

Financial Revolution in Massachusetts: Public Credit and Taxation, 1692-1774

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Some £2.4 millions were raised by the provincial government of Massachusetts between 1692 and 1770, almost all of which was recycled within its own economy. While half the colony's revenue was raised from personal and estate taxes, much help came from British taxpayers, until in 1764 a change in imperial policy put an end to these subsidies. High though wartime and post-war taxes had been in the 1750s and 1760s, the per-capita burden never approached the high levels of the years 1702-1713. By 1774, whatever debts the province had acquired by loans from its people had been repaid. It was the fiscal orthodoxy of successive administrations that occasioned, at least in part, the attacks on imperial authorities in the immediate pre-revolution years. There is little to support the view that Massachusetts nearly bankrupted itself from war or that its people were beggared by a heavy load of taxation.

Entre les années 1692 et 1770, le gouvernement provincial du Massachusetts perçut la somme de 2,4 millions de livres, somme dont la quasi-totalité fut d'ailleurs injectée dans l'économie coloniale. Beaucoup d'aide venait, par voie de subvention, de payeurs de taxes britanniques. L'application de ce schéma cessa brusquement en 1764 lorsque, par un revirement de sa politique, le gouvernement britannique chercha plutôt à trouver des fonds en Amérique. Bien que les impôts aient été élevés au cours des années 1750 et 1760 — années de guerre et d'après-guerre —, leur poids par habitant n'atteignit jamais celui des années 1702-1713. Dès 1774, la province avait déjà remis tous les prêts que lui avait consentis la population. Ainsi, les attaques pré-révolutionnaires contre les autorités impériales furent occasionnées en partie par l'orthodoxie fiscale dont firent preuve, avec succès, les administrations successives. L'opinion qui veut que la guerre ait pratiquement ruiné le Massachusetts ou que l'imposition par la province ait réduit la population à la mendicité ne repose sur à peu près rien.

For any to grumble at the Raising needful taxes to defray our publick charges, is a piece of unreasonable and abominable Baseness; and it is a scandal to New-England that ever it should be found amongst us.¹

I

“No government”, wrote the Reverend Joseph B. Felt in 1847, “can exist without appropriate supplies, any more than a human body can live without

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1. *Some Additional Considerations Addressed unto the Worshipful Elisha Hutchinson, Esq., By a Gentleman...* (Boston, 1691), in *Tracts Relating to the Currency of The Massachusetts Bay, 1682-1720*, ed. Andrew McFarland DAVIS (Boston: Houghton, Mifflin, 1902), p. 23. The same author spoke on p. 17 of the tendency “to render the Government odious by a great noise of Taxes, when little come thereby; a great cry of Hog-sheering, when there is no wool.”

nourishment."² This is a study of the development in the public finances of Massachusetts from the granting of the new charter in 1691, after the disturbances of the Glorious Revolution, until the eve of the War of Independence, when royal authority was so undermined that it was unable even to collect taxes. The decade of disturbance leading to war was heralded by a crucial reversal of policy which affected Massachusetts profoundly. Until 1764 she had been encouraged by large parliamentary grants, shipped into the hands of her treasurer almost annually, to play a leading role in the defence of the colonies. Now with the outbreak of peace that policy, without consultation by Britain of colonial sentiments, was fatally reversed. New imperial fiscal measures, far from making grants to North American colonies, sought to tax them for part of the overall defence costs.

Taxation and governmental expenditure are compelling subjects in all ages, and prominent features of political economy. Historically the élite, who have been the principal beneficiaries of such public spending, have invariably resented parting even with the smallest portions of the gains they have made from the public trough. The reality of taxpaying is everywhere unpopular. As an idea it becomes bearable only when those who are taxed can determine, however remotely, the amount to be collected as well as the direction of public expenditure. In the eighteenth century this was not a new idea. Lord Camden in 1766, echoing seventeenth-century commentators as well as the American patriot James Otis, remarked:

Taxation and representation are inseparable . . . whatever is a man's own, is absolutely his own; no man hath a right to take it from him without his consent, either expressed by himself or representative; whoever attempts to do it, attempts an injury; whoever does it, commits a robbery; he throws down and destroys the distinction between liberty and slavery.³

Such ideas, it is well known, became the tinder of the Stamp Act crisis of 1765, when so many of the colonial élite became politicized for the first time.

While so many words have been spilled to explain the nature of the slavery Britain sought to impose on America by her taxation measures after 1764, little attention has been focused on the system developed by the colonies to tax themselves.⁴ That it was a very light burden in most years, when comparison is made with taxation levels in Britain and Ireland,⁵ might explain its general neglect by scholars.

2. Joseph B. FELT, "Statistics of Taxation in Massachusetts, including Valuation and Population", *Collections of the American Statistical Association*, I (1847): 221.

3. Speech of Lord Camden on the American Declaratory Bill in the House of Lords, 7 March 1766, in *The Parliamentary History of England from the Earliest Period to the Year 1803*, 36 vol. (London, 1813, reprint, New York: Johnson Reprint Corporation, 1966), XVI: 178.

4. The exceptions are Lawrence Henry GIPSON, "Connecticut Taxation and Parliamentary Aid Preceding the Revolutionary War", *American Historical Review*, XXXVI (July 1931): 721-39; Marvin L. KAY, "Provincial Taxes in North Carolina During the Administrations of Dobbs and Tyrone", *North Carolina Historical Review*, XLII (Autumn 1965): 440-53, and "The Payment of Provincial and Local Taxes in North Carolina, 1748-1771", *William and Mary Quarterly*, ser. 3, XXVI (April 1969): 218-40; Robert A. BECKER, *Revolution, Reform and the Politics of American Taxation, 1763-1783* (Baton Rouge: Louisiana State University Press 1980). On New England up to 1775, see esp. pp. 8-41.

5. The tax burden in Massachusetts, for instance, is thought to have been in 1765 about 4 percent that of Britain and about 15 percent that of Ireland. See Gary M. WALTON and James SHEPHERD, *The Economic Rise of Early America* (Cambridge University Press, 1979), pp. 163-64.

Nevertheless, in view of the central importance of taxation in the rhetoric of the revolutionary movement, especially among the social and political élite, it is a subject that deserves fuller articulation.⁶

Recent work by New England historians relating to this question has centred principally on Boston. This had tended to give the impression that the town's experience was representative of all of Massachusetts or even of New England as a whole. Nothing could be more inaccurate. That Boston was highly taxed in relation to the rest of the province, as was asserted by eighteenth-century selectmen, has been amply demonstrated by Nash.⁷ The general economic stagnation of the town at times during the 1730s, 1740s and 1750s, in such vivid contrast to the expansion and optimism of New York and Philadelphia, resulted in growing urban poverty, increasing tax arrears, an absolute decline in the number of Boston's taxpayers, and the concentration of more of the town's wealth in fewer hands. This too has been convincingly argued by some recent historians.⁸ It is quite another thing to claim that war taxation in Massachusetts discouraged trade and so influenced the economic well-being of the colony that "beginning in the 1730s"⁹ men chose to emigrate rather than pay such taxes.

