

Background for “Taxation With Representation”

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Overview

This imagined letter in Adam Smith’s voice draws primarily from *An Inquiry into the Nature and Causes of the Wealth of Nations* (hereafter WN, 1776; citations follow the Glasgow Edition), and within it from two places above all: Book IV, Chapter vii (“Of Colonies”), one of the longest chapters in the book, and Book V, Chapter iii (“Of Publick Debts”), whose closing pages return to the American question and end the book on it. Both were written with the American crisis fully in view: WN was published on 9 March 1776, slightly less than four months before the Declaration of Independence. The letter also rests on one piece of reported speech—Smith’s celebrated remark to the young John Sinclair that “there is a great deal of ruin in a nation”—whose provenance is documented in Section 9. Citations follow Book–Chapter–Section–Paragraph (WN).

A note on sources. Beyond WN, two supplementary sources inform this paper without being primary texts for the letter. First, Smith’s memorandum of February 1778, “Thoughts on the State of the Contest with America” (written for Alexander Wedderburn, then Solicitor-General; first published in the twentieth century and included in the Glasgow Edition of Smith’s Correspondence), shows Smith continuing to analyze the American conflict after publication and corroborates the letter’s framing of his position. Second, Sir John Sinclair’s own published correspondence preserves the “ruin in a nation” remark; its status as reported speech rather than text from Smith’s hand is treated explicitly in Section 9.

Architecture of the letter. The letter’s load-bearing claim is stated across its opening sequence rather than in a single sentence, but it can be compressed as follows: just before the Founders declared independence, Smith was arguing for the remedy that, in his view, addressed the quarrel at its root—taxation with representation, Americans seated in a common Parliament, with the genuine prospect that the seat of empire would one day cross the Atlantic; it was the just remedy, and it was politically impossible. From this spine the letter develops its argument in four movements: (1) the colonial grievance was just, but its cure was representation, not exemption from contribution; (2) Smith’s proposal—union, proportional representation, free trade within the empire—and its most startling implication, the migration of the seat of empire; (3) why the proposal was impossible: the private interest of the monopoly merchants and the governing class, and national pride; and (4) the verdict and its aftermath: complete the empire or give it up; Britain did neither, and the colonies chose for it.

The letter advances seven connected claims drawn from Smith’s writings:

1. Smith held the colonial grievance to be just: a legislature that taxes a people while denying them a seat in its councils treats them as subordinates (WN IV.vii.b–c; V.iii).
2. He nonetheless held that the colonies could justly be asked to contribute to the empire's expense, since the empire's wars had been fought in large part on their account (WN IV.vii.c.64; V.iii.88; 92).
3. His remedy was a union: colonial representation in Parliament in proportion to contribution, increasing as colonial wealth and population grew, together with freedom of trade within the empire (WN IV.vii.c.75–79; V.iii.68; 76–77; 88–92).
4. He stated that under such a union the seat of the empire would naturally remove itself, in time, to the part of the empire contributing most to its support—which his growth projections placed in America (WN IV.vii.c.79).
5. He identified the obstacles as the private interest of those enriched by the colonial monopoly and by colonial governance, and the pride of the nation—and he stated flatly that no nation had ever voluntarily given up dominion over any province (WN IV.vii.c.66).
6. He did the fiscal arithmetic: the colonies had never yielded revenue to cover their own defense, and the British empire in America was “not a gold mine, but the project of a gold mine.” (WN V.iii.92).
7. He closed the *Wealth of Nations* with the binary the letter compresses as *Give them seats—or give them up*. (WN V.iii.92).

As in the earlier background papers, each major claim in the letter is identified and examined against Smith's texts. Where the letter offers an interpretive synthesis, an authorial flourish, or a post-Smith historical observation rather than a direct paraphrase, this is noted explicitly.

