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# FOCUS:

## UNDERSTANDING ECONOMICS IN UNITED STATES HISTORY

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**National Council on Economic Education**

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## FOREWORD

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*Focus: Understanding Economics in U.S. History* is the most comprehensive set of instructional activities ever published to teach U.S. economic history in high school. *Focus: Understanding Economics in U.S. History* helps U.S. History teachers and students gain a better understanding of events in our history by using basic economic reasoning. That reasoning — which means applying principles reflected in the **Guide to Economic Reasoning** — is used throughout the lessons to illuminate our past. The **Guide to Economic Reasoning** stresses six key principles of economic reasoning:

- People choose.
- People’s choices involve costs.
- People respond to incentives in predictable ways.
- People create economic systems that influence individual choices and incentives.
- People gain when they trade voluntarily.
- People’s choices have consequences that lie in the future.

New insights emerge as students apply economic analysis to the events covered in traditional high school history courses. For example, students use economic reasoning to understand the first Americans, exploration and settlement, the road to revolution, the constitutional period, the founding of a new nation, the booms and busts of the early and late 1800s, the trauma of the Civil War, the homesteading period, the Industrial Revolution, racial segregation, the Great Depression, the New Deal and recent events in our history, including the knowledge economy and immigration.

Mysteries abound in U.S. history. Students, acting like detectives, solve these mysteries by searching for clues and sifting through evidence in an effort to gain new insights into familiar subjects. For example:

- American Indians are widely supposed to have favored common ownership rather than private property. Like people everywhere, however, American Indians distinguished between private and public ownership. Why did they decide to use private property in some cases but public ownership in others?
- The 13 colonies along the northeast coast of North America had little to offer the British. There was no gold or silver or spices to trade. The colonies in the New World that appeared to hold the most wealth were already claimed by other European powers. Why, then, did the 13 American colonies prosper?
- Indentured servants cut trees, moved boulders, built barns, plowed fields, planted tobacco, baled hay, milked cows, sheared sheep, cooked, cleaned, did laundry and cared for children. Their indentures, labor contracts specifying terms of service, had the force of law. But from about 1650 to 1780, many young men and women from England eagerly committed themselves to terms of indentured servitude in the North American colonies. Why would they sell themselves into bondage?
- In light of the economic advantages of the North over the South, it seems in retrospect almost irrational for the South to have engaged the North militarily. Why did the South secede? Why fight a war you know you will lose?
- During the late nineteenth century, industrialization proceeded rapidly in the United States. Men like Andrew Carnegie, John D. Rockefeller and the Vanderbilt father and son team pioneered the way. Were these men “robber barons” or industrial entrepreneurs?

- In the 1920s, jobs were plentiful and the economy was growing. At the end of the 1920s, twice as many families owned homes as compared to the beginning of the decade. Many more homes had electricity and indoor toilets. Sixty percent of all households had cars, up from 26 percent. School attendance was increasing. By 1933, 25 percent of the labor force was unemployed. Families were losing their homes. Adolescents were looking for jobs. What happened? The United States had the same productive resources in the 1930s that it had in the 1920s. What caused the Great Depression?
- People feared that the end of World War II would be followed by a return to depression. Instead, the years that followed the war brought rising prosperity and an unprecedented expansion of the American middle class. Why did the economy expand after World War II rather than falling into a new depression?

I thank especially Mark Schug, who served as the project director and co-author of this project, and his highly capable co-authors, Jean Caldwell and Tawni Hunt Ferrarini. I wish to thank Gerald Gunderson, a respected economic historian, who carefully reviewed these lessons, and the field-test teachers, who gave generously of their time and expertise. Special thanks go to the Calvin K. Kazanjian Economics Foundation, Inc., for its encouragement in undertaking this project and generous financial support.

Robert F. Duvall, Ph.D.  
*President and Chief Executive Officer*

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# HISTORY MATTERS

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## Douglass C. North

History matters. It matters not only because we can learn from the past, but because the present and the future are connected to the past by the continuity of a society's institutions. Today's and tomorrow's choices are shaped by the past. And the past can be made intelligible only as a story of institutional evolution.

This story focuses on the problem of human cooperation — specifically, the cooperation that permits economies to capture gains from trade. Economic growth depends upon the evolution of institutions that create a hospitable environment for cooperative solutions to problems associated with trade. Not all human cooperation is socially productive, of course; twentieth-century history provides many examples of cooperative efforts undertaken in the service of ill-advised or destructive goals. In analyzing human cooperation, therefore, we also need to be concerned with the evolution of institutional frameworks that induce economic stagnation and decline. The purpose in each case is to explain the structure and performance of economies over time.

