CHAPTER THREE

How Capitalism Saved the Pilgrims

The Pilgrims had encountered what is called the free-rider problem [which] is difficult to solve without dividing property into individual or family-sized units. And this is the course of action that William Bradford wisely took.

—Tom Bethell, *The Noblest Triumph* (1998)

When the first settlers came to America in the early seventeenth century, the word *capitalism* had not yet been coined. But the most important ingredient of capitalism—private property—was responsible for their very survival, and indeed for the creation of America. As Tom Bethell explains in *The Noblest Triumph: Property and Prosperity Through the Ages*, the American settlers originally adopted communal ownership of land and property, and as a result most of them starved to death or died of disease—a problem endured in later centuries by virtually every communist country that adopted collectivized agriculture.[1]

The first American settlers arrived in Jamestown in May of 1607. There, in the Virginia Tidewater region, they found incredibly fertile soil and a cornucopia of seafood, wild game such as deer and turkey, and fruits of all kind. Nevertheless, within six months, all but 38 of the original 104 Jamestown settlers were dead, most having succumbed to famine.[2]

Two years later, the Virginia Company sent 500 more "recruits" to settle in Virginia, and within six months a staggering 440 were dead by starvation and disease. This was appropriately known as the "starving time," which one eyewitness described as follows (in old English): "So great was our famine, that a Savage we slew and buried, the poorer sorte took him up againe and eat him; and so did divers one another boyled and stewed with roots and herbs."[3] This man understood the crux of the problem when he remarked on the irony of such massive starvation occurring amidst such plenty—game, fish, fruits, nuts, and so forth. The cause of the starvation, he said, was "want of providence, industrie and government, and not the barennnesse and defect of the Countrie, as is generally supposed."[4]

How could there be a lack of "industrie"? After all, the Virginia Company had not chosen a group of indolent and lazy people to settle the Virginia colony. The problem was that all of the men were indentured servants who had no financial stake in the fruits of their own labor. For seven years, all that they produced was to go into a common pool to be used, supposedly, to support the colony and to generate profits for the Virginia Company. Working harder or longer was of no benefit to them, and they responded as anyone would, by shirking. Having been given free passage to the new world, these settlers were supposed to compensate the Virginia Company through their labor, so they were effectively reneging on their contracts.

Bethell points out that scholars have long recognized the link between the workers' lack of effort and the absence of property rights among the early American settlers. In the late nineteenth century, for example, historian Philip A. Bruce wrote of the Jamestown colonists: "The settlers did not have even a modified interest in the soil. . . . Everything produced by them went into the store, in which they had no proprietorship."[5] As a result, Bruce wrote, the men idled over their tasks or refused to work altogether. Even men who were generally known to be among the most energetic by nature were derelict. The absence of property rights—and of the work/reward nexus that such rights create—completely destroyed the work ethic of the settlers.

Economic historians Gary Walton and Hugh Rockoff aptly describe how such indolence can occur when workers have no property rights:

> Consider 10 workers, who share ownership of the land and who collectively produce 100 bushels of corn, averaging 10 bushels each for consumption. Suppose that one worker begins to shirk and cuts his labor effort in half, reducing output by 5. The shirker's consumption, like the other workers', is now 9.5 (95/10) bushels thanks to the shared arrangement. Though his effort has fallen 50 percent, his consumption falls only 5 percent. The shirker is free riding on the labors of others. The incentive for each worker, in fact, is to free ride, and this lowers the total effort and total output.[6]

In 1611, the British government sent Sir Thomas Dale to serve as the "high marshal" of the Virginia colony. Dale noted that although most of the settlers had starved to death, the remaining ones were spending much of their time playing games in the streets and he immediately identified the problem: the system of communal ownership. He determined, therefore, that each man in the colony would be given three acres of land and be required to work no more than one month per year, and not at planting or harvest time, to contribute to the treasury of the colony. The farmers would be required to pay the colony a lump-sum tax of two and a half barrels of corn.[7]

Private property was thus put into place, and the colony immediately began to prosper. There was no more free riding, for each individual himself bore the full consequences of any reductions in output. At the same time, the individual had an incentive to *increase* his effort because he directly benefited from his own labor. As historian Mathew Page Andrews writes, "As soon as the settlers were thrown upon their own resources, and each freeman had acquired the right of owning property, the colonists quickly developed what became the distinguishing characteristic of Americans—an aptitude for all kinds of craftsmanship coupled with an innate genius for experimentation and invention."[8]

The new system produced other benefits as well. The Jamestown colonists had originally implored the Indians to sell them corn, but the Indians looked down on the settlers because they were barely capable of growing corn, thanks to their communistic economic system. After the introduction of private property and the resulting transformation, however, the Indians began coming to the colonists to acquire corn in return for furs and other items. That is, the colonists and the Indians began to engage in peaceful market exchange based on the division of labor. The mutual advantages of such a system are always conducive to peace as well as prosperity, as many of the colonists realized, for it makes little sense to make war on one's neighbor if one can prosper by trading.

