

Free to Speculate

BY KARL RHODES

British frontier policy threatened Colonial land speculation on the eve of the American Revolution

As Britain's secretary of state for the Colonies, Wills Hill, the Earl of Hillsborough, vehemently opposed American settlement west of the Appalachian Mountains. As the Pennsylvania Provincial Assembly's agent in London, Benjamin Franklin enthusiastically advocated trans-Appalachian expansion. The two bitter enemies disagreed about many things, and British land policy in the Colonies was at or near the top of the list.

In the late 1760s, Franklin joined forces with Colonial land speculators who were asking King George's Privy Council to validate their claim on more than 2 million acres along the Ohio River. It was a large western land grab — even by Colonial American standards — and the speculators fully expected Hillsborough to object. But instead of opposing the deal, Hillsborough encouraged the speculators to “ask for more land,” Franklin reported, “enough to make a Province.”

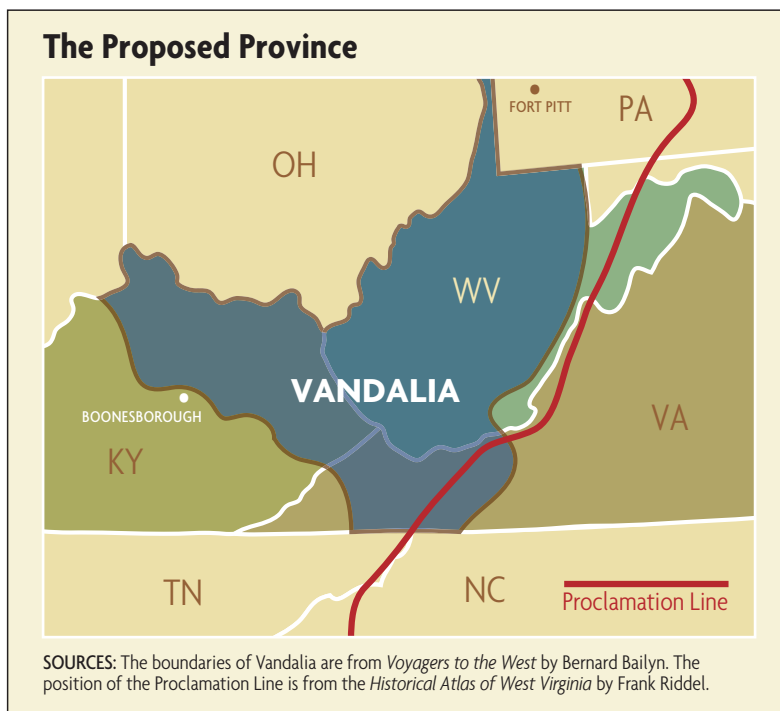
It was a trick. Hillsborough knew the Privy Council frowned upon large

land grants, so he reasoned that a much bigger proposal would have a much smaller chance of winning approval. But Franklin and his partners turned Hillsborough's tactic against him. They increased their request to 20 million acres only after expanding their partnership to include well-connected British bankers and aristocrats, many of them Hillsborough's enemies. This Anglo-American alliance proposed a new colony called Vandalia, a name that Franklin recommended to honor the queen's purported Vandal ancestry. The new colony would have included nearly all of what is now West Virginia, most of eastern Kentucky, and a portion of southwest Virginia, according to a map in *Voyagers to the West* by Harvard historian Bernard Bailyn.

Vandalia is perhaps the most important and intriguing tale of Colonial land speculation in the years leading up to the American Revolution. It dramatically highlights the growing tension between expanding American ambition and constricting British control.

“Hillsborough on the one side and the Vandalia speculators on the other correctly understood the immensity of the stakes involved,” Bailyn wrote. “The problems of emigration (population drain from the British Isles) and expansion into the American west had become dangerously inflamed, and the connection between them was beginning to be widely understood.”

Among the motivating factors for the American Revolution, the conflict between Colonial land speculation and British frontier policy typically is overshadowed by the “taxation without representation” mantra. But in the 1760s and 1770s, Britain's attempts to curb settlement in the trans-Appalachian region became a major threat to the political rights and economic interests of colonists, including most of the men who would become America's Founding Fathers.



Vandalia also illustrates the chaotic struggle to obtain and retain land in the trans-Appalachian region. Everyone from wealthy speculators and royal governors to poor settlers and squatters — not to mention the indigenous people who lived there — prized the fertile fields and navigable rivers between the Appalachian Mountains and the Mississippi River.