Understanding the process of economic change would enable us to account for the diverse performance of economies, past and present. We would, for example, be able to account for the long history of sustained growth in the United States and western Europe; for the spectacular rise and demise of the Soviet Union; for the performance of Taiwan and South Korea, marked by rapid economic growth, in contrast to the dismal record of sub-Saharan African economies; and for contrasts in the evolution of Latin America and North America.

Understanding the past has its own value for those who seek to elaborate and refine theories of economic growth. In addition, knowledge of the past is the key to improving the performance of economies today and in the future. A real understanding of how economies grow can unlock the door to greater human well-being through a reduction in abject poverty and misery.

We live in an uncertain world that evolves continually, in surprising ways. In this context, standard theories — including neo-classical economic theory — are of little help, notwithstanding their value for other purposes. Attempting to understand economic, political and social change (we cannot grasp any one of these aspects apart from the others) requires a fundamental recasting of the way we think. Can we develop a dynamic theory of change comparable in elegance to general equilibrium theory? Probably not. But if we achieve an understanding of the underlying process, then we can develop more limited hypotheses about change that can enormously improve the usefulness of social science theory in confronting human problems.

Economic change is a process. In contrast to Darwinian evolutionary theory, the key element in a theory of human evolutionary change must be the intentionality of the players. The selection mechanisms in Darwinian theory are not informed by beliefs about the eventual consequences of events that occur as species evolve. In contrast, human evolution is guided by the perceptions of the players. The perceptions are influenced by the beliefs of the players — the theories they hold about the consequences of their actions — and these beliefs typically are blended with their preferences. The players make decisions in light of their perceptions, with the intent of producing outcomes downstream that will reduce uncertainty arising from the institutions they rely on — political, economic and social — as they pursue their goals. For the most part, therefore, economic change is a deliberate process shaped by the perceptions of the actors as they weigh the likely consequences of their choices and actions.

But how do humans come to understand their environment? The explanations they develop are mental constructs derived from experiences, contemporary and historical. These constructs are based on something more than the accumulation of individuals' experiences over their lifetimes. They are also influenced by the cumulative experience of past generations.



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## HISTORY MATTERS, CONTINUED

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The cumulative learning of a society — embodied in language, memory and symbol systems — includes beliefs, myths and ways of doing things that make up the culture of a society. Culture not only determines societal performance at a moment in time; through the way in which it supports and constrains the players, it also contributes to the process of change over time. To understand this process, therefore, we need to focus on human learning in a broad sense: on what is learned and how it is shared among the members of a society; on the incremental process by which the beliefs and preferences change; and on the way in which beliefs and preferences shape the performance of economies over time.

We cannot expect high school students to fully appreciate how choices made by their ancestors have fundamentally shaped the institutions with which we live today. They can, however, learn to see events large and small as outcomes produced by the choices people make every day, and they can begin to understand how those choices are shaped by evolving institutions and the ideas on which the institutions are based.

In the efforts educators make to help students grasp these powerful insights, much will depend upon the quality of the instructional materials used. With its explicit emphasis on choices, costs, incentives, rules of the game and voluntary exchange, the curriculum presented here — *Focus: Understanding Economics in United States History* — will provide educators with a valuable source of focus and direction for their work.

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## INTRODUCTION

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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### *A note to our readers:*

*Each of the lessons in Focus: Understanding Economics in U.S. History invites students to explore a mystery. The procedure steps provided in the lessons suggest a particular approach to solving the mysteries. It is an approach based on six general principles of economics. We call this set of principles the Guide to Economic Reasoning. The following essay introduces the Guide to Economic Reasoning and shows, by reference to one mystery, how it can be used. We believe that the approach illustrated in this introduction can be reapplied in the 39 lessons that follow. Students who work through these lessons will gain in their substantive knowledge of U.S. history and in their capacity for disciplined inquiry guided by economic principles.*

—The authors

### Background

At first glance the American Revolution seems to have been inevitable. Most Americans recall how a series of British initiatives — the Sugar Act in 1764, the Stamp Act in 1765 and the Tea Act in 1773 — touched off confrontations with England. With neither side willing to back down, the conflict predictably grew into a full-scale war.