To ascribe to wartime taxes the relative poverty of white males in New England in the 1770s, as compared to those of the Middle Colonies or the South, without taking into account the relative distribution of natural resources, differences in climate, and ultimately the market needs of the Atlantic economy in the 1760s and 1770s, is to invite serious criticism.¹⁰ Pencak believes that Massachusetts nearly bankrupted itself by its expenditure on war.¹¹ Yet bankruptcy was never a possibility after 1750, while earlier the printing of paper money and the rapid increase of taxes in wartime ensured that insolvency as a serious possibility never arose. Certainly

6. The annual financial statements of the government of The Massachusetts Bay, upon which this article principally rests, are found in two locations: Massachusetts Archives, State House, Boston, vol. 122-25, and the Public Record Office, Kew (hereafter PRO), CO5/852-54. A few of the annual reports have not survived, and in such cases, where possible, data have been drawn from *The Acts and Resolves, Public and Private, of the Province of The Massachusetts Bay*, eds. Albert C. GOODELL et al., 20 vol. (Boston, 1896-1918).

7. Gary B. NASH, *The Urban Crucible: Social Change, Public Consciousness, and the Origins of the American Revolution* (Cambridge: Harvard University Press, 1979), Table 11, p. 403, provides useful data on per capita annual tax for the town of Boston, expressed in sterling. For 1695-1714 it averaged less than 8s; for 1715-39 it fell by half to less than 4s. Between 1740 and 1764 it rose to slightly more than 10s. On the eve of the Revolutionary War between 1770 and 1774 it had declined to less than 9s.

8. *Ibid.*, p. 117, 182-84, 252-54.

9. William PENCÁK, *War, Politics and Revolution in Provincial Massachusetts* (Boston: Northwestern University Press, 1981), p. 94-95.

10. *Ibid.*, p. 237: "Per capita net worth for white males, £131 sterling in the southern colonies, £51 in the middle, averaged only £32 in New England. Much of this relative poverty can be traced to war taxation, the neglect of agriculture and trade with so many men in the army, and additional blows to the Boston economy from impressment and the extremely heavy taxes laid by the province on the capital."

11. *Ibid.* p. 237: "For a quarter of a century, Massachusetts waged total war. In so doing, the Bay Colony nearly bankrupted itself."

there is very little evidence that it was a matter of public discussion. More convincingly, Nash writes of a general sense of economic crisis in Boston, especially in the 1750s and 1760s. This he ascribes to heavy taxation, trade restrictions and the strict enforcement of custom regulations.¹² Certainly such complaints were voiced loudly; and important political points were made by those opposed to the executive power in Massachusetts. Yet from his own evidence it is clear that in the early 1770s, when the revolutionary movement acquired new impetus, the economy was displaying definite signs of recovery. At a time when taxes were falling, and budgets were balanced, patriots had to look elsewhere than to the economic sphere to draw inspiration for their attack upon the executive.

This study serves as a corrective to recent work on New England and its principal focus on the town of Boston. A consideration of the fiscal history of Massachusetts as a whole will place Boston's peculiar problems in a wider perspective. Before the details of the colony's public finance and taxation are addressed, something brief should be said about the development of Massachusetts in the eighteenth century.

II

In the years between the Glorious Revolution and the overthrow of the government of the Dominion of New England and the violence of the Boston Tea Party, Lexington and Bunker Hill, Massachusetts underwent remarkable changes. Her population grew more than five times from less than 50,000 to more than 265,000, and without benefit of significant immigration. Wealth, principally in the form of land, became increasingly concentrated in fewer hands. The structure of the economy, though based on subsistence agriculture, became increasingly diversified upon the pillars of overseas commerce and the related industries of shipbuilding, iron manufacture, sugar refining and rum distilling. Fisheries, principally in cod, remained an important market for ships and men, as well as a vital source of foreign earnings. Lacking a staple, such as furs, tobacco or sugar, her rapacious merchants competed furiously with the English and other Americans for markets and for a share of shipping. Yet the supremacy of Massachusetts in America, so clear in the seventeenth century, vanished; and by the 1730s she was being steadily overtaken by New York and Pennsylvania, Virginia and even South Carolina. Per capita wealth grew though less rapidly than elsewhere in America, and far less rapidly than in the South.

Political life, between 1691 and 1774, forms a single piece, with three distinct phases. The first, lasting until 1713, was characterized by war as politicians learned to live under the new charter, which granted them a succession of royal governors. The second phase, between 1713 and 1744, was devoted to "localism, ideological wrangling, stalemate, and stagnation" with the General Court (Council and House of Representatives) "settling disputes that became too hot to handle on the town level, determining the ownership of frontier lands, granting licences to sell liquor,

12. NASH, *Urban Crucible*, p. 337.

and voting an annual budget."¹³ Upon the outbreak of the war first with Spain in 1739 and then with France in 1744, colonial Massachusetts entered the final phase of her political life, a generation of war and its dislocating aftermath.

War greatly increased the role of government . . . the legislature no longer spent most of its time reacting to petitions from the towns and inhabitants and then settling disputes. Beginning in the 1740s and 1750s, deputies from throughout the province . . . initiated and shaped government policy instead of merely voting on issues laid before them by the leadership.¹⁴

Year after year they approved war budgets, requisitioned supplies, placed embargoes on trade and provisions. If the towns were dominant before the 1740s, the provincial government emerged as the main political force for the generation before the American revolution.

The importance of war to Massachusetts' society, economy and politics should not be underestimated. A history of brutal Indian warfare in the seventeenth century gave way after 1688 to greater anxiety about the power of France, which only the conquest of Canada removed. Between 1688 and 1713 Massachusetts found herself not only unable to protect her own frontiers, but fearing, if not actually enduring, attack from a French seaborne invasion force. The colony depended absolutely on the power of England to sustain her, being able to deal with the real or imagined French threat in Acadia or at Louisbourg only with British naval support. Not until a British army was based at Albany in the 1750s could the province rest secure from French attacks on the western frontier. Rebellion against Britain, while France remained powerful in America, would have been unthinkable.