1. The Spine: “Taxation With Representation.”

Letter's claim: “*Your schoolbooks remember the cry: no taxation without representation. I took that cry seriously. If America was to help pay for the empire, America had to sit in the legislature of the empire... That was my answer: taxation with representation.*”

Textual Basis

The phrase “taxation with representation” is mine, not Smith's. It is a deliberate modern inversion of the colonial slogan, used as a compression of Smith's actual proposal, and it is the letter's organizing device. The proposal it compresses, however, is explicitly Smith's, stated in two places. In WN IV.vii.c.75–79, in the course of discussing how the quarrel might be resolved, Smith argues that this could scarce be done consistently with the principles of the British constitution without admitting into the British Parliament—or, as he puts it, into the states-general of the British Empire—a fair and equal representation of all the different provinces, proportioned to their contribution. In WN V.iii.68; 76–77; 88–92, returning to the question in the

context of public debt, he develops the same scheme: taxation of the colonies by Parliament, joined to representation in proportion to that taxation, with the number of colonial members rising as colonial contribution rose.

Two features of Smith's presentation deserve explicit note, because the letter relies on both.

First, Smith presents the scheme in earnest: he works out the fiscal mechanics, answers objections, and returns to it in two separate chapters. The letter's line "When I published this in 1776, I meant every word" is faithful to that seriousness. Second, Smith himself signals that the scheme is politically out of reach. He anticipates the objection that he is proposing "a new Utopia" (V.iii.68)—and his analysis of why the scheme will not be adopted (the interest and pride documented in Sections 5 and 6 below) is as much a part of his treatment as the scheme itself.

In keeping with past letters, the opening is clearly not paraphrasing anything Smith wrote: "This month you celebrate a separation," "while your Founders sharpened their pens," and the reference to schoolbooks are scene-setting for the 2026 reader.

In the opening cascade—"It would mean freer trade across the whole empire. It would mean American representation growing with American wealth and numbers. And it would mean that... the seat of empire itself might cross the Atlantic"—I provide the three elements of Smith's scheme. Each is documented below. The closing, "and London might one day answer to you," is my dramatization of Smith's migration claim. As I show in Section 4, the underlying claim is his.

2. The Grievance Was Just

Letter's claim: *"A legislature that reaches into a people's pockets while denying them a seat in its councils treats them not as members, but as subordinates."*

Textual Basis

This sentence is my formulation, not Smith's. Smith builds the argument against taxation without representation into the structure of his remedy: his proposal of united empire pairs taxation with representation as a matter of course, treats representation in proportion to taxation as the obviously fair rule, and presents the existing arrangement—in which Parliament taxes those it does not seat—as the thing to be cured. The letter's "subordinates" sentence is therefore an interpretive synthesis: it states, as a principle, the standard implicit in Smith's remedy and explicit in his condemnation of the system's restrictions (WN IV.vii.b.44).

Letter's claim: *"The last war had been fought, in no small part, to secure them against European rivals, and at Britain's expense. It was not contrary to justice that America should help discharge the debt."*

Textual Basis

Both claims are Smith's, and the second tracks a verified quotation nearly word for word. On the war: Smith states that the Seven Years' War ("the late war") was undertaken on account of the colonies—his own characterization is stronger than the letter's, describing it as "altogether a colony quarrel," with the Spanish war of 1739 also described as "principally a colony quarrel"—and that its expense fell on Britain (WN IV.vii.c.64; the fiscal recapitulation recurs at V.iii.92). The letter's "in no small part" thus understates Smith rather than overstating him, which is the safe direction; I kept the softer phrasing because the historiographical question of how completely the war was "a colony quarrel" is contested in ways Smith's stronger phrasing would force the letter to defend.

On contribution: the letter's sentence is a near-verbatim echo of:

"It is not contrary to justice that both Ireland and America should contribute towards the discharge of the publick debt of Great Britain." (WN V.iii.88)

"The fault was never the tax. It was the exclusion" is my own phrasing. Its substance—that Smith located the injustice in the absence of representation rather than in taxation as such—is exactly what his remedy implies: he proposed more colonial taxation, not less, joined to seats.

3. The Door: Union, Representation, and Free Trade

Letter's claim: *"Let the colonies send members to Parliament—in fair and proportional numbers, their seats increasing as their wealth and population grew. Let the suffocating web of trade restrictions fall away, so that a merchant in Boston traded as freely as one in Bristol or Glasgow. One market. One legislature. One empire, with the American voice growing louder precisely as America grew greater."*

Textual Basis

The proposal is Smith's, documented in Section 1 (WN IV.vii.c.75-79; V.iii.68; 76-77; 88-92). Three elements of the letter's rendering require notes.

