

Property Rights:

The Rise and Fall of America's First Bank

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Abstract

The absolutist Dominion of New England (1686-89) saw both the rise and fall of the first operational bank scheme in America. Both the rise and the fall resulted from the rulers' attempts to personally profit from the real estate sector. The first, local ruler established a nominally private land bank to achieve that goal. A subsequent, non-local ruler did it by invalidating all land titles (and thus killing the bank). This unique natural experiment clarifies how economic development can be affected in different ways by absolutism, as in Mancur Olson's analysis of stationary and roving bandits. The episode is also a unique natural experiment in that it considers English subjects launching an English bank scheme under English jurisdiction – but in America. It thus isolates an essential ingredient of Stuart absolutism (disrespect of property rights) from all the complications and peculiarities of England just before the Glorious Revolution. Finally, the episode shows a credible commitment to *destroy* property rights. The latter ruler's warnings about the validity of land titles had been ignored for a year by the colonists in general and the bank partners in particular. Only when his policy was implicitly approved by the king he launched a legal attack against land owners. The land bank was aborted four days later.

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1. Introduction

The relation between the form of government and economic development is one of the most important topics in economics. Consider the specific issue of how an absolutist government might affect investment. On the one hand it is argued that absolutism discourages investment because of its disrespect of property rights (North and Weingast, 1989). On the other hand it is argued that some useful investments might take place only by an absolutist leader who can expropriate most of the profits (e.g., Greif, 1994). Such contradicting evidence leaves one wondering what determines the rulers' behavior in the different cases. Can it be predicted whether a given absolutist ruler will end up promoting or discouraging economic development?

This paper analyzes an unusual and largely unknown natural experiment that can bring us closer to answering such a question. This experiment on absolutism happened in the least expected place – Massachusetts. From 1686 to 1689 it was the core of the royal Dominion of New England. Under the same absolutist constitution (imposed by England) and two consecutive rulers (also imposed by England), a land bank scheme rose – and then fell. Known as John Blackwell's bank, this “private” bank scheme rose dramatically while its local leaders also controlled the government. The appointment of a new, non-local head to that government completely reversed the bank's fortunes and it was aborted at an advanced stage. It was doomed not for passive lack of support from the new ruler, but because that ruler invalidated all the land titles in the Dominion – the same land titles that were supposed to back the bank's notes.

The critical difference between the rulers was that the first was local and the other was not local. It is a natural experiment because it features opposite outcomes for the same

financial institution under the same exogenous absolutist constitution. It allows us to go beyond the label “absolutism” and differentiate between its different types. The analysis builds mainly on Mancur Olson’s discussion of stationary and roving bandits.

This episode provides yet another natural experiment. It is the seventeenth century story of English subjects under English jurisdiction trying to launch an English bank scheme – but in America. This is important because North and Weingast (1989) famously used the example of contemporary England to demonstrate the negative effects of absolutism on financial development. Their story has been challenged by claims that things were not that bad before the Glorious Revolution or not that good after it.¹ The American bank episode isolates a policy – the infamous Stuart disrespect of property rights – from all the other factors that might have affected financial development in England but did not exist in Massachusetts (e.g., goldsmith-bankers, Catholicism, Parliament, the kings’ personalities). And it all happened just before the Glorious Revolution: the bank was aborted in July 1688, five months before the Revolution.

Finally, the commitment to preserve property rights has been the key element in the North-Weingast analysis. The American bank episode shows the flip side of it: what is needed to establish credible commitment to *destroy* property rights. Apparently, that too is not a trivial thing to do for a colonial, non-local governor.

The paper proceeds as follows. Section 2 recounts claims about the Stuarts, property rights and banking. Section 3 describes the political events of the turbulent 1680s. Section 4 describes the bank’s rise under a local ruler. Section 5 describes the new land

¹ E.g., Clark (1996), Epstein (2000), Quinn (2001), Stasavage (2002), Gonzalez de Lara, Greif and Jha (2008).

policy of the non-local ruler and his cronies. Section 6 discusses their difficulties in committing to the new policy, and the bank's quick demise once such a commitment became available. Section 7 concludes by comparing the bank's fortunes under each ruler and by comparing the Dominion to England.