III

Normally eighteenth-century governments paid for the rapid increases in public spending necessitated by war, by both increasing taxation and developing a system of public borrowing. England after 1688 was the best example of successful creation of such a system, institutionalized as the National Debt, while France, a country of far greater population and wealth, was the classic case of fiscal failure which led directly to the collapse of the monarchy. Most other leading states—Russia, Denmark, Sweden, Austria, Spain and Portugal—lay somewhere between the two extremes. Though a colony, Massachusetts ought to be treated, for matters of public finance, as if it were nominally a separate state, at least as independent in financial matters as the German states of Hesse-Kassel whom British taxpayers, through parliamentary subsidies, were called upon to support from time to time, in peace as in war, during the century.

Given the province's relative poverty and lack of bureaucracy throughout its colonial history, it would have been impossible to pay for her war efforts merely by increasing direct and indirect taxes to meet the costs of war. Already the men of Massachusetts believed town taxes were high enough, and indeed they were

13. William PENCAK, "Warfare and Political Change in Mid-Eighteenth-Century Massachusetts", in *The British Atlantic Empire before the American Revolution*, eds. Peter MARSHALL and Glyn WILLIAMS (London: Frank Cass, 1980), p. 53.

14. *Ibid.*, p. 69.

usually higher than those collected for the province. What was open to them when war broke out with France in 1689, and when they decided upon an ambitious imperial policy to drive the French out of Acadia and Quebec, was to develop an adequate means of financing such enterprises in order to ensure that the burden would not be excessive. It would have been folly to allow costs to outstrip the benefits. There were several possibilities open to the General Court, and by 1774 they had tried most of these. They could act like speculators and hope that plunder taken from the enemy would be sufficient to meet costs, and reward the troops and seamen with grants of land seized from the defeated enemy. This inspired their attack on Quebec in 1680 and Louisbourg in 1745. Hopes in both cases proved ill-founded, for in the first instance they failed to take Quebec, and in the second though the fortress fell, the subsequent treaty guaranteed the French all their moveable possessions. They pursued currency inflation as their principal solution to public expenditures which could not be answered by taxes or the sale of land. This was, except in the short-run, self-defeating. They were in no position, nor were they tempted, to write off their accumulated debts. Finally, from 1750 onwards, they developed a more than adequate system of public debt, which enabled them to compensate for the inadequacies of their own taxation system and to maintain taxes at a level lower than would otherwise have been possible. Undoubtedly this enabled Massachusetts to spend on war a great deal more than she could have done had taxes been the sole source of her revenue. Though it cannot be shown to have been strategically decisive in any campaign between 1690 and 1763, it doubtless enabled her to play a larger role in the military and naval affairs of North America, as measured by her population size, than any other of the American colonies. Finally she was greatly helped by direct subsidies received from Britain.¹⁵ Without such compensation for her war effort, Massachusetts would have been able to play her imperial role only with acute hardship to her people on a scale even greater than they actually complained of.

After 1690 and until 1750 Massachusetts tried a number of expedients, other than launching a scheme of long-term public borrowing. When the 1690 expeditionary force returned from Quebec empty-handed but with many bills payable, the costs were borne by the public treasury. So-called bills of credit were issued for soldiers' and seamen's pay and to meet the costs of the outfitters. These not only were used to pay taxes, local and provincial, but quickly became part of the New England money stock in commercial transactions. The confusion between the treasury's role as a central bank concerned with the money supply and its function as a public office responsible for government debts bedevilled the prospects for the success of this policy. The bills of credit, or paper money, were new to America. They were at first secured against future tax revenue, by taxes being laid in sufficient amounts over a number of years in order to redeem the paper credit. Their value was rated according to either the sterling price of an ounce of silver or the sterling value of a Spanish piece of eight (known also as a peso, or more commonly, a dollar). At least until 1710 the emissions of this paper were suitably modest. The influx of silver specie was sufficient from trade visible or invisible, so that bills of credit

15. Gross sums for the 1745-46 Louisbourg expedition and occupation amounted to £183,649, and for the 1746-47 planned expedition to conquer Canada, £87,435. *Journals of the House of Commons*, (London, 1803), 25: 568-69, 1042-46.

retained their value. Taxes also remained high, and though the bills of credit were not all redeemed as had originally been intended, public confidence, the real measure of a successful undertaking of this sort, remained strong.

Such confidence began to be undermined from 1711 when public finance policy was significantly altered. To help outfit what proved to be another abortive attempt to conquer Quebec, a loan of M£50,000 (about £33,350) was made by the public treasury to the merchant outfitters, mainly of Boston. This was secured on the value of bills of exchange they had accumulated in their hands, drawn ultimately on the treasury in London, to meet the demands of British military and naval forces then preparing to sail for Quebec.¹⁶ Initially the scheme which involved simply printing new bills of credit, again acceptable for the payment of taxes, seemed to succeed. Unfortunately many of the bills of exchange were disputed in London, and payment of such bills receivable were at best slow and frequently a fiction.

Much less sound was the plan to establish a public land bank in 1714. Under this scheme Massachusetts made four loans: in 1714 for M£50,000 (£32,600), in 1716 for M£100,000 (£61,540), in 1721 for M£50,000 (£22,800) and in 1728 for M£60,000 (£17,910).¹⁷ The General Court issued bills of credit secured on land mortgages. Interest was to be paid annually by those who availed themselves of the plan along with a fixed portion of the principal. The 1714 loan was amortized over five years at 5 percent and the 1716 over ten years. Those of 1721 and 1728 were divided among the towns of Massachusetts in proportion to their assessments for provincial tax. The towns undertook to determine the distribution and size of loans within their jurisdictions. They collected both interest and principal with the right to retain the principal for their local needs. The 1721 loan was to be retired in annual instalments between 1726 and 1730, and the 1728 loan in six equal instalments between 1734 and 1739. From the provincial treasurer's viewpoint, the 1714 and 1716 loans made sense by reason of the revenue they generated in addition to that coming from the normal annual tax load. The 1721 and 1728 loans made less sense as the revenue generated promised to be less.

One of the effects of this policy was to undermine the value of the currency circulating, partly by excessive emissions, partly by the infusion of too many Rhode Island bills of credit,¹⁸ but principally by an adverse balance of payments in most years from 1720s through the late 1740s which meant that too little silver specie was retained in the province. Between the end of the war in 1713 and the end of the war in 1749, the exchange rate between Massachusetts paper and sterling

16. Curtis P. NETTELS, *The Money Supply of the American Colonies before 1720* (Madison: University of Wisconsin Press, 1934), p. 196.

17. Leslie V. BROCK, *The Currency of the American Colonies 1700-1764: A Study in Colonial Finance and Imperial Relations* (New York: Kelley, 1975), pp. 23-28.

