

Frith, Mathew A.

**Doctoral Thesis**

## American Protectionist Thought: The Economic Philosophy and Theory of the 19th Century American Protectionists

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**American Protectionist Thought**

**The Economic Philosophy and Theory of the 19<sup>th</sup> Century American  
Protectionists**

Mathew A. Frith

BEcon (Hons. 1<sup>st</sup> Class)

Dissertation submitted in total fulfilment of the requirements for the degree of  
Doctor of Philosophy.

Federation University Australia  
PO Box 663  
University Drive, Mount Helen  
Ballarat Victoria 3353  
Australia

February 2024

*Dedicated to the memory of John Pullen*

## **Abstract**

This study contributes to economic knowledge by recovering the system of economic philosophy and theory developed by the 19<sup>th</sup> century American Protectionists. The account provided in this thesis is comprehensive and covers all major aspects of their theoretical system. Put simply, this study provides an explication and clarification of the economic philosophy and theory of this important, yet neglected, school of economic thought. In doing so, the approach undertaken is one which goes beyond the writings of Alexander Hamilton, Friedrich List, and Henry Charles Carey, and instead draws upon the full corpus of American Protectionist literature. By drawing upon the writings of roughly seventy economists and statesmen from within this neglected tradition, this study has been able to consolidate and distil their ideas into a general and coherent system of economic theory. This thesis therefore recovers an important and original lens through which to interpret and understand the workings of the economy. This is important for both economists and historians of economic thought alike. Whereas most literature in the history of economic thought relegate the American Protectionists to a position of insignificance, this study demonstrates that their system is a refined and sophisticated doctrine of economic thought which rivalled, and even surpassed, other 19<sup>th</sup> century schools of economic thought. Indeed, against the Whig theory of history, which presupposes that economic knowledge progresses in a linear and upward manner, this thesis contends that superior theories can often be displaced by inferior ones, with knowledge being lost as a consequence. This thesis therefore advances the view that the system of thought developed by the American Protectionists is an example of where important and relevant economic knowledge has been lost. Rediscovering this lost knowledge is thus important not only for purely historical reasons, but for its ability to aid modern economic analysis.



## Statement of Authorship

This is to certify that, to the best of my knowledge, the content of this thesis is my own work. This thesis has not been submitted for any degree or academic award. Except where explicit reference is made in the text of the thesis, this thesis contains no material published elsewhere or extracted in whole or in part from a thesis by which I have qualified for or been awarded another degree or diploma.

I also certify that the intellectual content of this thesis is the product of my own work and that all the assistance received in preparing this thesis and sources have been acknowledged.

Signed:

Signed:

Dated:

Dated:

17 February 2024

17 February 2024

Mathew A. Frith

Associate Professor Jerry Courvisanos

Candidate

Principal Supervisor

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## Abbreviations

<i>AISIR</i> , HML	American Iron and Steel Institute Records, Hagley Museum and Library
<i>DACPI</i> , UARC, UP	General Administration Collection Post 1820, University Archives and Record Center, University of Pennsylvania
<i>DHML</i> , HL	David H. Mason Letters, Huntington Library
<i>EBBP</i> , MHS	Erastus B. Bigelow Papers, Massachusetts Historical Society
<i>HCCC</i> , HSP	Henry Charles Carey Correspondence, Historical Society of Pennsylvania
<i>HCCP</i> , ECGC, HSP	Henry Charles Carey Papers, Edward Carey Gardiner Collection, Historical Society of Pennsylvania
<i>JWP</i> , FHLS	Joseph Wharton Papers, Friends Historical Library at Swarthmore
LOC	Library of Congress
<i>NAWML</i> , WHS/UW	National Association of Wool Manufacturers Letters, 1865-1880. Wisconsin Historical Society/ University of Wisconsin
<i>PFB</i> , HUAH	Papers of Francis Bowen, Harvard University Archives, Harvard
<i>SCP</i> , KMC, UP	Stephen Colwell Papers, Kislak Manuscript Center, University of Pennsylvania
<i>THDP</i> , HL	Thomas Haines Dudley Papers, Huntington Library
UARC, UP	University Archives and Records Center, University of Pennsylvania
<i>WPP</i> , MHS	Willard Phillips Papers, Massachusetts Historical Society

**Note:** Due to the excessive title length of 19<sup>th</sup> century literature, subtitles have been omitted when citing from primary sources. Complete titles can be found in the References.

America has no reason to be ashamed of the long series of writers and orators that have upheld that policy [of protection] which has been that of the Republic through more than two-thirds of its history — Hamilton, Tench Coxe, List, the Careys, Dr. Jackson, John Rae, Raymond, Calvin Colton, Phillips, Choate, Webster, Clay, Everett, Stephen Colwell, Greeley, the Elders, Bigelow, Dixwell, and others still living.<sup>1</sup>

- Robert Ellis Thompson

[It is my] hope that some able minds may be led to review their conclusions, and to read or read again, with candid spirit, what has been urged by Rae, Phillips, Carey, List, Bowen, Seaman, Thompson, Greeley, E. P. Smith, Kelley, Elder, and many others who have written in favor of protection.<sup>2</sup>

- George B. Dixwell

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<sup>1</sup> Robert Ellis Thompson, "Review of Protection Versus Free Trade," *The American*, 11, no. 286 (1886), 234.

<sup>2</sup> George B. Dixwell, *The Premises of Free Trade Examined*, (Cambridge: John Wilson & Son, 1881), 3.

## Chapter 1: Introduction

### 1.1: Overview and Research Question

The classical period of economics, a period from roughly 1776 to the early 20<sup>th</sup> century, is an important chapter in the development of the economics discipline.<sup>3</sup> This fact is readily acknowledged by historians of economic thought. Yet too often the classical period is treated with almost an exclusive focus on developments in Britain, and to a lesser extent, developments in continental Europe. Such scholarship is not to be discouraged, but it is important not to lose sight of developments elsewhere. One such example is the American Protectionist School of economic thought which originated with the ideas of Alexander Hamilton and his contemporaries. These American Protectionist writers were active in the economic debates in the United States, and, contrary to popular belief, it was their ideas, not the free trade theory of the British Classical School, which formed the basis of Republican economic policy in the United States during the classical period.<sup>4</sup>

This study represents a general treatment of the economic philosophy and theory of the American Protectionist School, which spanned from the late 18<sup>th</sup> to the early 20<sup>th</sup> century. In particular, this thesis is concerned with those American Protectionist writers who aligned themselves with the American System of private enterprise, protective tariffs, and internal improvements.<sup>5</sup> For simplicity, this study shall refer to them hereafter as the American Protectionists. In providing a general treatment of this system of economic thought, the dissertation seeks to investigate the following research question: What are the key principles, theories, and ideas of the 19<sup>th</sup> century American Protectionists? By answering this question, this study seeks to rediscover and reconstruct the system of economic philosophy and thought developed by the American Protectionists. This represents the study's original and significant contribution to knowledge.

In attempting to answer the research question, it should be stressed that the study is not one which focuses only on Alexander Hamilton, Friedrich List, and Henry Charles Carey, with other American Protectionist writers being shunted aside. Focusing on a few great names, it seems, has created a distortion of the historical record, with American Protectionist thought supposedly reaching its climax and dying out with Henry Carey. Not only did American Protectionist thought not die out with

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<sup>3</sup> Whilst it is perhaps an inexact generalization, the classical period, used in this instance, corresponds with the periodization developed by John Maynard Keynes which covers works that predate *The General Theory of Employment, Interest and Money*. This period includes both the Classical (mainstream: roughly 1776-1870s) and the Marginalist/Neoclassical schools (roughly 1870s-1930s) of thought.

<sup>4</sup> This also extends to the predecessor parties of the Republicans: the Federalists and the Whigs. This argument is elaborated upon in Section 4.3.

<sup>5</sup> This is inclusive of the Hamiltonian economic program, which was the predecessor of the American System, and the Republican economic program (prior to the 1930s) which was considered as a continuation of the American System by its practitioners, but often not framed as such in the modern literature.

Carey, the general conclusion arrived at, from a broad survey of primary literature, is that American Protectionist thought came to a full flowering in the writings of the American Protectionists in the period post-Carey. This is not to say that the post-Carey writers represent the key area of focus in this thesis, which would imply an inevitable downgrading of their antecedents. It merely underscores the need to provide a general account which draws upon the full breath of American Protectionist literature. This thesis is also not intended to be an intellectual history of the School in the strict and literal sense, but it does attempt to cover all the major aspects of their economic system. Whilst there is, of course, an internal diversity of thought within the American Protectionist School, the degree of consensus which emerged amongst the writers of the School is quite remarkable. The general trajectory of their thought was, for the most part, cumulative, as opposed to competitive. Rather than significant disagreements arising among authors, the different authors within the School tended to elaborate upon earlier thought or emphasize different features within the system of thought.<sup>6</sup> The American Protectionists thus appear to be far more unified than most other schools of economic thought at the time and even most schools of thought in the modern era; a position which will emerge as a consequence of this study.

To foreshadow what to expect from this dissertation, the following provides a rough overview of the contents of this work. Chapter 2 examines the existing literature on the topic, and, in doing so, it highlights why the present study is needed. Not only does this chapter demonstrate that there is a relative neglect of the American Protectionists in the history of economic thought, it also demonstrates how many of the existing accounts provide shallow and/or distorted descriptions of the School.

Chapter 3 elaborates on the methodological issues pertaining to this study. First, the shortcomings of the so-called 'Whig theory of history' is briefly considered, and, in doing so, a defense of re-examining past ideas is made. In a similar vein, a case against the 'few great men' approach, an approach too often employed in the history of economics, is presented. The remainder of this chapter addresses the research paradigm used, namely critical realism, and why such an approach is appropriate for this study, before ending with a discussion of the specific research methods utilized in this study. In particular, the chapter will outline and emphasize the need for proper exegetical methods, which will allow for an accurate interpretation of the School to take place.

Chapter 4 involves setting the scene for this study. Although this chapter does not directly pertain to the research question, it will equip the reader with relevant information and context, so as to allow for the rest of the thesis to take place. It is very

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<sup>6</sup> This is not to say that disagreements did not occur. There were, of course, disagreements, but the general system of thought still largely remained intact between authors.

easy to start off with a discussion of economic theory without explaining who and what was involved, but this often results in confusion. In order to make the thesis more comprehensible, therefore, this chapter introduces the different economists and statesmen who formed the American Protectionist School, it investigates the relationship of the School with other schools of economic thought of the time, and it also discusses the School's relationship to politics. The chapter ends with a discussion of the institutional infrastructure of the School, that is, how the School organized itself and how it operated as an intellectual movement.

Chapters 5 through 14 represent the findings of the study. More specifically, Chapter 5 provides an overview of the general policy framework advocated by the American Protectionists. The School is, to a large extent, defined by its policy program, that being the American System. Beginning with an analysis of their policy views will therefore help the reader to better understand exactly what the School is about. In doing so, a conscious attempt is made to highlight the highly nuanced position of the American Protectionists. In particular, the name 'protectionist' may give the misconception that these writers were anti-market and fervent champions of state activism. In actual fact, the American Protectionists generally only endorsed state intervention in the form of protective tariffs with the proceeds to be used to finance the development of infrastructure and internal improvements. In other matters of public policy, the American Protectionists were more often on the side of less government intervention, preferring instead for the State to play a passive night watchman role within the internal market. By laying this groundwork early on, hopefully this study will pre-emptively dissuade any misconceptions about the School.

Chapter 6 discusses the moral and social philosophy of the School. The first part of this chapter provides a discussion of the underlying vision of the School, or what the historian of economic thought Joseph Schumpeter describes as a "preanalytic cognitive act."<sup>7</sup> The chapter then proceeds with a discussion of the philosophy, methodology, and even the theology underpinning American Protectionist thought. As will be shown, American Protectionist thought is predicated on natural law, the inductive method, and a rejection of the Classical 'economic man.' The chapter will finish with a discussion on the nature of wealth as conceived by the American Protectionists. By establishing these philosophical foundations, this chapter provides the conceptual base upon which the School's theoretical system can be built.

Chapter 7 focuses on the theoretical foundations of the School, or to put it differently, what can be considered as the building blocks of their theoretical system. This is perhaps one of the most important chapters in this thesis since the latter chapters cannot be properly understood without these foundations. These foundations

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<sup>7</sup> Joseph Schumpeter, *History of Economic Analysis*, (New York: Allen & Unwin Ltd, 2006 [1954]), 39.



also represent some of the more profound insights of the American Protectionist School, and they often contrast sharply with those which underpin Classical, Marxist, and even the more modern Schools of economic thought.

Chapter 8 focuses on the value tradition of the American Protectionists. This chapter, in particular, discusses the reproduction cost theory of value which represents a distinctly American Protectionist approach to value theory. In doing so, this chapter will clear away many of the misconceptions about the reproduction cost theory of value, and will seek to contrast it with the more static approach to value of the Classical economists. Chapter 9 concerns the theories of the American Protectionists pertaining to growth, development and entrepreneurship. In a sense, the entire school of thought is one of growth and development, and as such, every chapter contained within this dissertation concerns growth and development in some way. There is, however, enough material to provide a separate treatment of the topic, even though every other chapter is necessary to fully understand their views on the matter of growth and development. What is made clear within this chapter, and throughout the thesis more broadly, is that the American Protectionists were dynamic thinkers, who stressed the importance of human ingenuity and invention.

Chapter 10 concerns the theory of distribution developed by the American Protectionists, and, in particular, their theory of wage growth. In contrast to Ricardian and Marxist economics, the American Protectionists were champions of what they saw as a harmony of interests between workers and capitalists. Moreover, unlike the Classical and Marxist schools, which have a tendency of treating class structures as fixed and permanent, the American Protectionists stressed the ability for individuals to move between economic classes. This approach underpins the theory of social mobility developed by the American Protectionists and represents the other key area of focus of this chapter.

Chapter 11 focuses on the American Protectionist theories concerning population, agglomeration, and a concept unique to their particular school, known as 'association'. The American Protectionist theory of population can be seen as the antithesis of Malthusian economics, espousing the view that population growth promotes abundance, as opposed to scarcity. This view of population was also extended into an analysis of population density which formed the basis of their views on agglomeration, or what the American Protectionists termed 'concentration'. Chapter 12 discusses the theory of the business cycle developed by the American Protectionists. In other words, this chapter concerns their analysis of recessions and depressions. The concept of macroeconomics, of course, never existed during the 19th century, but the American Protectionists developed a theory of the business cycle predicated on developments at the microeconomic level. Thus, for all practical

purposes, this chapter can be seen as their contribution to what is now considered macroeconomics.

Chapter 13 discusses the theory of international trade developed by the American Protectionists, as well as an assortment of their key arguments for protectionism. In doing so, this chapter provides an overview of the more basic arguments relating to infant-industry protection to the more generalized arguments for permanent protection. By the end, the reader should have a thorough understanding of the key arguments espoused by the School in defense of protectionism. The study will then proceed to Chapter 14, which addresses the views of the American Protectionists' concerning taxation. Contrary to what one might expect, the American Protectionists can be considered as adhering to a philosophy of low taxation, and would even anticipate many of the ideas now associated with supply-side economics. This chapter also complements the previous chapter on international trade. There is a tendency in modern economics to treat protection and taxation as two separate issues. This, however, obfuscates many of the key insights offered by the American Protectionists. The American Protectionists never viewed tariffs as independent from the subject of taxation, but rather as two aspects of the one system. Thus, in order to provide a full picture of the American Protectionist system of thought, an examination of their theory of taxation is necessary.

Chapters 5 through 14 represent the key findings of this dissertation. However, the remaining two chapters, 15 and 16, will bring these findings together to paint a full picture of American Protectionist thought. Chapter 15 directly addresses the research question and assesses the contribution of this dissertation in light of the existing literature and the research paradigm adopted in this study. Finally, Chapter 16 concludes the study with a summary of the thesis, the limitations of this study, and suggestions for future research along the lines promoted by this dissertation. At the end of all this, hopefully the reader will be left with a coherent understanding of what American Protectionist thought was all about and will be able to appreciate this unique and original system of economic thought.

## **1.2: Points to Note and the Scope of the Study**

It is necessary before proceeding to make explicit a few points and to set boundaries on the scope of this study. First, 'American Protectionist thought' or 'American Protectionist School' will be used when referring to the intellectual tradition examined hereafter. These terms are not perfect, but they are more precise than the alternatives. At times in the secondary literature, the term 'American School' has been used, but this can be interpreted to mean a myriad of other intellectual traditions that also originated in the United States, such as the ideas of Henry George, American Progressives, Institutionalists, or even those of Milton Friedman and the Chicago

School.<sup>8</sup> None of these traditions have anything to do with the writers under examination. Likewise, ‘Neomercantilism’ has also been used, but this is even more problematic as it possesses less specificity, and because the American Protectionists themselves rejected the term mercantilist.<sup>9</sup> For ease of exposition, ‘Protectionist’ will also be used. Unless otherwise stated, this will refer to the American Protectionists under examination.

The second point to note is that the views ascribed to the School will inevitably be generalizations, the consensus, or the majority view. Like any other school of economic thought, there will always be points of divergence and disagreement among individual thinkers within the School. Where possible, the author has attempted to mention exceptions, alternate views, and divergences within the footnotes, as to allow those holding a minority view with a fair hearing. Whilst it is not possible for a study of this nature to roll the full range of ideas from each economist under investigation into one coherent whole, this thesis will at least provide a general account of their system and will indicate at least some of the points of divergence within the School.

A closely connected point to bring to the reader’s attention is that this study draws extensively upon and thus quote heavily from the primary literature of the American Protectionists. The latter point (the heavy use of quotations) has been a deliberate act of the author. Too often have ideas or beliefs been ascribed to a particular economist or group of economists when they held no such belief at all. Such distortions are especially problematic with the rise of pseudo-references and pseudo-citations, for it is impossible to verify the validity of every citation which appears in a work.<sup>10</sup> By demonstrating what the American Protectionists said in their own words, this should hopefully avoid the errors of the past and give the reader confidence in the findings of this research. In light of this, the author seeks the patience and understanding of the reader.

As a final point relating to the scope of this study, it should be noted that this dissertation does not discuss and nor seeks to address the monetary views of the American Protectionists. A broad survey of the literature suggests a wide variety of

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<sup>8</sup> It should be noted, however, that the American Protectionists did sometimes refer to themselves as the “American School”. This is not in dispute.

<sup>9</sup> To quote Daniel Raymond, “there are... fundamental errors in the prevailing theory of the mercantile system. The first, is the making national wealth to consist in the accumulation of the precious metal, from which it follows, that if the balance of trade is in favour of a nation, it must necessarily increase in wealth; if against it, it must necessarily grow poor, or decline in wealth.” *Thoughts on Political Economy*, (Baltimore: Fielding Lucas Jr., 1820), 170-171; Friedrich List also notes that “it would be a mistake to confuse the ‘mercantile system’ with the ‘manufacturing system’ and condemn both in the same breath.” *Natural System of Political Economy*, trans. and ed. William Henderson (New York: Routledge, 1983 [1837]), 178; The distinction between mercantilism and protectionism is similarly noted by Robert Ellis Thompson, *Elements of Political Economy with Especial Reference to the Industrial History of Nations*, (Philadelphia: Porter and Coates, 1882), 16-17; and George B. Curtiss, *Protection and Prosperity*, (New York: Pan-American Publishing Company, 1896), 778. See Section 2.1 for further elaboration.

<sup>10</sup> Pseudo-references are those which create the illusion that they substantiate a statement, but in reality, they do no such thing. On this point, see Thomas Sowell, *Some Thoughts About Writing*, (Stanford: Hoover Press, 2001), 7-8.

thought among the American Protectionists on monetary questions.<sup>11</sup> This makes it impossible to provide a general account of their monetary economics, since there was no generally accepted theory of money. As is generally the case in most histories of economic thought, monetary views of particular economists are often better treated according to the specific monetary tradition which they fall into (such as bullionism, anti-bullionism, currency school, banking school, and so forth) and independently to their general designation (be that Classical, Marxist, American Protectionist, or other). It is the judgment of the author, therefore, that monetary economics should not be considered a defining feature of American Protectionism. Given the immense variation in monetary thought, it underscores the view that the general principles of American Protectionist thought are broadly applicable irrespective of monetary views and can thus be treated independently of such views.

### **1.3: Summary**

The proposed study is an intellectual exercise in recovery. It seeks to rediscover the economic philosophy, theory, and ideas of the 19th century American Protectionists. In doing so, the aim is that, at the end of this study, the reader will be left with a coherent picture of American Protectionist thought. Whilst it is, of course, inevitable that the reader will not agree with every point offered in this study, at the very least, it will hopefully renew interest in this neglected school of economic thought. In the next chapter, the study will proceed with an examination of the current state of the literature pertaining to the American Protectionists. In doing so, the limitations of the present knowledge of the American Protectionists will be identified. This will expose the research gap which this dissertation will seek to fill.

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<sup>11</sup> This is sufficiently demonstrated by the variation in monetary views among the following key thinkers: Alexander Hamilton supports a national bank and a bi-metallic standard; Daniel Raymond supports a national bank, a gold standard, and opposes fractional reserve banking; Henry Carey supports free (private) banking, a paper currency (greenbacks), and permits fractional reserve banking with reserve requirements (for a discussion of Carey's monetary views, see Sofia Valeonti, "Henry C. Carey's Monetary Thought and American Industrialization in the Greenback Debate", *History of Political Economy*, 54, no. 2 (2022), 189-216); Ezra Seaman indicates support for a metallic standard, seemingly rejects fractional reserve banking, but does not specify between free or national banking; Robert Ellis Thompson supports a paper currency and a national bank system; William Elder supports free banking and a paper currency; Erastus B. Bigelow supports a metallic standard, vehemently opposes greenbacks, but does not specify between free and national banking; and Van Buren Denslow indicates support for a national bank and a bimetallic standard. Indeed, even though a national bank is often depicted as an essential part of the American System in historical literature, on a theoretical level, it cannot be said that this was a unanimous view within the School.

## Chapter 2: Literature Review

### 2.1: Literature Review

In the late 1870s, Alfred Marshall described the American Protectionists as “an important school of thinkers.”<sup>12</sup> Yet, in spite of their significance being recognized at the time by no less an authority than Marshall, there has been limited discussion of the theoretical insights of the American Protectionists since the early 20<sup>th</sup> century.<sup>13</sup> This neglect of the School in the modern era is evidenced by the fact that the earliest edition of Palgrave’s *Dictionary of Political Economy*, which appeared in 1899, includes an entry on the American Protectionist School, whereas the entry is omitted from the *New Palgrave Dictionary of Economics*.<sup>14</sup> Indeed, it is quite puzzling how some of the most popular and well-regarded histories of economic thought — including the works of Robert Heilbroner (1953), Maurice Dobb (1973), Mark Blaug (1985), Lionel Robbins (1998), Alessandro Roncaglia (2005), Mark Skousen (2001), Robert B. Ekelund, Jr. and Robert F. Hébert (2014), and Paul Samuelson (2015)—scarcely devote a single word to the American Protectionists.<sup>15</sup> Likewise, virtually all the generalized histories of economic thought, both mainstream and heterodox, who have dealt with the School, only provide cursory descriptions.

Only one general history of economic thought has been identified with anything substantive to say about the American Protectionist School. This is Lewis H. Haney’s 1911 *History of Economic Thought*. According to Haney, “in so far as an American School of political economy is ever spoken of, [Henry] Carey and his adherents are meant. This is perfectly proper. America has had no other body of political economists who could by any possibility be considered as forming a school.”<sup>16</sup> Interestingly, Haney states from the outset that his work is “a critical account of the origin and development of economic theories in the leading nations” and that “every effort has

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<sup>12</sup> Alfred Marshall, “The Theory of Foreign Trade and Other Portions of Economic Science Bearing on the Principle of Laissez Faire, 1873-7” in *The Early Economic Writings of Alfred Marshall, 1867-1890*, Vol. 2, ed. J. K. Whitaker, (London: Macmillan Press, 1975), 34f.

<sup>13</sup> Marshall was particularly impressed by Robert Ellis Thompson, see Alfred Marshall, “Protection to Native Industries,” [Editor’s Commentary] In *The Early Economic Writings of Alfred Marshall, 1867-1890*, Vol. 2, ed. J. K. Whitaker (London: Palgrave Macmillan, 1975), 94.

<sup>14</sup> Compare, for instance, *Dictionary of Political Economy*, Vol. 3, ed. R. H. Inglis Palgrave, (London: Palgrave Macmillan, 1899, 37-38), with *The New Palgrave Dictionary of Economics*, Volumes 1-8, 2<sup>nd</sup> ed., ed. Steven N. Durlauf and Lawren E. Blume, (New York: Palgrave Macmillan, 2008).

<sup>15</sup> Lionel Robbins, *A History of Economic Thought*, (Princeton: Princeton University Press 2000), no mentions; Robert L. Heilbroner, *The Worldly Philosophers: The Lives, Times and Ideas of the Great Economic Thinkers*, 7th ed, (New York: Touchstone, 1999, 1953), no mentions; Maurice Dobb, *Theories of Value and Distribution since Adam Smith*, (Cambridge: Cambridge University, 1973), no mentions; Alessandro Roncaglia, *The Wealth of Ideas: A History of Economic Thought*, (Cambridge: Cambridge University Press 2005), one mention of Henry Carey in a footnote (p.185f) and single sentence on Friedrich List (p. 203); Mark Blaug, *Economic Theory in Retrospect*. (Cambridge: Cambridge University Press, 1985), 4 passing mentions of Henry Carey (p. 190, 222, 401, 550); Mark Skousen, *The Making of Modern Economics: The Lives and Ideas of Great Thinkers*, (Armonk: M.E. Sharpe, 2015), a short section on Friedrich List (p. 104); Robert B. Ekelund, Jr. and Robert F. Hébert, *A History of Economic Theory & Method*, 6<sup>th</sup> ed., (Long Grove: Waveland Press, 2014), a section on Friedrich List; Paul Samuelson, *Paul Samuelson on the History of Economic Analysis: Selected Essays*, ed. Steven G. Medema and Anthony M. C. Waterman, (Cambridge: Cambridge University Press, 2014), no mentions.

<sup>16</sup> Lewis H. Haney, *History of Economic Thought: A Critical Account of the Origin and Development of the Economic Theories of the Leading Thinkers in the Leading Nations*, (New York: The Macmillan Company, 1911), 249. It should also be noted that the School was still active in 1911.

been made to give a fair and well-rounded account... of the leading writers” in economic thought, whilst explicitly declaring that he has avoided “obscure” economists.<sup>17</sup> Clearly, the American Protectionists were recognized as among the leading figures in the history of economic thought at the time, but at some point this view of them changed, leading to their neglect in general histories of economic thought ever since. One explanation for this is that the American experience is at odds with the standard canon of the history of economics with its emphasis on free trade thinking. The contribution by Lars Magnusson entitled *The Tradition of Free Trade* expresses this point well, noting that “the simple canon of free trade thought originating from Adam Smith fits very badly with the American historical experience,” and “so far this has meant that American writers writing on... protection have been excluded to a large extent from the mainstream of the history of economic thought.”<sup>18</sup>

Indeed, to the extent that the American Protectionists are discussed at all, the tendency has been to downplay their theoretical contributions. The sweeping expositions of Charles Franklin Dunbar, John Kenneth Galbraith, and Joseph Schumpeter are representative of the broader treatment of the American Protectionist School within the mainstream histories of economic thought. Dunbar, in an edition of the *North American Review* celebrating the centennial of America’s independence, summed up the first century of America’s contribution to the science of economics as merely practical with no theoretical significance:

The general result then to which, as we believe, a sober examination of the case must lead any candid inquirer, is that the United States have, thus far, done nothing towards developing the theory of political economy, notwithstanding their vast and immediate interest in its practical applications.<sup>19</sup>

Joseph Schumpeter’s *History of Economic Analysis* reinforces this claim, declaring that “the opinion that Dunbar expressed in 1876, namely, that American literature had contributed ‘nothing towards developing the theory of political economy’ has not been invalidated by the information made available by more recent research.”<sup>20</sup> What is even more mystifying is that the latter remark comes from Schumpeter, who dismisses these early economists as “would-be theorists who disdained to learn the art of theorizing”, noting that there was “no first-rate man

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<sup>17</sup> Lewis Haney, *History of Economic Thought*, v.

<sup>18</sup> Lars Magnusson, *The Tradition of Free Trade*, (New York: Routledge, 2004), 94.

<sup>19</sup> Charles Franklin Dunbar, ‘Economic Science in America, 1776-1876’, *The North American Review* 122, no. 250 (1876), 140.

<sup>20</sup> Joseph Schumpeter, *History of Economic Analysis*, 489. Dunbar’s position has also been reinforced in more recent scholarship by William J. Barber. Despite recognizing that American “treatises on political economy did not speak with one voice,” Barber still proceeds to explain that “during the first century of the nation’s existence, the United States was largely on the periphery of major intellectual developments in the discipline,” and affirms Dunbar’s claim “that American scholarship as yet had contributed nothing to fundamental economic knowledge.” William J. Barber, “American Economics to 1900”, In *A Companion to the History of Economic Thought*, ed. W. J. Samuels, J. E. Biddle, and J. B. Davis, (Malden: Blackwell Publishing, 2003), 231-232.

among them, and they made next to nothing of the great opportunity before them.”<sup>21</sup> This is a curious assessment indeed considering that many of Schumpeter’s own theories pertaining to dynamic economic growth and technological change were pre-empted, and perhaps even surpassed, by the American Protectionists.<sup>22</sup>

This dismissive narrative has led to the widespread perception that American economic thought was merely derivative of English Classical thought, with no original contributions of their own. Indeed, John Kenneth Galbraith exemplifies this approach, explaining that “it was from Ricardo, Mill and Marshall that American economic ideas were derived. The ideas were written by Americans into the textbooks and enlarged or amended as to detail. But, in the last century, not much was added by American theorists.”<sup>23</sup> As three of the earliest authorities on the subject, the accounts of Dunbar, Schumpeter, and Galbraith have produced a lingering prejudice against the American Protectionists.<sup>24</sup> This prejudice permeates the history of economic thought and is clearly demonstrated by Paul K. Conkin’s 1980 work *Prophets of Prosperity*. According to Conkin, “the Early American economists inherited” their economics from the Classical economists, and simply adapted the “array of technical arguments” produced by the Classics to “quite divergent policy implications.” Conkin thus concludes that you are “unable to identify in the pre-Civil War period anything close to a distinctive American tradition in political economy.”<sup>25</sup> In short, American economics was predicated on “analytical tools, which they mostly borrowed from the established European economists.”<sup>26</sup> This position is also affirmed by William J. Barber who explains that, prior to the 20<sup>th</sup> century, “American political economy had been heavily import-dependent, even though foreign ideas were altered to adjust their fit to circumstances in the ‘New World’.”<sup>27</sup> The aforementioned scholarship thus implies that there is actually no such thing as the American Protectionist School. It is merely derivative of Classical economics.<sup>28</sup> Although more subtle than the sources mentioned above, even the contribution by Magnusson falls back on this line of

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<sup>21</sup> Joseph Schumpeter, *History of Economic Analysis*, 645. It should be stressed that Schumpeter never actually finished his treatise. It is plausible that his assessment may have been different if he lived to complete it.

<sup>22</sup> Schumpeter’s *History of Economic Analysis* is more charitable to John Rae, stating that his treatise could be “another Wealth of Nations or, more correctly, something that with ten additional years of quiet work, graced by an adequate income, could have grown into another — and more profound — Wealth of Nations” (p. 443). Yet, curiously, Schumpeter does not acknowledge Rae’s contribution to dynamic growth. In another instance, Schumpeter (pp. 192-193) also commends Hamilton and Coxe.

<sup>23</sup> John Galbraith Kenneth, *The Affluent Society*, (New York: Houghton Mifflin Company, 1998), 44. Galbraith does acknowledge Henry Carey as an “exception” but only insofar as Carey reversed the Ricardian order of cultivation, which is far from Carey’s most impressive contribution. In any event, every other American Protectionist is dismissed.

<sup>24</sup> Christopher W. Calvo, *The Emergence of Capitalism in Early America*, (Gainesville: University of Florida Press, 2020) provides a more extended critique of this Dunbar Narrative.

<sup>25</sup> Paul K. Conkin, *Prophets of Prosperity: America’s First Political Economists*, (Bloomington: Indiana University Press, 1980) 40, 312.

<sup>26</sup> Paul K Conkin, *Prophets of Prosperity*, 16.

<sup>27</sup> William J. Barber, “American Economics to 1900”, 244. Granted, Barber (p. 236) credits John Rae as a “special case of analytic originality,” yet even this exception is couched within the broader backdrop of English classical political economy, noting that “Rae’s agenda was clearly congruent with the spirit of classical economics in the tradition of Smith.”

<sup>28</sup> An equally problematic line of scholarship places the American Protectionists outside of English economics, but within the German tradition. An account and critique of this view will be a feature of Section 4.4.

thinking, conceding that although the “American system can be regarded as a challenge to European classical political economy,” it is one “established on a critical – but on the whole sympathetic – reading of Adam Smith.”<sup>29</sup>

Indeed, the marginalization of the American Protectionists is present even in works sympathetic to heterodox economics. The 2017 contribution by Barbour, Cicarelli, and King, *A History of American Economic Thought: Mainstream and Crosscurrents*, purports from the outset that “those with alternative points of view are given as much weight as the... mainstream.”<sup>30</sup> Yet, of the small chapter devoted to the period in question, Alexander Hamilton and Tench Coxe are derided as inferior to their free trade counterpart, Albert Gallatin, with Gallatin being credited as the “only” economist in the early period with a “command of economics” and “scientific theory.”<sup>31</sup> It appears that the authors were merely reiterating the conclusion reached by Dunbar, who is the only cited source of authority for this judgement. Gallatin was indeed a fine economist, but the assertion that Hamilton and Coxe lacked a command of economics is an exceedingly dismal assessment of their abilities. More broadly, the American Protectionists are dismissed as “laymen” and “amateurs” with “little of enduring value... to economic science.”<sup>32</sup>

The above works are symptomatic of the treatment of the American Protectionists in virtually all general histories of economic thought, with no serious and detailed attempt to elucidate the theoretical insights of the School. This highlights the need for a more critical and in-depth interrogation of the topic and confirms John Roscoe Turner’s observation that “students of the history of economic thought have inexcusably neglected the early American economists.”<sup>33</sup> Indeed, it is even more perplexing that Johnathan S. Franklin’s 2016 contribution, a contribution which deals specifically with the connection between economists and public policy throughout American history, devotes a scarce few sentences to the American Protectionists and concludes that their “work was largely ephemeral.”<sup>34</sup> This dubious observation comes even though the American System, which was the policy prescription of the American Protectionists, enjoyed considerable success as public policy during the Republican Administrations of the 19<sup>th</sup> and the early 20<sup>th</sup> century. Clearly, the American Protectionists had far more than a merely transient influence on public policy, but this influence and the broader insights of the American Protectionists is poorly

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<sup>29</sup> Lars Magnusson, *The Tradition of Free Trade*, 107; This position is also implied elsewhere with Magnusson (p. 104) explaining that “Americans believed... that protection and infant industry arguments could be combined with a Smithian or even a Ricardian position.”

<sup>30</sup> S. Barbour, J. Cicarelli, & John E. King, *A History of American Economic Thought, Mainstream and Crosscurrents*. (New York: Routledge, 2017), 1.

<sup>31</sup> Barbour, Cicarelli, & King, *A History of American Economic Thought*, 155-158.

<sup>32</sup> Barbour, Cicarelli, & King, *A History of American Economic Thought*, 2017, 158-159, 162.

<sup>33</sup> John Roscoe Turner, *The Ricardian Rent Theory in Early American Economics*. (New York: New York University Press, 1921, xv.

<sup>34</sup> Johnathan S. Franklin, *A History of Professional Economists and Policymaking in the United States: Irrelevant Genius*, (New York: Routledge, 2016) 18.



appreciated, particularly among economists. It is indeed mystifying how there is such a disconnect between the economics literature and the reality of 19<sup>th</sup> century American economic thought. In any event, the subsequent paragraphs will engage with the few substantive works devoted to this school of economic thought.

The 1895 piece, *The American Commercial Policy: Three Historical Essays*, from the Italian economist Ugo Rabbeno is more comprehensive than those previously listed, but still suffers from the ‘few great men’ phenomenon, as it only addresses the ideas of Alexander Hamilton, Friedrich List, Henry Carey, and Simon Patten (the latter of which is not considered a member of the American Protectionist School in the present study). To his credit, Rabbeno himself is fully aware of the limited scope of his study, expressing the view that “a complete account of the protectionist theory in the United States would have to be treated in no sparing manner, and would require a mass of materials only accessible to American writers.”<sup>35</sup> Whilst Rabbeno does provide a useful introduction to the School, his reading of the American Protectionist literature is quite superficial in nature. For instance, the concept of individuality and economic diversity (discussed, among others, in Section 7.3 and Section 13.6 of the present study), which is one of the central features of the School and one which differentiates it from other schools of thought, is not featured at all in Rabbeno’s account. It seems that Rabbeno did not fully grasp the ideas presented by the School, as he expresses the view that “in the crowd of American protectionist writers and their contradictors... rarely indeed is originality to be met with, and mere commonplace abounds; and in the advocates of protection, [there are] many... errors which do not even need refutation.”<sup>36</sup> This is a rather bizarre assessment, as to the degree that this period of American economic thought is original, it is protectionist.

John Roscoe Turner’s 1921 piece, *The Ricardian Rent Theory in Early American Economics*, represents one of the more sympathetic and admirable works devoted to the early American economists, including the American Protectionists. Straight up, Turner’s piece offers a devastating critique of the Dunbar narrative, rightfully pointing out that the “brief portion in which [Dunbar] spoke of [the American economic] writers is hardly more than a catalogue of names and titles compiled from previous reviews,” and since “Dunbar was unacquainted with the originals [primary texts]. [And] even if he had read the books, [Dunbar], as a representative of the classical school (which he believed had arrived at ultimate truths within the limits of its hypotheses), was not qualified to render a just estimate of the theories in question.”<sup>37</sup> Turner’s observation is perceptive and relevant. The Whiggish tendency of judging past or alternative theories through the prism of the prevailing thought of the time

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<sup>35</sup> Ugo Rabbeno, *The American Commercial Policy: Three Historical Essays*, (London: MacMillan, 1895), 287.

<sup>36</sup> Ugo Rabbeno, *The American Commercial Policy*, 288.

<sup>37</sup> John Roscoe Turner, *The Ricardian Rent Theory in Early American Economics*, vii. This observation is actually put forward by Frank A. Fetter in the introduction.

represents a crucial problem within the literature devoted to the American Protectionists.<sup>38</sup> As far as it goes, Turner provides a worthy, albeit incomplete, account of the American protectionist's reaction and their alternative to Ricardian rent theory. Since it is limited to the single issue of rent, it thus does not capture the full scope of American Protectionist thought.

Joseph Dorfman's monumental three volume treatise, *The Economic Mind in American Civilization*, is the polar opposite of the 'few great men' approach, as it attempts to cover the full breath of American economic thought.<sup>39</sup> This is an impressive feat. The issue is that by attempting to capture such a broad scope of different writers and different schools of thought, the treatment of the American Protectionists is rather brief, and could be summarized as a series of short biographical sketches. Still, it does identify and introduce several of the key figures within the School. It is curious, however, that Dorfman, despite his genuine commitment of giving lesser lights equal hearing, fails to include any real discussion of the post-Carey Protectionists and also covers only a few of the Protectionists from the Carey generation.<sup>40</sup> In any event, Dorfman's treatise, in broad terms, still remains the most impressive and complete history of American economic thought.

Michael Hudson's *America's Protectionist Takeoff* is self-described as a series of "biographical summaries of the major advocates (and some opponents) of the American [Protectionist] School."<sup>41</sup> Despite its evident shortcomings, it is still nonetheless a worthy account. It is, however, difficult to accept many of Hudson's conclusions concerning the School as they seem to have been shaped heavily by his Marxist world view. Whereas textual interpretation should take the form of an exegesis, or a drawing out of the original meaning of the text, Hudson instead performs an eisegesis, or a 'reading in' of his own Marxist bias.<sup>42</sup> Hudson, for instance, goes to great lengths to ascribe historical materialist views to the American Protectionists.<sup>43</sup>

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<sup>38</sup> That said, it should not be taken for granted that theorists from competing schools are incapable of rendering a just assessment merely on the basis that they are from a different school of thought. The issue is blindly using competing schools as a standard of truth for casting judgment.

<sup>39</sup> Joseph Dorfman, *The Economic Mind in American Civilization*, Vol. 1, 2, & 3 (New York: Augustus M. Kelley, 1966), 789.

<sup>40</sup> In contrast, Michael Hudson argues that "the major reason for Dorfman's dismissal of the American protectionists seems to be his dislike for non-laissez-faire policy and doctrine." *America's Protectionist Takeoff*, (ISLET: 2010) 4. This is a questionable claim, as Dorfman was not an advocate of *laissez-faire*, but was instead an institutionalist. Dorfman is also not dismissive of the American Protectionists, holding the view that "few economists stood out as impressively as Henry Carey did." Dorfman, *The American Mind in American Civilization*, Vol. 2, (New York: Augustus M. Kelley, 1966), 789. It is not clear how thoroughly Hudson read Dorfman, as the only time Hudson quotes the latter, it is taken out of context.

<sup>41</sup> Michael Hudson, *America's Protectionist Takeoff*, xii.

<sup>42</sup> A more detailed account of performing an exegesis will be given in Chapter 3.

<sup>43</sup> Michael Hudson, *America's Protectionist Takeoff*, xix. To be sure, Hudson refers to them as "non-Marxian" historical materialists, yet by evoking such a vague and evasive qualification, it negates the point completely. Historical materialism has a specific meaning and is intrinsically connected with Marxist thought. Consciously or not, it seems that the purpose is to draw parallels between American Protectionism and Marxism, where no such parallels exist. The result is an attempt to reconcile the irreconcilable. Interestingly, Marx himself was perfectly aware of the implications of American Protectionist thought, noting that the "scientific merit [in Ricardian economics] is the fact that Ricardo exposes and describes the economic contradiction between the classes—

That is to say that the American Protectionists allegedly supported the view that the material forces of production, or what one might call the technological base of society, are uniquely and mono-causally responsible for all social actions, independent of the thoughts and actions of individuals.<sup>44</sup> There is, however, very little to support this conclusion.<sup>45</sup> For the American Protectionists, God bestowed Man with a soul and a mind through which he could obtain mastery over nature and augment the technological base of society, which is the exact opposite of that implied by historical materialism.<sup>46</sup> Whereas historical materialism assumes that material forces alone drive human associations, the American Protectionists saw productive forces, or technology, as the embodiment of human ingenuity.<sup>47</sup> It is the product of a mental discovery process, of reasoning and conceiving new ideas, undertaken by the entrepreneur. Indeed, Henry Carey was highly critical of the mechanistic and materialistic conception of Man promoted by Ricardo, Malthus, and Marx. In the words of Carey:

[The American Protectionist] regards man as the being... fitted to obtain... mastery over nature... while the other [schools of thought] sees in him a mere instrument to be used by trade... The latter... have looked to *bodies* only – leaving altogether out of view the... infinitely various faculties with which man has been endowed... The body of flesh is to be regarded as the mere instrument to be used by the mind – the soul – placed within it, and constituting MAN; and yet, of this real man [the] political economy [of Ricardo, Malthus, and Marx] takes no account whatever – contenting itself with regarding him in the light of mere slave to animal (or material) passions, which prompt him to the pursuit of a course of conduct leading inevitably to his enslavement by his

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shown by the intrinsic relations—and that consequently [his] political economy perceives, [and] discovers the root of the historical struggle and development. [Henry] Carey... therefore denounces him [Ricardo] as the father of communism.” Marx thus plainly sees that American Protectionists rejected the so-called ‘scientific’ historical-materialist laws of economics. Marx, moreover, clearly saw more parallels between his thought and that of the Classicals, which he incorporated into his own system, than with the theories of the American Protectionists, which Marx explicitly labels as “vulgar.” Karl Marx, *Theories of Surplus Value, Vol. 2*, (Progress Publishers, 2020[1863]), 194.

<sup>44</sup> This interpretation of historical materialism drawn is from Geert Reuten, “Karl Marx: His Work and the Major Changes in its Interpretation”, In *A Companion to the History of Economic Thought*, ed. Warren J. Samuels, Jeff E. Biddle, & John B. Davis (Malden: Blackwell Publishing, 2003), 152; Nicholas Churchich, *Marxism and Morality: A Critical Examination of Marxist Ethics*, (Cambridge: James Clarke & Co., 1994), 287-288; and Murray Rothbard, *Classical Economics*, 372-373.

<sup>45</sup> Michael Hudson, *America’s Protectionists Takeoff*, (xix) fails to cite any primary sources when he presents this argument. That said, he does explore these ideas in his biographical sketch of Simon Patten (pp. 259-288), which appears to be the main basis of this conclusion. It is the view of the present study, however, that Patten’s economics is far too removed from the ideas of the traditional American Protectionist writers to be considered as part of the American Protectionist School. This will be elaborated upon in Section 4.2.

<sup>46</sup> So that there is no confusion, whilst this thesis posits that the American Protectionist thought emphasizes the role of ideas in driving economic progress, the metaphysics of the School is more broadly considered as dualist (i.e., that reality involves the human mind and soul interacting with the material world).

<sup>47</sup> William Elder encapsulates this view, noting that “from the union of knowledge with practical genius, physical [productive] power has made such progress... and all this so recently and rapidly, that we still look forward to a yet further and vaster increase in the apparatus of production and to a corresponding abundance.” *Questions of the Day*, 57. See also Sections 9.2, 9.3, and 9.4 of the present study.

fellow-men... [According to the Ricardo-Malthus-Marx theory,] a slave he was thus created, and as a slave it is that he is treated.<sup>48</sup>

At least according to Carey, humans behave in a conscious manner, and are not merely slaves to material forces, as implied by historical materialism. It is through the conscious actions of individuals that technological development and economic progress comes about. Further, the historical-materialist process, according to Marx, is propelled forward by internal contradictions present in the production process, such as the presence of class conflict. The American Protectionists never perceived the relations of production as being plagued by internal contradictions. Rather economic relations, according to the Protectionists, are marked by the “growing harmony of all the various interests of which society is composed.”<sup>49</sup> In short, economic relations within the capitalist mode of production were viewed by the American Protectionists as harmonious, not contradictory. Without such contradictions, the material processes of history (if one accepts the premise) have no impetus to bring about change in the mode of production.

This ‘reading in’ of Marxist themes touches no small part of Hudson’s analysis. On the issue of theology, for instance, Hudson describes the School as having brought about the “secularization of economic thought” and it was only after “once having formulated their [materialist] views, they [the Protectionists] rationalized how these might be fitted into the divine natural order of society so as to give minimum offense to their Christian audience.”<sup>50</sup> The problem is that virtually all the American Protectionists were devout Christians, so it is incredibly doubtful that they simply rationalized their ideas post-hoc to appeal to a Christian audience. It seems far more likely that their theological views formed some basis of their economic philosophy.<sup>51</sup> Indeed, as will be shown in Chapter 6, this is undoubtedly the case. Because religion and the materialism associated with Marx are difficult philosophies to reconcile, it

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<sup>48</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, (Philadelphia: J. B. Lippincott & Co., 1859), 36, emphasis in original. In this passage, Carey was directing his criticism to Malthus and Ricardo, but it applies equally to Marx.

<sup>49</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 206.

<sup>50</sup> Michael Hudson, *America’s Protectionist Takeoff*, 11.