2. Absolutism and Banking in England

In the seventeenth century, as many continental Europeans deposited their specie in public banks, the English people were busy *hiding* their money from their government. The early Stuarts raised revenue without Parliament's approval and thus undermined property rights. They used forced loans whose terms were not honored, taxes according to ancient prerogative rights and sales of monopoly rights which ruined competitors' investments.² Most importantly, in 1640 Charles I confiscated £100,000 of merchants' deposits in the Tower of London. People started keeping their specie at home and later deposited it with goldsmiths.³ In the following decades, leading bank promoters, political theorists, merchants and political advisors, told Cromwell and later Charles II that rich men would not join a bank because it would be unsafe under a monarch: the traumatic Tower confiscation "sticks in the memory of most merchants ... the thing will never be forgot."⁴ Deposits with goldsmiths did not protect the merchants either as repayment of the goldsmiths' loans to the king were suspended in the Stop of the Exchequer (1672) –

² Gregg (1984).

³ North and Weingast, pp. 810-2, 819-20, Macleod (1896), vol. II, p. 1, Pepys, Vol. VIII, pp. 412-5.

⁴ Horsefield (1960), pp. 99-100, Dickson (1967), p. 56, Pepys (1942), vol. VI, pp. 215-6, Beresford (1925), p. 211.

the “greatest invasion of property.” Leading goldsmiths and many customers went bankrupt. Much of the million pound debt was not returned for decades.⁵

Only after installing a Dutch prince and Parliamentary rule in the Glorious Revolution, large joint-stock banks could replace the simple goldsmith-bankers. The Bank of England was made private partly in order to disassociate it with the king. The Bank’s existence was also a guarantee against a Stuart comeback: which depositor would support another tyrant who would inevitably confiscate the Bank’s money one day?⁶

3. The Political Status of Massachusetts

Formally starting as a mere commercial corporation, the Massachusetts Bay Company quickly became too independent of the home country. After completing the Restoration and dealing with the Dutch, The Plague and the Great Fire, Charles II finally found time in 1676 to bring Massachusetts back under royal control. A long legal and political battle led to the revocation of the Massachusetts charter in 1684 due to its numerous violations by the colony.⁷

In 1686 the colonists got a new form of government. Massachusetts became the core of the Dominion of New England, a new entity which consolidated all the small New England colonies and territories: Plymouth, Massachusetts, Connecticut, Rhode Island, New Hampshire and Maine. The democracy inherent in the Massachusetts Bay Company, and which had been translated into a limited democracy of an entire colony, was replaced by a more traditional form of government. The Dominion was to be

⁵ Macleod (1896), vol. II, p. 4, Feavearyear (1963), p. 111, Jones (1994), p. 73.

⁶ Beresford, pp. 211-2, Dickson, pp. 55-6, Horsefield, p. 96, North and Weingast, pp. 826-7, Feavearyear, p. 111.

⁷ This section is based on Barnes (1923), Lewis (1967).

governed by a council with absolute authority. It was about to have legislative, executive and judicial control. To ease the transition from representative government to royal submission, the council was first composed mostly of the local elite and was headed by a local president until the appointment of a permanent governor. The president chosen by the Crown was Joseph Dudley, a former magistrate in the General Court and son of the late legendary governor Thomas Dudley. He was in office from May to December 1686.

4. The Rise of the Bank

In the early 1680s there was an attempt to launch a note-issuing land bank in England. Like all other similar attempts, it failed. One of the projectors, Captain John Blackwell, left to Massachusetts in 1684 and took the bank plan with him.⁸ He did nothing with it until Dudley came to power.

During Dudley's brief rule, Blackwell's bank scheme won exceptional progress. In June the council formed a grand and standing committee of merchants, chaired by Blackwell, to discuss ways to end a recession.⁹ In July Blackwell proposed his bank scheme to the council, which referred it to Blackwell's own committee. In September the council approved the committee's positive report on the bank and made its prospective banknotes legal tender for all payments.¹⁰

As noted first by Theodore Lewis (1967), the bank's progress emanated from the personal involvement of the government leaders in the bank. Already upon arrival, Blackwell befriended the local elite. This was easy because he was a distinguished

⁸ Horsefield (1966).