18. J.M. MACINNIS, "Rhode Island Bills of Credit, 1710-1755" (PhD dissertation, Brown University, 1952), pp. 72-82, 588-90, 599-600. Between 1711 and 1751 Rhode Island emitted some £1.3 million in bills of credit. By 1741 this amounted to half the New England total, though Rhode Island had only 10 percent of New England's population. In per capita terms, Rhode Island had bills of credit still outstanding in 1740 amounting to £16.5, while Massachusetts had but £3.8. As such Rhode Island bills, as well as those of Connecticut and New Hampshire, were exchanged at face value in Massachusetts, the value of all New England currencies, including that of Massachusetts, tended to be undermined by the too active printing press in Rhode Island. See Julian GWYN, "War and Economic Change: Louisbourg and the New England Economy in the 1740s", *University of Ottawa Review*, 47 (January-April 1977): 119.

changed dramatically from about M£150 for £100 in 1713, to M£500 in 1736, and by 1749 to between M£1,000 and M£1,150.¹⁹ In paper money terms commodity prices rose dramatically. A bushel of wheat rose from a 1720-2 average of 7s. 2d. to a 1747-9 average of 43s. Though in sterling equivalents this meant that the price of wheat remained virtually unchanged, in Massachusetts currency the rise was sixfold. A gallon of molasses between 1720-2 and 1747-9 rose on average more than eight times, while in sterling terms it only slightly more than doubled.²⁰ Dr. William Douglass, a controversial yet acute contemporary critic, observed the impact on wages, fees, salaries or pensions. Money values might rise but real wages and salaries fell. Particularly hurt also, as always when the rate of inflation exceeds the rate of interest, were creditors.²¹ Only highly favoured, exceptionally enterprising, or very fortunate individuals were able to ride the inflationary storm. The treasurers of Massachusetts, doubtless some of the most exacting, honest and hardworking men in the province, were one such example. Yet even they were not immune to the ravages of currency inflation, as Table 1 illustrates:

Table 1 Value of Provincial Treasurer's Salary, Massachusetts, 1696-1749

Fiscal year	Salary in Massachusetts Currency (M£)	Salary in Pounds Sterling (£)
1696-97	250	183.75
1717-18	250	147.00
1733-34	350	100.10
1740-41	420	77.70
1748-49	1,400	147.00

Source: Massachusetts Archives, State House, Boston, vol. 122-24.

As measured in sterling, the treasurer in the 1740s was not as well off as he had been in the 1690s. By 1748-9 his salary regained its sterling value of 1717-8, though still 20 percent below the 1690s, yet only when it had been increased in terms of Massachusetts currency by 460 percent. For those less well-placed than the treasurers the loss in value of the provincial bill of credit was an almost unavoidable burden, and an indirect tax which was extracted from them against their will, but which they were powerless to alter.

Protest they could; and the whole method of financing public expenditure became a matter of serious controversy both within the General Court and outside. Something of a pamphlet warfare ensued, which produced little wisdom, whether

19. Most references to the exchange rate are taken from John J. McCUSKER, *Money and Exchange in Europe and America, 1600-1775: A Handbook* (Chapel Hill: University of North Carolina Press, 1978). Table 3.1, pp. 139-42.

20. Prices calculated from Ruth CRANDALL, "Wholesale Commodity Prices at Boston, 1700-1795", in *Wholesale Commodity Prices in the United States, 1700-1861*, ed. Arthur Harrison COLE (Cambridge: Harvard University Press, 1938), p. 117.

21. Dr. William DOUGLASS, *A Discourse Concerning the Currencies of the British Plantations in America especially with regard to their Paper Money with a Postscript thereto* (London, 1739; Boston, 1740; London, 1751), in *A Select Collection of Scarce and Valuable Tracts and Other Publications on Paper Currency and Banking*, ed. John R. McCULLOCH (London, 1857), pp. 19-21.

the authors supported a paper money policy or a return to specie payments or hard money. The controversy threw up no Adam Smith or David Ricardo. Instead there was an air of anxious acceptance and resignation, immortalized in the words of the Reverend John Wise:

How shall we keep up the Value of our Bills of Publick Credit? . . . You must do by your Bills, as all Wise Men do by their Wives; Make the best of them. It is an acknowledged Theorem, that there is no doing without Wives. Lonesome and sower Phylosopher would frankly confess, that Women, were necessary Evils; For without their Assistance the whole Human Race must vanish; And unless they are metamorphised into things called Wives, the whole Species would soon laps into a heard of Brutified Animals. The great Skill is to cultivate the necessity and make it a Happiness; for that end, Wise Men Love their Wives; and what ill-conveniences they find in them they bury; and what Vertues they are enrich't with they Admire and Magnifie.²²

His ignorance of women was as great as his unhelpfulness in matters of money. He was not alone; for even the celebrated Dr. Douglass could suggest nothing more than more moderation in emitting bills of credit, without considering the needs of the colony's economy, and more exactitude in laying taxes to withdraw them regularly from circulation.²³ Like all his contemporaries he remained ignorant of the impact of the adverse balance of payments.

The government was caught in a situation which, whatever its critics believed, was only partly its own making. To blame paper credit as the cause of the recession and inflation was absurd. There was an important economic link between the quantity of money of all sorts in circulation, the movement of commodity and land prices, shifts in the terms of trade and the movement in exchange rates. Much later Henry Thornton, the governor of the Bank of England, described the great confusion caused the public finance by William Pitt's wartime expenditures against France in the 1790s, which obliged the Bank of England to suspend specie payments in 1797. Though he was not thinking of the Massachusetts experience, he was perhaps one of the first economists to point out that the quantity of paper credit available need not tend to raise commodity prices. He considered that it was far more convenient than coin, which had to be weighed, counted, insured and transported. Though he was perfectly aware of the excessive printing of paper money both during the American War of Independence and under the French Revolution, from the example of England, he was able to argue that "during the period in which our paper has extended itself, our trade has prospered, the state of our agriculture has advanced, and both the capital and income of the country have been augmented."²⁴ If one considers the whole of the economic history of Massachusetts from 1690 to 1775, and despite serious short-term setbacks, the same statement could apply to the colony.

22. Rev. John WISE, in *Colonial Currency Reprints, 1685-1751*, 4 vol., ed. Andrew McFarland DAVIS (Boston: Houghton, Mifflin, 1910), 1: 159-223.

23. *Ibid.*, pp. 40-41.

24. Henry THORNTON, *An Enquiry into the Nature and Effects of the Paper Credit of Great Britain* (London, 1802), in McCULLOCH, *Paper Currency and Banking*, p. 337. Thornton's main position is summarized in J. K. HORSFIELD, "The Duties of a Banker: The Effects of Inconvertibility", in *Papers in English Monetary History*, eds. T.S. ASHTON and R.S. SAYERS (Oxford: Clarendon Press, 1953), pp. 24-29.