Proportional and growing representation. Smith's scheme keys representation to contribution (taxation), not to population directly; since he expected colonial wealth and population to grow together and contribution to track wealth, the letter's "their seats increasing as their wealth and population grew" is a faithful rendering of the mechanism's effect, though the proximate variable in Smith's text is contribution. I chose the letter's phrasing because "wealth and population" is the language of Smith's own growth observations at IV.vii.c.79:

"Such has hitherto been the rapid progress of that country in wealth, population and improvement, that in the course of little more than a century, perhaps, the produce of American might exceed that of British taxation."

The trade restrictions. "The suffocating web" is my characterization. The restrictions themselves are documented at length in WN IV.vii.b-c: the confinement of colonial trade to Britain, the

enumeration of commodities that could be shipped only to British ports, and the restraints on colonial manufactures. Under his proposed union of Britain and America, America would trade within the empire on the same footing as Britain itself. The letter's Boston–Bristol–Glasgow sentence concretizes this.

"My countrymen found the idea absurd. I found it arithmetic." I am taking liberties here. The first half reflects the reception Smith himself anticipated, as discussed above in Section 1. The second half names the basis of his confidence, which was quantitative: his observation of the rapidity of American growth, documented in the next section.

4. The Seat of Empire

Letter's claim: *"Everything I could observe of the New World told me that your wealth and numbers could one day surpass Britain's own. A union of equals would not remain a union centered on London."*

Textual Basis

This is the letter's most startling claim, and it is Smith's, stated in the union discussion at WN IV.vii.c.79. Smith observes "the rapid progress of that country in wealth, population and improvement," projects that "in the course of little more than a century" the produce of American taxation might exceed that of British taxation, and draws the institutional consequence:

"The seat of the empire would then naturally remove itself to that part of the empire which contributed most to the general defence and support of the whole." (WN IV.vii.c.79).

Two glosses in the letter should be marked. "In the natural course of things" echoes Smith's "naturally" and his general idiom of the natural course or natural progress; it is a faithful echo rather than a quotation. "London might one day answer to you" is my dramatization of the institutional consequence; Smith's own framing is mechanical—the seat follows contribution—and does not personify London. The dramatization preserves the direction and the magnitude of his claim while making it vivid for the letter's addressee.

5. Why the Door Stayed Shut: Interest

Letter's claim: *"A whole class of British merchants had grown rich on the monopoly of your trade: buying your goods cheap because you could sell nowhere else, selling you theirs dear because you could buy nowhere else... the monopoly did not enrich Britain. It enriched particular merchants at Britain's expense. British families paid more for what they bought, so that one class of traders could be spared the inconvenience of competition. Free trade threatened nothing but their privilege."*

Textual Basis

This paragraph compresses the economic analysis of WN IV.vii.b–c, and each element has a textual basis.

The two-sided squeeze. Smith's analysis of the exclusive trade runs in both directions: the monopoly confined colonial exports to the British market (lowering the prices colonists received) and confined colonial imports to British suppliers (raising the prices colonists paid). The letter states this from the colonial side—"buying your goods cheap... selling you theirs dear"—which is faithful to Smith's analysis in WN IV.vii.b.

The monopoly impoverished Britain itself. This is the analytical core of WN IV.vii.c: the monopoly of the colony trade raised the rate of mercantile profit in Britain while diminishing the total of what Britain produced and enjoyed—drawing capital out of trades that would have served Britain better, and keeping prices to the home consumer higher than they would otherwise have been (WN IV.vii.c.46-65). The letter's "British families paid more for what they bought" renders the home-price effect at the household level. A famous corroborating sentence appears in WN IV.viii.53: "the interest of the home-consumer has been sacrificed to that of the producer" (NB: WN IV.viii was added in the 1784 (third) edition, i.e., after the War).

A necessary caution: the Navigation Act and defense. A skeptical reader will note that Smith himself endorsed the Navigation Act on defense grounds, in the famous sentence that "defence, however, is of much more importance than opulence" (WN IV.ii.30). Smith's qualified endorsement concerns the navigation laws as an instrument of naval power against rivals (written with Holland in view), while his condemnation—the material the letter draws on—concerns the monopoly of the colony trade as an economic arrangement. The two overlap historically but are analytically distinct in Smith, and he maintained both positions in the same book, as discussed in the letter titled "The First Exception."