<sup>51</sup> This is in no way an exhaustive list of examples of this School’s link to Christianity, but it demonstrates the religiosity of the protectionist writers. The starting point of Henry Carey’s rejection of the Malthusian-Ricardian doctrine was that “it requires that we should at once, and forever, ignore the existence of an all-wise and all benevolent Deity, and put our trust in a Being by whom had been instituted great natural laws in virtue of which men should necessarily, and “regularly, die of Want’.” *Principles of Social Science*, Vol. 1, (Philadelphia: J. B. Lippincott & Co., 1858) 468; Calvin Colton, Henry Clay’s economic guru, studied at the Andover Theological Seminary and served as a pastor for the Presbyterian Church. He also wrote a series of religionists tracts entitled “Protestant Jesuitism”, “Thoughts on the Religious State of the Country”, and “Reasons for Preferring Episcopacy”; Robert Ellis Thompson studied theology and was an ordained minister at the Reformed Presbyterian Church. He also lectured at the Princeton Theological Seminary, and authored various Christian works, including *The History of the Presbyterian Church in America*; Stephen Colwell served on the general assembly and on the board of education of the Old Presbyterian Church. He was also trustee of the Princeton Theological Seminary, where he founded a chair of Christian social ethics; Joseph Wharton was a devout Quaker who founded Swarthmore College, a religious college; Jacob Harris Patton was a licensed preacher with the Presbyterian Church, and also published works on Christianity; and George M. Steele was clergyman with the Methodist Episcopal Church. See their respective biographical sketches in the Appendix for further details and citations.

seems that the Christian world view of the Protectionists is downplayed in Hudson's account to fit his materialist narrative.<sup>52</sup>

However, in terms of the overall picture of the American Protectionist system of thought, the main issue with Hudson's account is not so much that outright falsehoods are ascribed to the American Protectionists. It should be reiterated that Hudson's account is still a worthy contribution, and, despite its shortcomings, it is still mostly rooted in fact. The more significant issue relates to the matter of distortion by omission. The American Protectionists placed a lot of emphasis on the likes of entrepreneurship, differences in individual talents and aptitudes, economic diversification, and social mobility. Yet, because these concepts are basically foreign to the Marxian system of thought, they are either omitted completely or their importance is downplayed in Hudson's account.<sup>53</sup> That said, it should be emphasized that this problem of distortion by omission is no more significant in Hudson than in other works mentioned on this list.

Interestingly, whilst Hudson tries to manufacture, somewhat paradoxically, parallels between the Marxists and the American Protectionists, the other work presented from a Marxist perspective, Allen Kaufman's *Capitalism, Slavery, and Republican Values*, arrives at the opposite view. According to Kauffman, the American Protectionists "explain through religious reasoning both humanity's natural and unnatural acquisitiveness and the dynamics of history. Natural law becomes the will of God as revealed in the Bible."<sup>54</sup> Rather than drawing parallels between socialism and protectionism, Kaufman concludes that the protectionist "utopia is defensive; [they] want to perpetuate the petty bourgeois relationships that characterize the Northern economy of [the] period."<sup>55</sup> Whilst this work rejects the loaded Marxist rhetoric employed by Kaufman, it essentially agrees with the view that the American Protectionists were stalwart champions of the harmonious order of industrial

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<sup>52</sup> The conflict between Marxian materialism and Christianity has been well documented but is perhaps best demonstrated by the prominent Marxist Vladimir Lenin, who noted that "Religion is the opium of the people: this saying of Marx is the cornerstone of the entire ideology of Marxism about religion. All modern religions and churches, all and of every kind of religious organizations are always considered by Marxism as the organs of bourgeois reaction, used for the protection of the exploitation and the stupefaction of the working class." Vladimir Lenin, "About the Attitude of the Working Party Toward Religion", [April 1909] In *V. I. Lenin Collected Works*, Vol. 15, ed. Andrew Rothstein and Bernard Isaacs, (Moscow: Progress Publishers, 1977), 402-403.

<sup>53</sup> This is perhaps best illustrated by Hudson's account of Van Buren Denslow. A major theme of Denslow's *Principles of Economic Philosophy* is that profit acts as an endogenous force within capitalism which causes the migration of entrepreneurs and resources into new industrial pursuits. This, however, is completely absent from Hudson's account. Meanwhile, Hudson spends a significant amount of time arguing that even though Denslow "detested Marx and misrepresented him", without realizing it, Denslow's "analysis was nonetheless parallel [to Marx on] many points" including his "historical-materialist approach." Since Hudson misses one of the main features of Denslow's work, he fails to recognize that Denslow's migratory theory of profit (see Section 9.5) represents a key argument against historical materialism. Because capitalism possesses an endogenous force which prompts entrepreneurs to seek out new industrial pursuits, there is no tendency for the general rate of profit to fall and thus no crisis which would bring about a change in the mode of production, which is central to historical materialism. In this case, the issue of 'reading in' non-existent parallels between the Protectionists and Marxists are further compounded by the omission of relevant details, whether this is done consciously or not.

<sup>54</sup> Allen Kaufman, *Capitalism, Slavery, and Republican Values: American Political Economists, 1819-1848*, (Austin: University of Texas Press, 1982) 68.

<sup>55</sup> Allen Kaufman, *Capitalism, Slavery, and Republican Values*, 80.

capitalism. The American Protectionists were antithetical, not parenthetical, to the system of Marx.

Despite the relative neglect of the school in scholarly literature, there at least appears to be a renewed interest in the American Protectionists via two separate channels of scholarship.<sup>56</sup> The first is Christopher W. Calvo's 2020 work, *The Emergence of Capitalism in Early America*. Echoing John Roscoe Turner, Calvo challenges the Dunbar narrative, insisting that there were indeed original developments within antebellum (pre-Civil War) American economic thought. Calvo therefore seeks to "liberate antebellum political economy from the shadows cast by modern historians."<sup>57</sup> That said, whilst Calvo presents a challenge to the Dunbar narrative, it can scarcely be said that his work captures the theory of political economy developed by the American Protectionists. Part of the reason for this is the overly broad, yet limited, scope of his research. Calvo considers a wide variety of intellectual traditions extending well beyond the American Protectionists. At the same time, it does not consider any thinkers from the postbellum (post-Civil War) period – a period which includes the bulk of the American Protectionist writers. Calvo's analysis of the American Protectionists is therefore incidental to a broader objective. Thus, whereas Turner and Calvo challenges Dunbar's narrative that America has 'done nothing towards developing the theory of political economy', this study will fulfill this challenge by reconstructing the theory of political economy developed by the American Protectionists. The second channel of scholarship is Eric Helleiner's 2021 work *The Neomercantilists: A Global Intellectual History* which provides a global survey of a wide variety of so-called "neomercantilist" traditions. Although the present study rejects labelling American Protectionist thought as neomercantilist, Helleiner rightly identifies Henry Carey (and by implication, his school) as one of "the most influential of the thinkers" within this intellectual movement, who "has been vastly underrecognized in existing... literature."<sup>58</sup> In a similar vein to Calvo, Helleiner's

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<sup>56</sup> It should not be inferred from this, however, that these works prompted this study. The roots of this dissertation can be traced to my 2017 Honours thesis, Mathew A. Frith, "The Economics of Henry Charles Carey: Towards a Synthesis of 19<sup>th</sup> Century American Protectionist Thought" Unpublished Honours Thesis, University of New England, 2017. This was later presented as Mathew A. Frith, "The Economics of Henry Charles Carey: Towards a Synthesis of 19<sup>th</sup> Century American Protectionist Thought," Annual History of Economic Thought Society of Australia Conference, University of Sydney, October 2-4, 2019.

<sup>57</sup> Christopher W. Calvo, *The Emergence of Capitalism in Early America*, 13. That said, despite his criticism of pigeonholing American economics as Classical economics, Calvo, in effect, commits a similar error by equating the American Protectionists with the German Historical School, affirming that "Friedrich List is considered 'the earliest example on American soil of the Historical School of Economic Thought,'" (p. 153) and that "there are clear ties between the principles of the New [Historical/ Progressive] School and antebellum protectionist ideology... Both emphasized the inductive method, arguing that economic theory was dependent upon prevailing social, political, and economic conditions, and both favored practical solutions over universal laws" (pp. 237-238). If this is true, however, there would be no meaningful difference between the American Protectionist and the German Historical School, and they could thus be considered as one in the same. But this account overlooks the fundamental difference between the two traditions. Whilst it is true that the American Protectionists used the inductive method, their approach to induction differs significantly from the approach of the German Historical School. Moreover, they did not affirm the Historical School's rejection of general economic laws, but instead saw induction as a means to uncover general laws. See Sections 6.3 and 6.4 of the present study for a more thorough analysis on this point.

<sup>58</sup> Eric Helleiner, *The Neomercantilists: A Global Intellectual History*, (Ithaca: Cornell University Press, 2021), 11. Helleiner is, of course, aware of the imprecise nature of the term 'neomercantilist' (p. 9). Since his study captures a variety of different traditions, many of which viewed state activism as extending beyond protective tariffs, this general designation is reasonable.

treatment of the American Protectionists is incidental to the broader goal of tracing out the complex and diverse intellectual origins of neomercantilism. It therefore cannot be regarded as a work that seeks to elucidate the general system of economic thought of the American Protectionists. Indeed, Helleiner writes that “there is so much more to be said” and he encourages specialists “to improve on [his] analysis where improvements are needed.”<sup>59</sup>

## **2.2: Summary**

The literature review presented above exposes a clear gap in the research. There are, at present, no works which provide a general and comprehensive treatment of the economic theory and philosophy developed by the American Protectionists. The literature, which is not dismissive or misguided in their understanding of the School, either focuses on individual writers, specific aspects of their thought, or treats them with reference to a broader objective.<sup>60</sup> This reinforces the view expressed in the introductory chapter and emphasizes the need for the present study. Moreover, the existing literature also provides a cautionary tale and underscores the need to undertake an internal critique of the School, that is, to judge the School from its own standpoint and not with reference to external systems of thought. This, in turn, also establishes the need for proper exegetical methods.

Indeed, not only have the views of the American Protectionists been unfairly dismissed by judging them from the standpoint of Classical and Neoclassical economics, their ideas have also been distorted by a ‘reading in’ of Marxist themes and concepts. Given these issues, the present study is one which explicitly relies on going straight to the primary source material of the American Protectionists, so as to capture what they themselves had to say. Building upon this theme, the next chapter provides an overview of the methodology of the present study, and, in doing so, will establish the methods which will allow for a critical exegesis of the primary texts written by the American Protectionists. By conducting such an exegesis, this will prevent the reading in of foreign systems of thought and will thus provide the means by which to conduct an internal critique of the American Protectionist School.

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<sup>59</sup> Eric Helleiner, *The Neomercantilists*, ix.

<sup>60</sup> Where applicable, literature relating to specific issues will also be integrated throughout the thesis, and a brief commentary of existing literature relating to specific thinkers can also be found in the footnotes of the biographical sketches provided in the Appendix.

## Chapter 3: Methodology

### 3.1: This Study in the Context of the History of Economic Thought

It is an established view within the mainstream of economics that there is nothing to be gained from accessing and re-examining the ideas of past economists.<sup>61</sup> The latest theories, it is presumed, represents the only valid and useful tools for understanding the workings of the economy. This view, which is designated as the Whig theory of history and often associated with the positivist paradigm, maintains that the development of thought proceeds as an onward and upward march, whereby inferior theories are continually being discarded in favor of more scientifically correct ones, so that decade after decade ever more scientifically correct theories emerge.<sup>62</sup> Although this view still dominates the history of economic thought, it has been increasingly giving way to what is considered the Kuhnian view of scientific paradigms.<sup>63</sup> Thomas Kuhn, the founder of this theory, demonstrated that science does not simply progress in a one-way linear movement towards ever increasing correctness. Instead, there is a tendency for one prevailing theoretical paradigm or school of thought to become locked-in. As Kuhn notes, researchers almost never test their basic assumptions and axioms, and those that do challenge assumptions of the prevailing paradigm are often treated as unscientific and outsiders in the discipline.<sup>64</sup> The prevailing paradigm will only give way to a competing doctrine when it becomes apparent that there are strains from the growing accumulation of anomalies and contradictions which the theory is incapable of explaining.<sup>65</sup>

There is, however, an added dimension to this process. The philosophers Imre Lakatos and Paul Feyerabend extended Kuhn's analysis by arguing that the acceptance and rejection of paradigms is more complex than simply applying rigorous scientific testing or an objective criterion to the theory. This is especially true for economics since economists are unable to conduct controlled experiments nor are they able to

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<sup>61</sup> Mainstream economics refers to the Neoclassical and Keynesian economics that dominate standard economics courses in universities at the time of writing.

<sup>62</sup> Notable works which advance the Whig approach to the history of economic thought include Joseph Schumpeter, *The History of Economic Analysis*; and Paul Samuelson, "Out of the Closet: A Program for the Whig History of Economic Science", in *Paul Samuelson on the History of Economic Analysis*, ed. Steven G. Medema and Anthony M. C. Waterman (Cambridge University Press, 2015), 25-35. Indeed, Samuelson (p. 27) went so far to say: "I propose that history of economics more purposefully reorient itself toward studying the past from the standpoint of the present state of economic science... I am suggesting Whig Economic History of Economic Analysis."

<sup>63</sup> Some notable historians of economic thought who have adopted the Kuhnian view include Mark Blaug, *Economic Theory in Retrospect*; Alessandro Roncaglia, *The Wealth of Ideas: A History of Economic Thought*; Murray N. Rothbard, *Classical Economics: An Austrian Perspective on the History of Economic Thought*, Vol. 2, (Cheltenham: Edward Elgar Publishing, 2006); and Harry Landreth and David C. Colander, *History of Economic Thought*, 4<sup>th</sup> Ed (Boston: Houghton Mifflin Company, 2001).

<sup>64</sup> Thomas Kuhn, *Structure of Scientific Revolutions*, (Chicago: University of Chicago, 1962).

<sup>65</sup> This usually occurs when a younger generation of scholars, who are less invested in the prevailing paradigm, displace the older generation, as the older generation of scholars retire or die off, see Thomas Kuhn, *Structure of Scientific Revolutions*, 151. The fact that the American Protectionists lacked a significant presence in academic institutions may partially account for their decline, since younger scholars would have been less acquainted with their theories.



replicate trials, as this would entail re-running historical events.<sup>66</sup> Lakatos argues that the prevailing paradigms will generally prove far more resistant to the strain caused by the growing number of anomalies than assumed by Kuhn. Often there is a complex and even psychological process involved in bringing about a paradigm shift. According to Lakatos, scholars will generally persist with the existing paradigm in the face of growing anomalies, and it will only be abandoned once it is deemed to be a waste of time to continue any further.<sup>67</sup> Feyerabend goes even further by arguing that there really exists no criterion or fixed rule at all for the evaluation of paradigms. Instead, academic research programs usually proceed through a process of adding an ever-growing list of *ad-hoc* postulates to the paradigm to make it temporarily compatible with the various anomalies and contradictions that arise.<sup>68</sup>

The framework presented above is complimented in the field of economics by the writings of economist Deirdre McCloskey. According to McCloskey, the acceptance or rejection of a theoretical paradigm in economics is just as much rhetorical and literary as it is rational and scientific. As McCloskey argues, the rhetorical appeal or relative persuasiveness of a theory represents one of the essential elements involved in maintaining an existing paradigm or bringing about a paradigm shift.<sup>69</sup> Furthermore, often the persuasiveness of a paradigm, which forms the basis of acceptance, continuance, or rejection, is a result of what McCloskey refers to as “the rhetoric of scientism” – the practice of economists masquerading their work as being more scientific than what it really is by appealing to the likes of mathematics and scientific jargon – so it is often difficult to distinguish between a paradigm consisting of credible economic theory and one of simple rhetoric.<sup>70</sup> By implication, it does not necessarily mean that the newly accepted theory will be more correct than the one it displaced, or that there are not alternative theories of equal or even more value. Economics will therefore have a tendency to move in a zig-zag pattern where superior theories may be supplanted by inferior ones – as opposed to the onward and upward linear march assumed by the followers of the Whig theory of history. It is precisely because of these reasons that economic knowledge can be lost or forgotten.<sup>71</sup>

One need not adopt the nihilistic implications of the above analysis, nor does it provide a free pass to blindly dismiss the mainstream as devoid of any redeeming

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<sup>66</sup> Granted, small-scale controlled experiments can be conducted to better understand individual economic decision making (see, Nicolas Jacquemont and Oliver L’Haridon, *Experimental Economics*, Cambridge University Press, 2018), but it is nonetheless impossible to replicate historic economic events in a controlled manner.

<sup>67</sup> Imre Lakatos, *The Methodology of Scientific Research Programmes*, (Cambridge: Cambridge University Press, 1980).

<sup>68</sup> Paul Feyerabend, *Against Method*, (London: Verso, 1975).

<sup>69</sup> Deirdre N. McCloskey, *The Rhetoric of Economics*, (Madison: University of Wisconsin Press, 1985); Deirdre N. McCloskey, *Knowledge and Persuasion in Economics*, (Cambridge: Cambridge University Press, 1994).

<sup>70</sup> McCloskey, *The Rhetoric of Economics*, particularly Chapter 4. F. A. Hayek coined the term “scientism” in his *Counter Revolution of Science: Studies in the Abuse of Reason*, (Glencoe: The Free Press, 1952). This work also provides a valuable critique of this practice within economics from a less rhetorical standpoint.

<sup>71</sup> This argument is also advanced by Murray Rothbard, *Classical Economics*. The opening chapter of his work provides a detailed argument for the zig zag progression of economics.

qualities. Instead, it underscores the need for an open-minded and pluralist approach to the study of economics. Of course, this in itself is not a sufficient reason to study the writings of the American Protectionists. What it does demonstrate, however, is that there can be no presumption that more contemporary economic thought is superior to earlier thought, or even that more well-known economists and more well-known schools of thought are more worthy than lesser-known ones. For if it holds true that the overall trajectory of economics is just as much a matter of rhetorical persuasion as it is objective truth, it stands to reason that fallacious and erroneous theories may elbow aside sounder ones. This process evidently occurs in the history of economic thought. Its occurrence is demonstrated by the fact that theories that were dismissed in a previous era have reemerged, and have even become dominant, in another era. This is sometimes due to the original theory itself being rediscovered, but in other cases, the theory was rebuilt from scratch from a scholar unaware of the neglected pioneers.<sup>72</sup> In the latter case, it is very plausible that the opportunity cost of building the theory again from the ground up would far outweigh the costs of rediscovering the original theory by surveying the writings of the neglected pioneers (as this study aims to do).

The analysis above holds special importance for the study of the American Protectionists. The ideas of the American Protectionist writers are quite old, but this does not imply that they are of no theoretical value. For one thing, the market economy has not changed radically since the times of their writings, and on this basis, it cannot simply be presumed that their theories are inherently flawed or outmoded. As a case in point, protectionism, a major pillar of their program, is widely dismissed as unsound and economically illiterate in the current mainstream economics discipline, but few economists have actually been acquainted with the thoughts and arguments of the American Protectionists. These critics of protectionism typically employ the theory of comparative advantage (or some modern equivalent) in defense of free trade, a theory that was considered widely discredited within American Protectionist circles over a century ago. By ignoring such developments in the history of economic thought and simply dismissing these economists as archaic scribblers from a bygone era, we risk making economics a shallower and less rigorous discipline than it otherwise could be.

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<sup>72</sup> By no means an exhaustive list, some notable examples include the subjective theory of value practiced by Richard Cantillon, Turgot and others, being shunted aside by the Ricardo-Marx-Mill Labor Theory of Value, to be later vindicated by the Marginal Revolution; the Under-consumptionist theories of Malthus being rejected in his time, but reappearing later and becoming mainstream with the writings of John Maynard Keynes; and John Rae's theory of capital and interest being discovered later and independently by the Austrian economist Eugene von Böhm-Bawerk.

### 3.2: Critical Realism

The Whig theory of history is often associated with the research paradigm known as positivism. Positivism, in its strict sense, holds that knowledge is derived from observing real-world phenomenon through the application of methods established in the natural sciences. Through the application of these methods, the researcher is able to arrive at an objective interpretation of the world.<sup>73</sup> In positivist economics, this usually means the use of econometrics and formal economic modelling. Positivism therefore forms the basis of the Whig theory of history, as these scientific methods constitute the criteria for the rejection of faulty theories and the acceptance of more ‘scientifically’ correct ones. The positivist paradigm therefore has little use for the history of economic thought, and to the extent that the history of economic thought is practiced at all within economics departments, it is generally not adopted with the view of uncovering lost truths, but for matters more of intellectual curiosity and/or antiquarian purposes.<sup>74</sup>

This study, as implied earlier, rejects the Whig interpretation of history, and by implication, the positivist framework which underlies it. In contrast to the positivist-Whig framework, this study adopts the paradigm known as post-positivism or critical realism, developed by the philosopher Roy Bhaskar, and this complements the Kuhn-Lakatos-Feyerabend-McCloskey framework, or more succinctly, the zig-zag theory of intellectual history discussed above.<sup>75</sup> Critical realism should not be confused with the more controversial ‘critical theory’, which seeks to reveal and critique the power structures of society. The latter of which forms no part of this study. Whilst there is very little literature concerning critical realism’s application in the study of the history of economic thought – as the research paradigm typically seeks to explain social phenomenon as opposed to texts and ideas – the fundamental tenets of the research paradigm are applicable.<sup>76</sup> Unlike the positivist paradigm, critical realism stresses the fallibility of scientific methods in arriving at an objective truth, but it also rejects the view held by social constructionists that all knowledge consists of subjective interpretations.<sup>77</sup>

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<sup>73</sup> A detailed discussion of positivism can be found in Christopher G. A. Bryant, *Positivism in Social Theory and Research*, (London: MacMillan, 1985).

<sup>74</sup> This positivist attitude towards the history of economic thought is demonstrated by proposals to relocate the discipline outside of economics and into areas such as archaeology and history. See Steven Kates, *Defending the History of Economic Thought* (Cheltenham: Edward Elgar Publishing, 2013) for examples of such proposals and a worthy rebuttal against them.

<sup>75</sup> The general paradigm originates with Roy Bhaskar, *A Realist Theory of Science*, (London: Verso, 1975), but Andrew Sayer’s *Realism and Social Science*, (London: Sage, 2000) provides a clearer guide to the philosophy. This approach is broadly adopted in this study in the sense that it agrees with the key ontological and epistemological tenets of the paradigm, but there are reservations regarding some of its more esoteric positions.

<sup>76</sup> This study could not identify any literature explicitly linking critical realism to the history of economic thought. There are, however, histories of economic thought which seem to implicitly adopt an approach approximating critical realism. See, for example, Murray Rothbard, *Classical Economics*, Introduction; Roncaglia, *Wealth of Ideas*, Chapter 1; and Maurice Dobb, *Theories of Value and Distribution since Adam Smith*, Chapter 2.

<sup>77</sup> Feyerabend and McCloskey arrive at epistemologically anarchist and post-modern conclusions, but their arguments are also compatible with the critical realism approach adopted in this study.

Like positivism, critical realism stresses the existence of an objective reality. It assumes, however, that our knowledge of this reality is fallible, partial and imperfect because the researcher's worldview is socially conditioned and influenced by the likes of ideology, upbringing, and social circumstances.<sup>78</sup> This social conditioning presents the researcher with a cognitive veil, and it means that academic inquiry is inherently value-laden, in contrast to the ostensibly value-free approach of positivism.<sup>79</sup> Curiously, despite his own identification with the positivist paradigm, Joseph Schumpeter's own observations on the history of economic thought justifies the rejection of positivism and the adoption of a critical realist paradigm. As much as Schumpeter stresses the use of "scientific economic analysis" of a purely instrumental nature, supposedly free from normative judgments, he is perfectly aware that all "analytic work begins with material provided by our vision of things, and this vision is ideological almost by definition."<sup>80</sup> Since these visions are inherently ideological — that is to say that they are influenced by observer's world view and value judgments — and since these visions necessarily provide the foundations for economic science, it implies that all economic inquiry is inherently value-laden.

When the zig-zag theory of intellectual history is viewed in conjunction with critical realism, it is easy to see how economic knowledge can be lost over time, and even how revisionist studies can fail to recover lost knowledge. Economists and their ideas can easily be dismissed if they are at variance with the presuppositions and values adopted by the researcher reviewing their work, particularly if such ideas are at variance with the conventional views of the economic orthodoxy. Indeed, it would not be too much of a stretch to say that the American Protectionists would be especially prone to this sort of treatment due to the general aversion that mainstream economics has to protectionism, with much of the secondary literature devoted to the American Protectionists (discussed in Section 2.2) clearly exhibiting this tendency.

If we accept the fundamental tenets of critical realism, it holds that the study of the history of economic thought and, in particular, the study of older schools of economic thought and older economists is not only important for mere antiquarian purposes. Earlier economists and ideas should be studied to uncover lost and forgotten knowledge, which can contribute to the generation of new knowledge today. Finally,

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<sup>78</sup> With this in mind, Tony Lawson in "Ontology, Modern Economics, and Pluralism," *Economic Pluralism*, ed. R. F. Garnett Jr, E. Olsen, M. Starr (London: Routledge 2009) argues that pluralism in economics is required because of the fallibility and partiality in how economic theory represents reality. Even though his analysis does not directly translate into the history of economic thought, Lawson is commonly associated with the use of critical realism in the discipline of economics. See, for example, Tony Lawson, *Economics and Reality*, (Routledge: London, 2005).

<sup>79</sup> Roy Bhaskar describes this as "the 'curtain' of appearances that veils reality." Roy Bhaskar & Mervyn Hartwig, *The Formation of Critical Realism: A Personal Perspective* (London: Routledge, 2010), 213

<sup>80</sup> Joseph Schumpeter, *History of Economic Analysis*, 40. This inconsistency in Schumpeter's methodology is noted in Maurice Dobb, *Theories of Value and Distribution since Adam Smith*, 4-6. Jerry Courvisanos and Stuart MacKenzie, "Addressing Schumpeter's Plea: Critical Realism in Entrepreneurial History", (Paper presented at 8th AGSE International Entrepreneurship Research Exchange Conference, Swinburne University of Technology, Melbourne, Australia, February 1-4, 2011) also advances the argument that Schumpeter's own economic analysis lends itself to a critical realist approach to history.

despite being at variance with the staunchly objectivist positivist-Whig paradigm, the adoption of a critical realist approach does not imply an ‘anything goes’ or a downright subjectivist approach to the study of the history of economic thought. There are, of course, inadequate theories that deserve no place in the corpus of the history of economic thought. Nor should it be supposed that the accumulation of knowledge is impossible and unobtainable. Rather, critical realism stresses that inquiry should be approached with caution and care in order to control and minimize the biases inherent in human nature.<sup>81</sup>

### **3.3: Beyond a Few Great Men**

Historians of economic thought almost always focus on the economist behind an idea just as much as the idea itself. Whether this tendency adds any real theoretical value is open for debate. At the very least, it certainly makes the study of the history of economic thought more interesting than it otherwise would be. Since most people are interested in uncovering the ‘great ideas’ in economics, the corollary is that most historians of economic thought have tended to focus on a ‘few great men’.<sup>82</sup> Histories of economic thought usually start by introducing Adam Smith as the father of economics, with maybe some commentary of the mercantilists and physiocrats as predecessors of sorts. They then proceed to go through the usual leading figures of the classical period: David Ricardo, Robert Thomas Malthus, Karl Marx, and John Stuart Mill; then through the marginalists: William Stanley Jevons, Carl Menger, and Leon Walras; before ending this period with the neoclassical synthesis of Alfred Marshall. Next comes a chapter on John Maynard Keynes and the Keynesian revolution. Before ending with a chapter or two on the Neoclassical counter-revolution with leading figures, such as Milton Friedman and F. A. Hayek.

The above refers to generalized histories of economic thought, of course, and not specialized studies such as this one. There is still a tendency, however, even in more specialized studies, to focus on a few key players. Also accompanying this ‘few great men’ phenomenon is the tendency for virtually all scholarship to be on the one or two major thinkers of a particular school of thought, and for all lesser figures to remain neglected and forgotten. In the case of the American Protectionists, Alexander Hamilton and Friedrich List have both received wide scholarship (in the case of Hamilton not in economics *per se*, and List generally in the German context), and to a somewhat lesser extent, Henry Charles Carey and John Rae. Virtually all other

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<sup>81</sup> To minimize bias, practitioners of critical realism often use an iterative process of deduction and induction, known as retrodution, to identify causal relationships. However, since this study focuses on texts and ideas, as opposed to real-world economic phenomenon with causal relationships, this study will be approached on the basis of induction and abduction. That is, through an inductive process, general theoretical premises will be established by examining specific texts and other written evidence in a bottom-up fashion.

<sup>82</sup> With the notable exception of Joan Robinson, the key figures in the history of economic thought have consisted of men.

theorists of the American Protectionist School are unknown in the corpus of secondary texts on the history of economic thought, and seemingly to detrimental effect.

There are many grave errors in this ‘few great men’ approach to the history of economic thought.<sup>83</sup> First, the omission of lesser lights amounts to a falsification of the history of economic thought. The net result being that the corpus of economic thought will constitute a few scattered texts from economists which a handful of historians of economic thought have subjectively deemed to be important. One needs to look no further than the omission of the American Protectionist thinkers from general histories of economic thought to see this process in action. Second, lesser lights are important to any intellectual movement. Lesser figures often lay the groundwork for major theorists to build their theories upon, or they are responsible for providing new applications or even alternatives and challenges to the theories of the major thinkers within the school. In the context of this study, American Protectionism as a body of thought was developed by a number of contributors rather than by a few outstanding ones. This can be seen most patently by looking at the founding document of the school, *The Report of Manufactures*. Whilst formally recognized to be the work of Hamilton, it was actually a joint effort by both Hamilton and Tench Coxe, and it is also not beyond the realm of possibility that the lesser known William Barton also contributed in some way.<sup>84</sup>

It is, of course, true that economists are often guilty of hero-worship, whether this be Adam Smith, Karl Marx, or John Maynard Keynes, but the simple fact of the matter is that no matter how great a thinker might be, no one theorist is capable of marshalling the necessary knowledge to construct a complete and all-encompassing theory of the economy. In the case of American Protectionism, many seemingly minor thinkers such as William Elder, Robert Ellis Thompson, Van Buren Denslow, and Ellis H. Roberts, among a multitude of others, were extremely influential and important to the development of the School’s economic doctrine, yet they remain virtually forgotten. The importance of lesser figures is perhaps best summarized by the historian of economic thought Murray N. Rothbard:

A large number of the supposedly secondary figures contributed a great deal to the development of thought, in some ways more than the few peak thinkers. Hence, important features of economic thought get omitted, and the developed theory is made paltry and barren as well as

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<sup>83</sup> The ‘few great men’ approach originates with Thomas Carlyle, *On Heroes, Hero-Worship, and the Heroic in History*, (London: James Fraser, 1841) which emphasizes the view that history is explained largely by the actions of great men. This is often contrasted with the “people’s history” approach which attempts to explain history via the actions of common people. Neither approach is optimal. The ideas of the greats should not be understated, but neither should their importance be inflated.

<sup>84</sup> William Barton was the chief clerk of the US Treasury Department under Alexander Hamilton and Tench Coxe, and several arguments expressed in *The Report of Manufactures* appeared previously in Barton’s earlier writings. Refer to William Barton’s biographical sketch in the Appendix for further details.

lifeless... the cut-and-thrust of history itself, the context of the ideas and movements, how people influenced each other, and how they reacted to and against one another, is necessarily left out of the Few Great Men approach.<sup>85</sup>

Another important point to add is that examining the texts of lesser lights, particularly those in direct contact with the major thinkers of the school, often provide clarification and context for the writings of the major thinkers. Major thinkers are not necessarily the clearest writers, so their followers can often clarify ambiguous passages which would otherwise remain obscure by only focusing on the primary texts of the major theorists within the school.<sup>86</sup> This rejection of the Few Great Men Approach is also brought home by the intellectual historian Quentin Skinner, who pioneered much of the study of intellectual history. His insistence on the importance of studying minor figures, and not just the intellectual giants, should serve as an authoritative guide for arriving at a deeper and richer understanding of the history of economic thought.<sup>87</sup> This study will accordingly devote a significant amount of time covering the contributions of those considered to be minor or lesser figures. This may well make for more of a long-winded discussion, but it is necessary for a true and accurate representation of American Protectionist thought.

### **3.4: Bricolage, Critical Exegesis, Hermeneutics, and Reconstruction**

This section will discuss the actual methods which will be employed in this study to distil the general principles and ideas of the American Protectionists. Whilst the section above on critical realism outlines the general lens for undertaking this research, it offers little insight into the precise research methods involved. Indeed, critical realism, unlike positivism and social constructionism, is non-prescriptive when it comes to research methods, but it does typically involve some combination of positivist and interpretivist methods to arrive at a conclusion. For our purposes of arriving at a general picture of American Protectionist thought, the central task will be one of textual interpretation. In other words, understanding what their texts actually mean. However, the study will also rely on quasi-positivist methods to help strengthen the accuracy of the interpretation.<sup>88</sup> Through this approach, the study can then turn to the task of reconstructing an accurate picture of the general principles and theories held by the American Protectionists.

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<sup>85</sup> Murray Rothbard, *Classical Economics*, viii-ix; Denis O'Brien, *The Classical Economists Revisited*, (Princeton: Princeton University Press, 2004) arrives at similar conclusions.

<sup>86</sup> As a commonly cited example, David Ricardo was an incredibly poor writer, so referring to other Ricardians is often a useful means of understanding his texts. With regard to the American Protectionists, Henry Charles Carey is also not the clearest writer, so referring to texts of his immediate followers can also provide useful clarification.

<sup>87</sup> Quentin Skinner, "Meaning and Understanding in the History of Ideas," *History and Theory*, 8, no. 1 (1969), 3-53. This article was originally titled "The Unimportance of the Great Texts in the History of Political Thought".

<sup>88</sup> By quasi-positivist, Stigler's scientific exegesis is meant. This can be seen as a form of abduction.

Before the task of textual interpretation can occur, however, it is necessary to obtain textual evidence. For this aspect of the research, the study will utilize a method known as bricolage. Bricolage is a process which involves the construction of knowledge from fragments of information.<sup>89</sup> This is an improvisational and pragmatic method that enables gaps in the knowledge to be filled by available information at hand.<sup>90</sup> In practice, this will involve piecing together textual evidence, such as books, journal articles, letters, archival material, newspaper clippings, and congressional speeches from the economists and statesmen under examination. Once this task is carried out, the research can then proceed with the task of textual interpretation.

When it comes to textual interpretation, this research will rely on the two interrelated practices known as exegesis and hermeneutics. A more thorough exposition will be given below, but simply put, exegesis refers to the critical analysis and explanation of a given text, whereas hermeneutics refers to the methodology used to interpret a text. They are interrelated because hermeneutics essentially refers to the methodology used when undertaking an exegesis.<sup>91</sup> Exegesis has its origins in the study of religious texts, and it essentially involves the rigorous examination and scrutiny of a text in a sober manner to ‘draw out’ the author’s original meanings. This can be contrasted with an eisegesis, which is the process of interpreting a text or collection of texts in such a way that it introduces or ‘reads in’ the reader’s own presuppositions and values, which results in a distortion of the text’s original meaning.<sup>92</sup>

The process of conducting an exegesis is important not only from an academic standpoint, but also from an ethical one since such texts should be viewed in accordance with the context and meaning originally intended by the author. This is especially true in this case since the original authors are no longer alive to challenge faulty mischaracterizations of their work. Whilst conducting an exegesis sounds simple enough, the difficulties were well observed by one early Christian scholar regarding the reading of the Bible: “Men open this book, their favourite creed in mind; Each seeks his own, and each his own doth find.”<sup>93</sup> The works of the great economists, such as those of Adam Smith, Karl Marx, or John Maynard Keynes, can certainly be

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<sup>89</sup> This also enables the context of the period to be constructed, revealing the “drive” behind these economist to develop this approach to economics.

<sup>90</sup> Joe Lyons Kincheloe, “On to the Net Level: Continuing the Next Conceptualization of the Bricolage,” *Qualitative Inquiry*. 11, no. 2 (2005), 323-350.

<sup>91</sup> Ross B. Emmett’s “Exegesis, Hermeneutics, and Interpretation” (In *A Companion to the History of Economic Thought*, ed. Warren J. Samuels, Jeff E. Biddle, & John B. Davis Malden: Blackwell Publishing, 2003, 523-537) provides one of the best exegetical and hermeneutical discussions in the economics literature, and much of thinking in this section has been derived from this work. See also Jerry W. Willis, *Foundations of Qualitative Research: Interpretive and Critical Approaches*, (Thousand Oaks: Sage Publications, 2007) for a more general discussion of hermeneutics.

<sup>92</sup> Stanley E. Porter & Kent D. Clarke, “What is Exegesis? An Analysis of Various Definitions” In Stanley E. Porter, *A Handbook to the Exegesis of the New Testament* (Netherlands: Brill, 1997), 6-9. Due to exegesis originating in theological circles and the relative sparseness of secular scholarly literature on the topic, theological texts offer some valuable explanations.

<sup>93</sup> Samuel Werenfels quoted in Ross B. Emmett, “Exegesis, Hermeneutics, and Interpretation”, 524.



likened to sacred religious texts. The observation above is equally as applicable when one considers the myriad of varying, and often contradictory, interpretations of major economic treatises.<sup>94</sup>

In attempting to address the problem of how to arrive at a correct interpretation, the Chicago economist George Stigler proposed approaching the issue scientifically by examining a larger sample of texts written by the economist in question. To quote Stigler, “the basic way of increasing the confidence in the statistical test of a hypothesis is to enlarge the sample”, so to increase “our confidence in the interpretation of an author by increasing the number of his main theoretical conclusions which we can deduce from... his analytical system.”<sup>95</sup> By extension, this also means that examining a greater number of economists within a given school of thought or intellectual movement will improve our confidence at arriving at a system of generally accepted principles and ideas. In other words, Stigler’s “scientific exegesis” recommends the approach adopted earlier of moving beyond the study of a few great texts written by a few great men and conducting a broad survey of the intellectual movement. Furthermore, it lends credence to the use of bricolage, as the more textual evidence which can be drawn upon, the more accurate the interpretation will be.

Even though this research agrees with Stigler’s prescription with respect to sampling a larger quantity of texts, it is important to note the limitations of Stigler’s “scientific exegesis.” First, and as Stigler himself admits, his approach offers no guidance if clear contradictions exist between passages written by the same economists.<sup>96</sup> However, when examining an entire intellectual movement, Stigler’s approach still aids in sorting the dissenting views from the general or consensus view – allowing us to ascertain general principles. The other limitation of Stigler’s approach is his suggestion of what to do when one arrives at conflicting passages within a text or series of texts by a given thinker. For this, Stigler implicitly jumps from positivism to pragmatism, and recommends picking the most satisfactory interpretation from the standpoint of the present-day economics community since he is interested in the correct interpretation (one which ostensibly brings the greatest net benefit to economics), and not necessarily the most authentic one.<sup>97</sup> This granting of hermeneutical authority to contemporary economic theory is problematic, and is evidently of a Whiggish nature since it presupposes that present-day economics is

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<sup>94</sup> The two best illustration of this is (1) the struggle over the ‘correct’ interpretation of Keynes’ General Theory by orthodox Keynesians, neo-Keynesians, as well as the various sub-schools of post-Keynesianism, and (2) the competing interpretations of David Ricardo offered by Samuelson, Sraffa, among others.

<sup>95</sup> George Stigler, ‘Textual Exegesis as a Scientific Problem’, *Economica*, 32, no. 128 (1965), 448. Stigler (p. 448) notes, however, that “we should not be so literal-minded as to count the passages in a book to decide an author’s general position because the passages are not of equal importance.”

<sup>96</sup> That said, increasing the sample of texts under examination in turn increases the probability of stumbling upon such contradictions.

<sup>97</sup> George Stigler explains that “the net scientific contribution, if any, of the man’s work is thus identified, amended if necessary, and rendered capable of evaluation and possible acceptance.” George Stigler, “Textual Exegesis as a Scientific Problem”, 448. This approach aligns very much with the Whig view of history.

inherently the most correct and should be used to judge past theories. As has been shown, it does not necessarily follow that present theories are inherently superior ones. More importantly, this approach fails to distil what the author actually meant.

The sampling aspect of Stigler's scientific exegesis is perceptive, but the problem of how to arrive at a coherent system of general principles and theory still exists. An alternative strand of thought, associated closely with Quentin Skinner questions whether it is, in fact, legitimate to try and uncover, or rather, to reconstruct, a coherent system of thought. By attempting such a task, Skinner argues that what is created is a "mythology of coherence" because what is ultimately "written becomes a history not of ideas at all, but of abstractions: a history of thoughts which no one ever actually succeeded in thinking, at a level of coherence which no one ever actually attained."<sup>98</sup> The problems associated with this mythology of coherence is certainly valid when discussing a particular writer or when writing an intellectual history since there are often, to put it bluntly, contradictions within an author's work which cannot be reconciled. In this case, contradictions should simply be admitted.

The task before us, however, is not intellectual history in the literal sense (i.e. it is not a retelling of the development of ideas in their factually precise sequence), but a general treatment of the principles and ideas widely held by the American Protectionist School. In short, it is an attempt to ascertain a system of general principles and ideas, or as Skinner puts it, an "abstraction." Of course, this does not imply that one should simply amend theories to make them fit together in a logically coherent manner. However, often later writers within the same school of thought, later Protectionists in this case, went on to systematize and iron out the contradictions in the thought of earlier writers.<sup>99</sup> In other instances, later theorists would build upon the ideas of earlier theorists in a harmonious and in a non-discordant manner. These updated theories can often represent the generally accepted principles within the School, and using Stigler's "scientific exegesis", this can be determined with a fair degree of certainty. Contradictions may still exist, of course, and in such cases, it is best to simply acknowledge the existence of such contradictions.

A concern closely connected with the mythology of coherence that also needs addressing is the 'problem of essentializing'. This problem is also often raised in the study of religion and refers to the tendency to ascribe essential characteristics to a religion or ideology in spite of the fact that all religions and ideologies are internally diverse.<sup>100</sup> This idea is also relevant when studying schools of economic thought, since

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<sup>98</sup> Quentin Skinner, "Meaning and Understanding in the History of Ideas", 18

<sup>99</sup> This, however, should not be taken as a given, as later thought can represent a retrogression.

<sup>100</sup> A critique of essentialism can be found in Josh Reeves, *Against Methodology in Religion and Science: Recent Debates on Rationality and Theology*, (New York: Routledge, 2019). A defense can be found in Caroline Schaffalitzky de Muckadell, "On Essentialism and Real Definitions of Religion", *Journal of the American Academy of Religion*, 82, no. 2 (2014), 495-520.

within all schools, there still exists an internal diversity of ideas, so the question of what is and what is not an essential element or general characteristic of a particular school of thought can be a contentious matter.<sup>101</sup> That said, whilst this should be acknowledged that no school of economic thought is a homogenous monolith and that there indeed exists an internal diversity of ideas, the potential pitfalls of essentializing is not a sufficient argument to deter efforts to discover the essential or general characteristics of a school. First, to have any discussion at all about schools of economic thought, some degree of generalizing is necessary. Marxism, for instance, is used to describe a particular set of ideas, and it is these ideas which distinguishes it from other schools of thought. In this way, a school of thought can be conceived in general terms. Finally, essentializing is typically only a problem when a school of thought is conceived too broadly.<sup>102</sup> The present study, for instance, would be impossible if it sought to produce a general account of economic nationalism simply because economic nationalism captures such a broad set of different and often incompatible ideas. In such cases, efforts should be made to de-homogenize schools of thought, and where appropriate, this study will seek to do so when discussing the different schools of thought featured within this study. In any event, what the problem of essentializing highlights is that that internal diversity unavoidably exists, and as such, when distilling general characteristics, it is important to keep in mind that exceptions to the rule are bound to exist and thus the process will always be imperfect in nature.

Turning our attention back to hermeneutics, the question of how to reconstruct a general system of theory still persists. For this, the study will proceed with two forms of reconstruction: the rational and the historical. The first of these (the rational reconstruction) originates with the writings of Imre Lakatos.<sup>103</sup> The second (the historical reconstruction) seems to have originated, or at least popularized, with the writings of Quentin Skinner and John Pocock.<sup>104</sup> Whilst these different approaches have historically been opposed to one another, this changed with the writing of Richard Rorty (in philosophy) and Mark Blaug (in economics), with the two

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<sup>101</sup> In relation to economics, this problem is perhaps best illustrated by the varying ideas on what constitutes the ‘essential characteristics’ of Classical economics. Karl Marx considered Classical economics to be that which adhered to a theory of labor or surplus value and he clearly saw it as a forerunner to Marxian economics. Yet, J. B. Say is commonly considered a Classical, but he did not subscribe to such an approach (this is partially why the present study views the French Liberal Tradition as distinct from the Classical School). Alternatively, John Maynard Keynes views Classical economics as essentially that thought which adheres to Say’s Law and which rejects an aggregate demand deficiency explanation of recessions. Yet, Malthus is generally viewed as a Classical despite the fact that he held views that pre-empted Keynes when it came to the business cycle.

<sup>102</sup> The argument could be made that the Classical School suffers from this very problem.

<sup>103</sup> Imre Lakatos, “History of Science and its Rational Reconstructions”, *Boston Studies in The Philosophy of Science*, vol. 8, ed. R. C. Buck and R. S. Cohen (Dordrecht: Reidel, 1971).

<sup>104</sup> Quentin Skinner, “Meaning and Understanding in the History of Ideas”; John G. A. Pocock, “The History of Political Thought: A Methodological Enquiry”, ed. Peter Laslett and W. G. Runciman, *Philosophy, Politics and Society*, Second Series, (Oxford: Blackwell, 1962): 183–202.

reconstructions (the rational and the historical) no longer being treated as mutually exclusive.<sup>105</sup> In fact, Blaug and Rorty see the two as inseparable in some instances.<sup>106</sup>

The purpose of a rational reconstruction is to express the ideas of the past in such a way that it is intelligible to the modern reader. Or as one Scholar puts it, “what the dead had to say... when we need to say it again... can generally [be said] much better.”<sup>107</sup> This allows past thinkers to talk to modern readers. This should be done without imposing modern values on the original meaning of the text, which is admittedly a difficult task. This is where historical reconstruction comes into picture. Historical construction is, as Rorty puts it, “what unre-educated dead thinkers would have said to their contemporaries.”<sup>108</sup> That is, interpreting the meaning of texts within the historical and even linguistic context of their time.<sup>109</sup> Further, this approach posits a circular process (as shown in Figure 3.1: Hermeneutic Circle) to understanding, whereby the ‘new context’ adds ‘new understanding’ to the ‘initial understanding’ of the original text, and likewise, that the text itself provides a deeper context that allows for a more accurate understanding of the texts involved. This is an iterative process that is fundamental to all critical realist studies.

In practice, the historical and rational reconstructions take place concurrently. Whilst it may seem intuitive to conduct the “historical reconstruction first and leave rational reconstruction for later.” As Rorty explains “the two genres can never be that independent, because you will not know much about what the dead [thinker] meant prior to figuring out how much truth they knew. These two topics [approaches] should be seen as moments in a continuing [iterative] movement around the hermeneutic circle, a circle one has to have gone round a good many times before one can begin to do either sort of reconstruction.”<sup>110</sup> This bridging of the historical and rational reconstruction means that a general system of past thoughts can be presented to the modern reader without distorting their original meaning.

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<sup>105</sup> The tension between the two types of reconstruction exists since the rational reconstruction often generates a level of formalization and abstraction which never existed historically. Note that later in life, Blaug himself grew skeptical of whether the tension between the two could be resolved, see Mark Blaug, “No History of Ideas, Please, We’re Economists,” *Journal of Economic Perspectives*, 15, no. 1 (2001), 145-164; and John B. Davis, “Mark Blaug on the Historiography of Economics,” in *Mark Blaug: Rebel with Many Causes*, Eds. Marcel Boumans and Matthias Klaes, (Cheltenham: Edward Elgar Publishing, 2013), 161-165. Whilst this tension is acknowledged, the approach adopted in this study conforms with Blaug’s earlier views on the topic.