⁹ Toppan (1899a), pp. 248-9.

¹⁰ Toppan (1899a), p. 272, Massachusetts Archives (heretofore MA) 126:103-7, Sewall, p. 148.

Puritan, former Treasurer of War to Cromwell. He joined two speculative land ventures with Joseph Dudley and Dudley's future deputy William Stoughton. Both men were expected to lead the new regime.

In 1687 the bank's directors would be revealed as Blackwell, Dudley, Stoughton, and Councilor Wait Winthrop (another major land speculator). All the other bank officers were also large landowners. Two of them were senior members in Blackwell's committee.¹¹ Perhaps the bank was approved in 1686 because the government leaders had already had a stake in it, or the approval was implicitly conditional on the appointment of government leaders to key bank positions. Either way, as Lewis (1967, pp. 191-2) noted, there were symbiotic relations between the absolutist government, the advising committee, and the "private" bank. Lewis (1967, 1974) further argues that most of the councilors joined the absolutist regime only to influence their land titles.

The bank was supposed to issue notes backed by mortgages to relieve the lack of specie.¹² The bank's partners and others were supposed to agree voluntarily to accept the notes in trade. If it were truly private, the bank could earn money only from interest on loans, limited by usury laws and competition. However, with its leaders also leading the absolutist government, the expected profit was much higher. They could make more land mortgageable by resolving legal disputes (some of them in their own favor). They could also grant themselves public land, which was the local customary substitute to salary. Then they could turn all that land into cash through the bank and control the terms of loans they grant to themselves. They could disallow competing banks and the reopening

¹¹ Toppan (1899a), pp. 248-9, MA 127:66, 69.

¹² The bank prospectuses are in Davis (1910), vol. I, pp. 121-46, 153-87.

of the competing, recently closed mint.¹³ The legal tender status – highly unusual for private notes – would help the notes circulate as currency. As in Greif (1994), a particular project was more likely to succeed if led by an absolutist government, and it could have been beneficial for the economy.

5. A New Policy

In December 1686 Sir Edmund Andros arrived as governor. Andros belonged to a distinguished family of royalists from the Channel island of Guernsey.¹⁴ The family served the royal family in exile during the Interregnum. The restored Charles II declared in 1660 that the family, including Edmund specifically, proved “inviolably faithful” to him. After serving the royal family and the military in the Old World, Andros became Governor of New York in 1674. Back then it was the private colony of James, Duke of York and brother of Charles II. Although Andros was knighted in 1678, James recalled him in 1680 due to corruption charges. Andros managed to clear his name and six years later, James – now King James II – appointed Andros again to be his most important man in America.

There was no change in the form of government upon Andros’s arrival. There were no material changes in the commission Andros received, compared to Dudley’s commission. Dudley himself was demoted to councilor, Andros’s deputy and chief judge.¹⁵ However, during the following two years Andros brought a group of cronies who had served under him in New York. He appointed them to key positions in his administration. This group

¹³ Toppan (1899a), p. 244.

¹⁴ This paragraph is based on *Andros Tracts* I, pp. ix-xxiii.

¹⁵ CO 5/904, p. 352.

of “foreigners” – Anglicans not born in New England and having no property there – essentially controlled Massachusetts in 1687 and 1688. They included the architects of Andros’s new land policy – the policy which would bring down both Blackwell’s bank and Andros’s rule.

The cronies’ story begins in 1678, when Andros briefly visited London and was knighted. When he returned to America, he brought with him a few men which he may have known before. Among them were John West and James Graham.¹⁶ Just before he was recalled, Andros appointed West to be Justice of Peace in Pemaquid, an area of Maine which used to belong to New York. The wars with the Dutch and Natives that took place in the 1670s left that area lawless. In the early 1680s, conflicts regarding colonial jurisdiction, land titles and squatting resulted in legal disputes.¹⁷ In 1686 New York governor Thomas Dongan commissioned Captain John Palmer to solve the land ownership issues there as he pleased. His deputy was John West. West and Palmer decided to solve the land disputes by starting over. Under various pretexts, all locals had to pay high fees to confirm their land titles. West and Palmer also confiscated some land for themselves and for James Graham.