"They did not argue against justice. They never do." I use this phrase as it links back to letter #5, "The First Exception." Smith stressed repeatedly that merchants' interest diverges from the public's, that they have generally an interest to deceive and even to oppress the public, and that proposals of law originating with them ought to be heard with great precaution (WN I.xi.p.10). The colonial application is corroborated by one of the most quotable passages in IV.vii.c.63:

"To found a great empire for the sole purpose of raising up a people of customers, may at first sight appear a project fit only for a nation of shopkeepers. It is, however, a project altogether unfit for a nation of shopkeepers; but extremely fit for a nation whose government is influenced by shopkeepers."

It is the clearest statement in Smith that the colonial system served the influence of a class, not the interest of the nation.

"Privilege always borrows the language of the public good." I am again taking license here. However, it is a statement based directly on the evidence in the letters and background papers from letters #5 (Exceptions) and #6 (Justice).

6. Why the Door Stayed Shut: Pride

Letter's claim: *“And the door stayed shut because of pride. The notion that Britons might one day be governed from a city on the American shore was, to London, not an argument at all. It was an affront. Interest can sometimes be compensated. Pride must be humbled.”*

Textual Basis

The decisive passage—because it names both of the letter’s enemies in one breath—is Smith’s statement on the surrender of dominion:

“No nation ever voluntarily gave up the dominion of any province, how troublesome soever it might be to govern it, and how small soever the revenue which it afforded might be in proportion to the expence which it occasioned. Such sacrifices, though they might frequently be agreeable to the interest, are always mortifying to the pride of every nation, and what is perhaps of still greater consequence, they are always contrary to the private interest of the governing part of it...” (WN IV.vii.c.66)

Here are the letter’s two enemies: the pride of the nation, and the private interest of the governing part.

Note also what the same paragraph goes on to do: having declared voluntary relinquishment impossible, Smith describes what Britain would gain from an agreement: “... Great Britain would not only be immediately freed from the whole annual expence of the peace establishment of the colonies, but might settle with them such a treaty of commerce as would effectually secure to her a free trade, more advantageous to the great body of the people, though less so to the merchants, than the monopoly which she at present enjoys.” Furthermore, “By thus parting good friends” the colonies might become “our most faithful, affectionate, and generous allies” (WN IV.vii.c.66). Paragraph 66 is thus the textual basis of the letter’s “give them up” half as well as of its two enemies. The letter’s closing aphorism for the section, “Interest can sometimes be compensated. Pride must be humbled,” is my extension of Smith’s argument that private interest “is perhaps of still greater consequence” than national pride in impeding the adoption of Smith’s broad proposal.

An honesty note: obstacles on both shores. Smith locates the obstacles to a union on both sides of the Atlantic. In WN IV.vii.c.77-79, he notes British fears of American influence if they were represented in Parliament and American fears that distance from the seat of government would expose colonial representatives’ constituents to oppression.

However, the letter says, “a door that Britain would not walk through,” assigning the refusal to Britain. Three considerations justify my emphasis. First, only Britain could grant seats, so the operative refusal was necessarily British. Second, the obstacles Smith identifies as decisive—the monopoly interest, the governing class’s places of trust and profit, and the national pride that has never voluntarily surrendered dominion—are all British (IV.vii.c.66). Third, Smith answers the

American-side objection within his scheme but offers no comparable answer to the British-side obstacles; he treats them as fatal.

I believe that the letter's emphasis is therefore a faithful reading of where Smith placed the weight.

"Not merely because of tyranny. Tyranny is the easy answer." My attempt to be punchy is fully consistent with Smith's argument that interest, institutional structure, and national psychology, rather than the personal villainy of the king or ministers, play leading roles in shaping policies.

7. The Arithmetic: The Project of a Gold Mine

Letter's claim: *"Britain sought to keep you under the old terms because it imagined dominion over America was a treasure. It was not. I did the arithmetic: in war you were a drain, in peace barely a wash. The empire Britain imagined in America was not a gold mine. It was the dream of one—a glittering idea that always cost more than it returned."*

Textual Basis

Smith makes this point repeatedly: the colonies contributed essentially nothing to the general support of the empire—their civil establishments were modest and locally funded, but the military expense of defending them, in peace and above all in war, fell on Britain; and the two great mid-century wars, fought substantially on the colonies' account, added enormously to the British debt, e.g., WN IV.vii.c.64; WN V.iii.92. If anything, the letter's "in peace barely a wash" softens Smith, whose accounting treats the colonies as a net cost in peace as well as war once the peace establishment is charged to them; the softer phrasing was chosen to keep the letter's claim within what any reading of the passage supports.

