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# Philanthropy as politics: The precolonial Georgia project for a new start in life for England's poor

Arye L. Hillman <sup>\*</sup>

Department of Economics, Bar-Ilan University, Israel

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## ABSTRACT

A fully-funded philanthropic economic project in precolonial Georgia was proclaimed as providing a new start in life for England's poor. The project has been praised for altruism and for being socially progressive through equal land assignment and prohibition of slavery. The project failed as an economic venture but was successful in providing the foundation for Georgia eventually becoming a possession of the British crown. I adopt a political-economy perspective to investigate whether the philanthropic project was a façade for political intent.

## 1. Introduction

Political economy studies political motives for economic policies. The motive can be intent of social benefit (Besley, 2006). A range of policies has also been associated with intent of political benefit (Hillman, 2019). Intent is a primary issue in the study of public policy. Through intent, we understand why policies are chosen. Intent need not be evident. There can be ambiguity. The ambiguity can be purposeful. There can be deception. Political business and budgetary cycles (Dubois, 2016) are contrived to win elections by deceiving voters. Regulation of industry proclaimed to protect consumers from monopoly and cartels can have the intent of benefitting producers (Shughart and Thomas, 2015). The intent of regulation proclaimed to protect consumers and the environment from unsafe imports can be protection of producers against import competition (Gründler and Hillman 2021). Against the background of contemporary evidence that claimed socially beneficial policies can be for political benefit, I go back in time to consider the intent of an economic project in precolonial Georgia. The project was proclaimed as providing the poor of England with the opportunity to begin life anew. An extensive history literature has described the project.<sup>1</sup> I draw upon and interpret the historical evidence to suggest a political-economy perspective that focuses on intent of the project. The project was advertised as privately financed by philanthropists. The support of the British crown was through a royal charter "for the Establishment of the Colony of Georgia in America". The duration of the Charter was from 1732 to 1752. The "colony" to be established under the Charter was not a crown colony. The trustees for the

<sup>\*</sup> Corresponding author

E-mail address: [arye.hillman@biu.ac.il](mailto:arye.hillman@biu.ac.il).

<sup>1</sup> The literature includes Greene (1905), Callaway (1948), Davis (1976), Coleman (1976), Boorstin (1959), Sweet (2001), Russell (2006), and Gally (2007).

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project were from the English aristocracy. Most had been or were members of parliament. The trustees were not permitted to benefit from the project. Participants in the project were selected on a personal basis and were given free transportation and free access to land and other inputs, and free instruction to produce raw silk, which was to be the mainstay of income. A profitable price for silk was pre-assured. Subsidies and provisions were to allow project participants to sustain themselves until silk production was viable. The project was based on progressive principles of equal land assignment and prohibition of slavery.

The project has been praised for altruism. Roy E. Barnes in an introduction to a reprinting of the Georgia Charter of 1732 (Saye, 1942/2021) tells us how:

“Georgia was founded as a grand experiment by a group of men with only the best of intentions: to provide new lives for the poor and indigent.”

Julie Anne Sweet (2001, p. 436), a leading researcher of the project, describes:

“a time at which a board of elite philanthropists and entrepreneurs administered the colony from abroad in hope of creating a utopia of small, industrious, virtuous landholders.”

The project was at face value remarkable in declaring enlightened intent of maximization of what would come to be known as Rawlsian social welfare.<sup>2</sup>

The project failed as an economic venture. Although the project was fully subsidized and all inputs were freely provided and a profitable price of output was assured, little silk was produced. A political objective was however achieved. When the Charter for the project ended in 1752, Georgia became a colony of the British crown.

But not without prior conflict. The territory that the British called Georgia, named after the king, was contested with Spain, which controlled neighboring Florida. When war with Spain ensued over the contested territory, the proximity of Spanish forces evoked mass departure from Georgia. Daniel Boorstin (1959, p. 95) quotes a lament that:

“The poor inhabitants of Georgia are scattered over the face of the earth; her plantations a wild; her towns a desert; her villages in rubbish; her improvements a by-word, and her liberties a jest; an object of pity to friends, and of insult, contempt and ridicule to enemies.”

Underdevelopment persisted. Boorstin (ibid) tells us that:

“By the time of the Revolution, Georgia – the darling of philanthropists, the spoiled child of charitable London – was the least prosperous and least populous of the colonies.”

This was at a time of growth of population and output in British American colonies.<sup>3</sup>

Importantly, the economic project to produce raw silk had already failed when war with Spain began and when mass departure that depopulated Georgia took place. The failed philanthropic economic project had, however, laid the foundation for Georgia to become British territory. The conjunction of economic failure of the project and political success in securing Georgia for the British crown suggests the political-economy question:

*Was the philanthropic economic project a façade for a political objective?*

This is the primary question that I seek to answer.

There are related questions. Successful Spanish invasion would have brought the Inquisition (which was not abolished until 1834). The Inquisition did not deal kindly with “heretics” including Protestants, which the project participants were. In 1565, for example, when Spanish forces had taken the French settlement of St. Augustine in Florida, they selectively spared the lives of Catholics and killed the Protestant Huguenots. There are therefore questions of ethics of governance:

*Were the poor of England placed as bait for the Spanish in contested territory?*

*Were the project participants aware that they were being placed in a dangerous location?*

There are also questions about economic viability:

*Why did the fully-subsidized economic project fail?*

*Was economic failure inevitable?*

Two minority groups, Jews and Saltzburgers, who joined the project shortly after its inception, were economically successful, suggesting that economic failure of the project was not inevitable. Still, overall, the project failed as an economic venture, but was successful politically.

Because time-continuous data are unavailable, usual empirical methods cannot be used to address the above questions. Data and information are however available at points in time, and decisions and consequences can be observed. I begin with background in England for the Georgia project. I then address the question why the fully-funded philanthropic project failed as an economic venture. I review the explanations for failure that have been suggested by historians and add an explanation based on economic incentives. Economic failure leads into the question whether the project was a façade, and into the further questions about ethics of governance and whether there were prospects for economic viability. I conclude by presenting a choice of narratives for the Georgia project. The supplement looks at the resident project leader James Edward Oglethorpe (1696–1785) and at long-term consequences of the Georgia

<sup>2</sup> That is, maximizing the utility of the lowest rung of the social and economic hierarchy.

<sup>3</sup> For comparative data on the north American British colonies, see McCusker and Menard (2014, chapter 10). I shall use “British” and “English” interchangeably, although in 1707 unified Britain replaced separately sovereign England and Scotland.

project.

