the old education institution we are talking about here during the Labor revolution produced more Toynbee challenges to American Society that stimulated a manual labor movement in 1800. This movement, among other things, gave rise to farm and trade schools and a school organized by the General Society of Mechanics and Tradesmen [Blake (1961), pg. 73].

The mere fact that a folkway institution has been set up does not mean there is a public, or indeed any, recognition of that institution for what it *practically* is. Nor does it mean agents of the institution or members of its mini-Community have any clear cognizance of inherent civic Duty or implied mutual Obligation in their association. People easily and often *presume* these of *other* people while at the same time failing to *recognize* any similar commitments others expect *them* to make. Adult egocentrism and the satisficing human nature of individual determinations of action are sufficient causes for lack of breadth in understanding the social-nature of the institution and its real relationship to a broader Society. Re-equilibrating satisfactions of type- α compensation behavior accounts for why some people will deny any mutual Obligations or reciprocal Duties even exist. Adult moral realism, which is grounded in subjective judgments of taste, is a sufficient reason for ignorance of civil compacts, and for how individual reactions (to changes provoking practical maxims of Duty-to-oneself in regard to the individual's external situation) can and often do provoke in others judgments holding that the first person has committed unjust violations of a social contract by his actions. The empirical phenomenon of adult moral realism is characterized in appearances by a rigid regard for "the letter of the law" with an accompanying ignorance of what Montesquieu called "the spirit of the law" [Piaget (1932), pp. 109-196]. Contemporary legal practices of contract law present an on-going spectacle of adult moral realism in action and demonstrate that while we do have a *legal* system, the United States has no governmental institution of a *justice* system. The Bar Association's contrary claim is mere propaganda.

Nor did the colonies have one to fall back on when the social environment worsened after the end of the Seven Years' War. I will present two examples here, both suitable as exemplars for the social environments found in the other colonies. The first exemplar is Virginia, which was in a number of ways the model for the other Southern colonies and which is particularly suitable as an example of social environment features characteristic of the agricultural settings in the colonies. The second exemplar is Pennsylvania. Pennsylvania – and Philadelphia in particular – presents an example in microcosm of the sort of phenomena occurring throughout the North in the convulsion of the Labor revolution. I begin with Virginia.

The single most pressing problem antagonistic to social and economic Progress facing all the colonies in the early days of America, after its initial settlement, was scarcity of labor. The power of the corporate person of a Community can only be grown through multiplication of its member-

ship, each associate binding himself to the civil Community's social contract. In all the colonies, the practical answer to small population and scarcity of labor for joint Enterprises was the system of indentured servitude. Ballagh wrote,

From what has been said the importance of the system of white servitude in colonial development is apparent. Such effects as were due to it were to some extent obscured by the institution of slavery, which, existing for some time alongside the earlier system and finally supplanting it [in the South], either greatly counteracted or enhanced its influence. Yet it is possible to make some general deductions as to the social and economic results which followed [indentured servitude's] introduction into the American colonies. Its superiority to a system of perfectly free labor under colonial conditions could not be doubted if it were certain to lead to the development of a class of independent freeholders¹¹. The benefit to production to be derived from long and certain terms of service with contract labor was sufficiently shown in the experience of [then] contemporary England. We can see how advantageously such an extension of the time and certainty of labor supply as was involved in indentured servitude, together with the power of control by the master and the economy of providing for large numbers of servants together, would work in a new and sparsely settled country whose industry was chiefly agricultural and dependent for success on a foreign trade and consequently on the efficient management of large landed estates by a capitalist class. Some form of cheap labor was a necessity . . . The gradual and tentative development in practice of indentured servitude from what at first was theoretically but a modification of free contract labor clearly shows its recognized superiority to such a system as existed in England. Designed not only as a labor supply, but as an immigration agency, it had generally the effect of an industrial apprenticeship, greatly strengthening the position of the capitalist employer and developing a class of industrially efficient free men. It supplied the entire force of skilled and domestic labor of the colony [of Virginia] for more than half a century, and continued, after slavery as a general labor supply had supplanted it, to be the source of all high-grade labor well into the eighteenth century. It provided for the growth of a strong yeomanry during the seventeenth and eighteenth centuries, preventing a complete absorption of the land into large estates; and in furnishing a great number of independent settlers and citizens, particularly for the back territory, it had a most marked effect on the political as well as the economic development of the country. . . . The experience of Virginia was largely repeated in the other colonies, and the general effects of the system were much the same in all. The influence on internal development was even more clearly marked in Maryland and Pennsylvania than in Virginia. [Ballagh (1895), pp. 89-93]

