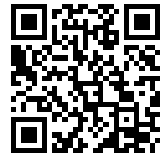

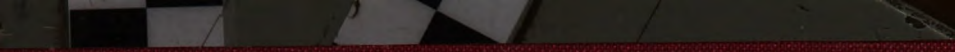

# OUTLINES

OF

# AMERICAN POLITICAL ECONOMY,

IN A

## SERIES OF LETTERS

ADDRESSED BY

FREDERICK LIST, ESQ.

*Late Professor of Political Economy at the University of Tubingen in Germany,*

TO

*CHARLES J. INGERSOLL, ESQ.*

VICE-PRESIDENT OF THE PENNSYLVANIA SOCIETY FOR THE PROMOTION OF MANUFACTURES AND THE MECHANIC ARTS.

TO WHICH IS ADDED

## THE CELEBRATED LETTERS

OF MR. JEFFERSON TO BENJAMIN AUSTIN, AND OF

MR. MADISON TO THE EDITORS

OF THE

LYNCHBURG VIRGINIAN.

PHILADELPHIA:

Printed by Samuel Parker, No. 48, Market Street.

1827.

Professor List's name having been brought before the public, as a gentleman of high character and standing, in the legislative councils of his native country, it cannot fail to prove highly interesting to have under his own signature, the testimony of the "Nation's Guest" in favour of the Professor.

The following letter, addressed to Mr. List, from on board the Brandywine, speaks for itself, and precludes the necessity of an apology for giving it to the public.

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ON BOARD THE BRANDYWINE, Sept. 7, 1825.

My Dear Professor List,

I leave this beloved shore with the regret not to have it in my power, to tender to you services adequate to your merit, to your sufferings in the cause of liberty, to the interest which the most distinguished men of learning, and good feelings in Europe take in your behalf. Your talent as a professor, your devotion to freedom, as a representative,(so they call it, in the legislative house of Wirtemberg) and the strange persecutions directed against you, would attract upon you not only the notice, but the good and active wishes of many friends in America, was it not in this country a necessary condition, before you undertake something, to speak the English language.

Be assured of my friendly concern in you and your family's welfare.—Present my respects to Mrs. List, and believe me most sincerely

Your's

LAFAYETTE.

Professor List.

## TO THE EDITOR OF THE NATIONAL GAZETTE.

PROFESSOR LIST, by whom the accompanying letters were addressed to me, is a gentleman of respectable character and attainments, exiled by political proscription from Germany, and desirous of making this country his home. After having been for several years Professor of Political Economy at the University of Tubingen, in the kingdom of Wirtemberg, he was elected counsel of the society of German merchants and manufacturers for obtaining a German system of national economy, in which capacity he visited the different Courts of Germany; and attended the congress of German Ministers at Vienna in 1820. He was then chosen a member of the House of Representatives of the kingdom of Wirtemberg, where he attempted to introduce, by law, the trial by Jury and the publicity of judicial proceedings in criminal and civil controversies. His plans of reform proving obnoxious to the government, Mr. List was accused of high treason and thrown into prison. After undergoing several years of prosecution, he was finally permitted to leave that country with a passport to visit the U. States of America on a scientific voyage: and arrived here about two years ago, warmly recommended by General Lafayette, in letters of introduction, which describe him as a proscribed patriot and man of science.

He now resides at Reading in this state; and having during his German professorship, studied and lectured on the doctrines of political economy, the late Convention at Harrisburg drawing his attention to that subject, he voluntarily addressed a series of letters to me.

In submitting them to you for publication, I comply with his desire to render a service to his adopted country, by communicating his knowledge of matters of great interest and much controverted. Some of your correspondents may perhaps consider Professor List an antagonist worthy of their notice, in which case he authorises me to assure you that any candid and well informed contradiction of his tenets, will afford him pleasure, as the occasion for fairly discussing topics which cannot be examined too much for public information.

I am, very respectfully, your humble servant,

C. J. INGERSOLL.

# OUTLINES

OF

# AMERICAN POLITICAL ECONOMY.

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## LETTER I.

READING, July 10, 1827.

DEAR SIR:—Feeling myself honoured by your requisition, I would not have hesitated a moment to comply with it, had I not been prevented by a temporary illness. After having recovered, I hasten to communicate to you the results of my reflections on political economy, produced not only by a study of many years, but also by long practical exertions in my capacity as a counsellor of the society of German Manufacturers, for the purpose of obtaining a system of German National Economy.

After having perused the different addresses of the Philadelphia Society for the Promotion of National Industry, the different speeches delivered in Congress on that subject, Niles' Register, &c. &c. it would be but arrogance for me to attempt a supply of practical matters, so ingeniously and shrewdly illustrated by the first politicians of the nation, I confine my exertions, therefore, solely to the refutation of the theory of Adam Smith, and Co., the fundamental errors of which have not yet been understood so clearly as they ought to be.

It is this theory, sir, which furnishes to the opponents of the American system the intellectual means of their opposition. It is the combination of the soi-disant theorists with those who believe themselves interested in the soi-disant free commerce, which gives so much seeming strength to the opposite party. Boasting of their imaginary superiority in science and knowledge, these disciples of Smith and Say are treating every defender of common sense like an empiric whose mental power and literary acquirements are not strong enough to conceive the sublime doctrine of their masters. Unfortunately, the founders of this dangerous doctrine were men of great minds, whose talents enabled them to give their castles in the air the appearance of strong, well founded buildings. The important truths they brought to light were the unhappy cause which gave to their whole system the credit of a doctrine too elevated to be questioned by future generations. This doctrine, sir, was embraced by the greater part of those who made politics their particular study, and after having admired a doctrine for ten and twenty years, found it difficult

to divest themselves of it. It requires a mind of perfect independence to acknowledge that for so long a time we gave full credit to an erroneous system, particularly if that system is advocated by private interests.

In consequence of this exposition, I believe it to be a duty of the General Convention at Harrisburg, not only to support the interests of the wool growers and wool manufacturers, but to lay the axe to the root of the tree, by declaring the system of Adam Smith and Co. to be erroneous—by declaring war against it on the part of the American System—by inviting literary men to uncover its errors, and to write popular lectures on the American System—and, lastly, by requesting the governments of the different states, as well as the general government, to support the study of the American System in the different Colleges, Universities, and literary institutions under their auspices.

The last work of Dr. Cooper shows pretty clearly the necessity of such measures on the part of the supporters of the American System. According to this work, (a mere compilation,) you and I, and all the gentlemen of the convention, and all the supporters of the American System, are nothing else than idiots; for it is '*ignorance* to support an industry by duties when the commodities may be procured cheaper by foreign commerce,'—'*ignorance* if a government guards and protects the industry of individuals,' &c. &c. (See page 195, where you find *eleven ignorances* recorded, which you make applicable to yourself by going to Harrisburg.) This, sir, is now the only elementary work from which our youth and people may learn the principles of what is styled political economy. What fruit can be expected from such seed? And if the supporters of the American System are convinced of the superiority of their doctrine, is it not their duty to go on theoretically as well as practically? Ought they not to procure for the people, and especially for the youth of their country, elementary works and professional teachers, explaining the principles of political economy according to their own system, which must ultimately prevail in proportion as the national legislature becomes convinced of its propriety.

I remember an anecdote of a physician, who, finding his patient consulting a medical work about his disease, admonished him to take care not to die of an error in print. So, sir, I would admonish the people of these U. S. who rely on the celebrated system of Smith, to take care not to die of a beau ideal. Indeed, sir, it would sound almost like sarcasm, if in after ages an historian should commemorate the decline of this country in the following terms:

'They were a great people, they were in every respect in the way to become the first people on earth, but they became weak and died—trusting in the infallibility of two books imported into the country; one from Scotland, the other from France; books, the general failure of which was shortly afterwards acknowledged by every individual.'

As the idea of denouncing in the name of an enlightened community that theory of political economy, would be useless, if this denunciation cannot be supported by sufficient evidences of its failure, I feel it my duty to submit to the examination of your superior mind the following views. The short space of time and room allowed for

my communications, permit me only to touch on the topics of the science.

In consequence of my researches, I found the component parts of political economy to be—1, Individual economy; 2, National economy; 3, Economy of mankind. A. Smith treats of individual economy and economy of mankind. He teaches how an individual creates, increases and consumes wealth in society with other individuals, and how the industry and wealth of mankind influence the industry and wealth of the individual. He has entirely forgotten what the title of his book, "Wealth of Nations," promised to treat. Not taking into consideration the different state of power, constitution, wants and culture of the different nations, his book is a mere treatise on the question, how the economy of the individuals and of mankind would stand, if the human race were not separated into nations, but united by a general law and by an equal culture of mind. This question he treats quite logically; and in this supposition his book contains great truths. If the whole globe were united by a union like the 24 States of North America, free trade would indeed be quite as natural and beneficial as it is now in the union. There would be no reason for separating the interest of a certain space of land, and of a certain number of human beings, from the interests of the whole globe and of the whole race. There would be no national interest, no national law contrary to the freedom of the whole race, no restriction, no war. All would flow in its natural current. English capital and skill, if in superabundance in that island, would overflow to the borders of the Seine and Elbe, of the Rhine and Tagus; they would have fertilized the woods of Bohemia and Poland long before they would flow to the borders of the Ganges and of the St. Lawrence, and every where carry along with them freedom and law. An Englishman would as readily emigrate to Gallicia and Hungary as now a New-Jerseyman emigrates to Missouri and Arkansas. No nation would have to fear for their independence, power and wealth, from the measures of other nations.

This state of things may be very desirable—it may do honour to the heart of a philosopher to wish for it—it may even lie in the great plan of Providence to accomplish it in after ages. But sir, it is not the state of the actual world. Adam Smith's system, in the world's present condition, goes therefore along with the good Abbe St. Pierre's dreams of eternal peace, and with the systems of those who fancy laws of nations. I myself believe it indeed to be a postulate of reason, that nations should settle their differences by law as now the United States do among themselves. War is nothing but a duel between nations, and restrictions of free trade are nothing but a war between the powers of industry of different nations. But what would you think, sir, of a Secretary of War, who, embracing the doctrine of the Friends, should refuse to build fortresses and men of war, and to supply military academies, because mankind would be happier if there were no war on earth? And yet, sir, the conduct of this secretary of war would be just as wise as the conduct of those, who, embracing the system of Adam Smith in its present imperfection, leave their national interests to the direction of foreign nations and foreign laws, because in a more perfect but entirely imaginary state of the human race, free trade would be beneficial to mankind.

I am yet by no means of opinion, sir, that Adam Smith's system, in a scientific view, is without its merits. I believe, on the contrary, that the fundamental principles of the science could only be discovered by his researches in the economy of individuals and of mankind. His error consists in not adding to those general principles the modifications caused by the fraction of the human race into national bodies, and in not adding to the rules the exceptions, or to the extremities the medium member.