Sir Thomas Dale's decision to give small three-acre plots of land to the Jamestown settlers worked so well that the private property system was soon expanded. As Walton and Rockoff explain:

> As private landholdings replaced common ownership, work incentives improved; the full return for individual effort became a reality, superseding output sharing arrangements. In 1614, private landholdings of three acres were allowed. A second and more significant step toward private property came in 1618 with the establishment of the headright system. Under this system, any settler who paid his own way to Virginia was given 50 acres and another 50 acres for anyone else whose transportation he paid. In 1623—only 16 years after the first

> Jamestown settlers had arrived—all landholdings were converted to private ownership.[9]

It was a remarkable turnaround, one that the settlers owed to the institution of a capitalist system.

"GOD IN HIS WISDOM SAW ANOTHER COURSE FITTER FOR THEM"

Jamestown was financed by the British aristocracy (who lost the equivalent of some $20 million in today's dollars), but the other original American colony, in Plymouth, Massachusetts, was largely a product of individual adventurers and investors who were not aristocrats. They knew about the debacle at Jamestown in the early years, but they did not immediately make the connection between the starving time and collectivized farming. The investors in the *Mayflower*, which arrived at Cape Cod in November of 1620, were taking a huge financial risk, since the Jamestown investors had lost so much of their investment. Unfortunately, they made the same mistake that the Virginia Company had at Jamestown: they established collective land ownership. As Tom Bethell has written, the *Mayflower* investors must have

> worried that if the Pilgrims—3,000 miles away and beyond the reach of supervision—owned their own houses and plots, the investors would find it difficult to collect their due. How could they be sure that the faraway colonists would spend their days working for the company if they were allowed to become private owners? With such an arrangement rational colonists would work little on "company time," but would reserve their best efforts for their own gardens and houses. . . . Only by insisting that all accumulated wealth was to be "common

wealth," or placed in a common pool, could the investors feel reassured that the colonists would be working to benefit everyone, including themselves.[10]

Thus the investors in the *Mayflower* wrongly assumed that common property ownership would be the most profitable arrangement, when in reality it was—and always has been—poisonous to profit making. (Some have argued that the Pilgrims adopted communal land ownership for religious reasons, but this is not so: it was purely a profit-driven decision, wrongheaded as it was.)

About half of the 101 people who arrived on Cape Cod in November of 1620 were dead within a few months. Over the next three years another 100 settlers arrived from England, but they were barely able to feed themselves. They ate fish and game but had no bread. As William Bradford, the governor of Plymouth Colony, wrote in his classic *Of Plymouth Plantation*, the Pilgrims of Massachusetts were so destitute that

> many sold away their clothes and bed coverings [to the Indians]; others (so base were they) became servants to the Indians, and would cut them wood and fetch them water for a capful of corn; others fell to plain stealing, both night and day, from the Indians. . . . In the end, they came to that misery that some starved and died with cold and hunger. One in gathering shellfish was so weak as he stuck fast in the mud and was found dead in the place.[11]

The chief *Mayflower* investor, London iron maker Thomas Weston, arrived in the colony disguised as a blacksmith to examine firsthand "the ruin and dissolution of his colony."[12] But Bradford was soon to solve the problems in Massachusetts in the same way that Sir Thomas Dale had in Jamestown. As Bradford explained in his now-famous passage on private property in *Of Plymouth Plantation*, after "much debate of things" it was decided that the Pilgrims

> should set corn every man for his own particular, and in that regard trust to themselves; in all other things to go on in the general way as before. And so assigned to every family a parcel of land, for present use . . . and ranged all boys and youth under some family. This had very good success, for it made all hands very industrious, so as much more corn was planted than otherwise would have been by any means the Governor or any other could use, and saved him a great deal of trouble, and gave far better content. The women now went willingly into the field, and took their little ones with them to set corn; which before would allege weakness and inability; whom to have compelled would have been thought great tyranny and oppression.[13]

Setting "every man for his own particular" meant establishing private plots of land. Immediately, those who had been lazy and indolent became "very industrious," so much so that women who had previously pleaded frailty worked long and hard—once they saw how they and their families could benefit from such hard work.