In an era of chronic labor shortage and reasonably affordable supply of land, and proliferation of new communities aggregating as townships and counties, the newly freed indentured servant found ample opportunity to set himself up in his own personal enterprise and make a success of it, whether as a farmer-householder or as an artisan taking advantage of the developing and feasible specialized divisions of labor that gradually emerged. Nor did a master need fear the newly freed indentured servant as a competitor; westward and southward expansion saw to that. As Adams and Vannest remarked (pg. 650), "Before the machine age began, almost all Americans had enjoyed, or had the chance of enjoying, a reasonable degree of economic independence." The pre-Labor-revolution Society was the Society-in-real-*Existenz* Francis Scott Key¹² eulogized in his famous line, "the land of the free and the home of the brave," and the image that contemporary so-called conservative propagandists exploit in their rhetorical praise of uncivic free enterprise (much like pre-World War II Germany worshipped its Teutonic myths and Nordic heroes). Early folkways of the institution developed more or less *ad hoc* in the period from 1619-1642:

¹¹ because indentured servitude provided a *de facto* institution of immigration. Without it there would have been very little emigration to America and the population would have been limited by birth-death rates in an era of high child mortality rates and an average life expectancy much shorter than today.

¹² *The Star-Spangled Banner*, Sept. 14, 1814, st. 1.

Before the close of the first half of the [seventeenth] century, then, we have seen the growth, mainly through judicial decisions, of certain customary rights on the part both of the servant and of the master as recognized incidents of the conditions of servitude. These were on the part of the servant the right to a certificate of freedom, to freedom dues, and to the possession of property; on the part of the master, to the free assignment of the servant's contract by deed or will, to additions of time in lieu of damages for breach of contract, and the right of forbidding the servant to engage in trade. Corporal punishments and additions of time have also become the ordinary modes of regulating the servant's conduct and punishing his offenses. [Ballagh (1895), pg. 49]

The institution attained its peak growth and highest pinnacle of social benefit between 1642 and 1726, after which the first signs of change in the social environment began to be manifested. As the institution became more and more a part of common folkway, habitual behaviors and unthinking prejudices increasingly came to govern its functioning. Thus the administration of the institution became thoughtless just as a new Toynbee challenge was emerging in colonial Society and the institution required the most judicious adaptation to meet the challenge. It has been said that people do not know or appreciate what they've got until it's gone, and this proverb can be applied to life in the era when the institute of indentured servitude was in its high summer. The Americans simply committed the same habitual error often made by all people who presume a mythical permanent state of *status quo* exists in social dynamics. Rather than the judicious adjustments required of the institution for meeting the challenge, it received almost fully contradictory accommodations born of satisficing behaviors and judgments of taste instead. Ballagh wrote,

The period [from 1642 to 1726] is thus characterized by a twofold development: first, on the part of the master, from a conception of his right to the service guaranteed by the contract and to such incidents as enabled him to realize this right, to a conception of property in the servant himself which he would employ to the utmost advantage allowed him by the law; and on the part of the servant, from a desire to fulfill the conditions of his contract to a desire in general to escape from servitude whether based on lawful contract or on the exaction of his master: secondly, a reduction of the relation of master and servant to fixity and uniformity throughout the colony by the action of statute law in ascertaining their respective rights and duties. [*ibid.*, pg. 65]

Putting this into the language of Social Contract theory, the institution of indentured servitude was subjected to legalism during this middle period, and because the codifiers did not include those who were themselves then indentured servants, the codification was one-sided and prejudicial to their interests. If Virginians had actually been aware of the concept of social contracts generally, and that they in particular had one of their own making instituted in the system of indentured servitude, deontological ethics would have to pronounce the codifications a moral crime. As it was, colonists were ignorant of the social contract concept – mistaking it for religious doctrine – and so these actions are deontologically accounted moral faults rather than crimes. The colonists committed a common failure of recognition: they mistook a legal system to be a justice system. The error was widely repeated in the other colonies, and the resulting legal enormities helped set the stage for the Labor revolution that shortly afterward began.