But an inquisitive student of history, such as one accustomed to using economic analysis, might wonder at the colonists' decision to rebel. It was not inevitable that the new American republic would survive to become a nation. At the onset of the war, people were unsure as to how things would turn out. The war occurred in the colonists' "present," and in pursuing the war the colonists took enormous personal, economic and political risks. They could easily have been defeated and lost their independence several times before their final victory in 1783.

It was by no means obvious, moreover, why the Revolutionary War was fought at all. At least until 1775, radical separatists in the colonies had failed to gain majority support among their countrymen for the revolutionary cause. This

isn't much of a surprise. As they looked toward the last quarter of the eighteenth century, the colonists might have given serious thought to at least three powerful reasons *not* to fight: they were safe, prosperous and free. Let's examine each of these points briefly.

First, except in remote areas, the colonists lived and worked in relative safety by about 1763, thanks to protection provided by England's Royal Navy and ground troops. This was no small matter. Throughout the earlier colonial era, imperial rivals and Native Americans often posed serious threats to the colonists' lives and property. The British spent heavily to protect the colonies from French forces and their Indian allies during the French and Indian War (1755-1763). And the Royal Navy protected American shipping along the North American coast, in the Caribbean, and in the Mediterranean, where Barbary pirates conducted raids, stole cargoes and sold captive sailors into slavery. All this protection was provided at a relatively low cost to the colonists; in taxes per capita, they paid little — only 20 to 25 percent of taxes paid by the average English resident.

Second, on the eve of the Revolution, the colonists had become relatively prosperous. By today's standards, colonial life was rough indeed. But by the standards of their own time, the colonists enjoyed a high quality of life and material well-being. Production had grown at high rates throughout the colonial period. The colonists lived longer and better than most of their contemporaries in other places. Their incomes on average were apparently as high as or higher than average incomes for people living in England. Referring to data from 1774, economic historians Gary M. Walton and Hugh Rockhoff (2002) write, "Even today, relatively few countries generate average income levels that approach the earnings of free Americans on the eve of the Revolution" (p. 112).

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## INTRODUCTION, CONTINUED

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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Third, in large measure, the colonists lived as free citizens. In the words of Samuel Eliot Morison,

British subjects in America, excepting of course the Negroes, were then [ca. 1763] the freest people in the world .... They argued and then they fought, not to *obtain* freedom but to *confirm* the freedom they already had or claimed. They were ... more advanced in the practice of self-government than the mother country. There was slight pressure from ancient custom, and few relics of feudalism.... [After] the Zenger libel case ... in 1735, almost complete freedom of speech, press, and assembly was enjoyed. Trades and professions were open to the talented .... The hand of government rested lightly on Americans. (1965, p. 172)

In part, this climate of freedom reflected simple practicalities. The colonies were a long way from the British Isles. Transportation and communications were slow. It took a long time for anybody in London to learn of anything that looked like wrongdoing in a colonial legislature or seaport, and a long time, again, to respond with efforts to intervene. English authorities, accordingly, had been inclined to leave the colonists more or less alone, or to back away when the colonists resisted an unpopular policy. When authorities did seek to intervene, the colonists often succeeded in using an array of tactics including deception and bribery to carry on with their affairs as they saw fit. Moreover, the British system of colonial administration was loose-jointed, favoring local control. Colonial legislatures, acting with a measure of democratic legitimacy, made most policy decisions in the colonies. In these bodies, members of the upper legislative houses were appointed by the Crown (as were colonial governors), but members of the lower legislative houses were elected.

### The Mystery

These three considerations raise a serious question. Economists assume that people strive to act in their own best interest. But how could this generalization apply in the case of the American colonists? As they approached 1776, the colonists were well off in nearly every way. They were protected by the English armed forces. They were prosperous. They enjoyed a measure of political freedom envied by others throughout the Western world. Under these favorable circumstances, why would the colonists — English citizens themselves — fight a revolution against Great Britain, one of the world's most powerful nations and, in many respects, the wellspring of their freedom and prosperity?

### The Guide to Economic Reasoning

Having posed the mystery, how might we go about solving it? We could simply sift through various accounts of the Revolutionary period, looking for observations that seem to be relevant. Searching about in that way might turn up important bits and pieces of information as well as interesting opinions. But an unguided, open-ended search would amount to a weak search, lacking focus and direction. To gain the advantages that come with focus and direction, scholars investigate problems from particular points of view based on the assumptions and research techniques of their academic disciplines. Historians try to describe and explain events by establishing accurate, well elaborated chronologies; geographers emphasize the importance of place.