West and Palmer proved indifferent to status. One of their victims was Elisha Hutchinson of Boston.¹⁸ Hutchinson belonged to one of the most important families in Massachusetts. His grandmother Anne was famously driven away decades earlier due to a religious controversy. His father Edward was one of the highest ranked fatalities in

¹⁶ Andros Tracts, Vol. I, p. xx.

¹⁷ Maine collections, vol. V, pp. 1-139.

¹⁸ Thayer, 1890, p. 285; Andros Tracts, vol. I, pp. 113-4.

King Philip's War of 1675-76. Elisha himself had been a deputy of the Massachusetts General Court and had the dubious honor of being named in the *Quo Warranto* – the 1684 writ which revoked the Massachusetts charter. Inheriting land from his father and father in law, Hutchinson was a very large land owner in all of New England. He was a permanent member in the triumvirate of the largest land company – the Atherton Company. Not surprisingly, he was also an officer in Blackwell's bank.

In February 1687, three months after Andros arrived to Boston, West came there too and in April he settled there with his family.¹⁹ In May he obtained the office of register of land titles. This was one of the key administrative positions in the Dominion. The job was initially granted by England's Board of Trade to Edward Randolph. Randolph was the one who, as special agent of the Crown, single handedly brought down the charter government with his damning, persistent reports of that government's offenses against the Crown and its violations of the original charter. As a reward for his services he was appointed councilor and register of land titles, in addition to his earlier appointment as customs official. Although protected by powerful allies at England's Board of Trade, it was probably under pressure from Andros that Randolph leased this position to West. This suspicion is based on his later bitter reports about West's conduct.

Shortly thereafter, Andros – no doubt under West's influence – started informing land owners that all the land titles in the Dominion were defective and thus invalid. He had various arguments to support this claim: the lands reverted to the crown upon the charter's revocation, Natives were not eligible to sell land, towns were not incorporated and thus could not grant lands, and the grants were not sealed.

¹⁹ Sewall, vol. I, pp. 167, 173.

Presumed land owners had to petition Andros for a survey of the land and then to petition again for confirmation of their title. The first warrant to survey land was issued in June 1687, a month after West was put in charge of the land registry. In executing his policy, West was aided by two more newcomers: Attorney General George Farewell and High Sheriff James Sherlock. Farewell had been trained in England and was in the colony at least since the beginning of Dudley's presidency.²⁰

In both style and substance, Andros consistently proved to be a loyal soldier of the House of Stuart. The colonists argued that their possession and improvement of the land for half a century should have been sufficient to overcome technical defects, but Andros disagreed.²¹ Here too he was following a clear Stuart precedent: this is how Charles I treated long-time invaders to the royal forests.²² A petition to lease land was a known institution in early modern England. It involved a subject appealing to the king's favor. Petitions in Massachusetts were to be addressed to Andros.

Perhaps the single most precious piece of land in Massachusetts was in Cambridge: Harvard College. There was a proposal by New Hampshire's tyrant, Governor Cranfield, of turning Harvard from a Puritan college into an Anglican one. Following up on a rumor that this was about to happen, Andros seriously agitated the colonists by ordering the Anglican minister to participate in Harvard's commencement.²³ It is no coincidence that James II was busy at the time forcing Catholic officials on the University of Oxford.²⁴

²⁰ Konig, 1979, pp. 163-4.

²¹ Hutchinson (1936), vol. I, p. 305, Whitmore I, pp. 95-6.

²² Gregg, 1984, pp. 224-6.

²³ Sewall, p. 181, PRO CO 1/65 #52i, 1/52 #19.

²⁴ Ashley, 1967, p. 172.

The Puritan ministers, fearing for Harvard and their churches, decided to ask the king for freedom of religion and safety of property. The messenger, Harvard President Increase Mather, was arrested on bogus charges just before leaving for England.²⁵ Here too was a Stuart tradition: using the legal system to persecute the opposition.²⁶

Another claim of Stuart-like behavior is that Sheriff Sherlock appointed “strangers” who had no freehold as juries.²⁷ This is exactly the content of the ninth grievance in the 1689 Declaration of Rights regarding the Stuarts in England, which led to the eleventh Right in that Declaration.²⁸ Since the New England version of this grievance is first documented in 1690, it may have been copied from the Declaration. In many ways the colonists tried to justify their 1689 revolution (which deposed Andros) as entirely equivalent to England’s Glorious Revolution. For this reason, this claim should be taken with caution.