Economy of individuals and economy of mankind, as treated by Adam Smith, teach by what means an individual creates, increases and consumes wealth in society with other individuals, and how the industry and wealth of mankind influence the industry and wealth of individuals. *National Economy* teaches by what means a certain nation, in her particular situation, may direct and regulate the economy of individuals, and restrict the economy of mankind, either to prevent foreign restrictions and foreign power, or to increase the productive powers within herself—or in other words: How to create, in absence of a lawful state, within the whole globe of the earth, a world in itself, in order to grow in power and wealth to be one of the most powerful, wealthy and perfect nations of the earth, without restricting the economy of individuals and the economy of mankind more than the welfare of the people permits.

In my next letter, I shall dwell more upon this subject. For the present remains but space enough to request your indulgence on account of my inability to express myself correctly and elegantly in the language of this country.

Very respectfully your most humble servant,

FR. LIST.

## LETTER II.

READING, 12th July, 1827.

DEAR SIR:—As soon as the three component parts of political economy are revealed, the science is brought to light, and the errors of the old theory are clear.

The object of individual economy is merely to obtain the necessities and comforts of life. The object of economy of mankind, or to express it more properly, of *cosmopolitical economy*, is to secure to the whole human race the greatest quantity of the necessities and comforts of life. An individual living in Pennsylvania, considered solely as a part of mankind, has no particular interest that wealth and productive powers should be encreased rather in Vermont or Maine, than in England. If this individual happens to be the agent of a foreign manufactory, he may even be injured in his livelihood by the growing industry of his next neighbours. Nor is mankind interested which spot of the earth, or which people excels in industry; it is benefitted by every increase of industry, and restrictions are as obnoxious to mankind at large, as restrictions of the free intercourse

between the twenty four United States would be injurious to the wealth and productive powers of this nation. The idea of *power* is neither applicable to an individual, nor to the whole human race. If the whole globe were to be united by a general law, it would not be of any consequence to a particular people, as regards its freedom and its independence, whether it is strong or weak in population, power, and wealth; as it is now of no consequence for the State of Delaware, as regards her freedom and independence, that her wealth, population, and territory are ten times surpassed by her next neighbour, the State of Pennsylvania.

This, sir, is the theory of Adam Smith, and of his disciple, Dr. Cooper. Regarding only the two extremities of the science, they are right. But their theory provides neither for peace nor for war; neither for particular countries nor for particular people; they do not at all recognise the fracture of the human race into nations. In this sense Mr. Say censures the government of his country for having employed French ships in carrying French military stores from Russia to France, whilst the Hollanders would have done it fifteen francs per ton cheaper.

The benefit arising from these shipments for our navy, he adds, regards not *economy*, it regards *politics!* And as disciples are commonly in the habit of surpassing their masters in hardy assertions, some of our members of Congress asserted quite seriously that it would be better to import gunpowder from England, if it could be bought cheaper there than manufactured here. I wonder why they did not propose to burn our men of war, because it would be better economy, to hire, in time of war, ships and sailors in England. In the same sense our American champion of the old theory, Mr. Cooper, drops, in his lecture on political economy, the notable sentence: 'Politics, it must be remembered, are not essentially a part of political economy.'—(See page 15.) What would Dr. Cooper, the chemist, think if I should venture to say 'that chemistry, it must be remembered, is not essentially a part of chemical technology.'

Indeed so wrong are these adherents of the Scots theory, that in spite of the very name they chose to give their science, they will make us believe that there is nothing of politics in political economy. If their science is properly called *political economy* there must be just as much *politics* in it as *economy*, and if there is no *politics* in it, the science has not got the proper name; it is then nothing else but *economy*. The truth is that the name is right, expressing the very thing these gentlemen mean to treat, but the thing they treat is not consonant to the name. They do not treat *political* economy, but *cosmopolitical* economy.

To complete the science we must add the principles of national economy. The idea of national economy arises with the idea of nations. A nation is the medium between individuals and mankind; a separate society of individuals, who, possessing common government, common laws, rights, institutions, interests, common history, and glory, common defence and security of their rights, riches, and lives, constitute one body, free and independent, following only the dictates of its interest, as regards other independent bodies, and possessing power to regulate the interests of the individuals, consti-

tuting that body, in order to create the greatest quantity of common welfare in the interior and the greatest quantity of security as regards other nations. The object of the economy of this body is not only wealth as in individual and cosmopolitical economy, but power and wealth, because national wealth is increased and secured by national power, as national power is increased and secured by national wealth. Its leading principles are therefore not only economical, but political too. The individuals may be very wealthy: but if the nation possesses no power to protect them, it and they may lose in one day the wealth they gathered during ages, and their rights, freedom, and independence too. In a mere economical view, it may be quite indifferent to a Pennsylvanian whether the manufacturer who gives him cloth in exchange for his wheat, lives in Old England or in New England; but in time of war and of restriction, he can neither send wheat to England nor import cloth from there, whilst the exchange with New England would forever be undisturbed. If the manufacturer grows wealthy by this exchange, the inhabitant of Old England increases the power of his enemy in time of war, whilst the manufacturer of New England increases the defence of his nation. In time of peace the farmer of Pennsylvania may do well in buying English guns and gun-powder to shoot game; but in time of war the Englishmen will not furnish him with the means to be shot.

As power secures wealth, and wealth increases power, so are power and wealth, in equal parts, benefitted by a harmonious state of agriculture, commerce and manufactures within the limits of the country.—In the absence of this harmony, a nation is never powerful, and wealthy. A merely agricultural state is dependent for its market as well as for its supply on foreign laws, on foreign good will or enmity. Manufactures, moreover, are the nurses of arts, sciences, and skill, the sources of power and wealth. A merely agricultural people remain always poor (says Say himself); and a poor people, having not much to sell, and less with which to buy, can never possess a flourishing commerce, because commerce consists in buying and selling.

Nobody can deny these truths. But it is questioned, sir, whether government has a right to restrict individual industry, in order to bring to harmony the three component parts of national industry: and, secondly, it is questioned, whether government does well or has it in its power to produce this harmony by laws and restrictions.

Government, sir, has not only the right, but it is its duty, to promote every thing which may increase the wealth and power of the nation, if this object cannot be effected by individuals. So it is its duty to guard commerce by a navy, because the merchants cannot protect themselves; so it is its duty to protect the carrying trade by navigation laws, because carrying trade supports naval power, as naval power protects carrying trade; so the shipping interest and commerce must be supported by breakwaters—agriculture and every other industry by turnpikes, bridges, canals and rail roads—new inventions by patent laws—so manufactures must be raised by protecting duties, if foreign capital and skill prevents individuals from undertaking them.

In regard to the expediency of protecting measures, I observe that

it depends entirely on the condition of a nation whether they are efficacious or not. Nations are as different, in their conditions, as individuals are. There are giants and dwarfs, youths and old men, cripples and well made persons; some are superstitious, dull, indolent, uninstructed, barbarous; others are enlightened, active, enterprising, and civilized; some are slaves, others are half slaves, others free and self-governed; some are predominant over other nations, some independent, and some live more or less in a state of dependency. How wise men can apply general rules to these different bodies, I cannot conceive. I consider so doing no wiser than for physicians to prescribe alike to a child and a giant; to the old and young in all cases the same diet and the same medicine.

Protecting duties in Spain would deprive the Spanish nation of the trifling industry she yet retains.—Having no navy, how could she support such measures? A dull, indolent and superstitious people can never derive any advantage from them, and no foreigner of a sound mind, would submit his capital and his life to a brutal absolute power. Such a government can do nothing better than translate Dr. Cooper's work in order to convince the people, that 'laissez faire and laissez passer' is the wisest policy on earth. Mexico and the southern republics would act with equal folly by embracing in their present situation the manufacturing system; a free exchange of their raw materials and of their precious metals for foreign manufactures is the best policy to raise the industry, and minds of those people, and to grow wealthy. Surely every body would laugh, if either should advise the Switzers to make navigation laws, the Turks to make patent laws, the Hanse towns to create a navy and the Hottentots or Indians to make rail roads. Even these United States, after having just converted themselves from a colony to an independent nation, did well to remain for a while in economical vassalage. But after having acquired the strength of a man, it would be absurd to act as a child, as the scripture says: 'when I was a child, I acted as a child, but when I became a man I acted as a man.'

The condition of this nation cannot be compared with the condition of any other nation. The same kind of government and same structure of society were never seen before; nor such general and equal distribution of property, of instruction, of industry, of power and wealth; nor similar accomplishments in the gifts of nature, bestowing upon this people natural riches and advantages of the north, of the south, and of the temperate climates, all the advantages of vast sea shores and of an immense unsettled continent, and all the activity and vigour of youth and of freedom. There is no people, nor was there ever a people, doubling their number every twenty-five years, doubling the number of their states in fifty years, excelling in such a degree of industry, skill and power, creating a navy in a few years, and completing, in a short time, public improvements, which, in former times, would alone have distinguished a nation forever.

As the condition of this nation is unexampled, the effects of her efforts to raise manufactures will be without example; while minor states must submit to the English naval ascendancy, the Americans can raise their heads and look it full in the face. If poor, unin-

structed, indolent, and depressed people cannot rise by their own efforts, this free, enterprising, instructed, industrious and wealthy people may. If other people must restrict their ambition, to live in a tolerable dependence and economical vassalage, this nation would do injustice to the call of nature, if it should not look up to full independence, if it should not aspire to an unexampled degree of power to preserve its unexampled degree of freedom and of happiness. But a high degree of power and wealth, a full independence, is never to be acquired, if the manufacturing industry is not brought into harmony with agricultural and commercial industry. Government would therefore not only do well in supporting this industry, but wrong in not doing it.

American national economy, according to the different conditions of the nations, is quite different from English national economy. English national economy, has for its object to manufacture for the whole world, to monopolize all manufacturing power, even at the expense of the lives of her citizens, to keep the world, and especially her own colonies, in a state of infancy and vassalage by political management as well as by the superiority of her capital, her skill and her navy. American economy has for its object to bring into harmony the three branches of industry, without which no national industry can attain perfection. It has for its object to supply its own wants, by its own materials and its own industry—to people an unsettled country—to attract foreign population, foreign capital and skill—to increase its power and its means of defence, in order to secure the independence and the future growth of the nation. It has for its object, lastly, to be free and independent, and powerful, and to let every one else enjoy freedom, power and wealth as he pleases. English national economy is *predominant;* American national economy aspires only to become *independent.*—As there is no similarity in the two systems, there is no similarity in the consequences of it. The country will not be overstocked with woollen goods any more than it is now overstocked with cabinet ware; the manufactories will not produce vice, because every labourer can earn enough to support his family honestly; nobody will suffer or starve from want of labour, because if the labourer cannot earn enough to support his family otherwise, he can cultivate the earth—there is yet room enough for hundreds of millions to become independent farmers.

After having explained the fundamental error of Smith and Say, in confounding *cosmopolitical* economy with *political* economy, I shall attempt to demonstrate in my next letter, by what errors both of these celebrated authors have been induced to assert, that a nation's wealth and industry cannot be increased by restriction.

Very respectfully, your most humble and obedient servant,

F. LIST.

## LETTER III.

READING, 15th July, 1827.