In the South, the period from 1726 to 1788 saw the decline, disintegration, and disappearance of the institution of indentured servitude, and its replacement by the institution of slavery. The institution, to use Dylan Thomas' words, went gently into that good night. None stood to save it, none stood to preserve it. The institution failed to adapt and, unlike many other types of social institutions, quietly passed away. With it went the South's only true institution of *public* education for whites:

We have seen that the relation of master and servant was at first a relation between legal

persons, based on contract, and that such property right as existed consisted in the master's right to the labor and services of his servants, while the servant enjoyed a reciprocal right to support and, to some extent, to protection and instruction from his master; that gradually the conception of property grew at the expense of that of personality, and that with a limited class of servants personal liberty became so restricted that they stood in respect to their masters in a position somewhat analogous to that of slaves. The broadest practical and legal distinction was made, however, between the servant in general and the slave . . . It rested for its sanction on national or municipal law alone, while slavery was based on international as well as municipal law. . . . The servant always had rights which his master was bound to respect, and besides the guarantee of personal security enjoyed a limited right to private property. The conception of the servant himself as a piece of property did not go beyond that of personality, while the slave did not remain as personal estate, but came to be regarded as a chattel real or as real estate. . . .

The actual condition of the servant, though in great measure determined by his legal status and by certain social laws, was also largely influenced by many customs that had no sanction in law, and the distinction between servant and slave became as clearly defined under the action of these and the practical working of the law as in the letter of the law.

In regard to employment a marked distinction was frequently made between the servant and the slave. The industry of the colony [Virginia] was chiefly agricultural, its staple throughout the seventeenth century being tobacco. Where the servant was engaged in field labor he was worked side by side with the negro slave, under the direction of overseers who were frequently the best of his own class. This was not in itself a hardship, as the work was the same as that of the planters themselves and of every common freeman, and the servant was not required to do more in a day than was done by his overseer. As the number of negroes began to increase, the harder and greater part of the work was put upon them, and the servant . . . was reserved for lighter and finer tasks. . . . Very large numbers of the servants were also artisans and skilled workmen and were employed in building and other trades. Almost every profession was represented, and on the large plantations, which provided mostly their own necessities, there was a great demand for such servants and for industrial apprentices. Many servants were thus taken into the families of their masters in various capacities, and were treated with as much consideration as if working under a free contract for wages. . . .

The servant himself was disposed to regard his condition as only that of a free man rendering services for a sort of wages advanced to him in his transportation [to America] and maintenance, and his legal disabilities as only a temporary suspension of his rights necessary to ensure a more complete realization by his master of the right to his service. Constantly looking forward to his full freedom, he considered his position as analogous to apprenticeship, or to that of the ordinary hired laborer rather than to that of the slave. [*ibid.*, pp. 67-71]

A most singular institution? Perhaps. Yet it populated the American colonies with the very people who successfully waged a Revolutionary War against the world's greatest superpower. A peculiar Society with barbaric and primitive ideas of human liberty built into its structure? Tell me: Does the entity where you work have a Personnel department or does it have a Human Resources department instead? Or does it have no such organized function at all? What we call things is a reflection of how we think about them, and what we do not call anything at all we do not think about at all. It is also important to remember this: "Those who cannot remember the past are condemned to repeat it" [Santayana (1905), pg. 284]. Barbaric and primitive? Perhaps. Neither word means "not contemporary."