<sup>106</sup> Richard Rorty, “The Historiography of Philosophy: Four Genres”, in *Philosophy in History*, ed. Richard Rorty, J. B. Schneewind, & Quentin Skinner, (Cambridge: Cambridge University Press, 1984): 49–75; Mark Blaug, “On the Historiography of Economics”, *Journal of the History of Economic Thought*, 12, no. 1 (1990), 27–37.

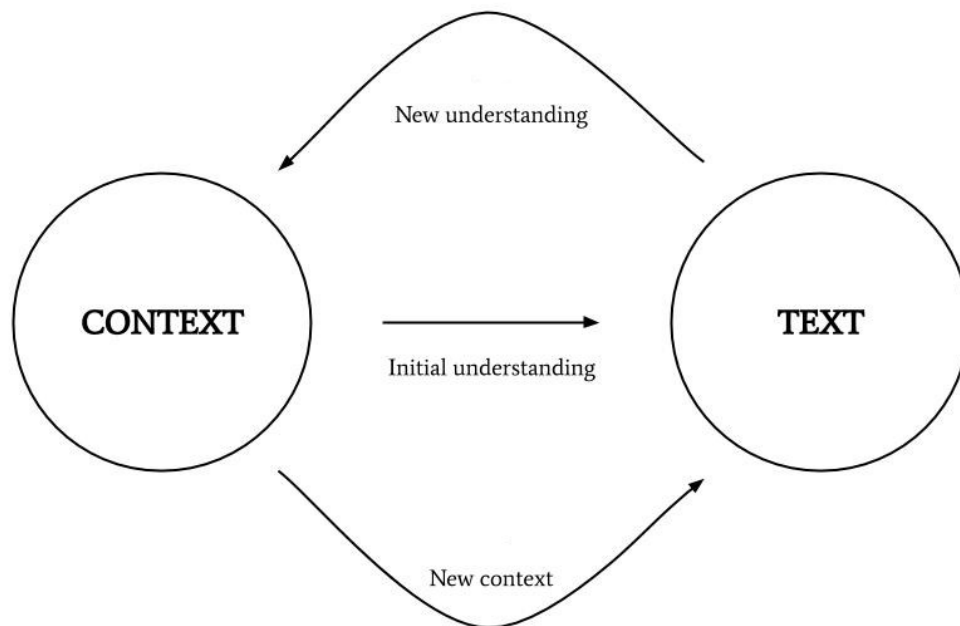
<sup>107</sup> Frank Hahn, “Autobiographical Notes with Reflections”, In *Eminent Economists: Their Life Philosophies*, ed. Michael Szenberg, (Cambridge: Cambridge University Press, 1993), 165. This work is a defense of the Whig history, yet the quotation makes an astute point.

<sup>108</sup> Richard Rorty, ‘The Historiography of Philosophy: Four Genres’, 53.

<sup>109</sup> By linguistic context, this is simply taking into account the changing meaning of words across time. Ross Emmet’s “Exegesis, Hermeneutics, and Interpretation”, 534, provides an illustrative example from within economics, noting that the word “uncertainty” took on a more specific meaning in the 1920s with Frank Knight’s famous treatise on the concept. This level of specificity is alien to the economists writing in the 19<sup>th</sup> century.

<sup>110</sup> Richard Rorty, “The Historiography of Philosophy: Four Genres”, 53f.

**Figure 3.1: Hermeneutic Circle** <sup>111</sup>



### **3.5: Summary**

It is far from apparent that the development of economic thought represents a linear progression towards greater scientific truth. In fact, the insights of Kuhn, Lakatos, Feyerabend, and McCloskey casts serious doubts on the viability of this position. What is clear is that past ideas can often be lost, not due to anything inherently wrong with the ideas themselves, but due to biases within the academic community and the rhetorical persuasiveness of competing ideas. The implication of this is that there can be no presumption in economics that modern ideas are better than the ideas of past thinkers, or that the “great economists” are inherently superior to lesser-known ones. This underscores the need for historical revisionism and reconstruction. Critical realism, through its emphasis on proceeding with caution and care to minimize biases inherent in human nature, is a research approach uniquely capable of undertaking such a task. By pairing critical realism with rational and historical reconstruction, a coherent understanding of American Protectionist thought can be presented to the modern reader, without distorting the original meaning of the ideas involved. Now that the methodological groundwork is laid, the study can proceed with addressing the research question by setting out in the next chapter the context within which the American Protectionist School arose and its relation to the other schools of economic thought which existed at the time.

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<sup>111</sup> Diagram sourced from: Anne-Laure Le Cunff, “The Hermeneutic Circle: A Key to Critical Reading”, NessLabs (2022): <https://nesslabs.com/hermeneutic-circle>

## **Chapter 4: Setting the Scene**

### **4.1: Introduction**

This chapter sets the scene for our discussion of American Protectionist thought. By providing context regarding the position of the American Protectionist School within the political, economic, and academic landscape, it will help to better situate the School within the history of economic thought. With this aim in mind, Section 4.2 introduces the personnel and writers of the School. Each of these writers will be roughly grouped within a given historical period, so that the reader has an indication of when each of them were active. Whilst it is not practical within this section to give a background to each of these theorists, the reader can refer to the Appendix, which contains a biographical sketch for each of the economists mentioned in the section.

Section 4.3 provides a discussion of the nexus between 19<sup>th</sup> century economics and politics. In doing so, the section will demonstrate the affinity which the American Protectionists had with the Federalist, Whig, and Republican Parties. In addition, this section provides insight into the changing nature of the two sides of politics, which also produced changes in the landscape of American economic thought and vice-versa. Section 4.4 details the relationship between the American Protectionists and other schools of economic thought over the course of its existence. This will allow the School to be better situated within the broader picture of economic thought and it will also highlight the differences between them and other competing schools of thought. Section 4.5 provides a discussion of the institutional infrastructure and organization of the American Protectionist School. Unlike most other schools of thought, the American Protectionists developed largely outside of the confines of academia, and because of this, they proceeded to establish their own private network of organizations and institutions. This represents the institutional infrastructure through which the American Protectionists could spread and sustain their doctrine. The chapter ends with a summary.

### **4.2: Personnel of American Protectionism**

With any discussion of a particular body of theory, it is perhaps helpful to begin by identifying the thinkers involved. It is very common for histories of economic thought to proceed with discussions of theories without introducing the economists behind them, and this often results in confusion. It is even more important for our purposes to provide such an introduction because the analysis draws from a wide number of thinkers, as opposed to discussing a few standouts. This section will briefly introduce the scholars and statesmen involved.<sup>112</sup> In doing so, these thinkers will be loosely

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<sup>112</sup> One might be inclined to question the inclusion of statesmen, but as evidenced by Alexander Hamilton, statesmen were often just as influential as the scholars within the School. Moreover, through the organizations

grouped by time period. This is admittedly an imperfect way of grouping them, since considerable overlap exists between the writings of different thinkers within each group, but it should at least give an indication of when each of them were active.

The first and smallest group roughly spans from the last several years of the colonial era (c. 1780) to the period prior to the Panic of 1819. These writers may be referred to as the Hamiltonian writers. They include William Bingham (1752-1804), William Barton (1754-1817), Tench Coxe (1755-1824), and Alexander Hamilton (1775 or 1757 to 1804) himself. The most notable of these thinkers are Hamilton and Coxe, who jointly wrote the *Report on the Subject of Manufactures*. Both figures, as the Boston-based Home Market Club explains, can be generally recognized as the father[s] of the protective system in America.”<sup>113</sup> In fact, Mathew Carey would even go so far as to label the tradition as the “Hamiltonian school of political economy.”<sup>114</sup> In addition to those mentioned above, there is also the geographer and mapmaker John Melish (1771-1822) and the statesmen Alexander J. Dallas (1759-1817), who represent late comers to this first group of thinkers.

The second group roughly spans from the Panic of 1819 to the publication of Henry Carey’s *The Past, The Present, and the Future* in 1848. Most figures within this group were in some way connected with Mathew Carey (1760-1839), who became the de facto leader of the School not long after the death of Hamilton. The inveterate protectionist Tench Coxe was also active in the early part of this period. Other writers in this group include Daniel Raymond (1786-1849), Hezekiah Niles (1777-1839), Alexander Hill Everett (1790-1847), Calvin Colton (1789-1857), Willard Phillips (1784-1873), David Stirrat (1776-1856), George Tibbits (1763-1849), William Jennison (1757-1843), William Charles Jarvis (unknown-1836), Samuel Jackson (1787-1872), Lyman Beecher (1775-1863), and Oliver Putnam (1777-1826). Also of immense scholarly value are the speeches and political writings of several key American Protectionist statesmen of the time. The most notable of these statesmen are Henry Clay (1777-1852), who is often recognized as the father of the American System, Daniel Webster (1782-1852), and Rufus Choate (1799-1859).<sup>115</sup> Whilst not often thought of when discussing American economic thought, the German emigre

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discussed in Section 4.5, the addresses and speeches of statesmen were commonly pamphletized and were in wide circulation.

<sup>113</sup> Introductory note [written by Henry Cabot Lodge] on Alexander Hamilton, *The Report of the Secretary of the Treasury of the United States on the Subject of Manufactures*, Home Market Club Edition (Boston: Potter Publishing Co, 1892), introduction.

<sup>114</sup> Mathew Carey, *An Appeal to the Common Sense and Common Justice*, 3<sup>rd</sup> ed. (Philadelphia: H. C. Carey & Lea, 1822), 3-4.

<sup>115</sup> The American System is essentially the same program as that advanced earlier by Hamilton. Hamilton did in fact use the term ‘American System’, but in a different context. In *The Federalist Papers*, Hamilton writes “let the thirteen States, bound together in a strict and indissoluble union, concur in erecting one great American system.” Alexander Hamilton, *The Federalist No. 11*, [24 November 1787] *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett. (New York: Columbia University Press, 1962), 346. It was in 1824, however, that Henry Clay first used the term “American System” to refer to the Hamiltonian economic program. Henry Clay, “On American Industry,” In *The Works of Henry Clay*, Vol. 5, ed. Calvin Colton, (New York: Henry Clay Publishing Company, 1896), 513.

Friedrich List (1789-1846) is also considered to be a member of the American Protectionist School.<sup>116</sup> This also applies for the Canadian economist John Rae (1769-1872), who was perhaps the most sophisticated thinker in the School since Hamilton and Coxe.<sup>117</sup> Both Rae and List were inspired and influenced by other American Protectionists, and the two also resided in the United States for a considerable period of time.<sup>118</sup> Although often neglected, there was also a small contingent of Southerners who were aligned with the School, including Nathaniel A. Ware (1780-1854) and William Gregg (1800-1867).<sup>119</sup>

The third group, which formed closely around Henry Charles Carey (1793-1879), the son of Mathew Carey, spans from 1848 to around 1875. Henry Carey was without a doubt the most important American Protectionist thinker since Alexander Hamilton. Other writers of this period include Horace Greeley (1811-1872), William Elder

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<sup>116</sup> This represents a point of difference with other accounts. The likes of Helleiner's *The Neomercantilists*, for instance, takes issue with treating List and Carey (and, to a lesser extent, Hamilton) as members of the same tradition, noting the distinctive differences between the two. There is some truth to this position. Whereas Carey's analysis revolves around individuals coming together at local centers of association and industry, so they can find employment and careers suited to their individual talents and abilities from which they can trade with others on a complimentary basis, the starting point of List's approach was the nation as a political body which possesses rights and needs that transcends the individuals composing it. Robert Ellis Thompson (in "Economic Literature", *The American*, 16, no. 415 (1888) 214-215) makes this distinction explicit, explaining that, unlike Carey, "it is not the local centres of association and industry, but the nation and its collective rights, possessions, and needs, that List starts from." Yet, in spite of these differences, by the second half of the 19<sup>th</sup> century, most American Protectionists largely followed a more comprehensive and synthesized American Protectionism which captures the ideas of both List and Carey. This approach can be seen most explicitly in the writings of William Elder, John L. Hayes, and Van Buren Denslow. In fact, in other instances, Thompson (*Political Economy for High Schools and Academies*, Boston, Ginn & Company, 1895, 7) even refers to "the National school of List and Carey", so the claim that they are two distinct varieties of economic thought is contestable. Afterall, both thinkers were still products of the intellectual movement which descended from Alexander Hamilton. Moreover, Friedrich List (In *Outlines of American Political Economy*, Philadelphia: Samuel Parker, 1827, 5-6) clearly saw himself as a member of School, entitling his first work *Outlines of American Political Economy*, and going so far to declare "war" against "the system of Adam Smith and Co... on the part of the American System." List also cites Mathew Carey's *Addresses of the Philadelphia Society for the Promotion of National Industry*, Nile's *Register*, and the speeches of the American Protectionists statesmen as influences. In addition, writing in a letter to his wife in 1838, List also indicated that he "still found" the works of Daniel Raymond, Mathew Carey, and Hezekiah Niles to be "highly useful." Michael O'Connor, *Origins of Academic Economics in the United States*, 33f. Finally, although Henry Carey Baird's work *Carey and Two of His Recent Critics* (reprinted from *Proceedings of the American Philosophical Society*, 29, no. 136, 1891, 8), stresses the limited influence of List on Henry Carey, this appears to be due to the fact, that unlike Carey, List never created a system of economic laws "interlocked and interwoven into one grand and harmonious whole." Whereas List tended to lay down principles, Carey was more of a system builder. This study will therefore proceed with treating the two figures both as members of the American Protectionist School.

<sup>117</sup> It has also been correctly noted that Rae's treatise was neglected during his time, which may lead some to conclude that it is improper to treat Rae as a member of the American Protectionist School. Rae is, however, cited and even referred to as a member of the School by no less than eight other American Protectionists (see Rae's biographical sketch in the Appendix for details). Given that this is before the time that citations became common practice, this suggests that Rae's treatise was well known among American Protectionists. In addition, John Rae's *Statement of Some New Principles on the Subject of Political Economy* (Boston: Hillard, Gray and Co., 1834, ix, 365-366) quotes from Hamilton's *Report*, and in the preface to his work, Rae cites "the legislature of the United States, as affording the best practical illustration hitherto existing of the correctness of some of the principles I maintain," which is clearly referring to the American System. At any rate, it will become apparent as a consequence of this study that Rae clearly falls within this School due to the clear similarity in emphasis and theory between him and the other writers in the American Protectionist tradition.

<sup>118</sup> Friedrich List resided in Pennsylvania from 1825 to 1832 and was associated with the Mathew Carey circle of Protectionists, see William Otto Henderson, *Friedrich List: Economist and Visionary 1789-1846*, (London: Routledge, 1983) 64-67; and Margaret Hirst, *Life of Friedrich List*, (London: Smith, Elder, & Co., 1909), 29-71. John Rae also travelled back and forth between Canada and the United States throughout his life, and eventually resided in California (1849-1851), before travelling to Hawaii (1851-1871). His *Statement of Some New Principles on the Subject of Political Economy* was also sponsored by the Boston Protectionists, see R. Warren James, *John Rae: Political Economist*, (Toronto: University of Toronto Press, 1965), 98-110, 141-142.

<sup>119</sup> There were also other nominally protectionist Southerners, including David Christy, Edmund Ruffin, and James D. D. De Bow, but their support for protectionism was of a very different kind. They were more concerned with protecting Southern cotton interests, ensuring self-sufficiency from the North, and bypassing them through direct trade with Europe. Whereas Ware and Gregg were influenced by the likes of Raymond, Rae, and Carey, these other writers were rooted more in the Southern Doctrine discussed in Section 4.3 and 4.4.



(1806-1885), Robert Ellis Thompson (1844-1924), Stephen Colwell (1800-1871), E. Peshine Smith (1814-1882), William Dexter Wilson (1816-1900), Ezra Seaman (1805-1879), Francis Bowen (1811-1890), Joseph Wharton (1826-1909), Andrew W. Young (1802-1877), and Willard Phillips, who was also active in the 2<sup>nd</sup> group mentioned above. Important statesmen of this period with notable economic works include William D. Kelley (1814-1890) and Andrew Stewart (1791-1871).<sup>120</sup>

The fourth and largest group overlaps with the previously mentioned group, and spans from the postbellum period before steadily declining as a School from the turn of the 20<sup>th</sup> century. Despite being the largest of the four groups and, in the authors view, the most refined, these writers are by far the most neglected in the literature. Moreover, as will be made evident in Section 4.5, this was also the most well-organized of the four groups. Both Robert Ellis Thompson and William Elder, who featured in the third group, can also be placed within this group due to their writings spanning more or less equally across both periods, and also because of their profound influence among the post-Carey writers. In fact, writing with respect to “Thompson’s *Social Science*”, when visiting the United States in 1875, Alfred Marshall observed that “the Protectionists... regarded that book – though written by a young man – as to a large extent superseding Carey; and that they adopted it” when advancing the cause of protection.<sup>121</sup>

One of the other more important writers within this group is Van Buren Denslow (1833-1902), who along with Thompson and Elder, can be regarded as one of the major thought leaders of this period. Other important writers include Erastus B. Bigelow (1814-1879), Ellis H. Roberts (1827-1918), John L. Hayes (1812-1887), Albert Clarke (1840-1911), David H. Rice (1841-1893), Giles B. Stebbins (1817-1900), Jacob Harris Patton (1812-1903), George M. Steele (1823-1902), Thomas H. Dudley (1819-1893), George B. Curtiss (1852-1920), Richard W. Thompson (1809-1900), George B. Dixwell (1814-1885), David H. Mason (1829-1903), John W. Hinton (1817-1901), Henry M. Hoyt (1830-1892), John Welsh (1805-1886), Orrin Skinner (unknown-1896), John Phillips Young (1841-1921), Robert P. Porter (1852-1917), Henry Carey Baird (1825-1913), who was the nephew of Henry Carey, and Cyrus Elder (1833-1912), who was the younger brother of William Elder. In addition, George Gunton (1845-1919) can also be considered as a member of the School. That said, it is important to keep in mind that whilst many aspects of Gunton’s thought are representative of the School, there are other aspects which differ quite significantly from that of the core doctrines of the School, particularly with respect to

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<sup>120</sup> There was also Eugen Dühring, who was a one-time German follower of Carey. That said, it appears that he later abandoned Carey’s doctrine for socialism. He is thus not considered in this thesis because of the questions surrounding his later thought and also because his works have not been translated into English.

<sup>121</sup> Alfred Marshall to Unknown Correspondent, [6 June 1907], in *The Correspondence of Alfred Marshall, Economist*, Vol. 3, Ed. John K. Whitaker (Virginia: Cambridge University Press, 1996), 160.

distribution.<sup>122</sup> For the purposes of this study, therefore, his contributions will only be discussed when they align with the broader views of the American Protectionists. Notable statesmen in this period also include President William McKinley (1843-1901), Presidential Candidate James G. Blaine (1830-1920), Roswell G. Horr (1830-1896), and Thomas Brackett Reed (1839-1902).<sup>123</sup> Although appearing late in the picture, Andrew Mellon (1855-1937), who was Secretary of the Treasury to the Harding and Coolidge Administrations, also represents an important American Protectionist statesmen .

In addition to the above, there are other American Protectionists, who deserve mentioning, but whose contributions are not considered in this study. The first are those who taught American Protectionist thought, but did not produce any works on the topic. This includes the likes of Daniel R. Goodwin (1811-1890) of the University of Pennsylvania.<sup>124</sup> There were also other economists who produced economic tracts that were either statistical, entirely applied in nature, or were tangential to the thought and philosophy of the School. These writers include Albert S. Bolles (1846-1939), S. N. D. North (1848-1824), James M. Swank (1836-1910), and Lorin Blodgett (1823-1901).<sup>125</sup>

Before continuing further, it is also necessary to address the needless confusion surrounding the relationship between the New England and the Pennsylvania Protectionists. Scholars have argued that “the Boston protectionists... stand in sharp contrast to the theories of economists” of the Mid-Atlantic, going so far to posit that the two groups were even hostile towards one another.<sup>126</sup> This, by implication, suggests that the two were distinct and separate traditions.<sup>127</sup> Every school of thought, of course, exhibits an internal diversity of ideas, so it should come as no surprise that

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<sup>122</sup> The Home Market Club also considered Gunton to be a member of the School. There are, however, clear points of departure on many key issues. Gunton, for example, developed a rather unique theory of distribution predicated on expectations which is quite different to the productivity approach taken by the rest of the School. Gunton also saw large-scale corporations as inherently superior to a decentralized system of small-scale entrepreneurs. Whilst the other Protectionists were not explicitly opposed to large corporations, they tended to look more favorably on smaller firms and envisioned a decentralized system of producers. See Gunton's biographical sketch in the Appendix for more details.

<sup>123</sup> Note that there were thinkers, such as Ellis H. Roberts and Henry M. Hoyt, who began as statesmen, but would later produce scholarly treatises. They are grouped here as economists.

<sup>124</sup> Daniel R. Goodwin was a Protectionist who taught at the University of Pennsylvania and was responsible for converting Robert Ellis Thompson to protectionism. Goodwin, however, never wrote a treatise on political economy. He instead taught using Francis Bowen's *Principles of Political Economy* and Henry Carey's *Manual of Social Science*, see Robert Ellis Thompson's biographical sketch in the Appendix for further details.

<sup>125</sup> Albert S. Bolles can be tentatively considered an American Protectionist. His 1874 work *Chapters of Political Economy* is not protectionist, but it appears that he moved more into the protectionist camp later on. His 1879 *Industrial History of the United States* has a protectionist slant to it, and Robert Ellis Thompson considered him to be a member of the school in the 1880s. He was active in the American Iron and Steel Association, and the Industrial League circulated a tract of his entitled *Has the British Lion Worn Out His Paw?* See Industrial League Record Book, [no page number] Box 132, Folder 9, AISR, HML, Wilmington, Delaware. In any event, Bolles' contributions are more in the field of finance and money. Lorin Blodgett, James M. Swank, S. N. D. North were also members of the School, but they only produced applied and statistical treatises. Other lesser lights have also been identified through the course of this study, but it is unnecessary to go into them in this study.

<sup>126</sup> Michael Hudson, *America's Protectionist Takeoff*, 18.

<sup>127</sup> This argument is advanced by Michael O'Connor's *Origins of Academic Economics in the United States* (New York: Columbia University Press, 1944, 45) and reiterated by Michael Hudson's *America's Protectionist Takeoff* (18) who seemingly did not double check the primary sources used by O'Connor. No other evidence is provided by either author to substantiate this view.

individual American Protectionists sometimes diverged on certain theoretical issues.<sup>128</sup> But when it comes to the New England and the Pennsylvania Protectionists, these divergences are no more significant between the two geographical regions than they are between the economists within each region. There is also no credible evidence to support the view that tensions existed between the two groups.<sup>129</sup> The source of this confusion comes from a misquoted passage incorrectly ascribed to John Rae, which alleges that Alexander Everett, and by extension the New England Protectionists, were “scared of Mathew Carey’s work.”<sup>130</sup> This ostensibly comes from a biographical sketch included in Charles Mixter’s 1901 posthumous edition of John Rae’s treatise, which was retitled as a *Sociological Theory of Capital*. Yet, no quote of the kind appears anywhere in the work, and it is incredibly doubtful that this quotation exists at all.<sup>131</sup> Furthermore, all other evidence from the period points to the view that the New Englanders and Pennsylvanians operated harmoniously with one another and that both considered themselves to be of the same school of thought.<sup>132</sup> This is also demonstrated by the fact that both Alexander Everett and Mathew Carey (among other representatives of each region) were delegates both to the 1827 Harrisburg Tariff Convention and the 1831 New York Friends of Domestic Industry Convention.<sup>133</sup> Indeed, this kinship between the two groups is perhaps best illustrated by Robert Ellis Thompson’s praise for his New England counterparts:

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<sup>128</sup> Willard Phillips had some reservations about the clarity and certain metaphysical aspects of Henry Carey’s work, but this does not appear to be anything out of the ordinary, and it was also Carey’s 1837 work, which came prior to Carey’s conversion to protectionism. Willard Phillips “Principles of Political Economy,” [Review Article] *The North American Review*, 47, no. 100 (1838), 73-90.

<sup>129</sup> Francis Bowen and Willard Phillips were both from Boston, for instance, yet Phillips rejected Bowen’s milder protectionism and, at one time, opposed his professorship at Harvard, although it does appear that the relationship improved later on. Francis Bowen to Willard Phillips, Jan 24, 1851, Box 13, WPP, MHS, Boston, Massachusetts. By milder protectionism, this refers to Bowen’s Smithian sympathies, whereas Phillips rejected Adam Smith outright.

<sup>130</sup> Michael O’Connor, *Origins of Academic Economics in the United States*, 45; Michael Hudson, *America’s Protectionist Takeoff*, 18.

<sup>131</sup> A possible source of this error is a letter which John Rae wrote to John Stuart Mill, where Rae explains “I was induced to put forth... [my treatise] in Boston, under the assurance from Mr. [Alexander] Everett that it would be appreciated there. He was, however, I believe scared at it.” John Rae quoted in *The Sociological Theory of Capital*, (New York: MacMillan, 1905), xxxi. Note that Rae’s resentment of Everett can be traced to Everett’s review of his work which appeared in the *North American*. Rae’s brilliant treatise was far ahead of its time and its significance was not fully grasped by Everett, who was seeking a popular work which would appeal to the masses. It should be noted, however, that, in spite of Rae’s assessment, Everett was far from critical of Rae’s work and actually praises it, even though he may not have fully understood its significance. Everett explains, for instance, that “[Rae] has exhibited great ingenuity, extensive reading, and a remarkable power of style, with no other prominent fault, than one, which is itself an evidence of high intellectual ability, [that is] a tendency to excessive refinement and abstraction... with the ability which he possesses of communicating his discoveries to the public in so agreeable a form, we hazard little in predicting that our author, should he persevere in his researches, as we trust he will, is in very little danger of encountering the neglect and abandonment which he describes too correctly as not the uncommon reward of inventive genius.” Alexander H. Everett, “Rae’s Political Economy,” *The North American Review*, 40, no. 86 (1835), 128, 138.

<sup>132</sup> All letters between writers of the two regions supports this view. See, for example, Willard Phillips to Henry C. Carey, June 1, 1863, Box 16, Folder 6, HCCP, ECGC, HSP, Philadelphia, PA.; Alexander H. Everett to Henry Carey, October 21, 1835, (letter sourced from Peter Harrington Bookseller); John Hayes to Erastus B. Bigelow [containing a reproduced letter from Carey to Hayes, November 14, 1877], Undated, Box 3 [1877, Nov] EBBP, MHS, Boston, Mass.; John L. Hayes to Robert Ellis Thompson, December 17, 1874; and John L. Hayes to Henry C. Carey, various dates, NAWML, WHS/UW, Madison, WI; Erastus B. Bigelow to Stephen Colwell, December 22, 1864; March 14, 1866; and John L. Hayes to Stephen Colwell, March 19, 1866; Folder 8, SCP, KMC, UP, Philadelphia, PA.

<sup>133</sup> Hezekiah Niles, *Journal of the Proceedings of the Friends of Domestic Industry* (Baltimore: 1831), 1-11; Everett was actually the Chairman of the 1831 New York Friends of Domestic Industry Convention. Joseph Dorfman, *Economic Mind in American Civilization*, Vol. 2, 780

We [the Protectionists] of Pennsylvania rejoice in the prosperity of our sister state as though it were our own... No state has done more to make that policy [of protection] the American law than has Massachusetts... by the able advocacy of protection by men like Daniel Webster, [Willard] Phillips, Oliver Putnam, Francis Bowen, John L. Hayes, George B. Dixwell, and a score of others.<sup>134</sup>

As a final remark, it is necessary to note that the views of Simon Patten are not addressed in this dissertation.<sup>135</sup> Whilst Patten supported protectionist policies and some scholars have conflated his views with that of the American Protectionist School, it is doubtful whether he can genuinely be considered as a member.<sup>136</sup> Whilst an internal diversity of ideas exists within the American Protectionist School, these differences are one of degree and emphasis. The difference between the American Protectionists and Simon Patten, however, is fundamentally one of kind. Patten's economic thought, although highly syncretistic, was derived primarily from his study in the German seminaries under the teachings of the German Historical School. Indeed, reflecting on his own thought, Patten credits the German Historical School, along with the ideas of John Stuart Mill, Karl Marx, and Henry George as influences, yet does not mention any American Protectionist writer.<sup>137</sup> And from a policy standpoint, Patten's views resemble that of the American Progressives and the German Historical Tradition. His protectionism can thus be seen as a facet in his broader program of state socialism which also endorsed price and wage controls, income tax, and state monopolization. This is very different from the American System of capitalism advocated by the traditional school of American Protectionism which descended from Alexander Hamilton.

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<sup>134</sup> Robert Ellis Thompson, 'Pennsylvania Protectionists', *The Protectionist*, 11, no. 131, (1900), 649; The quotations from Robert Ellis Thompson (a Pennsylvanian) and George B. Dixwell (a New Englander) presented in the front of this work clearly identify both New England and Pennsylvania Protectionists as members of the one School.

<sup>135</sup> Earlier works have also considered George Opdyke (e.g., John Roscoe Tuner, *Ricardian Rent in America*, 44), Charles Nordhoff (e.g., Lewis Haney, *History of Economic Thought*, 250), and Ralph Waldo Emerson (e.g., Thomas D. Birch, *Toward a Better Order: "The Economic Thought of Ralph Waldo Emerson," The New England Quarterly*, 68, no. 3 1995, 396) to be members of the School, but this appears to be mistaken. Opdyke commenced writing his treatise with the view of demonstrating the validity of protection, but while preparing his treatise, he was converted to Classical economics by the ideas of John Stuart Mill, and what he finally produced was a free trade piece. In the case of Nordhoff and Emerson, both were quite eclectic thinkers, and it does appear that both were influenced, to some degree, by the ideas of the American Protectionists. However, both were ardent free traders, and documents from the National Wool Manufacturers Association, (see, *List of American Members of the Cobden Club*, undated, NAWML, WHS/UW, Madison, Wisconsin) list them as members of the Cobden Club, which is anti-protectionist. Lastly, David Ames Wells has not been considered in this thesis. Whilst Wells began as a disciple of Carey, he later converted to Cobdenism.

<sup>136</sup> Ugo Rabbeno, *The American Commercial Policy*, 287. Michael Hudson's *America's Protectionist Takeoff* is also somewhat conflicted on this point. At times, Patten is considered to be a member of the School, and at other times, he is considered a Progressive or Institutionalist.

<sup>137</sup> Simon Patten writes that "aside from a German education the potent influence in shaping my career has been the writings of John Stuart Mill. I have regarded myself as his disciple; and while other heroes of my youthful ardor sank beneath the horizon he remained the one personal influence shaping my thought... [Yet] Mill goes from logic to sentiment without being conscious of the opposition between them or of the change going on within himself. He is a thinker [who is] becoming a socialist without seeing what the change really meant. The Nineteenth Century epoch ends not with the theories of Mill but with the more logical systems of Karl Marx and Henry George." Simon Patten, *The Reconstruction of Economic Theory* (Philadelphia: The American Academy of Political and Social Science, 1912), 2.

### 4.3: Nexus between American Economic Thought and Politics

[The Republican Party,] the party now in power in this country, through its present declaration of principles, through the traditions which inherited from its predecessors, the Federalists and the Whigs, through their achievements and through its own, is representative of those policies which were adopted under the lead of Alexander Hamilton.<sup>138</sup>

- Calvin Coolidge

More so than other places and periods, economic thought in 19th century America was heavily divided along political party lines, with a high degree of interplay existing between the competing schools of economic thought and the competing political parties of the period. In fact, American Protectionist thought itself largely evolved from within the domain of politics. This is demonstrated by the number of reports and speeches of statesmen and political advisers, including those of Hamilton, Coxe, Dallas, Clay, Choate, and Webster, which came to represent the seminal works of the School. It is thus important to understand the nexus between 19th century economic thought and politics, as this provides necessary context and helps set the stage for later analysis.

Whilst some popular sources have tried to simply explain away the party differences by depicting the Federalist, Whigs, and Republicans as champions of big government, and contrasting them with the Democrats, who were bastions of the free market, with all of this somehow culminating in the two parties' switching sides with Woodrow Wilson's New Freedom and later Franklin D. Roosevelt's New Deal. The reality is a more complex. The underlying philosophy of the Democratic Party was not so much one of free markets and limited government, but militant egalitarianism (at least among whites) and democracy based on majority rule. This contrasted sharply with the Federalist-Whig-Republican tradition which emphasized an older-style republican order paired with a meritocratic society predicated on industrial capitalism and private property. Indeed, for the most part, the ideology of the Federalist, Whig, and Republican parties remained the same throughout the 19th and into the 20th century. As Historian John Gerring puts it:

Notwithstanding the organizational death of one party and its replacement by another, a civil war virtually without precedent in modern Anglo-European history, and several realignments of partisan voting allegiances, the evidence... suggests that a fairly consistent view of the political world was carried over from the party of [Henry] Clay to

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<sup>138</sup> Calvin Coolidge, "Our Heritage from Hamilton," [Address on the Anniversary of the Birthday of Alexander Hamilton, Before the Hamilton Club, at Chicago,] January 11, 1922], in *The Price of Freedom: Speeches and Addresses by Calvin Coolidge*, Charles Scribner's Sons, New York, 1924, 109.

the party of Lincoln to the party of Calvin Coolidge, the last bearer of American Whiggism.<sup>139</sup>

This was no doubt the view held by the American Protectionist writers, as one protectionist editorial succinctly explains:

The Republican party... from its birth has been the party of protection. From Hamilton to McKinley, whether under the name Federalist, Whig or Republican, it has been the party of protection. Indeed, protection is about the only political tenet for which the Republican party distinctively and traditionally stands.... If by tradition and principle the Republican party stands for anything distinctive, it is the protection to domestic industry and the perseveration of the home market for American enterprise.<sup>140</sup>

Whereas the evolution of the Federalist-Whig-Republican side of politics is relatively easy to account for, the complexity comes when tracking the evolution of the Democratic Party and how their egalitarian and democratic principles manifested in public policy, and by connection, its relation to economic thought. A useful way of understanding this nexus between politics and economic thought is to look at the party systems of the United States. These party systems represent a framework for understanding party alignments, and subsequent realignments that occurred throughout US political history. There have been roughly six different party systems, but for the purposes of this study, only the first four are relevant.

The first party system operated from about 1790 to 1828, and came about as the result of fractures within the Washington Administration. The two emerging factions formed into the parties known as the Federalists and the Democratic-Republicans. Federalists were the forerunners of the Whig Party and eventually the Republicans, whereas the Democratic-Republicans can be seen as the forerunner of the modern-day Democrats. The Federalists were the party of Washington's Treasury Secretary and the founder of the American Protectionist School, Alexander Hamilton. The Federalists believed in fostering a strong industrial economy, and championed Hamilton's program of a national bank and state-sponsored industrial development, as elaborated in Hamilton's *Report on Manufactures* and his other state papers. Other protectionist thinkers within the Federalist ranks included William Bingham, Tench Coxe, and

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<sup>139</sup> John Gerring, *Party Ideologies in America, 1828-1996*, (Cambridge: Cambridge University Press, 1998), 57.

<sup>140</sup> Anon. [probably George Gunton], 'Is the Tariff an Issue?', *Gunton's Magazine*, 26, no. 6 (1904), 479-486. This article was also reproduced by the Home Market Club's publication *The Protectionist*, which was a bastion of American Protectionist thought, which suggests a broad approval of this sentiment by the American protectionists, see Anon., 'Extract from 'Is the Tariff an Issue?', *The Protectionist*, 16, no. 183 (1904), 156-159; Roswell G. Horr "The Republican Party," In *Evolution: Man and State*, (New York: D. Appleton & Company, 1892), 465-473, also affirms this view.

William Barton.<sup>141</sup> The Federalists were thus aligned with what may be considered the embryonic stages of the American Protectionist School.

The other party, the Democratic-Republicans, rallied around the then Secretary of State, Thomas Jefferson. In contrast to the Hamiltonian Federalists, the Democratic-Republicans embodied much of the egalitarianism of the later Democratic party but was more restrained and tempered in their approach. Jefferson accepted capitalist society and generally favored limited government as a safeguard against the remnants of feudalism and aristocracy. His vision of American capitalism also differed to Hamilton's in that he envisioned a preindustrial and classless republic of yeoman farmers. Like Hamilton, a school of thought would likewise become associated with the ideas of Jefferson, which has since been called the Jeffersonian School. Although not exactly a coherent body of thought, the Jeffersonian School represented a synthesis of sorts between local doctrines, the ideas of the French Physiocrats and the French Liberal School of Economics.<sup>142</sup>

The Physiocrats, including Jefferson's friend Dupont de Nemours, emphasized the notion that agriculture was the only productive form of economic activity, which goes some ways to explaining the pre-industrial philosophy of the Jeffersonians and their aversion to Hamilton's *Report*. Further, the French Liberal School, commonly associated with the writings of Jean-Baptiste Say, ardently defended a policy of *laissez-faire* and free trade.<sup>143</sup> Jefferson, for instance, considered Say's *Treatise on Political Economy* to be "shorter, clearer, and sounder" than Adam Smith's *The Wealth of Nations*.<sup>144</sup> However, perhaps the biggest influence on Jeffersonian thought was the French Liberal Destutt de Tracy. Jefferson was responsible for translating de Tracy's *Treatise on Political Economy* into English and wrote the preface to the English edition.<sup>145</sup> It was also Jefferson's hope that it would become the standard economics textbook in America. In particular, Destutt de Tracy was highly scathing of special privileges granted to particular classes by the State, and this naturally tied in well with Jefferson's aversion to protective tariffs and other forms of state interference.<sup>146</sup> This

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<sup>141</sup> Tench Coxe later became a Democratic-Republican but maintained his support for Hamilton's program. Jacob E. Cooke, *Tench Coxe and the Early Republic*, (Chapel Hill: University of North Carolina Press, 1978), 338-347.

<sup>142</sup> For a more thorough examination of Jefferson's thought, see Joseph Dorfman, "The Economic Philosophy of Thomas Jefferson", *Political Science Quarterly*, 55, no. 1 (1940), 98-121. It should be noted that whilst Jefferson and later Democrats were concerned about the size of government, they also exhibited an angst towards market capitalism.

<sup>143</sup> For a more detailed analysis of the role of the French Liberal School in American economics, see Rothbard, *Classical Economics*, Vol. 2, 4-8, 466-470; and Joseph T. Salerno, "The Neglect of the French Liberal School in Anglo-American Economics: A Critique of Received Explanations", *The Review of Austrian Economics*, 2 no. 1, (1988), 112-156.

<sup>144</sup> Thomas Jefferson quoted in Mark Skousen, *The Making of Modern Economics: The Lives and Ideas of the Great Economists*, (Armonk: M.E. Sharpe, 2015), 51.

<sup>145</sup> Joseph Dorfman, *Economic Mind of American Civilization*, Vol.1, 434; Murray Rothbard, *Classical Economics*, 7; Joseph T. Salerno, "The Neglect of the French Liberal School in Anglo-American Economics", 133.

<sup>146</sup> Michael O'Connor, *Origins of Academic Economics in the United States*, 25; Joseph T. Salerno, "The Neglect of the French Liberal School in Anglo-American Economics", 133. It should be noted that American economic thought as a whole was generally quite averse to monopoly privilege, and this is inclusive of the American Protectionists. The American disciples of French Liberalism were, however, generally more ardent and passionate in extolling their anti-monopoly views.

Jeffersonian physiocratic-liberal tradition likewise found domestic intellectual support in thinkers, such as Thomas Paine, John Taylor of Caroline, and Jefferson's protege, Thomas Cooper, who later broke away and founded his own School, known as the Southern Doctrine.<sup>147</sup> In spite of the general commitment to free markets extolled by the Jeffersonians, the egalitarian underpinnings of their philosophy is highlighted by Jefferson's own favorable views on progressive taxation. In the words of Jefferson:

I am conscious that an equal division of property is impracticable... [But a] means of silently lessening the inequality of property is to exempt all from taxation below a certain point, and to tax the higher portions of property in geometrical progression as they rise. Whenever there is in any country, uncultivated lands and unemployed poor, it is clear that the laws of property have been so far extended as to violate natural right.<sup>148</sup>

In short, Jeffersonian ideology was egalitarian at its core, but this egalitarianism was intimately connected with free markets and limited government due to the skepticism held towards the State as a mechanism for monopoly, special privilege, and aristocracy.<sup>149</sup>

Of course, it should be acknowledged that this is a simplification of a rather messy and complex period of American political history, since the economic policies enacted by each party were not always consistent with each party's professed ideology, and nor were both parties divided predominantly along economic lines.<sup>150</sup>

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<sup>147</sup> Egalitarianism is a hallmark of John Taylor's *An Inquiry into the Principles and Policy of the Government of the United States* (London: Routledge and Kegan Paul Ltd, 1814, 255), which explains that "wealth, like suffrage, must be considerably distributed, to sustain a democratick republick; and hence, whatever draws a considerable proportion of either into a few hands, will destroy it. As power follows wealth, the majority must have wealth or lose power." Thomas Cooper even in his later, and more conservative, writings still advocated using "the united strength of society, to keep... inequality within limits dictated by the common welfare of all" by "throw[ing] the whole burden of taxation on the rich." Thomas Cooper, *A Manual of Political Economy* (Washington: Duff Green, 1834) 105-106. For the connection between Paine and Jefferson, and Paine's influence on the Democratic-Republicans, see Simon P. Newman and Peter S. Onuf, *Paine and Jefferson in the Age of Revolutions*, (Charlottesville: University of Virginia Press, 2013), particularly chapter 4. Thomas Paine also advocated progressive taxation, inheritance taxes, and even a universal basic income scheme, see John E. King and John Marangos, "Two Arguments for Basic Income: Thomas Paine (1737-1909) and Thomas Spence (1750-1814)" *History of Economic Ideas*, 14, no. 1 (2006), 55-71.

<sup>148</sup> "Thomas Jefferson to James Madison." [October 28, 1785], In *The Papers of Thomas Jefferson*, vol. 8, 25 February–31 October 1785, ed. Julian P. Boyd (Princeton: Princeton University Press, 1953), 681–683.

<sup>149</sup> It is important not to overstate Jefferson's hostility towards government, as Jefferson fundamentally agreed with the validity of a central government and also agreed that Congress should have authority over state legislatures.

<sup>150</sup> Party lines in the first party system were more divided along the issue of foreign relations than anything else. The more conservative Federalists were deeply suspicious of the unrestrained and radical democracy swept in by the French Revolution and wanted to forge stronger ties with England. Democratic-Republicans, on the other hand, were Francophiles, who celebrated the French Revolution, and sought stronger ties with France. James Roger Sharp, *American Politics in the Early Republic: The New Nation in Crisis* (New Haven: Yale University Press, 1993), 72-75. This often meant that economic policy was compromised for foreign relations. Indeed, the inconsistency between the economic ideology and economic policy practiced by Hamilton's Federalist Party can be seen as early as the Jay treaty of 1794, which normalized trade relations with Britain. This prompted Alexander Dallas, a more protectionist orientated Democratic-Republican, to criticize Hamilton and the treaty, writing that "America now enjoys the right of regulating commerce... in proportion to the benefits... all this [is] abandoned by the treaty so far as [it] respects Great Britian." Alexander J. Dallas, *Features of Mr. Jay's Treaty*, (Philadelphia: Mathew Carey, 1795), 49, for a criticism of Hamilton, see 38.



Democratic-Republicans, for instance, particularly under the more nationalist James Madison, proved quite willing to utilize Hamiltonian style policies during their terms in office, which were the same policies which they had previously criticized.<sup>151</sup> What is clear, however, is that the economic ideology of the Whigs and Republicans can be traced to Hamilton's Federalist Party, and the ideology of the Democratic Party can be seen as an ideological continuation of Jefferson's Democratic-Republicans. Unlike the first party system, however, the alignment of economic thought and political creed would become more clearly cemented during the later party systems.

Throughout the 1810s, the Federalists would dwindle and eventually fade as a political force. As a result, the United States briefly reverted to a one-party system with many former Federalists joining the ranks of the Democratic-Republicans. With the Democratic-Republicans now representing a broad church of Hamiltonian nationalists and Jeffersonian democrats, cracks would eventually appear within the Democratic-Republicans, and this would bring forth the second party system. The second party system, spanning from roughly 1829 to 1860, emerged from a split within the Democratic-Republicans. One party rule proved unable to reconcile the competing factions within the party. The more industrial and nationalist orientated faction, briefly known as National-Republicans, were led by the Protectionists Henry Clay and Daniel Webster. This faction eventually broke off from the Democratic-Republicans to form the Whig Party. The Whigs established themselves as the party of Henry Clay's American System of protection for American industry and state-sponsored internal improvements — a program which was Hamiltonian for all intents and purposes. As the champions of American protectionism, the ranks of the Whig party would be filled by numerous American Protectionist writers and orators. The rise of the Whigs also marked a notable evolution in American Protectionist thought, and by extension, Whig policy. This was the shift from the use of subsidies to tariff protection, reflecting the distinction made by American Protectionist writers between 'protectionism' and 'paternalism'.<sup>152</sup>

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<sup>151</sup> James Madison, for instance, appointed Alexander Dallas to the Secretary of the Treasury and Dallas oversaw the introduction of the Tariff of 1816. Raymond Walters Jr., *Alexander James Dallas: Lawyer-Politician-Financier*, (Philadelphia: University of Pennsylvania Press, 1943), 189. Indeed, even Ellis H. Roberts, ever an admirer of Hamilton, notes that, in practice, Madison was more Hamiltonian than Hamilton. Ellis H. Roberts, *Government Revenue, Especially the American System*, (Cambridge: The Riverside Press, 1884), 86-87.

<sup>152</sup> Starting somewhat earlier during the Democratic-Republican administrations, Lawrence Peskin notes how "smaller mechanics frequently viewed Hamilton's report... with suspicion" stressing that "they had been attracted to [the Federalists] by [their] promise of a strong central government able to impose protective tariffs, but Hamilton's report de-emphasized tariff protection in favor of bounties and other forms of direct governments support or specific manufacturing projects. Though all mechanics, rich and poor, would benefit more or less equally from tariffs affecting their respective trades, only a few influential manufacturers stood to benefit from Hamilton's program." Lawrence Peskin, "How the Republicans Learned to Love Manufacturing: The First Parties and the "New Economy"" *Journal of the Early Republic*, 22, no. 2 (2002): 235-262, 239. See also Andrew Shankman, "A New Thing on Earth': Alexander Hamilton, Pro-Manufacturing, and the Democratization of American Political Economy", *Journal of the Early Republic*, 23, no. 3 (2003), 323-352. This is very much consistent with the shift in American Protectionist thought after Hamilton, see Section 5.5.

The other faction of the Democratic-Republicans formed into the Democratic Party. Largely continuing in the Jeffersonian tradition, the Democrats, under the leadership of Andrew Jackson and his successors, were roughly the party of libertarianism and *laissez-faire* economics, but with a more populist and militant egalitarianism.<sup>153</sup> Their economic philosophy represented a broad mix of the doctrines of Say and the French Liberal School as well as the newer doctrines of David Ricardo and the Ricardian system. These ideas were often spread to the American political scene, however, by a radical group of economists known as the ‘Loco-Focos’. Whilst more radical and *laissez-faire* orientated than their European counterparts, the Loco-Focos expounded their arguments, somewhat counterintuitively, on collectivist grounds and were highly critical of the individualism of the English Classics.<sup>154</sup> The Democratic Administrations dominated federal politics until the Civil War, and they were supported and advised by a various number of Loco-Foco economists. Among them were the likes of Clinton Roosevelt, John McVickar, an advisor to Andrew Jackson, and Treasury Secretary Robert J. Walker, who was responsible for the controversial and highly free trade orientated 1845 *Treasury Report*.<sup>155</sup>

This *laissez-faire* orientation, however, only goes so far in explaining the philosophy of the Democratic Party, as there was a substantial interventionist element which exerted influence within the party. This deviation from *laissez-faire* (which is not wholly inconsistent with Classical economics) can be seen through the implementation of labor legislation and a 10-hour workday by the Van Buren Administration.<sup>156</sup> Indeed, even the more labor orientated Whig and Protectionist Horace Greeley questioned this policy, writing that “we do not regard this measure as promising any great benefit”, preferring the negotiation of labor hours to be left to “mutual agreement.”<sup>157</sup> The divergence between Whig and Democrats are perhaps best summarized by Historian Arthur M. Schlesinger, who explains that “the real issue

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<sup>153</sup> As William S. Belko explains “the core concepts underlying Jacksonian Democracy [were] equal protection of the laws; an aversion to a moneyed aristocracy, exclusive privileges, and monopolies, and a predilection for the common man; majority rule; and the welfare of the community over the individual.” William S. Belko, “A Tax on the Many to Enrich a Few”: Jacksonian Democrats vs. the Protective Tariff, *Journal of the History of Economic Thought*, 37, no. 2 (2015), 277.