## 2. Background

### 2.1. *The English poor*

In early 18th England, there was squalor in life, in particular for the poor (Hitchcock and Shoemaker 2015). The poor including their children (Payne 2008, Horrell and Humphries 2019) might find work but wages were low. Disability of a primary income-earner could send a family into poverty (Paul 2020). Kinship relations could be means of avoiding destitution, but reliance on family members for assistance when in need was not always possible (Barrett 2018). Public relief from poverty was limited, with life in a workhouse for the poor barely humane (Broad 2011). There was a belief in what would come to be called eugenics, with the aristocratic class marrying amongst themselves and regarding themselves as of “high” birth and superior to the poor of “low” birth (Marcassa et al., 2020). Religious belief imparted the view that circumstances and status in life were predetermined. Faced with limited opportunities for sustaining themselves and their families, the poor might turn to crime (Shore 2018).

### 2.2. *The prominence of land in social structure and income*

Social structure was defined by ownership of land. There were artisans and merchants but the principal social and economic distinction was between the land-owning wealthy and the landless poor. The Georgia project offered an opportunity for access to land for the poor who could not achieve social standing and economic viability through land ownership in England. Appeals for private contributions to the philanthropic funding of the project stressed the abundance from land that was to be found from nature in Georgia (Sweet 2006). Land would provide self-reliance.<sup>4</sup> It was calculated that in England a poor family had a marginal existence on £20 per annum, of which £10 was a societal subsidy, whereas access to land in Georgia was predicted to provide self-reliance through income for a family of at least £60 per annum.

### 2.3. *Redemption*

In an age of religiosity, the poor were being offered not only access to land and income in Georgia but also the opportunity for redemption. By demonstrating personal success, project participants would redeem their souls through productiveness. Redemption also applied to the philanthropic trustees, whose good works in supporting England’s poor would contribute to their making their own way to heaven. Debtors were mentioned as being able to use the project to redeem themselves.<sup>5</sup> People who had lost money in the collapse of the speculative South Sea Bubble in 1720 and had not succeeded in reestablishing themselves were also candidates for personal economic revival and redemption.<sup>6</sup> Whereas the South Sea Bubble was associated with exploitative manipulation, the Georgia philanthropic project showed the presence in English society of altruism and good will.

### 2.4. *Progressive rules*

The rules of the Georgia project can be described as “progressive”, although gender qualified. Male project participants were assigned equal 50-acre plots for the planting of mulberry trees that would provide the leaves on which silkworms would feed. There was no market in land. Land was controlled by the trustees. A market in land would compromise equality of opportunity by allowing inequality in land holdings. Land was to revert to the Georgia trustees if there were no male heir. Women were not allotted land. A woman who had a land holding and who married would have combined her land holding with that of her husband, which would have created inequality. A daughter could not inherit a land allotment, again to prevent combining land holdings through marriage (although land ownership by women was legal by English law). Slavery was prohibited. Prohibition of slavery was consistent with equal opportunity. Settlers owning different numbers of slaves would create inequality. Slaves would also substitute for the personal effort that was required to reveal redemption from equal beginnings. These are my interpretations of the equality-enforcing rules for land allotment as providing equal opportunity for redemption. Although only for men. Women ostensibly were catered to through their husbands. I shall presently note an alterantive military objective for the enforced land equality.

<sup>4</sup> Henretta (1978) and Schapiro (1982) describe the centrality of land in settlement in an agricultural economy.

<sup>5</sup> Debtors were imprisoned for so long as their debts remained unpaid (Paul 2020). In having had collateral or credibility in prospects of repayment of debts, debtors would not be of the poorer parts of the population. James Oglethorpe, the on-site Georgia project leader, is said to have been motivated by the death of a friend in a debtors’ prison. There were few if any former debtors among the participants in the Georgia project (Saye 1940).

<sup>6</sup> The Bubble was in the share price of the South Sea Company, which was created to supply Spanish America with slaves. The stock price of the company increased from £100 in 1719 to more than £1000 by August 1720 and then returned to £100. See Carlos and Neal (2006, p. 500) on gainers and losers from the Bubble.

## 2.5. Inequality

Although there was enforced equality in land for the settlers sent and financed by the trustees, inequality was present in that settlers could pay their own way to Georgia and be assigned use of 500 acres of land, with slavery still prohibited. A requirement was that the self-funded settlers bring accompanying persons, who would generally be retainers and indentured servants. Again, I shall suggest a military objective for the requirement of accompanying persons. The retainers and indentured servants were to receive free personal plots of land of 20–25 acres for planting mulberry trees. The 500-acre plots for the self-funded settlers were modest compared to the large land holdings of plantation owners in English American colonies.

## 2.6. Social benefit

Social benefit was proposed for the project. The rich in England would be spared financing the poor. The acclamation was that “England will grow rich by sending her poor abroad” (Boorstin 1959, p. 79). There would be diminished crime. The project would take in “the numbers of poor children that pester the streets of London” (ibid). Participants in the project were selected by the criterion that their departure from England would be advantageous to themselves and also to English society (that is, there would be Pareto improvement). Anticipated societal benefit included reduced spending on imports, viewed as important in an age of mercantilism. Hemp, flax, and timber were to be provided for “England”. It was estimated that the raw silk that was to be the primary income source for the project would be available at half the cost of imports from China and Italy (McKinstry 1930).

## 2.7. Regulation of external commerce

Regulation of land use was accompanied by restrictions on external commerce. The restrictions were not the protectionist policies of the 19th century (Schonhardt-Bailey 2006) or the 20th century (Hillman 1989). The intention was to ensure that “there would be no merchants from neighboring colonies to sell Negroes, rum, or superior land”. The “two things deemed most prejudicial to a model state, namely rum and lawyers, were absolutely excluded” (Hühner 1902, p. 84). Rum was eventually allowed. We can surmise that rum diminished productiveness. Lawyers were never allowed for the duration of the project. But it seems that nor were lawyers required. A primary function of lawyers is to protect rights to private property. The main factor of production, land, was not private property.

## 2.8. Selection

There was excess demand for participation in the project. Saye (1940, p. 335) reported that:

“the contemporary press proves conclusively that the Trustees received applications from hundreds of poor and unemployed and selected from among these the most deserving”.

Further observations noted the poverty of the project participants, for example:

“about fifty of the poor Families, who through Misfortune and Want of Employment, were reduced to great Distress, are now on Shipboard ready to depart for Georgia in America; and ... many of the Women and Children in those Families on board are in Want of Shifts, Shirts, Stockings, Shoes, and other Necessities” (ibid, p. 337).