6. Commitment to Destroy Property Rights

Obviously, the Andros land policy left the bank no chance. Founded on the presumption of solid land titles, it could not survive if all titles were invalid. Yet it took fourteen months for the message to get through and for the bank to be aborted. Apparently, committing to destroying property rights is not necessarily easier than committing to protecting them. Technically, Andros could have made a dramatic public announcement

²⁵ Sewall, pp. 197-8, Mather (1723), pp. 102-6.

²⁶ North and Weingast, p. 816.

²⁷ Andros Tracts, vol. I, p. 74.

²⁸ Schwoerer (1981), pp. 296-7.

that all the land titles were null and void. He might not have lived to see the next day.²⁹ The few redcoats could not have protected him, as would be proven in the revolution of 1689. And even if he had survived, perhaps he would have been rebuked by the king. The king probably had no desire to have all of New England unraveled like this. Andros's policy was legally based on a certain interpretation of his commission, which James II might not have approved of. Its author was in all likelihood West, so it was not one of the issues that Andros and James II had agreed upon before Andros arrived. Finally, even if Andros knew that James would have approved, the colonists would not have believed it. As apparent from the lobbyists they sent to London, they would not have accepted such a shocking announcement as the final word on the topic.

Due to these difficulties, Andros implemented his wholesale repudiation of land titles slowly, carefully, gradually, passively, patiently, and behind the scenes.³⁰ All the important decisions had been revealed between February and July 1687 but never in the form of a new law. Andros inquired only about speculative land ventures brought before him, and his recommendations to England against them were made in secret. He encouraged his local supporters to lead the colonists by example and apply for confirmation of their titles. More than a hundred surveys were ordered from June 1687 to July 1688, some of which were for councilors and their relatives. Most were followed by applications to confirm titles.³¹ His policy towards Natives was largely not legislated³²

²⁹ Barnes, *Dominion*, p. 188. On colonial anxiety before and after Andros's arrival see Toppan and Goodrick, *Edward Randolph*, vol. VI, p. 206, and MHS Collections (1861), p. 177, respectively.

³⁰ Hutchinson, *History*, vol. I, p. 306.

³¹ Tuttle, "Land Warrants," passim. Dudley was among those who asked for warrants.

but rather told in person when he dropped by people's homes to teach them about his policy.³³ He incited his cronies to apply for a share in the common lands that he refused to recognize, resulting in a beggar-thy-neighbors gold rush.³⁴ His policy towards Harvard was also mostly indirect (see above). For more than a year, no steps were taken against those who did not apply to confirm their titles.

The colonists indeed did not get the message at first. They were deluded about their control over the legal system and London decision-making. In addition to Dudley being chief judge, in October 1687 the colonists learned that the local Sir William Phips, then in England, would be provost marshal (chief law enforcer).³⁵ They also thought that their lobbyists were influential enough to change the land policy or even get Andros recalled. Anglican Richard Wharton, the most important land speculator, was the mastermind who had constructed the Dominion, and many thought he could overturn whatever Andros decided. In 1688, the Lords of Trade recommended to the king to rule in Wharton's favor and against Andros, so Wharton sent home optimistic letters.³⁶

Evidence that the colonists did not see their titles as lost is that as late as April 1688, Diarist Samuel Sewall casually took possession of land he had bought, with no special

³² There was only an act forbidding *future* deals with Natives and *future* settling of uninhabited land that had been purchased from Natives (Trumbull and Hoadly, *Public Records*, vol. III, pp. 422-3).

³³ Whitmore, *Andros Tracts*, vol. I, pp. 87-91; MAC vol. 35, p. 186.

³⁴ Tuttle, "Land Warrants," pp. 296-9, 335-7; Toppan, "Andros Records II," pp. 491-2.

³⁵ *Ibid*, p. 192.