<sup>154</sup> For a discussion of the Loco-Focos, see Dorfman *Economic Mind in American Civilization*, Vol. 2, (1966) 652-661, 731-743; and Fitzwilliam Bydrsal, *The History of the Loco-Foco, or Equal Rights Party*, (New York: Clement & Packard, 1842). Dorfman (p. 652) observes that they “loved to denounce the “individualism” of the British school of economics but managed to reach the same conclusions they did.” Note that Dorfman (p. 652) incorrectly refers to the Loco-Foco economist Clinton Roosevelt as a Whig. He was actually a Democrat (Bydrsal, *The History of the Loco-Foco*, 92).

<sup>155</sup> There is a distinct equalitarian tone to Walker’s *report*, noting on various occasions how the tariff is “discrimination against the poor and in favor of the rich” and how “to the poor this tax operates most oppressively.” Robert J. Walker, “Report from the Secretary of the Treasury on the Subject of the Finances, etc.” In *State Papers and Speeches on the Tariff*, ed. Frank W. Taussig (Cambridge: Harvard University, 1892), 226, 222. For a critique of Walker, see Daniel Raymond, “The President’s Message, and the Report of the Secretary of the Treasury,” *The American Whig Review*, 1, no. 6, (1848), 384-396; and Henry Charles Carey, *The Prospect: Agricultural, Manufacturing, Commercial, and Financial*, (Philadelphia: J. S. Skinner, 1851).

<sup>156</sup> Arthur M. Schlesinger Jr., *The Age of Jackson*, (Boston: Little, Brown, and Company, 1945), 265.

<sup>157</sup> Horace Greeley, [Untitled], *The Log Cabin*, May 40, 1840. This should not be interpreted to mean that the American Protectionists were anti-labor. They instead espoused a harmony of interests between capitalists and labors, and thus sought to raise real wages and living conditions through alternative means. See Section 10.6 for details of this argument.

between the Whigs and Jackson[ian Democrats] was, thus, not freedom of enterprise. Both parties would concede that enterprise should be free, [and] would claim always to be acting to protect this freedom” but each would “intervene in business... in the name of freedom.” Jeffersonians would intervene on behalf of the commoner “and institute a ten-hour day, while the Hamiltonian [Whigs] would flourish free-trade principles when questions of trade unionism or corporation control were brought up,” whilst “establishing protective tariffs” in the next instance.<sup>158</sup> This is not to suggest that either party’s commitment to free enterprise was disingenuous. Both essentially affirmed free market principles, but neither adopted a fundamentalist position that viewed the free market in a purely literal sense and without important policy qualifications.

The Northern Democrats were accompanied by their Southern counterparts, who, under the leadership of John C. Calhoun, subscribed to a uniquely Americanized take on Ricardian and Malthusian economics, combined with some novel developments of their own.<sup>159</sup> This ‘Southern Doctrine’ roughly coincided with the free market policies of the Northern Democrats, but with an added defense of the plantation system and the institution of slavery, which was justified on Ricardian and Malthusian grounds.<sup>160</sup> This Southern Doctrine can also be seen as a throwback of sorts to the ideas of the Physiocrats since it was often fashioned with an appeal to agrarianism. Intellectually, there was a cadre of southern thinkers under the leadership of the South Carolinian economist Thomas Cooper, who provided support for this doctrine, and many of these economists were responsible for advising politicians in the Democratic Party.<sup>161</sup> It is important to note, however, that internally

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<sup>158</sup> Schlesinger, *The Age of Jackson*, 514-515. This thesis is also evidenced through the writings of the prominent Democratic politician and social thinker, George Bancroft, who argued that “the [free trade] system of political economy may solve the question of the commercial intercourse of nations, by demonstrating that they all are naturally fellow workers and friends; but its abandonment of labor to the unmitigated effects of personal [domestic] competition can never be accepted as the rule for the dealing of man with man... [whilst] no practicable system of social equality has been brought forward... it does not follow that none can be devised.” George Bancroft, *The Necessity, the Reality and the Promise of the Progress of the Human Race*, (New York: The New York Historical Society, 1854), 34.

<sup>159</sup> The Southern Doctrine often took political economic analysis beyond that of traditional Classical economics. John C. Calhoun, for instance, developed a class analysis predicated on net beneficiaries and net payers of state activity and also anticipated the development of public choice theory, reflected in the fact that Southern Democrats were not, unlike their Northern counterparts, so enthusiastic about majority rule, and instead promoted individual and states’ rights. For more information on this, see Alexander Tabarrok and Tyler Cowen, “The Public Choice Theory of John C. Calhoun”, *Journal of Institutional and Theoretical Economics*, 148, no. 4 (1992), 655-674.

<sup>160</sup> In short, this doctrine held that the institution of slavery would represent a positive check against the tendency towards diminishing returns and overpopulation predicted by Ricardo and Malthus. In the slave system, slaves represented a form of capital, as opposed to labor, so paying less than a subsistence wage would represent a destruction of the slave holder’s capital. Moreover, the slave-owner also exercises control of the slave’s reproduction, and thus the reproduction of slaves represents an economic calculation (and is not a result of sexual impulse as is ostensibly the case in the free labor system). As one Southern Doctrine piece explains: “The Southern slaveholder is able to support all his slaves in comfort, because he keeps no more than can be profitably employed; but if you force him to keep ten times as many, will not master and servant come to starvation? It is this very self-protecting power against over-population existing in slave countries, which is wanting in free society. This is our safeguard.” Raleigh Edward Colston, “The Problem of Free Society,” *Southern Literary Messenger*, 26, no. 1 (1858), 12-13; For a more detailed discussion of the Southern Doctrines use of Malthusian and Ricardian economics, see Dennis Hodgson, “Malthus’ Essay on Population and the American Debate over Slavery”, *Comparative Studies in Society and History*, 51, no. 4 (2009), 742-770; See also Michael O’Connor, *Academic Economics in the United States*, 49-56.

<sup>161</sup> Joseph Dorfman, *Economic Mind in American Civilization*, Vol 2, 527-539, 844-848, provides an intellectual biographical sketch of Cooper. Michael O’Connor even refers to the Southern Doctrine as “the Cooper School.” *Academic Economics in the United States*, 49.

the Democrats could not be said to have been in lockstep on the issue of slavery. By the late 1840s, the abolitionist faction of Northern Democrats, known as the Barnburners, grew increasingly dissatisfied with the party's leadership for refusing to denounce slavery, and broke from the Democrats and formed the Free-Soil Party along with a number of disenfranchised anti-slavery Whigs.<sup>162</sup> These Free Soilers were more heavily influenced by the free trade ideas of Richard Cobden and John Bright of the Manchester School, believing that free labor and free trade were intimately connected.<sup>163</sup> These Free Soilers would have a significant influence on the political realignment in the third party system.

The third-party system, which operated from 1861 to 1896, was similar in many respects to the two-party system. The main difference was that the Republicans replaced the Whigs as the champions of the American System, and the ideas of Richard Cobden would become more of a central force within Democratic politics. The deaths of Henry Clay and Daniel Webster proved to be the death knell of the Whig Party, with the Whigs collapsing in the mid-1850s. In 1854, former Whigs formed the Republican Party in coalition with former Free-Soil Democrats, with Free Soilers representing a junior partner.<sup>164</sup> The Republican Party was formed in opposition to slavery, but once the slavery issue was dealt with by Lincoln's emancipation proclamation, the Whigs and Free Soilers were no longer united by their common cause. The former Whigs, as the party majority, proved successful in establishing the American System as Republican policy.<sup>165</sup> Republican economic philosophy would be heavily influenced

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<sup>162</sup> The tendency of viewing the Democratic Party as unanimously pro-slavery should be cautioned against. The debate over slavery cut across party lines and was more of a sectional dispute. Whilst Northern Whigs tended to be more anti-slavery than Northern Democrats, some sources suggest that Southern Whigs tended to be more pro-slavery than their Democratic counterparts, see Michael F. Holt, *The Rise and Fall of the American Whig Party: Jacksonian Politics and the Onset of the Civil War*, (Oxford University Press, 1999), 4. It was more due to Democrats having an agrarian orientation and Whigs an industrial one, that the pro-slavery South became an electoral stronghold for Democrats. The nomination of Martin Van Buren, one of the original founders of the Democratic Party and a former Democratic President, to the Free-Soil ticket illustrates the complex nature of slavery politics in antebellum America.

<sup>163</sup> Stephen Meardon, "Richard Cobden's American Quandary: Negotiating Peace, Free Trade, and Anti-Slavery," in *Rethinking Nineteenth-Century Liberalism*, ed. Anthony Howe and Simon Morgan, (Aldershot: Ashgate Publishing Limited, 2006), 212.

<sup>164</sup> Eric Foner, *Free Soil, Free Labor, Free Men: The Ideology of the Republican Party before the Civil War*, (Oxford: Oxford University Press, 1995), 19; Michael F. Holt, *The Rise and Fall of the American Whig Party: Jacksonian Politics and the Onset of the Civil War*, (Oxford: Oxford University Press, 2003), 980.

<sup>165</sup> This is subject to some scholarly debate. On one end, some scholars (such as William B. Hesseltine, *Lincoln and the War Governors*, New York: Alfred A. Knopf, 1949, 7-8) have posit that the Republican Party was entirely an effort by Whigs to impose the American System under the guise of moral crusade against the slavery issue, others (such as Douglas Irwin, *Clashing over Commerce: A History of US Trade Policy*, University of Chicago Press, 2017) suggests cautious Republican support for the American System, and still others (such as Joanne Reitano, *The Tariff Question in the Gilded Ages*, Philadelphia: Pennsylvania State University Press, 1994) have attempted to downplay Republican support for the American System, considering it a "non-issue" until 1888. It seems evident from the 1860 Republican Platform, and from the passage of the Morrill Tariff, that Republicans were in favor of the American System in the early years of the Party. On tariffs, the platform read: "While providing revenue for the support of the general government by duties upon imports, sound policy requires such an adjustment of these imports as to encourage the development of the industrial interests of the whole country; and we commend that policy of national exchanges, which secures to the workingmen liberal wages, to agriculture remunerative prices, to mechanics and manufacturers an adequate reward for their skill, labor, and enterprise, and to the nation commercial prosperity and independence." And on internal improvements, it reads "that appropriations by Congress for River and Harbor improvements of a National character, required for the accommodation and security of an existing commerce, are authorized by the Constitution, and justified by the obligations of Government to protect the lives and property of its citizens... [and] that a Railroad to the Pacific Ocean is imperatively demanded

by the ideas of Henry Charles Carey, who served as Vice President of the Pennsylvania branch of the Republican Party and also as an advisor to Abraham Lincoln.<sup>166</sup> Indeed, this influence was epitomized by the passage of the Morrill Tariff of 1861, which increased tariff rates to unprecedented highs.<sup>167</sup> Towards the end of the third-party system, a newer generation of Carey-inspired protectionist writers would also emerge to update and formalize Carey's economic system.

In the third party system, Democrats maintained their support for the orthodox economic policies of the French Liberals, with the ideas of J. B. Say being updated with the writings of Frederic Bastiat.<sup>168</sup> The Republican embrace of protectionism led Free Soilers to either abandon the Republicans and return to the Democrats or remain as part of an ever-dwindling minority within the party. Having rejoined the Democrats, the Free Soilers proved successful at Cobdenizing the Democratic Party. Cobdenism, or the Manchester School, emphasized a radical adoption of free trade and non-intervention in international economic affairs. Not only was it seen as economically expedient, but it was also deemed necessary for achieving global peace. Whilst this did not represent a radical departure from their existing position, as they continued to endorse a policy of relatively free markets, it did renew their commitment to free trade. For one thing, whereas free trade previously meant 'tariffs for revenue only,' Democrats were now far more willing to introduce progressive income taxation, so as to achieve greater freedom of trade, whilst simultaneously achieving their egalitarian goals.<sup>169</sup> The rise of Cobdenism also saw a relative shift in the attacks of the American Protectionists away from the English Classical School and more towards the ideas of Richard Cobden and the Manchester School.

The fourth party system, operating from 1896 to around 1932, marks the most radical transformation of the American political landscape. Whilst it did not see the

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by the interests of the whole country; that the Federal Government ought to render immediate and efficient aid in its construction." National Republican Convention, "National Republican Party Platform" adopted by the National Republican Convention on the 17<sup>th</sup> of May 1860, (Chicago: Chicago Press & Tribune Office, 1860). Republican support for protectionism is further underscored by the fact that the convention minutes documents that "the reading of the [adopted] sections [of the 1860 platform] was interrupted by tremendous bursts of applause — the most enthusiastic and long continued being given to the tariff." In Charles W. Johnson, *Proceedings of the First Three Republican National Conventions of 1856, 1860, 1864*, (Minneapolis: Harrison & Smith, Printers, 1893), 38.

<sup>166</sup> Robert Ellis Thompson, "Carey, Henry Charles" in the *Supplement to Encyclopaedia Britannica: A Dictionary of Arts, Sciences, and General Literature*. 9th Ed. Ed Joseph Marshall Stoddart, (New York: J. M. Stoddart, 1883), 721.

<sup>167</sup>For a discussion of Carey's influence on the Morrill Tariff, see Arthur M. Lee, "Henry C. Carey and the Republican Tariff", *The Pennsylvania Magazine of History and Biography*, 81 no. 3 (1957): 280-302. The tariff plank of the 1860 Republican Platform was also said to be written by Henry Carey, see George B. Curtiss, *The Industrial Development of Nations*, Vol. 3, (Binghamton: Goerge B. Curtiss Publisher, 1912), 5. Thomas H. Dudley was also said to be responsible for introducing the plank at the Republican National Convention, see William John Potts, *Biographical Sketch of the Hon. Thomas H. Dudley* (Philadelphia: MacCalla & Company, 1895), 8.

<sup>168</sup> Joseph T. Salerno, "The Neglect of the French Liberal School in Anglo-American Economics", 113.

<sup>169</sup> This came to fruition in 1894, during the Cleveland Administration, when the Democratic Congress passed the Wilson-Gorman Tariff Act, which introduced both a graduated income and corporate tax while also reducing tariff rates. Grover Cleveland, however, was from the more *laissez-faire* orientated Bourbon faction of the Democrats and allowed the legislation to come into effect without signing the bill. Richard J. Joseph, *The Origins of the American Income Tax: The Revenue Act of 1894 and Its Aftermath*, (Syracuse: Syracuse University Press, 2004) 86.

introduction of any new party, there was an internal transformation of the existing political order.<sup>170</sup> In this case, the transformation primarily of the Democratic Party from roughly the party of *laissez-faire* and free markets to a more progressive and statist party. This transformation came with the nomination of William Jennings Bryant to the Democratic ticket in 1896. The new Democratic Party increasingly backed heavy government intervention with an emphasis on social welfare legislation. This was along the lines of the rising Progressive School associated with figures, such as Richard T. Ely, who mentored Woodrow Wilson, Edwin E.R. Seligman, and Thorsten Veblen.<sup>171</sup> These Progressives, most of whom undertook their economics training in Germany, were disciples of the social welfare and economic planning doctrines of the German Historical School.<sup>172</sup> This internal transformation of the Democratic Party was quite pronounced, with Historian John Gerring declaring that “William Jennings Bryan is the rightful father of the Progressive-New Deal Democratic party, bringing to it a regulatory style and redistributive purpose found hitherto only outside the mainstream of American party politics.” Starting with Bryan, “the focus of this newfound sense of political direction” of the Democratic Party “was the welfare state and its associated public philosophy - pragmatism, statism, scientific expertise, [proto-]Keynesian economic policies, and redistributive social policies.” In short, “Democratic ideology in the Bryan-Wilson-Roosevelt era was, to state the obvious, strongly egalitarian.”<sup>173</sup>

The Republicans, for their part, underwent limited change in economic philosophy with the introduction of the fourth party system, as illustrated by the nomination of William McKinley. As a staunch advocate of the American System, McKinley went on to successfully contest the 1896 election against Bryant. The Republicans remained virtually the same on economic policy, affirming their commitment to protectionism, infrastructure development, and low taxation, only undergoing subtle changes in social policy, unnecessary to go into here.<sup>174</sup> The

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<sup>170</sup> To be more precise, it did not see the introduction of any new major party. Minor parties did form, such as the National Democratic Party and later Teddy Roosevelt’s Progressive Party, see subsequent footnotes.

<sup>171</sup> Veblen is often referred to as an Institutionalists, as opposed to a Progressive, but it is generally accepted that Progressivism and Veblenian Institutionalism represents a continuum of thought stemming from the German Historical School.

<sup>172</sup> Murray Rothbard, *The Progressive Era*, (Auburn: Mises Institute, 2017), 429-431; Frederick Charles Bartol, “Liberal Minds, State-Making Dreams: Politics and the Origins of Progressive Thought In Britain and the United States”. Unpublished PhD Dissertation, Yale University, 1995, 262-263, 249-250, among other pages; Jurgen Herbst, *The German Historical School in American Scholarship: A Study in the Transfer of Culture* (Ithaca: Cornell University Press, 1965).

<sup>173</sup> John Gerring, *Party Ideologies in America*, 188, 180, 204. The analysis of David T. Beito and Linda R. Beito shines important light on how the Democrats changed from a more or less free market to a statist party so rapidly. The advocates of *laissez-faire* within the Democratic Party, known as Bourbon Democrats, were so disaffected with the abandonment of free market principles by their party, that many broke off to form the ‘National Democratic Party.’ Some Bourbons even tacitly supported the Republican campaign since the Republican’s commitment to low internal taxation and limited domestic regulation was more aligned with their ideology than the growing progressivism and paternalism of the Democratic Party. David T. Beito and Linda R. Beito, “Gold Democrats and the Decline of Classical Liberalism”. *The Independent Review*, 4, no, 4 (2000) 555-575.

<sup>174</sup> The only exception to this protectionist rule within the Republican Party was the Administration of Teddy Roosevelt, who identified more with progressive economic policy and even sought to lower tariff rates. Nevertheless, attempts by progressive insurgents to transform the Republican Party ultimately never materialized at least for the period under examination. John Gerring, *Party Ideologies in America*, 122.

American System continued to represent orthodox Republican Party policy for the next several decades. Even the likes of President William G. Harding, who historians have tended to regard as an advocate of *laissez-faire* capitalism, was in fact an advocate of the American System.<sup>175</sup> This is seen plainly in Harding's inaugural address to Congress:

It has been proved again and again that we cannot, while throwing our markets open to the world, maintain American standards of living and opportunity, and hold our industrial eminence in such unequal competition. There is a luring fallacy in the theory of banished barriers of trade, but preserved American standards require our higher production costs to be reflected in our tariffs on imports.<sup>176</sup>

Following the usual prescription, Harding oversaw drastic cuts in income tax, an increase in tariff protection, and the expansion of highways and other internal improvements during his presidential term.<sup>177</sup> Indeed, the inveterate Protectionist Robert Ellis Thompson was an avid supporter of Harding, praising "Mr. Harding[']s ... nationalist convictions" and "protectionist sentiments."<sup>178</sup> Overall, the main change in terms of protectionist theory, and its corollary, Republican economic policy, was that a greater emphasis was placed on attacking progressive and big government programs.<sup>179</sup>

Given this connection between the Federalist-Whig-Republican side of politics, it establishes the view that the American Protectionists were a powerful force, at least from a purely public policy standpoint.<sup>180</sup> To give an indication of this influence,

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<sup>175</sup> This conclusion by historians seems to originate from the fact that Harding rolled back many of the progressive policies of the Wilson Administration, lowered taxes, and did not intervene in the 1921 recession, but these are prescriptions which are supported by both Classical (popularly associated with *laissez-faire*) and American Protectionists. James Grant, *The Forgotten Depression: 1921: The Crash That Cure Itself*, (New York: Simon & Schuster, 2014) is representative of this treatment, stating that "President Harding... espoused *laissez-faire*" (p. 164).

<sup>176</sup> Warren G. Harding, "Inaugural Address to Congress," March 04, 1921.

<sup>177</sup> Harding on at least one occasion spoke at the staunchly protectionist Home Market Club in support of protection, see William G. Harding, 'Speech Before the Home Market Club, May 14, 1920', *The Protectionist*, 32, no. 6 (1920), 268. Harding also appointed the protectionist Andrew Mellon as his Treasury Secretary, and appointed Thomas O. Marvin, a former secretary of the Home Market Club, to lead the US Tariff Commission, so he was no doubt well acquainted with American Protectionist economics. John M. Dobson, *Two Centuries of Tariffs: The Background and Emergence of the U.S. International Trade Commission*, (Washington: US Government Printing Office, 1976), 98. Similarly, Calvin Coolidge was also a guest of honor of the Home Market Club on several occasions. Home Market Club, "Calvin Coolidge, President of the United States," *The Protectionist*, 35, no. 5 (1923), 198.

<sup>178</sup> Robert Ellis Thompson, "The Tariff a Live Issue", *The Protectionist*, 32(6): 1920, 269.

<sup>179</sup> This is also reflected in the fact that Andrew Mellon was the Treasury Secretary for the Harding and Coolidge Administration. Indeed, speaking with respect to the Smoot-Hawley tariff, Mellon declared that "in answer to the question of whether... the Smoot-Hawley tariff law would adversely affect the business interests of the United States ... I do not believe that it will. It seems to me that fears and criticisms have been greatly exaggerated. Whenever a new protective tariff law has been enacted gloomy prophecies have been made. They have failed to materialize... I know of no industry that is seriously hurt [from tariff protection], while those industries which needed additional protection and received it are benefited... It seems to me that the final enactment of the tariff law, far from placing a new obstacle in the way of business recovery, removes [them]... [if] makes a definite contribution to business stability." Andrew Mellon, "Secretary Mellon's Statement on the Tariff," In *Congressional Record: Proceedings and Debates of the Second Session of the Seventy-First Congress*, Vol. 72, Part 11, (Washington: Government Printing Office, 1930), 11510.

<sup>180</sup> This connection between the Whig/ Republican Party and the American Protectionists is also demonstrated by the number of thinkers who were members of the party. Whilst there are too many to list here individually, this has been expanded upon in the biographical sketches contained within the Appendix.

Figure 4.1 plots the average tariff rate alongside the control of each chamber of Congress and the executive branch. Particularly after the Civil War, there is a clear correlation between high tariff rates and Republican control of Congress and the executive.

#### **4.4: Relationship with Other Schools of Thought**

Because of the nuanced position of the American Protectionists, the relationship which they had with competing schools of thought is a complicated one. This is especially true when viewing the School across the full scope of its existence (c. 1790 to 1930). Much of this complication, however, is more a matter of optics than of substance. The ways in which the School formed their arguments often changed considerably based upon who they were competing against in the contest of ideas. Before socialist or progressive ideas were considered a serious threat, contending with, and criticizing the ideas of Classical economics occupied the foreground of American Protectionist thought. Yet, in spite of their differences, the American Protectionists had more in common with the Classical writers than they did with the Socialists and the Progressives. It was only when Progressive ideas started to become a powerful political and intellectual force in the United States that the American Protectionists started to shift gears and elevate their more market orientated views into the foreground. In this section, we will discuss where the American Protectionists were situated among the competing schools of thought throughout the course of their history. Whilst some of this will crossover with that discussed in the previous section on politics, it is perhaps useful to treat these two themes separately.

The American Protectionists from the late 18<sup>th</sup> century through to the mid-19<sup>th</sup> century roughly occupied the same position relative to other schools. It was more a matter of what variant of free trade economics they were contending with since there were no serious alternatives to the economic philosophies of protectionist and free-trade capitalism. In the Hamiltonian period, the task for the still infant American Protectionist movement was to confront the prevailing ideology of the time which was, as mentioned in the last section, a mix of latent Physiocracy, Smithian economics, and French Liberalism in the form of Jeffersonian economics.<sup>181</sup> The first of these ideologies was that of Physiocracy which held that agriculture was the sole possessor of productiveness.<sup>182</sup> The second was that of classical liberalism, in both the Smithian and French varieties, which generally extolled the virtues of free trade with the latter particularly expressing open hostility to all forms of special governmental privilege.

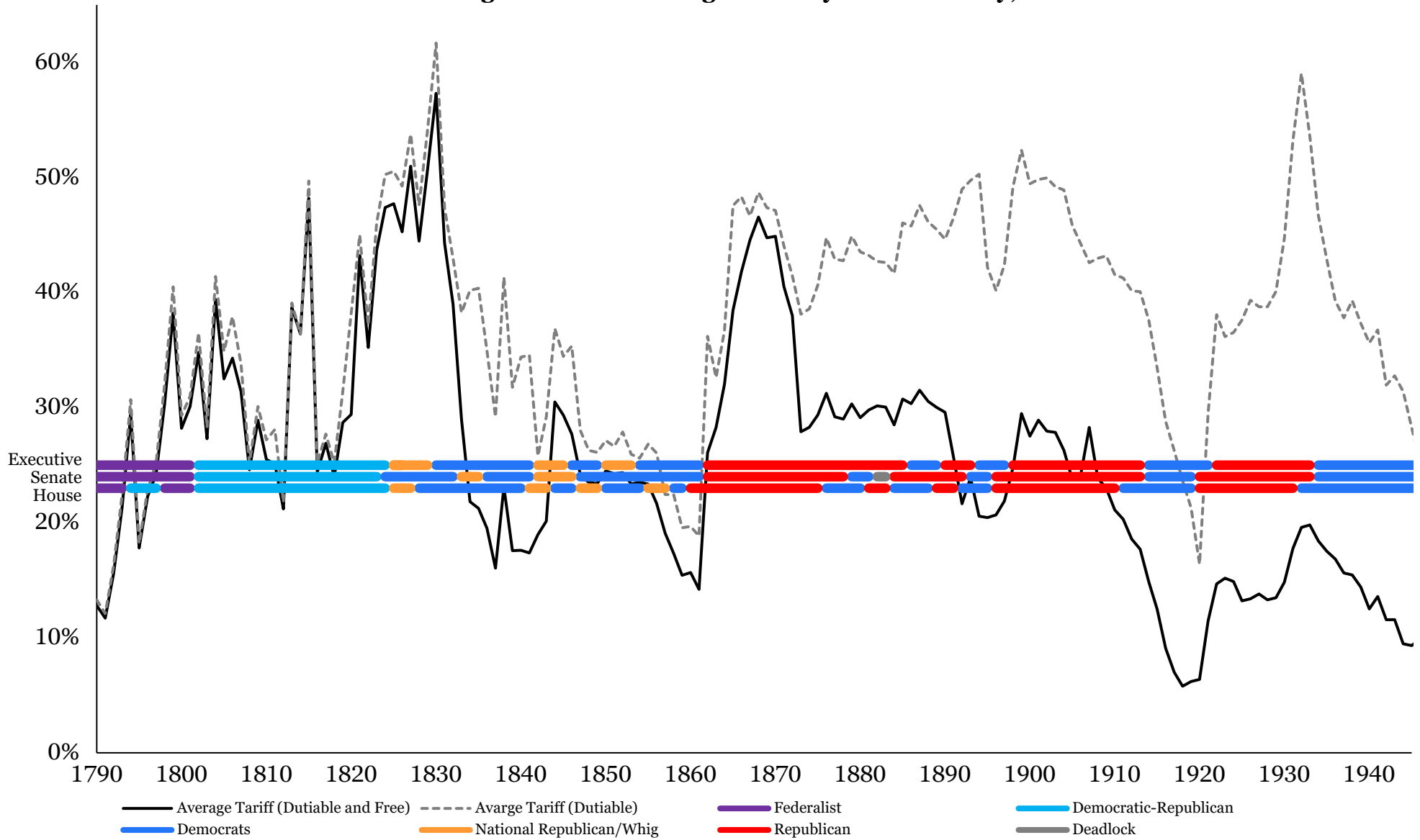
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<sup>181</sup> The influence of the French Liberal School on Jeffersonianism is noted in Section 4.3.

<sup>182</sup> For a discussion of the influence of French Physiocracy on American economic thought see Manuela Albertone, 'Physiocracy in Eighteenth-Century America: Economic Theory and Political Weapons', *History of Economic Ideas*, 41, no. 1 (2021), 97-118; and Marianne Johnson, "More Native Than French": American Physiocrats and Their Political Economy", *History of Economic Ideas*, 10, no. 1 (2002), 15-31. In fact, Johnson (p. 15) is explicit in stressing the view that Jefferson actually "formed" an "American Physiocratic School."



**Figure 4.1: US Average Tariff by Political Party, 1790-1945**



Figures from 1790 to 1820 are estimates from Douglas A. Irwin, "New Estimates of the Average Tariff of the United States, 1790-1820", *Journal of Economic History*, 63 (2003), 508-509; Figures from 1820 from 1945 are from the US Bureau of the Census, *Historical Statistics of the United States, 1789-1945*, (Washington: United States Department of Commerce, 1949), 247-248.

The task for the Hamiltonians was therefore to dismantle the notion of agriculture's sole productiveness and, in the case of Smith, agriculture's superior productiveness, in addition to advancing the case of manufactures, while also being careful not to offend the predominately agricultural population of the United States.<sup>183</sup> Once physiocracy became increasingly discredited as an ideology, the focus began to shift to the issue of Smithian and French Liberalism.

By the 1820s, the American protectionists were starting to shift their focus away from attacking Adam Smith and other earlier Classics and towards their new chief targets: the reverend Thomas Robert Malthus and the political economist David Ricardo. In fact, the transformation of Classical economics at the hands of Malthus and Ricardo aided American Protectionism as an intellectual movement. The optimistic Smithian tradition of Classical economics received wide acceptance in the United States with protectionism as an intellectual and political movement representing a shade of what it would eventually become. Moreover, to the extent that it was supported, many adherents of American Protectionism, particularly those in the political sphere, sometimes resorted to appealing to passages from *The Wealth of Nations* to aid their protectionist conclusions.<sup>184</sup> American intellectuals had a hard time getting on board, however, with the writings of Ricardo and Malthus.<sup>185</sup> In what would be labeled as the 'dismal science', Malthus and Ricardo converted the sanguine system of Adam Smith to one of economic depravity and implicit class antagonism. Along with changing economic conditions, particularly with the Panic of 1819, which made protectionism more defensible on practical grounds, this less palatable form of Classical economics created the opening for American Protectionism to emerge as a real alternative in the intellectual sphere.<sup>186</sup> It would prove far easier for the American

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<sup>183</sup> The first eight pages of Hamilton's *Report* is essentially a refutation of French Physiocracy and Smith's watered-down version of it. It should be stressed, however, that Hamilton was not opposed to agriculture. He was opposed to the claim that agriculture was the sole possessor of productiveness. According to Hamilton, "on the ground of fact and calculation, it would be discovered that there is no material difference between the aggregate productiveness of the one [agriculture], and of the other kind of industry [manufacturing]." Differences instead relate to the productiveness of individual producers within each industry. *Report of the Secretary of the Treasury on the Subject of Manufactures* (Philadelphia: Childs and Swain, 1791), 1-8, quote is from page 6, unless otherwise specified, all subsequent citations will refer to this version. Note that Hamilton did take onboard arguments offered Smith, but he also diverged from Smith in numerous and significant ways. For a discussion of the linkages between Hamilton and Smith, see Edward G. Bourne, "Alexander Hamilton and Adam Smith," *Quarterly Journal of Economics*, 8, no. 3 (April 1894), 328-44. For other influences on Hamilton's economic thought, see Michael F. Federic, *The Political Philosophy of Alexander Hamilton*, (Baltimore: The John Hopkins University Press, 2012), 194-199.

<sup>184</sup> This is not to suggest that their thought was merely an adaptation of Smithian ideas. Rather, American Protectionists tended to coat their arguments with appeals to Smith's inconsistencies which seemingly leaned towards protectionist conclusions. The most common was Smith's passage which lends implicit support to the home-market argument. Hezekiah Niles, for instance, quotes Smith, saying "Let us hear from [Smith]... 'whatever tends to lessen the number of artificers and manufacturers tends to diminish the home market, the best of all markets for the rude produce of the land'" *Louisiana and the Tariff*, *Niles' National Register*, 9, no. 20 (1842), 308.

<sup>185</sup> Joseph Dorfman notes, for instance, that even after Ricardo's *Principles of Political Economy and Taxation* became popular in Europe, Say's *Traite d'economie Politique* still remained the "most popular of the European treatises" in the United States. *Economic Mind in American Civilization*, Vol. 2, 513-514.

<sup>186</sup> The role of the Panic of 1819 can be seen in the substantial amount of American Protectionist writings which appears in the period immediately following, including Daniel Raymond, *Thoughts on Political Economy*; John Melish, *Letter to James Monroe, Esq., President of the United States, on the State of the Country: with a Plan for Improving the Condition of Society*, (Philadelphia: John Melish, 1820); Mathew Carey, *Addresses of the Philadelphia Society for the Promotion of National Industry* (Philadelphia: M. Carey and Son 1819) and *Essays on Political Economy*, (Philadelphia: H. C. Carey & I Lead, 1822); Alexander H. Everett, *New Ideas on Population:*

Protectionists to refute the doctrines of Malthus and Ricardo, and in doing so, supplanting them with their own doctrines, which unlike Malthus and Ricardo, were predicated on optimism and class harmony.

It should be acknowledged, however, that whatever differences there were with respect to economic theory and policy, the American Protectionists still shared common ground with the Classical tradition with regard to such things as recognizing the importance of natural law, social institutions, and emphasizing real-world changes in microeconomic phenomena. Yet, this really only holds true for the Classics of the non-Ricardian variety.<sup>187</sup> To many American Protectionists, Ricardian economics was a perversion of the Smithian tradition due to its unrealistic doctrine of static and mechanical relationships between macro-aggregates suspended in the neverland of long-run equilibrium.<sup>188</sup> Under the Ricardian system, Classical economics also de-emphasized production, which was the overwhelming focus of the American Protectionists, and elevated distribution to center stage, even treating it independently of production and exchange. American Protectionists were, of course, critical of many of Smith's positions, but the flaws of the Smithian system paled in comparison to that of Ricardian and Malthusian economics.

At first Ricardian economics did not dominate academic economics in the United States. It would not be until the success of John Stuart Mill's *Principles of Political Economy* in 1848 that Mill's neo-Ricardian economics would go on to conquer the American intellectual scene.<sup>189</sup> Prior to this, it would be the textbook of the American free trader Francis Wayland, *The Elements of Political Economy*, that was orthodoxy in American universities, particularly those in the North.<sup>190</sup> Wayland's approach to economics was Classical, though non-Ricardian, and was largely predicated on moral reasoning. That said, a form of Ricardian and Malthusian economics did take hold in

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*With Remarks on the Theories of Malthus and Godwin*, (Boston: Oliver Everett: 1823). See also Andrew H. Browning, *The Panic of 1819: The First Great Depression*, (Columbia: University of Missouri Press, 2019), 351-352.

<sup>187</sup> Although Ricardo assumed the existence of natural laws, it was much more of a mechanical nature than the system of Adam Smith, the French Liberals, among other subgroups within Classical economics.

<sup>188</sup> It is true, of course, that American Protectionists, particularly those in the second group, such as Friedrich List, Daniel Raymond and John Rae were extremely hostile towards Adam Smith. By the mid-19th century, however, most American Protectionists held Smith in some esteem. Henry Carey himself was a great admirer of Adam Smith. Additionally, whilst Robert Ellis Thompson considered that "the [American] nationalist school of economists may be traced to... writers and statesmen of America", he thought "we might even claim Adam Smith himself as its founder, for in his happy inconsistencies he gives his sanction to... its principles." *Elements of Political Economy*, 26. This flattering view of Smith is no doubt an exaggeration, and was probably employed more for rhetorical purposes, but it still demonstrates the high regard that many American Protectionists held for the Scotsman.

<sup>189</sup> This is seen in the fact that John Stuart Mill's *Principles of Political Economy* was the number one selling economics text in the United States in 1876, and Mill's successor John E. Cairnes' *Some Leading Principles of Political Economy* was the 4<sup>th</sup> largest. For reference, Greeley's *Essays Designed to Elucidate the Science of Political Economy* and Bowen's *American Political Economy* were 7<sup>th</sup> and 9<sup>th</sup> respectively which was outselling William Stanley Jevon's *The Theory of Political Economy*, which was 10<sup>th</sup>. Henry Carey's now two decade old *Principles of Social Science* was 18<sup>th</sup> and List's *National Systems* was 20<sup>th</sup>. "The Prize Question in Political Economy", *Publishers Weekly*, 9, no. 128 (1876), 377.

<sup>190</sup> Joseph Dorfman, *Economic Mind in American Civilization*, Vol. 2, 770, and Vol. 3, 49-50; Michael O'Connor, *Academic Economics in the United States*, 5-6. It also appears that Say's treatise or American adaptations of his treatise were also commonly used as textbooks. Joseph Dorfman, *Economic Mind in American Civilization*, Vol. 2, 514.

the Southern States through the Southern Doctrine. This distinctly Americanized version of Ricardian and Malthusian economics would be employed in defense of the plantation system and against calls for industrialization.<sup>191</sup> As a result, it was naturally pitted against the American Protectionists. After the Civil War, however, the Southern doctrine would fade as an intellectual force. It was during this time that John Stuart Mill's refurbished brand of Ricardian economics was sweeping through academic circles. Thus, from its conception, academic economics in the United States was dominated by Classical economics in one form or another. The American Protectionists made some inroads in academia, but as we shall see in the next section, this was usually on an isolated basis and was often short lived. In spite of their rather limited academic presence, American Protectionism still represented a credible and potent intellectual force in the United States, especially after the writings of Henry Charles Carey.

Towards the end of the 19th century, a greater plurality of economic schools also began to emerge in the American intellectual scene, with a significant portion of them advocating free trade. In addition to Mill's brand of Ricardian Classicism, another Americanized take on Ricardian economics emerged with the ideas of Henry George and the single tax movement. Not only was Georgism staunch in its advocacy of a single tax on land, it was also staunch in its advocacy of free trade.<sup>192</sup> There were also the ideas of the Manchester School and French Liberalism which found American disciplines, the most notable of these being Arthur Latham Perry.<sup>193</sup> Marginalist or proto-Neoclassical ideas also began to emerge in the American scene with the ideas of John Bates Clark.<sup>194</sup> Finally, there was also a number of Social Darwinist thinkers, such as William Graham Sumner, who published *Protectionism, the Ism That Teaches That Waste Makes Wealth*, with these thinkers predicating their defense of free trade on the notion of the survival of the fittest.<sup>195</sup> The ideas of the American Protectionists were thus broadened to not only combat the increasingly antiquated ideas of Malthus and Ricardo, but also these newer and many ways more militant free trade ideologies as well.

On the more interventionist side, the ideas of the German Historical School began to make their mark on the American intellectual scene. At first, the American

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<sup>191</sup> Michael O'Connor, *Academic Economics in the United States*, 49-56; Dennis Hodgson, "Malthus' Essay on Population and the American Debate over Slavery", 742-770.

<sup>192</sup> This can be seen in the rise of American Protectionist critiques of Henry George, including George B. Dixwell, *Progress and Poverty: A Review of the Doctrines of Henry George*, (Cambridge: John Wilson & Son, 1882) and Giles B. Stebbins, *Progress from Poverty: Review and Criticism of Henry George's Progress and Poverty and Protection or Free Trade* (Chicago: Charles H. Kerr & Company, 1887).

<sup>193</sup> Joseph Dorfman, *The Economic Mind in American Civilization*, Vol. 3, 49-50.

<sup>194</sup> For a discussion of Clark, see Joseph Dorfman, *The Economic Mind in American Civilization*, Vol. 3, 188-205; and John F. Henry, *John Bates Clark: The Making of a Neoclassical Economist*, (London: Macmillan Press, 1995).

<sup>195</sup> These Social Darwinist ideas were met by George B. Dixwell, *Review of Professor Sumner's Speech Before the Tariff Commission*, (Cambridge: John Wilson & Son, 1882); Robert P. Porter, *Free Trade Folly*, (New York: J. S. Ogilvie and Company, 1886) 10-19; and George C. Curtiss, *Protection and Prosperity*. Curtiss, in particular, provides a novel argument against the natural selection argument employed by Social Darwinists by employing the concept of artificial selection (pp. 788-792).

Protectionists considered the Germans to be fellow travelers standing shoulder to shoulder against Classical economics.<sup>196</sup> However, once these works began to be translated into English, the enthusiasm which the American Protectionists held for the German Historical School started to dissipate.<sup>197</sup> In 1878, the work of the prominent German economist William Roscher appeared in the United States under the title *Principles of Political Economy*.<sup>198</sup> Not only did this translation reveal that the Germans supported both the Ricardian theory of rent and Malthusian theory of population — theories which were an anathema to the American Protectionists — it also only provided a lukewarm defense of protectionism under specific circumstances and considered free trade to be the norm.<sup>199</sup> To add insult to injury, Roscher also castigates Henry Carey for his advocacy of a perpetual protective tariff and admonishes him for his apparent “absolute inability to conceive the Malthusian law of population.”<sup>200</sup> It became increasingly clear that the Germans were no friend of the American Protectionist. This attitude is perhaps best demonstrated by Van Buren Denslow, who notes that “Roscher runs over Carey like an industrious ant over the pyramid of Gizeh, carefully noting all exterior inequalities but mutely powerless to comprehend any one sublime meaning.”<sup>201</sup>

The Germans not only exported writings to the United States, they also exported thinkers, or more precisely, they trained American graduates who would transpose

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<sup>196</sup> It seems that this mistaken belief stems from an association made between the German Historical School with the German protectionists Friedrich List and Eugen Dühring (who was a German follower of Carey, but not of the German Historical School). When the American Protectionist spoke positively of the Germans, it was often with respect to these authors, not the German Historical School. For example, Henry Carey dedicated *The Unity of Laws*, (Philadelphia: Henry Carey Baird, 1872, iii) to “Dühring” and considered him “the worthy successor of Frederic List”, and Robert Ellis Thompson (*Social Science and National Economy*, Philadelphia: Porter and Coates, 1875, 28, 30) only speaks highly of List and Dühring when mentioning German writers.

<sup>197</sup> Robert Ellis Thompson, for instance, speaks highly of the Germans in his 1875 treatise, but he seems completely unaware of the German Historical School, and only speaks favorably of Friedrich List and Eugene Düring. After 1878, however, Thompson is vehemently critical of the German Historical School and their Progressive students. In the 1875 edition of *Social Science and National Economy*, 26, Thompson notes that “The nationalist school of economists may be traced to later writers and statesmen of America and Germany” with reference to List. Yet, in the 1882 edition, Thompson inserts a passage, which reads “the school of the Kathedersocialisten... sometimes [known as] the Historical School. To this last title they have no proper right... They are cosmopolitan, like the economists they criticise, and, in the absence of any stable principle of economic science, they often carry their destructive criticisms of the older doctrines to an unwarrantable length, assigning to law, custom, and individual idiosyncrasy a reach of influence which leaves no room for any genuine economic science.” *Elements of Political Economy*, 25-26. Additionally, prior to 1878, the American Progressive Charles Francis Adams Jr. also notes how the American Protectionists misunderstood the nature of German economics, stating that “a great deal has of late been heard of the newly developed school of political and economic thinkers, which is making itself felt in Germany... These German thinkers have been laid hold of in this country by the protectionists and claimed by them as allies. In truth they are nothing of the sort. They are free traders themselves, but they declare that the principles of free trade also are not of unlimited application.” Charles Francis Adams Jr., ‘The State and the Railroads’, *The Atlantic Monthly*, 37, no. 224 (1876), 692.

<sup>198</sup> Wilhelm Roscher, *Principles of Political Economy with Additional Chapters on Paper Money, International Trade, and the Protective System*, Vol. 2, trans. John L. Lalor, (New York: Henry Holt & Co, 1878).

<sup>199</sup> This hostility between the Germans and Protectionists is noted in Dorfman, *Economic Mind in American Civilization*, Vol. 3, 91, and is very much consistent with the primary source material of the American Protectionists examined in this study. Interestingly, however, in spite of Roscher’s agreement with Malthus and Ricardo on these issues, more broadly, the German Historical School reject the existence of general laws of economics.

<sup>200</sup> Wilhelm Roscher, *Principles of Political Economy*, 1878, 446f; In addition to his criticisms of Carey, Roscher (p. 21f) is also highly critical of Hamilton’s views on rent, considering it a “vulgar error”, which no doubt caught the eye of American Protectionists. In fact, this is demonstrated by Van Buren Denslow’s defense of Hamilton against Roscher’s critique, stating that “it is very certain that in the United States, Hamilton’s view, though deemed a vulgar error by Roscher... is in harmony with the [facts of the matter.]” Van Buren Denslow, *Principles of the Economic Philosophy of Society, Government, and Industry*, (New York: Cassell & Company, 1888), 241f. This is not a trivial debate over details, as Hamilton’s views would form the basis of the American Protectionist theory of land and rent.

<sup>201</sup> Van Buren Denslow, ‘American Economics,’ *North American Review*, 139, no. 332, (1884), 17-18.

German economics to the United States. Upon returning to the United States, these German trained Americans would be referred to as the ‘New School’, known today as Progressives.<sup>202</sup> The virtual founder and leading figure of the Progressive School was Richard T. Ely, who was responsible for teaching most of the later members of the School. Ely completed his doctorate in 1879 under the supervision of Karl Knies, a key figure in the German Historical School. When Ely returned to the United States, he spent several decades teaching at John Hopkins University and then the University of Wisconsin; during which time Ely built an intellectual empire, churning out numerous influential students who went on to become economists and social reformers.<sup>203</sup> This was a novel development in American economics. Whereas the American Protectionists saw a significant, but carefully defined, role for the State, the Progressives, like their German forebears, saw themselves as scientific technocrats, who with the right knowledge and the use of state power could fine tune the economy to reach social goals.<sup>204</sup> This was known as *Kathedersozialism* or the “socialism of the chair.”<sup>205</sup> Not all Progressives were free traders, but the vast majority were, and they generally approached the issue from a different angle from that of the traditional free trade schools.<sup>206</sup> This meant that the Protectionists now occupied the unique and delicate position of defending internal free markets against the Progressives whilst simultaneously defending the Protectionist position against an onslaught from both free traders and Progressives. The inveterate protectionist Robert Ellis Thompson, in

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<sup>202</sup> Useful literature concerning the German influence on American Progressive thought include Jack C. Myles, “German Historicism and American Economics: A Study Of The Influence Of The German Historical School On American Economic Thought.” PhD Dissertation, Princeton University; Joseph Dorfman, ‘The Role of the German Historical School in American Economic Thought’, *The American Economic Review*, 45, no. 2 (1955), 17-28; Jurgen Herbst, *The German Historical School in American Scholarship: A Study in the Transfer of Culture* (Ithaca: Cornell University Press, 1965).

<sup>203</sup> For a worthy biography of Ely, see Benjamin G. Rader, *The Academic Mind and Reform: The Influence of Richard T. Ely in American Life*, (Lexington: University of Kentucky Press, 1966).