Bradford went on to blame the disastrous policy of collectivism on "that conceit of Plato's"—the Greek philosopher's advocacy of collective ownership of land, an idea that Aristotle had refuted. Those who mistakenly believed that communal property could make people "happy and flourishing," wrote Bradford, deluded themselves into thinking they were "wiser than God."[14] He fully understood how the absence of property rights destroyed the work incentive:

> For the young men, that were most able and fit for labour and service, did repine that they should spend their time and

strength to work for other men's wives and children without any recompense. The strong, or man of parts, had no more division of victuals and clothes than he that was weak and not able to do a quarter the other could; this was thought injustice.... And for men's wives to be commanded to do service for other men, as dressing their meat, washing their clothes, etc., they deemed it a kind of slavery, neither could many husbands brook it.[15]

Communal land ownership certainly caused problems for the Pilgrims, but, Bradford noted, "God in His wisdom saw another course fitter for them"—and that course was private property.[16] The "common course" was abandoned. By 1650 privately owned farms were predominant in New England.

Some have argued that the Pilgrims were exploited by British capitalists such as Thomas Weston,[17] but these critics simply do not understand (or at least do not acknowledge) that the true conflict was not between the colonists and the investors but among the colonists themselves. Under communistic land ownership each worker attempts to exploit his fellow workers through free riding. This was the problem that initially plagued the Pilgrims, just as it had plagued the Jamestown settlers; only a capitalist system saved the suffering American settlers.

THE KEY TO THE COLONISTS' SUCCESS

Securing property rights not only saved those fledgling settlements but also made it possible for other colonies to flourish. The American colonies had economic freedom—secure property rights and only minor taxation—and as a result they thrived economically. This economic freedom allowed the colonists to harness America's abundant natural resources and take advantage of its fertile soil in a way that the earliest settlers had been unable to in their communal arrangements.

Each region recognized and made the most of its comparative advantages. In New England, for example, the settlers became fur trappers, farmers, and most of all fishermen. Once fishermen devised means for preserving cod and mackerel with salt and exporting it to Europe, commercial fishing became a major industry. In fact, by the time of the Revolution of 1776, fish comprised 90 percent of the exports to Europe from Massachusetts and 10 percent of all American exports.[18] New Englanders also developed a new industry—whaling—and whale oil would become the chief source of home lighting for the next century. They became master shipbuilders, as well, and by 1776 New England had the third largest maritime fleet in the entire world and was building ships for England.[19] The expansion of the American shipbuilding industry opened up new and bigger markets for myriad American merchants, entrepreneurs, artisans, and farmers. Europe became a key market, but the development of the American merchant marine also enabled a more vigorous trade among the colonies themselves.

While most colonists in New England engaged in subsistence farming because the land was only marginally fertile, farming was critical to the economies in other regions. The southern colonies excelled at growing such staples as cotton, rice, wheat and other grains, indigo, corn, and especially tobacco. They also raised prodigious amounts of livestock for consumption and exportation to other colonies. The "middle states" had a comparative advantage in the growing of wheat and other grains, such as rye, oats, and barley. Farmers from all regions also became craftsmen and artisans who manufactured their own farm implements and sold them on the free market as well. Clothing, shoes, and other items were also manufactured by America's growing merchant class.

The American colonies thrived, in short, because of a burst of entrepreneurship. Economic historians Jeremy Atack and Peter Passell sum up what such entrepreneurship had produced over the first century and a half of America's existence:

> The American economy was at least ten times larger [in 1775] than it had been in 1690 and a hundred times larger than in the 1630s. Moreover, the colonists in 1775 enjoyed a measurably higher material standard of living than their grandparents and great grandparents. A per capita income averaging about $60—equivalent to perhaps $750 or so today—made them among the richest in the world at the time.[20]

In addition, many Americans were also able to accumulate wealth. The average merchant in 1774 was worth approximately 497 British pounds (or about $2,500 in 1994 dollars), while the average farmer was worth 410 British pounds (or about $2,100 in 1994 dollars).[21] As Atack and Passell point out, these figures indicate that Americans were quite well off compared with others of that era; some colonists had even accumulated enough wealth to be millionaires by today's standards.

Americans were also taller, on average, than their British counterparts, a measure of their success in overcoming dietary deficiencies. They had gone from starvation to an even healthier diet than was enjoyed by those who had stayed behind in England.

But the American colonists were becoming increasingly concerned that their prosperity was being threatened by the British government, particularly by its growing attempts to impose mercantilism on the colonies. As we will see in the next chapter, the American Revolution was, to a very large extent, a capitalist revolution.