Our approach is derived from the discipline of economics. It involves applying one or more of six economic principles that we refer to as the **Guide to Economic Reasoning**. Let's see how the **Guide to Economic Reasoning** might cast new light on our mystery: Why did the colonists choose to fight the Revolutionary War?

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## INTRODUCTION, CONTINUED

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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### 1. People choose.

This principle may seem to state the obvious, but it emphasizes two meanings that are not so obvious. First, economists claim that people manage their lives by making choices, even though they sometimes prefer to believe that they do not. Think how often you hear people say that, in one situation or another, they had “no choice” but to act as they did. In this respect, young people and adults are much alike. Both are prone to deny that they are making choices when that is exactly what they are doing. Both are prone to explain certain actions of theirs as a matter of necessity — perhaps one imposed by others. Second, economists claim that, in making choices, people act rationally. They act rationally in that they seek to obtain the best possible combination of costs and benefits available to them under the circumstances. The circumstances include the relative importance of the decision in question, what the person making the decision knows, what it will cost to learn more and how much time there is in which to decide.

What does all of this have to do with American Revolution? Using economic reasoning, we hypothesize that American colonists approached the Revolution by making choices. They were not acting blindly, without regard for consequences. Finally, they decided that the fighting the Revolution offered the best combination of benefits and costs they could attain. To learn more, therefore, we should inquire further into the choices the colonists faced.

### 2. People’s choices involve costs.

Decisions come with costs. Always. The costs are obvious enough in the case of decisions to buy goods or services. But not all costs are dollar costs. Think of someone who decides to go jogging after school. This decision might seem to involve all benefits and no costs, especially for one who enjoys exercise and values fitness. But it takes time to go jogging, and that time could be used in other ways. The cost of jogging after school thus

might be dinner not prepared, homework not done or a favorite television show missed.

While there are many kinds of costs, economists stress the importance of opportunity costs. In any decision, the opportunity cost is the person’s second-best choice. It is not every alternative not selected. After all, the list of alternatives in a given case is endless. The after-school exerciser could have done all sorts of things instead of jogging. Of all the possibilities, the opportunity cost is the second-best alternative, the alternative or set of alternatives someone would have chosen next.

Questions of cost loom large in decisions to fight wars. This certainly was true in the case of the American Revolution. As colonial subjects, the colonists enjoyed several benefits. By choosing to fight, they risked losing these benefits. First, they risked losing a guaranteed market for certain goods they produced. For example, England’s restrictive trade policies embodied in the Navigation Acts provided that ships built in New England would be sold directly to buyers in Britain. Colonial ship builders thus enjoyed favored status against international competition. Other colonists also benefited by selling their products in the protected market provided by consumers in England. Second, England provided the colonists with direct subsidies for certain products. Bounties, for example, were paid to colonial producers of indigo. Bounties were also paid for several forest products such as tar, pitch, turpentine and lumber. Third, as mentioned earlier, the colonists received valuable military protection from British naval and land forces, paid for largely by taxpayers in Britain.

In thinking about costs, therefore, colonists on the eve of war might well have seen a big opportunity cost in losing British customers, losing income and losing protection provided under the umbrella of the British Empire. Yet, at some point, the colonists decided that the benefits of fighting would outweigh the costs.

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## INTRODUCTION, CONTINUED

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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### 3. People respond to incentives in predictable ways.

Incentives are rewards that prompt people to make decisions and take action. One powerful incentive is money. It is a powerful incentive because it can be exchanged for other things. But not all incentives are monetary. Another sort of incentive has to do with the satisfaction that comes from doing the right thing. Many people perform acts of kindness that involve no monetary rewards. They volunteer to donate blood and vital organs, they pick up trash in a park or along the highway and they show up to vote on election day. Some people, including police officers and fire fighters, risk their lives daily for reasons that go beyond the salaries they earn.

How did incentives bear on the case of fighting the American Revolution? Before 1763, the colonists had often objected to tax and trade policies imposed by British authorities, but they also had succeeded in resisting such policies in various ways. After 1763, however, Britain imposed many new taxes and regulations and set about enforcing them more strictly. The new policies and enforcement procedures threatened to raise prices and reduce income among the colonists; they also marked a change in the climate of freedom to which the colonists had become accustomed. Almost every colonist thus felt a grievance: “debtors objected to the Currency Act; shippers and merchants to the Sugar Act; pioneers to the Quebec Act; politicians, printers, and gamblers to the Stamp Act; retailers and smugglers to the Tea Act” (Walton & Rockoff, 2002, p. 133). The losses that the new acts implied — in material well-being and autonomy — created an incentive for the colonists to fight. Successful revolution would enable them to secure rights and benefits to which they felt entitled. (The post-1763 changes are addressed in more detail in the next section as “changes in the rules of the game.”)