<sup>204</sup> It is important to emphasize this point, as the bulk of the secondary literature is plagued with mistaken views on this topic. Marc-William Palen’s *The “Conspiracy” of Free Trade: The Anglo-American Struggle over Empire and Economic Globalization, 1846-1896*, (Cambridge University Press, 2016, 177) mistakenly refers to Ely and other Progressives as American Protectionists; Donald Gibson’s *Wealth, Power, and the Crisis of Laissez-Faire Capitalism* (New York: Palgrave Macmillan, 2011, 44, 95-96) even more bizarrely refers to Thorstein Veblen “as the last known representative of the American System” and credits the Progressive President Franklin D. Roosevelt with reviving the American System, when in actual fact, the Roosevelt Administration was largely responsible for repealing it. The homogenization of the American Protectionists with the German Historical/Progressive School is also a feature of Erik Reinert’s *The Visionary Realism of German Economics: From the Thirty Years’ War to the Cold War*, (London: Anthem Press, 2019, 337); a similar line of thought is also implied in Christopher W. Calvo, *The Emergence of Capitalism in Early America*, 237-238, and Allen G. Gruchy, “Review of Michael Hudson,” *History of Political Economy*, 9 (1977): 147-150. This unfortunate trend not only distorts the historical record, it obfuscates the very clear and irreconcilable differences between the two traditions. Note that whilst the position adopted in this thesis is at odds with the bulk of the secondary literature (with Dorfman being the only other source which rightly identifies the distinctions between the two traditions), these other secondary sources only deal with this topic in an incidental manner. There are no dedicated studies devoted to the topic.

<sup>205</sup> “Socialism of the chair” is more of a mixture of what might be called Social Democracy and Paternalism than Marxist-Socialism. The German Historical School and the Progressives advocated price controls, the welfare state, and general regulation of the economy, but they did not endorse the abolition of private enterprise. Indeed, Ely actually calls this system “German Social Democracy” in his article “Bismarck’s Plan for Insuring German Laborers”, *The International Review*, 12, (1882), 504.

<sup>206</sup> Richard T. Ely, for instance, was critical of the American System on the basis of tariffs tending to be a regressive tax and for its supposed issues with revenue raising. In the words of Ely, “to the establishment of protectionism as ‘the American System.’ This cause was a faulty federal revenue system, lacking the first principle of scientific finance, which is flexibility and elasticity... This weakness inheres in any system of national revenue based almost exclusively on duties of imported commodities” *Problems of To-Day: A Discussion of Protective Tariffs, Taxation, and Monopolies*, (New York: Thomas Y. Crowell, 1888), 46. Ely, of course, assumes that the tax system should be crafted in order to advance whatever the present objectives of the government are at any given time, and not to collect revenue in such a way as to incur the least burden to the nation’s producers, which was the taxing philosophy advanced by the American Protectionists, see Chapter 14 of this study for more details.

two of his critical reviews of Ely's work, perhaps best exemplifies the Protectionist attitude towards the Progressives while also indicating the key differences between the two schools. In the words of Thompson:

If we might use the word *unprincipled* in a purely intellectual sense, we would call Prof. Ely an unprincipled Free Trader. The fundamental difference between Protectionists and Free Traders is that with reference to the sphere of the State's activity. Prof. Ely not only rejects the Free Trade theory of State passivity with regard to the industrial life of the country, but he goes far beyond Protectionists in his willingness to extend the sphere of State action. Yet he opposes Protection on the ground of the practical inconveniences and abuses which attend that policy, (especially its taxing the people indirectly and unequally), and the insufficiency of the reason for it... On the whole, Ely's book disappoints us.<sup>207</sup>

And:

Defects... result from Prof. Ely's position as a member of the new [progressive] or "historical" school of economists... It is the common fault of this school that it refuses to distinguish between socialistic and economic movements, and that they give the former an importance which is not their due. This comes from [them] being engaged in a mere negative revolt against the Political Economy of *Laissez-faire*, without having a positive doctrine to combat its follies. They are much more really the "critical" than the "historical" school, and [their] criticism at... best is never constructive. Hence, we think, their failure to define the extent and measure of their revolt against the doctrine of the "orthodox" economists, and the danger of running into modified socialism themselves. Indeed, they never have done justice to the truth [which] there is in the *Laissez-faire* doctrine.<sup>208</sup>

Concerned with the meteoric rise of the Progressives as an intellectual force, the American Protectionists became more aggressive and explicit in their criticisms of socialism and the soft socialism of the Progressives. After all, the American Protectionists were largely on the same page as the Classicals in their support of the private enterprise system, and their Republican allies were no longer competing in the political sphere against free trade capitalists, but progressive reformers, particularly after William Jennings Bryan secured the 1896 Democratic nomination. It must be said, however, that the American Protectionists still advocated the same American System which they always adhered to, and were still largely operating on the

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<sup>207</sup> Robert Ellis Thompson, "Economic Literature," [Review of Works by Van Buren Denslow, Richard T. Ely, and Edward Taylor], *The American*, 16(415), 1888, 214-215

<sup>208</sup> Robert Ellis Thompson, "Economic Literature," [Review of Richard T. Ely's *The Labor Movement in America*], *The American*, 12(324), 1886, 9-10.

theoretical foundations established by Alexander Hamilton. What changed towards the end of the 19<sup>th</sup> century and into the 20<sup>th</sup> century was the context and climate in which they presented their arguments. As opposed to only confronting one chief rival in the contest of ideas, the American Protectionists were now caught in the middle ground among a plurality of competing ideologies.

#### **4.5: Institutional Infrastructure and Organization of the School**

It is necessary to provide an overview of the institutional and organizational infrastructure of the American Protectionists as this represents a significant departure from how schools of economic thought typically operate. By and large, the American Protectionists could be considered as outsiders to academia. In response to this, they cultivated their own private institutional infrastructure in order to sustain and spread their doctrine. Of course, some American Protectionists would go on to secure academic posts, but for all intents and purposes, this represented a few small islands in a sea of Classical, and by the late 19<sup>th</sup> century, Progressive economics. The few shining exceptions to the rule were William D. Wilson of Cornell, Robert Ellis Thompson of the University of Pennsylvania, Van Buren Denslow of the University of Chicago and Northwestern University, George M. Steele of Wesleyan University, and Francis Bowen of Harvard.<sup>209</sup> However, as a general statement, academia was overwhelmingly hostile towards the ideas of the American Protectionists. As Rufus Griswold, a prominent Whig at the time notes, the ideas of American Protectionists were denied admission “at the University in the street next door to that in which [Henry Carey] has his residence.” Their economics departments were instead “composed of ideas from... nearly obsolete systems: Say and Ricardo are regarded as expositors of the last and ultimate doctrine.”<sup>210</sup> And equally insightful is Robert Ellis Thompson’s observation that Carey was “pointed out to the students of British [economics]... as the author whom, before all others, they were to refute in their prize essays.”<sup>211</sup> Such a position is also expressed by John L. Hayes, who explains that:

It cannot be denied that a tendency to free-trade doctrine largely prevails in our great cities, in fashionable circles, and among literary and professional men, and, what is more than all to be regretted, in our colleges.<sup>212</sup>

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<sup>209</sup> This refers to the postbellum period. In the antebellum period, Calvin Colton, who was Professor of Political Economy at Trinity University, appears to be the only American Protectionist to occupy an academic position (other than Francis Bowen, whose position stretched across both periods). It should be noted that others occupied academic posts outside of political economy and social science. Peshine Smith was, for instance, a Professor of Mathematics at the University of Rochester.

<sup>210</sup> Rufus Griswold, ‘Henry C. Carey: The Apostle of the American School of Political Economy’, *The American Whig Review*, 37, (1851), 79.

<sup>211</sup> Robert Ellis Thompson, “Henry Charles Carey”, 827.

<sup>212</sup> John L. Hayes, *The Protective Question Abroad and Remarks at the Indianapolis Convention*, (Cambridge: John Wilson and Son, 1870), 3.



The development of American Protectionist thought outside the confines of academia was not by design, but by necessity. Attempts were made to cultivate an academic presence. As early as 1822, Mathew Carey offered the University of Maryland an endowment to establish a chair of political economy for Daniel Raymond, but this offer was turned down.<sup>213</sup> Similar attempts were also made in 1828 to establish a chair for Friedrich List at Lafayette College in Pennsylvania, but to no avail.<sup>214</sup> Perhaps the boldest, and ultimately the most tragic of these attempts, however, was the establishment of the Wharton School of Finance and Political Economy at the University of Pennsylvania.<sup>215</sup> The iron magnate Joseph Wharton, himself a Protectionist writer, founded the Wharton School with the explicit intent of spreading the American Protectionist doctrine. In the charter of the School, Wharton stipulated that teaching should “inculcate and impress upon the students... the necessity for each nation to care for its own and maintain by all suitable means its industrial and financial independence.” Wharton also stressed that “no apologetic or merely defensive style of instruction must be tolerated” on the issue of protection. Instead, “the right and duty of national self-protection must be firmly asserted and demonstrated.”<sup>216</sup>

In establishing the School, Wharton handpicked Robert Ellis Thompson to serve as Professor of Social Science (Political Economy) and as the Dean of the School. Likewise, Albert S. Bolles, who was also a Protectionist, was appointed Professor of Mercantile Law and Practice. In addition, the Wharton School was endowed with a library from Henry Carey and Stephen Colwell and consisted of over six thousand works on political economy.<sup>217</sup> It thus finally seemed as if American Protectionist thought had found a permanent home within academia. However, changing currents within academic culture would eventually thwart these efforts. By the late 19<sup>th</sup> century, there was an increasing trend towards credentialism. Previously, instruction in United States did not require a doctorate, but this was increasingly giving way to the German model. This issue was compounded by the fact that doctoral studies were not particularly common in the United States, so most graduate students in the social sciences and economics went to Germany, which was considered the home of the PhD. To boost its reputation, the University of Pennsylvania, like many others, sought out these more credentialed graduates from the German seminaries.<sup>218</sup>

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<sup>213</sup> Mathew Carey, *Autobiographical Sketches* (Philadelphia: John Clarke, 1839), 93-96; Michael O'Connor, *Academic Economics in the United States*, 32.

<sup>214</sup> Michael O'Connor, *Academic Economics in the United States*, 35.

<sup>215</sup> Steven A. Sass, *The Pragmatic Imagination: A History of the Wharton School, 1881-1981*, (Philadelphia: University of Pennsylvania Press, 1982), 33.

<sup>216</sup> Joseph Wharton, “Dead of Trust: Joseph Wharton to University of Pennsylvania”, [June 22, 1881], Box 52, Wharton School Deeds and Indentures Folder, JWP, FHLS, Swarthmore, PA.

<sup>217</sup> Steven A. Sass, *The Pragmatic Imagination*, 33.

<sup>218</sup> For the University of Pennsylvania specifically, see Steven A. Sass, *The Pragmatic Imagination*, 55-56; for a more general observation, see Murray Rothbard, *The Progressive Era*, 333-336.

In 1883, Edmund J. James, an economist who has studied alongside Simon Patten and Richard T. Ely at the University of Halle under the German Historicist Joannes Conrad, became the first of these German graduates to join the Wharton School.<sup>219</sup> This move would eventually prove fatal for the American Protectionists. James was appointed as director of the Wharton School, and from here, James sought to recreate the Wharton School in the image of the German seminaries and stack it with likeminded Progressives. In 1887, James recruited Simon Patton and appointed him as Professor of Political Economy, and demoted Robert Ellis Thompson to the Welsh Chair of History.<sup>220</sup> Both James and Patton considered the American Protectionist doctrines which descended from Hamilton through Carey as too unsophisticated for university education and sought to replace it with their own Germanic inspired economic thought. Indeed, the Protectionist and associate of Joseph Wharton, Lorin Blodgett noted that “the movement in the University is deliberately planned and intended to effect the reversal of the [protectionist] economic teaching which has been characteristic of [the] institution” and that “several pretended friends of the protectionist doctrine”, no doubt referring to James and Patton, “are secretly their active enemies.”<sup>221</sup> The Wharton School fell increasingly under the ideological capture of the Progressives, and Thompson became ostracized within the very institution which he helped found.<sup>222</sup>

By 1892, James sought to oust Thompson from the university completely.<sup>223</sup> In a letter written to the Provost of the University recommending Thompson’s termination, James charged that Thompson spent too much time lecturing and conducting independent research, and not enough time on one-on-one consultation with students, that he was unwilling to adopt new historical methods and higher standards of education, and that he failed to collaborate with the rest of staff. James also took issue with Thompson running his own classes on political economy.<sup>224</sup> Yet, in doing so, Thompson was the only member of the staff upholding the original intentions of the Wharton School.<sup>225</sup>

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<sup>219</sup> Jack C. Myles, ‘German Historicism and American Economics’, 99-100.

<sup>220</sup> Steven A. Sass, *The Pragmatic Imagination*, 72-73.

<sup>221</sup> Lorin Blodgett to Joseph Wharton, April 16, 1892, Robert Ellis Thompson Folder, *GACPI*, UARC, UP, Philadelphia, PA.

<sup>222</sup> It should be noted that this tactic of excluding outside economists was a pattern of conduct of the American Progressives. When Ely, James, and Patten founded the American Economic Association (AEA), they banned non-Progressive economists, such as William Graham Sumner and Arthur T. Hadley, from joining the organization. It was only after John Bates Clark converted from Progressive to Neoclassical Economics that there was pressure from within the AEA to lift the ban. Benjamin G. Rader, *The Academic Mind and Reform*, 177; Murray N. Rothbard, *Classical Economics*, 471; Joseph Dorfman, *Economic Mind in American Civilization*, 206-207.

<sup>223</sup> One might be inclined to conclude that Thompson’s criticisms of the Progressives (noted in Section 4.4) stems from his termination at the Wharton School. The line of causality, however, is very much in reverse. Thompson’s assault on the Germans and Progressives appeared well before James and Patton even joined the Wharton School. It seems that James and Patton sought to oust Thompson because they perceived him as a reactionary to German and Progressive thought.

<sup>224</sup> Edmund James to William Pepper, Undated, The Case of Robert Ellis Thompson Folder 1, *GACPI*, UARC, UP.

<sup>225</sup> Robert Ellis Thompson also noted that with no one else teaching political economy of the American Protectionist variety, that “if [he] had stopped teaching it, this would have abolished it from the University, and suspended the operations of the Wharton School.” Robert Ellis Thompson to the Board of Trustees, June 13, 1892, The Case of Robert Ellis Thompson, Folder 2, *GACPI*, UARC, UP.

The first of the charges levelled against Thompson is peculiar, as running too many lectures, is like punishing a worker for being too productive. Thompson's students also did not seem to mind the apparent lack of consultation, as a group of his undergraduate students organized a petition and received 314 student signatures praising Thompson's teaching abilities.<sup>226</sup> As far as the second charge, it appears that Thompson merely refused to adopt the so-called "new historic methods" of the German Historical School, choosing instead to maintain the traditional inductive-natural law approach (elaborated upon in Section 6.3) of the American Protectionists.<sup>227</sup> Finally, as to the charge of refusing to collaborate, by this point, Thompson was the only remaining American Protectionist at the Wharton School and given how James and Patton sought to purge traditional protectionist thought from the university, it is small wonder that Thompson refused to collaborate with those who were seeking to highjack the Wharton School.

Thompson responded that attempts to oust him were purely ideological in nature. Indeed, the two latter charges levelled against him can be seen as symptoms of a larger ideological rift. Writing to Joseph Wharton, Thompson notes that his "work is on the line of teaching of Mr. Carey, Mr. Colwell, and the other representatives of the Philadelphia School" of Protectionists. By now he was "the only representative of the school" at Wharton. "The rest were graduates under either [the Social Darwinist] Professor [William Graham] Sumner of Yale or Professor Conrad" of the German Historical School.<sup>228</sup> Thompson's position was ultimately terminated in 1892, and so too, were the original intentions of the Wharton School.<sup>229</sup>

The tragedy of the Wharton School typifies the struggle faced by the American Protectionists in penetrating the halls of academia, and, as a result, the Protectionists sought out alternative arrangements for spreading their doctrine.<sup>230</sup> The mainstay of Protectionist thought had always been the Whig and Republican party, but the

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<sup>226</sup> "Student Petition to the Board of Trustee," Robert Ellis Thompson Folder, *GACPI*, UARC, UPA; a group of alumni also organized a petition and received 104 alumnus signatures against Thompson's termination, "Alumnus Petition to the Board of Trustee", Robert Ellis Thompson Folder, *GACPI*, UARC, UPA. Sass also notes that "Thompson's discourses on history, literature, and the tariff were extremely popular." *The Pragmatic Imagination*, 79.

<sup>227</sup> This is strongly implied since Edmund James says that Robert Ellis Thompson lacked "modern methods" in historic work. This interpretation of 'new historic methods' is also supported by Steven A. Sass, *Pragmatic Imagination*, 63.

<sup>228</sup> Robert Ellis Thompson to Joseph Wharton, April 2, 1892, Wharton School 1892 Folder, *GACPI*, UARC, UPA. On this point, however, Wharton did send Cyrus Elder to investigate the issue and Elder did not identify any apparent issues. Whilst it is difficult to capture the full nature of the rift between Thompson and the Progressives, it seems apparent that there was a push to supplant the American Protectionist doctrine with a Progressive one. Cyrus Elder to Joseph Wharton, May 23, 1892, Wharton School 1892 Folder, *GACPI*, UARC, UP.

<sup>229</sup> Edmund James reassured the University Provost, Dr. William Pepper, that "as to the fear that, if [Thompson] should resign, the doctrine of protection would be in danger", and would thus violate the Wharton School charter, "Dr. Patten – an even more radical and thorough-going protectionist than Prof. Thompson himself – can be trusted to look after that." Pepper's background, however, was in anatomy, and he was thus in no position to understand the nuances of economic thought. In this case, 'more radical and thorough-going' translates into the heavy handed 'socialism of the chair' which the American Protectionists rejected. Edmund James to William Pepper, Undated, Robert Ellis Thompson Folder, *GACPI*, UARC, UP.

<sup>230</sup> Although the Wharton School is the most striking example, there were other instances. Francis Bowen, for example, was also stripped of his Chair of Political Economy, by Harvard President Charles Elliot, who gave it to the free trader Charles Franklin Dunbar. Joseph Dorfman, *Economic Mind in American Civilization*, 65. See also Francis Bowen's biographical sketch in the Appendix.

American Protectionists also proceeded to establish their own quasi-scholarly network outside academia through industrial associations, thinktanks, and protectionist advocacy groups.<sup>231</sup> The most notable of these were the Industrial League, the American Iron and Steel Association, the National Wool Manufacturers Association, the Home Market Club, and the American Protective Tariff League.<sup>232</sup>

The Industrial League represented an umbrella organization of sorts with its membership being composed of other agricultural, mining, and industrial associations.<sup>233</sup> It was founded in 1868 to serve as a protectionist lobby group and to bring together the sometimes disparate protectionist causes into a consolidated and unified approach. The objectives of the League were explicitly protectionist with its constitution asserting that the purpose of the organization is (1) “the cultivation of a spirit of mutual confidence between all industrial organizations of the United States, for the purpose of securing harmonious action in regard to any tariff revision”; (2) “the exercise of such influence as it may possess to prevent unfriendly tariff legislation by Congress”; (3) “the publication and distribution of tracts and other printed statements which shall advocate the policy of Protection to Home Industry”; and (4) “the employment of competent persons to advocate the Protective policy in public addresses.”<sup>234</sup>

The Industrial League was the brainchild of Joseph Wharton, who was one of the founders alongside the Pennsylvanian industrialist and Republican Congressman Daniel J. Morrell, the iron manufacturers Morton McMichael and William Sellers, and Henry Carey’s nephew, Henry Carey Lea.<sup>235</sup> The educational work of the Industrial League was of a broad nature. It produced the *Industrial Bulletin*, which was edited by the protectionist Cyrus Elder, who also served as secretary of the League.<sup>236</sup> It printed and distributed various treatises, tracts, and Congressional speeches in favor of protection.<sup>237</sup> The League also sponsored lectures and funded newspapers of a

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<sup>231</sup> There were earlier attempts to establish similar organizations in the first half of the 19<sup>th</sup> century, but these were generally quite small and rather localized organizations which lacked the reach of those in the late 19<sup>th</sup> century. Mathew Carey along with Samuel Jackson and Tench Coxe, for instance, established the *Philadelphia Society for the Promotion of National Industry* to disseminate protectionist ideas to Congress and the general public, but this society consisted of only 10 members. John Leander Bishop, *A History of American Manufactures from 1608-1860*, (Philadelphia: Edward Young & Co, 1864), 238. See also Lawrence Peskin, *Manufacturing Revolution*, 216, and 93-118 for a discussion of the earlier societies of the late 18<sup>th</sup> century.

<sup>232</sup> In addition to these, there was also the Institute of Social Economics founded by George Gunton in New York City in 1890. Although little information remains on the Institute, it appears that it was quite popular in its day. It ran classes and lectures, and issued its own journal, *The Social Economist*. That said, the Institute, whilst having a protectionist slant, appears to have been highly pluralist in nature, and taught a variety of economic approaches. A brief account of the Institute is given in the American Protective Tariff League, “Institute for Social Economics”, *The American Economist*, 12, no. 139, (1900), 337-338.

<sup>233</sup> Both John L. Hayes of the National Association of Wool Manufacturers and James M. Swank of the American Iron and Steel Associations served representatives to the League, and Giles B. Stebbins was the representative for the Michigan Branch of the Industrial League. “Minutes from the First Meeting of the Executive”, Industrial League Record Book, no page number recorded, Box 232, Folder 9, *ASISR*, HML, Wilmington, Delaware.

<sup>234</sup> “Constitution of Industrial League”, Industrial League Record Book, no page number recorded, Box 232, Folder 9, *ASISR*, HML.

<sup>235</sup> Industrial League Record Book, [p. 4], Box 232, Folder 9, Record Book, *ASISR*, HML.

<sup>236</sup> James M. Swank, “Sudden Death of Cyrus Elder,” *The Bulletin of the American Iron and Steel Association*, 36, no. 15 (1912), 118.

<sup>237</sup> Letter on behalf of the League dated: September 8, 1885; December 10, 1885; June 30, 1886; March 4, 1887;

protectionist orientation, including the *Chicago Inter-Ocean*, which employed the likes of Van Buren Denslow and David H. Mason.<sup>238</sup> In addition, the League was responsible for strategizing protectionist efforts. The League, for instance, secured protectionist textbooks which they then distributed to universities and colleges.<sup>239</sup>

Out of all the organizations on this list, the American Iron and Steel Association (AISA) was undoubtedly the most well-resourced of them all. AISA predates the Industrial League and was founded in 1864 by a group of American iron and steel manufacturers. The wealthy industrialist Eber Brock Ward served as the Association's first president, and as early as 1866, Giles B. Stebbins would serve as the Association's Secretary.<sup>240</sup> Since its inception, the association was an explicitly protectionist organization. This is perhaps no better illustrated than by the fact that Henry Carey, Stephen Colwell, Andrew Stewart, and Horace Greeley were all made honorary members of the association in the year following its establishment.<sup>241</sup> Similar to the Industrial League, the Association produced its own bulletin, known as the *Bulletin of the American Iron and Steel Association*. Whilst the Bulletin covered a broad range of topics relating to the iron and steel industry, it was still staunchly protectionist, and was edited by the Protectionist James M. Swank, who would eventually take over as secretary.<sup>242</sup> It was through AISA that the writings of the American Protectionists were most heavily distributed. Indeed, "with the exception of the American Iron and Steel Association", the Association's *Bulletin* explains, "we know of no agency during the last dozen years that has systematically distributed treatises on Protection in popular form."<sup>243</sup> In addition to distributing existing literature, the Association also oversaw and published new protectionist literature, including Joseph Wharton's *National Self-Protection*, and Giles B. Stebbin's *A Tariff is Not a Tax*, among other tracts.<sup>244</sup>

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among others, in Industrial League Record Book, Box 232, Folder 9, *AISIR*, HML. For the year 1886, the League reported that 364,500 tracts were distributed, and for the year 1888, the amount exceeded a million. A confidential letter dated January 1, 1886, also shows that works were sent directly to members of Congress.

<sup>238</sup> A letters within the Industrial League Record Book shows it provided funding for public lectures by Van Buren Denslow. Letter on behalf of the League to Members of the League, January 28, 1886 in Industrial League Record Book, Box 232, Folder 9, *AISIR*, HML; A letter from David H. Mason to Cyrus also seems to support the view of the Industrial League funding newspapers, with Mason explaining that "George S. Bowen [of the industrial league]... goes east with a view of negotiating a loan intended to assist the Inter-Ocean... the success of Mr. Bowen's mission may... be the means of restoring me to the tariff editorship of the Inter-Ocean." David H. Mason to Cyrus Elder, November 5, 1895, *DHML*, HL, San Marino, CA.

<sup>239</sup> This is demonstrated in a letter from Stebbins to Carey, on behalf of the League, where he requests "copies of [Carey's] works... [so that they] can be distributed among Colleges and Schools, under direction... [of] the 'Industrial League'" and particularly his which "are best adapted for College Libraries and class books." Giles B. Stebbins to Henry C. Carey, June 24, 1869, Box 18, Folder 5, *HCCP*, ECGC, HSP, Philadelphia, PA.

<sup>240</sup> American Iron and Steel Association (AISA) Secretary's Report, [p. 57], Box 230, Folder 3, *AISIR*, HML. Joseph Wharton also served as Vice President during the 1880s and then served as President in the 1890s, see *AISA Minutes Book*, Box 230, *AISIR*, HML.

<sup>241</sup> *AISA Minutes Book* [p. 12], Box 230, *AISIR*, HML; *AISA Secretary's Report* [p. 9], Box 230, Folder 3, *AISIR*, HML.

<sup>242</sup> Albert Clarke, "James M. Swank", *The Protectionist*, 11, no. 131 (1900), 617.

<sup>243</sup> American Iron and Steel Association, "The New Campaign for Protection", *Bulletin of the American Iron and Steel Association*, 20, no 1 (1886), 4; As early as 1865, the American Iron and Steel Association reported that it distributed 1,365,000 protectionist pamphlets. *AISA Secretary's Report* [p. 55], Box 230, Folder 3, *AISIR*, HML.

<sup>244</sup> Joseph Wharton, *National Self-Protection*, (Philadelphia: The American Iron and Steel Association, 1875); Giles B. Stebbins, *A Tariff is Not a Tax*, (Philadelphia: American Iron and Steel Association, 1880).

The National Association of Wool Manufacturers (NAWM) was founded in 1864 by the carpet manufacturer and American Protectionist writer Erastus B. Bigelow, who served as its President for a great many years. From its inception, the association was explicitly protectionist. Its founding document praised “The Morrill Tariff” which it “gratefully acknowledged as a most important step in the progress of American manufactures.”<sup>245</sup> Indeed, to show their appreciation, the NAWM bestowed Justin Smith Morill, the Congressmen who produced the bill, with an honorary membership.<sup>246</sup> *The Bulletin of the National Association of Wool Manufacturers* was also established in 1869, and it was through this publication that the NAWM was able to spread protectionist doctrine and promote protectionist writings. John L. Hayes, an admirer of Henry Carey and a Protectionist writer himself, would serve as secretary of the Association from 1864 until his death in 1887. During this time Hayes served of editor of *the NAWM Bulletin*, where he maintained its protectionist character.<sup>247</sup>

In addition to these industry associations, a number of protectionist thinktank organizations were established. The two most important of these were the Home Market Club and the American Protective Tariff League. The Boston-based Home Market Club was founded in 1886 by George Draper, who was converted to the cause of protection by the ideas of Henry Clay, Daniel Webster, and Horace Greeley.<sup>248</sup> Whilst more of an advocate than a theorist, Draper did produce his own work entitled *Some Views on the Tariff Question* as well as various smaller articles on the topic. It is difficult to fully ascertain the full scope of the early operations of the Home Market Club. But, like the other organizations, the Home Market Club did produce their own publication, known as the *Home Market Bulletin*. It was in 1889, however, with the appointment of Albert Clarke as the Club’s Secretary that the activities of the Home Market Club became significantly broadened, with the Home Market Club morphing into more of a protectionist thank tank. Clarke, who was himself a Protectionist writer, took over as editor of the *Home Market Bulletin*, renaming it *The Protectionist*.<sup>249</sup> *The Protectionist* became one of the leading journals of American Protectionist thought, as well as a marketing arm and disseminator of the treatises and writings of the American Protectionist thinkers.

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<sup>245</sup> National Association of Wool Manufacturers, *Objects and Plan of the National Association of Wool Manufacturers: Its Organization, Articles of Association, and By-Law*, (Boston: John Wilson & Son, 1865), 4.

<sup>246</sup> National Association of Wool Manufacturers, *Objects and Plan of the National Association of Wool Manufacturers*, 26.

<sup>247</sup> James M. Swank, “Tribute to the Memory of John L. Hayes”, *Bulletin of the National Association of Wool Manufacturers*, 17, no. 2 (1887), 112; Giles B. Stebbins, “Memoir of Hon. John Lord Hayes”, *Bulletin of the National Association of Wool Manufacturers*, 17, no. 2 (1887), 97.

<sup>248</sup> George Draper, *Some Views of the Tariff Question*, (New York: The American Protective Tariff League, 1886), preface. George also had a brother, William F. Draper, who also wrote on the subject of protection, including ‘Protection and Wage-Earner’, *The Social Economist*, 1, no. 6 (1891): 365-370. The two Draper brothers were partners at the Draper Company of Hopedale, a textile manufacturer. George Draper was also the representative for the Builders of American Textile Machinery for the Industrial League. The Industrial League Records Book, [Minutes from the First Meeting of the Executive, no page number recorded], Box 232, Folder 9, AISIR, HML.

<sup>249</sup> Refer to Albert Clark’s biographical sketch in the Appendix for further details.

The American Protective Tariff League represents the sister organization of the Home Market Club, performing many of the same functions. The organization was founded by the businessman Edward H. Ammidown and the Protectionist writer Robert P. Porter in 1885, and it was intended as a counter organization to the staunchly free-trade Cobden Club.<sup>250</sup> The principles adopted by the League included making “known in every practical way the principles and advantages of the American Protective System.”<sup>251</sup> Among the executive of the League were various American Protectionist writers, such as Thomas Haines Dudley (1<sup>st</sup> Vice President), Robert P. Porter (2<sup>nd</sup> Vice President), and Henry M. Hoyt (General Secretary). Others, such as Ellis H. Roberts, (Vice President of the New York branch) also filled the ranks of the League.<sup>252</sup> Similar to the other organizations, the Tariff League published their own journal, *The American Economist*, which regularly featured articles from the key American Protectionist writers. *The American Economist* and *The Protectionist* would thus represent the two foremost protectionist journals in the United States.<sup>253</sup> In addition, the Tariff League also published and distributed their own literature, organized essay competitions, and hosted lectures and seminars.<sup>254</sup>

The American Protectionists thus largely operated in exile from formal academic institutions. It was through their affinity with the Republican Party, industry associations, and protectionist advocacy groups and thinktanks, that the American Protectionists sustained and spread their doctrine. Indeed, this outsider status perhaps explains why the School has gone unnoticed by so many historians of economic thought, and why academic economists have routinely ignored the contributions of the American Protectionists, despite their doctrines flourishing within political and industrial circles in their own day. The close connection which the American Protectionists had with industrial circles will, of course, raise questions of

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<sup>250</sup> Limited information exists on Edward H. Ammidown, but it appears that he was a woolen goods manufacturer from New York City. Ammidown gave testimony to the 1882 US Tariff Commission and is referred to as owner of Ammidown & Lane, Woollen Manufacturers. [Anon.] *Report of the Tariff Commission: Testimony Taken by the Tariff Commission*, (Washington: Government Printing Office, 1882), 1675; It does not appear that he produced any substantial economic works, but the American Protective Tariff League did publish at least one of his speeches in pamphlet format, see E. H. Ammidown, *Protection*, (New York American Protective Tariff League, 1887).

<sup>251</sup> American Protective Tariff League, “Principles of the American Protective Tariff League”, *The American Economist*, 3, no. 6 (1889), 80.

<sup>252</sup> American Protective Tariff League, “Officers of the League”, *The American Economist*, 3, no. 6 (1889), 80. This, of course, only refers to the 1889 and no doubt changed over time.

<sup>253</sup> These two journals often cite another journal known as *The Manufacturer*, which is also mentioned by Albert Clarke as one of the three leading journals on protection, see Albert Clarke, “Protection”, *The Encyclopedia of Social Reform*. ed. William D. P. Bliss, 2<sup>nd</sup> ed. (New York: Funk & Wagnalls Company, 1897), 1141. It appears that no copies of this journal have survived, so it is difficult to ascertain the nature of journal. It seems, however, that it was the least important of the three. It is also important to note that there were earlier newspapers and journals which fulfilled a similar function, but these appear to have been far less organized and resourced than these later journals. Earlier examples include Horace Greeley’s *The American Labourer*, and Henry Carey’s *The Plough, the Loom and the Anvil*. In addition, there were also other general purpose, though protectionist leaning, magazines, such as Hezekiah Nile’s *Weekly Register*.

<sup>254</sup> Some of these prized essays include Crawford D. Hening, *The Advantages of a Protective Tariff to the Labor and Industries of the United States*, (New York: The American Protective Tariff League, 1887); C. D. Todd, *Home Production: Indispensable to a Supply, at Low Prices, of the Manufactured Commodities Required for the People of the United States*, (New York: The American Protective Tariff League, 1888); Homer B. Dibell, *What are Raw Materials? Would Free Raw Materials be Advantageous to the Labor and Industries of the United States*, (New York: The American Protective Tariff League, 1889). Van Buren Denslow, Henry M. Hoyt, Ellis H. Roberts, and George M. Steele were among the judges for these essay competitions.

motive and vested interests. Nevertheless, the ideas of the American Protectionists cannot simply be dismissed by appealing to the underlying motivations of the theorists or their associates, but must be judged on their own merit.<sup>255</sup> The simple fact of the matter is that every school of thought has vested interests. Merchants no doubt have a vested interest in free trade economics which is why Cobdenism flourished in the commercial ports of Manchester; Progressive economics clearly appeals to bureaucrats and union officials, due to its emphasis on administrative planning and labor market intervention; and even Marxism appeals to revolutionaries and the more radical elements of organized labor who stand to benefit from the establishment of a socialist State.

#### **4.6: Summary**

This chapter began by introducing the personnel which made up the School. What is clear from this discussion is that the School itself is far larger than commonly understood. Indeed, close to seventy figures have been identified who contributed directly to the thought and theory of the School. This also excludes those who were engaged in applied work, teaching and instruction, and other associated activities. This highlights the significance of the School as an intellectual movement.

The rest of the chapter went on to establish the position of the School within the overall political, economic, and academic landscape. On the political front, the American Protectionists were united with the Federalist, Whig, and Republican Parties, and were thus pitted against the Democratic side of politics. This is also illustrated by the shift in emphasis of the American Protectionists as they responded to changes in the political landscape, whether it be their critique of the more physiocratic-liberal doctrines of the Jeffersonians, the French Liberal and Ricardian doctrines of the Jacksonians, or the more statist and German-derived doctrines of Progressive Democrats.

A similar, yet different, depiction is shown by the relationship of American Protectionists towards other schools of economic thought. Whilst these differences extend beyond mere policy considerations, the American Protectionists found themselves in the unique and nuanced position as defenders of internal free markets, whilst also championing tariff protection and infrastructure improvements. This

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<sup>255</sup> This reasoning is seen in Rodney J. Morrison, who writes “unfortunately, Carey’s career is shrouded in by the possibility of vested interests... And he had extensive holdings in industries that benefited directly from protection.” *Henry C. Carey and American Economic Development*, (Philadelphia: The American Philosophical Society, 1986), 82-83. Arnold W. Green, *Henry Charles Carey: Nineteenth-Century Sociologist*, (Philadelphia: University of Pennsylvania Press, 1951), 197, also sums up Carey’s system as a “mere reflection of class interests.” Although more charitable than most other sources, this reasoning is also found in Hudson’s account, which argues that “Carey’s school of protectionists... were conservative Republicans and, by the time [Simon] Patten began to publish in 1885, were dangerously near to becoming apologists for the protected interests.” *America’s Protectionist Takeoff*, 259. However, this presupposes that Simon Patten is superior to the American Protectionist School, not by a rigorous comparison of ideas, but by dismissing the other American Protectionists by appealing to possibility of vested interests. It should also be said that apologetics is a valid academic practice if it is done in a credible and well-reasoned way.



position necessarily meant that the School was at odds with both the more free trade orientated Classical, French and Manchester Schools, but also the more statist German Historical and American Progressive Schools.

In terms of the operation of the School and its institutional infrastructure, the American Protectionists functioned, for the most part, outside of formal academic institutions. Occupying a rather unique position in the history of economic thought, the American Protectionists operated within a privately funded network of institutions which ran parallel to academia. This outsider status perhaps explains the approach of the American Protectionists which is arguably more grounded in reality than the abstract theorizing of the more traditional schools of economic thought. Now that the scene has been set and that sufficient context has been provided, the thesis can proceed with a more direct treatment of the research question. The next chapter will be a discussion of the American System and what the American Protectionist saw as the legitimate role of government.

## Chapter 5: The American System and the Role of Government

### 5.1: Introduction

In economics, any discussion of theory necessarily has policy implications, with schools of thought almost invariably aligning themselves with a policy program. Whether economic policy is informed by theoretical considerations or whether theory is the product of trying to rationalize a particular economic program, there is a general tendency for economic thinkers within the same school of thought to adhere to similar policy principles. Examples include the Classical economists and their general tendency towards free market policies, Marxists and their support for a socialist or communist regime, or the German Historical School and their support for administrative state socialism and social reform.

Most studies of this nature would usually start with a discussion of the underlying philosophy and theory of the school before concluding with a discussion of the role of government stemming from such considerations. For our purposes, however, it makes sense to begin with a discussion of what the American Protectionists saw to be the general role of government, given that the American Protectionist school is, by definition, defined by its approach to public policy and its intimate connection with their American System of Capitalism. Indeed, whilst it may seem unfamiliar to those acquainted with the economics taught in most university courses today, economics in the 18<sup>th</sup> and 19<sup>th</sup> century, whether it be Classical or American Protectionist, was primarily a policy orientated discipline, hence why it was given the name ‘political economy’. As we shall expand upon in the next section, this policy orientated approach was the general framework adopted by economists of that era. To illustrate this point, Adam Smith’s *Wealth of Nations* was foremost a policy document, which took aim at feudalism and mercantilism, and David Ricardo’s main treatise dealt primarily with policy questions relating to the Corn Laws. The American Protectionist literature was no different in this regard.<sup>256</sup>

This chapter will discuss the framework of restrictions and regulations generally accepted by 19<sup>th</sup> century economists (the focus of Section 5.2), and more specifically, the American System of Capitalism advocated by the American Protectionists (Section 5.3). The chapter will then proceed with a brief discussion of two central, but quite

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<sup>256</sup> American Protectionists took great issue with attempts made to restyle political economy as ‘catalactics’ or the ‘science of exchange’. They saw this as an attempt by free traders to dodge the debate by creating an illusion of themselves as apolitical scientists, whilst tacitly supporting free trade. In the words of Van Buren Denslow, “Political economists may seek to dodge it by their definitions, Political Economy is a criticism upon statesmanship, so long as it continues to be anything. They may say it is a ‘science of sales’ only, and that there is nothing of a political nature about it; that it has been wrongly named; that it should be called Catalactics, or Plutology, or the like... Under pretence of teaching a science of sales only, they in fact purport to convert their teaching into a complaint against all action of government that, interferes with sales, lessening them in one direction and promoting them in another... But supposing the contrary to be true, the sales school cannot teach it to be so without teaching the functions of government, and the instant they do this they cease to be a ‘sales school’ and this ‘restores the name ‘Political’ to their ‘Economy’.” *Principles of Economic Philosophy*, xii-xii.

nuanced, policy views maintained by the School concerning the nature of economic freedom (Section 5.4) and the form of protectionism advocated by the School (Section 5.5) before finishing off with an overview of their views concerning infrastructure (Section 5.6). The chapter ends with an examination of the nature of protectionism advocated by the School.

## 5.2: The 19th Century Framework

The extension of enterprise is left to private initiative, and even Tariff legislation goes no farther than to create larger opportunity for private enterprise.<sup>257</sup>

- Robert Ellis Thompson

From a policy perspective, there is a tendency in economics to view different schools of thought through the lens of large government versus small government, or central planning versus free markets. These extremes provide an orderly, though often problematic, schema for categorizing theories. Likewise, the process of viewing economic doctrines along a spectrum whereby emphasis is placed upon the degree of government intervention, and not necessarily the form, scope, or design of this intervention, also provides a simplified way to organize economic doctrines. This, too, often creates an oversimplification or misrepresentation of an economic doctrine.<sup>258</sup>

An alternative approach recognizes the fact that there is always some kind of embedded institutional, legal, and policy framework within the capitalist system. Markets must operate within a framework of restrictions and regulations, and such parameters allow the market to function properly. In his *Protective Philosophy*, David Rice explains that “unrestricted commercial intercourse between its citizens, within certain broadly defined limits, is advantageous. I say within certain broadly defined limits, because it cannot escape notice that even in this national field of commerce we have had, and always shall have certain laws regulating matters pertaining to it.”<sup>259</sup> This necessarily implies that the market system can be shaped through the direction of some authority, with this authority usually being the government.<sup>260</sup> The American Protectionists can be best understood in this manner, as writers on how the market system is, or rather should, be structured – with this structure taking the form of their American System of Capitalism. This view, of course, should not be understood to mean that the American Protectionists were opposed to economic freedom. As will be elaborated upon in Section 5.4, they were, in fact, eager champions of freedom. They

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<sup>257</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 103.

<sup>258</sup> Not only do the American Protectionists defy categorization using this framework, more broadly, this framework has been discredited for creating mischaracterizations of other schools of thought. For one such critique concerning Classical economics, see Denis O’Brien, *The Classical Economists Revisited*, 327.

<sup>259</sup> David Hall Rice, *Protective Philosophy*, (Boston: George B. Reed, 1890), 8.

<sup>260</sup> As will be discussed in Chapter 6, the American Protectionists also saw Christianity, or at least Christian virtue, as another important restraint on the excesses of the market.

were realistic, however, that economic freedom can only be secured through a system of laws and restrictions, with protective tariffs representing one such restriction. As George M. Steele explains:

Freedom must be real and practical, not merely theoretical... To assure and preserve this freedom, is one of the functions of government. It should protect each member of society against fraud and violence. It cannot furnish labor, or create capital; it cannot repeal the laws of nature, or enact new ones. But it may... take any available means to thwart any movement of interested foreign parties to overwhelm and destroy nascent industries of its own citizens, as they come into competition with the former.<sup>261</sup>

It is important to emphasize that this view that markets must exist within a framework of regulations and restrictions is not something unique to the American Protectionist writers. Although they would have detested the particular system of restrictions espoused by the American Protectionists, the Classical economists, popularly depicted as extreme and dogmatic disciples of *laissez-faire*, themselves subscribed to this view. “The Classical writers,” as one authoritative study explains, “were perfectly clear that [the market] could only operate within a framework of restrictions. Such restrictions were partly legal and partly religious, moral and conventional, and they were designed to ensure the coincidence of self and community interest... Their attitude towards *laissez-faire* was of a very relativist and conditional kind.”<sup>262</sup> Indeed, John Elliot Cairnes, the leader of the Classical School after John Stuart Mill, even went so far to declare that “the maxim of *laissez-faire* has no scientific basis whatever, but is at best a handy rule of practice, useful perhaps, as a reminder to statesmen on which side the presumption lies... but [it is] totally destitute of all scientific authority.”<sup>263</sup>

The Classical economists saw various circumstances where statist intervention was necessary or even desirable.<sup>264</sup> This understanding is important, as the American Protectionists should not be viewed crudely as champions of statism and

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<sup>261</sup> George M. Steele, *Rudimentary Economics for Schools and Colleges*, (Boston: Leach, Shewell, and Sanborn, 1890), 45-46; Orrin Skinner also notes that “protection... is not an infringement of liberty. Liberty is but a relative term; it is simply freedom from compulsion. Protection compels neither interests nor individuals. It merely offers inducements, and leaves their acceptance to discretion.” *The Issues of American Politics*, (Philadelphia: J. B. Lippincott & Co., 1873), 417.

<sup>262</sup> Denis O’Brien, *The Classical Economists Revisited*, 328. This view is also supported by Steven Kates, *Classical Economic Theory and the Modern Economy*, (Cheltenham: Edward Elgar Publishing, 2020), 198-200; Warren J. Samuel, *The Classical Theory of Economic Policy*, (Cleveland: The World Publishing Company, 1966), 104; and is essentially supported by Thomas Sowell, *On Classical Economics* (New Haven: Yale University Press, 2005) 13; although Sowell still uses the term *laissez-faire* loosely to describe the Classical approach to policy.

<sup>263</sup> John Elliot Cairnes, “Political Economy and *Laissez-faire*”, *The Fortnightly Review*, 10, no. 55 (1871), 86.

<sup>264</sup> For a list of policy interventions supported by the Classics, see Warren J. Samuels, *The Classical Theory of Economic Policy*, 148-150; and Denis O’Brien, *The Classical Economists Revisited*, 328-334. Whilst a full account of such interventions is unnecessary to go into here, it should be noted that policy prescriptions of the Classics relating to the domestic market often exceeded that of the American Protectionists, which should dispel the tendency of equating American Protectionist thought with statism.

interventionism battling it out against the *laissez-faire* of the Classical economists.<sup>265</sup> The debate was not one of free markets versus statism, but rather a debate on the scope and form of government intervention, that is, when and where the government should intervene in a system where the production and allocation of resources is predominately carried out by private individuals. In this sense, the American Protectionists and the Classical School were operating on the same basic framework with respect to the market system, despite constructing quite different theoretical systems and arriving at different conclusions concerning policy. Explaining how such interventions and restrictions differ between the American Protectionists and the Classical economists, as well as other schools of economic thought for that matter, is a far more useful way of understanding their respective systems than comparing them to a hypothetical and non-existent system of perfect *laissez-faire*, which neither the Classics envisioned or endorsed.

### 5.3: The American System of Capitalism

The American System which we are asked to abolish has... called into existence... the ingenuity and mechanical invention of the country.<sup>266</sup>

- Robert P. Porter

Unlike other schools of thought situated outside the economics mainstream, American Protectionist thought was not an assortment of complaints and criticisms of the alleged injustices of capitalism. These American Protectionist thinkers were unequivocally in favor of capitalism and private enterprise. They were concerned ultimately with creating conditions conducive to capitalist development and industrial growth. The American Protectionists recognized that there was a significant role for government in facilitating the expansion of entrepreneurial and industrial activities, but equally was their recognition that the scope of government's role should be clearly defined, so as not to over-regulate and overburden the productive sectors of the economy. By way of contrast with both the Classical economists, who generally stipulated the removal of both government restraints and incentives to the private sector, and the earlier mercantilist writers, who affirmed the use of State-based incentives but also onerous and heavy-handed governmental restraints; the American Protectionists stressed the removal of restraints (even more so than the British Classical School in certain areas) but maintained support for state-based incentives and inducements for private sector growth. This view is supported by George B.

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<sup>265</sup> This simplistic *laissez-faire* view has more resemblance with that of the Manchester and the French Liberal School than the British Classical School. Yet, even then, the support of *laissez-faire* by the French and Manchester Liberals was not absolute, even though they were basically free trade absolutists, going so far to support income tax so as to make revenue tariffs unnecessary.

<sup>266</sup> Robert P. Porter, *Protection and Free Trade To-Day: At Home and Abroad, In Field and Workshop*, (Boston: James R. Osgood and Company, 1884), 28.

Curtiss, who notes that:

The Mercantilists had held extreme and radical views of the means by which industries could best be developed and promoted, as well as upon the system of taxation by which the public treasury should be supplied... On the other hand, it should be noted that those advocating free trade carried their views to an opposite extreme. The Mercantilists and free traders represent the two extreme radical wings of economic parties, while the Protectionists occupy the middle ground between the two, discarding those practices of the Mercantilists which were found to be unnecessary and injurious, and preserving and perpetuating those principles which the experience of the past had demonstrated to be wise, just and beneficent.<sup>267</sup>

The American Protectionists were thus still very much aligned with the capitalist and market orientated schools of economic thought, as they advocated the expansion of private enterprise.