DEAR SIR:—The system of Adam Smith has assumed so great an authority, that those who venture to oppose it, or even to question its infallibility, expose themselves to be called idiots. Mr. Say, throughout his whole work, is in the habit of calling all objections to his sublime theory the opinion of the rabble, vulgar views, &c. &c. Mr. Cooper, on his part, probably finding it not quite proper to speak in this country as much as the Parisian about rabble, populace, &c. uses the term ignorance. He regrets very much that both the Pitts, as well as Mr. Fox, were such blockheads as not to conceive even the fundamental principles of the sublime theory. These infallible theorists assure us, as gravely as modestly, that minds like those of Edward III., Elizabeth, Colbert, Turgot, Frederick II., Joseph II., Pitt, Fox, Napoleon Bonaparte, Washington, Jefferson, Hamilton, a chart of the minds of the most enlightened men of all ages, were not enlightened enough to comprehend the true principles of political economy. Though, therefore, an opponent of Mr. Say finds himself in tolerable good company amongst the ignorant, yet I consider it necessary to state that, during many years, I was not only a very faithful disciple of Smith and Say, but a very zealous teacher of the infallible doctrine; that I not only studied the works of the masters, but also those of their ablest disciples in England, Germany, and France, with some assiduity and perseverance, and that I did not become a convert till arrived at the age of maturity. I saw then in my native country the admirable effects of what is called the continental system and the destroying effects of the return of what they call trade after the downfall of Napoleon. German industry, though fostered but partially by the continental system, because enjoying only protection against English competition and remaining exposed to French competition, whilst the borders of France were closed to it, made admirable progress during that time, not only in the different branches of manufacturing industry, but in all branches of agriculture, which, though labouring under all the disadvantages of the wars and of French despotic measures, were flourishing. All kinds of produce were in demand and bore high prices, and wages, rents, interest of capital, prices of land and of every description of property were consequently enhanced. But after the downfall of the continental system, after having acquired the enjoyment of English goods a great deal cheaper than the nation could manufacture them, the manufactures languished. The agriculturists and noble land proprietors were at first much pleased to purchase at so low a price, particularly the wool growers, who sold their wool to England at very high prices. The principles of Smith and Say were highly talked of. But the English after having acquired the German market for their manufactures, did not hesitate to foster their landed interests too by corn and woollen bills; the price of wool and grain, and in consequence, of rents, wages and property in Germany, sunk more and more, and

the most ruinous effects followed. At the present day agricultural produce is three and four times cheaper there, than under the continental system, and property has scarcely any price at all. The wool grower and agriculturist as well as the manufacturer, are ruined, and under present circumstances they are not able to procure a third part of the quantity of cheap English goods, that they enjoyed formerly of the higher priced domestic manufactures.

The contemplation of these effects induced me first to doubt of the infallibility of the old theory. My eyes being not sharp enough to discover at a glance the errors of a system so ingeniously built up and supported by so many valuable truths, I judged the tree by its fruit. I conceived that, as a theory in medicine, however ingeniously invented, and however supported by brilliant truths, must be fundamentally erroneous, if it destroys the life of its followers, so a system of political economy must be wrong if it effects just the contrary of that which every man of common sense must be supposed to expect from it. In consequence of this conviction I came out openly against the followers of this theory, and so popular was this opposition that in a few weeks a society of many thousands of first rate manufacturers, merchants, &c. dispersed throughout the whole ancient German empire, was founded, for the purpose of establishing a system of German national economy. Elected their counsellor, I visited, accompanied by deputies of the society, the different courts of Germany (and the Congress of German Ministers held at Vienna in 1820) in order to convince the several governments of the necessity of such a system. All people, in the interior, were convinced at last of this necessity, agriculturists, wool growers, proprietors of estates, as well as manufacturers. No opposition was heard any where, except in the Hansetowns and in the city of Leipsig, and even there none but the agents of English firms and the bankers, whose momentary interests were at stake, took part in this opposition. These adversaries of the common welfare were headed and supported by a few learned disciples of Smith and Say, who, either offended in their literary pride by the opposition against a theory, the development and illustration of which formed their literary renown, or bound by personal interests and by their situation, still rode on the old hobby horse of free trade and harped upon its beneficial effects, whilst free intercourse was checked in every possible way by foreign restrictions. The most enlightened theorists of the interior, on the contrary, gave way to the principles of the society, and many of them (particularly Count Soden, the most celebrated German author in political economy) contributed much valuable matter for a weekly journal I edited at that time in order to prepare the public mind for a national system. All the German governments, of the second and third rank (except Hanover and the Hansetowns) were at last convinced of its necessity, and a preliminary treaty, adapted to the interests of the nation, was concluded in 1820, at Vienna. If this treaty is not carried into effect even now, it is only to be ascribed to the difficulties of executing such a treaty amongst different states, each independent of the other, and not enjoying the advantage of a general legislature for their common interests. But if rumour speaks truth, the present king of Bavaria,

a ruler who excels as much by his enlightened views and strength of character as by his liberal sentiments towards the welfare of the whole German nation, will soon overcome those difficulties.—Being in duty bound during several years to contend every day against the disciples of Smith and Say, all parts of the old theory were at last revealed by these exertions and that perseverance, and circumstances effected what humble talents never would have performed.

I trouble you, sir, by this long apology in order to excuse myself for having undertaken with such humble means so great a task as the refutation of the literary productions of the most celebrated men in political economy. I travelled in the same way in which the patriots of the United States did, and in which even Say found a powerful opponent in his countryman, the Count Chaptal, a chemist and statesman, who by his researches in chemistry as well as by his political exertions did more for the promotion of the industry of France, than ever one man did in any other country. Read, I request you, the 15th chap. (1st. vol.) of his celebrated work: "de l'Industrie Francaise," (1819) and you will find there a most practical and material refutation of Say's theory though he appears not to oppose him directly.

I hope the authority of men like Chaptal will, even in the minds of those who are in the habit of giving more credit to names than to arguments, be some excuse to me for having undertaken this task, and perhaps some inducement to others to enter into an impartial investigation of these arguments. For those who are in the habit of alleging the late wonderful conversion of the English Ministry to the system of Smith and Say, in order to prove its all-conquering and irresistible power, I only state here the results of my reflections, reserving to myself to treat in another letter upon that interesting subject and upon the English national economy generally. These results are: That the seeming adherence of Messrs. Canning and Huskisson to Messrs. Say and Smith's theory, is one of the most extraordinary of first rate political manœuvres that have ever been played upon the credulity of the world. These gentlemen, with cosmopolitical principles on their lips, design to persuade all other powers to cede their political power in order to render English productive and political power omnipotent. Mr. Canning went to Paris with Mr. Say's treatise in his hands, showing to M. de Villele the chapters according to which it would be most beneficial to mankind if he, Mr. Villele, would place the whole French manufacturing interest at his, Mr. Canning's, mercy, for the benefit of importing wines and spirits into the British empire. Now, sir, what would have been the consequences, or what will be the consequences, if the French minister were complaisant enough to become a second time the dupe of Mr. Canning? The French manufactories, and with them the French manufacturing skill and power would undoubtedly be destroyed in a few years. It is true, the French would sell, and therefore produce and manufacture a great deal more of wines and spirits than they did before. But, sir, will it not afterwards lie in the power of Mr. Canning, or of any other succeeding Premier of England, to destroy this wine market in one hour? And if destroyed, either by a restrictive law or by an open

war, can the French then take up their manufacturing power in the same hour in which the English are destroying their wine-market? No, sir, it would take ages and hundreds of millions to build it up again. Would, in consequence of this, France, from the day of the agreement of the treaty, not feel herself as dependent upon England, as Portugal feels since the day of the celebrated treaty of Mr. Methuen, in 1703, with the agreement of which she converted her condition as an independent state into the condition of being the vineyard and province of England? It is even very likely Mr. Villele would learn after a short time from the Courier of London, that Mr. Canning had made a speech in Parliament, containing a boast that Mr. Villele had been duped by him in so vital a question, as was the case last year respecting his political course in regard to the occupation of Spain by French troops. These two cases are, indeed, admirably parallel. When Spain was about to be invaded by French troops, Mr. Canning, adverting to the law of nations, said, it was against those laws for England to interfere in this affair, but last year, in a fit of self-praise, asserted freely in open Parliament, that he had played a trick upon the French Government, by engaging it in Spain, charging it with the occupation of that country, and by weakening and paralyzing thereby its power, by that trick enabling himself to call the Republics of South America into existence and to open an immense market to the English manufactories. Well done, Mr. Canning, but after having revealed the true motives of your respect for the law of nations, will not every man of common sense, and I hope, Mr. Villele too, divine the true motives of your respect for the principles of cosmopolitical economy? It is not very cunning, indeed, to boast publicly of having duped those whom we wish to dupe again, as the only true profit a man can derive from having been duped is to learn not to be duped a second time; and I would consider this, on the part of Mr. Villele, by far a better plan than to request Mr. Canning to alter his speech, and to make it different from what it was in its delivery.

I hope to have said enough on this subject to prevent every American citizen from participating in the enthusiasm of President Cooper, when alluding to the wonderful conversion of Messrs. Canning and Huskisson. Indeed there is no event, which could do more essential injury to the glory of Mr. Say and of his system, than the carrying of this same system into practice by the cunning of Mr. Canning. I am sure the history of his country would not transmit his name as a public benefactor, convinced as I am, that free trade with England in the present state of things would do more injury to the independence of France than the two invasions of the Holy Alliance.

Before I enter again into the matter itself, I must make some further observations to show how it was possible that this theory could assume such a degree of authority over the learned men of all nations. Mr. Smith brought many a valuable truth to light, never before acknowledged, and his work contains many beauties on detached matters, which are written with superior talents, sagacity and experience. These merits were the more creditable to his system as it was the only substitute for the system of the economists, the failure

and weakness of which was acknowledged by mankind. The literary world wanted a system of political economy, and Mr. Smith's was the best extant. Dictated by a spirit of cosmopolitism, it was laid hold of by the age of cosmopolitism, in which it made its appearance. Freedom throughout the whole globe, eternal peace, rights of nature, union of the whole human family, &c. were the favourite subjects of the philosophers and philanthropists. Freedom of trade throughout the whole globe was in full harmony with those doctrines. Hence the success of Smith's theory. It moreover afforded a fine consolation to the weaker nations. Not having power enough to support a national system, they made an appeal to the beloved system of free trade, in the same manner as they appealed to Grotius and Vattel, to Puffendorff and Martens, if they had not strength to defend themselves by the argument of the bayonet. It was, lastly, a very easy task to enter into its mysteries; they could be delineated in some few phrases: "remove the restrictions from industry—make it free —let it alone." After these precepts were given, it required neither great talents, nor great exertions, nor much practice, to act the part of a very wise statesman. You had nothing else to do but to let every thing go as it pleased—to let every thing alone—for being numbered amongst the most wise and most learned men upon earth. That is an easy task indeed. For such a system of passive regulations the great men of England could have no taste, as Mr. Fox confessed in Parliament; being unwilling to let things go as they would, and to let every thing alone: those men intended to raise their country in wealth and power by their political measures beyond all reach of competition by other nations. And if in our days the great men of England affect to embrace the system of Adam Smith, (by parliamentary speeches only, not by facts,) they do nothing else than Napoleon would have done, if he, in the midst of his glory and of his power, should have proposed to the nations of the earth the disbanding of their armies and the dismantling of their fleets, in order to live in general peace together as brothers and friends, who could have no interest in slaying and murdering each other, and in injuring the general welfare, by keeping up, at a heavy expense, the means of war.