## 2.9. Implementation

The first settlers arrived in Georgia in January 1733, led by James Oglethorpe.<sup>7</sup> The requisites of silk production were brought – white mulberry trees and eggs from which silkworms would hatch.<sup>8</sup> The measure for personal merit was to be the mulberry tree: “not only a man’s wealth, but his value to society and his standing in the church, and his hope of heaven were all gauged by mulberry trees” (McKinstry 1930, p. 235). Up to 1741, 1810 funded settlers arrived with their families and 1021 self-funded settlers paid their own way and received the larger land lots.

## 2.10. Economic failure

Few mulberry trees were planted. Of the 59,995 acres of land that the Georgia Trust granted, only 1016 acres or 1.7 percent were

<sup>7</sup> On Oglethorpe, see the supplement. There were 112 individuals composing 40 families. See: <https://cpb-us-e1.wpmucdn.com/cobblearning.net/dist/3/41/files/2017/08/Full-List-of-Passenger-of-the-Ann-13eyvdl.pdf>.

<sup>8</sup> There had been reports of mulberry trees growing indigenously in Georgia. The indigenous trees were however black mulberry, not white mulberry trees as required for silkworms. Silkworms eat the leaves of the white mulberry trees before making the cocoons in which they metamorphose into moths. Silk is made from the cocoons. The moths that are inside the cocoons used for silk production do not survive. The moths that do emerge from their cocoons live a brief period of time during which the females lay 300 to 500 eggs that, when the eggs hatch, provide the silkworms for the next lifecycle. The choice is intertemporal, between more silk in the present from a cocoon and more silk in the future by allowing a moth to emerge from its cocoon and lay eggs to produce more silkworms.

under cultivation in 1738. Neither the funded nor the self-funded settlers planted significant numbers of mulberry trees. [Stephens \(1953, p. 45\)](#) judged that by 1752, the year in which Georgia became a crown colony, for silk production, “the extravagant plans of the trustees had simply vanished into nothingness”.

### 3. Why was there economic failure?

As a prelude to addressing the primary question whether the project was a façade for a political objective, we need to consider why there was economic failure. First, I rule out some explanations. An explanation that can be ruled out is the fatal conceit described by [Hayek \(1988\)](#).<sup>9</sup> The fatal conceit had no role in the economic failure of the Georgia project, because the project had personal return from personal effort.<sup>10</sup> Corruption has been a cause of economic failure (see [Abed and Gupta 2002](#)). Conditions for corruption are present when benefits are personally assigned or costs personally imposed. There is no evidence of corruption in the Georgia project. Moreover, when speculators from neighboring South Carolina offered project leader Oglethorpe bribes for assignment of land, Oglethorpe refused the bribes.<sup>11</sup>

With the disincentives of collective output and corruption ruled out, why was the philanthropic project an economic failure? Proposed answers have been rent seeking, excessive paternalism, and inappropriate skills or aptitudes of project participants. I add a role for economic disincentives due to unalterable equality in land use. Blame for project failure by the trustees had eugenic overtones.

#### 3.1. Rent seeking

Rent seeking has been proposed as an explanation for economic failure of the Georgia project ([Taylor 1965, 1972](#)).<sup>12</sup> Rent seekers unproductively seek unearned benefits. A social cost is incurred through rent seeking because of the social wastefulness of time and resources used in rent-seeking activities. In Georgia, rents would be created when the economic system changed to allow marketable private land and slavery. There was anticipation of change because of the limited duration of the Georgia charter, which was until 1752, but change occurred before that time. The self-funded settlers, with their larger land allotments and financial means, had greater anticipated benefits from change, and had commensurately greater rent-seeking incentives than the funded settlers. Rent seeking took the form of waiting. The rent-seeking explanation for project failure proposes that there was never intent by project participants to earn income from silk. The intent was to take the land allotment that was assigned and to wait for the unearned benefits or rents that would arise when the restrictions of non-marketable land and prohibition of slavery would eventually end. Rent seeking by waiting for a market in land and slavery is consistent with the small number of mulberry trees planted – by both funded and unfunded settlers. For the funded settlers, rent seeking by waiting was facilitated by the paternalism of a soft budget. We recall Boorstin’s description of the project participants as “the darling of philanthropists” and the project as “the spoiled child of charitable London”. The funded participants could live from a soft budget without planting trees and without producing silk, and wait for change. There was moral hazard. The self-funded settlers would have had the means simply to wait.

#### 3.2. Economic disincentives

In addition to rent seeking, there was another source of production disincentives. The unalterable equal land assignments of the project were inconsistent with personal comparative advantage in producing silk. I set out a model in the appendix. Project participants would have differed in their productiveness in silk. Had there been a market for land, the settlers with a comparative advantage in silk could have purchased the land of those settlers with a comparative disadvantage (banks and mortgages would have been required for settlers lacking means to finance purchase of additional lots of land). The rules of the project made it impossible for project participants with a comparative advantage in producing raw silk to increase their land holdings. In these circumstances, outside options could be preferable for settlers to producing silk, independently of whether or not settlers had a comparative advantage in producing silk (see the appendix). The consequence could be a negligible number of mulberry trees planted, which is the outcome indicated by the data. An outside option for the funded settlers to producing silk was living from the project’s provisions (the soft budget). Other outside options were to find employment or to leave Georgia and cross the river to South Carolina (a formal commitment not to leave the project for three years was not enforced).

<sup>9</sup> The conceit was in the idea propagated by socialism or communism that human nature could be reengineered so that people would work and contribute for collective benefit rather than responding to personal incentives to seek their own benefit.

<sup>10</sup> From an economic-systems vantage, the economic system of the Georgia project has similarities with “market socialism”, which allowed private benefit from means of production that were collectively or socially owned. Communist Cuba allowed privately useable but non-marketable land. In post-1978 China, there were informal private-plot farms using collective land. The Georgia project is similar to the kibbutz in Israel in voluntary participation and free exit, but, unlike the Georgia project, the kibbutz had shared property and shared output. There were new-world projects with utopian intentions that failed (see [Kanter 1972](#)). These projects did not involve the conjunction of economic failure and political success raised by the Georgia project.

<sup>11</sup> In the first year of the settlement, Oglethorpe had been approached by “persons” from the Carolinas with requests to assign to them, in return for “considerable presents”, large tracts of land (from three thousand to twelve thousand acres), because, as Oglethorpe reported to London, land had been made “valuable by reason of our Settlement” ([Ready 1974, p. 355](#)).

<sup>12</sup> Taylor did not use the terminology of “rent seeking”. For a survey of the literature on rent seeking, see [Hillman and Long \(2019\)](#).