In agreement with the Classical economists, the American Protectionists took for granted the rule of law, the protection and preservation of private property rights, and the enforcement of contracts. Indeed, William Elder notes how “insecurity of property is naturally accompanied by aversion to productive industry which necessarily results in a degraded, ignorant, and dwarfed existence.”<sup>268</sup> And Willard Phillips follows up in declaring that “giving validity to contracts is of precisely the same importance, as the protection of property. The operations of industry and production must evidently be very feeble in a community which does not supply laws and authority to enforce the obligation of agreements.”<sup>269</sup> These protections for property and contracts were seen by the American Protectionists as a necessary precondition for the proper functioning of the market system. Indeed, the American Protectionists were by no means anti-market. Not only were internal free markets, what they dubbed “industrial freedom”, compatible with their economic program; it represented a major pillar of it.

Indeed, on the subject of internal markets, David Rice explains how “it is expedient and perfectly necessary, within national boundaries, to abolish tariffs and custom houses.”<sup>270</sup> This theme is also affirmed by Roswell G. Horr, declaring that

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<sup>267</sup> George B. Curtiss, *Protection and Prosperity*, 778-779.

<sup>268</sup> William Elder, *Questions of the Day*, (Philadelphia: Henry Carey Baird Publisher, 1871), 17.

<sup>269</sup> Willard Phillips, *A Manual of Political Economy* (Boston: Hilliard, Grey, Little, and Wilkins, 1828), 233.

<sup>270</sup> David Hall Rice, *Protective Philosophy*, 9. For clarification, the American Protectionists took certain legislative parameters for granted for the functioning of internal free markets. Rice (p.9) best sums up these parameters: “we have laws relating to coinage of the money, in which the commerce within the nation is conducted, and laws in relation to carrying the mails by which commerce is transacted. We have laws providing for a uniform system of weights and measures to be used in commerce. We have laws, state or national, regulating the charges and modes of conducting those vital agents of commerce, the railroads. We have laws regulating the business of banking, without which a great internal commerce could not be carried on. These laws, especially those relating to railroads and banking, confer special privileges upon these branches of commercial industry. We also find that it is necessary to regulate internal commerce in gun-powder, nitro-glycerine, and oleomargarine. We also enact laws relating to

“legislation should be so shaped as to protect our people in all laudable enterprises and then carefully to guard the people against the encroachments” from external trade. Yet, “with[in] these restrictions I would give individual capacity, energy and enterprise full scope.”<sup>271</sup> This embrace of internal free markets by the American governments of the time was noted with approval by Van Buren Denslow. According to Denslow, “the United States... were first in establishing perfect free trade within the borders of one extended nationality, and in surrounding that nationality with a cordon of customs duties which should be equal to all within its boundaries.”<sup>272</sup> In fact, as early as 1782, Alexander Hamilton noted the distinction between the regulation of internal markets and the regulation of international trade. According to Hamilton:

The contrary opinion, which has grown into a degree of vogue among us, has originated in the injudicious attempts made at different times to effect a REGULATION of PRICES. It became a cant phrase among the opposers of these attempts, that TRADE MUST REGULATE ITSELF; by which at first was only meant that it had its fundamental laws, agreeable to which its general operations must be directed; and that any violent attempts in opposition to these would commonly miscarry. In this sense the maxim [is] reasonable.<sup>273</sup>

Here Hamilton is cautioning against the likes of price-fixing and other dubious forms of anti-market regulation, while, at the same time, censuring the advocates of free trade who conflate such policies with the regulation of international trade. George M. Steele also echoes Hamilton’s sentiments against price controls, noting that “government cannot fix the rate of wages, or the price of commodities, or do anything implying either of these.”<sup>274</sup>

Along the lines promoted above, internal markets and external trade came to be understood by the American Protectionists as two distinct concepts. The term ‘commerce’ was used to connote transactions with the internal market, while ‘trade’ was used to connote international trade. As Robert Ellis Thompson explains:

It is charged against our protective system that it has resulted in the destruction of American *commerce*. Objectors of this kind use the word “commerce” in the narrow and conventional sense which has been affixed to it by English writers... They mean by it the export and import

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corporations and suppressing trusts. We have laws relating to the hours of labor of women and minors in manufacturing establishments and on railroads in some states. All these laws, and others of like character, regulate the conduct of some part or class of the community in restraint of its conducting business in a particular prohibited way, for the general good, and many of them confer special social privileges upon certain occupations, for the general good. In short, absolutely unrestricted commercial intercourse, internal or international is unknown.” This, it must be said, is broadly consistent with the Classical School.

<sup>271</sup> Roswell G. Horr, ‘Are Taxes Ever a Blessing?’ *The New Tribune*, May 25, 1891, 5.

<sup>272</sup> Van Buren Denslow, *Freedom in Trade*, (Cambridge: John Wilson and Son, 1882), 2-3.

<sup>273</sup> Alexander Hamilton, “The Continentalist No. 5,” [April 18, 1782] In *The Papers of Alexander Hamilton*, Vol. 3, ed. Harold C. Syrett, (New York: Columbia University Press, 1962), 76, capitalization in original.

<sup>274</sup> George M. Steele, *Rudimentary Economics for Schools and Colleges*, 167.

of commodities. The true sense of the word is “the exchange of services or commodities between persons of different industrial functions.” In this sense Protection is a great promoter of commerce. It creates variety of industrial function within the nation and fosters the most rapid and continual interchange of services between persons thus differentiated. It promotes association between members of the same nation by producing variety in their employments.<sup>275</sup>

Whilst international trade was to be subject to regulation, internal free markets were favored by the American Protectionists, and even as early as the writings of Hamilton, there was a clear understanding of the market mechanism and the role of natural law. Indeed, after the introduction of Henry Charles Carey’s harmony of interests’ doctrine, the American Protectionists saw that markets, whilst imperfect, were still generally harmoniously and dynamically coordinated.<sup>276</sup> It is important, of course, to not overstate their belief in the free market, but there was a general acceptance of the market mechanism over paternalistic and socialistic forms of government interference. This general acceptance of the free market is perhaps best illustrated by Robert Ellis Thompson in his critique of socialism. In the words of Thompson:

Individualism is a half-truth, and it is the half which finds by far the more frequent application. It is not always true that if a man be left free to “do as he will with his own,” he will do what is best for society at large and for every member of it. But it is true four times out of five, and even oftener. Wherever a social need exists, it generally is to somebody’s advantage to meet the want, and to make a profit out of doing so. In this way society is served with a promptness and an economy otherwise impossible. And at the same time the individual gains in self-reliance, personal vigor, and social adaptability. These are not the only qualities society requires in its members... but these are of importance, and... [we should] find reason to be satisfied with the superiority of a policy which throws men on their own resources over one which teaches them to lean on a government. Paternalism... do[es] not make mainly men.<sup>277</sup>

The heart of the American System was the protective tariff. Whilst this originated with Hamilton as infant-industry protection, from the *Report* of Alexander Dallas onwards, the tariff took on a perpetual nature.<sup>278</sup> “Hence a Protective duty once

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<sup>275</sup> Robert Ellis Thompson, *Elements of Political Economy*, 362, emphasis in original.

<sup>276</sup> In fact, this system of economic harmony was to be later seized upon (and allegedly plagiarized) by Frédéric Bastiat and members of the French Liberal School of Economics in defense of *laissez-faire*. See William Elder, “Henry C. Carey,” *Sartain’s Union Magazine of Literature and Art*, 9, no. 6 (1852): 444-449.

<sup>277</sup> Robert Ellis Thompson, ‘Social Reform and the Socialists’, *The Chautauquan*, 12, no. 6 (1891), 732-733.

<sup>278</sup> It should be emphasized that Hamilton clearly saw the need for a perpetual tariff for revenue and applauded the incidental protective effect of such a tariff. According to Hamilton, tariffs “must always constitute the chief part of



properly and wisely laid”, explains Van Buren Denslow, “never needs repeal any more than a fort once wisely built needs tearing down.”<sup>279</sup> It must be stressed, however, that the Protectionists were under no illusion that protective tariffs, like any other policy, were liable to abuse. Henry Carey thus explains that “protection must not be blind, unchangeable, or excessive; but the principle of it must be firmly maintained.”<sup>280</sup>

Tariffs served a dual function. First and foremost, tariffs were used to insulate domestic producers and entrepreneurs from foreign competition, thereby giving them sufficient breathing room to develop their productive capabilities and technical proficiencies. In the words of Friedrich List, “this is our main argument in support of a protective tariff and in opposition to the doctrine of free trade... Import duties should be levied to protect and gradually increase the nation’s productive power.”<sup>281</sup> The Protectionists therefore advocated “tariffs” primarily on the grounds that it “safeguard[s] the industrial enterprises of entrepreneurs who take risks and have no means of knowing if they are going to be a success or not.”<sup>282</sup> The raising of revenue represents the second function of the tariff, and this revenue would, in turn, be responsible for defraying the costs of internal improvements and infrastructure. Infrastructure development would improve the competitiveness and productivity of domestic enterprise by reducing external operating and congestion costs. Moreover, the provision of infrastructure would facilitate smooth and efficient transactions between the different sections of the national economy, binding them together into a balanced national economy.<sup>283</sup>

Finally, the revenue collected from import duties also eliminated the need for internal taxation, particularly of the direct form (that is, taxes on income and property), thereby shifting the tax burden away from domestic producers. This restructuring of taxation from the internal to the external demonstrates the American

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the revenue raised in this country” and “all the duties imposed on imported articles, though with an exclusive view to revenue, have the effect in contemplation... [of having] a beneficent aspect towards the manufactures of the country.” Alexander Hamilton, “The Federalist No. 21” [12 December 1787] In *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett (New York: Columbia University Press, 1962), 401; Alexander Hamilton, *Report on Manufactures*, 33. It is also not completely clear if Friedrich List only endorsed protection for infant-industries. Although some passages seem to advocate universal free trade in the distant future, List also states that “when manufacturing industry is still in the first stage of its development, protective duties should be very moderate; [but] they should be raised by degrees, in proportion as the intellectual and material capital, skill in the arts, and the spirit of enterprise increase in the country,” which indicates that List supported positively scaling protection as industrial development proceeds. *The National System of Political Economy*, 1<sup>st</sup> American ed., trans. G. A. Matile, ed. Stephen Colwell (Philadelphia: J. B. Lippincott & Co., 1856), 266. In any event, Alexander Dallas’ *Report on a General Tariff* appears to be the first explicit and unambiguous advocacy of a perpetual tariff for mature industries.<sup>279</sup> Van Buren Denslow, *The Logic of Protection*, [Lecture to the Brooklyn Revenue Reform Club, 1 January 1883], 12.

<sup>280</sup> Henry Charles Carey, *Financial Crises: Their Causes and Effects*, (Philadelphia, H. C. Baird: 1864), 32. This sentiment is also similar to that expressed by Alexander Hamilton, who notes that “there are persons who imagine that [tariffs] can never be carried to too great a length; since the higher they are, the more it is alleged they will tend to discourage an extravagant consumption, to produce a favourable balance of trade, and to promote domestic manufactures. But all extremes are pernicious in various ways.” Alexander Hamilton, “The Federalist No. 35”, [5 January 1788] In *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett, (New York: Columbia University Press, 1962), 477. That said, Hamilton probably would have rejected the far higher rates espoused by Henry Carey.

<sup>281</sup> Friedrich List, *The Natural System of Political Economy*, 36.

<sup>282</sup> Friedrich List, *The Natural System of Political Economy*, 105.

<sup>283</sup> This is elaborated upon in Section 5.6.

Protectionists emphasis on minimizing restraints but maximizing incentives to private sector growth. Indeed, the American Protectionists considered tariffs to be one of the few taxes which possess the unique effect of stimulating domestic production. As John Rae observes:

It is said that capital can only augment by accumulation, and, as the interference of the legislator takes something from individual revenue [taxation], it must also take from the power to accumulate, and consequently, instead of augmenting, must tend to diminish the sum of the capitals of all the individuals in the society, that is the national capital or stock... [Yet] the [import] duty so levied, by directly or indirectly effecting an improvement in the arts, [will] increase the absolute capital of the society.<sup>284</sup>

This unique mix of protectionism, infrastructure development, free internal markets and low internal taxation meant that private sector development could proceed unabated by the restraining hand of government and would be relatively free from the potentially ‘destructive’ competition of foreign producers.

Since the American Protectionist writers could be considered high statist with respect to trade and the development of infrastructure, but low statist in most other public policy areas, the American Protectionists cannot be understood using the popular dichotomy of statism versus free markets. The focus of American Protectionist thought is not about government managing or planning economic activity, nor is it about government assuming the role of a night watchmen and leaving markets completely alone. Rather it was about creating a marketplace conducive to the expansion of entrepreneurial and industrial activities. This involved a broad, albeit relatively simple, set of regulatory parameters. Yet, within these parameters, and as will be elaborated in the following section, high degrees of flexibility and economic freedom should be allowed to operate. In other words, within the system of restrictions extolled by the American Protectionists, the economy is more-or-less free to run itself. While this may appear idiosyncratic to many, given the usual narrative of government planning versus markets, the general operation of internal free markets within broad protectionist parameters were seen perfectly consistent, mutually reinforcing, and synergistic.

#### **5.4: Industrial Freedom versus Freedom of Trade**

The purpose of the protective system being thus directed to the utmost expansion of the industry of the nation into every channel of domestic competition, it would seem to be manifestly erroneous to call such a system *restrictive*, inasmuch as the avenues of labour in the internal

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<sup>284</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 381-384.

organization of any community are much more numerous and extensive.<sup>285</sup>

- Hezekiah Niles

Both the American Protectionists and the Classical School saw a significant role for government, but they were still fundamentally market orientated schools, recognizing that markets tend to function best when high degrees of economic freedom exist. Indeed, as early as *The Report on Manufactures*, Hamilton identifies America's low rate of taxation and limited regulatory barriers as an important source of encouragement for manufacturers to relocate from Europe to the United States. "Manufactures who, listening to the powerful invitation... [arising from] an exemption from the chief part of taxes, burthens and restraints, which they endure in the old world", explains Hamilton, "would probably flock from Europe to the United States to pursue their own trades or professions, if they were once made sensible of the advantages they would enjoy."<sup>286</sup> In like manner, the American Protectionists considered socialism and communism as disastrous, and were thus in lockstep with the British Classical School on the benefits of market capitalism. Henry Carey explains, for instance, that "Communism is everywhere the same... It is a project for reducing him [mankind] to a state of barbarism. Hence it is... [to be found that] its introduction among civilized men have always failed so signally."<sup>287</sup> This aversion to such non-market modes of production is perhaps best expressed by Robert Ellis Thompson:

Protection cordially accepts the existing [capitalist] order of society, the present distribution of wealth and the lawful freedom of individual action, as right and proper. Its chief advocates have been zealous opponents of Communistic socialism, and the ablest defenders of the rights of property. While it asserts that the industrial growth and welfare of the people must be among the first cares of the statesman, it does not teach—what all experience refutes, that this can be attained through the direct action of the state as the employer and organizer of labor.<sup>288</sup>

On the question of the structure of capitalism, the American Protectionists and the Classical School (and particularly, the more ideologically free trade strands of Classical economics, such as the Manchester and French Liberal School) diverged on their conception of the free market. Both schools were clear that some form of state interference was necessary but differed over where interference should be tolerated. Whereas the Classicals were ardent in their support of free trade, they were often more

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<sup>285</sup> Hezekiah Niles, *Journal of the Proceedings of the Friends of Domestic Industry in General Convention at New York*, 19.

<sup>286</sup> Alexander Hamilton, *The Report on Manufactures*, 11.

<sup>287</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 163-164.

<sup>288</sup> Robert Ellis Thompson, *Elements of Political Economy*, 254.

tolerant of state intervention in the domestic market, particularly with respect to taxation and social reform.<sup>289</sup> For the American Protectionists, the opposite was the case. Economic freedom was best achieved through internal free markets, but the regulation of international trade was well within the legitimate scope of government authority.<sup>290</sup> The combination of internal free markets and protection was seen as maximizing economic freedom by broadening the opportunities for employment and enterprise. Indeed, according to the American Protectionists, tariff protection does not violate the principles of liberty, because it does not compel or force individuals into any particular pursuit, but instead grants them the freedom to choose between different pursuits. As George B. Curtiss explains:

Under protection the individual exercises the utmost freedom of action in all the pursuits of life. The government does not attempt to direct the individual nor compel him to engage in any pursuit which he does not desire to undertake; neither does it in the least restrict him in the occupation which he may pursue. It simply, by shielding its own citizens from the injurious effect of the unfair and unequal competition of aliens, enables them to improve their condition and enlarge their opportunities for employment in the field of their enterprises. It is not protection to individuals, but protection to opportunities for individuals.<sup>291</sup>

The American Protectionists termed their system of internal free markets ‘industrial freedom’, which they contrasted with the freedom of trade expounded by the Classical, French and Manchester Schools.<sup>292</sup> It was argued that free trade, which often involves replacing tariffs with internal taxes and costly policies of colonial expansion, simply meant substituting one form of state interference for another less desirable form.<sup>293</sup> Indeed, “against the fallacy of free trade”, writes Ellis H. Roberts, “stands the fact of freedom of industry... If you tolerate state interference with industry at any point, it renders its best service in fostering production at home. If you magnify

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<sup>289</sup> As one authoritative study puts it: “there can be no doubt that the Classical economists... were basically free traders”, espousing the view that “protection was either useless or distorting.” Indeed, “the caricature of the Classical economists as wild-eyed laissez-faire dogmatists is mainly because of the identification of laissez-faire with [their support for] free trade,” but “their attitude towards laissez-faire [more generally] was of a very relativist and conditional kind.” Denis O’Brien, *The Classical Economists Revisited*, 2004, 228, 328.

<sup>290</sup> On the issue of social welfare, the American Protectionists preferred the use of localized charities. This is shown in Mathew Carey, *Essays on the Public Charities of Philadelphia* (Philadelphia: J. Clarke, 1829). Despite the title, Mathew Carey is referring to private charities of public benefit. With respect to the unemployed, Carey implies that assistance should be given in the form of workfare, but unconditional charity should be extended to the likes of orphans, and those with physical and mental disabilities. A similar view to this is also expressed in Willard Phillips, *Manual of Political Economy*, 147-149, which explains that assistance should be limited and in the form of workfare.

<sup>291</sup> George B. Curtiss, *The Industrial Development of Nations*, Vol. 2, (Binghamton: George B. Curtiss Publisher, 1912), 425.

<sup>292</sup> Note that the term ‘industrial freedom’ emerged independently within later socialist literature, but this has no relationship to the American Protectionist conception of ‘industrial freedom’.

<sup>293</sup> Granted, most classically minded thinkers in America during the first half of the 19th century, were in favor of “tariffs for revenue only”, as opposed to “tariffs for protection with incidental revenue.” The English Classical School, however, generally supported the philosophy that “import duties... were permissible when imposed for revenue purposes... [but] that the protective effect of revenue duties should be balanced by the levying of excise duties at home.” Denis O’Brien, *The Classical Economists Revisited*, 2004, 229.

industrial freedom, that freedom is nowhere so important, nowhere bears such ripe and nutritious fruit as in removing every restraint, every burden from the production of a nation.”<sup>294</sup> Industrial freedom meant freedom from foreign competition, internal taxes, and other restrictive and burdensome domestic regulations. Most importantly, however, by creating the conditions for industrial diversification, protectionism and low internal taxation created the widest freedom of choice when it comes to pursuing different modes of employment and enterprise. “Hence the scene of greatest diversity of industries”, explains Denslow, “is at once that in which industrial freedom rises highest.”<sup>295</sup>

Industrial freedom allows entrepreneurs to conduct themselves freely and unencumbered in the home market while also allowing them to engage in free competition with one-another. The aim was simply to construct a system which maximizes the inducements and incentives for entrepreneurial and industrial activity whilst minimizing the restraints. In addition, domestic competition was seen as superior to foreign competition. As the protectionist statesmen Thomas Brackett Reed intimates:

What we want is the results of competition? low prices, so that we can buy all we want... [but] the doctrine of competition, most invaluable in its way, has its limitations. Being human, it is not an unmixed good. Destructive competition is an evil. The world cannot afford to have a trade which does not pay a fair profit.<sup>296</sup>

Competition among domestic producers was deemed by the American Protectionists as sufficient and even superior to foreign competition for the purpose of driving down domestic prices. Alexander Dallas, for instance, explains that “the competition among the domestic manufacturers alone would sufficiently protect the consumer from exorbitant prices.”<sup>297</sup> More than this, however, by securing sound profits for domestic firms, it allows for competition of a more important kind, that is, competition for new products and inventions.<sup>298</sup> Unrestrained foreign competition may indeed produce more efficient gains in the short-term, as even industry destroying free trade could well be efficient in the short-term, but the American Protectionists understood that short-term efficiency does not necessarily equate to long-term growth and development. Long term growth could only be achieved by allowing entrepreneurs scope to experiment and discover new avenues of production. At any rate, the American Protectionists saw that internal free markets within an

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<sup>294</sup> Ellis H. Roberts, *Government Revenue*, 365-366.

<sup>295</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 122.

<sup>296</sup> Reed, Thomas Brackett. ‘What Shall We Do With The Tariff?’ *The North American Review*. 175, no. 553 (1902), 748.

<sup>297</sup> Alexander J. Dallas, *Letter from The Secretary of the Treasury Transmitting A Report on a General Tariff of Duties Proper to Be Imposed on Imported Goods, Wares, and Merchandise*, (Washington: William A. Davis, 1816), 23.

<sup>298</sup> This will be elaborated upon in Chapter 9.

otherwise protected system allowed for a healthy dose of productive competition while avoiding its potentially destructive excesses.<sup>299</sup>

The American Protectionists thus affirmed a negative view of economic freedom, but it differed from the Classical School in that it emphasized freedom of production over freedom of trade. In the words of Calvin Colton:

Protectionists demand... the free and unrestrained use of American capital and labor... It is a misnomer, therefore, to call it a *restrictive system*, when there is no such thing in it. The design and tendency of an American protective system is not to embarrass, but to disembarass, American capital and labor; to rescue and shield them from foreign oppression; to encourage them; to bring them out; to open the way for their most profitable employment; and to make them ENTIRELY FREE.<sup>300</sup>

The emphasis which the American Protectionist Thought places on economic freedom will be further demonstrated in the next section by its rejection of paternalism and monopoly privileges.

## 5.5: Protectionism versus Paternalism

[The American System stands] remarkably in contrast with the so-called paternal governments of Continental Europe. There ... [they] are inclined to look to the government for direction in their industrial affairs, while, in the United States, the native-born intelligently and self-reliantly engage in industrial pursuits that are congenial, and look to themselves for success.<sup>301</sup>

- Jacob Harris Patton

Protectionism encompasses a broad set of governmental interventions, and what

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<sup>299</sup> The confusion relating to the size and nature of the American System seems to stem in large part from the frame of reference. At one place and time, the American System could be viewed as a larger government program, while, at another place and time, and certainly by today's standards, it would be viewed as a form of limited government. In the 19th century, American economics, as a whole, was more orientated towards limited government. The English Classics, particularly after the writings of John Stuart Mill, were more willing to support progressive income tax, colonial expansion, and other interventions, which necessarily involves large government bureaucracies. On the other hand, the American free market schools, who were more influenced by the French Liberals, tended to oppose direct forms of taxation, opting instead for low revenue tariffs for the generation of revenue (though they would later champion the substitution of revenue tariffs with income tax), whereas the American Protectionists supported moderate to high tariffs for both revenue and protection. The American System can therefore be considered as on the larger side relative to that advocated by the early American free market schools, but, contrary to what one might expect, it was actually a smaller program to that endorsed by the English Classics, and significantly smaller than that advocated by later Progressives. This point is well supported empirically. Whereas government expenditure as a proportion of gross domestic product (GDP) was roughly 7.3 percent for the United States during the late 19th century, when the American System was the prevailing policy, in the United Kingdom government expenditures represented 9.4 percent of GDP during the same period. Finally, when compared to the programs inspired by the American Progressives, the American System would be considered on the side of small government. US Government expenditure grew to 12.1 percent of GDP during the Progressive Administration of Woodrow Wilson, before coming back down under the Mellon tax cuts, before rising again to 19.17 percent with Roosevelt's New Deal. These statistics sourced from Vito Tanzi & Ludger Schuknecht, *Public Spending in the 20<sup>th</sup> Century: A Global Perspective*, (Cambridge University Press, 2000), 6.

<sup>300</sup> Calvin Colton, *Public Economy for the United States*, (New York: A. S. Barnes & Co), 188.

<sup>301</sup> Jacob Harris Patton, *Political Economy for American Youth*, (New York: A. Lovell & Co, 1892), 240; This is evidently referring to the 'socialism of the chair' associated with the German Historical School.

constitutes protectionism is often subject to interpretation. It is therefore important for the purposes of this study to differentiate between the sorts of protectionist measures supported by the American Protectionists and those measures that were not. The American Protectionists were careful in exercising restraint when it came to formulating their system of protection. They were cognizant that too much governmental interference, and more importantly, the wrong types of governmental interference could lead to a system of paternalism, monopolization, or even state socialism, rather than protectionism. The issue is clearly identified by George Gunton:

Orthodox economists reason that because paternalism is injurious, protection should be abandoned; while on the other hand, socialists conclude that because protection has been advantageous individualism should be abandoned and paternalism adopted. By overlooking the distinction between protection and paternalism, we are logically driven to one of two unscientific theories – *laissez-faire* and socialism.<sup>302</sup>

Although for the purposes of encouraging industry, Alexander Hamilton favored bounties and subsidies instead of protective tariffs, virtually all American Protectionists after Hamilton opted solely for tariffs. Subsidies were, instead, permitted only as a temporary expedient in special cases, and usually only for infrastructure.<sup>303</sup> More generally, their use was simply rejected outright. Indeed, even Hamilton cautioned that bounties should only be used as a temporary expedient, noting “the continuance of bounties on manufacturers long established must always be of questionable policy.... But in new undertakings, they are as justifiable, as they are oftentimes necessary.”<sup>304</sup> In contrast, Hamilton did, in fact, back a perpetual, yet moderate, revenue tariff, and explicitly praised the incidental protection which it would afford.<sup>305</sup>

This support for protection by tariff only was one of design, as opposed to convenience or coincidence. American Protectionists understood that tariffs stimulated domestic enterprise without fostering monopolies. Mathew Carey explains, for instance, that “it is an egregious error to suppose that high duties or prohibitions afford a ‘*monopoly*’ to those in whose favor they are imposed.”<sup>306</sup> Unlike tariff protection, which more or less favors all producers within the same industry equally, subsidies and other monopoly privileges (what would now be referred to as industrial policy) were seen as prejudicial to smaller producers and to potential future entrants

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<sup>302</sup> George Gunton, *Principles of Social Economics*, (New York: G. P. Putnam: 1891), 319. This has some parallels to the contemporary debate, as modern socialists often point to the failures of free trade to justify the abandonment of capitalism completely.

<sup>303</sup> In the case of Hamilton, emphasis should be placed on ‘encouragement’, as Hamilton seems to prefer tariffs, albeit those primarily for revenue, for the protection of established industries. For later Protectionists, special cases included the likes of land grants and subsidies for the development of infrastructure, such as railroads and canals.

<sup>304</sup> Alexander Hamilton, *The Report on Manufactures*, 36.

<sup>305</sup> This is elaborated upon in Section 14.2.

<sup>306</sup> Mathew Carey, *Essays on Political Economy*, 434, emphasis in original.

to the marketplace, since only the most influential or politically connected producers stood to benefit from the use of subsidies and other privileges. This point is well illustrated by William Elder:

Encouragement sometimes embraces bonuses, extended by the government or exclusive privileges... such as subsidies... Of this system of government aids to private enterprises, we have nothing now to say, except that it is not that protection of the common interests of the community which is strictly defensive in its essence; and, while we take no present exceptions to it, we also abstain from making any defense for it; it is not Protection, in our sense of the term, or our meaning of the thing. It is broadly distinguished by the circumstance that it means money paid out of the treasury to the benefit of specific enterprises, and is not general, uniform, and equitable, in its operation.<sup>307</sup>

In short, the American Protectionists supported policies which afforded a domestic preference, but they opposed favoritism or ‘picking winners’ among domestic producers.<sup>308</sup> Protectionism was designed to be applied equally to all producers within the market, as opposed to simply benefitting a few privileged ones.<sup>309</sup> This position is also further demonstrated by the American Protective Tariff League, with their statement of principles explicitly opposing “monopolies and exclusive privileges” including the use of subsidies.<sup>310</sup>

The American Protectionists were thus very much aware that the use of subsidies could lead to protectionism morphing into paternalism, and then potentially into socialism. Indeed, in responding to the charge that “protection introduces into government, a principle of *paternalism*, which tends to Socialism”, Robert Ellis Thompson counters that:

[Tariff protection] does not do anything for individuals, or confer personal advantages of any kind on them. It merely creates a new industrial condition, which everyone is equally free to take advantage of. By enlarging the number of employments it also enlarges the range of individual liberty, as it gives greater choice of fields of labor. It thus helps to develop that individuality in the working classes which

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<sup>307</sup> William Elder, *Questions of the Day*, 205-206.

<sup>308</sup> This position is well expressed by Daniel Webster, who explains that by “calling for a wise system of custom-house duties... we embrace that policy which we think essential to the good of the whole. We desire no favouritism, no partial system.” “Speech at the Whig Convention of Philadelphia,” [October 1, 1844], *The Works of Daniel Webster*, Vol. 2, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1881), 269.

<sup>309</sup> This view is well illustrated by Willard Phillips, who notes that “dangers to the domestic arts from domestic competition, needs not to be guarded against... Our own producers must stand the brunt of competition with each other. No protectionist pretends to the contrary. The only security against it would be a monopoly, which nobody asks for.” *Propositions concerning Protection and Free Trade*, (Boston: Charles C. Little and Brown, 1850), 212. Likewise, Orrin Skinner also explains that “Strictly speaking, monopolies have no existence whatever in the United States. A monopoly is a vested right to accomplish certain ends by all possible means. It is absolute exclusion. Such monopolies, in a relative sense, were incident to the early English law, but have ever been regarded as foreign to the genius and spirit of our institutions.” *The Issues of American Politics*, 417.

<sup>310</sup> The American Protective Tariff League, ‘Principles of the American Protective Tariff League’, *The American Economist*, 9, no. 3, (1892), 34.



Socialism seeks to destroy. [Protectionism] leads away from Socialism, not toward it.<sup>311</sup>

At any rate, subsidies and other monopolistic forms of protection were seen by the American Protectionists to be inferior to tariffs due to the fact that an inefficient producer could simply live off the subsidy, and thus live at the expense of the taxpayer.<sup>312</sup> Under a tariff, on the other hand, domestic producers were simply given breathing space to experiment and engage in entrepreneurial activities, but they were still subject to competitive pressures from domestic rivals. This free competition among domestic producers would in turn guard against market concentration and the development of monopolies. In the words of the Protectionist statesmen James G. Blaine:

Protection, in the perfection of its design as described by Mr. Hamilton, does not invite competition from abroad, but is based on the controlling principle that competition at home will always prevent monopoly on the part of the capitalist, assure good wages to the laborer, and defend the consumer against the evils of extortion.<sup>313</sup>

The above passage and quote above highlight what the protectionists considered to be the limits of state aid. As Jacob Harris Patton puts it “the State cannot and ought not aid the citizens in ordinary circumstances, wherein they can help themselves. Its proper sphere is to protect the individual in his rights and thus afford him an opportunity to develop what may be good... in his own personal capacity.”<sup>314</sup> Protectionism was thus conceived by the American Protectionists as a means of affording opportunities to the nations citizens to pursue industrious activities through which they better their condition.<sup>315</sup> The State was never viewed as an instrument to prop up failing businesses nor was it there to provide direct support to producers.

From a more practical standpoint, subsidies were also deemed to be less efficient compared to tariff protection since other taxes would be required to finance the subsidy (although Hamilton stressed the use of import duties for this purpose), and

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<sup>311</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 94, 101-102. Thompson’s charge that socialism seeks to destroy individuality appears to be a reference to Marx’s expressed goal of abolishing the division of labor, and thus the diversity of employments. See Karl Marx, *The German Ideology*, (New York: Prometheus, 1998) 53. For an overview of this concept of individuality, see Section 7.3.

<sup>312</sup> Henry Clay explains, for instance, that “aid may be given... in the form of bounties... But against bounties it is urged that you tax the whole for the benefit of a part... of the community” “On Domestic Manufactures,” [April 6, 1810] In *The Works of Henry Clay*, Vol. 5, ed. Calvin Colton (New York: Henry Clay Publishing Company, 1896), 10.

<sup>313</sup> James G. Blaine, *Twenty Years of Congress, Vol. 1*, (Northwich: The Henry Bill Publishing Company, 1884), 212. The Harrisburg Convention made a similar observation, noting that the “meeting at Harrisburg... sustained the principle and explained the polity of protection, and denied the possible existence of *monopoly* if [domestic] *competition* is not forbidden.” Hezekiah Niles, ‘Address of the Committee on Behalf of the General Convention of Agriculturalists and Manufactures and Others Friendly to the Encouragement of the Domestic Industry of the United States, Assembled at Harrisburg, 30<sup>th</sup> July 1837’, *Niles’ Weekly Register*, 33, no. 839 (1829), 107.

<sup>314</sup> Jacob Harris Patton, *Political Economy for American Youth*, 242-243.

<sup>315</sup> Roswell G. Horr, “Are Taxes Ever a Blessing?”, 5, for instance, remarks that “what the people need is not that Government should control more patronage or manage more enterprises, but rather that the efforts of each individual should be properly encouraged, so that every person shall have the same chance of success in his honest endeavor to build up some successful business.”

expensive bureaucratic processes were necessary for their administration. As Willard Phillips notes, “very few bounties are, however, granted in the United States.” The reason for this is that “this mode of encouragement is liable to all the objections to limited monopoly” because they discourage domestic competition. “In one respect the granting of bounties” or subsidies “is the most objectionable mode, as the bounty costs the government more than the amount granted.” Bounties must be “paid out of the revenue, the collection and administration of which is expensive, so that to grant one hundred dollars, a tax of a hundred and two, five, or ten must be levied.”<sup>316</sup> This objection to bounties and subsidies is perceptive, not only because it correctly points out the paternalistic features of a subsidy, but Phillips also provides a pre-emptive defense of tariff protection against the dead-weight argument, an argument which is often employed by modern economists against tariffs and in favor of subsidies. It was apparent to the American Protectionists that all forms of taxation incur a dead-weight loss and is not something unique to tariffs. Moreover, for the same level of protection, a subsidy will incur a dead-weight loss greater than a tariff since the subsidy will require a complex and costly government bureaucracy for its administration. Finally, in contrast, rather than depleting revenue which could otherwise be spent on the development of infrastructure (a policy which also more or less benefits all producers in a given market equally), a tariff can raise revenue in a relatively efficient manner while still serving a protective function.

The objection to paternalistic forms of government intervention and its concomitant bureaucratization is perhaps best illustrated by the backlash to FDR’s New Deal by the Republican Party, who at the time were still championing the American System. As per the 1936 Republican Platform:

The New Deal Administration has dishonored American traditions... Regulated monopoly has displaced free enterprise... It has created a vast multitude of new offices, filled them with its favorites, [and] set up a centralized bureaucracy... [which has] bred fear and hesitation in commerce and industry, thus discouraging new enterprises, preventing employment and prolonging the depression.

In response, Republicans were not advocating *laissez-faire*, as often depicted in secondary literature, but rather the standard prescription of tariff protection combined with free internal competition. As the Republican platform continues to explain:

[Democrats have] secretly made tariff agreements with our foreign competitors, flooding our markets with foreign commodities... We pledge ourselves... to preserve the American System of free enterprise,

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<sup>316</sup> Willard Phillips, *Manual of Political Economy*, 207.

private competition, and equality of opportunity... Sufficient protection should be maintained at all times to defend the American farmer and the American wage earner from the destructive competition emanating from the subsidies of foreign governments and the imports from low-wage and depreciated-currency countries.<sup>317</sup>

The above captures the scope and form of protection advocated by the American Protectionists. As opposed to affording monopoly privileges and propping up national champions, the aim was to allow “equality of opportunity” among domestic producers with the recognition that subsidies and heavy-handed industrial policies are prone to discouraging smaller producers and potential new entrants to the market. In short, “the distinction between paternalism and protection,” as George Gunton explains, “is that a paternal policy implies doing the maximum for the individual, while a protective policy implies providing the individual with the maximum opportunity to do for himself.”<sup>318</sup>

## 5.6: Internal Improvements

Facility of communication, and cheapness of transportation are matters of primary importance in the business of every country; but under the existing circumstances of the United States they call for the earliest & most efficient exertions of government... The most useful assistance perhaps, which it is in the power of the legislature to give to manufactures and which at the same time will equally benefit the landed & commercial interests, is the improvement of inland navigation.<sup>319</sup>

- Tench Coxe

Aside from tariffs, the other major policy pillar central to the American System is the provision of infrastructure, referred to at the time as internal improvements. Indeed, as early as *The Report on Manufactures*, Hamilton explains how “good roads, canals and navigable rivers, by diminishing the expence of carriage... are upon that account the greatest of all improvements.”<sup>320</sup> The facilitation of exchange and the diminution of external operating costs for industry, whether these costs be monetary or non-monetary (such as congestion costs, cost of time, and so forth), represents the central argument extolled by the American Protectionists in favor of the policy of internal improvements. This position is well illustrated by Lyman Beecher:

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<sup>317</sup> Republican National Convention, “Republican Platform, 1936,” In *Factual Campaign Information*, ed. Edwin A. Halsey, (Washington: Government Printing Office, 1939), 29-33.

<sup>318</sup> George Gunton, *Principles of Social Economics*, 319.

<sup>319</sup> Tench Coxe, “Tench Coxe’s Draft of the Report on the Subject of Manufactures”, In *the Papers of Alexander Hamilton*, Vol. 10, ed. Harold C. Syrett (New York: Columbia University Press, 1966), 20-21.

<sup>320</sup> Alexander Hamilton, *The Report on Manufactures*, 40.

The improvement of roads shortens often the distance to market, increases the amount transported, diminishes the muscular toil, and other wear and tear, of transportation, while it increases the value of the surplus produce... [and] canals, connecting rivers and lakes with the ocean, break down the distance of three or four hundred miles land transportation, bring the market to the farmer's door, and save millions annually, as the increased reward of industry, and as capital for more extended enterprise.<sup>321</sup>

In addition to lowering transportation costs, infrastructure also aids production by connecting resources to industries, industries to other industries, and products to the end consumer. Ezra Seaman notes, for instance, that “roads, canals, railroads, steamboats, and other means of communication and transportation, serve as instruments and agents to aid production, and to promote both industry and commerce.” Using the example of “mining for iron”, Seaman explains that this “cannot be prosecuted without facilities for transporting the ore, and fuel to smelt it,” and the means to transport it “to the furnace” as well as the means “to transport their manufactured products to market.”<sup>322</sup> The American Protectionists thus advocated infrastructure development for purely structural reasons.<sup>323</sup> They did not justify such expenditures on counter-cyclical grounds. Indeed, this view is well illustrated by Willard Phillips who explains that:

The expenditure for roads, canals, and bridges are intended to promote production by facilitating the exchange of products. Other public works again are undertaken for motives of piety, national glory, or vanity... We should, for instance, think the Egyptian pyramids scarcely worth their cost, and the building of Babel a sheer folly.<sup>324</sup>

This structural argument contrasts with the counter-cyclical views of John Maynard Keynes and, by extension, Keynesian economics, which holds that “public works even of doubtful utility may pay for themselves over and over again at a time of severe unemployment... ‘wasteful’ loan expenditure may nevertheless enrich the

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<sup>321</sup>Lyman Beecher, ‘Means of National Prosperity’, [Sermon originally delivered on December 2, 1819] reproduced in Mathew Carey, *Addresses of the Philadelphia Society for the Promotion of National Industry*, 5<sup>th</sup> Ed. (Philadelphia: James Maxwell, 1820), 265; Erastus B. Bigelow also notes that “apart from their greater efficiency and the saving in the cost of transportation which they effect, railroads have many economic advantages. By reason of their rapid locomotion perishable commodities are safely transported, less capital is in transit, less capital is kept idle in superfluous stock, less time is spent in travel, new markets are opened, and in old markets prices are equalized.” Erastus B. Bigelow, “The Relations of Labor and Capital”, *The Atlantic Monthly*, 42, no. 252 (1878), 478; Oliver Putnam also explains that “Internal improvement[s] [are] made to facilitate intercourse... In its primary operation, it removes obstructions to the interchange of commodities, and causes labor and capital to be turned from transportation to be employed in production. In reducing the expenses of transportation, it increases national industry, and renders it more productive of both quantity and value in all its branches.” Oliver Putnam, *Tracts on Sundry Topics of Political Economy*, (Boston: Russell, Odiorne, and Company, 1834), 32. This stands somewhat in contrast with the Keynesian approach to infrastructure (elaborated upon below), since the American Protectionists applauded the labor-saving effects of infrastructure over the long run.

<sup>322</sup> Ezra Seaman, *Essays on the Progress of Nations*, (New York: Charles Scribner, 1852), 510.

<sup>323</sup> The exception to this rule is Daniel Raymond, though Raymond still places primacy on the structural benefits, he also emphasizes the reduction in unemployment which he sees as a secondary benefit accompanying infrastructure expenditure, see Daniel Raymond, *Thoughts on Political Economy*, 288-292.

<sup>324</sup> Willard Phillips, *Manual of Political Economy*, 268.

community... [and] pyramid-building, earthquakes, even wars may serve to increase wealth.”<sup>325</sup> Whilst this comparison may appear somewhat anachronistic, Keynes’ arguments are very much consistent with the ideas of many proto-Keynesians, such as the American Progressives and New Dealers, who were writing during the same period as the American Protectionists, and thus illustrates a key difference in how they approached the issue of infrastructure.<sup>326</sup>

The above analysis establishes what the American Protectionists saw as the benefits of internal improvements, but it says little about what they saw as the government’s role. According to the American Protectionists, the need for government involvement in the provision of infrastructure essentially comes down to the issue of market failure, particularly with respect to the under-provision of infrastructure and issues associated with coordination, or what is known today as coordination failure. Henry Clay clearly highlights the issue of market failure with respect to under provision, noting that private individuals often lack sufficient capital to finance the construction of large roads and other public works, and even when they do, such projects often face competition from other investment opportunities. In the words of Henry Clay:

Some principles drawn from political economists have been alluded to, and we are advised to leave things to themselves, upon ground that, when the condition of society is ripe for internal improvements – that is, when capital can be so invested with a fair prospect of adequate remuneration, they will be executed by associations of individuals unaided by government... In regard to internal improvements, it does not follow, that they will always be constructed whenever they will afford a competent dividend upon the capital invested... the condition of society may be ripe for public works long before there is, in the hands of individuals, the necessary accumulation of capital to effect them; and besides, there is generally, in such a country, not only a scarcity of capital, but such a multiplicity of profitable objects presenting themselves as to distract the judgement.<sup>327</sup>

Coordination issues, on the other hand, arise because the benefits of infrastructure projects are often diffused across a multitude of different individuals that make up the community, and, as such, there are immense difficulties involved coordinating their efforts to carry out such projects despite the totality of the diffused

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<sup>325</sup> John Maynard Keynes, *The General Theory of Employment, Interest, and Money*, (London: MacMillan and Co., 1936), 127-129.

<sup>326</sup> Nevertheless, it is not wholly anachronistic since Robert Ellis Thompson was a contemporary of Keynes, and he even reviewed one of Keynes’ earlier works, see Robert Ellis Thompson, “England’s Aim – to be the Workshop of the World: An Old Fallacy Revamped and Again Rejected,” *The Protectionist*, 32, no. 1 (1920): 11-14.

<sup>327</sup> Henry Clay, “On Internal Improvement,” [March 13, 1818] In *The Works of Henry Clay*, Vol. 5, ed. Calvin Colton, (New York: Henry Clay Publishing Company, 1896), 133.

benefits warranting it. As Henry Clay continues:

The aggregate benefit resulting to the whole society, from a public improvement, may be such as to amply justify the investment of capital in its execution, and yet that benefit may be so distributed among different and distant persons, that they can never be got to act in concert.<sup>328</sup>

This also connects closely with another issue of coordination, whereby the expected private profitability of an infrastructure project might render the project unviable for an individual capitalist or group of capitalists to undertake, despite the totality of dispersed or public benefits justifying its development.<sup>329</sup> In such cases, it is only right and proper for the government to enter the market. In the words of John Melish, “it follows, that all public works, which are deemed essential, and which yet do not hold out a prospect of remuneration to individuals, should be executed exclusively by the public, and for public account.”<sup>330</sup>

That said, whilst the American Protectionists clearly saw the need for government in the provision of infrastructure, they were far from dogmatic on the question of public versus private provision. Such a view is captured by Robert Ellis Thompson, noting that:

Transportation by sea and land is carried on by individuals and private or semi-private corporations, under the laws which control the common carrier, while the State takes charge of making common roads only, and in some cases leaves even that to turnpike companies.<sup>331</sup>

The object ultimately was to provide efficient infrastructure for industry to transport commodities from place to place, and in doing so, lowering the costs of doing business, regardless of whether this is facilitated by the private or public sector, or the two in some form of partnership.<sup>332</sup> In fact, the ideal system, it seems, was one where the private sector was free to compete with the public sector in the provision of infrastructure, so as to prompt government to maintain sufficient quality and low costs, and vice-versa. Indeed, Henry Carey went so far to argue that, in addition to public roads, landowners should have the right to construct their own private toll roads and railway lines on their private land, and thus enter into competition with the public

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<sup>328</sup> Henry Clay, “On Internal Improvement,” 133-134.

<sup>329</sup> This view connects with the American Protectionist distinction between individual and national wealth discussed in Section 6.6.

<sup>330</sup> John Melish, *Travels through the United States in the Years 1806 & 1807, and 1809, 1810, & 1811*, (Philadelphia, [Printed for the Author], 1818), 573.

<sup>331</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 103.

<sup>332</sup> In practice, this often took the form of land grants to the private sector to carry out the development of internal improvements, and the American Protectionists generally preferred the use of private-public partnerships in the facilitation of key pieces of infrastructure. Jacob Harris Patton notes, for instance, with respect to railroads that “the combination of private enterprise with the protecting care of government, accomplishes the end more perfectly than if each acted separately.” *Political Economy for High Schools and Academies*, 246.

sector as well as with one another. Individuals would thus be free to choose between a range of private and public infrastructure. Writing with respect to the State sanctioned railroad monopoly of New Jersey, Henry Carey declares that:

[The state must] exterminate the monster monopoly by passing a general law that would enable all men to associate for the making of turnpikes and railroads, and to select for themselves the road to market, and to go north or south, east or west, as might seem most advantageous to them.<sup>333</sup>

The underlying logic of this mixed (i.e. private and public) and diversified system of infrastructure is that with sufficient competition, whether this be competition between the same mode of transportation, such as one rail line competing against an alternate line, or between different modes of transportation, such as a rail line competing against a canal or a toll road, the competition, whilst imperfect, still has the effect of guarding against monopoly pricing, lowers congestion, and provides an incentive for maintenance and improvement.<sup>334</sup> Indeed, it is far from clear, according to the American Protectionists, that a government monopoly on the provision of infrastructure would necessarily provide quality infrastructure at the lowest costs. Without being kept in check by private competition, the State could well charge transit fees far above what would occur otherwise, or the State could neglect or misuse taxpayer money by building infrastructure to an inadequate standard. The American Protectionist thus acknowledged the existence of both market and government failure. By having both the private and public sector operating within the market, this would act as a check and balance to correct such failures as they present themselves, at least more than what would occur if only one, be it private or public, were present.