Another incentive emerged as a result of the defeat of the French in the French and Indian War. The defeat of the French changed the feelings of the colonists regarding their own security. The French had been regarded as a dangerous rival for land in the colonial West. With the French defeated, Americans felt safer, and those who sought to settle in outlying areas would no longer face interference or competition from the French. Many colonists were therefore eager to move west. With the defeat of the French, however, English authorities introduced new measures of their own to control the frontier and contain the colonial population largely within the seaboard area. These measures included the Royal Proclamation of 1763 and the Quebec Act of 1774, which restricted colonial settlement throughout a large area ranging from what is now Georgia to the north shore of Lake Superior. This cordoning off of cheap, unsettled western lands struck many colonists as an act of theft. The prospect of regaining land for settlement created another incentive to fight.

There were other incentives as well. Traditionally, spending and tax decisions had been made by the lower houses in colonial legislatures. In most colonial legislatures, members of the lower house were elected, as they were in the lower house of England’s Parliament, the House of Commons. But as the Crown and Parliament increasingly exercised direct control over taxation and other policies after 1773, the colonists increasingly resented being treated as “colonials” — as second-class citizens. In 1774 the Continental Congress published a list of grievances emphasizing ways in which colonial self-governance had been eroded. The idea that the British could impose taxes and other legislation on the American colonists without their consent created another strong incentive to fight. A successful revolution would enable citizens of the new republic to restore self-government.

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## INTRODUCTION, CONTINUED

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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### 4. People create economic systems that influence individual decisions.

Economic behavior occurs in a climate of rules, formal and informal. The “rules of the game” act as incentives and influence the choices people make in particular cases. Tax laws, for example influence behavior. If a city government places a heavy tax on the width of buildings, tall, narrow buildings soon begin popping up. If a state government places a large tax on savings accounts, people soon begin keeping less money in those accounts.

How might the “rules of the game” have influenced the behavior of the New England colonists? British policy for the American colonies was based on mercantilist theory. *Mercantilism* refers to the idea that the colonists had an obligation to assist the mother country in being economically better off. In the 1760s, this meant providing Britain with raw materials it desired, such as iron and naval stores including tar, pitch and tall timbers for ship masts. The colonies were also expected to generate income by selling colonial products through Britain to other nations. Finally, mercantilism meant that American colonists were to buy goods produced in Britain.

The Navigation Acts (1651, 1660 and 1663) were enacted to enforce mercantilist policies by protecting British and colonial trade from competition. They required that trade with the colonies be conducted only in vessels built, owned and commanded by British or American colonists. All imports from Europe were to be shipped through British ports. And certain commodities (“enumerated goods”) from the colonies could be exported only to Britain. At first the enumerated goods included only tobacco, sugar, cotton and indigo, but other goods including rice, molasses and naval stores were eventually added to the list.

Most economic historians argue that the colonists felt little incentive to break away from England until 1763. Until then, the number of

enumerated products had grown slowly over time. The colonists, moreover, would have bought most of their manufactured goods from Britain even without the Navigation Acts. And the colonists were generally able to ignore mercantilist laws regarding manufacturing. But after 1763, the rules of the game changed as the Crown and Parliament imposed new rules and became more serious about enforcing them. Britain had, after all, paid for protecting the colonists during the French and Indian War, at a high cost to British taxpayers. In return, Britain sought ways to extract more revenue from the colonies.

Tighter enforcement of the Navigation Acts, however, changed the incentives as the colonists saw them. New restrictions imposed by the Navigation Acts meant that the colonists would pay higher prices for imports from outside the Empire. The colonists also could anticipate paying higher prices for goods that could only be purchased (legally) from Britain. American exporters could anticipate paying higher prices to ship their products.

Then the British changed the rules again. The Townshend Acts (1767) placed new taxes on English manufactured goods entering America, including tea, glass, paper and pigments for paint. The colonists reacted angrily with boycotts and, eventually, the Boston Tea Party, and Britain backed away from the Townshend taxes in 1770, except for the tax on tea. The tax on tea was particularly offensive to the colonists. It represented, in their eyes, Britain’s power to tax the colonies even though the colonies were not represented in Parliament. Moreover, the tea tax allowed the East India Company to ship tea directly to the colonies, cutting American merchants out of the trade. It looked like a bad precedent. Whose trade would be eliminated next?