### 3.3. Informal arrangements

When markets have been prohibited, illegal markets have usually appeared.<sup>13</sup> A response to the illegality of a market for land could have been informal arrangements whereby producers of silk with a comparative advantage would take over and use the land allotments of project participants who lacked a comparative advantage in silk. There is no evidence of such informal arrangements. Mulberry trees were simply not planted. Cooperation could have been expected, with the settlers helping each other in planting trees. There is no evidence of cooperation. We can wonder what the settlers did with their time. But few trees were planted.

### 3.4. Aptitudes

Historians have focused on an overall absolute lack of aptitude of the funded settlers for producing raw silk. In England, the funded settlers had been mainly urban dwellers. They were unfamiliar with tending to animals. They lost livestock that they had been given that simply walked off into the wilderness. A public garden that was to be a source of free information to assist the settlers in their agricultural endeavors was an unsuccessful venture (Sweet 2009). The settlers were required to build houses from timber but did not know how (Cates 1980). They were inept at hunting, which limited their diet to grain porridge and salt meat, resulting in their lacking essential nutrients. Patience was required to plant mulberry trees and then wait for the trees to mature to produce leaves as food for silkworms. Short time horizons would discourage the planting of trees.<sup>14</sup> If trees had been planted and mulberry leaves were available to feed silkworms, the settlers found silk production “very tiresome and tedious” and they were “easily discouraged” (Stephens 1953, p. 42). They easily gave up. The self-funded settlers, if coming from a rural background, were not subject to the disadvantages of the urban poor who lacked aptitudes for living under the new-settler conditions of the Georgia project. The indentured servants and retainers of the self-funded settlers could have done work for them. But they also did not plant trees in sizable numbers.

### 3.5. Blame and condescension

The trustees responded to project failure by declaring the settlers who they had funded to be “as useless in Georgia as they had been in London” (Boorstin 1959, p. 83). The aspersion and blame had eugenic overtones.<sup>15</sup> The trustees blamed the English poor for not using to advantage the productive opportunities for self-reliance that were provided to them and blamed themselves for being overly optimistic about what the English poor were capable of doing – or might be transformed to be capable of doing.<sup>16</sup> Silk was chosen to be the economic basis of the Georgia project, although previous attempts at producing silk in British north America had been unsuccessful.<sup>17</sup> Silk was viewed as being within the limited capabilities of the English poor. All inputs were provided and cognition and initiative were not required. The trustees’ expectations for the funded settlers’ limited capabilities was expressed in that:

“it must be a weak hand indeed that cannot earn bread where silkworms and white mulberry trees are so plenty” (Boorstin, *ibid*).

The trustees thus chose silk production as the planned mainstay of income for the Georgia project because of a belief that the English poor were incapable of doing anything else. The trustees were then disappointed that English poor did not succeed in producing silk. The trustees envisaged the English poor as watching mulberry trees grow and watching silkworms munch the mulberry trees, and reeling silkworm cocoons.

### 3.6. The benefit of presence

The data are unavailable for determining the extent to which rent seeking, production disincentives of unalterable equal land holdings, lack of aptitude, and moral hazard facilitated by paternalism through a soft budget contributed to economic failure of the Georgia project, or the role of the aspersion suggesting laziness declared by the London trustees – and there would be differences in explanations for why the self-funded settlers did not plant significant numbers of mulberry trees on the land that they had been assigned. The settlers in Georgia were however useful, even if they did not plant trees and did not produce silk. Their very presence was useful. Which brings us to the ulterior political motive for the Georgia project.

<sup>13</sup> See Hillman (2019, chapter 5).

<sup>14</sup> Hyperbolic discounters would not plant trees. Hyperbolic discounters depart from rational discounting by placing high weight on present benefits and costs and low weights on benefits and costs in the future. For an introduction to hyperbolic discounting, see Hillman (2019, chapter 5).

<sup>15</sup> Eugenics would develop formally in the 19th century as an ideology of social and racial hierarchies (MacKenzie 1976; Peart and Levy 2005a, 2005b).

<sup>16</sup> On debates about ‘human transformation’, see Peart and Levy (2005a) and Levy and Peart (2009).

<sup>17</sup> McKinstry (1930); Ewan (1969); Marsh (2012).

## 4. Politics

### 4.1. Contested territory

The Spanish had been the first Europeans to arrive in Georgia but had departed without settling the region.<sup>18</sup> The Georgia project confronted Spain with English settlement on claimed Spanish territory. The Inquisition was confronted with expansion of Protestantism in the new world. England had previously seemed to accept the territory now called Georgia as Spanish. The Duke of Newcastle, when Principal Secretary of State and chief English negotiator with Spain, observed nonetheless that “however the right may be, it will now be pretty difficult to give up Georgia”.<sup>19</sup> War with Spain formally began in 1739. Before the onset of war, Georgia became visibly militarized.<sup>20</sup> When war was imminent, the soft budget ceased for project participants. The project leader Oglethorpe focused on military tasks. In 1737, on return from a visit to England and bringing with him soldiers and a flotilla of ships, he only briefly stayed in Savannah, the principal settlement of the Georgia project, and proceeded south to outside of the boundaries of the project to set up a fortified settlement on St. Simon Island, where, in a decisive battle in 1742, he would defeat a Spanish force.<sup>21</sup> The war ended in 1748 with mutually recognized boundaries that secured Georgia for the British crown.

### 4.2. Mass departure

In 1740, Oglethorpe had made incursions into Spanish territory and had been compelled to retreat.<sup>22</sup> The retreat created anxiety among the settler population. With the Spanish threat evident, most of the settlers departed before Oglethorpe’s 1742 victory on St. Simon Island.<sup>23</sup> Nor did settlers significantly return or new settlers readily appear.<sup>24</sup> The economic project based on silk had been a failure before formal war with Spain began (recall that of the 59,995 acres of land that the Georgia Trust granted, only 1016 acres or 1.7 percent had been used to plant mulberry trees by 1738). Project failure affected departure when the Spanish threat was apparent. The funded settlers did not remain after the soft budget ceased. With mulberry trees not having been planted, there could be no anticipation that attachment through mulberry trees would provide incentives to stay and defend Georgia. Settlers would, even if trees had been planted, have been defending trees on land they did not own. The self-funded settlers had made little or no investments on their land allotments by planting trees and could leave in the face of impending danger without loss, if they were at all personally present in Georgia.