The example of Virginia shows us that indentured servitude was not an institution distinctly tied to either the town setting or the rural setting, nor are these distinguished by whether those servants are artisans or relatively unskilled laborers. To get a more distinct idea of the practical

nature of the institution, let us now turn to the example of Pennsylvania. Understanding what life was like for the typical indentured laborer is difficult because of a paucity of records from that period. How many of them succeeded in becoming masters themselves after their indenture ended? How many of them became landowners and what fraction became an itinerant workforce? Historians have not yet been able to agree upon answers to these questions:

The most salient feature of the post-servitude lives of eighteenth-century indentured laborers was their obscurity. Although mortality and geographic mobility may have been high, these two factors cannot account for the large number of former servants never located in the records nor the many servants found just once. [Salinger then cites examples, Bryan, Falls, and Kalbfleisch, three freed servants found in Pennsylvania records]. It is possible that Bryan, Falls, and Kalbfleisch moved constantly and no consistent records could exist for them. More likely, they, like many of the city's residents, were too poor to be of interest to tax assessors. They rented small flats or parts of apartments and were overlooked by the tax collectors, who spent their efforts where the results would be greater. Thus the lives of former servants and other poor folks went unrecorded and are lost to historical sleuthing. . . .

Historians do not agree about the prospects for mobility in eighteenth-century America. Some writers conclude that Pennsylvania provided a relatively high standard of living and ample opportunity. They report that diligent labor was rewarded by an ascent up the economic ladder. For more than a decade now, historians of early Pennsylvania have amended these favorable accounts through systematic research and a healthy dose of skepticism. Rather than general affluence and mobility in Philadelphia, they have found shrinking opportunity and increased poverty as the eighteenth century unfolded. A mobility study of freed eighteenth-century servants not only furthers our understanding of the effects of the Pennsylvania economy on individual mobility, but also allows us to compare and contrast the experiences between the seventeenth and eighteenth centuries. Finally, the concern is with more than mobility and the extent to which former servants obtained a decent competency, because their elusiveness belies the notion that opportunity was widespread. [Salinger (1987), pp. 115-120]

The Toynbee challenge posed in the eighteenth century was an economic challenge involving all the residents in all the colonies. Salinger organized her study around three temporal groups of indentured servants: those from the periods 1682-7, 1718-31, and 1741-6 (groups I, II, and III, respectively). Statistical results from the study must be regarded very cautiously because the number of persons represented in her database is tiny in relationship to overall population. Even so, some *qualitative* tendencies are discernable. The first is that Progress in individual tangible *Personfähigkeit* after the end of indenture became increasingly more difficult to achieve as time passed. People from Salinger's Group I demonstrated greater success in establishing personal enterprises after being freed from indenture than did those from Group II. Those from Group II, in turn, demonstrated greater post-indenture enterprise success than those from Group III [Salinger (1987), pp. 115-136]. The second is that waning success level achieved by personal enterprises was *not* the result of any general macroeconomic ill-being in the colonies as a whole. In point of fact, the macroeconomic picture was very robust prior to 1740:

The general health of the economy does not appear to have been the culprit that limited mobility for Group II. The first group of eighteenth-century servants entered society as free persons during a period of economic growth. After 1728, the demand for Pennsylvania produce, primarily grain, increased and the rural sector of the economy prospered. The growth in agricultural production helped spur the Philadelphia economy as well. The city's overseas trade network expanded, which in turn stimulated the urban trades. Thus during the 1730s . . . the colonial economy was prospering and opportunity was ample. The decades of the 1740s and 1750s were peppered by wars which continued to encourage

economic expansion. Servants were freed during a period of economic growth and the economic realities only got better.