IV

From this general consideration let us now turn to the details of the public finance of Massachusetts. Between 1692 and 1770 about £2.4 million were collected by the various provincial treasurers, or an annual average of more than £30,000. Larger by far than the business carried on by all but perhaps a handful of New England merchant partnerships, it constituted the principal financial activity of the province.

Revenue came principally, not from borrowing but from taxes on polls (equal taxes paid by adult men regardless of their assets or income) and estates, real and personal, regularly and frequently reassessed. In addition there were a variety of provincial taxes on trade, known by different names at different times: tonnage, imposts, excise, and lighthouse duties. Miscellaneous revenue was raised also by fines, occasionally by profits from publicly financed trade with the Indians, and by the sale of land. All these were relatively unimportant compared to the revenue raised in the 1720s and 1730s by lending money on mortgages and from the repayment of principal. They were insignificant also when compared with the British parliamentary grants, between 1749 and 1763, for wartime costs borne by Massachusetts, when undertaken at the specific request of the ministry at home. From Table 2 we can see that taxes between 1692 and 1720 were of much greater importance to overall public revenue than was the case from the 1720s to the eve of the American revolution.

Table 2 Main Sources of Public Revenue, Massachusetts, 1692-1770 (in £ sterling)

Fiscal years*	Taxes laid		Excise-impost		Other		Totals	Per capita per annum
	£	%	£	%	£	%	£	£
1692-3/1699-1700	62,540	64.0	27,340	28.0	7,840	8.0	97,720	.23
1700-1/1709-10	122,280	83.3	19,530	13.3	4,910	3.4	146,720	.25
1710-1/1719-20	97,510	60.3	31,180	19.3	33,030	20.4	161,720	.21
1720-1/1729-30	56,710	50.4	25,310	22.5	30,570	27.1	112,590	.11
1730-1/1739-40	51,760	56.0	20,290	22.0	20,360	22.0	92,410	.07
1740-1/1749-50	192,640	46.5	34,400	8.3	187,220	45.2	414,260	.24
1750-1/1759-60	330,450	57.4	68,640	11.9	176,850	30.7	575,940	.28
1760-1/1769-70	390,340	50.5	106,350	13.8	275,510	35.7	772,200	.32
Totals	1,304,230	55.0	333,040	14.0	736,290	31.0	2,373,560	.21

Sources: Massachusetts Archives, vol. 122-25; Public Records Office, Kew (hereafter PRO), COS/852-54.

*Beginning of first and end of last fiscal year in each period; thus 1692-1700 = fiscal years 1692-93 through 1699-1700.

For the entire period such taxes generated about 55 percent of revenue. It was during Queen Anne's war that taxes were of greatest importance, when more than 83 percent of revenue came from this source. Still, owing to the almost continuous wars or threats of hostilities during the 1740s, 1750s and until 1763, far greater revenue was generated annually than earlier. When measured by population it was in the first decade of the eighteenth century that the burden was largest. It reached

on average 4s. 2½d. per head of population per year. It was lowest in the 1730s when it fell to 9½d. per head (Table 3).

Table 3 Burden of Taxes on Polls and Estates, Massachusetts, 1692-1770 (£ sterling per capita)

Fiscal years*	£	£.s.d.
1692-3/1699-1700	0.15	3s. 0 d.
1700-1/1709-10	0.21	4s. 2½d.
1710-1/1719-20	0.12	2s. 4¾d.
1720-1/1729-30	0.06	1s. 2½d.
1730-1/1739-40	0.04	9½d.
1740-1/1749-50	0.11	2s. 2½d.
1750-1/1759-60	0.17	3s. 4¾d.
1760-1/1767-70	0.18	3s. 7¼d.

Sources: Massachusetts Archives, vol. 122-25; PRO, CO5/852-55.

*Beginning of first and end of last fiscal year in each period; thus 1692-1700 = fiscal years 1692-93 through 1699-1700.

Were such taxes a heavy burden? Clearly contemporaries thought so; and this view has been echoed, as we have seen, by some historians. Apart from Boston's special situation evidence for general economic distress such as from bankruptcies is unsatisfactory. A better indication of the relative burden of taxes, and the taxpayers' ability to meet payment can be found by comparing levels of unpaid taxes at various times between 1690 and 1770. As taxes tended to rise steeply in wartime, we would expect the level of unpaid taxes to be higher a year or two after the war than a year or two before it had broken out. Table 4 does not confirm these expectations.

Table 4 Levels of Taxes and Loans Outstanding, Massachusetts, 1698-1770 (in £ sterling)

Fiscal year	Unpaid taxes and loans £	Per capita burden	
		£	£.s.d.
1698-9	3,419	.06	1s. 2½d.
1716-7	3,448	.05	1s.
1737-8	17,686	.12	2s. 4¾d.
1750-1	13,335	.07	1s. 6 d.
1763-4	53,283	.26	5s. 2½d.
1769-70	51,066	.19	3s. 9½d.

Sources: Massachusetts Archives, vol. 122-25; PRO, CO5/852-55.

Despite the costs of the war of 1702-1713, the level of unpaid taxes actually declined when measured by population. By contrast, despite the following two decades of peace and low public spending, unpaid debts, which included tax arrears, rose more than five times. The explanation is to be found in the various mortgages taken up by Massachusetts' landowners between 1714 and 1728. The situation had again reversed itself by 1750-51 when after a decade of war both the absolute sum of unpaid taxes and loans declined, and the per capita burden almost reached the level of the late 1690s. The explanation here is to be found partly in the fact that there

was no provincial tax in two fiscal years: 1739-40 or 1750-51. By the end of the French and Indian war in 1736, the level of unpaid taxes had risen by 400 percent, though the per capita burden was actually less. Yet even at that level the burden of unpaid taxes was only 5s. 2½d. ! With budgets in the post-war era characterized by high taxes, the rate of outstanding taxes gradually declined, and the per capita burden fell significantly. This occurred despite the fact that four towns—Enfield, Somers, Woodstock and Suffield—had, in the words of Treasurer Harrison Gray, “revolted to the Connecticut Government”²⁵, leaving provincial debts of £14,355 by May 1769. Yet by the fiscal year 1773-74, the overall provincial debt of Massachusetts had been almost entirely cleared.

Taxes on trade and shipping generated about 14 percent of gross provincial revenues between 1692 and 1770. The lowest yields occurred in years of war, with the disruption of trade generally and the collapse of exports in particular. The one exception, as yet unexplained, was the period of war in the 1690s, when fully 28 percent of public revenue was generated from such sources. During Queen Anne’s war which followed the yield was more than halved. Peace after 1713 brought a revival of trade and a consequent rise in the proportion of public revenue generated by imposts and excises. The same pattern took place in the war years of the 1740s, 1750s and until 1763. Thereafter, though the revenue from taxes on trade reached an average of more than £10,000 annually, or three times what it had been in the 1690s, still at 13.7 percent of all revenues it fell below the average for the entire period under study.

