



## Correcting the Mistake of 1765

by Richard W. Rahn

### HOW BREXIT AND U.K. TROUBLES CAN BE TRACED TO THE STAMP ACT OF 1765

The current troubles in the U.K. can be traced back to a fateful decision of King George III and the British Parliament in 1765 with the imposition of the Stamp Act on the American colonies. The Stamp Act placed a direct tax on printed materials, including legal documents, magazines, playing cards, newspapers and many other types of paper.

The tax caused widespread resentment among the American colonists since it was imposed without their consent — “no taxation without representation,” and the first joint protest among assemblies of the American colonies. It was repealed in 1766, not only because of the protests of the colonists, but also by the complaints of British merchants who were threatened by boycotts.

The Stamp Act tax had the unintended consequence of spurring the idea of an American identity separate from that of mother Britain. Various grievances by the colonists grew until independence was declared in 1776.

At the time, Britain had not yet fully developed into a parliamentary democracy. Only male property owners could vote — about 12 percent of the population, and the king still retained some power. Note: Over the last 900 years, the U.K. has evolved into having perhaps the oddest form of government in the world. It is a monarchy, where most everything is done in the name of

the monarch who now has no power. Power resides in an elected Parliament; yet, the country refers to itself as a kingdom rather than a parliamentary democracy — which it is. It also has an unwritten constitution to protect basic civil liberties. It ought not to function at all, but it does because of the respect by most Englishmen for long-developed traditions and institutions necessary for civil society.

The two greatest British political/economic thinkers of the 18th century, Edmund Burke (who had been born in Ireland) and Adam Smith (a Scotsman), were both opposed to the British attempt to subdue the Americans through war. They argued it would be better to allow the colonies a much greater degree of self-rule, including the right to determine their own tax and spending policies. Both Smith and Burke were ardent free traders and had the vision of largely politically independent but economically intertwined — through free trade and investment — jurisdictions operating for the common good through the invisible hand.

Unfortunately, the British establishment learned little from the American debacle or the foresight of Burke and Smith, as they built the British Empire. As with America, the failure to devolve sufficient power and authority to the new colonies caused the same resentments that fueled the American Revolution. By the time the British came to recognize the fatal flaw of the empire model and created the “British Commonwealth,” it was too late.

The European Union (EU) began to take shape, and Britain was left alone with remnants of its empire and a largely impotent “commonwealth” so it reluctantly signed on to the EU as a latecomer. It was not a match made in heaven and almost destined to fail.

The way out is to create the British Commonwealth in the way that it should have been done in the first place (and recognizable by Burke and Smith), but this time under American leadership. It would be a growing group of politically independent democracies with strong protections for property rights, the rule of law, and civil liberties — and with free trade and free movement of capital among them.

Pieces of this pie are already in place as the United States has concluded partial free-trade agreements with about 20 countries, including Canada, Mexico, Chile, Australia, Singapore, South Korea, Peru, Panama, etc. Recently, other countries, like Switzerland, have also indicated that they would like a liberalized trade agreement with the United States. The United States should press ahead with these opportunities with the goal a building a global free-trade block.

The United States bailed out the U.K. in World War I and again in World War II. The Trump administration should again extend a lifeline to the British in the form of a wide-ranging free-trade agreement, which would give the U.K. wider access to the world’s largest market — which they will need as they lose some of the European market.

U.S. exports to the UK were \$123.0 billion and imports were \$108.9 billion in 2017, providing the United States with a small and unimportant goods and services surplus of \$14.2 billion. On average, tariff rates between the United States and the U.K. are in the 2 percent range, but with wide variation in product categories.

The U.K. has a per capita income of about two-thirds of that in the United States. Free trade, by extending the size of the market and enabling the potential of comparative advantage, will give a boost to economic growth and opportunity both in the U.K. and United States. The EU is supposed to be a free-trade area, but many of the advantages of free trade have been dampened by excessive and destructive regulation, and subsidies — from which the Brits can now escape.

The Stamp Act of 1765 was a great mistake. Joining the EU was another mistake. Joining the United States in a free-trade pact will be no mistake.

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