### 4.3. Changes in the rules of the project

With war anticipated or having begun, the rules of the project changed. In 1738 women were permitted to inherit land, so land lots could increase in size through marriage or remarriage. In 1739 land could be bequeathed to anybody. Then, in 1750 a market for land was introduced and slavery was permitted.<sup>25</sup> Rent seeking by waiting was rewarded. But most settlers had left when the threat from Spanish forces and the Inquisition became evident. In 1752 Georgia became a “normal” colony of the English crown with unequal land and slavery.<sup>26</sup>

## 5. Was the economic project a façade?

We can now bring together the evidence on whether the philanthropic economic project was a façade for a political objective.

<sup>18</sup> The year 1568 has been proposed for initial Spanish presence (Anderson 1936). The Spanish had arrived with the declared intent of converting the indigenous population to Catholicism, but they were looking for gold and silver, which other indigenous peoples had for the taking, but not the indigenous population of Georgia.

<sup>19</sup> Quoted by Temperley (1909, p. 220).

<sup>20</sup> In 1736, an armed force of Scottish Highlanders arrived (Anderson 1936). On the background for the war and the participation of the English American colonies, see Lanning (1927). On relations with native Americans, see Sweet (2005). There was a French presence to the west. By 1739, it appeared that catholic France and Spain would combine in North America against protestant England (Temperley 1909, p. 235).

<sup>21</sup> With 1000 men, Oglethorpe defeated the Spanish force of 5000. The Spanish encountered terrain difficulties.

<sup>22</sup> See Baine (2000) on controversies regarding Oglethorpe’s military failure.

<sup>23</sup> Estimates are that there had remained in Savannah only about 70 men “who would be ready to defend their Country” (Jackson 1994). The departures were such that “that one would have thought the Place must have been entirely forsaken” – of the settlers who had come since the inception of the Georgia project, some few remained at the time of the impending Spanish invasion, principally at frontier outposts.

<sup>24</sup> Some settlers came to the backcountry of Georgia after moving westward in other English colonies.

<sup>25</sup> There was a formal requirement that, for every four male slaves, there be a female slave adept in silk production. On the introduction of slavery in Georgia, see Wood (2007).

<sup>26</sup> The path taken by Georgia to becoming a crown colony was similar to that of other colonies. Founding ideals were not maintained. Settlements originally intended as havens for Separatists (Plymouth), Puritans (Massachusetts), Catholics (Maryland), and Quakers (Pennsylvania) came to have diverse populations. Maryland and Pennsylvania remained proprietary colonies until the American Revolution.

### 5.1. Economic failure and project continuation

The trustees complained about lack of productiveness of the London poor whom they had sent to Georgia, but the continuation of support for the funded settlers after economic failure is consistent with a political objective not yet having been achieved. The soft budget ceased when a façade of a philanthropic non-governmental civilian settlement was no longer necessary.

### 5.2. Land assignment and military contribution

The measure of personal merit in the Georgia project was not the number of mulberry trees planted, as in the acclamation of the project as an altruistic economic venture. Rather, the measure of personal merit was the contribution to a fighting force. The rules of the project for the funded settlers required presence of an armed able-bodied man on each residential plot.<sup>27</sup> Male exclusivity and equal land allotments are consistent with maximizing the size of a fighting militia. Because of prohibition of slavery, the Georgia trustees have been proposed as the earliest of American abolitionists (see [Wilson 2015](#)). Prohibition of slavery was also part of maximizing the number of fighting men. The self-funded settlers' larger land allotments were matched by a greater military contribution in their bringing retainers and indentured servants who could be members of a militia.

### 5.3. Parliamentary financing

Data show that the English parliament was the major source of financing for the project. Of the £155,000 spent on the Georgia project over the 20 years before Georgia became a British crown colony, £136,000 (88 percent) consisted of English parliamentary expenditures, primarily for defense ([Dunn 1954](#)). The financial support of parliament suggests a political objective. The initial private philanthropy distanced the project from king and parliament. When James Oglethorpe, the resident project leader, became the officer leading the British military force against Spain, the distancing had altogether disappeared.

### 5.4. A strategic buffer

For neighboring South Carolina, Georgia had strategic value as a buffer against the Spanish in Florida. British Georgia could block runaway slaves from reaching Spanish territory, where the slaves were declared to be free, on condition that they accept Catholicism. The governor and assembly of South Carolina provided support to the Georgia project in the form of livestock and provisions. The support was not for altruistic reasons.

### 5.5. Free riding

The political dimension is summarized by Oglethorpe's own thinking on the strategic value of the Georgia project. After his initial retreat when war with Spain had been declared, Oglethorpe wrote:

“Carolina has above 40,000 Negroes and not 4,000 white men that can bear arms. If they (the Spanish) remove us (the Georgia project), all that country (the Carolinas and beyond) is at their pleasure; yet there is a kind of stupid security that makes them not believe they are in danger, and not thank those (Oglethorpe) who would prepare them again it.”<sup>28</sup>

Oglethorpe was expressing the view that there was free riding by the North American British colonies on the Georgia project. The free riding was not on financing a philanthropic project, but on the contribution of effort to a military objective of containing Spain. Oglethorpe's free-riding perspective completes the case for the façade.

### 5.6. Subterfuge

The trustees, as aristocrats and being of the educated literate class and including members of parliament, would have been aware of the danger of the location of the Georgia project. At the time of the project, in England, some 40 percent of men, and more for women, were illiterate, with the greatest illiteracy among the poor from among whom the funded participants in the Georgia project came ([Cressy 1977](#)). Literacy rates determine information that people have, including knowledge of geography and geopolitics. There was subterfuge if project participants were unaware that the project was in contested territory. Political advantage was in that case taken of the hope for an improved life held out to the English poor. The indentured servants of the self-funded settlers were also in general illiterate ([Seavoy 2013](#), chapter 2).

### 5.7. Locational inflexibility

The poor of England may not have been aware of the danger of the location but, also, placing the poor of England in Georgia was a means of ensuring that the settlers would not return to England. They lacked locational flexibility. They did not have the means to pay

<sup>27</sup> [Reinberger \(1997\)](#), [Wilson \(2015\)](#).

<sup>28</sup> Cited by [Baine \(2000\)](#) from [Ettinger \(1936\)](#).

for their outward journey to Georgia. They presumably would not have the means to pay for a return journey.