For the white settlers, there also was a fundamental connection between land and independence, explains François Furstenberg, associate professor of history at Johns Hopkins University. “One of the requirements for independence — as it was understood in the 18th century — was to be a land holder. If you did not hold land, you were not independent.”

Colonial Land Claims

It may seem unpatriotic to portray the Founding Fathers as land speculators. The term carries a negative connotation because land transactions — particularly large, sight-unseen deals — are hotbeds for fraud. But land speculation is not necessarily a bad thing.

“Land speculators are basically taking risks that other people don’t want to take,” explains Farley Grubb, professor of economics at the University of Delaware and an expert on early American land policy. “People may hate speculators when they appear to make a lot of money without working for it. But they are taking risks that allow people to liquidate land claims into something of more immediate value.”

In Colonial America, this risk-reward trade-off was highly favorable to land speculators who had the right political connections. “Their basic business model was to acquire land from a public entity (initially the crown) at low cost and gradually sell the land to smaller investors,” wrote Harvard economist Edward Glaeser in a National Bureau of Economic Research working paper, “A Nation of Gamblers: Real Estate Speculation and American History.” The profit potential could be staggering.

“America has always been a nation of real estate speculators,” Glaeser noted. “Real estate is a particularly democratic asset that attracts the mighty, like George Washington and Benjamin Franklin, and the modest, like the small farmers in Kent, Connecticut, who were buying and selling land parcels rapidly in 1755.”

The French and Indian War — the North American theater of the Seven Years’ War — dammed up land speculation at the Appalachian Mountains, but the eviction of the French from the trans-Appalachian frontier in 1760 opened the flood gates. Many Indian nations continued to resist Colonial incursion, but the population of the 13 Colonies was increasing rapidly, and westward expansion quickly escalated into major land rushes across the mountains.

“The population movement into uncultivated and legally unclaimed land excited feverish ambitions in land speculators in every corner of the Anglo-American world,” Bailyn wrote. “Among them were most of the officials of colonial America, a large phalanx of British politicians and merchants, and planters and merchants everywhere in America, who were determined to get a substantial piece of the pie.”

The British government, however, was reluctant to concede settlement of the land it gained from the French and Indian War. Heavily in debt from many years of global conflict, the British had no desire to continue fighting Indian nations on America’s western frontier. So the Privy Council issued the Royal Proclamation of 1763, which prohibited settlers from moving beyond the Appalachian Mountains.

Colonial land speculators, including Washington, viewed the proclamation as a temporary measure to appease the Indians. Speculators continued to acquire western land rights from Colonial governments and Indian representatives. And in some prominent cases — such as Vandalia — they continued to lobby the British imperial government to validate those claims.

“People assume that the colonists woke up every morning in the 1760s and 1770s and asked, ‘When are we going to be free?’ And that wasn’t the case at all,” says Alan Taylor, professor of history at the University of Virginia. “The leaders of the Colonies, in particular, were deeply enmeshed in the institutions of the empire, and they were doing their best to exploit those institutions for their own benefit. They rather belatedly discovered in 1774 and 1775 that those institutions were no longer working in their favor.”

The Vandalia Deal

The origins of the proposed Vandalia colony go back to a group of merchants called “the suffering traders,” who demanded restitution for supplies lost to indigenous combatants during the French and Indian War. A group of Philadelphia speculators, led by Samuel Wharton, bought out most of the suffering traders’ claims and swapped them for a claim on more than 2 million acres along the Ohio River southwest of Fort Pitt (present day Pittsburgh).

Representatives of the Six Nations of the Iroquois ceded this land to Wharton’s group via the Treaty of Fort Stanwix, which was negotiated by Sir William Johnson, one of two superintendents of Indian affairs in the Colonies. Johnson, who was in cahoots with Wharton’s group, exceeded his authority by extending the Royal Proclamation Line farther than his instructions from Hillsborough allowed. The Iroquois representatives also exceeded their authority by selling land that did not belong to them. They lived mostly in what is now New York, while the land they were ceding was in the Ohio Valley, which was populated primarily by the Shawnee and the Delaware.

In addition to questions of authorization and outright fraud, many such treaties were indeterminate in other ways, Furstenberg says. “When Native Americans sell land, they might be selling certain rights to the land — the right to hunt or farm on the land — but they don’t fundamentally sell the land. It’s a nonsensical concept to them, but a land speculator might bribe somebody to sign a piece of paper and then go back to his Colonial government and say, ‘I now have the rights.’”