But the world has advanced wonderfully in experience and intelligence since the time of Adam Smith. Between him and us lie the American and French revolutions—the English omnipotence on the sea, and the French omnipotence on the European continent, the restoration of the old government in France, the holy alliance and the emancipation of the South American republics. A new people with a new form of government, and new ideas of general welfare and freedom has arisen.—This people has learned by a general and free discussion of every political matter, to distinguish the true from the false, visionary systems from clear perceptions, cosmopolitical from political principles, sayings from doings. This people cannot be accused of selfishness if it intends to rise by its own exertions to the highest degree of power and wealth without injuring other nations, but likewise without taking upon themselves the charge of promoting the welfare of mankind, because if it should not pursue that policy, its standing amongst the powerful

nations of the earth and its whole system of society, would be lost. Napoleon would have been very willing to charge himself with the trouble of uniting the whole surface of the earth, and to procure to the human race the blessings of a general free intercourse; but the English, it seems, did not like the prospects of such a general happiness. So the Americans, I suppose, would never like to exchange their national independence and power for a general law of nations founded upon English power—they would not like the prospect.

It seems therefore—cosmopolitical institutions, like those of free trade, are not yet ripe for being introduced into practice. First it must be decided whether the social system of Napoleon, or that of England, or that of the United States will prevail on earth. Several centuries may yet elapse before this decision is effected, and those who act seriously as if it were really effected, may be very honest, very high minded men, but they are short sighted politicians. Desiring to serve the cause of humanity they ruin their country. History will censure them for having separated national economical views from national political views, as it censures Portugal for having sold her independence and power for the benefit of selling wine, as it laughs at Esau for having sold his primogenitive birthright for a mess of pottage rather than to rely on his own power for procuring the means of existence.

After this long digression, I shall re-enter into the matter itself in my next letter.

I am most respectfully, your ob't servant,

FR. LIST.

## LETTER IV.

READING, 18th July, 1827.

DEAR SIR:—In re-entering into the matter itself, I am disposed to assail at first the main pillars of the system of Messrs. Smith and Say, leaving the task of attacking less essential points to those who feel indisposed to overthrow the whole building.

As these theorists confounded cosmopolitical principles with political principles, so they entirely misapprehended the object of political economy. This object is not to *gain matter, in exchanging matter for matter*, as it is in individual and cosmopolitical economy, and particularly in the trade of a merchant. But it is *to gain productive and political power* by means of exchange with other nations; or to prevent the depression of productive and political power, by restricting that exchange. They treat, therefore, principally of the effects of *the exchange of matter* instead of *treating of productive power*. And as they made not the productive power, and the causes of its rise and fall in a nation, the principal object of their inquiry, they neither appreciated the true effect of the different component parts of productive power, nor the true effect of the exchange of matter, nor of the consumption of it. They called the existing stock of matter, pro-

duced by human industry, by the general name of *capital*, and ascribed to the different component parts of this stock not only a *common and equal*, but an *omnipotent* effect. The industry of a people is, according to them, restricted to the amount of capital, or stock of produced matter; they did not consider that the productiveness of this capital depends upon the means afforded by nature, and upon the intellectual and social conditions of a nation. It will be shown hereafter that if the science requires for the existing stock of produced matter the general term of capital, it is equally necessary to create for the existing stock of natural means, as well as for the existing state of social and intellectual conditions, a general term: in other words, there are, a *capital of nature*—a *capital of mind*, and a *capital of productive matter*—and the productive powers of a nation depend not only upon the latter, but also, and principally, upon the two former.

I cannot expect that any man will be able to comprehend, by this short exposition, the principles of the new system, or the failure of the old theory. They require a scientific development. But as these letters are principally destined to elucidate a practical question, I will attempt first to show the correctness of my ideas in applying them to the subject of the woollen and cotton trade between the United States and Great Britain.

Suppose, sir, the United States sell raw cotton, &c. to the amount of twelve millions, to Great Britain, and take in exchange for it twelve millions of woollen and cotton goods. Mr. Say says, this commerce is profitable to both nations; it is better to raise cotton and to exchange it for English cloth if there is a better opportunity to plant cotton than to manufacture cloth and cotton goods, and if we can purchase manufactured goods cheaper than we can make them at home. He only contemplates the gain in matter for matter, as a merchant does; he judges after the principles of individual economy. But as a citizen of the United States, or as a political economist, he ought to reason thus: A nation is independent and powerful in the degree as its industry is independent and its productive powers are developed. This exchange makes us dependent, in our market as well as in our supply, upon England, the most powerful and industrious nation on earth; and in purchasing cotton and woollen goods from England, an immense productive power is lost. If our merchants gain some millions of money, and our cotton planters the advantage of clothing themselves in fine woollen and cotton goods, let us see what the nation in general loses by being depressed in its manufacturing power. It is a fact that a population of seventeen millions in Great Britain, by the completion of its productive powers, is enabled to consume and to sell for fifty-five millions of pounds, or two hundred and thirty-five millions of dollars, of woollen and cotton manufactures.

The population of these United States will amount after thirty years to at least thirty millions, and if we complete our productive powers in that time so as to make them equal to those of England, in proportion to the population, the value of woollen and cotton manufactures will amount to the enormous sum of four hundred and fifteen millions a year, which will be produced totally by our own labour, possessing land and pasture enough to raise cotton and wool as much as we want. But suppose you realize not more than the fourth part

of the English manufacturing power,—*i. e.* one hundred millions—in what a proportion stands this power of creating every year, and for an infinite time, such an immense mass of productions, with those beggarly twelve millions exchange of matter, if only compared in the amount of money? Take further into consideration what an increase of population and of capital, of mind as well as of matter, and in consequence what an increase of national strength, must be effected by this completion of our productive power, and you cannot fail to perceive that Messrs. Smith and Say's system, in only taking the exchange of matter for matter into consideration, must be fundamentally wrong.

Mr. Say says, this completion of productive powers can only be effected by free trade in increasing your capital; by political measures you cannot increase the capital, you only can give it another direction than industry would give to it unaided, because if it would be more profitable to manufacture broad cloth and cotton goods than to raise wheat and raw cotton, the individuals would prefer the former kind of industry and complete the productive powers without your aid.

This reasoning, partly correct in individual and cosmopolitical economy, is quite incorrect in political economy.

*In the first place*, population, capital and productive skill, have by their nature, the tendency to extend themselves over the whole globe, without the aid and interposition of political power and national interests; to overflow from those countries where they are in superabundance to those where they are scarce. Hundreds of millions applied to raise and maintain an English naval power, armies, and fortresses, would have gone to increase industry elsewhere; English capital would not be contented at home, by an interest of two and three per cent. on account of its superabundance; English skill and experience in the manufacturing arts, would rather have gone elsewhere to increase foreign industry than remained to perish at home. English capital of mind and matter is, therefore, formed by English political power and separate national interest into one mass—effecting the elevation of that island above the whole globe, and changing its natural tendency into the suppression of the manufacturing power of all other nations. This pernicious change of effect cannot be prevented by the skill and industry of the individuals of other nations; a single individual is as unable to overcome the united force of the capital and skill of a whole nation by his individual strength, as an American merchant would be unable to defend his single ship by his own strength against the aggressions of the English navy, without the aid of an American navy.

II. It is not true, that the productive power of a nation is restricted by its capital of matter. Say and Smith having only in view the exchange of matter for matter, to gain matter, ascribe to the matter an omnipotent effect which it has not. Greater part of the productive power consists in the intellectual and social conditions of the individuals, which I call capital of mind. Suppose ten single woollen weavers in the country possess one thousand dollars capital each; they spin the wool by the wheel, they possess very inferior tools, they are not skilled in the art of dyeing, each of them manufacturing for himself,

must do every thing himself, and therefore, each produces not more than one thousand dollars of cloth a year. Suppose now the ten manufacturers unite their capital and their labour, they invent a spinning machine, a more perfect weaving machine, they are instructed in the art of dyeing, they divide the labour amongst them, and in this way they are enabled to manufacture, and to sell every month, ten thousand dollars worth of broad cloth. The same capital of matter, amounting to $10, 000, producing formerly only $10,000 worth of broad cloth a year, produces now by the improved social and intellectual conditions, or by the acquired *capital of mind*, $100,000 worth of broad cloth. So can a nation with the same existing matter improve its productive power ten-fold in improving its social and intellectual conditions.

III. The question is only whether this nation is enabled—

1. By its natural means to increase its productive power by fostering cotton and woollen manufactories? (capital of nature:)

2. Whether by its present industry, instruction, enterprising spirit, perseverance, armies, naval power, government, (capital of mind) it is reasonably to be expected that it can acquire the necessary skill to complete in a short time its productive power by these manufactories, and whether it can protect them by its political power if acquired? And lastly,

3. Whether there exists so much superabundance of food, utensils, materials, raw stuff, &c. (capital of matter,) as to go on fairly by using the capital of nature and employing the capital of mind.

I. There is pasture enough to raise a hundred millions of sheep, and land enough to raise cotton for the whole world, besides all other materials and provisions. If it would be sheer folly for the Swedish government to establish those manufactories, because it possesses neither opportunity to raise a sufficient quantity of wool and cotton, nor the necessary naval power to secure its supply from abroad, or a foreign market for its manufactures, would it not be equal folly for these United States not to establish and foster them?

II. There exists in the United States a degree of industry, of instruction, of emulation, of enterprising spirit, of perseverance, of unrestricted intercourse in the interior, an absence of all hindrances of industry, a security of property, a market and consumption of necessaries and comforts of life, and a freedom, such as are not to be found in any other country. If the government of Spain could not by any arrangements whatever raise in a hundred years ten prosperous manufacturing establishments, and if raised could never protect them, this country can raise in a few years a hundred, and give them every kind of protection.

III. There exists in these United States an immense quantity, a superabundance of all kinds of necessaries of life, and of labour, to nourish double the present number of inhabitants, to build them houses and shops and mills, to procure them materials and tools. What else is necessary to establish manufactories, and what branch of industry may not be carried on by such means upon the largest scale? Look at the coarse cotton manufactories, and tell me whether the capital used in this branch has been derived from any other branch of industry where it was more profitably employed. The manufac-

turers built houses and constructed machinery;—they wanted materials; timber, iron, bricks:—did agriculture therefore lose hands for labour (which it acquired) or one log. or one pound of iron? No, sir, those things existed all in superabundance. The manufacturer wanted raw cotton, but did the material not exist in superabundance within our own limits?—could it not be brought from New Orleans, converted into coarse cotton, and carried back to New Orleans for payment of the raw material, in half the time in which it was formerly carried to Liverpool, to lie there until sold and converted into manufactures, and brought back to our own country? They wanted provisions for those men who made their buildings and their machinery, and they want them every day for those who make their goods; but did agriculture in Pennsylvania miss one bushel of wheat after having sold 600,000 barrels of flour to New England? Money was spent by the enterprising, but this money was not taken from agriculture, it was given to agriculture, it served to raise agriculture. From this example, sir, you may learn how far wrong Smith and Say are, in asserting, that capital of matter increases but slowly. This was true in former times when industry was checked in every way, when the new powers of chemistry, of mechanics, &c. &c. were not yet in existence; it was true in old settled countries, where nearly all natural means were already used; but it is not true in a new country, where not the tenth part of the *capital of nature* is in use, where new inventions do wonders, where industry is delivered of all hindrances, where, in short, a new state of society has formed a *capital of mind* never experienced. If population increases in such a country in a degree never experienced, the increase of *capital of matter* will outstrip even the increase of population, if the community be wise enough to employ its capital of mind in order to develop and use the capital of nature with which it is blessed.