## 6. The minority groups

A study of motives for the Georgia project could end here, were it not for two minority groups that joined the project. The groups show that economic success was possible, and moreover was valued. For neither group was redemption a reason for participation in the Georgia project. Nor could the two groups contribute militarily. One group, the Salzburgers, declared themselves to be pacifists. The other group, consisting of Jews, had at the time no tradition of fighting.<sup>29</sup>

### 6.1. The Jews

The charter for Georgia gave “liberty of conscience in worship” to “all sects, save Papists”. Jews were therefore not formally excluded. There were however no Jews among the funded transported settlers. The Jews arrived, uninvited, some six months after the original funded settlers (in July 1733). They included Yiddish speakers but most were Portuguese and Ladino-speaking.<sup>30</sup> The Jews arrived to find an epidemic. Many of the original population of settlers had died, including the settlement’s doctor.<sup>31</sup> A doctor among the Jewish arrivals saved the Georgia project from early demise by instructing the settlers on measures to quell the disease.<sup>32</sup> On being informed of the arrival of the Jews, the trustees in London ordered that the Jews be expelled.<sup>33</sup> Oglethorpe disobeyed, and also disobeyed the trustees’ further instruction that Jews were under no circumstances to have land. Oglethorpe valued the Jews for “their peaceable behavior, orderly conduct, and industry” (Jones, 1893, p. 8). With land obtained from Oglethorpe through payment, Jews produced silk and introduced vineyards (they would have required wine for the Sabbath). The Jews were by tradition specialized to commerce.<sup>34</sup> They preferred “commerce to agriculture – town to country” (ibid, p. 12). The regulated economy in Georgia was confined to land. As had been usual in Europe (see Greif 1989), the Jews created markets. The Jews received no assistance from the trustees. Even if offered, they would not have wanted the trustees’ help, which would have opened them to the accusation of being a financial burden and could renew calls from London for their expulsion.

### 6.2. The Salzburgers

The Salzburgers arrived soon after the Jews.<sup>35</sup> They had lived in the domain of the Archbishop of Salzburg pretending to be Catholic but had been found out to be Protestants and had been expelled from their homes and land.<sup>36</sup> They were invited by king George II to join the Georgia project. The English Parliament, in cooperation with the Society for the Propagation of Christian Knowledge, allotted them financing.<sup>37</sup> The Salzburgers became adept at producing silk. McKinstry (1930, p. 229) reported that the “Salzburgers, with characteristic thrift and industry, became earnestly engaged in silk raising”.<sup>38</sup> Within the Salzburger families, there was gender specialization. The women were dexterous in reeling silk. By 1750, only the Salzburger women were engaged in raw silk production in Georgia. The Salzburger men engaged in agriculture, and opened the first grist mill and the first sawmill, and were successful in

<sup>29</sup> The Jews had last fought in the year 136, seeking to win freedom from Rome, after which they were expelled by the Romans from their homeland. For an exception to Jews not fighting, see Simon (2001).

<sup>30</sup> See Jones (2001). A harrowing journey had included a near shipwreck. There were altogether 41 Jews.

<sup>31</sup> The proportion of deaths was 13 percent of the settler population. The type of disease is not recorded, although the symptoms are known. Altschuler and Jobanputra (2014) investigated the possible type of the disease and proposed a gastrointestinal illness such as *Shigella* as consistent with the symptoms. Children were less affected by the disease.

<sup>32</sup> Other than proposing that a well be dug to replace contaminated water, there is lack of available detail on what the doctor, Samuel Nunis, did. Evidence points to effectiveness of Jewish doctors at the time (Heynick 2002). Altschuler and Jobanputra (2014) report that none of the Jews contracted the disease.

<sup>33</sup> The trustees made a formal case that funds collected by London Jews to transport the Jewish settlers had not been given over to them in accord with their monopoly on transporting settlers for the Georgia project. The trustees had however denied a request by the Jewish community in London to allow Jews to participate in the Georgia project. On prejudice against Jews in England, see Julius (2012). On behavioral foundations of the prejudice, see Hillman (2013).

<sup>34</sup> On Jewish occupations, see Botticini and Eckstein (2005), who also describe early agriculture that was not favorable to Jewish continuity.

<sup>35</sup> The initial group that arrived in 1734 consisted of 42 men and their families, making 78 in total. A second group arrived in 1736 numbering some 80 of 227 new arrivals. The remainder included Scottish Highlanders and Moravians. The former were fighting men. The latter, like the Salzburgers, had pacifist beliefs.

<sup>36</sup> After their expulsion, Salzburgers found refuge in Protestant East Prussia. Estimates are that of the 30,000 Salzburgers who were expelled, 4000 died due to adverse weather and deprivation on their forced march of expulsion. See Jones (1984). In Georgia, the Salzburgers suffered hardships and lost a sizable number of their community through illness (Cates 1980).

<sup>37</sup> The Salzburgers also received donations from co-religionists in Europe.

<sup>38</sup> The description “characteristic thrift and industry” suggests the Protestant ethic. On the productivity-increasing effect of a work ethic, see Congleton (1991). On Protestantism and productiveness, see Iyer (2016). For a contrarian view, see Schilpzand and de Jong (2021). Becker et al. (2021) provide a broad overview of religion in economic history.

farming and cattle breeding. The Salzbergers had been farmers before the expulsion from their homes and land, and hence did not have the disadvantages of lack of knowledge and not having an aptitude for a rural life of the English poor from urban backgrounds.<sup>39</sup>

### 6.3. Ethics and productiveness

The Jews and the Salzbergers were family-based literate communities.<sup>40</sup> The Yiddish-speaking Jews had a common language with the Salzbergers. There is evidence of transactions between Jews and Salzbergers. Jones (1893, p. 9) reports a Salzberger woman paying a Jewish woman with a coin worth a crown, believing that the coin was half a crown, and half a crown being returned to the Salzbergers, with the Jewish man sent to return the money declaring that “God forbid I should have any goods in my house that are not my own, for it will have no blessing”. The Salzbergers were likewise pious.<sup>41</sup> When Oglethorpe gave the Salzbergers mulberry trees, they planted the trees. Not planting the trees would have been akin to theft. It was contrary to the Salzbergers’ ethics to behave as rent-seeking speculators and allow land that they had been assigned for growing mulberry trees to be left unused in the expectation of future gains from the introduction of a market for land and slavery. It was against their religious precepts to be idle.

### 6.4. The prospect for economic success

For Oglethorpe, the Jews and Salzbergers introduced a prospect for economic success. The Jews however fled overnight in 1741 during the mass departure (Morgan 1974), having reason to fear the arrival of the Inquisition.<sup>42</sup> With the departure of the Jews, Oglethorpe lost one of his industrious groups.<sup>43</sup> The Salzbergers as Protestants had reason to fear the Inquisition but remained. Oglethorpe’s military victory saved them from the Inquisition.<sup>44</sup> Strobel (1855) proposed that the silk project would have been a success, had there been enough Salzbergers.