In hindsight, it seems unlikely that these changes in tax and trade policies, unpopular though they were, would suffice to make the

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## INTRODUCTION, CONTINUED

# WHY DID THE COLONISTS FIGHT WHEN THEY WERE SAFE, PROSPEROUS AND FREE?

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case for rebellion. After all, agriculture, not trade, was the most important sector of the colonial economy. Why would a far-flung rural populace support a war stirred up by grievances among colonial merchants? Here another change in the rules of the game becomes relevant — a change in policy regarding western land. In 1774, Britain passed the Quebec Act (mentioned above). This legislation greatly enlarged the size of Quebec, thus reducing western land areas available for settlement by Americans; it also destroyed the western land claims of Massachusetts, Connecticut and Virginia.

Land ownership was highly valued among Americans. For many, including many young adults of fighting age, land ownership represented an opportunity for economic success in the future. After the French and Indian War, however, many Americans felt that their prospects for success, tied to land ownership, were threatened. As Britain took steps to prevent colonists from settling in lands to the West, the colonists feared that these lands would be sold instead to wealthy British subjects. They also feared that new controls on the fur trade would interfere with exploration and settlement.

Taken together, these changes in the rules of the game created new incentives, shaping the decisions of individuals who eventually came to support the Revolutionary War.

### 5. People gain when they trade voluntarily.

*Voluntarily* here refers to lack of coercion. “Your money or your life!” does not describe an instance of voluntary trade. *Gain* refers to money gains, of course, but also to other benefits. Examples of voluntary trade are everywhere. Purchasing a movie ticket, filling a car with gas, buying a stock — all involve voluntary trade in which people exchange something they value less for something they value more. That’s why the store clerk often thanks the customer and the customer often thanks the store clerk at the end of a transaction.

The colonial economy was largely agricultural, and most voluntary exchanges took place in the domestic economy. Trade was a key factor in the colonial economy from the beginning. The colonial population was relatively small. A much larger market existed in Britain and in Europe. To be successful, the colonies needed to find products that could be successfully marketed in Europe. The colonies specialized in regional production. Goods from each region were exported. Agricultural products were high on the list, especially tobacco. Other top exports included flour, rice, fish, wheat and indigo.

The colonies imported manufactured products — including linens, textiles, furniture and agricultural tools — mostly from Britain.

What does voluntary trade have to do with the American Revolution? Colonial producers and shippers saw Britain’s tightening of mercantile policy as an obstacle to free trade — which it was. While British middle-men distributed such crops as tobacco and rice, the colonists could buy manufactured goods only through Britain. Such restrictions increased the cost of doing business and reduced the standard of living on both sides of the Atlantic, enhancing the sense of grievance and the drive for self-governance among the colonists.

### 6. People’s choices have consequences that lie in the future.

Despite messages from advertisers urging all of us to “live for today,” many people work hard at living for tomorrow. At least they give thought to tomorrow as they strive to make decisions that will benefit them in the future. For example, people tend to care for the cars they own better than they care for cars they rent (in the history of the world, one economist has quipped, nobody ever washed a rented car). Why? Car owners have a long-term interest in caring for their cars, since maintenance bills and resale values are affected by the quality of care they provide. Similarly, many homeowners care for their homes more lovingly than they cared for

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## INTRODUCTION, CONTINUED

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the apartments they once rented, again because they have a long-term interest in their homes' quality and market value.

From 1763 to 1775, the American colonists had to make decisions about which path would leave them better off in the future. Should they stay or should they go? As we have seen, the colonists had become accustomed to a relatively high standard of living. But changes in British policies put the future in doubt. Under British rule, the colonists faced what seemed to be diminishing prospects for continued growth in prosperity. The colonists' present and future standard of living seemed threatened. Before 1763, they had been for the most part self-governing and free to pursue their own economic interests. After 1763, changing rules of the game threatened this freedom in matters of trade, taxation and land ownership.

### The Mystery Revisited

As British subjects accustomed to lives of safety, prosperity and freedom under colonial rule, the colonists might seem to have acted irrationally in committing themselves to a highly risky revolution. They chose revolution nonetheless, seeking to secure prosperity and self-governance in their own time and for the future. The prospect of securing those benefits eventually outweighed everything else.

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