Just to make sure readers did not miss his conclusion, he adds a short paragraph (WN IV.vii.c.65):

"Under the present system of management, therefore, Great Britain derives nothing but loss from the dominion which she assumes over her colonies."

The gold-mine image in the letter is taken directly from Smith's **final paragraph of *The Wealth of Nations***:

"The rulers of Great Britain have, for more than a century past, amused the people with the imagination that they possessed a great empire on the west side of the Atlantic. This empire, however, has hitherto existed in imagination only. It has hitherto been, not an empire, but the project of an empire; not a gold mine, but the project of a gold mine; a project which has cost, which continues to cost, and which, if pursued in the same way as it has been hitherto, is likely to cost immense expence, without being likely to bring any profit; for the effects of the monopoly of the colony

trade, it has been shewn, are, to the great body of the people, mere loss instead of profit.” (WN V.iii.92)

Smith could not have been clearer.

(NB: Smith's word is “project”; the letter uses “dream,” as it anticipates the golden-dream sentence quoted in Section 8.)

8. The Verdict and the Golden Dream

Letter's claim: *“I ended the Wealth of Nations with a plea to my own rulers: “It is surely now time that our rulers should either realize this golden dream ... or, that they should awake from it themselves...” If they could not realize it, then the matter was plain. Give them seats—or give them up. Britain chose neither. And so you chose for it.”*

Textual Basis

The golden-dream sentence is quoted in the letter and is also from the final paragraph of the *Wealth of Nations*, WN V.iii.92. Smith addresses his rulers:

“It is surely now time that our rulers should either realize this golden dream, in which they have been indulging themselves, perhaps, as well as the people; or, that they should awake from it themselves, and endeavour to awaken the people. If the project cannot be compleated, it ought to be given up.”

“Give them seats—or give them up” is the letter’s compression of a binary that is genuinely Smith’s, stated twice in the same final paragraph: realize this dream or awake from it, and “if the project cannot be compleated, it ought to be given up” (WN V.iii.92). Since completing the project, in Smith’s account, means making the colonies contribute, and making them contribute justly means seating them in Parliament, the compression is faithful: seats are how the dream is realized, abandonment is how one awakes. I think the aphorism (Give them seats—or give them up) is true to Smith.

The letter’s phrase, “Britain chose neither. And so you chose for it,” is mine, as it is made from a 2026 vantage point. However, Parliament never offered colonial representation, and the colonies declared independence. It states what happened; Smith’s text, published in March 1776, could not record it.

The preceding triad—“If Britain wanted American taxes, it had to accept American representation. If it wanted American commerce, it had to accept freer trade. If it wanted Americans as members of the empire, it had to treat them as equals”—is my curt restatement of Smith, which I supported above in Sections 1 and 3.

9. The Close: The Sinclair Anecdote and the Warning

Letter's claim: *“When a young countryman lamented to me, in the dark days of the war, that the loss of America must be the ruin of Britain, I answered: There is a great deal of ruin in a nation.”*

Textual Basis

This is reported speech, not text from Smith’s hand. After learning of Burgoyne’s surrender at Saratoga (17 October 1777; the news reached London on 2 December 1777), Sir John Sinclair said to Smith that the nation must be ruined. Smith replied: “Be assured, my young friend, that there is a great deal of ruin in a nation.” I found this in *Correspondence of Adam Smith*, Eds: Ernest Campbell Mossner and Ian Simpson Ross, Liberty Fund, Letter 221, page 262, footnote 3; WN IV.vii.c.64, footnote 52, pages 615-6. In the letter, I write: “I answered”, which presents it as direct address, which is how Sinclair reports it.