The principal new source of public revenue in the eighteenth century, which by the 1720s had overtaken trade taxes in importance, and by the 1740s rivalled taxes on polls and estates, was twofold: income from principal and interest on mortgages on land in the 1720s and 1730s, and from parliamentary grants from 1749 onwards until the middle 1760s. Massachusetts, for her efforts in taking Louisbourg and forming the garrison there in the winter of 1745-46, as well as for her preparations for the abortive attack on Canada in 1746-47, was granted by Parliament the gross sum of about £271,000, of which all but about £10,000 reached her coffers between 1748 and 1751.²⁶ Curiously none of these well-documented transfer payments was noted in the official ledgers by the treasurer. During the French and Indian war and afterwards another £352,000 in parliamentary grants, which after various fees and transportation costs were deducted left a little more than £332,000 for the Massachusetts treasury, were received by the treasurer Harrison Gray.²⁷ In all, such miscellaneous revenue averaged almost 31 percent of gross public revenue, though it ranged from a low of 5.4 percent during Queen Anne’s war, before the policy of parliamentary grants had been instituted, to a high of 45 percent in the 1740s, owing to the influx of parliamentary money.

From the revenue side of the ledger we must now turn to that of expenditures. Though successive treasurers made little attempt, before the advent of William Foye (treasurer from 1736 to 1753), to group expenditures under various headings, it

25. PRO, CO5/854, fol. 164, 183, 199, 213v.

26. See n. 15 above for details.

27. Jack P. GREEN, “The Seven Years’ War and the American Revolution: The Causal Relationship Reconsidered”, in MARSHALL and WILLIAMS, *British Atlantic Empire*, p. 98. The total granted to the colonies by way of reimbursement came to about £1.1 million.

clearly divided itself into two categories: for the military and naval on the one hand, and for civil matters on the other. Later, from the 1750s onward, there was a new item for the interest payments made to the government's creditors. It is evident from Table 5 that public expenditure was principally for defence or for active campaigning.

Table 5 Public Expenditure of Massachusetts, 1692-1770 (in £ sterling)

Fiscal years*	Military-naval		Civil		Interest		Totals	Per capita per annum
	£	%	£	%	£	%	£	£
1692-3/1699-1700	95,600	81.6	21,570	18.4	—	—	117,170	.28
1700-1/1709-10	178,990	90.5	18,880	9.5	—	—	197,870	.33
1710-1/1719-20	117,490	79.6	30,060	20.4	—	—	147,550	.19
1720-1/1729-30	96,320	75.9	30,590	24.1	—	—	126,910	.12
1730-1/1739-40	41,910	43.4	54,670	56.6	—	—	96,580	.07
1740-1/1749-50	420,200	87.9	57,710	12.1	—	—	477,910	.28
1750-1/1759-60	618,970	85.8	75,870	10.5	26,790	3.7	721,630	.35
1760-1/1769-70	345,640	60.8	92,040	16.2	130,970	23.0	568,650	.23
Totals	1,915,120	78.1	381,390	15.5	157,760	6.4	2,454,270	

Sources: Massachusetts Archives, vol. 122-25; PRO, CO5/852-55.

*Beginning of first and end of last fiscal year in each period; thus 1692-1700 = fiscal years 1692-93 through 1699-1700.

Even in years of peace, civil expenditures rarely overtook those on the military and naval forces, while in wartime total expenditure on the military almost invariably accounted for 85 percent of all provincial public expenditures. This was the case in Queen Anne's war from 1703 through 1713, during the next war from 1744 through 1748, except in one year: 1747-48, when military expenditure absorbed 83 percent of the budget, and finally during the French and Indian war, from May 1755 through May 1763, when again military expenditure was consistently above 85 percent. The peak year was reached during the Indian war of 1724-25, when military costs took up fully 98 percent of all public expenditure in Massachusetts.

Only in years of profound peace, such as between 1714 and 1720, and between 1728 and 1739, did the proportion of military spending dip consistently below civil costs. In 1731-32, only one-fifth of total expenditures went to the military, while for the period 1728-39 on average only 43 percent was spent on the military, which in these years of low budgets meant about £3,900 annually. In Massachusetts, as in Britain, the outbreak of war meant a five-fold increase in overall budget: £478,000 in the 1740s compared with £97,000 in the 1730s.

Who benefitted from all this public spending? Tax collection and government spending, as always, favoured those who were at the top of the economic pyramid. In Massachusetts this meant the principal officials and their friends, who invariably were among the more substantial families in the province, and who incidentally also paid the highest taxes. The first group included those whose salaries were paid by the province: the governor, the lieutenant governor who acted as the commander of the garrison of Castle William, the treasurer and his deputy, when he had one,

the secretary and his assistant, the chief justice and the judges of the superior court, the clerk, messenger and doorkeeper of the House of Representatives, as well as the speaker.²⁸ In war there was also a commissary general, a commissioner of imprests and a secretary of war. Frequently, though not continuously, there was an agent in England to represent the province's interest before the government of Parliament. The president of Harvard College and several of his professors—in the schools of divinity, natural philosophy, mathematics, Hebrew and other oriental languages—were salaried, as were the keepers of the Boston lighthouse, the Charlestown poor house, the Boston prison and the Rainsford Island hospital. The largest amounts in the civil branch went to members of the General Court, who received a daily rate for their attendance. The bulk of the military and naval spending went for the pay and subsistence of officers and men, paid to their company commanders, or to the officers and seamen on board a succession of provincial frigates maintained by Massachusetts either to protect her coasts or to convoy troops to the Maine frontier, the Bay of Fundy or Cape Breton.

In addition there was a great variety of other regular or occasional payments. As in many American colonies, annual bounties were paid for killing wolves and other predators, and in wartime for Indian scalps, which by the 1750s fetched M£300 (£225) each. (Few claimed the reward!) Bounties were paid in the 1730s for the production of hemp and flax, and in the 1760s for wheat and flour. Those who carried the General Court's commissions to neighbouring governments, such as to Connecticut to negotiate the endemic dispute over the boundary line, or to Canada to repatriate captives, had their expenses paid. Those who suffered by war service, usually the disabled, received tiny pensions on occasion. A miscellaneous body of payments were made for the support of the poor, especially to the Boston poor house, and those for whom no town would take responsibility. In most years as much was spent on paper, quills, ink and printing as on the poor. Those who cared for the Acadians, unceremoniously dumped on Massachusetts following their deportation, received between 1755 and 1767 a total of M£11,374 (£8,350) from the province.²⁹ In particular instances, compensation was paid, as in 1712, when M£579 (£386) was paid "for Damages Sustained by Sundry Persons prosecuted for Witchcraft in y^e year 1692."³⁰ The town of Boston received several grants after the great fire of 1760, while Governor Thomas Hutchinson and Benjamin Hallowell, whose homes and effects had been ransacked by the Boston mob during the Stamp Act riots received compensation from the taxpayers of Massachusetts, one for M£3,915 (£2,936), the other for M£1,805 (£1,345). The Assembly also compensated those who claimed their bills of credit had been destroyed in house fires.