Group III members also gained freedom during what appears to have been a favorable economic period. Except for a brief commercial downturn at mid-century, the general indicators suggest that the Pennsylvania economy was healthy and growing. During the Seven Years' War, everyone from the merchant to the seaman reaped the spoils. Provisioning contracts for one and privateering benefits for the other kept profits up and jobs plentiful. [*ibid.*, pg. 72]

In the years immediately following World War II, a myth grew up among Americans that each succeeding generation does better than the one before. It is easy to comprehend how people who grew up hearing stories of the Great Depression from their elders and witnessing the technology revolution started in the 1950s – which replaced hand-cranked washers with electric clothes washers, clotheslines with electric dryers, radio with television, saw a tremendous expansion in availability of other affordable household appliances, and so on – could come to believe in the myth. The myth acquired pseudo-economic costuming in the 1980s with the invention of the "trickle down theory of economics." History, however, returns a quite different verdict. At no time in the history of the United States from the colonial period to the present day is there any evidence whatsoever of any sort of automatic Progress on a generation by generation basis in the general level of tangible *Personfähigkeit* of individuals, and so-called trickle-down economics has never been anything more substantial than political propaganda. It is a mistake to confuse technological improvements or availability of gadgets for Progress in individual *Personfähigkeit*. However much one might personally prefer flush toilets to chamber pots to outhouses, gadgetry is never the same thing as prosperity or personal welfare. It is assuredly true that life in the little village of Troy, Idaho is healthier and generally less harsh than in a Ugandan village of today; but if we examine the causes of this, these fall not to individual *Personfähigkeit* but, instead, to infrastructure – which is the product of Progress in the power of the *corporate* person called Society. There is nothing generation-by-generation automatic in this.

There is likewise a popular contemporary myth of long standing that "free enterprise" assures, and is the only assurance, that prosperity and Progress for all follows as effect of its cause. This is the myth of the so-called "dead hand of Adam Smith," who never said any such thing. Smith used the phrase "dead hand" as a metaphor for mathematical relationships in economics; he never said "free enterprise" was a sure cure for whatever ails you. Quite apart from the fact that outside of the context of a social contract the adjective "free" in "free enterprise" is meaningless, whether or not general Progress in individuals' *Personfähigkeit* is realized under any economic convention turns entirely upon whether the free enterprise is *civic* or *uncivic*. Why did the macroeconomic prosperity of the eighteenth century up until 1763 not raise the general level of economic welfare for the majority of Americans but rather saw a decline in this? The answer is not difficult to discover. This is the period in American history that saw *institution of folkways of uncivic free enterprise* in America. This *new institution* was the essence of the Labor revolution.

It can seem rather ironic that the stimulus for this development was the macroeconomic level of prosperity itself. That a human being follows his own maxims of Duty-to-Self in regard to his external situation is nothing more and nothing less than *homo noumenal* human Nature, and there is no culpability that can be deontologically attached to this. To strive for Progress in the power of one's person is to act in accordance with the fundamental regulative law of human reasoning. You might as well expect a person to grow wings and fly as to expect him to act contrary to his Self-developed manifold of practical rules and tenets. He cannot do either one. He *can* make adaptations in his own practical rule structure, but he *will* do so if *only* by doing so he can restore his equilibrium in the face of some disturbance event, and he *will* accommodate himself to the first *satisficing* adaptation he can discover through experience. We saw in chapter 4 that colonial

education was nil for the instructional functions of corporal civil values, the civil planning function and the civil contracting function. Instruction in the cooperation of social Enterprise function was inadequate for the maintenance of Order in all colonies and was nil in the southern group. This means that there was nothing in the experiential background for educational Self-development that prepared, much less accustomed, most individuals to think about Society as they found ways and means of responding to economic disturbance. The most obvious means for one's tangible *Personfähigkeit* to benefit from recognition of economic opportunity is to expand one's enterprise capacity to provide products or services to those who provide a demand for them.

But an individual can expand this tangible power only by combining his tangible power with those of others: he must somehow get more laborers to help him. This is precisely what colonial entrepreneurs possessing adequate investment capital did. Macroeconomic opportunity provoked the formation of new mini-Communities – namely, commercial business Enterprises. This does not mean it provoked forming new *civil* mini-Communities, and, given the lack of experience and instructional public education in the social dimension of the learner-as-member-of-a-Community, it is not in the least surprising that the easiest satisficing social adaptations that took place were *initially* non-civic. They formed from judgments of taste that reflected both adult egocentrism and adult moral realism. New folkways developed out of these adaptations and, as these became habitual (therefore unthinking), it is also not surprising that further accommodations of commercial folkways would gradually alter them from non-civic to an uncivic character as individual entrepreneurs discovered the economically predicted productive advantages in the pragmatic tactics of division of labor. Let us look specifically at how the division of labor directly affected the hiring entrepreneur:

Colonial craftsmen tended to make their products on custom order. This bespoke product was crafted with the artisan's own tools within his workspace, and production centered around household labor. As craftsmen moved away from custom work, they purchased labor either in the form of servants and slaves, or occasionally, in the form of journeymen. If the shop produced a surplus, the role of the master craftsman shifted subtly as he combined his craft skills with the jobs of retailer and employer. The productive unit remained within the household, but now combined under the workshop roof were perhaps an apprentice or two, bound servants, maybe a slave, and family members, wives, sons, and daughters. In the final stage of production before the emergence of a factory system, successful master craftsmen spent increasingly less time at the workbench and more effort in buying and selling. And as the supply of free workers became more plentiful and less expensive, masters paid wages to their employees more often than they purchased the time of a servant or slave. Many master craftsmen moved to the status of employer and merchant capitalist. [Salinger (1987), pg. 154]

No one who has had the personal experience of founding a successful commercial Enterprise, or of being one of its early participating entrepreneurs, is likely to find this the least bit surprising or regard it as controversial. Indeed, post mortem analysis of any number of failed start-up companies most often reveals the cause of failure was inadequate skill or attention paid to the merchant and governance functions by the Enterprise founders. Even contemporary business schools know this, which is probably a reliable reflection on how easy it is to discover this major cause of business failure. If the entrepreneur-founder (Salinger's master craftsman) does not himself possess adequate skills of power of persuasion to successfully perform marketing and sales functions, he must find a partner-entrepreneur who does. Dave Packard, who was co-founder of the Hewlett-Packard Company, wrote,

Another gentleman who took an early interest in our activities and who was destined to play an immensely important role in the success of Hewlett-Packard was Norman Neely. Norm was a Southern California manufacturers' representative handling radio, recording,

and other electrical equipment. He had heard about Hewlett's oscillator and invited Bill to speak at the Radio Engineers Club in Los Angeles. The evening did not start out on a promising note, for it began with the club president introducing Bill Hewlett as "Bill Packard," but the presentation itself drew a strong response – none more so than the one from Norm himself.

Shortly thereafter Norm visited Bill and me in our Addison Avenue garage. We had already approached him about being our first sales representative, and during his visit we reached a verbal agreement and sealed it with a handshake. That was the way we were to conduct our business with Norm for the next fifty years. [Packard (1995), pp. 45-6]

In addition to a sales force, Neely also provided Packard and Hewlett with invaluable marketing advice. Eventually Neely's Enterprise was merged with the Hewlett-Packard Company and his sales organization became known within HP as the Neely Sales Division.

The eventual consequence of the master craftsman moving away from doing craftsman's work and taking on more and more work as merchant and Enterprise governor was an interpersonal distancing between himself and the other laborers within the Enterprise. Salinger described it thusly:

The transition brought changes in the relations between artisans and their workers even before indentured labor gave way to wage labor¹³. The first sign was the changing contractual relationship of masters and apprentices. Although during the colonial period masters and apprentices signed formal agreements to specify the length of the indenture and some of the apprentices' responsibilities, they relied for the most part on unwritten understanding of mutual obligations. As the century progressed, such items as the nature and amount of work expected from the apprentice and arrangements for education and clothing were translated into monetary values and specified in greater detail.

More dramatic, as wage labor rose, were changes in the character of the colonial workplace. In the colonial shop, the master craftsman labored alongside his servants or slaves, perhaps an apprentice or two, and an occasional journeyman. Stability resulted because it took four to five years for a servant to work out his indenture term and even longer for an apprentice to learn the craft. . . . The unfree workers of the city were forced to share the workbench with their artisan owners, but the relationship was stable and, by eighteenth-century standards, long lasting.