Letter's claim: *“That is the comfort. Britain lost thirteen colonies and went on to prosper... It threw away half an empire for a merchant’s monopoly and a nation’s pride. Neither enemy died in 1783.”*

Textual Basis

Three layers here, each with a different status. “Britain lost thirteen colonies and went on to prosper” is my historical claim that lies beyond Smith’s text and indeed beyond his lifetime (he died in 1790); it states the standard historiography of post-1783 Britain—commercial recovery, including the rapid revival of Anglo-American trade, and the expansion that followed. “It threw away half an empire for a merchant’s monopoly and a nation’s pride” restates the diagnosis of Sections 5 and 6, whose textual anchor is the dominion passage at IV.vii.c.66; “half an empire” is rhetorical scale, not a measurement. “Neither enemy died in 1783” (the Treaty of Paris) converts Smith’s diagnosis into a standing warning addressed to the 2026 reader; this is the letter’s interpretive bridge from history to the present, in the manner of the earlier letters’ closing turns.

Letter's claim: *“So, America, guard the thing your Founders actually won. They did not win freedom from taxes; you still pay them. They won the principle that those who bear taxes must share in the power that imposes them... Your Founders were refused seats in Britain’s Parliament. So they built a chamber of their own—and left a seat in it for you. Guard that seat.”*

Textual Basis

The principle stated—that those who bear taxes must share in the power that imposes them—is the letter’s constitutional-register restatement of the representation-in-proportion-to-taxation principle documented in Sections 1 and 3 above; it is a synthesis. “They did not win freedom from taxes; you still pay them” restates, one last time, the letter’s central distinction (Section 2): the grievance was exclusion, not taxation.

The closing image is my attempt to bring Smith's letter to 2026. "A chamber of their own" compresses the institutional history from the Continental Congress (1774) through the Congress established under the Constitution (1789) into a single figure; it is a figure, not a chronology. "Guard that seat" follows the series' convention of closing on the letter's own pillar in imperative form, as the sixth letter closed on "Guard justice." The seat is this letter's pillar: the thing Smith proposed, Britain refused, and the Founders built.

10. Related Context: What the Letter Omits

Two elements of Smith's colonial writings do not appear in the letter. They are documented here so that the letter's selection is visible as selection.

The ambitions of the colonial leadership. Smith wrote:

"The leading men of America, like those of all other countries, desire to preserve their own importance. They feel, or imagine, that if their assemblies, which they are fond of calling parliaments, and of considering as equal in authority to the parliament of Great Britain, should be so far degraded as to become the humble ministers and executive officers of that parliament, the greater part of their own importance would be at an end." (WN IV.vii.c.74)

Recognizing this, Smith argues that his proposed union had something to offer them:

"Instead of piddling for the little prizes which are to [be] found in what may be called the paltry raffle of colony faction; they might then hope, from the presumption which men naturally have in their own ability and good fortune, to draw some of the great prizes which sometimes come from the wheel of the great state lottery of British politicks." (WN IV.vii.c.75)

The letter omits this material deliberately, as explained above in Section 6.

Slavery. Smith was unequivocal in his moral condemnation of slavery. I omitted it from this letter because this letter focuses on independence per se.

11. A Note on Terminology: "America"

The letter has Smith write "America" and "Americans" for the British North American colonies and colonists. This is Smith's own usage throughout WN IV.vii and V.iii. One nuance for completeness: Smith's "America" sometimes denotes the whole New World—as in his observation:

"The discovery of America, and that of a passage to the East Indies by the Cape of Good Hope, are the two greatest and most important events recorded in the history of mankind." (WN IV.vii.c.80).

Conclusion

Every major claim in “Taxation With Representation” is grounded in Adam Smith’s writings. The letter’s argument tracks the closing movement of the *Wealth of Nations*: the colonial grievance was just, but its cure was representation joined to contribution, not exemption (WN IV.vii.b-c; V.iii; specifically: WN IV.vii.c.64; V.iii.88; 92); Smith’s remedy was a union with proportional and growing colonial representation and free trade within the empire (WN IV.vii.c.75–79; V.iii.68; 76-77; 88-92); under that union the seat of empire would naturally migrate toward America (WN IV.vii.c.79); the obstacles were the private interest of the monopoly merchants and the governing class, and national pride (WN IV.vii.c.66); the empire as constituted was the project of a gold mine, not a gold mine (WN V.iii.92); and the book closes on the binary the letter compresses as “Give them seats—or give them up” (WN V.iii.92).