IV. If the disciples of the old theory assert it would not be economical to sacrifice a certain profit of a nation, derived from exchanges of matter for matter, in order to acquire a future productive power, I will refute them by a striking example. Suppose a farmer is convinced he could improve his condition two-fold if he would establish a Fulling Mill, possessing water power, timber, wool, every thing necessary, except skill and experience to erect the establishment and to carry it on. He sends his son or another of his family to the city to acquire the necessary skill.—This farmer, sir, not only loses the labour of his son and all the wheat and grain it would produce, but he loses, moreover, the sum actually expended in the instruction of his son. He sacrifices a great deal of his capital of matter, and the balance of his account would appear to his disadvantage, so that a fool who sees no deeper than the surface would censure him. But the sum he lost in this capital of matter he made up ten times over by the increase of his productive power. This farmer, sir, is brother Jonathan. It is true some men will for the first year enrich themselves by political measures to the loss of individuals; but this is the expense incident to the completion of the productive power of the nation, and this first expense will after some years be ten times compensated by the benefit arising from a more perfect national econo-

my. In giving patents for new inventions you are directed by the same views. It will encourage new inventions by securing to the inventors the first advantages of them. The community pays for these advantages, but not more than the value of the new inventions and of securing them to the whole community. Without these privileges many of the most valuable inventions would die with the inventor as in former times. If people repeat the assertion of Smith and Say, that duties upon imports produce a monopoly to the home manufacturers, they consider not the advanced state of society.—In former times, when capital and manufacturing skill were scarce and rare, when the greater part of chemical technology and of mechanics was a secret, a monopoly may have been produced by protecting duties. But in our times and in this country another state of things has taken place. Every one knows or may learn from books, how white lead, sulphuric acid, and every thing else can be manufactured. There is in every part of the country capital and enterprising spirit enough to enter into any lucrative branch of industry, and experience shows that every manufacture promising an extraordinary profit is soon brought to a level by a competition, a brilliant example of which was given by the American coarse cotton manufactories, which sell now their goods 100 per cent. cheaper than the English did.

V. Even if there were not capital and skill enough in the country they could be drawn from abroad by political measures. Under number I, I mentioned that capital and knowledge have the tendency to extend themselves over the whole globe, and that they go from those parts where they are in superabundance to those where they are scarce. (To my knowledge the theorists neither observed this tendency, nor did they justice to it.) As this tendency is checked by the policy, &c. of other nations, so it can be restored by counteracting that policy. In securing to foreign capital and skill a premium in this country you will attract them from abroad. The United States have this more in their power than any other nation, because they possess more capital of nature (not yet taken into possession) and more capital of mind than any other nation. Here an immense mass of natural riches have not yet got a proprietor. Here an Englishman finds his language, his laws, his manner of living; the only thing he does not find are the immense taxes and the other evils of his own country. In coming here, any man, from whatever country he comes, if possessing capital, industry and useful knowledge, improves his condition. I know of no other country which enjoys such opportunities and means of attracting foreign capital and skill.

Whilst the United States by protecting duties would attract foreign capital and skill, they would prevent in the interior a very disadvantageous extension of population and capital over an immense continent. I am not, sir, one of those, who estimate the power and wealth of this union by the number of states. As the Roman military power was weakened by the extension of their territory, so, I fear, the power, the progress of civilization, the national strength of this union would be checked by an additional accession of states. Fifty millions of Americans in one hundred states scattered over the whole continent, what would they do?—clear land—raise wheat—and eat it.

The whole American history of the next hundred years shall be contained in these three words, if you do not what Jefferson said—place the manufacturer by the side of the farmer. This is the only means of preventing population and capital from withdrawing to the west. Ohio will soon be as populous as Pennsylvania—Indiana as Ohio—Illinois as Indiana; then they will pass over the Mississippi—next the rocky mountains—and at last turn their faces to China instead of England. Pennsylvania and all the eastern and middle states can increase in population, in arts and sciences, civilization and wealth, and the Union can grow powerful only by fostering the manufacturing interest. This, sir, I think the true *American political economy.*

Respectfully your most humble and ob't. servant,

FR. LIST.

## LETTER V.

READING, July 19, 1827.

DEAR SIR:—In National Economy, the effect of measures and of events, of the condition and of the arts of individuals, is as different as the circumstances are, in which the different nations are existing; and all that in general can be said is this, that if they are promoting the productive powers of the nation, they are beneficial: if not—not. Every nation must follow its own course in developing its productive powers; or, in other words, *every nation has its particular Political Economy.*

Further: Conditions, events, &c. may be profitable in individual economy for some persons, and injurious to the community; or, on the contrary, they may be injurious to individuals, and prove highly beneficial to the community: *Individual economy is not political economy.*

So—measures, principles can be beneficial to mankind, if followed by all nations, and yet prove injurious to some particular countries, and vice versa. *Political economy is not cosmopolitical economy.*

1. *Every nation has its particular economy.*

*Does an increase of population promote the object of national economy?* For the United States it does; in China and Hindostan it does not. The emigration of men from those countries where food is scarce and labour in superabundance, is a public blessing; on the contrary, it is a lamentable sight to see citizens of the United States emigrate to Canada, while the exportation of black people, though diminishing our numbers, may be considered as beneficial; it is an exportation of weakness and not of power.

*Does labour promote that object?* It does in countries where it is properly divided, otherwise it is partly lost. Here agricultural countries, not possessing outlets for ther surplus produce, not being able to change this surplus for other necessities and comforts, produce nothing by that surplus but an increase of population. The people prefer to spend part of their time to idleness, rather than to

produce nothing by labour. Foreign prohibitions destroy therefore a part of our labour, which is only to be revived by counteracting that policy in calling another productive power into life, which consumes that surplus and gives its produce in exchange.

*Can this be said of all countries merely agricultural?* No: in new settled countries, the surplus of labour and produce is for a long time advantageously employed in clearing and improving land, in erecting houses and barns, in increasing the stock of cattle. We see consequently, the western States fast developing their productive power by agriculture, whilst the eastern States remain stagnant.—After having developed their natural means to a certain degree, they will become stagnant too, and with their surplus produce, the more it grows, the more depress the agriculture of the eastern States, if they raise not manufactories.

*Restrictions, are they in all countries equally effective and advisable?* No.—Mexico and the Southern republics would act unwisely in not importing foreign merchandize in exchange for their precious metals and raw produce; their people, being yet uninstructed, indolent, and not accustomed to many enjoyments, must first be led by a desire of enjoyment to laborious habits, and to improvements of their intellectual and social conditions. Russia will never succeed in raising a manufacturing power, unless the emperors of that vast empire grant free charters to their cities, like the emperors of Germany, whose creations grew, in a few centuries, from barbarism to a wonderful degree of wealth and civilization. Spain must first get rid of her superstition, her absolute power, and her cloisters. There must exist first a certain stock of freedom, of security, of instruction, &c. to foster manufactories, a stock wherewith the United States are amply provided.

*Would the United States act reasonably if they should foster all kinds of manufactories with equal care?* By no means. Every improvement must be advanced by steps. A new country like this, increases its productive powers by only fostering those manufactories which employ a number of labourers, and consume great quantities of agricultural produce and raw materials; which can be supported by machinery and by a great internal consumption, (like chemical produce, woollen, cotton, hardware, iron, earthenware, &c. manufactories) and which are not easy to be smuggled. In fostering finer articles with equal care, they would injure the development of the productive powers. Those articles of comfort and luxury, if imported cheaper than we can manufacture them, get in use among all labouring classes, and act as a stimulus in exciting the productive powers of the nation. Its consumption becomes by and by more important, and by and by the time will arrive when these articles, with a moderate encouragement, will be manufactured too within our limits.

*Are canals and rail-roads beneficial to a country?* Under conditions. In bringing people and produce nearer each other, they support the exchange, and promote labour if labour is properly divided. If not, they may injure certain parts of the country to the advantage of other parts, by increasing competition in the surplus of agricultural produce. So I firmly believe that the eastern parts of Pennsyl-

vania only can derive advantage from those improvements by raising a manufacturing industry, and exchanging the surplus of their manufactures for the agricultural produce of the West.

*Machinery and new inventions?* For thickly settled countries possessing no commerce, little industry, and a superabundance of labourers, they may be a public calamity; whilst every such improvement in the United States is to be considered as a public blessing. In time I hope the slaves of this country will be made of iron and brass, and set in movement by stone coal instead of whips.

*Consumption?* If reproductive, says Say, it increases wealth. But the question is, whether it increases productive powers? In a nation of idlers hundred of millions may be consumed without effect, but in a nation of industrious men like this, I hardly imagine an honest and innocent consumption which would not be a stimulus to productive powers if labour would be properly divided (except whiskey manufacturing, which is a production of weakness, not of power.) Consumption and enjoyment go hand in hand. The desire to enjoy—repeatedly—more—in indefinite time—to procure even our posterity enjoyment, begets labour and production, and production facilitates consumption. Consumption begets therefore production, as much as production begets consumption.

*Parsimony?* If exercised in the old countries by men who are in possession of immense estates by birth-right, would certainly not be a public blessing; it only would increase the inequality of property at the expense of the lower classes. The parsimony of a farmer living in a new settlement, sparing all his income and bestowing all his time and labour to improve his land, to increase his stock, walking barefoot and wearing self-prepared skins, increases productive powers; because the land would not be improved without it. The same degree of parsimony in a settled country would diminish the productive powers: there is no hatter, no shoemaker, to eat bread, where no farmer is to wear hats and shoes.

*Lawyers, physicians, preachers, judges, lawgivers, administrators, literary men, writers, instructors, musicians, players, do they increase the productive powers?* In Spain for the most part they do not: lawgivers, judges, lawyers, keep down the people, the priesthood consumes the fat of the land and nourishes vicious indolence, instructors instruct only those burdensome classes to become more burdensome; musicians, players, serve only to make idleness to the idlers more agreeable. Even sciences are pernicious there, because they serve not to improve the condition of the people but to make it worse. All this is different in the United States, where the exertions of those men have a tendency to increase mightily the productive powers: lawyers, lawgivers, administrators, judges, improve the public condition; preachers, instructors, writers, printers, improve the mind and morality of the people; and even those men who only procure honest pleasures to the people, are beneficial in begetting enjoyment and recreation for those who need to acquire new strength for new exertions.