When the master left the workbench to his employees, labor relations in Philadelphia changed markedly. The early colonial labor market encouraged the city's master craftsmen to rely heavily on skilled bound workers, both indentured servants and slaves. As the eighteenth century progressed, this coercive, paternalistic labor arrangement revealed increasing social conflict. However, relations among free workers, masters, and journeymen were based on shared goals. A mutuality existed . . . because for artisans, belonging to a trade carried with it more than working at a craft. It meant a sense of obligation, and masters and journeymen were bound "in service to themselves, each other, and the community." Workers did not work just to earn a living; they internalized a collective "trade identity and commitment to the community in which they labored." . . .

The traditional outlook, in which this mutuality and communal spirit dominated, began to collapse during the late colonial period. The accumulative, entrepreneurial¹⁴ spirit replaced the "moral economy," and social responsibility in economic activity was lost. Individual

¹³ by "wage labor" Salinger means journeymen and others not bound by an indenture agreement. She and others refer to workers of this type as "free laborers" to distinguish them from slaves and indentured servants, who are then referred to as "unfree laborers."

¹⁴ here Salinger uses the word "entrepreneurial" in its dictionary connotation rather than in the technical and social-natural connotation I use in this treatise.

acquisitiveness replaced the ideal of the good of the community. It is impossible to say when the new ethos emerged and then dominated, but it seems to have coincided with the decline of unfree and subsequent rise of wage labor and to have been tied to an economic barometer. [Salinger (1987), pp. 161-3]

This is the Labor revolution. It was a change in interpersonal relationships in the workplace and a breakdown of the previous social contract. It was not "labor unrest" or the spontaneous organization of trade associations – although both of these soon followed as symptoms of the underlying revolution. It prepared the ground for commission of great enormities when "the machine age" – the industrial revolution phase – began a few decades later.

Salinger could hardly have picked a better phrase than when she wrote of the changeover as replacing a "moral economy." Deontologically that is precisely what it was: a gradual changeover from mini-Community in tight bonding relationships to state-of-nature relationships bound by legal agreements and increasingly characterized by anti-bonding interpersonal relationships. There was still a broader Society, in which the commercial mini-Communities were embedded and which enforced legal contract agreements, but the civil Community of the Enterprise was broken down and uncivic free enterprise took the place of the old civic free enterprise system.

The economic downturn that followed the end of the Seven Years' War visited disaster on the welfare of individuals in this fragile new Society for both the master-merchants and the enterprise laborers who lacked the capital required to establish their own shops and businesses. The shift from civil mini-Communities of Enterprise to non-civil mini-Communities of commercial entities meant that all individuals involved would thereafter act solely on the basis of Duties-to-Self. It also meant that the motivational dynamic determining human reasoning processes would encounter no contradictions by practical tenets, in the manifold of rules, that regulate actions at least in part as tenets of mutual Obligation between master-merchant and employed laborer. Competitive rather than cooperative interactions would be the result, and the first casualty of the new social situation was the institution of indentured servitude. This institution, along with the educational functions it provided, never recovered. Salinger writes,

The continuing decline of the proportion of unfree labor [indentured servants] in the post-revolutionary period, a decline that began at the end of the Seven Years' War when the supply of indentured servants was high, was primarily the result of demand. The city's employers [in Philadelphia] shifted from the consistent use of bound labor to that of wage labor. In the 1760s, for the first time in the colony's history, Philadelphia did not suffer from the pressures of a labor shortage. Employers were no longer required to purchase labor in three- to four-year packages or for the life of the worker. From a growing population of poor and unemployed, Philadelphia employers could hire and fire workers as economic necessity dictated. . . .

The labor surplus was created by a combination of factors. The port city's population grew markedly after the end of the Seven Years' War. . . . However, this population spurt was accompanied by an increase in the number of poor and unemployed residents because, while the city grew, the economy developed unevenly and many laborers were affected negatively. For an increasingly large segment of the population, the economic outlook was grim. After the mid-century, prices fluctuated but followed an upward trend. The war against the French accelerated the price rise. . . . But after the peace, the upward movement of prices was interrupted by severe periods of depression, with prices reaching low points in 1765 and 1769. The depression forced a number of businesses to close.