That approach was not an option for Wharton’s group, however, because Hillsborough quickly challenged the Treaty

of Fort Stanwix. So Wharton set sail for London, where he and Franklin asked the Privy Council to confirm the deal. Hillsborough fended them off for three years, but then his “ask-for-more-land” trick backfired. The Privy Council *approved* Vandalia, and Hillsborough resigned rather than implement the council’s decision. “He had serv’d us by the very means to destroy us, and tript up his own Heels in the Bargain,” Franklin wrote. An ecstatic Wharton, expecting to be named the royal governor of Vandalia, told his associate in the Colonies to start making plans to build a suitable seat of power for him in the Ohio Valley.

Just when it looked like Vandalia was on the brink of success, the Boston Tea Party poisoned the pond. And in June 1774, passage of the Quebec Act, which extended the boundary of Quebec to the Ohio River, made it clear that Vandalia would never win final approval from the British government.

By promoting a gigantic Anglo-American land speculating company, Franklin tried to realign the economic interests of British and American leaders, Taylor concluded in his forthcoming book, *American Revolutions*. “Instead, the frustration of that model widened the gap between the elites on the two sides of the Atlantic, hastening the rupture of the empire.”

Economics or Politics?

Was the American Revolution about economic interests or political rights? After a long debate, economic historians generally have concluded that it was mostly political, but the two categories of motivation are often intertwined, Grubb notes, especially in the long run.

“While the world’s attention was drawn to the question of the political and constitutional relations between Britain and America, these other problems were developing quickly and dangerously,” Bailyn wrote. “First was the question of controlling settlement in the great new western land acquisitions.”

The Royal Proclamation of 1763 was Britain’s initial attempt to do that, but the proclamation does not receive much attention in history books as a motivating factor of the American Revolution. Most economists and historians focus more on the Quebec Act, the Quartering Act, and the various tax acts, Grubb says. “You could look at the Quebec Act as a pure taking of assets. Did that spark enough indignation to make people go to war? It was certainly one of the things.”

In October 1774, Richard Henry Lee, a prominent Virginia statesman, told the Continental Congress that the Quebec Act was “the worst grievance” suffered by the colonists, Taylor wrote. “As an avid land speculator, Lee understood that the imperial crisis pivoted on issues of land as well as taxes.”

Taylor views taxes and frontier policy as “two faces of the same problem, which was Parliament trying to exert itself as the sovereign legislature for the entire empire. The colonists were thinking to themselves, ‘We don’t want to be taxed by Parliament, and we don’t want this money coming out of our pockets to pay soldiers who are going to restrain our efforts to expand into Indian country.’”

As a motivating factor of the Revolution, Furstenberg sees British frontier policy as “just as important, if not more important, than the things we normally hear about — trade policy, the Navigation Acts, coercive acts, etc.”

Grubb notes that pre-Revolutionary rioting generally was sparked by taxation issues, not frontier policy, but Taylor says revolutionaries may have emphasized taxation because it was a unifying issue, while land policy was potentially divisive among Colonial leaders. Wharton and Franklin’s plans for Vandalia, for example, conflicted with land claims held by prominent land speculators from Virginia.

Land of the Free

Land policy was almost as divisive during the Revolution as it had been before the Revolution. The Vandalia group “was very likely behind the attempt in the summer of 1776 to create a fourteenth commonwealth to be known as Westsylvania,” wrote historian Otis Rice in *The Allegheny Frontier*. “Powerful forces, however, opposed the creation of a new commonwealth. With the Declaration of Independence at hand and a need for unity among the thirteen states, Congress had no intention of antagonizing two of its most important commonwealths (Virginia and Pennsylvania) by depriving them of western lands to which they held claim.”

In 1779, some of the Vandalia partners asked Congress to recognize their claims in the Ohio Valley, but Congress had plans of its own for the trans-Appalachian region. Early in the Revolution, the delegates had started discussing the sale of western land as their best option for financing the war. But for this strategy to work, states with huge western land claims — most notably Virginia — would have to cede much of that territory to the federal government.

“The Articles of Confederation, which they were operating under, didn’t get ratified until 1780, because Maryland, which had no claims to western land, said, ‘We won’t ratify this until you solve this problem,’” Grubb says. “I think Virginia was persuaded by its neighbor.”

From 1781 through 1802, Virginia and six other states ceded 222 million acres of potentially salable land extending west to the Mississippi River, north to the Great Lakes, and south to Florida. “The U.S. Federal Government,” Grubb says, “was born land rich.” **EF**

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