That the General Court was so indulgent of some of the less fortunate holders of its paper money was perhaps no more than a clever act of public relations. For the gap between revenue and expenditure, so great especially in wartime, could be filled only by public confidence and self-sacrifice, by a willingness to lend the

28. This casts doubt on the assertion that Massachusetts "employed six fulltime public officials". Robert ZEMSKY, *Merchants, Farmers and River Gods: An Essay in Eighteenth Century American Politics* (Boston: Gambit, 1970), p. 2.

29. Not £10,000 as stated by R.G. LOWE, "Massachusetts and the Acadians", *William and Mary Quarterly*, 3d ser. XXV (April 1968): 221.

30. Massachusetts Archives, vol. 122, p. 398.

government money. The need for such public indulgence is seen in Table 6 which presents the details of the balance between revenue and expenditure during the seventy-eight years covered in this study.

Table 6 Expenditure and Revenue in Massachusetts, 1692-1770 (in £ sterling)

Fiscal years*	Expenditure £	Revenue £	Surplus £	Deficit £
1692-3/1699-1700	117,170	97,720		(19,450)
1700-1/1709-10	197,870	146,780		(51,090)
1710-1/1719-20	147,550	161,720	14,170	
1720-1/1729-30	136,910	112,590		(24,320)
1730-1/1739-40	96,580	92,410		(4,170)
1740-1/1749-50	477,910	414,260		(63,650)
1750-1/1759-60	721,630	575,940		(145,690)
1760-1/1769-70	568,650	772,200	203,550	
Totals:	2,464,270	2,373,620	217,720	(308,370)
Net Balance				(90,650)

Sources: Massachusetts Archives, vol. 122-25; PRO, CO5/852-55.

*Beginning of first and end of last fiscal year in each period; thus 1692-1700 = fiscal years 1692-93 through 1699-1700.

It shows that the province by 1770 had borrowed a net sum of £90,650, merely 3.3 percent of gross expenditures. At times, earlier in the century, the situation was far more serious, but there was never a chronic state of public indebtedness as many contemporaries believed. It is not the size of public debt that matters, rather it is the ability to meet payment; and Massachusetts never at any time lacked this ability. She merely employed on occasion before 1749 a variety of expedients, some of them unwise, to mitigate her situation.

To illustrate the situation in which Massachusetts found itself, comparison is made with England during years of war.

Table 7 War Expenditure and Public Borrowing in England and Massachusetts, 1702-1763 (Thousand £ sterling)

War years	A Expenditure		B Revenue		C Balance		(C ÷ A) Borrowing	
	England £	Mass. £	England £	Mass. £	England £	Mass. £	England £	Mass. £
1702-13	93,645	283	64,239	157	(29,406)	(126)	31.4	44.5
1739-48	95,628	471	65,904	206	(29,724)	(265)	31.1	56.3
1756-63	160,573	1,015	100,555	709	(60,018)	(306)	37.4	30.1

Sources: for England, T.G.M. DICKSON, *The Financial Revolution in England: A Study in the Development of Public Credit, 1688-1756* (London: Macmillan, 1967), Table 1, p. 10; for Massachusetts, Massachusetts Archives, vol. 122-25; PRO, CO5/852-55.

In absolute terms the sums for which the taxpayers of Massachusetts were responsible were naturally far less than for those of England and Wales. If such figures are

measured by population, then between Queen Anne's war (1702-13) and the French and Indian war (1756-63) the weight of borrowing for Massachusetts fell by one-third from £2.1 to £1.4 per head. For England and Wales, by contrast, borrowing rose in the same period by two-thirds from £5.7 to £9.3 per head. Though war expenditure rose much more quickly in Massachusetts than in England, her population also grew at a much faster rate; thus the aggregated burden was far less heavy at mid-century than at the outset. At the same time the colony's ability to meet the cost of war from revenue greatly improved over the same period, while England's sharply declined. In 1702-13, for instance, as much as 44.3 percent of the war budget of Massachusetts came from borrowing, but by 1756-63 this had fallen to 30 percent. By contrast, the amount of borrowed money applied to war expenditures in England rose from 31.4 to almost 40 percent in the same interval.

It is of interest to see that part of the explanation for the trend in Massachusetts arose directly from England's difficulties. Grants from Parliament to Massachusetts kept the colony's debt load down, while for England the war of 1756-63 added about £4 per head to the National Debt. This sum can be considered a remote cause of the American revolution, for misplaced anxiety in England over the growth of the National Debt gave rise to the ill-considered parliamentary measures to raise a revenue in America in the 1760s. The abrupt change in the direction of British colonial policy in 1764 from parliamentary subsidies to parliamentary taxes for the American colonies isolated, at least in Massachusetts, the Crown's supporters and gave their detractors a popular cause to exploit. It did Thomas Hutchinson, a consistent advocate of surplus budgets and specie payments, absolutely no political good to boast in January 1774:

There never has been a time since the first settlement of the country, when the Treasury has been in so good a state as it now is. I may congratulate the Province upon its entirely being free from debt, the tax of last year, with the stock in the Treasury being equal to the securities due from the Government, and to the charges of the current year.³¹

It is ironical that the great transformation in the public finances of Massachusetts, which led to the extinction of almost all public debt by 1774, a revolutionary phenomenon, occurred as a result of the Louisbourg expedition of 1745. Its capture, a matter of great pride, had occasioned enormous medium-term financial strain. Taxes were raised to unprecedented heights in the late 1740s, rapid debt expansion dwarfed earlier emissions of paper money, inaugurating the great currency inflation. Those who made use of the bills of credit suffered losses both of capital and of income by employing their assets unproductively. The situation was dramatically rescued by the promise in 1748 from Parliament to reimburse the province for its expenses at a very favourable exchange rate. In January 1749 the General Court, under Hutchinson's leadership and after acrimonious debate, decided to employ the silver, when it reached Boston, to redeem as much as possible of the paper money, and to raise an especially heavy peacetime tax to get hold of the rest. It also banned the circulation in Massachusetts of the paper money of its neighbours. Any new issues of bills of credit would be revalued at the par of exchange established in the 1670s (M£133.33 = £100).