³⁶ PRO CO 5/905, pp. 1-2, 8-9; MHS Collections (1892), pp. 9-16.

concerns or precautions.³⁷ The bank scheme also progressed throughout 1687, with the bank's rules and constitution set and its number of partners enlarged.³⁸

The change came in June 1688, when Andros learned the content of a new commission that was on its way from James II. In spite of the colonists' protests in London against his land policy and their attempts to remove him from office, Andros's authority was not in the least hampered and his territory even increased under the new commission: he received New York, East Jersey and West Jersey. At about the same time, James Graham – one of the New Yorker beneficiaries of the 1686 Maine adventure – arrived and replaced Farewell as attorney general. The commission arrived on July 5th, 1688. Graham prepared for Andros an unprecedented legal attack. On July 12th he started prosecuting some of the colony's elite for supposedly invading the king's land. Graham publicly promised that all the rich would be targeted for all their lands.³⁹ Targeting only those who could afford to pay fees was another Stuart tradition: Charles I fined only the rich among those had had invaded the royal forests.⁴⁰ Four days after the prosecution started, on July 16th, Blackwell announced that the bank scheme was aborted because the partners wished to withdraw.

Perhaps leading among those bank partners who had given up was Adam Winthrop. He was apparently considered the local banking expert, since he was the only one to participate in all three money and banking experiments that took place in Boston from

³⁷ Sewall, vol. I, p. 208.

³⁸ The documents mentioned below are in MAC vol. 127, pp. 66-69, vol. 129, pp. 55-62; Davis, *Colonial Currency Reprints*, vol. I, pp. 123-183.

³⁹ Whitmore I, p. 93.

⁴⁰ Gregg, pp. 225-6.

1681-1690.⁴¹ He had spent the 1670s in England where he became a merchant. He had witnessed the infamous Stop of the Exchequer, in which Charles II suspended paying more than a million pounds of debt. He was closer to the event than many others, because the public finance system that collapsed with the Stop was the brain-child of his father's uncle – Sir George Downing. Winthrop may have convinced his partners in July 1688 that the Stuart-appointed Andros was not different from a Stuart tyrant. Blackwell himself probably needed little persuasion as he knew first hand the consequences of a constitutional change on property. As a Cromwellian, he had gained a lot of land during the Civil War and lost it with the Restoration.⁴²

The last New York character, John Palmer, who had been West's senior officer back in Maine, was not forgotten. He was imported as chief judge shortly after the bank had been aborted. Although he cannot be implicated directly in Andros's land policy, his main contribution in Massachusetts was to later lay in writing the authoritarian ideology which was used to justify this policy.⁴³ Another New Yorker, Francis Nicholson, was named deputy governor in the new commission.

7. Conclusion

Under the same absolutist constitution of the Dominion of New England, its two leaders had very different approaches to land and thus very different outcomes regarding financial development. Dudley was a local politician and son of a late governor. He was heavily invested in his colony, where all his friends, partners and relatives lived. He was

⁴¹ He also participated in a 1681-83 clearinghouse and was a member of the 1690 paper money committee.

See Davis (1903), pp. 274-5, Davis (1901), vol. I, p. 10.

⁴² Dorfman, p. 97.

⁴³ Andros Tracts, vol. I, pp. 74, 89, 92, 93, 99.

one of the main land speculators. Blackwell's bank was a great opportunity for him to turn that land into cash, especially when he and his partners also controlled the absolutist government. Dudley's land holdings and ties to the community made it unthinkable for him to invalidate all titles even if he had not been one of the bank's leaders. It is also probable that he would have been happy to see the bank helping the economy. He knew that his rule was temporary and that he would later return to be part of this home community of his.

Andros, on the other hand, was from Guernsey. He brought a small group of cronies from New York as administrators.⁴⁴ They had no land holdings in the Dominion, no relatives there and very few friends. For Andros the land problem was an opportunity to grab others' lands or at least get very high fees for confirming the ownership of lands.⁴⁵ The fees could be seen as a mafia's protection in the sense described by Mancur Olson.⁴⁶ The refusal of the population to pay them led – as Olson predicted – to (legal) violence. A bank based on existing titles would not have helped Andros. His lack of good faith with regard to land ownership is proven by the fact that he unnecessarily invalidated all the titles, even though most of them had gone undisputed for decades. Andros probably did not care at all if a bank could help the economy. Just as he was temporary in New York in the 1670s and then returned to England, he could not expect to stay in New England for more than a few years.