## 7. Observations

### 7.1. Walpole and politics

The Georgia project was implemented at the time of Sir Robert Walpole as prime minister of England (between 1720 and 1742). Walpole is known for being politically adept (see Pearce 2008). The saying is attributed to him that “every man has his price” (we can conjecture that he would have included women, had fellow parliamentarians at his time not all been male). Walpole’s strategic thinking is consistent with deferring or forestalling a Spanish military response to English settlement in contested Georgia, by using a philanthropic silk project for the poor as a façade, and placing the illiterate unaware English poor in danger when they lacked independent means of returning home to England. Oglethorpe, as a member of parliament, before leaving to head the Georgia project, supported Walpole’s position that there was a need to confront the Spanish in north America (Greene 1905).

### 7.2. The trustees

What of the philanthropic trustees? Good intentions do not ensure good outcomes. As Isabel Paterson (1943, p. 1) proposed: “Most of the harm in the world is done by good people, and not by accident, lapse, or omission. It is the result of their deliberate actions, long persevered in, which they hold to be motivated by high ideals toward virtuous ends”. This could have described the Georgia trustees. The trustees expressed disappointment that the economic project for silk had failed. Yet they nonetheless continued to sustain the Georgia project when economic failure was evident, with the soft budget for the funded settlers only ending when, with open conflict having begun, there was no longer a need for the façade of a private non-governmental philanthropic project. The trustees included members of parliament. The continuation of the soft budget to maintain presence of project participants and the overlap between being a trustee and being a member of parliament suggest convergent political interest of the trustees and king and

<sup>39</sup> I have been informed in a personal communication that it is inappropriate by a current ideology to ascribe gender-specific roles to people. The gender-specific roles regarding silk in the Georgia project are historically documented facts. I have received no directive about how to relate to facts about historical gender-specific occupational specialization.

<sup>40</sup> Bisin et al. (2004) describe intergenerational transmission of values. The Salzbergers ensured that there was a teacher and a school for their children. On literacy of Jews, see Botticini and Eckstein (2005). The Salzbergers as Protestants were literate in order to read the bible for themselves. They had in common with the Jews regard for the “Old” Testament. They gave their settlement (the location of which they moved after two years) the Hebrew name Ebenezer, and named their church buildings Jerusalem, Zion, Bethany, and Goshen (the latter being the area in which the Jews had lived before their exodus from Egypt). The Salzberger Society maintains continuity from the original settlers. See <https://visitebenezer.com/georgia-salzberger-society/the-salzbergers/>.

<sup>41</sup> The religiosity of the Salzbergers is described by Urlsperger (1736) and Herz and Smith (1996).

<sup>42</sup> On the Inquisition and Jews in Latin America, see Kohut (1896).

<sup>43</sup> Evidence from Europe indicates that, after expulsions of Jews, commerce and economic activity tended to decline (Landes 1998).

<sup>44</sup> The Salzbergers’ experiences with the Inquisition had been expulsion and loss of their children. Their children had been prevented from leaving with them when there were expelled from their lands, on the grounds that, by keeping the children, the Catholic Church would save the children from the fate in afterlife of their heretic parents. On Jewish children in similar circumstances prevented from departure with their parents, see Gerber (1994).

parliament. Yet we might wish to regard the trustees as not entirely agents of king and parliament, and grant them altruistic intent through their philanthropy.<sup>45</sup>

### 7.3. Eugenics

The Georgia project illustrates how eugenics influenced mindsets. The trustees believed in their eugenic superiority. Their superiority came, however, through privileges of their inherited landed wealth.<sup>46</sup> There was condescension in regarding London's poor as capable of no more than planting trees, feeding silkworms, and reeling cocoons. Were the trustees aware, when accusing the funded project participants of being "useless", of the rent-seeking incentives that they had created, and that sustained egalitarian land allotments and absence of a market for land created production disincentives through denial of opportunities for comparative advantage? The Georgia project was at a time before the exposition by David Ricardo (1817) of the idea of comparative advantage. Perhaps eugenics and laziness were all that the aristocratic trustees could contemplate as explanations for economic failure of a fully funded philanthropic project.

### 7.4. Ethical principles

The project illustrates the influence of ethical principles on productiveness.<sup>47</sup> The voluntary returning of money when there had been overpayment shows the influence of ethical principles, as does the Salzburger's planting of trees and their producing silk and not engaging in rent seeking by waiting idly for land to become private property and marketable, and for slavery to be allowed.

### 7.5. A homesteader model

An alternative to the Georgia economic system of land assignment is the homesteader model. As the American frontier moved west, private property through homesteading was a common means of parceling out land (Allen 2019). Homesteaders had incentives to defend their private land. In the Georgia project, planted mulberry trees were intended to provide incentives for settlers to fight, to defend the trees, not the land. There were few trees to defend, few having been planted, except for the Salzburger's, who ironically, being pacifists, would not fight. With a private-property homestead model, the mass departure when the Spanish threatened invasion might not have taken place. The property rights that accompany a market would have provided the incentive to improve private property through trees planted. More trees would have been planted and more silk produced, and, when the Spanish invasion came, there would have been something to stay and fight for. Through private property, the trustees, and king and parliament, would, however, have lost the centralized control of land required for their military and political objectives.

## 8. A choice of narratives

The Georgia project offers a choice of narratives. A narrative of unqualified philanthropy describes altruism toward the poor facilitated by a king granting a charter to trustees who initiate and oversee a privately funded philanthropic project that has progressive rules (except for excluding women) of egalitarian land assignment and prohibition of slavery. Although there was economic failure, philanthropic intent is praised (as in the quotes in the introductory section).

An alternative narrative takes a political economy perspective and proposes that the project was a façade. The enforced equality in land, which created production disincentives by preventing comparative advantage, maximized the number of fighting men, as did prohibition of slavery. The king and the English parliament supported the Georgia project, as did the legislature of South Carolina, not for altruistic reasons. Although raw silk production had previously been unsuccessful in north America, silk was chosen as the economic basis for the project because of the trustees' belief that silk was within the limited capabilities of the English poor. The poor were ostensibly unaware of the danger of their location (and fled when they realized the danger). The poor also did not have the financial means to return home, based on their not having had the financial means to come to Georgia in the first place. Rent seeking by waiting for change, was involved in economic failure of the project, in particular by the self-funded settlers with their larger land allotments and means to benefit from slavery. In this narrative, a façade of political intent does not contradict the seeking of economic success through the Salzburger's and the Jews.