*Money, does the importation of it increase productive powers?* In Spain it did the contrary. The manner in which it was acquired and consumed, the condition of the people and the government, ren-

dered the same precious matter poisonous to the people and the government, which would give immense power and strength to the United States, if imported into this country in exchange for its produce. A country may have a superabundance of precious metals, as Mexico, and the exportation of it is beneficial to the productive powers. It may have too little, in comparison with its industry, and in that case the importation of it is beneficial.

It must be remembered that I intended here not to exhaust those matters, but only to allege as much of them as was necessary to prove, *that every nation must follow its particular course in developing its productive powers.*

I am very respectfully, your most humble obedient servant,

FR. LIST.

## LETTER VI.

READING, July 20, 1827.

II. *Individual Economy is not Political Economy.* An individual only provides for his personal and family purposes, he rarely cares for others or for posterity; his means and views are restricted, rarely transgressing the circle of his private business; his industry is confined by the state of society in which he lives. A nation provides for the social wants of the majority of its members, as far as the individuals cannot satisfy these wants by their private exertions; it provides not only for the present, but for future generations; not only for peace, but for war; its views are extended not only over the whole space of land it possesses, but over the whole globe. An individual, in promoting his own interest, may injure the public interest; a nation in promoting the general welfare, may check the interest of a part of its members. But the general welfare must restrict and regulate the exertions of the individuals, as the individuals must derive a supply of their strength from social power. Individuals without the regulations of a community are savages; and the principle of letting every individual alone is the most flourishing amongst the Indians. Here, too, the truth lies in the middle. It is bad policy to regulate every thing and to promote every thing, by employing social powers, where things may better regulate themselves, and can be better promoted by private exertions; but it is no less bad policy to let those things alone which can only be promoted by interfering social power.

Look around, and you see every where the exertions and acts of individuals restricted, regulated, or promoted, on the principle of the common welfare. The common place of *laissez faire et laissez passer*, invented by a merchant,* can therefore only be alleged sincerely by these merchants.

This principle would be only true if individual and national interest were never in opposition. But this is not the case. A country may possess many extremely rich men, but the country is the poorer,

* This common place was invented by Mr. de Gourny, a French importer.

because there is no equal distribution of property. Slavery may be a public calamity for a country, nevertheless some people may do very well in carrying on the slave trade, and in holding slaves. Notwithstanding an absence of liberal institutions may be extremely injurious to a full development of the productive powers of a nation, some classes may find their reckoning in this bad state of things. The nation may suffer from an absence of manufacturing industry, but some people may flourish in selling foreign manufactures. Canals and rail roads may do great good to a nation, but all waggoners will complain of this improvement. Every new invention has some inconvenience for a number of individuals, and is nevertheless a public blessing. A Fulton may consume his whole fortune in his experiments, but the nation may derive immense productive power from his exertions. An individual may grow rich by extreme parsimony, but if a whole nation would follow his example, there would be no consumption, and, in consequence, no support of industry. The more the individuals of the southern states endeavour to supply the low price of cotton in England by planting greater quantities, the less will cotton bring in England; the less will the nation derive income from that branch of industry. Individuals may become rich by hazardous bank schemes, but the public may lose by them.

Without interference of national power there is no security, no faith in coined money, in measures and weights, no security for the health of seaports, no security for the commerce at sea by the aid of a navy, no interference for the citizens in foreign seaports and countries by Consuls and Ministers, no titles to land, no patents, no copyright, no canals and rail roads, no national road. Industry, entirely left to itself, would soon fall to ruin, and a nation letting every thing alone would commit suicide.

The adherents of the old theory feel this very well, but—wonderful to say—not to be obliged to fall by the consequences they desperately deny the proposition. Mr. Cooper, feeling very well that an acknowledgment of the true character of a nation (as I defined it,) and all the consequences of the division of the human race into nations (as I traced them in my former letters,) would overthrow the whole old system, negatived this character entirely, saying in his book on Political Economy; "Hence the moral entity—the *grammatical being*, called a nation, has been clothed in attributes that have no real existence, except in the imagination of those who metamorphose a word into a thing, and convert a *mere grammatical contrivance* into an existing and intelligent being. It is of great importance that we should be aware of this mistake, to avoid limitation, description and periphrasis—grammatical contrivances and no more: just as we use the signs and letters of Algebra to reason with, instead of the more complex number they represent." (See p. 19.)

The more I am convinced of the superior talents and of the great learning of President Cooper, the more I am astonished to see him build up on such false ground a system of political economy, by which he intends to enlighten a whole nation about its interest, and to prepare the youth of that nation for political life; a system which would lead this nation to ruin, to suicide. A few words are sufficient to expose the gross error in which Mr. Cooper fell in this fundamental

phrase, blinded by his zeal for keeping up the old theory. Mr. Cooper confounded *a grammatical being with a moral being*, or what the civilians call a *moral person* (a chartered society, a plurality of men, possessing common rights and obligations, common interests and institutions.) A grammatical being is a mere name, signifying different things or persons, being only united in the use of language, in order (as Mr. Cooper says) to avoid limitations, descriptions, &c. The names, bar, yeomanry, mob, are such grammatical beings; the persons denoted by this name possess neither social rights nor social obligations; they cannot prosecute a law suit under this name before a court, nor can they be accused. But the American nation can, as Mr. Cooper may learn from the title of many indictments. A being which elects presidents and representatives, which possesses a navy, land, and debts; which makes war and concludes peace; which has separate interests respecting other nations, and rights as well as obligations respecting its members, is not a mere *grammatical contrivance;* it is not a *mere grammatical being;* it has all the qualities of a *rational being* and real existence. It has body and real possessions; it has intelligence, and expresses its resolutions to the members by laws, and speaks with its enemy,—not the language of individuals, but at the mouth of cannon.

With this false foundation the whole system of Mr. Cooper falls to pieces. In vain are his ingenious reflections and parallels, in vain all his learned allegations; common sense rejects his reasoning, as emanating from a false principle. It is a very instructing contemplation, to see a man of such superior talents build up a system of political economy on a ground, which as a lawyer and philosopher, and as a learned politician, he must condemn. What would Mr. Cooper, as Attorney General, have said, if the counsel of a defendant had opposed to one of his indictments, that the American nation is a mere grammatical being, a mere name; which only by the contrivance of men is converted into an existing and intelligent being, and which, therefore, cannot prosecute a law-suit before a court.

Very respectfully, &c. FR. LIST.

## LETTER VII.

READING, July 22, 1827.

I proceed to develop the third proposition in my fifth letter.

III. *Political Economy is not Cosmopolitical Economy.*

It seems to be in the plan of Providence to improve the condition of the human race, and to raise their powers and faculties by an eternal contest—moral and physical—between opinion and opinion, interest and interest, nation and nation. History seems to confirm this reflection. The Italian and German cities, founded by an absence of security in the open country, grew powerful and wealthy by the contest against the robbers of the age, by which they were forced to unite their individual strength. Philip's hangmen created the union of the Netherlands, and the wars of the new Republic against Spain

elevated her to a degree of wealth and power which was never thought of before. So events, which seemed at first destructive to individuals, and had indeed destructive effects for the present generation, became a cause of happiness for posterity. So what seemed to weaken the human race, served to elevate its powers. Look at the histories of England and France, and every page will confirm this truth. And your own history, sir, affords, more than any other, bright examples of it. Suppose England had emancipated these United States by her own accord, would they have made such astonishing advances towards power and wealth, without the excitement of a revolutionary war? Did not the last war create a navy, and lay the corner stone of a manufacturing industry?

Though, therefore, philosophers may imagine that an eternal peace, a union of the whole human family under a common law, would produce the highest degree of human happiness, it is nevertheless true, that the contests between nation and nation, often pernicious and destructive to civilization, were as often causes of its promotion, as a people was struggling for its freedom and independence, against despotism and depression; and that as often as this happened, it produced an elevation of all its faculties, and thereby an advancement of the whole human race towards greater perfection.

The same may be said of the industrial contest between nations. Though we may imagine free trade would be beneficial to mankind, it is yet to be questioned, whether a free and uninterrupted intercourse under a common law would promote the development of the productive powers like the existing contests.

But be that as it may, that state of things under which, free, unrestricted trade possibly might exist, is not the actual state of the world, and as long as the division of the human race into independent nations exists, political economy will as often be at variance with cosmopolitical principles, as individual economy is at variance with political economy. In this present state of things, a nation would act unwisely to endeavour to promote the welfare of the whole human race at the expense of its particular strength, welfare and independence. It is a dictate of the law of self-preservation to make its particular advancement in power and strength the first principles of its policy, and the more it is advanced in freedom, civilization and industry, in comparison with other nations, the more has it to fear by the loss of its independence, the stronger are its inducements to make all possible efforts to increase its political power by increasing its productive powers, and vice versa.

Mr. Cooper is not of this opinion. After having denied entirely the character of nations, he reasons quite logically as follows:

"No branch of commerce, no manufacture, is worth a war. I incline to think that when a merchant leaves the shores of his own country and trades every where, he ought to do this at his own risk, and ought not to be permitted to jeopardize the peace of the nation and induce a national quarrel to be carried on at the expense of the peaceable consumers at home. His occupation is not worth the protection it demands." (Page 120.)

Our great shipping merchants may learn from this extract that they too would not escape the national suicide intended by the cos-

mopolitical system. Mr. Cooper places their ships at the mercy of the Bey of Tunis and of the Dey of Algiers, as he places the manufactures at the mercy of English competition, and thinks they both are not worth protection by national power. Mr. Cooper believes not in a national commerce, or a national manufacturing power; he sees nothing but individuals and individual gain. What then would be the consequence of such a policy? The first ship taken in a foreign sea, with impunity, would be the signal to hunt after the property of all American merchants; our tonnage would in a short time be reduced to nothing—we could not trade with foreign countries but in foreign ships, and depending upon foreign regulations and interest,—we would be placed at the mercy of the English navy; in short, our whole independence would be lost. It requires some self-government not to break out with suitable epithets against such a system of national suicide.

As the commerce of a nation wants protection against foreign aggressions, even at the great expense of the country, and even at the risk of a war, so the manufacturing and agricultural interest must be promoted and protected even by sacrifices of the majority of the individuals, if it can be proved that the nation would never acquire the necessary perfection, or could never secure to itself an acquired perfection without such protective measures. This can be proved, and I will prove it. And if the masters and disciples of the cosmopolitical theory are not convinced of this necessity, that is no argument that it does not exist, but proves only that they do not understand the true nature of political economy.