⁴⁴ Sewall, pp. 167, 186, 216-8, Whitmore I, p. 74, 149.

⁴⁵ Whitmore I, pp. 92, 98-100, 143, 205.

⁴⁶ Olson, ch. 1.

The lesson is that the ruler's background and ties to the community can be critical for the prospects of economic development under an absolutist government. In Olson's terms, Dudley was a stationary bandit while Andros was a roving bandit.⁴⁷

The differences in leaders' background resulted in big differences in policy because the absolutist constitution designed by the Crown allowed that. Not only was the council as a whole unaccountable to the population, but the governor himself was unaccountable to the council. Bank directors and councilors Dudley, Stoughton and Winthrop were powerless under Andros. There was nothing they could do while he "resolved and practiced to make all men's titles quite null and void," as two of them would testify later. The council usually did not vote and Andros ruled alone.⁴⁸ Of course, given that the council had a majority of locals, this is exactly the way James II wanted it. Since Andros came with redcoats⁴⁹ and gradually manned all the key administrative positions with cronies, these classes were not going to check his powers.⁵⁰ The administrators in particular were the ones who received the high fees he required for title confirmation.

Does the Dominion have direct implications on England? I argue that it does. Being completely under royal control and out of Parliament's reach, James II could do whatever he wanted there. He formed an absolutist government which reveals what he would have done in England had he had the power. Together with his revocations of most corporate charters and blunt attempts at packing Parliament, it is hard to avoid the conclusion that the Dominion was James's idea of government more than anything he said or that could

⁴⁷ Olson, especially chapter 1.

⁴⁸ Whitmore I, pp. 138-143, 147, Dunn, p. 244, Hall, p. 110, Lewis, p. 251.

⁴⁹ Sewall, p. 163.

⁵⁰ See Gonzalez de Lara, Greif and Jha (2008) for a theory.

be said of him by scholars in the centuries that followed. In 1688 James had a chance to overrule Andros's land policy. Instead, he chose to fully back Andros by enlarging his territory and not rebuking him at all.

America's first bank was one of the last victims of the Stuarts. The colonists repeatedly referred to Andros as a Stuart or a French, alluding to the contemporary Louis XIV (James II's cousin) and Andros's origin from the Channel islands. In both substance and style I have shown his consistent Stuart-like behavior, which is not surprising given a lifetime of service for the Stuarts. Invalidating everyone's title was as fatal as James II's alienation of both Whigs and Tories back home. Much like James II, Andros too was quickly deposed.⁵¹

The Dominion government distills the essence of the Stuart disrespect of representative government and property rights. The American scene was far simpler than England. With less than 50,000 inhabitants, no banks or goldsmiths, almost no Catholics, no Parliament, and no Whitehall, the Dominion story may be seen as a stripped down version, almost like a theoretical model, of what happened in England at the time.

Finally, the episode demonstrates that not only committing to protecting property rights can be difficult, but also committing to destroying them. Andros's problem was that he did not have enough power of his own. He had a superior boss, James II, who had already recalled him once. He had very few local redcoats on the ground to defend him in case of a revolt. When he got James's backing, he did not hesitate. His shortage of redcoats was still a factor, however, and he was deposed nine months later.

⁵¹ See Weingast (1997) for discussion of the English case and a theoretical model.

While the removal of the Stuarts led to a banking boom in England, Blackwell's bank was not revived after the Stuarts and Andros were deposed. The reason is that the revolution and subsequent war postponed a settlement of the constitutional status of Massachusetts and its land problem until late 1691, when a new charter was granted. By then the colony itself had entered the money printing business⁵² and resisted competition. Thus, all bank schemes for the following half a century – including a 1714 attempt to resurrect Blackwell's bank – were suppressed by the government. In this sense Andros inadvertently inflicted a lasting damage on Massachusetts: it ended up with paper money controlled by politicians instead of a commercial, money issuing, land bank.

⁵² See Goldberg (2009) for the critical effect of the land problem on the nature of the 1690 paper money.

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