When the depression hit in 1765, substantial unemployment occurred and work for many of the city's artisans dried up. . . . During the decade of the sixties, poverty hounded the city. Ten percent of Philadelphia's adult population could be counted as impoverished . . . Not only were the ranks of the poor swelling, but the chances for reversing the economic

hardships were dwindling. . . . The post-Seven Years' War economy reduced many artisans to a marginal state. Even in the brightest of economic periods, artisans could never be assured of steady employment. Seasonal shifts in demand, material shortages, and the cyclical nature of the money market were the artisans' constant companions. . . .

Changes in the labor market increasingly favored free over unfree labor. Early on, artisans purchased the time of an indentured servant or bought a slave when wages for free laborers were high and workers were scarce. These unfree workers were a sound investment. . . . By the late colonial period and especially during the years following the Revolution, bound labor lost its financial attractiveness. . . . Meanwhile, wage labor became less expensive. During the same period, wages among the city's least skilled laborers actually declined, and those of other workers barely kept pace with rising prices. . . . Wages continued at these low levels after the Revolution. . . .

Two other incentives encouraged the shift to free labor: a decreasing amount of capital for investment in bound labor and a vacillating economy that demanded a more flexible labor system. During the late colonial period economic difficulties plagued Philadelphia, and investment in unfree labor became less feasible for a substantial portion of the artisan community as well as less economical for those still in need of and able to afford additional labor. The economic contraction after the Seven Years' War diminished the capital that city master mechanics had available to invest in labor. More important, however, along with the economic incentives for switching to wage labor was the more plentiful and reliable supply of free workers as wages decreased and mobility narrowed. [Salinger (1987), pp. 148-151]

If this picture seems familiar, well, so it should. The Labor revolution effected fundamental changes in the deontological moral customs of American Society, established a new empirical paradigm for relationships among enterprise entrepreneurs within joint Enterprise entities, and fixed new habits of thinking that have remained dominant in America to this day. The industrial revolution, when it came to America's shores a few decades later, altered business economics but it did *not* alter the changes in social contracting that happened during the Labor revolution. It merely made the paradigms of employer practices established in the eighteenth century phase easy to extend when the machine age made employment of *unskilled* labor possible in a factory system.

It is difficult to say what would have happened if the American institution of public education had been better before these events took place, and had provided Americans with the educational Self-development experiences necessary to equip individuals with practical rules dealing with the social dimension of Community that provoke development of maxims of mutual Obligation and civic Duty. The development of such maxims sets up the contradictions in practical judgment that are necessary to forestall satisficing decision-making according to type- α compensation behavior. The social contract within a mini-Community Enterprise would have been better understood – or at least better provided for by subjective judgments of taste – and equilibration of disturbances on the parts of all the individual persons affected by the changing social environment would have required that more creative solutions to problems be achieved. Toynbee's Nietzschean notions about "the uncreative majority" and the rule of mimesis *are not laws of human mental Nature* but, rather, the phenomena he sought to explain by these notions are consequences of the sorts of practical rules and maxims individuals self-develop from experience. Through lack of the sorts of educational experiences the functions of corporal, intellect, tangible, and persuasion education provide in the social dimension of the learner-as-a-member-of-a-Community, the early American institution of public education left the Society unable to rise to meet the formidable challenges that confronted people when changes in the social environment factors happened.

However, speculation about what might have been does not serve practical contemporary need or purpose, and, in any case, we can never know what course colonial Americans would have come to agree to take if education sufficient for at least the maintenance of Order in Society had

been provided. What we know is that it did not and that the Labor revolution established uncivic free enterprise firmly in American Society in the middle-eighteenth century. This had profound effects on all subsequent education reform experiments from the nineteenth century to the present day.

There is, however, another major change in the social environment that took place just after the Labor revolution had taken hold. This one, too, had profound effects – both for social good and ill – on the development of the institution of instructional education in America, and we must next consider it. It is called the American Revolution.

§ 5. References

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