A manufacturing power, like a maritime power, (under which name I comprehend not only the navy but the whole shipping of a country,) is only to be acquired by long exertions. It takes a long time until the labourers are experienced in the different workmanship and accustomed to it; and until the necessary number for every business is at all times to be had. The more, knowledge, experience and skill are wanted, for a particular business, the less, individuals will be willing to devote themselves to it, if they have not a full assurance of their being able to make a living by it for their whole life-time. Every new business is connected with great losses by want of experience and skill for a considerable time. The advancement of every kind of manufactories, depends upon the advancement of many other kinds, upon the proper construction of houses and works, of instruments and machinery. All this makes the commencement of a new undertaking extremely difficult, whilst the undertakers have to contend with a want of labourers of skill and experience; the first cost of starting a business is the heaviest of all, and the wages of the unskilled labourers in countries which commence manufactories, are higher than the wages of the skilled ones in old manufacturing countries. All cost double prices, and every fault in starting the business causes heavy losses, and sometimes the failure of the whole undertaking. The undertakers possess moreover, in most cases, not a sufficient knowledge of the ways and means to get the first materials profitably, and whilst they are struggling against all these difficulties, they have great exertions to make to get customers, and often to contend with the prejudices of their countrymen,

who, not willing to leave their old way in doing business, are in most cases in favour of the foreign manufactories. Often they may be right. New establishments are seldom able to procure such finished articles in the first and second year, as they would in the third and fourth, if supported, and nevertheless their articles must be sold higher. It cannot be expected that the consumers, as individuals by their own accord, should support a manufactory, by purchasing less accomplished articles at higher prices, even if convinced that, in purchasing them, they would encourage the manufactories to improve their products, and to procure them after a while cheaper than foreign manufactures.

All these circumstances are the cause why so many new establishments fail if let alone. Every failure breaks a man, because the greater part of their expenditure in building machinery, in procuring labourers from abroad, &c. is lost. One example of such a failure effects a discouragement of all other new undertakings, and the most advantageous business cannot find afterwards a support from capitalists.

In old manufacturing countries we observe quite the contrary. There are plenty of skilled labourers for every kind of business, at moderate terms, to be had. All buildings, machinery, implements, are in the best condition; the expenditure for them is for the greater part reimbursed by gains already made. On the basis of the already acquired experience and skill, the manufacturer can improve daily his buildings and instruments at moderate expenses; he can save expenditures and perfect his manufactures. The manufacturer himself is possessor of skill, undertaking and capital, and he cannot be exposed to embarrassments by the withdrawal of one of these essential parts, as is the case with new undertakings, where often the undertaker, and the performer, and the possessor of capital are different men, and the whole business can be stopped by the withdrawal of one of them. Credit and confidence of the old manufactures are established; it is therefore as easy for the possessor to get new support from capitalists, as it is difficult for a new undertaker. The credit of his manufactures and his market is established; he can produce finished articles at moderate prices, and yet afford his customers a liberal credit.

Such are the natural differences between an old manufacturing country and a new country just entering into business. The old country, as long as it preserves its freedom, its vigour, its political power, will, in a free intercourse, ever keep down a rising manufacturing power. The Netherlands would never have been deprived of their superior manufacturing power by the English, without the regulations of Edward, Elizabeth, and the following governments, and without the follies of the kings of France and Spain. A new country is, moreover, the less able to contend against the manufacturing power of the old country, the more the interior market of this old country is protected by duties, and the more its competition in the new country is supported by drawbacks, and by an absence of duties in the foreign markets. The effects which these artificial means are producing, I shall treat in my next letter.

Very respectfully your's, FR. LIST.

# LETTER VIII.

READING, July 25, 1827.

III. *Political Economy is not Cosmopolitical Economy:*—(Continuation.)

The advantages procured by a judicious tariff system, are the following:

1. By securing the interior market to our national industry, the manufacturing power is secured against all events, fluctuation of prices, and against all changes in the political and economical conditions of other nations. Events may happen, whereby a foreign nation would be enabled to sell manufactures, for a time, cheaper than the interior manufacturers could make them. This state of things, though transitory, may nevertheless affect the manufacturing power of the nation, because a stagnation of a few years in manufacturing business, may effect the ruin of the establishments: the buildings would fall to ruin, or would be put to other purposes; the machinery would get out of order, or be sold for old iron or firewood; the labourers would either leave the country or apply themselves to another branch of industry; the capital would go abroad or find other employments; the customers would be lost, together with the confidence of the capitalists. A single new invention made in a foreign country, and not imitated immediately, because yet kept secret, would destroy, in a free country, a whole branch of the manufacturing industry in a short time, whilst a protective system would preserve it until the secresy is revealed, and our productive power increased by it.

2. By securing the home market to home manufactures, not only the manufacturing power for the supply of our own wants is for all times secured against foreign changes and events, but an ascendency is thereby given to our manufacturing powers in competition with others, who do not enjoy this advantage in their own country. It is the same advantage that a people enjoys in being defended by natural and artificial fortifications against a neighbouring people living in an open country. All contests will be disadvantageous to such an unprotected people; it will even be ruined by its victories; it will never enjoy the fruits of perfect security; the enemy, driven to-day with a loss from their borders, may repeat his aggressions to-morrow, and in all cases the country will be laid waste. This is exactly the case in a country protected by a wise tariff system, and another following the principle of free trade.

Every man acquainted with manufacturing business, knows, that the existence of an undertaking depends upon a sufficient and speedy sale of such quantity of manufactured goods, as will cover the interest of the capital, the costs of production and a reasonable gain for the undertaker. As long as a manufactory has not reached that point, the business can only be carried on in the hope of attaining it, and if this expectation is not fulfilled after a longer or a shorter time, the undertaking will go to nothing. Every body knows, moreover, that the cost of production in manufacturing business, depends a great deal on the quantity that is manufactured. A man may manufacture 1000 yards of broad cloth a year, and sell a yard for six

dollars, and he may lose money: but he may manufacture 20,000 yards of the same quality, and get no more than four dollars a yard, and he may make money. This circumstance has a mighty influence on the rise and fall of manufacturing power. If the large supply of the home market is secured to an English manufactory, a steady sale of that quantity which is necessary to sustain his establishment, is secured to him thereby. He is, for instance, sure to sell 10,000 yards of broad cloth a year in his own country for six dollars a yard, to cover thereby the expenses of his establishment and to clear besides a sufficient sum of money for himself. By this home market he is enabled to manufacture yet other 10,000 yards of broad cloth for the foreign market, and to accommodate his prices to the existing circumstances abroad. The expenses of his establishment being already covered by the sales at home, the costs of producing other 10,000 yards for the market abroad, come by far less high, and he may still profit by selling them for three or four dollars a yard,—he may even profit in future if he gains nothing at present. Seeing the manufacturers of a foreign country lying in distress, he may sell for some years without any profit, in the hope to get seven and eight dollars a yard, and to clear $20,000 or $30,000 a year for a long time after the foreign manufactories are dead and buried.

He carries this contest on with perfect tranquillity; he loses nothing, and the hope of future gain is certain to him, whilst the manufacturer of the open country is struggling against a daily loss, nourishing a vain hope, leading him at last to a certain, inevitable and radical ruin. This unhappy man is in quite a different situation from that of his projected competitor. He struggles, as we mentioned before, with all the difficulties of establishing a new business, which all conspire so that he cannot sell, even for such a price as after some years would render him a fair profit; he struggles against the prejudices of his own countrymen; his credit is shocked, the little he sells makes his produce dearer and his losses larger. He is forced to enhance his prices for the first years, whilst his competitor is enabled to diminish them. There must be in the commencement, particularly in broad cloth, a difference of from 50 to 80 per cent. This contest cannot last long without national interference. His business is going to nothing and affords a warning example to all his fellow citizens—not to have enterprising spirit in a country where the national interests are not understood—rather to employ the capital in depressing the productive powers of the nation—rather to do nothing at all—to let every thing alone—just as would be the case with the shipping merchants if their industry were not protected by navigation laws, by the expense of a navy, or by his running the risk of a foreign war, in case of foreign aggressions, if their ships (as Mr. Cooper advises) should be placed at the mercy of the Dey of Algiers. They might then do better to dig the ground in the backwoods and convert their anchors into ploughshares.

Hence we learn that duties, drawbacks, navigation laws, by Mr. Smith and Say, are improperly called monopolies. They are only monopolies in a cosmopolitical sense in giving *to a whole nation a privilege* of certain branches of industry. But on the ground of political economy they lose this name, because they procure to every

individual of the nation, an equal right of taking a share in the benefits of the national privilege. And the privilege given to the English nation by the English government of supplying the interior market, is so long an injury to the American nation as its government procures not the same privilege to its own citizens.

3. How another old common place of the cosmopolitical theory, "*to buy from abroad if we can buy cheaper than manufacture,*" may stand against such an exposition, I cannot conceive. We buy cheaper from foreign countries only for a few years, but for ages we buy dearer—we buy cheap for the time of peace, but we buy dear for the time of war—we buy cheaper apparently if we estimate the prices in their present amount of money, but we buy incomparably dearer if we estimate the means wherewith we can buy in future. From our own countrymen we could buy our cloth in exchange for our wheat and cattle; from foreign countries we cannot. Our consumption of cloth is consequently restricted by our means which foreign nations take for payment, which are diminishing every day: our consumption of home made cloth would increase with the increase of our production of provisions and raw materials, which are almost inexhaustible, and with our population which doubles itself every twenty years.

Into such gross errors, fall wise and learned men, if their theory has a wrong basis, if they take cosmopolitical for political principles, if they treat of the effects of exchange of matter instead of treating the cause of the rise and fall of productive powers. Smith and Say advise us to buy cheaper than we can manufacture ourselves, in contemplating only the gain of matter in exchanging matter for matter. But weigh the gain of matter with the loss of power, and how stands the balance? Let us see.

Smith and Say themselves estimate the amount of internal industry a great deal higher than foreign commerce; they do not venture an exact calculation, they say in all countries external commerce is of small consequence in competition with internal industry. (Say. B. I. Chap. IX.) But other French writers estimate internal industry to exceed foreign commerce from twenty to thirty times. Mr. Cooper estimates it from ten to twelve times higher. We would not be far out of the way if we should take the medium between the two extremities (twenty times) but to be quite moderate we will follow Mr. Cooper. If we have now proved under number 2, beyond all doubt, that foreign industry aided by a productive system destroys the whole cloth manufacturing power of our own country, will the benefit of buying eight millions of broad cloth, about two or three millions cheaper from England than we could manufacture it ourselves in the first two or three years, not be acquired at the sacrifice of a manufacturing power which if brought up by the aid of a national system would produce forever twelve times more cloth than we import, i. e. 72 millions of broad cloth, or after having doubled our population and our consumption (after twenty years) 144 millions? To justify this view we have only to divide the amount of the imported broad cloth, (on an average of the last three years eight millions) amongst the inhabitants of our country, which gives—for *three quarters of a dollar*, broad cloth and woollen goods in general to every individual. If manufactures were properly protected and labour properly divided,

every individual in these United States might be as well clothed as he is now nourished, and were this the case, every individual would at least consume for six dollars of woollens a year, which makes a manufacturing power of 72 millions a year or of 144 millions after twenty years. The present gain in exchanging matter for matter is about two or three millions a year. Such is the difference between reasoning according to cosmopolitical principles and reasoning according to true sound political principles.

4. There is a general rule applicable to all undertakings which has been entirely overlooked by the founders and disciples of the cosmopolitical theory, though, upon its being put in practice, in the most cases, a fortunate success of individuals as well as national industry is depending. This rule is *steadiness in prosecuting a certain branch of industry once thought necessary and found practicable.* Every new undertaking is connected with great expenses, with mistakes and want of experience and of knowledge of a thousand little things in manufacturing, in buying and in selling. The longer a business is carried on, the more it becomes profitable, the more manipulation is improved, the more the manufactured articles are accomplished, the more and cheaper can be sold. This is the reason why we see prosper so many men following exactly the line they once entered, and why we see so many running aground when in the habit of changing often. The same consequences are to be perceived in national economy. There is nothing more pernicious to the industry of a nation than events and circumstances which affect the productive powers unsteadily, at one time raising a certain branch of industry to an uncommon height, at another stopping it entirely.