It should be recalled that the American Protectionists considered protective tariffs and infrastructure as operating in synergy. Together, both would advance the productivity and competitiveness of American industry more than one would in isolation.<sup>335</sup> Indeed, Henry Clay declares that “the tariff and internal improvements

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<sup>333</sup> Henry Charles Carey, *Review of an Address of the Joint Board of Directors of Delaware and Raritan Canal and Camden and Amboy Railroad Companies* (Philadelphia: C. Sherman, Printer 1848), 71; In a similar vein, Ezra Seaman also welcomes foreign investment in infrastructure if domestic sources cannot raise adequate capital, noting that “if foreign capitalists will take stock in an incorporated company, and furnish capital to do the work, the evil will be much less to the community” than to forego such investments. Ezra Seaman, *Essays on the Progress of Nations*, 510.

<sup>334</sup> In addition to Carey’s analysis, Hamilton also notes that “Good roads, canals, and navigable rivers... are advantageous to the town by breaking down the monopoly of the country in its neighborhood. They are advantageous even to that part of the country. Though they introduce some rival commodities into the old market, they open many new markets to its produce. Monopoly besides is a great enemy to good management, which can never be universally established.” Although this more relates to monopolies within local commodity markets, Hamilton clearly hints that a greater facilitation of infrastructure has a general tendency of guarding against monopoly pricing. *Report on Manufactures*, 40.

<sup>335</sup> Internal improvements were seen as especially important for agricultural industries. Because tariffs were generally more applicable to manufacturing, and since the American Protectionists opposed subsidies, there was an implicit understanding that agricultural communities should receive more infrastructure funding to offset the costs of the tariff on imported industrial goods. Robert Ellis Thompson notes that “the Protectionists... have always carried out the policy of subsidizing new roads and railroads, so as to give the farmer free access to his market.” *Elements of Political Economy*, 240.

are intimately connected... if not indissolubly united... their nature, by the tendency of each to advance the objects of the other, and of both to augment the sum of national prosperity.”<sup>336</sup> In addition to this protective function, the tariff was also considered the source of revenue from which the costs of internal improvements can be defrayed. In another one of his major speeches, Clay urges the government to “preserve the protective system in full vigor; [and to] give us the proceeds of the public domain for internal improvements.”<sup>337</sup> These two policies combined with internal free markets represent the quintessential features of the American System. In the words of Robert Ellis Thompson, the “tariff and internal improvements have always gone together in our political war-cries.”<sup>338</sup>

## 5.7: Summary

American Protectionist thought represents a policy orientated school of economics. Like the Classical economists, they accepted the basic idea that the market system must operate within certain parameters and restraints. In this regard, they saw a significant role for government, but they were also careful in setting limits on the scope of the government’s role. The issue for them was not one of regulation versus market freedom, but a matter of the scope and the structure of regulation. The intent behind their American System of Capitalism, a program which involved the use of tariffs, and the provision of infrastructure, while otherwise leaving domestic producers alone, was to create conditions conducive to entrepreneurial and industrial activities. This specific framework is distinct from that advanced by the Classical economists in that it advocates for the regulation of trade, whilst extolling industrial freedom domestically. This system is also distinct from the more paternalistic forms of industrial policy, which at the time was associated with the Progressive and German Historical School, as the American Protectionists rejected forms of interventionism which discriminate between domestic producers. Their focus was instead on the creation of opportunities for entrepreneurs to engage in productive activities. In light of this, “the American system of protection”, to quote Henry Clay, “should be regarded, as it is, an *entire and comprehensive system*, made up of various items, and aiming at the prosperity of the whole [national economy], by protecting the interests of each part.”<sup>339</sup> It thus should not be dismissed as a rudimentary form of industrial policy. Far from being ignorant of industrial policy, the American Protectionists were well

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<sup>336</sup> Henry Clay, “On Nullification and Other Topics,” [August 3, 1830] In *The Works of Henry Clay*, Vol. 5. ed. Calvin Colton, (New York: Henry Clay Publishing Company, 1896), 408; On the synergy between tariffs and internal improvements, Nathaniel A. Ware also notes that tariffs by developing manufacturing also makes internal improvement more viable, explaining that “our internal improvements, railroads, and canals, and steamboats, would be benefited by the establishment of manufactures, for the transportation on them would be more voluminous and varied.” Nathaniel A. Ware, *Notes on Political Economy*, (New York, Leavitt, Trow, and Co., 1844), 143.

<sup>337</sup> Henry Clay, “On the American System,” [February 2, 3, and 6, 1832] In *The Works of Henry Clay*, Vol. 5. ed. Calvin Colton, (New York: Henry Clay Publishing Company, 1896), 483.

<sup>338</sup> Robert Ellis Thompson, *Elements of Political Economy*, 240.

<sup>339</sup> Henry Clay, “On Nullification and Other Topics,” 407.



aware of what it entailed and explicitly cautioned against its usage. Now that there is a clear understanding of what the American Protectionists saw as the general role of government, the study will now proceed with a discussion of the social and moral philosophy of the School.

## Chapter 6: The Social and Moral Philosophy of the American Protectionists

### 6.1: Introduction

The philosophy and social values underlying economic reasoning is important as this provides the moral and intellectual framework upon which all economic theory is built. This chapter therefore provides a general overview of the social and moral philosophy which underpins American Protectionist thought, since understanding their philosophical views will help to better understand their economic theory. With the above in mind, Section 6.2 seeks to outline the underlying vision of the American Protectionists. In doing so, the study will draw upon the framework of the constrained and unconstrained vision developed by Thomas Sowell and Steven Pinker. At its most basic, the American Protectionists adhered to a constrained vision of the world, viewing mankind as fundamentally constrained by the forces of nature and by reality more generally. Whilst the use of this framework might seem anachronistic, in this particular case, it provides a useful way of understanding the general disposition of the School.<sup>340</sup> Section 6.3 focuses on the natural law philosophy of the American Protectionists, and as will be shown, this natural law philosophy is also deeply rooted in their Christian theology. Section 6.4 builds upon this conception of natural law by discussing the inductive-natural law methodology utilized by the American Protectionists. Section 6.4 provides an overview of the American Protectionist critique of the ‘economic man’ of the Classical School and outlines the alternative conception of Man offered by the American Protectionists.<sup>341</sup> Section 6.5 will finish with a philosophical discussion of what the American Protectionists saw as the distinction between individual and national wealth. The chapter ends with a summary.

### 6.2: The Constrained Vision

In his *History of Economic Analysis*, Joseph Schumpeter posits that all economic theory is built upon a vision of the world. This vision or worldview, as Schumpeter observes, is a “preanalytic cognitive act.”<sup>342</sup> It is a sense or feeling of how the world works before any systematic reasoning has commenced, and it represents “the foundation on which theories are built.”<sup>343</sup> By understanding the vision behind the thoughts of the American Protectionists, this will allow one to better appreciate their system of theory since visions ultimately set the agenda for economic thought and policy. Building upon Schumpeter’s analysis, economist Thomas Sowell and psychologist Steven Pinker formulated a framework for classifying social thinkers

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<sup>340</sup> This may appear to run counter to the view posited in sections 3.2 and 3.4, that is, using an external lens to interpret the School. However, this is such a broad and non-restricting lens that it can scarcely be said to impose modern values upon the School.

<sup>341</sup> The usage of the word ‘Man’ and ‘mankind’ has been deliberate to reflect the 19<sup>th</sup> century usage of the term.

<sup>342</sup> Joseph Schumpeter, *History of Economic Analysis*, 39.

<sup>343</sup> Thomas Sowell, *A Conflict of Visions: Ideological Origins of Political Struggles*, (New York: Basic Books, 2002). 4.

based on two broad underlying visions of the world: the constrained and the unconstrained (or utopian) vision.<sup>344</sup> The constrained vision holds that “humans are inherently limited by knowledge, wisdom, and virtue, and [that] all social arrangements must acknowledge those limits.” In contrast, the utopian or unconstrained vision holds that “limitations are artifacts that come from our social arrangements, and [these arrangements] should not... restrict our gaze from what is possible.”<sup>345</sup> Thus, when it comes to envisioning or constructing social systems, the constrained vision “will look to systems that produce [desirable] outcomes even when no member of the system is particularly wise or virtuous”, while the unconstrained vision “seeks to articulate social goals and devise policies that target them directly” with the attainment of utopia being seen as a logical possibility.<sup>346</sup> Given that the utopian vision emphasizes the notion that limitations arise out of existing social arrangements, but are not inherent in society itself, these writers have typically emphasized a radical, and, in some cases, a revolutionary, restructuring of the social order. This dichotomy of the constrained versus unconstrained is admittedly a vast simplification, as there will always be varying degrees of constraint amongst the visions of different writers, and there will also be those who do not fall squarely into either vision. In spite of its limitations and shortcomings, however, this framework still represents a useful way to think about the American Protectionists.<sup>347</sup>

The American Protectionists are somewhat unique in the field of heterodox schools of economic thought, as they represent one with a disdain for utopianism, despite also being extreme optimists in certain respects. In any event, throughout their writings, there is still a persistent suspicion and rejection of almost all themes utopian and revolutionary. It should be noted, of course, that the constrained vision has usually been identified with free market thinkers. The Classical economists Adam Smith and David Ricardo can be seen as representative of the constrained vision.<sup>348</sup> Although constrained thinkers will usually gravitate more towards market institutions, the degree of constraint in one’s vision is not necessarily a perfect indicator of the ultimate degree of market freedom that a particular thinker will end up supporting. Indeed, the extremes of *laissez-faire* (which does not include the Classical tradition of Smith, Ricardo, and others) exhibits its own utopian outlook through its seemingly blind faith in the free market and its concomitant view of perfecting mankind by repealing the

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<sup>344</sup> Thomas Sowell, *A Conflict of Visions*, various pages; Steven Pinker, *The Blank Slate: The Modern Denial of Human Nature*, (New York: Penguin, 2002), 287. Sowell uses the terms constrained and unconstrained vision, whereas Pinker refers to them as the tragic and utopian vision. The analysis in this section has also been informed by Warren J Samuels, ‘Utopian Economics’, in *A Companion to the History of Economic Thought*, ed. Warren J. Samuels, Jeff E. Biddle, & John B Davis (Malden: Blackwell Publishing, 2003), 201-212.

<sup>345</sup> Steven Pinker, *The Blank Slate*, 287.

<sup>346</sup> Steven Pinker, *The Blank Slate*, 290.

<sup>347</sup> The later sections of this chapter, however, will expand upon some of the themes discussed in this section to demonstrate the complexity and nuance of the American Protectionist’s social philosophy.

<sup>348</sup> Steven Pinker, *The Blanks Slate*, 288, 302.

existing order of government, or in fact, all orders of government.<sup>349</sup> Indeed, even less radical free market traditions which emphasize perfectly rational economic agents and perfect market adjustments are seemingly at odds with the constrained vision.<sup>350</sup>

The main characteristic of the constrained vision is a view of the imperfectability of human institutions and the imperfectability of those individuals that underpin and operate within those institutions. Alexander Hamilton, considered by both Sowell and Pinker as representative of the constrained vision, summarizes this view of human institutions, “it is the lot of all human institutions, even those of the most perfect kind, to have defects as well as excellencies — ill as well as good propensities. This results from the imperfection of the Institutor, Man.”<sup>351</sup> Utopian thinkers, in contrast, will tend to view humans (and thus human institutions) as malleable and perfectible. They will thus seek to achieve social outcomes through direct means, whether through revolution, collective action, or active government planning. The constrained vision, in contrast, considers it beyond the capability of any one centralized authority or set of decision makers to marshal the requisite knowledge to carry out deliberate and comprehensive plans that directly achieve social outcomes, especially outcomes of a far-reaching nature.<sup>352</sup> Given this, those with a constrained vision will be more willing to accept imperfections in the social order by recognizing the defects of human nature, and thus the limitations of human institutions. This should not imply that the constrained vision rules out government intervention, but intervention must be viewed in accordance with human nature and its defects. Hamilton again exemplifies this view with respect to government policy:

The true politician [sic] on the contrary takes human nature (and human society its aggregate) as he finds it, a compound of good and ill qualities — endowed with powers and actuated by passions and propensities which blend enjoyment with suffering and make the causes of welfare the causes of misfortune.

With this view of human nature he will not attempt to warp or distort it from its natural direction — he will not attempt to promote its happiness by means to which it is not suited... but he will seek to promote his action according to the byass [sic] of his nature, to lead

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<sup>349</sup> This view runs counter to Sowell and Pinker with both implying that the further to the free market, the more constrained one’s vision. Sowell, however, seems aware of the problematic nature this view, as he suggests that “libertarians defy... easy categorization”, whilst he still insisting that *laissez-faire* economics exemplifies the constrained vision. Thomas Sowell, *A Conflict of Visions*, 122. On this point, Warren J. Samuels’ “Utopian Economics” provides a balanced counter to Sowell.

<sup>350</sup> The more contemporary Rational Expectations School of economics is representative of this view and clearly has more common with the utopian vision, see Robert F. Lucas and Thomas J Sargent, *Rational Expectations and Econometric Practice*, (Minneapolis: University of Minnesota Press, 1981).

<sup>351</sup> Alexander Hamilton, “The Defence No. 1,” [July 22, 1795] in *The Papers of Alexander Hamilton*, Vol. 13, ed. Harold C. Syrett, (New York: Columbia University Press, 1967), 393-394.

<sup>352</sup> This is quite similar to the Austrian notion of economic calculation and the dispersion of knowledge. Whilst it is emphasized to a lesser extent than the Austrians, this notion seems very much implicit in the writings of the American Protectionists.

him to the developpement [sic] of his energies according to the scope of his passions, and erecting the social organisation on this basis, he will favour all those institutions and plans which tend to make men happy according to their natural bent.<sup>353</sup>

The hostility which the American Protectionists held towards socialism and communism is no doubt shaped by this understanding of human nature. Jacob Harris Patton observes that “in theory, socialism professes to aim at elevating man, and the object is a worthy one; but unfortunately, the means employed are antagonistic to human nature and the order of society.”<sup>354</sup> What is rejected is not intervention as such, but systematic and heavy-handed planning of the economy by a central authority. While government policy is seen as necessary for achieving particular ends, their system is still crafted in such a way as to achieve these outcomes indirectly in a hands-off manner, and in accordance with the natural tendencies of Man. There is also always the recognition that certain problems will remain unsolvable, or that the costs and/or negative consequences of trying to solve them will outweigh the initial problem itself.

The implicit assumption of the imperfectability of the social system necessarily imbues the constrained thinker with an acknowledgement that trade-offs are ever present since the attainment of utopia is an impossibility. When this assumption is taken alongside a particular thinker’s hierarchy of values, one can better appreciate why constrained thinkers, in this case, the American Protectionists, will typically disregard matters of social justice and/or other goals outside their set range of objectives. In the case of the American Protectionists, their system was designed to facilitate the development of national industry and entrepreneurial activity. It was not there to ameliorate every market imperfection or social ill. As a consequence, the American System is therefore in direct conflict with the unconstrained vision. This is because the unconstrained vision tends to view social improvement in terms of no fixed limits, and unconstrained thinkers will therefore tend to dismiss the notion of trade-offs altogether for thoroughgoing solutions. Since trade-offs are inherent in the constrained vision of the American Protectionists, any attempts at complete and sweeping reforms advanced by the more utopian schools of economic thought will clash with the objectives of the American System. The underlying vision of the American Protectionists is thus not only constrained in the passive sense, but they can also be thought of as being explicitly anti-utopian. In a passage of his *Principles of*

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<sup>353</sup> Alexander Hamilton, “Defence of the Funding System” [July 1795] in *The Papers of Alexander Hamilton*, Vol. 19, ed. Harold C. Syrett (New York: Columbia University Press, 1973), 59–60.

<sup>354</sup> Jacob Harris Patton, *Political Economy for American Youth*, 241; This view is echoed by Roswell G. Horr, explaining that “the idea of modern socialism, that the Government should own everything and manage everything, that the people should all work for everybody, and no one for himself, has no foundation in the human organism.” Horr, “Are Taxes Ever a Blessing?”, 2; and George M. Steel: “the advocates of Socialism also seem to take no adequate account of the natural selfishness of men, of the tendency to self-indulgence and the immediate gratification of any desire, impulse, or appetite which may characterize individuals,” *Rudimentary Economics for Schools and Colleges*, 199.

*Economic Philosophy* entitled ‘Can Poverty Be Abolished?’, Van Buren Denslow perfectly illustrates this anti-utopian worldview:

So far as the socialist bases his complaint on the assertion that the wealth accumulated in the hands of the few wealthy is so much abstracted or withdrawn from the stock of goods that would be consumable by the poor, he is evidently in error... the surplus wealth of the rich must be invested in such modes as to give society the use of it.... In the existing world the pressure of economic want, present or prospective — in short, poverty — is as potent a force in wealth production as hunger is in causing the body to be fed or cold in causing it to be clothed...

If by the “abolition of poverty” is meant the ensuring a reasonable certainty of comfortable support to all who are ready to do what they can to be useful to their fellow-men, it may be doubted whether any humanly invented system can effect much improvement on than one now in force [that system, being the American System]... [But] the notion that poverty [in the literal sense] can be abolished is a flattering gospel, far more attractive to our human impulses than to [our senses].<sup>355</sup>”

From the above passage it is clear that Denslow considered the American System to be the best of all possible systems, but he still conceded that it was an imperfect system. The perfect system was an impossibility, and oddly enough, the imperfections of capitalism actually represents a feature which allows it to work so effectively. In this case, the fear of impoverishment was a necessary trade-off for the proper functioning of the capitalist system.

Also inherent in the constrained vision is the view of complexity in social and economic processes. Due to this complexity, it is acknowledged that any one individual or central authority will have an exceedingly difficult time mastering the complex array of intertwined social processes. Indeed, the American Protectionists themselves saw this logic inherent in the division of labor. “It is well known”, according to Denslow, “that the men in each branch of industry become ignorant of the other branches in the ratio that they became skilled in their own, yet that the aggregate result is a vast increase in skill and in rapidity of production.”<sup>356</sup> By implication, “It would be as great a waste of time and diversion of effort, on the part... of a legislator to attempt to become

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<sup>355</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 76-78. Although less decisive than Denslow, this general view is also expressed by Henry Carey, who explains “that there is a great deal of vice and misery in the world, is an undoubted fact. What are the causes of its existence, is yet disputed. Equally undetermined is it, as yet, who is responsible for it, and whether it is remediable.” *Principles of Social Science*, Vol. 3, (Philadelphia: J. B. Lippincott & Co., 1859), 364-365.

<sup>356</sup> Van Buren Denslow, *Modern Thinkers Principally Upon Social Science*, (Chicago: Belford Clarke & Co., 1880), 126

an expert fisherman.”<sup>357</sup> Government serves an important function, but mastering every facet of society is clearly beyond its capability. Those with a constrained vision will therefore rely on decentralized and systematic social institutions or processes, such as markets, customs, and traditions, for the coordination of society. In Denslow’s earlier example, the fear of impoverishment represents one such systematic process because it is an impulse inherent to all agents operating within the system, and it therefore operates fully throughout the social system. In the 19<sup>th</sup> century, the name given to these systematic processes was natural law, and, as will be shown in the next section, American Protectionist thought was built upon a natural law philosophy. It is this belief in natural law which underpinned their decentralized approach to public policy.

In line with this view of natural law, the American Protectionists envisioned an economic system with a relatively high degree of flexibility for the individual agents operating within it. Whilst they ultimately desired the development of productive industry and enterprise, the direct and deliberate action of government alone was seen as incapable of bringing about this outcome. Instead, a flexible system of incentives and restraints would allow entrepreneurs to bring about such an outcome within more or less natural or pre-existing social arrangements.<sup>358</sup> Even if the individual entrepreneurs within the system are themselves flawed and imperfect, the likelihood that one or more of them will be successful is higher than the likelihood of success from one centralized authority.<sup>359</sup> One can certainly appreciate the divergence between the constrained and utopian visions by comparing the decentralized and entrepreneurial driven industrialization of the American System with that of Soviet-style socialist attempts at industrialization through a highly centralized system of government planning and state-ownership.<sup>360</sup> Both systems had the goal of industrialization in mind, but the divergence in their two visions meant that they both pursued fundamentally different means in attempting to arrive at the same goal.

One might be inclined to think, given their zealous support for protective tariffs, that the American Protectionists were utopian in the sense that they viewed tariffs as a cure all – a perfect institution of sorts. Although they were enthusiastic champions of protective tariffs, they did not view them as a magic bullet. As Giles B. Stebbins remarks “protection is not a panacea, good against crop failures, bad business management or extravagance, but a powerful element in the conservation and

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<sup>357</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 136.

<sup>358</sup> Sowell notes that the constrained vision will tend to emphasize the use of process incentives than direct action. Henry M. Hoyt illustrates this point by explaining that “By *restriction* [i.e. protection], industries here will diversify themselves under the operation of natural forces. The development of society will be as regular and natural as that of [the growth of] a plant.” *Protection versus Free Trade*, (New York: D. Appleton and Company, 1886), 206-207.

<sup>359</sup> Tench Coxe illustrates this point, noting that “enterprise and adventure cannot always expect to be successful.” *An Essay on the Manufacturing Interests of the United States*, (Philadelphia: Graves, 1804), 31.

<sup>360</sup> This may appear to be an anachronistic comparison, but the two systems overlapped historically. The Bolshevik Revolution occurred in 1917, and the American System was still policy under the Coolidge Administration between 1923-29.

development of national resources and of personal skill and power.”<sup>361</sup> The American Protectionists also recognized that, as with any government policy, tariffs come with associated costs and trade-offs. Admittedly, these costs tended to be viewed as short-lived and more in the terms of opportunity cost (as opposed to direct costs). That is to say, for instance, that foregoing the consumption of imports in the short-term was seen as a necessary cost for the development of domestic industry in the long-term, or that the cost of an import tariff would eliminate the cost of internal taxation. In any event, there was still a clear recognition that certain costs and trade-offs accompanied the use of protective tariffs.

The above discussion has focused largely on the objections to the utopianism of the more socialistic varieties, since socialist thinkers tend to be more readily identifiable with the utopian vision, but some of the American Protectionists more scathing rebukes were directed towards the perceived utopianism of the *laissez-faire* theorists. The speech entitled *The Tariff* by the Republican statesman and advocate of the American System, Henry Cabot Lodge, is revealing of this attitude against the utopian extremes of *laissez-faire*:

The doctrine that the least government is the best, and the economic theory known as *laissez faire* and *laissez aller*... The pendulum under the influence of this great movement [against government] ... swung with corresponding violence to the opposite extreme. Men swiftly concluded that, because the interference of the state under the monarchies of the eighteenth century was evil, the true secret of freedom, happiness, and success was to be found in going as far as possible in the opposite direction, in reducing government to its lowest terms, and in getting as near as possible to no government at all. In other words, the world in its political and economic theories rushed from the system of tyrannous interference... to extreme individualism and unrestrained competition... All this was very natural, but, like all extremes, very dangerous, and, like all Utopias, was in practice very uncertain and disappointing.<sup>362</sup>

The essential character of this criticism of *laissez-faire* goes to the idea of prudence in the crafting of government policy. As Sowell puts it, “prudence is among the highest duties” within the constrained vision.<sup>363</sup> Of course, this should not be

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<sup>361</sup> Giles B. Stebbins, *The American Protectionist's Manual*, (Detroit: T. Nourse, 1883), 10. As another example, in response to a free trader who criticized protectionism for high food prices during the infamous 1901 heat wave, Robert Ellis Thompson joked that he “was unaware that there was any clause in the Dingley tariff for the regulation of weather, or that protection was even put forward as a remedy for bad seasons.” ‘Points on National Policy: We Have Manufactures Because We Have Had a Protective Tariff — Trusts and Shipping Questions.’ *The Protectionist*, 14, no. 159 (1902), 146.

<sup>362</sup> Henry Cabot Lodge, “The Tariff,” In *Speeches and Addresses, 1884-1909* (Boston and New Work: Houghton Mifflin Co., 1909), 95-96, emphasis in original. A further example can be found in Cyrus Elder’s satirical piece *Dream of a Free Trade Paradise* (Philadelphia: Henry Carey Baird, 1872) which mocks the perceived utopianism of *laissez-faire*.

<sup>363</sup> Sowell, *A Conflict of Visions*, 17.



considered an indictment that all free market theorists are imprudent in their considerations. Different schools of thought can arrive at opposing conclusions despite both putting careful and cautious thought into the matter. Nevertheless, since industrial development and economic diversification were high on the hierarchy of values of the American Protectionists, risking the destruction of productive industry for what was perceived as rather minute benefits of unrestricted trade was considered reckless and imprudent. The American Protectionists, in a sense, can thus be considered as conservatives of the Burkean variety.<sup>364</sup> They acknowledged inherent truths of the market system, but they were cognizant of not carrying those truths too far. In a constrained Burkean fashion, historical experience was used by the American Protectionists as a guide for judging the validity of ideas and policy, and when reforms were sought, they were careful to preserve the beneficial aspects of the existing order that had been tried and tested by past generations. This can be seen most plainly with the preservation of certain mercantilist policies, as in the case of protective tariffs, whilst rejecting the other heavy handed and injurious state interventions practiced by the mercantilists.<sup>365</sup> The point of this, however, is not to prove that all elements of American Protectionism is perfectly entrenched within the constrained vision, an impossibility for any set of thinkers, but rather that the School has a general disposition towards the constrained vision.

The above analysis should provide a sufficient understanding of the constrained vision which, in the broad sense, underlies the thoughts and actions of the American Protectionists. The above was not designed, however, to prove the validity of either the constrained or the unconstrained vision, nor was it intended to influence and change the reader's own vision. Rather, understanding another's vision should allow one to appreciate and understand the foundations and motivations behind a system of thought and policy. By understanding the constrained vision underlying the thoughts and actions of the American Protectionist School, hopefully one will be better equipped to understand their system of thought. As a final note, it should be emphasized that whilst the American Protectionists were constrained thinkers, they were, generally speaking, also highly optimistic ones. Even though the American Protectionists saw Man's destiny as constrained by reality, Man's destiny was still one of growing opulence.

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<sup>364</sup> Michael P. Federici, *The Political Philosophy of Alexander Hamilton*, various pages, notes close similarities between Alexander Hamilton and Edmund Burke. A number of American Protectionists, including Rufus Choate, Daniel Webster, and even Horace Greeley, also praised Burke. It is important not to overstate this, however, as the American Protectionists deviated from Burke on many points. Robert Ellis Thompson, for example, praises Burke (e.g., *Elements of Political Economy*, 20), but he is also critical of Burke's rejection natural law (e.g., *Leveleye and Kathedersocialism*, 384-385). That said, Burkean conservatism is not a clearly spelled out ideological framework, but more of a general disposition.

<sup>365</sup> See, for instance, George B. Curtiss, *Protection and Prosperity*, 778-779.

### 6.3: Natural Law as Conceived by the American Protectionists

That natural laws exist in the absence of civil regulations is unquestionably true; and these natural laws, even in civil society, constitute the real foundations of justice.<sup>366</sup>

- William C. Jarvis

It might be intuitive to assume that the American Protectionists rejected natural law given their criticisms of the Classical economists, but this is far from the case. The Protectionists did not have a problem with natural law as such, but they did have a problem with natural law as it was laid down by the Classical economists.<sup>367</sup> As Robert Ellis Thompson explains, “there is a constitution and course of nature in things economical. The statesmen has to discover its laws and accommodate his own measures to them.” The issue was “that [Adam] Smith and his followers made mistakes as to what those laws were,” but this “involves no deduction from the truth of his main proposition” that natural laws exist.<sup>368</sup> It should be stated from the outset, however, that this section will not discuss the natural law of the American Protectionists in detail. This will be the topic of later chapters, but it will give a general sketch of the American Protectionist conception of natural law.

For the American Protectionists, natural law represents the laws of human nature and human conduct, but it went further. Human nature can, of course, be depraved and corrupt, but natural law represents the laws, which if followed, allows for the development of human potentiality and fulfillment.<sup>369</sup> This undergirded a broader social and political ethic. The discovery of such fundamental principles was a guide to proper State action and even moral actions of individuals within society, and

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<sup>366</sup> William Charles Jarvis, *The Republican*, (Pittsfield, Phineas Allen, 1820), 34.

<sup>367</sup> It appears that there were some dissenting views within the School on the topic of natural law. Daniel Webster, for instance, declared that “though I like the investigation of particular questions, I give up what is called the ‘science of political economy.’ There is no such science. There are no rules on these subjects so fixed and invariable as that their aggregate constitutes a science.” Daniel Webster to Mr. Dutton [May 9, 1830], In *The Private Correspondence of Daniel Webster*, Vol. 1, ed. Fletcher Webster, (Boston: Little, Brown, and Company, 1857), 501. This statement was made, however, well before the publication of the major works of Carey, List, and other key American Protectionists, so it is plausible that Webster may have changed his mind. Calvin Colton also implies a relativist approach, arguing that his aim is “to construct a system of economy for the United States, and to show wherein the principles of the European economists are entirely inapplicable” *Public Economy for the United States*, 18. George B. Curtiss’s position also amounts to a rejection of natural law, arguing that “if it should be conceded, however, that free trade is based on this ‘natural law,’ or that the ‘laws of nature’ are given full force under free competition, it does not follow that it should be accepted as a basis of an economic policy... yet there is another principle known as ‘human selection,’ called by some ‘artificial selection,’ accomplished through the intellectual forces of man which is no less natural because it is human.” George B. Curtiss, *Protection and Prosperity*, 790. That said, dissecting how much of this dissent is towards natural law as a general proposition or the natural law of the English Classics is difficult to determine. John L. Hayes, for instance, explains that “Political economy... is not a fixed science. It depends upon the relations of circumstances which differ in different times and countries.” This is undoubtedly true of the science as ordinarily taught in our colleges; though we cannot but believe that in the national economy of List, and especially in the social science of Carey, there are principles of universal application.” “Memoir of Erastus B. Bigelow”, *Bulletin of the National Association of Wool Manufacturers*, 9, no. 4 (1879), 243.

<sup>368</sup> Robert Ellis Thompson, “Laveleye and the Kathedersocialism,” *The Penn Monthly*. (May 1876), 382.

<sup>369</sup> Robert Ellis Thompson explains, for instance, that “these natural rights are such as are necessary to the complete development of our human nature.” *The Divine Order of Human Society*, (Philadelphia: John D. Wattles, 1891), 89.

through the discovery of natural law, natural rights could be established. It should not be concluded from this, however, that natural law was considered the product of deliberate design. Government is necessary, but its actions must conform and operate harmoniously with human nature. In the words of Robert Ellis Thompson, the statesmen “knows that he does not and cannot supply the motive power of the process; that he is gubernator or steersmen merely.”<sup>370</sup> And even earlier, Alexander Hamilton declared that there exists “fundamental laws, agreeable to which its general operations must be directed; and that any violent attempts in opposition to these would commonly miscarry.”<sup>371</sup>

The most resolute commitment to natural law, and one perhaps worth touching on, was put forth by Henry Carey. Carey held that there exists a single system of laws governing Man’s relations with the natural world. This was in fact the focus of his last major work *The Unity of Law*. Whilst Carey assumes that a unity of law exists which connects the physical sciences to social sciences, his approach cannot be considered as reductionist in the materialist sense. In Carey’s conception, this unity of natural law represents a bridge between the laws of nature and the laws of the human mind:

There being but two sets of laws, those of mind and those of matter... [the] lines of separation so sharp... [but] nowhere does the idea seem to have suggested itself... that a place might possibly be found intermediate between the two; one in which matter and mind themselves were being brought face to face with each other contending for the mastery.<sup>372</sup>

Social science for Carey concerns the interplay between the laws of human nature and the laws of physical nature within one unified system. Although there is a clear dualistic depiction of economic activity involving Man using his mind and intellect to gain mastery over matter, whether or not this is framed as monism or dualism is not overly important for the purposes of understanding their system of economics.<sup>373</sup>

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<sup>370</sup> Robert Ellis Thompson, “Laveleye and the Kathedersocialism,” 384; For similar arguments, see Thompson, *Social Science and National Economy*, 12.

<sup>371</sup> Alexander Hamilton, “The Continentalist No. 5,” 76.

<sup>372</sup> Henry Charles Carey, *Unity of Law*, 154-155; elsewhere Carey also explains “where matter is, there must the laws of matter be. Where mind is, there must be found the laws of mind... the science to which his [the reader’s] attention has here been called treats... of the *relations* between mind and matter,” *Unity of Law*, 159-161, emphasis in original; Robert Ellis Thompson also declares that there “are at once the laws of human nature, and of that external nature, in harmony with which man was created.” *Elements of Political Economy*, 29.

<sup>373</sup> Carey generally adheres to a dualistic metaphysics, but some passages could be interpreted as monist or materialist. If he did subscribe to a materialist metaphysics, it is quite different from conventional materialism since he believes in the existence of souls, free will and rejects physical determinism. It seems as if Carey was working towards a synthesis between dualism and materialism. The point of his philosophy is to emphasize that everything exists within “one entire system ‘whose body nature is, and God the soul,’” with the human soul descending from God. Henry Charles Carey, *Unity of Law*, 125. In the practical sense, Carey’s metaphysics resembles what modern philosophers would now consider as interactionist mind-body dualism, as Carey posits that the human soul can interact with the material world with the two casually influencing one another. For other instances of the existence of souls, see Henry Charles Carey, *Unity of Law*, 49; *Principles of Social Science*, Vol. 2, 36; Giles B. Stebbins, also recalls a conversation which he had with Carey, where “Carey held [political economy] as connected with [the] wealth of [the] soul as well as of the purse.” Stebbins, *Upward Steps of Seventy Years*, (New York: United States Book Company, 1890), 186.

Indeed, Denslow clarifies that:

In affirming this unity of law between Economic Nature and Physical Nature, we do not affirm whether the life which thus adapts itself to its environment is the cause or the effect of the organism in which it acts. The materialist says that life is an effect of its organism. The supernaturalist says that the soul is of an origin above and anterior to physics, and is the immediate cause of the laws which, in the living organism, contrast with the laws which govern mere inanimate matter. Upon this issue the economist in no way pronounces, when he sets out.<sup>374</sup>

Whilst still affirming the existence of natural law, others such as William Elder, declined to call it a unity of law. In a letter to Carey, Elder explains that “every thread in the web of all my psychological doctrines is woven with one coherent doctrine which denies the Oneness of laws governing life,” but “I suspect that the debate as it stands in your mind stands more upon words than things - Indeed I do.”<sup>375</sup> Whilst there was inevitably debate over details and semantics, what is clear is that the American Protectionists had a commitment to fundamental laws of the human mind that directs Man’s conduct in the physical world.

Whereas the natural or iron laws of Ricardo and Malthus can be seen as an equilibrating force which operates to bring living standards back to their natural subsistence level, the American Protectionists saw natural law as a dynamic force which allows for human progress and economic development over time.<sup>376</sup> In both cases, natural law can be likened to systematic processes operating in the social system. The Protectionists charged, however, that the systematic processes of Ricardian and Malthusian economics appealed to the more brutish tendencies and impulses of ‘Man’ (as will be elaborated upon in Section 6.5). The Protectionists, on the other hand, saw human deprivation and subsistence not as the result of natural laws inherent in social phenomenon, but were the result of human misconduct and human error. The stark difference in this conception of natural law can be seen in the following passage from Carey:

Such is the difference between [the American protectionists], and the doctrines of the Ricardo-Malthusian school... The one inculcates, that the great treasury of nature is practically unlimited in its extent; that there exist great natural laws, in virtue of which, food and other raw materials tend to increase more rapidly than population; that it is the

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<sup>374</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 4.

<sup>375</sup> William Elder to Henry Carey, October 14, 1871, Box 13, Folder 2, *HCCP*, ECGC, HSP, Philadelphia, PA; see also William Elder to Henry Carey, February 4, 1872, Box 13, Folder 2, *HCCP*, ECGC, HSP.

<sup>376</sup> Henry Carey, for instance, declares how he discovered “the existence of a beautiful law of nature... that governs man in all his efforts to maintain and improve his condition.” Henry Charles Carey to John C. Calhoun, December 5, 1847, Box 31, Folder 1, *HCC*, HSP, Philadelphia, PA.

*duty* of the powerful to study and understand those laws; and that if, by reason of failure in the performance of that great duty, vice and misery prevail throughout the world... The other [Ricardian-Malthusian School] teaches that, by reason of the scarcity of fertile soils, the powers of the earth are perpetually diminishing in the ratio borne by them to the mouths requiring to be fed; that there exist great natural laws, in virtue of which, population tends to increase more rapidly than food... [resulting in] poverty, wretchedness, and death.<sup>377</sup>

The American Protectionists did not conceive natural law as a system of mechanical relationships which operated like mathematics – a charge which they levelled against the English Classics. <sup>378</sup> Mankind as a species is too highly varied to operate in such a mechanical manner. In “Man”, Carey explains, “we find individual differences almost as numerous as are those of the human countenance; there being scarcely any two members of the human family precisely alike,” but in this “variety there is unity.” <sup>379</sup> And in this “unity and universality of law... of which we speak, as in all other instances in which the idea is used... is not identity or sameness, but the harmony of correspondence.” <sup>380</sup> In other words, the American Protectionist conception of natural law essentially rests on the notion that there exists emergent properties within complex phenomenon. <sup>381</sup> Even though Man is highly varied and possesses a high degree of individuality, Man still conducts himself with an emergent orderliness and regularity which represents natural law. <sup>382</sup>

In the modern era, natural law is often identified with libertarianism, which, especially in its more radical forms, disdains State interference. There has, however, always been a tradition which ran through the writers, such as John Locke, which saw the main purpose of government as securing natural rights. The American Protectionists are firmly in this Lockean tradition. The State was not viewed by the Protectionists as incompatible with natural law. It is natural law which prescribes natural rights, and it is often seen as the role of the State to secure such rights and to remove obstacles to the operation of natural law. Denslow even goes as far as declaring that there is a “principle in human nature, which compels the creation of the monopoly

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<sup>377</sup> Henry Charles Carey, *Principles of Social Science*, Vol.1, 365-366.

<sup>378</sup> Robert Ellis Thompson notes, for example, that with the writings of Henry Charles Carey, “the science of national economy passes out of the mechanical into the dynamical stage” *Elements of Political Economy*, 29. Peshine Smith, on the other hand, seems to represent an exception to this rule. He thought that “mathematics must be used in sociology as in every branch of enquiry and the more it is used the more scientific it becomes.” Although Smith still perceived economics as a dynamic science. Peshine Smith to Henry Carey, October 8, 1854, Box 18, Folder 1, HCCP, ECGC, HSP.

<sup>379</sup> Henry Charles Carey, *Unity of Law*, xiii.

<sup>380</sup> Henry Charles Carey, *Unity of Law*, 122-124.

<sup>381</sup> Carey demonstrates this emergent natural law, by way of analogy to chemistry, stating “universality of law, is here intended that persistency of impulse and constancy of action in the multiform substances and subjects of natural law... exhibiting an infinite variety of phenomena, yet without any change of essence or of intrinsic qualities and necessary tendencies in action.” *Unity of Law*, 122-123.

<sup>382</sup> In another context, Robert Ellis Thompson argues against reductionism and in favor of emergence, explaining that society “is a whole which contains more than is contained in the parts as such; that is, it is an organism, not an accretion.” *Elements of Political Economy*, 33.

known as The State.”<sup>383</sup> This monopoly of the State, in Lockean fashion, was likened to an executor of natural rights. As Robert Ellis Thompson explains:

The universal element in the vocation of a state is expressed in the statement that it is the institution of rights. This differentiates it from the family, which is the institution of the affections; also from mankind at large, as rights are realized and made positive through the existence of the state.<sup>384</sup>

Thompson continues by declaring that “men have not fewer rights because they have given up some for the sake of making a body politic. Practically they would have none unless the state existed.” Indeed, “if a man were to put himself outside the pale of political society... he still would be entitled to so much consideration as humanity suggested, but he would not possess any of the rights which are ideally his as a human being.”<sup>385</sup> Denslow thus explains how the “monopoly” of government “by giving to individuals a private title, is essential to each individual having a title to his own labor.” “Whilst” it may be argued that “the monopoly seems to build up the individual at the expense of the public, it really is the first step in freeing the individual to serve himself and inciting him to serve the public” through the operation of natural law.<sup>386</sup> In this respect, the State represented a bulwark against violations of natural law, with Thompson declaring that the removal of “obstacles [to the operation of natural law] is the sole function of the state, as regards the active direction of industry.”<sup>387</sup>

The American Protectionists conceived a hierarchy of sorts when it comes to natural rights. Paramount among these were private property rights. This was seen as the fountain from which various other rights flow from. Thompson again remarks that “private property is essential to personal liberty... There is no freedom of speech or of action possible to members of communities in which it does not exist.” For “it is only where every man can and most men do possess the means of self-support independently of the will of society, that any man can cherish and assert an opinion which is not shared by the community of which he is a member.”<sup>388</sup> Denslow similarly notes how “private property in land is essential” to the right of “exchange, because [without] that ... no one can sell, and land owned by all does not admit of those

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<sup>383</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 135.

<sup>384</sup> Robert Ellis Thompson, *Elements of Political Economy*, 36. Earlier Hamilton expressed a similar view of government making natural rights positive, explaining that “in a state of nature, no man had any *moral* power to deprive another of his life, limbs, property or liberty... the origin of all civil government, justly established... between the rulers and the ruled; and must be liable to such limitations, as are necessary for the security of the *absolute rights*.” In doing so, Hamilton also cautions against governmental excess which violate natural rights, explaining that for government “to usurp dominion over a people, in their own despite, or to grasp at a more extensive power than they are willing to entrust, is to violate that law of nature, which gives every man a right to his personal liberty” Alexander Hamilton, “The Farmer Refuted,” [23 February 1775] *The Papers of Alexander Hamilton*, Vol. 1, ed. Harold C. Syrett, (New York: Columbia University Press, 1961), 88.

<sup>385</sup> Robert Ellis Thompson, *Divine Order of Society*, 89.

<sup>386</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 137.

<sup>387</sup> Robert Ellis Thompson, *Elements of Political Economy*, 30.

<sup>388</sup> Robert Ellis Thompson, *Divine Order of Society*, 90-91

permanent crops, orchards, improvements, etc., which extend over years.”<sup>389</sup> It is for this reason that the American Protectionists disdained direct taxation because it directly taxes private property, and therefore constitutes a violation of natural rights, whereas indirect taxes levied on consumption are less antagonistic to natural law since the right of exchange is of a lower order than property rights.

In likeness, the right to production was considered natural and of a higher order than the right of exchange since production necessarily precedes exchange. Moreover, even within the domain of exchange, domestic commerce was seen as superseding international trade in the natural order of things. In his piece, *The Rights of American Producers*, Henry Carey Baird explains how “production, furnishing all National power, is to the country, its commerce, and trade, on a large scale, what the water-wheel and the steam engine are to mills and machinery.” It is “the prime mover” and “in the absence of this great National prime mover, as it may be called, all motion... must cease.”<sup>390</sup> This view is echoed by William Elder who declares that “in natural sequence production precedes exchange, and the answering principle in logic requires that productive power should have precedence of trade interests in the direction of national policy.”<sup>391</sup> It follows that if one were to permit taxation anywhere, which is necessary for the securement of natural rights, taxes on foreign trade is far more congenial to natural law than taxes on domestic production.<sup>392</sup> Baird even goes as far to say that “the American producer has a right to demand that his Government shall levy duties on foreign imports.”<sup>393</sup> This is no small matter. Whereas most advocates of tariff protection typically advance their arguments based on expediency, they are frequently on the defensive when it comes to ethical claims. The American Protectionists thus believed that the doctrine of protection was a matter of ethics, and if, as the American Protectionists believed, protectionism can be established as being in harmony with natural law, then protectionism passes from a matter of mere expediency to a philosophical imperative.<sup>394</sup>

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<sup>389</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 137.

<sup>390</sup> Henry Carey Baird, *The Rights of American Producers* (Philadelphia: Collins, 1872), 10.

<sup>391</sup> William Elder, *Questions of the Day*, 224. Stephen Colwell similarly notes that “industry is the parent of commerce; the latter but distributes what the former produces... Industry is the principle; trade the incident.” [pseud. Jonathan B. Wise,] *The Relative Position in Our System of Industry of Foreign Commerce, Domestic Production, and Internal Trade*, (Philadelphia: Lindsey and Blakiston, 1850), iii. Similar arguments were also made with respect to the primacy of production over distribution. Erastus B. Bigelow explains, for instance, that “although production and distribution are reciprocally dependent, the former is of primary importance; for without it the latter could not take places.” *The Tariff Policy of England and the United States Contrasted*, (Boston: Little, Brown, and Company, 1877), 43. This position will be expanded upon in Chapter 10.

<sup>392</sup> There were, of course, other arguments presented to demonstrate how protection is consistent with natural law, such as the natural tendency to support one’s family with the nation being viewed as an extended family of sorts. As Roswell Horr, *Man and State*, 7, explains “the doctrine of protection has its origin in the rational instinct of the human mind. It is taught to children and practiced toward them by their parents. The man who will not protect his family isn’t fit to belong to any association.” Similar arguments are expressed in David H. Mason, “Protection’s Natural Law”, *The Protectionist*, 11, no. 123, (1899).

<sup>393</sup> Henry Carey Baird, *The Rights of American Producers*, 11.

<sup>394</sup> Roswell G. Horr “The Republican Party”, 471, states, for instance, that “I believe in the doctrine of protection as a matter of ethics.”

This view of production preceding exchange in the sequence of nature necessarily lends itself to the view that internal economic freedom, or what the American Protectionist called ‘industrial freedom’ is of a higher order than free trade. Since the ability to support external trade necessarily rests on the power of internal production and exchange, this means that the protection of internal industry is in full accordance with natural law. David H. Mason thus explains that:

*Freedom within, but restraint against what is without, is the universal rule and the natural law of protection... Here we are taught that the duty to selfhood precedes and outranks the duty to otherhood... In every man there must be a large development of internal power before there can be a large development of external power. No more than an individual can a nation exert great strength outwardly unless such strength exists inwardly... Assertion of selfhood is inseparable from human nature, and is as necessary to the nation as to the citizen. It is the gift of God, [and it] therefore must be beneficial in its exercise. Within the purview of the same doctrine, home industry outranks foreign industry.*<sup>395</sup>

Whilst not all American Protectionists would go so far as to characterize protectionism as a natural right, almost all conceived it as operating in harmony with natural law and thus a wise policy to pursue in any event. It was thus argued, in the words of Henry Carey Baird, that “the great cause of Protection can and should be placed upon the high moral ground of right and justice, and its advocates should then, wrest from their enemies the rights and liberties so long and so persistently withheld from them.”<sup>396</sup>

#### **6.4: The Inductive-Natural Law Method**

The charge has often been made by protectionists that the theory of free trade had its origin in unreal and imaginary conditions, while the doctrine of protection was drawn from the experience of nations and from the actual practice of man. Free trade has been conceded by eminent economists advocating its principles to be a theory based on assumptions.<sup>397</sup>

- George B. Curtiss

The American Protectionists did not only extend their criticisms to the Classical version of natural law, they were also critical of the method by which the Classics arrived at it. The Classical economists, particularly Ricardo, Malthus, and Mill, utilized an *a priori* deductive approach to arrive at natural laws. This approach commences by

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<sup>395</sup> David H. Mason, ‘Protection’s Natural Law’, 120-125, emphasis in original.

<sup>396</sup> Henry Carey Baird, *The Rights of American Producers*, 11.

<sup>397</sup> George B. Curtiss, *The Industrial Development of Nations*, Vol. 2, 451.



laying down a set of assumptions and then deducing a system of natural law from these assumptions. It is for this reason that the American Protectionists commonly criticized Classical economics as a “science based upon assumptions”, or what later economists termed as the ‘Ricardian Vice’.<sup>398</sup> The issue with this approach is that the underlying assumptions often prescribe the laws and principles eventually arrived at without reference to actual experience.<sup>399</sup> Indeed, this view is captured by Peshine Smith in a letter to Henry Carey, writing that “if social science could have been thought by a man with his eyes shut Ricardo would have done wonders.”<sup>400</sup>

The American Protectionist approach differed radically. Instead of imposing assumptions on economic phenomenon from the top down, the American Protectionists started by analyzing inductively a vast assortment of economic facts to determine the laws underlying human conduct. They could then proceed to construct a system of natural laws from the ground up. Robert Ellis Thompson provides perhaps the best rendering of the difference between the two approaches:

The English [Classical] school adopt the deductive method of the mathematical sciences, and reason down from assumed first principles to the specific facts. They claim that the necessary data for this are already at hand, in the known characteristics and tendencies of human nature, the avarice and the desire of progress, which control and direct the economic conduct of great masses of men. They leave all other elements out of account as inconstant, while they regard these as constant. Theirs is therefore “a science based upon assumptions”; it “necessarily reasons from assumptions, and not from facts.”