There are therefore two narratives for the Georgia project. In post-modern times, choice of a narrative can be by personal preference. The choice can be expressive (Hillman 2010). The expressive content is through personal identification with a sought self-view and can be in accord with a personal ideology of "always assume good intentions".<sup>48</sup> Communications from commentators have

<sup>45</sup> An analogue could be proposed to the "Bootlegger and the Baptist" described by Yandle (1983, 1984). I thank a reviewer for this observation. Baptists have an ethical objective of disallowing alcohol consumption and bootleggers seek personal profit from supply of alcoholic beverages that are, if the Baptists' ethical position determines public policy, not available in a legal market. The analogue would be parliament and the king (bootleggers) taking advantage of conditions created by philanthropic altruists (the trustees). The altruists advanced a social cause, which king and parliament used for a political objective.

<sup>46</sup> Accent could also reflect social standing. See Mugglestone (1995).

<sup>47</sup> See also Wight (2015), Hillman (2019, chapter 10), Congleton (2022).

<sup>48</sup> See also Apolte and Müller (2022) on choice of narratives.

suggested personal preference for the first narrative of unqualified philanthropy without intent of political benefit.. It is difficult, however, to set aside the political and military objectives of king and parliament, and the sustaining of the project after economic failure was evident, and Oglethorpe converting instantaneously from head of a philanthropic civilian non-governmental project to a military officer in charge of the military force that confronted Spain, and Oglethorpe's own statement of the free riding associated with the Georgia project. When the political objective was achieved of making Georgia British territory, and with progressive rules no longer necessary for military objectives, Georgia became like other American British colonies, with a market for land facilitating unequal land holdings and with the inequalities and injustices of slavery.

### Declaration of competing interest

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### Data availability

Data will be made available on request.

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### Supplement

I have suggested answers to the question whether the Georgia project was a façade, and to the accompanying questions whether the settlers were used as bait for the Spanish, why the project failed economically, and whether economic failure was inevitable. This supplement focuses on the resident project leader James Oglethorpe (for a biography, see Ettinger ([1936] 1984)) and on the long-term consequences of the Georgia project.

#### A Oglethorpe

Oglethorpe believed that he was saving English north America from Spanish conquest (which he did). He spent his own money (£9000) on the Georgia project (although the money was repaid by the English parliament). He deferred marriage. He maintained good relations with the local native Americans.<sup>49</sup> He declined personal financial gain in refusing to assign land to speculators. He responded positively to the industriousness of the Jews and the Salzburgers. He ignored the London trustees' instruction to expel the Jews and not to allow Jews access to land. He acknowledged and catered to the industriousness of the Salzburgers. In his military capacity, he turned back the Spanish invasion of Georgia.

#### B Long-term consequences of the Georgia project

Historical events can have long-term consequences (Voth 2021). A long-term consequence due to Oglethorpe and the Georgia project is that the language and civilization of the southeastern United States have been English (see also Anderson 1936, p. 214). But more broadly, also the language of the United States has been English. Had Oglethorpe lost the battle on St. Simon Island, and had the Spanish continued to move north, the Inquisition that accompanied Spanish conquest would have arrived in the British colonies of North America (as Oglethorpe predicted would be the case if Georgia fell to Spain). The economic and political fate of North America would ostensibly have been that of Latin America, where the hacienda system replicated the unequal European manorial system, and social hierarchies were preserved that restrained individual liberties and social mobility (see Kay 1974; Campos and Casas 2021). Economic freedom would have been limited (for evidence on economic freedom under Protestantism and Catholicism, see Hillman and Potrafke 2018). Protestants and Jews would have fled the Inquisition, and subsequent Protestant and Jewish migrations to North America would not have taken place. Spain was neutral in both 20<sup>th</sup> century world wars. Had there not been a free English-speaking United States, the resistance of Stalin and the Soviet Union in world war II might not have been enough. There is a case to be made that Oglethorpe and the Georgia project saved western civilization.

<sup>49</sup> See Sweet (2008). In 1830, through the Indian Removal Act passed by the U.S. Congress, native Americans were expelled from Georgia.

## Appendix

In this appendix, I expand on how unalterable equal land assignments can result in production disincentives in the presence of outside options for incomes. Two individuals have pre-determined different constant-returns productivities in the production of good  $S$  (silk). There is an outside option of earning income by producing another good  $B$  (or by producing nothing and living from subsidies). Consumption consists of a third good in quantity  $X$ . The price of  $X$  is the numeraire. Relative prices of goods  $S$  and  $B$  are given as  $P_S$  and  $P_B$ . The income-expenditure equality for individual  $i$  is

$$P_S y_S^i + P_B y_B^i = X^i, i = 1, 2 \quad (1)$$

where  $y_S^i$  is the quantity of good  $S$  produced by individual  $i$  and  $y_B^i$  is the quantity produced by individual  $i$  of good  $B$ . Total land is  $2L$ . With egalitarian free land allocation, both individuals receive  $L$ .

Define  $a_{ij}$  as the output of good  $j$  produced per unit of time by individual  $i$ . Individual 1 is more productive than individual 2 in  $S$  ( $a_{1S} > a_{2S}$ ). For good  $B$ , the two individuals are equally productive ( $a_{1B} = a_{2B}$ ). Individual 1 therefore has a comparative advantage in producing  $S$ . Both earn (or receive)  $P_B y_B^*$  if they choose the outside option  $B$  rather than using their one-unit land allocation to produce  $S$ .

If incomes from producing good  $S$  using the equally assigned one unit of land ( $L_S^i = 1, i = 1, 2$ ) are

$$P_B y_B^* > P_S y_S^1 = P_S a_{1S} L_S^1 > P_S y_S^2 = P_S a_{2S} L_S^2 \quad (2)$$

then both individuals choose the outside option and land for production of  $S$  is not utilized. When land allocation is unequal with individual 1 having all the land, ( $L_S^1 = 2, L_S^2 = 0$ ), if

$$P_S y_S^1 = P_S a_{1S} L_S^1 > P_B y_B^* > P_S y_S^2 = P_S a_{2S} L_S^2 = 0, \quad (3)$$

individual 1 produces good  $S$  and individual 2 will have chosen the outside option and earns  $P_B y_B^*$ .

Individual 2, who has a comparative disadvantage in good  $S$ , could be assigned all the land. Individual 1 earns income from the outside option and land is still not be utilized if

$$P_B y_B^* > P_S y_S^2 = P_S a_{1S} L_S^2. \quad (4)$$

If a market for land is allowed, with equal initially allotted land and with (3) holding, individual 1 buys the land of individual 2, if there is a credit market that allows individual 1 to borrow at an interest rate less than the differential return from individual 1 utilizing the land for production of  $S$  rather than choosing the outside option and producing  $B$ . Land is then productively used by the individual who has a comparative advantage in producing  $S$ . Private ownership with unequal land will then have replaced the economic system of unalterable equal land holdings.

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