If such a branch is raised to an uncommon height, the business draws capital, labour, and skill from others; the uncommon profit raises property to an uncommon price; it raises wages, it increases consumption and the wants of the working people, as well as of the undertakers and capitalists; and such a period of uncommon prosperity, if merely momentary and occasional, and followed by a period of uncommon decline, effectuates exactly the opposite extreme: property falls not only, but has no price at all; the labourers earn by their habitual business not even the necessities of life; capital has no employment, houses and machinery fall to ruin—in short, bankruptcy and distress are to be seen every where, and what first seemed to be public prosperity, turns out to have been only the first step to public calamity.

One of the first views a nation has to take in its economy is, therefore, to effectuate *steadiness* by political measures, in order to prevent as much as possible every retrograding step, and the principal means of attaining this steadiness is a judicious tariff. As the more a nation effectuates by this means steadiness in market and supply, in prices, wages and profits, in consumption and wants, in labour and enterprise—(ever promoting the step forward, ever preventing the fall backwards)—the more this nation will effectuate the development of its productive powers.

Mr. Smith, in ascribing the economical prosperity of England to her constitution, to the enterprising spirit and laborious as well as parsimonious habits of her people, and in denying the salutary effects

of the English tariff laws, was entirely destitute of correct views respecting this cause of national prosperity. Since the time of Elizabeth, no English cloth manufactory was destroyed, either by a foreign war on English ground, or by foreign competition. Every succeeding generation could make use of what the preceding generation built, and could employ its means and powers in improving and enlarging those buildings. Look at the contrast in Germany; how far was she advanced in those ancient times, and how trifling is her progress in comparison with that state of things; events and competitions from abroad destroyed often twice in one century the creations of the former generations, and every generation had to begin again from the commencement.

Contemplate, sir, in this respect, the fate of your own country. How often was the manufacturing interest, and even the agricultural interest, raised by events, and how often depressed again by foreign competition to the utmost calamity of the country. Contemplate only the period from the last war till now. The war made the establishment of manufactures, and the wool growing business necessary and profitable; the peace destroyed manufactories and sheep. The war encouraged agriculture, and increased prices of produce, wages and property to an uncommon height; the peace and foreign policy reduced all this to such a degree, that the farmers who, during the preceding period, had accommodated their consumption to their revenue, who made improvements according to the presumed value of their land, &c. were ruined. Now are the manufactories again restored to a little animation, but English competition is at this moment about to prostrate them again. A war, if in the course of time we should have one, would undoubtedly enliven them again, but peace would destroy them again. And in that manner we will go through centuries in building up at one time what was destroyed in another, and will be destroyed again if we erect not, by judicious laws, fortresses for securing our productive powers (as we erect them for securing our territory) against foreign aggressions, foreign events, foreign laws and regulations, foreign capital, industry and policy.

*Steadiness alone in protecting the manufactories of this country* would raise our productive powers beyond the conception of the most sanguine.

A nation exposing its industry to the slightest storm from abroad, how can it compete with a nation which protects its establishments for all futurity? Very respectfully, &c.

FR. LIST.

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*Letter of Thomas Jefferson to Benjamin Austin.*

MONTICELLO, Jan. 9, 1816.

You tell me I am quoted by those who wish to continue our dependence on England for manufactures.—There was a time when I might have been so quoted with more candor. But within the thirty years which have since elapsed, how are circumstances changed! We were then at peace—our independent place among nations was acknowledged. A commerce which offered the raw materials in exchange for the same material after receiving the last touch of industry, was worthy the attention of all nations. It was expected, that

those especially to whom manufacturing industry was important, would cherish the friendship of such customers by every favour, and particularly cultivate their peace by every act of justice and friendship. Under this prospect the question seemed legitimate, whether with such an immensity of unimproved land, courting the hand of husbandry, the *industry of agriculture* or that of *manufactures*, would add most to the national wealth? And the doubt on the utility of American manufactures was entertained on this consideration chiefly, that to the labor of the husbandman a vast addition is made by the spontaneous energies of the earth on which it is employed. For one grain of wheat committed to the earth, she renders 20, 30, and even 50 fold; whereas the labor of the manufacturer falls in most instances vastly below this profit. Pounds of flax in his hands, yield but penny weights of lace. This exchange too, laborious as it might seem, what a field did it promise for the occupation of the ocean!—what a nursery for that class of citizens who were to exercise and maintain our equal rights on that element! This was the state of things in 1785, when the notes on Virginia were first published; when the ocean being open to all nations, and their common rights on it acknowledged and exercised under regulations sanctioned by the assent and usage of all, it was thought that the doubt might claim some consideration. But who in 1785, could forsee the rapid depravity which was to render the close of that century a disgrace to the history of civilized society? Who could have imagined that the two most distinguished in the rank of nations, for *science* and *civilization*, would have suddenly descended from that honourable eminence, and, setting at defiance all those laws established by the Author of nature between nation and nation, as between man and man, would cover earth and sea with robberies and piracies, merely because strong enough to do it with temporal impunity; and that under this disbandment of nations from social order, we should have been despoiled of a thousand ships, and have thousands of our citizens reduced to Algerine slavery? And all this has taken place. The British interdicted to our vessels all harbors of the globe, without having first proceeded to some one of hers, there paid a *tribute* proportioned to the cargo, and obtained a license to proceed to the port of destination. The French declared them to be lawful prize if they had touched at the port, or been visited by a ship of the enemy's nation. Thus were we completely excluded from the ocean. Compare this state of things with that of '85, and say whether an opinion founded in the circumstances of that day, can be fairly applied to those of the present.

We have experienced what we did not then believe, that there exists both profligacy and power enough to exclude us from the field of interchange with other nations; *that to be independent for the comforts of life we must fabricate them ourselves.* We must *now* place the *manufacturer* by the *side of the agriculturalist.* The former question is suppressed, or rather assumes a new form. The grand inquiry now is, *shall we make our own comforts or go without them at the will of a foreign nation?* He, therefore, who is now against domestic manufactures, must be for reducing us either to a *dependence on that nation*, or be clothed in skins, and to live like wild beasts in dens and caverns. I am proud to say, *I am not one of these.* Ex-

perience has now taught me that manufactures are now as necessary to our independence as to our comfort—and if those who quote me as of a different opinion, will keep pace with me in purchasing nothi foreign, where an equivalent of domestic fabric can be obtaine without regard to difference of price, it will not be our fault if we do not have a supply at home equal to our demand, and wrest that weapon of distress from the hand which has so long wantonly wielded it. If it shall be proposed to go beyond our own supply, the question of '85 will then recur, viz: Will our *surplus* labour be then more beneficially employed in the culture of the earth, or in the fabrications of art? We have time yet for consideration, before that question will press upon us; and the maxim to be applied will depend on the circumstances which shall then exist. For in so complicated a science as political economy, no one axiom can be laid down as wise and expedient for all times and circumstances. Inattention to this is what has called for this explanation to answer the cavils of the uncandid, who use my former opinion only as a stalking horse to keep us in eternal vassalage to a foreign and unfriendly nation.

I salute you with assurances of great respect and esteem.

THOS. JEFFERSON.

## CONSTITUTIONAL DOCTRINE.

*Letter from ex-president Madison to the Editors of the Lynchburg Virginian, dated*

MONTPELIER, Oct. 10th 1827.

SIRS,—I have just seen, in another gazette, the following paragraph, noted as an extract from the Lynchburg Virginian, viz.

"We state, as a fact within our own knowledge, that, very recently, the sage and patriot of Montpelier expressed his deep regret at the course now pursuing by some of the most eminent politicians of Virginia; that he reprobated it as sapping the foundations of her power and influence in the confederacy, whilst, by a course of moderation and prudence, she might have won over a majority of her sister states to embrace her principles; that he defended the right of the national government, under the constitution, to impose a tariff of duties on imports, with reference to other objects than revenue; he averred that such had been the course pursued by every administration in the country, his own and Mr. Jefferson's included; that to call all the latent resources of the country into action, and give them such protection as circumstances might suggest, was one of the principal reasons for the abolishment of the confederation system, which was found inadequate for that purpose, and the adoption of the federal constitution, and that the resolution passed by the last legislature, in relation to this subject, was extremely unwise and impolitic. Here, then, is a man everlastingly quoted by the mar-texts of the constitution in this state, who assisted to frame this instrument, and who was one of its earliest and ablest contemporaneous expounders, and who in exercise of his executive duties, at a later day, was called on to construe its provisions, who says, that he is erroneously thus quoted: and that William B. Giles, that dog in the manger, is fast hurrying his beloved Virginia to ruin and con-

...ain repeat, that what we have here stated is of our ... knowledge, and cannot be contradicted."

"Without being aware of the ground on which the statement is ... based, within the personal knowledge of the editors, I think it proper to observe, that as often happens in the report of conversations, there must have been some degree of misapprehension, or misrecollection.

It is true that I have not approved the proceedings of the general assembly of the state which would limit the power of congress over trade to regulations having revenue alone for their object; that I have, in occasional conversations, been led to observe, that a contrary doctrine had been entertained and acted on, from the commencement of the constitution of the United States, by the several branches of every administration under it, and that I regretted the course pursued by the general assembly, as tending to impair the confidence and cordiality of other parts of the union, agreeing with Virginia in her exposition of the constitution on other points. In expressing these ideas, however, more respect has been felt for the patriotic sensibilities of the legislative body, and for the talents and good intentions of members, personally, or, otherwise known to me to be particularly entitled to it, than might be inferred from the tone of the publication. I must observe, also, that though it is true that I have spoken of the power of congress, in its enlarged sense, over commerce, as a primary and known object in forming the constitution, the language of the statement is inaccurate, at least as being susceptible of a construction embracing indefinite powers over the entire resources of the country.

I must presume that the expressions which refer, by name, to the governor of the state were not meant to be ascribed to me; being very sure that I could never have so far forgotten what I owed to myself, or the respect due to him.

It is with much reluctance, sirs, that I have had recourse to these explanatory remarks, withdrawn as I am from scenes of political agitation, by my age, and pursuits more congenial with it. It is the single instance of a communication from me to the press, on any subject connected with the existing state of parties.

With respect. JAMES MADISON.

To Editors of the Lynchburg Virginian.

## REMARKS BY THE VIRGINIAN.

The above letter, which we received yesterday morning from Mr. Madison, needs no comment. We regret that we so incautiously worded our paragraph as to leave room for inferences which we did not intend to convey. We did not intend for instance, that our readers should understand it to be Mr. Madison's opinion that the general government possesses "indefinite powers over the entire resources of the country"—for we did not ourselves believe that Mr. M. entertained any such sentiment. We intended to confine our allusions to Mr. Madison's opinions, exclusively, to the power of the national government to lay duties on imports with other objects than revenue. In this we are happy to say we are sustained by our illustrious ex-president.