31. Joseph B. FELT, *Historical Account of Massachusetts Currency* (Boston, 1839, New York: Burt Franklin, 1968), p. 161.

By May 1752 the last reference to the old bills of credit was recorded in the treasurer's ledgers, and the redemption was at an end.³² Still there was a shortage of silver specie in the treasury; and to meet this problem the General Court hit upon the plan of borrowing from its taxpayers, with the promise not only of regular interest payments of six percent, the legal maximum, but also the recovery of the principal within a stated interval. This reversed the largely unsuccessful policy of meeting the government's requirements either by issuing bills of credit in advance of collecting taxes, or by lending money to taxpayers. Instead the treasurer issued promissory notes, known as certificates,³³ which after initial public hesitation were rapidly taken up from 1750 onwards and became part of the colony's money stock. Unlike earlier issues they were redeemed punctually and bore a direct relation to the public expenditure needs. They did not depreciate, but fluctuated in value as compared to sterling between 1750 and 1770, fetching never less than M£45.08 and never more than £126.31. In most months for which evidence exists in commercial and public transactions they were exchanged at par (M£133.33 = £100). Such remarkable stability stood in contrast to the earlier weakness between 1711 and 1749.

Such comparatively minor fluctuations in the exchange rate accurately reflected the amount of silver and gold coin available in the province, as determined by a balance of payments which had moved in favour of Massachusetts. This resulted especially from the gains made by merchants supplying the needs of the British army and navy in America. A certain indication of this is the amount of coin retained in the hands of the treasurer at the end of each fiscal year. Such amounts were first mentioned in May 1742, and appear thereafter regularly. Before 1760 they rarely ranged above £2,500. But owing to parliamentary grants they averaged almost £25,000 a year in the 1760s, and in May 1765 actually amounted to almost £53,000 in silver coin.

V

War between 1688 and 1713 and again between 1739 and 1763 made high public expenditure inevitable in Massachusetts. With it came high taxation and the need for financial innovation. No American colony spent more on war than did Massachusetts. Such an effort increased the power of the provincial government over the towns, yet underscored both the military and naval weakness of Massachusetts and her dependence on the might of Britain. Successive provincial administrations pursued an expensive imperial policy, sometimes seizing the initiative against the French, sometimes falling in with the strategy designed either in London or by commanders in chief of the British army in America. In 1763, with the French in Canada vanquished, Massachusetts' political leadership was undone by British imperial policies. By contrast with those pursued earlier, these seemed to serve no

32. From the late 1730s until 1752 the treasurer, William Foye, had to keep as many as four columns to register entries in his ledgers for each of the Massachusetts currencies simultaneously accepted, despite their different values, as legal tenure for tax purposes.

33. Details of the annual emissions of treasurer's certificates are found in BROCK, *Currency*, p. 596.

Massachusetts interest.³⁴ Royal officials lost their authority in the 1760s in Massachusetts to those who hitherto had had little political experience, no enduring affection for the Crown, but who became confident in 1775 that if necessary the province could be organized for independence just as earlier it had been fashioned for war with France.

As the government of Massachusetts changed hands in the 1760s its fiscal policy remained one of high taxes and a restricted money supply. By 1774 the debt load had almost vanished. Had the Assembly, whether in the hands of the crown officials or their critics, beggared the people while enriching the treasury? There is no convincing evidence of this. Rather the high levels of taxation, typical of the period 1743-50, 1755-74, demonstrated taxpayers' increasing ability to pay the costs of government at a realistic level for the first time perhaps since Queen Anne's war. Even at their highest points after 1743 the per capita burdens never approached that of the first decade of the eighteenth century. The difference between the post-war period after 1713 and the interval after 1763 was that in the earlier period there was no consistent determination by successive administrations to pay off debts incurred in wartime. Instead in the earlier period the debt increased significantly. By contrast, after 1763, the per capita peacetime costs of government were scaled down to a realistic level approximating that of 1713-39. With the blessings of a generally buoyant economy, despite occasional credit crises and non-importation embargoes, successive administrations were able to pay off the debt contracted in wartime. Owing largely to parliamentary grants to help the Massachusetts war effort, the per capita debt load after 1763 was much less than it had been after 1713. Such grants enabled the government of Massachusetts to raise less taxes while putting more men under arms than otherwise would have been possible.

This led in part to the curious political history of the colony in the world after 1763. It has been said that there is almost nothing as useful as a large mortgage to hold either a family or parish together over an extended period of time. The need to focus an inordinate amount of energy on ways to handle debt tends to diminish factionalism. It is thus ironic that at the very moment in her history that Massachusetts produced a series of surplus budgets, to loose the fetters in which her wartime debt load had held her, she gave herself over enthusiastically to a revolutionary political movement. When it came to armed rebellion, the patriots called upon the people to pay their taxes, not to their duly elected provincial treasurer, Harrison Gray, whom they falsely accused of having misappropriated large sums of money, but to their own state treasurer.³⁵ When the people chose instead to pay taxes to neither

34. Pencak agrees, but adds: "When Britain... began to seek a more rational mode of imperial administration at the end of the 'Great War for Empire' it mistakenly concentrated on the colony that had invested the most, both financially and psychologically, in the war. . . . [P]ostwar depression and imperial regulation interacted with each other to provoke the fiercest revolutionary movement on the continent." *War, Politics and Revolution*, p. 237.

35. Gray, elected annually as treasurer since 1753, had not endeared himself to the patriots by unhelpfully describing the Boston Tea Party as "an action of such a malignant, atrocious nature, as must expose the wicked perpetrators of it, with sincere repentance, to the vengeance of . . . God." Quoted in Lawrence C. MAYO, "The Spirit of Massachusetts (1775)", in *Commonwealth History of Massachusetts*, ed. Albert Bushnell HALL (New York: The States History, Co., 1927-30), 2: 536. A member of Council from 1761, he employed his son as deputy treasurer for thirteen years. As a loyalist he received an annual pension of £200 while abroad in London and £2,037 compensation. PRO, A012/105, fol. 128; A012/109.

gentleman, the patriot leaders, fearful of forfeiting their newly won popularity, chose not to collect any taxes whatsoever. Until 1778, to finance their war, they contended themselves with the former process of printing paper money.³⁶ Thus in Massachusetts, as elsewhere in revolutionary America, the advocates of hard currency and fiscal orthodoxy lost all the battles that mattered, while those representing fiscal innovation (some called it insanity) and its depreciating paper money, won. In the eighteenth century it proved to be the only way to finance popular wars of revolution.

36. For a summary of the tax system of Massachusetts from 1778 to 1783, see BECKER, *Revolution*, pp. 118-28.