[The Protectionist] begin[s] with a wide study of the actual working of economical forces, and endeavor to reason upward from the mass of complicated facts to the general laws that underlie and govern all. They begin by recognizing the existence of an actual constitution and course of nature, instead of seeking to devise an artificial one on assumed principles.<sup>401</sup>

It was observed in the previous section that the American Protectionists essentially conceived natural law as an emergent property arising from the social system made up of complex and unique individuals. The purpose of induction, as

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<sup>398</sup> George B. Curtiss, *The Industrial Development of Nations*, Vol. 2, 451; William D. Kelley, “A Science Based on Assumptions,” *The International Review*, 12, (1882), 285; Robert Ellis Thompson, *Elements of Political Economy*, 31; Henry Charles Carey, *The Unity of Law*, 1. The term “Ricardian Vice” was coined by Joseph Schumpeter, *History of Economic Analysis*, 473.

<sup>399</sup> Peshine Smith notes, for instance, that “the difficulty of the Ricardo and Malthus School of economists is, that instead of observing the facts and endeavouring to deduce a theory from them, they have invented an hypothesis to which they are determined that facts shall be made to conform.” Peshine Smith, “Art. II - Protection vs. Free Trade,” *Hunt’s Merchant’s Magazine*, 26, no. 1 (1852), 38.

<sup>400</sup> E. Peshine Smith to Henry Carey, July 17, 1858, Box 18, Folder 2, HCCP, ECGC, HSP.

<sup>401</sup> Robert Ellis Thompson, *Elements of Political Economy*, 31; William D. Kelley also affirms Thompson’s view that “John Stuart Mill declared political economy to be a “science based upon assumptions.”... The protective system... rests on other foundations than assumptions. Its method, the inductive, requires the most careful study of statistics and the facts of history.” “A Science Based on Assumptions,” 285.

Thompson points out, is to distil these emergent laws from the complex array of facts and tendencies in human conduct. In light of this, the inductive approach of the Protectionists also differed radically from the induction of the German Historical School, Progressives, and Institutionalists. Whereas the American Protectionists used induction as a means of uncovering a system of natural laws, these other three German derived schools outright rejected the existence of natural law.<sup>402</sup> This German tradition instead assumes that economic phenomena is contingent on their particular social, institutional and historical context. Economic laws, according to them, were relative, and since laws are relative, so too are rights. There is thus nothing fundamental or natural about private property rights and the market system. They are merely institutions like any other and thus have no claim to pre-eminence. Rather, these Progressives tended to view themselves as scientific technocrats, who with the right tools and knowledge, obtained through the inductive method, could fine-tune and successfully engineer the economy.<sup>403</sup> This is also antithetical to the approach of the American Protectionists. The purpose of induction, for the Protectionists, was to discover natural laws so that the statesmen could craft policies in such a way that they are compatible and in harmony with human nature.

Since Progressives viewed all economic relations as contingent on institutional context, this also means that human nature itself is malleable. With human nature being a product of the institutional setting, it thus follows that through the right policies, the State can modify human conduct. Robert Ellis Thompson mockingly compared such attempts at social engineering to that of “the statesman [who] embodying the will of the nation could do anything he pleased [and] could make water run up hill if he were so disposed.”<sup>404</sup> The disdain for heavy handed governmental planning is further echoed by Ellis H. Roberts. “Do not exaggerate the interference of government”, explains Roberts, for “nature has its own law... regardless of human statutes.” And because of this nature in human conduct, “trade has its laws also, and the wise ruler will give them free scope. Prices are not made by statute, and markets pay little heed to law makers.”<sup>405</sup>

It is important, however, not to exaggerate the Protectionist’s rejection of institutionalism. The American Protectionists were at odds with the institutionalism

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<sup>402</sup> In describing the program of this German-Progressive-Institutionalist Tradition, the Progressive economist Edwin Seligman, declares that “it denies the existence of immutable natural laws in economics.” *Essays in Economics*, (New York: Macmillan, 1925), 15– 16; Richard T. Ely, who is representative of this tradition, similarly notes that “this particular line of thought... denied that economic science can discover laws which hold true for all times and places. They emphasized the importance of the inductive method, of minute investigations into facts... institutions, customs, and ethics in their relation to economic life... and entertained a strong sympathy for state policies of reform.” *Outline of Economics*, (New York: The Macmillan Company, 1914), 669-670.

<sup>403</sup> Marie-Laure Djelic, “Institutional Perspectives – Working Towards Coherence or Irreconcilable Diversity”, In *The Oxford Handbook of Comparative Institutional Analysis*, ed. Glenn Morgan et al, (Oxford University Press, 2010), 19-21.

<sup>404</sup> Robert Ellis Thompson, “Laveleye and the Kathedersocialism,” 383.

<sup>405</sup> Ellis H. Roberts, *The Revenue and American Labor: Necessity and Growth of Home Production*, (Washington: F. & J. Rives & Geo. A. Bailey, 1872), 4.

of the German Historical and Progressive Schools, with their latent socialist tendencies, and its extreme relativistic methodology, but the American protectionists did not deny the importance of institutions *per se*. The approach of the American Protectionists can be likened to that of ‘New Institutional Economics’, whereby society and the economy still fundamentally operate within a framework of general or natural economic laws, whilst also being shaped by institutional factors.<sup>406</sup> Denslow captures this New Institutional approach by declaring that “society is made up in part of principles of human nature which are lasting, and of manifestations, which change every hour. It combines much that is transitory with somewhat that is permanent.”<sup>407</sup> Similarly, William Elder notes how “natural laws are ever operative, but subject to modification, so far as... conventions can effectively work under them.”<sup>408</sup> These conventions or institutions, to borrow a phrase from Thompson, take on a ‘gubernator or steersmen’ like function. Indeed, although often depicted as an old-style Institutional, Friedrich List’s position was also more nuanced with his approach also resembling that of New Institutionalism, as illustrated in the following passage from List:

[Without nations] 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... I am yet by no means of [the] opinion... 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... To complete the science, we must add the principles of national economy.<sup>409</sup>

In spite of its name, this New Institutional approach of the American Protectionists differs substantially to that of the German derived Institutionalism. Since the American Protectionists adhered to a general system of principles, their

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<sup>406</sup> In terms of the distinction between ‘Old’ and ‘New’ Institutionalism, it generally understood that Old Institutionalism, that practiced by the German-Progressive-Institutional Tradition, views individuals as “socially and institutionally constituted,” whereas New Institutionalism views “the individual as given” and “immanently conceived.” Geoffrey M. Hodgson, “What is the Essence of Institutional Economics?,” *Journal of Economic Issues*, 34, no. 2 (2000), 327-328. In other words, New Institutionalism accepts natural and fixed tendencies in human behavior, whereas Old Institutionalism sees human behavior as purely the product of the social and institutional context. The methodology of the American Protectionists is thus consistent with New Institutionalism. Note that Rowena Olegario also credits Henry Carey with anticipating “the new institutional economics by a century and a half.” *The Engine of Enterprise: Credit in America* (Boston: Harvard University Press, 2016,) 7.

<sup>407</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 5.

<sup>408</sup> William Elder, *Conversations on the Principal Subject of Political Economy*, (Philadelphia: Henry Carey Baird, 1882), 35.

<sup>409</sup> Friedrich List, *Outlines of American Political Economy*, 7-9; Robert Ellis Thompson, “Laveye and the Kathedersocialism,” 394, also implies that the approach of List is consistent with natural law. The only apparent exception in List’s work is that he thinks tropical nations should specialize in agricultural production, which seems to imply that his principles as not universal, see Friedrich List, *National System of Political Economy*, 75-77, 278-279.

social philosophy was far closer to that of the English Classical School. It is quite revealing, in fact, that by the end of the 19<sup>th</sup> century, the American Protectionists were defending their former archrivals, the English Classics, from the Germans. Writing with respect to the German “criticisms [of] the English school”, Thompson declares that “we are thoroughly at war with [them], and we are astonished at being obliged to say so much in...defence” of the English. “But we do maintain with [the English], in opposition to their continental critics, that there is a science of economy, that it is a science whose function is to master laws common to both nature and human nature, and that all true economic progress, like all true political progress, is toward freedom.”<sup>410</sup> Of course, by freedom, the American Protectionists meant industrial freedom, as opposed to the free trade of the English Classics.<sup>411</sup>

### 6.5: Critique of Economic Man

The man of the economists, obviously enough, is not the man of nature and society.<sup>412</sup>

- William Elder

Of all the aspects of economic thought where the American Protectionists diverged from the Classical School, none was greater than their conception of Man.<sup>413</sup> The American Protectionists detested what has come to be known as ‘economic man’, or *homo economicus*. Although economic man is commonly ascribed to the writings of John Stuart Mill, the American Protectionists traced its origins to the writings of Malthus and Ricardo (and in some cases Adam Smith).<sup>414</sup> The economic man concept was an anathema to the American Protectionists because it deprived ‘Man’ of his humanity. In the case of Mill, Man is depicted as a narrowly self-interested and rational agent only concerned with maximizing utility and minimizing disutility, whereas the economic man of Ricardo and Malthus was marked by Man’s brutish and impulsive lower order qualities which destined him for a life of depravity through iron laws of subsistence. In either case, Man was viewed solely as an economic being bereft of his distinct human qualities. The American Protectionist critique of economic man, however, was not only polemic, but also constructive.

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<sup>410</sup> Robert Ellis Thompson, “Laveleye and the Kathedersocialism,” 392.

<sup>411</sup> See Section 5.4 for a discussion of the difference between these two conceptions of economic freedom.

<sup>412</sup> William Elder, *The Doctrine and Policy of Protection*, (Philadelphia: Ringwalt & Brown, 1860), 4.

<sup>413</sup> With respect to Henry Carey, A. D. H. Kaplan similarly notes that “one aspect of the teachings of the classical school which to Carey was most repugnant... was its construct of that mythical automaton, the ‘economic man’.” “Henry Charles Carey: A Study of American Economic Thought”, PhD. Dissertation, John Hopkins University, 1930. Kaplan does not elaborate, however, upon Carey’s criticism, nor does he elucidate his alternative conception of Man.

<sup>414</sup> John Rae (in *Statement of Some New Principles on the Subject of Political Economy*) directed his critique towards Smith. This is also implicit in the writings of Alexander Hamilton and Henry Carey who rejected the Smithian view that the division of labor is a product of Man’s propensity to truck and barter, which is less humanistic than the individuality explanation for the division of labor, see Chapter 7. More generally, however, most protectionists considered the economic man of Ricardo and Malthus as a perversion of the Smith’s more humanistic depiction of man.

The American Protectionists considered Man as an inherently flawed creature, but, at the same time, they were incredibly optimistic about his capacity for improvement.<sup>415</sup> This is grounded in their Christian worldview, whereby Man is a fallen creature for disobeying God, but by eating the forbidden fruit from the tree of knowledge, Man also became endowed with knowledge and discernment which gives him capacity for progress.<sup>416</sup> Whilst some may dismiss appeals to religion as theoretically shallow, the American Protectionists did not form this view with sole reference to the Bible, but also through observation of human conduct (as explained in the previous section). In any event, the result is a far more realistic depiction of Man than the economic man of the English Classical School. In short, the Protectionist conception of Man considered the full spectrum of Man's benevolent and wicked qualities. Alexander Hamilton, as noted earlier, saw human nature as "a compound of good and ill qualities," and Henry Clay was also acutely aware of "all the violent prejudices, embittered passions, and implacable animosities which ever degraded or deformed human nature."<sup>417</sup>

In spite of these flaws, however, the American Protectionists saw that Man was also endowed with reason, moral duty, and intellect. It was these higher order qualities which differentiated him from the rest of the animal kingdom and gives him the capacity for betterment.<sup>418</sup> This point is well observed by John Rae:

The Chief distinction between man and the inferior animals consists in this. They [animals] are moved only by the immediate impressions of sense, and, as its impulses prompt, seek to gratify them from the objects before them, scarce regarding the future or endeavoring from the experience of the past to provide against what is to become. Man again, as he is endowed with reason, by which he is able to connect effects with their causes... The same intellectual powers also, which nature has bestowed on him, give scope to his affections, and join him to his fellows by the ties that spring from language and the connexions of social life. It is from this source that we must trace his peculiar

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<sup>415</sup> "John L. Hayes explains, for instance, that "Man is distinguished from other animals by his capacity for progress." John L. Hayes, "Carey's Unity of Law," *Bulletin of the National Association of Wool Manufacturers*. 4, no. 3 (1873), 307.

<sup>416</sup> Given Malthus was a Reverend, Malthusian economics is also rooted in a Christian worldview despite his conclusion diverging radically from the American Protectionists. Whereas the American Protectionists placed more emphasis Man's redeeming qualities, that he was created in God's image, Malthus emphasized Man's fallen and sinful nature. He also took literally the Alma 37:31 "Cursed shall be the land", whereas American Protectionists were more along the lines of Psalms 104:24, "O Lord, how manifold are thy works! In wisdom hast thou made them all: the earth is full of thy riches." This perhaps explains why the American Protectionists emphasized on Man's growing opulence through the mastery of nature, whereas Malthus saw Man's destiny as one of misery and subsistence. For a discussion of the influence of religion on Malthus' worldview, see John M. Pullen, "Malthus' Theological Ideas and Their Influence on His Principle of Population", *History of Political Economy*, 13, no. 1 (1981), 39-54.

<sup>417</sup> Alexander Hamilton, "The Defence No. 1", 393; Henry Clay, "On Abolition," [February 7, 1839] In *The Works of Henry Clay*, Vol. 6, ed. Calvin Colton (New York: Henry Clay Publishing Company, 1896), 157.

<sup>418</sup> William Elder also notes how through lower-order qualities such "his ignorance and nakedness he is the slave of nature; but as he acquires knowledge, he gains its power and grows into the mastery of his proper dominion" of nature. *Conversations on Principal Subjects of Political Economy*, 18-19.

provident love for his offspring, his concern for the interests of society, and his desire to mingle in its business and pleasures.<sup>419</sup>

Man's nature is complex, consisting of both lower and higher order qualities. It is for such reasons that the American Protectionists rejected the mechanistic 'iron-law' approach of the English Classics, with William D. Kelley noting how the American Protectionists "have recognized the fact that national and individual life are not governed by a system of equations, but influenced by cupidity, ambition and all human emotions and passions."<sup>420</sup>

Most American Protectionists recognized that economic man originated in the writings of Malthus and Ricardo, typified through their theories of population and distribution, albeit through somewhat different mechanisms. Paradoxically, in each case, the American Protectionists saw the economic man of Ricardo and Malthus as behaving in an animalistic, but also in a mechanistic, manner. According to Malthus's iron law of population, Man would be unable to control his sexual urges and would reproduce in a geometric manner (e.g., 1, 2, 4, 8, etc.) which would outpace the growth in the means of subsistence, which only grows arithmetically (e.g., 1, 2, 3, 4). This destined Man to a future of economic depravity. Ricardo likewise borrowed from Malthus the assumption that wages must always and everywhere press on the food supply or level of subsistence. In the long run, however, Ricardo considered that through diminishing returns on agricultural land, the price of food would continue to increase overtime, but since real wages were fixed by subsistence, this meant that laborers would continually demand higher money wages due to rising food prices. By demanding higher wages, this would increasingly deplete the capitalists' profits, causing investment to grind to a halt, and would similarly result in economic subsistence and stagnation.

However flawed, Man was not viewed by the American Protectionists as a mere brute animal or automaton directed thoughtlessly by iron laws of subsistence. Indeed, "it is no matter of surprise", remarked Carey, "that modern English political economy sees in man only an animal that will procreate, that must be fed, and that can be made to work... It repudiates all the distinctive qualities of man and limits itself to the consideration of those he holds in common with the beast of burden or of prey."<sup>421</sup> Malthus and Ricardo, according to Carey, thus "excludes from consideration [Man's]

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<sup>419</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 80-81; A similar view was expressed earlier by William Charles Jarvis, who explains that "Man is remarkably distinguished from all other animals, by... the superiority of his mental faculties... [and] his ability of improving himself by the [his] wisdom" *The Republican*, 15-17.

<sup>420</sup> William D. Kelley, "A Science Based Upon Assumptions," 287; So also, George Gunton: "human desire and human will, neither of which admits of exact quantitative statement. Although economic phenomena are not susceptible of being reduced to exact mathematical statement, they are susceptible of positive explanation." *Principle of Social Economics*, 117.

<sup>421</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 470; For similar arguments, see John W. Hinton, "The Humanity of the American Protective Tariff", *Bulletin of the National Association of Wool Manufactures*, 17, no. 1 (1887), 40.

feelings and affections, and the intellect which he has been endowed... Such is the error of modern political economy... seen in the fact that it presents for our consideration a mere brute animal... which desecrates the word man.”<sup>422</sup> A similar assessment of Classical economics is also made by John Rae, who explains that “Malthus... assimilates Man to the lower animals which is not correct... [there is] a radical difference in that the one [the animal] is guided by mere instinct, the other [Man] by reason, fancy, [and] that cheerful thing we call moral feeling.”<sup>423</sup>

It was inconceivable to the American Protectionists that such an all-wise and benevolent God, having created Man in his image, could create such a wretched destiny for mankind. According to Henry Carey, the economic man of Malthus and Ricardo is “retrograde throughout,” because “it requires that we should at once, and forever, ignore the existence of an all-wise and all benevolent Deity, and put our trust in a Being by whom had been instituted great natural laws in virtue of which men should necessarily, and regularly, die of want.”<sup>424</sup> Along similar lines to Carey, Calvin Colton also castigates the English economists, explaining that “it is shocking to ascribe such a want of wisdom and goodness to the Creator!... the European economists of the Free-Trade school” assumes this “as a postulate, putting it in the place of one of the foundation-stones of their edifice!” This is the economic man “resulting from Malthus's theory, which dooms the masses to work for bare subsistence.”<sup>425</sup> Since Man is in the image and likeness of God, Man, in God’s likeness, possesses the power and the unique ability to harness and direct the forces of nature.<sup>426</sup> Henry Carey thus explains how the “all-wise, all powerful, and all benevolent Creator” created “the being [Man]... in his own likeness and gifted [him] with power to control and direct all the forces of nature to his use.”<sup>427</sup> Man does this through his higher order faculties, such as intellect, moral restraint, and thrift, which allows him to construct various tools and inventions.

Man is thus uniquely considered, by the American Protectionists, to be a tool maker of sorts. Indeed, “Man has been defined a tool-making animal”, explains Peshine Smith, “we nowhere see him working without artificial aid.” Hence, “even the rudest savages possess some simple implements, which they employ in fishing and hunting, in fabricating their raiment and building their huts. It is difficult, indeed, to

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<sup>422</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 30-31. Carey also saw that the theories of the Malthus and Ricardo “account for famines, pestilences, and slavery, that were but the necessary result of the misconduct of man” and that his represents “the origin of modern political economy” (p. 468).

<sup>423</sup> “John Rae to John Stuart Mill” [c. 1854], reproduced in R. Warren James, *John Rae: Political Economist*, (Toronto: University of Toronto Press, 1965), 430. Note that James (p. 430f) explains that there is no evidence to suggest that Rae ever sent the letter to Mill.

<sup>424</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 468.

<sup>425</sup> Calvin Colton, *Public Economy for the United States*, 159.

<sup>426</sup> William Elder notes how “man’s attained dominion over terrestrial substances through the agency of natural forces” and that this comes through “wisdom under the agency of the creature made in the image of his Creator.” *Conversations on Principal Subjects of Political Economy*, 18-19.

<sup>427</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 93.

conceive man as destitute of every kind of implements.”<sup>428</sup> Abraham Lincoln, who was an adherent of American Protectionist thought, illustrates this unique tendency of Man by way of comparison to the animal kingdom. In the words of Lincoln:

Beavers build houses; but they build them in nowise differently, or better now, than they did, five thousand years ago... Man is not the only animal who labours; but he is the only one who improves his workmanship. This improvement, he effects by *Discoveries*, and *Inventions*.<sup>429</sup>

Although optimistic about Man’s ability to better himself by securing the bounties of nature by artificial aid, the American Protectionists were under no illusion that great misery persists in the world. Indeed, such “vice and misery are”, explains Carey, “consequences of human error.”<sup>430</sup> Man was therefore considered in his totality, encompassing both the benevolent and flawed aspects of his nature and being.

In positing their view of mankind, the American Protectionists also stressed how Man exists as a social creature. Indeed, although there is a clear individualism within American Protectionist thought (see Section 7.3), they avoided the practice of treating Man in an isolated or atomistic manner. “Man”, according to Rae, “hardly exists but in the social state,” and David H. Mason likewise explains that “God has constituted man a social being.”<sup>431</sup> This rejection of the atomistic view of Man, a view that pervades mainstream economic thinking, is best summarized by Thomas Brackett Reed, who explains that “whoever considers the human being as a creature alone, by himself, isolated and separated, and tries to comprehend mankind by mathematically adding these atoms together, has utterly failed to comprehend the human race and its tremendous mission.”<sup>432</sup> Indeed, the American Protectionists understood that even though Man possesses certain natural tendencies, they were also clearly aware that

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<sup>428</sup> E. Peshine Smith, *A Manual of Political Economy*, (New York: George P. Putnam & Co., 1853), 63; This is also expressed by John Rae, explaining “that which distinguishes him [man] from other animals, the reasoning faculty, which so directed we term art and without the aid of which so directed, we scarce attain any object.” *Statement of Some New Principles on the Subject of Political Economy*, 361; and William Dexter Wilson “Man as a laborer can do but little without the aid of strength other than his own. Hence, we find him, even in the rudest and lowest state, making and using ‘tools.’” *First Principles of Political Economy*, (Ithaca: Finch & Apgar, 1875), 78; among others.

<sup>429</sup> Abraham Lincoln, “First Lecture on Discoveries and Inventions.” [April 6, 1858] In *Collected Works of Abraham Lincoln*. Vol. 2. (Ann Arbor: University of Michigan, 2001), 438, emphasis in original. William Elder similarly notes how Man’s “achievements follow in the wake of his discoveries.” *Conversations on the Principal Subjects of Political Economy*, 19.

<sup>430</sup> Henry Carey, *Social Science*, Vol. 3, 486.

<sup>431</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 95; David H. Mason, *The Impending Crisis: Protection Must Be Maintained, or Past Better Experiences of Depression Will be Repeated*, (Philadelphia: Henry Carey Baird & Co. 1887); see also Robert Ellis Thompson who explains that “our science considers man as existing in society; we find him, indeed, nowhere else.” *Elements of Political Economy*, 13, quote has been decapitalized; Henry Carey explains that “man, the molecule of society, is the subject of social science”; George M. Steele explains that “Political economy, as the name implies, has reference to man in society, and not as an individual.” *Outline Study of Political Economy*, (New York: Chautauqua Press, 1886), 6; And Van Buren Denslow explains that “political economy regards a man as a member of the social and industrial mass called society; his individual welfare cannot be brought about except as the whole industrial body prospers.” *The Logic of Protection*, 1.

<sup>432</sup> Thomas Brackett Reed, *The Tariff*, (Washington: Gray & Clarkson, 1888), 7.



such tendencies are shaped by the community and societal institutions. In the words of John Rae:

His mental and bodily capacities and energies seem, also, to be moulded by the condition of the society of which he is a member... Whether these characteristics of different races, tribes, and peoples, proceed altogether from some peculiar hereditary conformation of the bodily organs, or from the effects of education, example, and habit, or from the combination of these, or from other causes, it is very certain that they exist, and that the moral and intellectual condition, as well as the bodily organization of men, vary, as they belong to this, or that society. Besides this, institutions, forms of government, and laws, influence somewhat the genius, and considerably affect the conduct, of every people, and these also are very various.<sup>433</sup>

Thus, if society's institutions are organized in such a way as to encourage private enterprise and personal industry, whether this is something as simple as moral worth being placed upon education, industry and enterprise, or formal legal institutions which protect property rights, enforce contracts, and aid in the protection of industry, this would appeal to the better angels of human nature and channel human conduct away from Man's lower order instincts.<sup>434</sup> Indeed, "industry", as Ezra Seaman explains, "supplies man's wants and removes him from many temptations and hence it is the parent of many virtues; on the contrary, idleness leads to poverty, suffering, temptation, vice and crime."<sup>435</sup> Or, as the Home Market Club puts it, "through industrial activity chiefly, harmonies pervade society, men increasingly serve each other, and the depravities and discords, calamities and misfortunes, crimes and cruelties of society" dissipate.<sup>436</sup>

By the 1870s, the American Protectionists shifted their attention to the writings of John Stuart Mill, where economic man reached its zenith. The destiny of Mill's economic man was far less pessimistic than that depicted by Ricardo and Malthus, but it was no less problematic. Mill asserted that economics ought to "not treat the whole of man's nature as modified by the social state, nor of the whole conduct of man in society. It is concerned with him solely as a being who desires to possess wealth, and

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<sup>433</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 95; In the following page, Rae (p. 96) mentions that "Man, as an organic being, is [also] governed by laws similar to those which other organic beings obey" which is consistent with the New Institutional approach posited earlier.

<sup>434</sup> Outside of strictly economic questions, Christian virtue also seen as an important restraint on the malevolent side of human nature. Ezra Seaman explains how "the preaching of the gospel... have had an effect to soften and moderate the passions of man." 'Human Progress: its Elements, Impediments, and Limits.' *Hunt's Merchants' Magazine*. 28 no. 4 (April 1858): 411. Stephen Colwell also explains that "men are provided for in the Christian system by the duties of charity, mercy, protection, advice, and brotherly kindness." *The Claims of Labor and Their Precedence to the Claims of Free Trade*, (Philadelphia: C. Sherman & Son, 1861), 18. This can also be seen as a restriction of the market, discussed in Chapter 5.

<sup>435</sup> Ezra Seaman, 'Human Progress: its Elements, Impediments, and Limits.' 412.

<sup>436</sup> The Home Market Club, 'Champions of Protection: Van Buren Denslow,' *The Protectionist*. 11, no. 128 (1899), 464. This passage is summarizing an argument extolled earlier by Van Buren Denslow.

who is capable of judging the comparative efficacy of means for obtaining that end.”<sup>437</sup> This rational and narrowly self-interested economic Man conducts his economic affairs through the calculus of pleasure and pain in order to maximize his own personal utility. Indeed, with the Millian takeover of the economics discipline, and in contrast with the American Protectionists, the British Classical School was quickly dispensing with their natural law approach and now predicating their ideas on utilitarian grounds.

The American Protectionists took issue with the narrow depiction of Man for many of the same reasons which they had with Ricardo and Malthus, but also for very different reasons as well. Prime among these was Mill’s utilitarian calculus which considered Man only in relation to the exchange of material goods, and nothing else. In his sweeping critique, George B. Curtiss asserts that:

Economic man [is] an imaginary being... The protectionists dealt with man as they found him in society and business, considering all of his hopes, aspirations, and all of the elements which necessarily contribute to his elevation and improvement. Instead of a science in which commodities and money transactions were alone to be dealt with, the protectionist school held to that time-honored policy which made man the chief factor, and the best means of improving and advancing his social, intellectual and material welfare the prime object... [The] visionary theorists [of the Classical School]... [have] formulated an economic policy for an imaginary man in an unreal world.<sup>438</sup>

For one thing, in Mill’s utilitarian calculus of pleasure and pain, industry and employment were simply viewed as a necessary pain to be endured in order to finance future consumption or pleasure. To this, Cyrus Elder replied that “the proposition that Man has a natural aversion to labor, and, therefore, gives the least possible services for the largest possible reward” represents one of “the principles of human nature” set forth by the English Classical School. This principle is, however, often inconsistent with reality. “Man” explains Elder, “has not a natural aversion to labor” especially if “his activities are instinctive and naturally pleasurable. If ‘toil is irksome’, idleness is much more irksome.” For the American Protectionists, enterprise and industry was not simply a means of financing future consumption, but was often a worthy and pleasurable activity itself. Moreover, Elder also explains that “pleasure in serving others is a motive in the worker often as powerful as the desire to better his

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<sup>437</sup> John Stuart Mill, *Essays on Some Unsettled Questions of Political Economy*, (London: John W. Parker, 1844), 137. Similar renderings were also presented by the Manchester and French Liberal School. According to the French Liberal, Frederic Bastiat, “the subject of political economy is man. But it does not embrace the whole range of human affairs.... To political economy is left only the cold domain of personal interest” with “utility... [being] the perpetual object of his search.” *Harmonies of Political Economy*, (London: John Murray, 1860), 38-40.

<sup>438</sup> George B. Curtiss, *The Industrial Development of Nations*, Vol. 2, 452.

own condition.”<sup>439</sup> Enlightened individuals would frequently put the needs of their family and community above that of their own.

Enlightened self-interest was viewed by the American Protectionists as quite different to selfishness. Robert Ellis Thompson explains, for instance, that “individual selfishness is always shortsighted.”<sup>440</sup> Similar to Smith’s invisible hand, the American Protectionists considered the pursuit of self-interest as a benefit to society when properly tempered and channeled through the right pursuits. Indeed, Ezra Seaman explains that:

Even avarice, when it exists in a moderate degree, is consistent with the nature and end of man, and becomes a vice, only when it is in excess, and leads to covetousness and oppression. The same may be said of ambition; it is laudable as long as its ends and objects are good; and vicious when its ends and objects are evil.<sup>441</sup>

The American Protectionists thus saw that “among the distinguishing qualities of man is *responsibility* for his actions”, and it was this which differentiated civilization from barbarism.<sup>442</sup> When applied to the matter of self-interest, the creation of wealth through personal initiative and private enterprise was seen as a virtuous act, but acquiring wealth through theft or business malpractice was a vice to society. This view is well expressed by Horace Greeley, who penned “let no man... think to relieve himself from the common troubles by means detrimental to the welfare of his neighbors –by encrusting himself in the armor of narrow selfishness... Let him rather prosper by feeding than starving his neighbors.”<sup>443</sup> Although Denslow explains that such “questions of what we ought to do belong to ethics”, as opposed to economics, this was not completely outside the purview of the American Protectionists.<sup>444</sup> In a not so subtle critique of economic man, Carey explains how “the real MAN capable of self-direction, and responsible for his actions holds his existence in virtue of laws of universal force and effect, and that the teacher who fails to familiarize himself with them, and with their bearing on societary and Christian life, fails in the performance of his duty to his Creator and to his fellow-men.”<sup>445</sup> The existence of such virtues was often seen as an important restraint tempering conduct in the marketplace (as alluded to in Chapter 5). Whilst the notion of directly legislating morality was never entertained by the American Protectionists, they did see that virtues could be encouraged indirectly, to some degree, through proper institutions and conformity to

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<sup>439</sup> Cyrus Elder, *Man and Labor: A Series of Short and Simple Studies*, (Chicago and New York: Belford Clarke, 1886), 8-12.

<sup>440</sup> Robert Ellis Thompson, *Elements of Political Economy*, 48; Van Buren Denslow likewise declares that “the sure mode of increasing the totality of happiness is to follow our convictions of [what is right] right as being a clearer as well as less selfish guide than our sense of present... interest.” *Principles of Economic Philosophy*, 23.

<sup>441</sup> Ezra Seaman, *Essays on the Progress of Nations*, 43.

<sup>442</sup> John L. Hayes, “Carey’s Unity of Law,” 307.

<sup>443</sup> Horace Greeley, “The Return of Prosperity,” *The Nashville Union*, April 28, 1838, 3.

<sup>444</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 22

<sup>445</sup> Henry Carey, *Unity of Law*, 127.

natural law. Property rights and protectionist policies would, for example, encourage the creation of wealth through industry, whereas a court system and police force would discourage the acquisition of wealth through theft and malpractice. It was also thought that the development of industry would help foster community spirit with its members coming together in what Henry Carey termed “association”, which is the subject of Section 11.3.

The American Protectionists thus conceived human nature in a broader manner than his connection to material processes, as in the Ricardian and Malthusian (and even Marxist) thought, or his connection to pleasure and pain as with Mill (and continuing through Neoclassical economics). These insights into human nature will be expanded upon throughout the course of this work, but it is worth reiterating the key characteristics, or higher-order qualities, which differentiates Man from the animal kingdom. These are summarized as the following: (1) the need for association, since Man operates within a society or community, (2) Man’s individuality, (3) Man’s ability for self-direction and his capacity to take moral responsibility for his actions, that is, free will and the ability to distinguish between right and wrong (4) and Man’s capacity for progress, which captures Man’s intellectual abilities and his ability to harness and direct the forces of nature.<sup>446</sup> These intellectual qualities naturally produce a reasonably rational agent, but since Man is ultimately a flawed creature, there are clear limits to his abilities.

## 6.6: Individual versus National Wealth

Political economy is not a theory of market values, but it is, or ought to be, a system or theory of the productive power of a people. <sup>447</sup>

- William Elder

The subject of individual versus national wealth represents a common thread running through the writings of the American Protectionists.<sup>448</sup> The wealth of the nation, according to the American Protectionists, cannot simply be viewed as commensurate with the wealth of the individuals that compose it.<sup>449</sup> In particular, they recognized the

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<sup>446</sup> The concept of individuality will be the focus of Section 7.3, and the principle of association will be the focus of Section 11.3

<sup>447</sup> William Elder, *A Memoir of Henry C. Carey*, (Philadelphia: The American Iron and Steel Association, 1880), 10.

<sup>448</sup> This analysis builds upon ideas from my thesis, Mathew A. Frith, ‘The Economics of Henry Charles Carey’, 36-38; A similar distinction between individual and national wealth has also been recognized by Kenneth V. Lundberg, ‘Daniel Raymond: Early American Economist’, Unpublished PhD. Dissertation, University of Wisconsin, 1953, 64-65; and Michael Hudson, ‘E. Peshine Smith: A Study in Protectionist Growth Theory and American Sectionalism’, Unpublished PhD Dissertation, New York University, 1968, 64-67.

<sup>449</sup> The following is fairly representative of this view: “social interests are known to differ immensely from private interests” Friedrich List, *National System of Political Economy*, 261; “individual and national interests are not identical” John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 10-11; “the gain of individuals is not always the gain of the community” Colton, *Public Economy for the United States*, 260; “the identity of individual and national interests has been abundantly disproved” George B. Dixwell, ‘Review of Perry’, *Bulletin of the National Association of Wool Manufacturers*, 12, no. 1 (1882), 35; “I... recollect that John Rae showed the respects in which an individual and a nation became opulent by means of entirely different orders of procedure”, Henry M. Hoyt, *Protection versus Free Trade*, 168.

limitations of using exchange value as a measure of wealth. For the most part, the American Protectionists accepted the use of exchange value when calculating individual wealth, but they had serious doubts over whether national wealth could be determined by aggregating the accumulative exchange values which made up individual wealth.<sup>450</sup> This equating of individual with national wealth is captured in the writings of the Southern free trader Thomas Cooper, who explains that “the aggregate [exchange value] of individual wealth is national wealth. In fact, I wish it to be well understood and therefore I repeat it, that there is no such thing as a nation distinct from the individuals who compose it.”<sup>451</sup>

The American Protectionists maintained that while it is sometimes true that individual wealth can be expressed in terms of exchange value, this represents a poor measure of the wealth of nations.<sup>452</sup> John Rae, for instance, saw that “as individuals seem generally to grow rich by grasping a larger and larger portion of the wealth already in existence, nations do so by the production of wealth that did not previously exist. The two processes differ in this, that the one is an acquisition, the other a creation.”<sup>453</sup> Rather than viewing national wealth in terms of aggregated exchange values, or aggregated individual wealth, the American Protectionists stressed the importance of use value.

This conception of use value differed in many respects, however, from that of the Classical economists. Whereas use value for the Classics typically referred to the utility or pleasure gained through the use of a commodity, the American Protectionists conceived use value more in terms of productivity, or value in augmenting the nation’s capacity and capability to produce.<sup>454</sup> This led earlier protectionists, such as Daniel Raymond to declare that “the true definition of national wealth is the *capacity* for acquiring the necessaries and comforts of life.” With an emphasis on capacity, Raymond observed that “more than anything else, this capacity depends on the industrious habits of the people.”<sup>455</sup> This is what Friedrich List would term “productive powers.”<sup>456</sup>

Critics of the American Protectionists naturally held this definition of national wealth in low regard because it lacked a quantitative measure, especially since the American Protectionists emphasized qualitative changes in the nation’s productive

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<sup>450</sup> It should be noted that this difference between use value and exchange value was recognized by Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 1, (London: W. Strahan and T. Cadell, 1776) 33-35, but Smith did not build this into an analysis of individual versus national wealth.

<sup>451</sup> Thomas Cooper, *Lectures on the Elements of Political Economy*, (Columbia: Doyle E. Sweeny, 1826), 77; see also p. 21 for Cooper’s definition of wealth.

<sup>452</sup> Daniel Raymond, *Thoughts on Political Economy*, 28-29

<sup>453</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 12.

<sup>454</sup> While it is true that the likes of Mathew Carey considered political economy to be the “science of promoting national prosperity and human happiness,” he was quick to qualify this view by stressing that the “only genuine source” is “fostering industry.” Mathew Carey, *Cursory Views of the Liberal and Restrictive System of Political Economy*, (Philadelphia: J. R. A. Skerrett, 1826), 3.

<sup>455</sup> Daniel Raymond, *Thoughts on Political Economy*, 112.

<sup>456</sup> Friedrich List, *National System of Political Economy*, 222.

powers.<sup>457</sup> Yet, the idea that economic phenomenon must be quantifiable to be meaningful was viewed as a complete fallacy by the American Protectionists. “Indeed”, William Elder writes that “estimates and computation fail to grasp the effective value of the adjuvants that human ingenuity employs to enhance its mastery of matter. And as a source of wealth to the civilized world.”<sup>458</sup> Hence, in spite of its inability to be easily quantified, the American Protectionists maintain that the development of productive powers represents a superior determinant of national prosperity than the level of aggregated exchange value. Thus, “the prosperity of a nation”, explains Friedrich List “does not depend, as [Jean-Baptiste] Say thinks, on the quantity of riches and of exchangeable values it possesses, but upon the degree in which the productive power is developed.”<sup>459</sup> Indeed, Daniel Raymond illustrates this point by alluding to the fact that “there are a great many things indispensable to [a nation’s] existence which are nevertheless said to have no value... and the reason is, because they cannot be exchanged.”<sup>460</sup> Along such lines, Andrew Stewart, using the example of public roads, notes how immense benefits can be bestowed upon the nation from things which lack exchangeability. In the words of Stewart:

As to the [exchange] value of public works... What would the Cumberland Road bring? Nothing! Yet, does it follow that they are worth nothing to the nation? The value of public works is not estimated in dollars and cents, but by the benefits and blessings they confer to the country.<sup>461</sup>

In a similar vein to the above, the distinction between use and exchange value was also extended to the American Protectionist’s analysis of profit or income generation. As a general rule, the American Protectionists viewed private profitability as operating in harmony with the national interest, but like all general principles, there exists exceptions. There are cases where private profitability is sometimes at odds with national productivity and the expansion of productive powers. Peshine Smith, for example, explains that whilst “the capital of a society is the same as that of all the individuals who compose it” you cannot simply “jump to the conclusion that progress of a community is measured by the prevailing rate of profit.”<sup>462</sup> The profit motive of merchants was sometimes cited as an example, since an increase in imports may indeed be profitable to individual merchants, but it may also come at the expense of the nation’s agricultural and industrial sectors.<sup>463</sup> This could, in turn, suppress the

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<sup>457</sup> See, for instance, John McVickar, *Outlines of Political Economy*, (New York: Wilder & Campbell, 1825), 8-9; Cooper, *Lectures on the Elements of Political Economy*, 62; Thomas R. Dew, *Lectures on the Restrictive System*. (Richmond: Samuel Shepherd & Co., 1829), 9.

<sup>458</sup> William Elder, *Questions of the Day*, 55-56

<sup>459</sup> Friedrich List, *National System of Political Economy*, 222

<sup>460</sup> Daniel Raymond, *Thoughts on Political Economy*, 47

<sup>461</sup> Andrew Stewart, *The American System: Speeches on the Tariff Question and on Internal Improvements*, (Philadelphia: Henry Carey Baird, 1828), 336.

<sup>462</sup> Peshine Smith, *Manual of Political Economy*, 140.

<sup>463</sup> William C. Jarvis explains, for instance, that “whenever commerce is profitable to the merchants, say some, it

general prosperity of the economy and reduce national wealth if it diminishes the nation's productive power. Willard Phillips, however, perhaps best illustrates how national prosperity may be at odds with individual profitability:

This distinction [between individual and national wealth] may be illustrated more clearly, perhaps, by the instances of a canal and navigable river, for if navigation can be done on a river, without tolls, as cheap as it could be done on a canal of the same length paying tolls, the river gives all the facility and advantage to industry, that could be derived from the canal; yet the canal is of great value to the proprietors as a navigable channel, and the river of no value at all [because it is unprofitable].<sup>464</sup>

That said, private profitability was more generally seen as at variance with national prosperity, not because private enterprise has a tendency to exploit the community for its own gain, but because the benefits which are accrued to the community are often over and above that received by the entrepreneur who sacrificed his own time, effort, and resources in the process of invention.<sup>465</sup> That is to say, that private enterprise is often a greater benefit to the nation itself than it is to the individual undertaking it.

At first glance, it may appear that the American Protectionists from Henry Carey's generation onwards broke with the earlier Protectionists and dismissed the debate around individual versus national wealth, even rejecting the Raymond-List-Rae conception of national wealth as consisting of productive power. In some ways, they did, but for quite the opposite reasons to what one might expect. The American Protectionists of the Carey era, rather than viewing individual wealth in terms of exchange value, tended to treat individual wealth, albeit for the most part implicitly, in terms of productive power. Productive power came to represent both individual and national wealth. Indeed, "the wealth of a man, or of a nation" declares William Elder, "consists of, and is measured by, their power to command the services of nature for their uses; their productive power."<sup>466</sup> Exchange value or price was seen as important for economic coordination, but it was rarely spoken of as wealth.<sup>467</sup> From the writings of Henry Carey, wealth was considered as the power to command the always gratuitous

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must be necessarily profitable to the nation to which the merchants belong... But this mode of reasoning is far from being conclusive... it may happen, that the individual success of the merchants, is not the sure and invariable sign of national prosperity." *The Republican*, 209-211; Mathew Carey also implies this, explaining that "the system of 'buying goods where they are to be had cheapest' [is] to the neglect and destruction of... domestic industry", and that "among the opponents of the manufacturing system, were formerly great numbers of those citizens, engaged in commerce." Carey does, however, qualify this by saying that "the most enlightened merchants at present are convinced of the errors of these views," *Essays on Political Economy*, 25, 66.

<sup>464</sup> Willard Phillips, *A Manual of Political Economy*, 13.

<sup>465</sup> This view is elaborated upon in Section 9.3.

<sup>466</sup> William Elder, *The Doctrine and Policy of Protection*, 5.

<sup>467</sup> American Protectionists sometimes spoke of wealth as an aggregate of exchange values for framing their arguments, but they were generally careful to qualify it as 'material wealth' or 'exchangeable wealth'. Indeed, as well be discussed in Section 8.3, the Carey generation of American Protectionists often viewed wealth and value as having an inverse relationship.

services of nature. Yet, William Elder, who can be considered a great synthesizer of the doctrines of List and Carey, rightly showed that “the power to command the always gratuitous services of nature” was for all purposes synonymous with “the productive power of the people”, yet simply expressed in a more philosophical manner.<sup>468</sup> Productive power, according to Elder, represents the ‘power’ necessary to command nature.

Yet, perhaps without even realizing it, this equating of individual and national wealth, albeit on a very different basis to that of the Classics, undoes much of the analysis of the second generation of American Protectionists. Van Buren Denslow sought to correct this issue by reintroducing the distinction between individual and national wealth, whilst maintaining Carey’s “excellent” contribution.<sup>469</sup> In the spirit of Carey, Denslow notes how Man is both a part of nature, but also conducts himself in the nature exterior to himself. “Whatever there be in man, which obtains command of the forces of exterior nature,” Denslow explains “must of course be part of man's nature. It is not, therefore, a contest between man and nature, but between nature in man and nature exterior to man.”<sup>470</sup> Denslow viewed national wealth as concerning the contest between Man and the nature exterior to him, which effectively corresponds with Carey’s definition. If Man, in the general sense, increases his productive power and thus his ability to command the forces of nature, then national wealth will increase. Yet, it does not simply follow that the individual will automatically benefit from this increase in national wealth. Instead, Denslow explains that “we [the individual] get what we enjoy gratis, from nature, by paying our fellow men to bring it to us.”<sup>471</sup> Denslow thus defined individual wealth as:

That power in me, however and whenever obtained, which gives me command through the services of my fellow men, which it enables me to pay for, of all those gifts or services, which nature brings gratuitously to some member of society, at some time or place, but which only through his toil or that of others, is brought to me.<sup>472</sup>

This definition of individual wealth is far superior to simply viewing individual wealth as an individual’s accumulated exchange value. Ultimately, an individual benefits more from his capacity to acquire, as opposed to living off accumulated exchange values. In fact, there are many aspects of a person’s character which allows him to command the services of his fellow man which cannot be considered to have an exchange value. In the words of Denslow:

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<sup>468</sup> William Elder, *The Doctrine and Policy of Protection*, 17.

<sup>469</sup> Indeed, Van Buren Denslow, like the earlier American Protectionists, saw that “many things are wealth and profit to individuals which are not wealth or profit to the nation of which they are citizens, and vice versa.” *The Principles of Economic Philosophy*, 43, 67.

<sup>470</sup> Van Buren Denslow, *The Principles of Economic Philosophy*, 43-44.

<sup>471</sup> Van Buren Denslow, *The Principles of Economic Philosophy*, 44.

<sup>472</sup> Van Buren Denslow, *The Principles of Economic Philosophy*, 45.



The highest elements of [individual] wealth do not always exist in a form in which they may thus be seen to have an economic value without being in the least exchangeable. Yet a judge's reputation for integrity on the bench, a clergyman's reputation for purity, a manager's reputation for successful enterprise, an author's repute as entertaining, a philosopher's fame for profound generalization, indeed, all modes of intellectual and social power give their possessor a command over the services, destinies, and material commodities of others, and are therefore not only wealth but capital, and yet are not exchangeable. Character, religious faith, moral influence, courage, sagacity, rank, titles, political office, a chair in a university as an instructor, all are wealth, but not exchangeable.<sup>473</sup>

Denslow's definition also avoids the mistake, however, of conflating individual with national wealth, which the American Protectionists of Carey's generation were in danger of running into. Like the second generation of American Protectionists, Denslow saw plainly that the nation only gains through creation, yet the individual gains through both creation and acquisition, with individual wealth being contingent on his ability obtain this new creation or presently existing goods through commanding the services of his fellow man.

### **6.7: Summary**

The vision underlying the thought and action of the American Protectionists can be considered as belonging to the constrained vision. This recognizes that the human condition is constrained by reality, and this underscores the latent anti-utopianism of American Protectionist thought. This disapproval of utopianism manifests itself through the School's aversion to both the extremes of *laissez-faire* and the extremes of economic planning. State action was viewed as necessary by the American Protectionists, but only insofar as it operates harmoniously with, or at very least is not antagonistic towards, human nature. The importance placed on human nature is demonstrated through the American Protectionist's commitment to natural law. Unlike other inductive schools of economic thought, including the German Historical School, the Progressives, and the Institutionalists, which emphasized the high malleability of human conduct and the relativity of economic laws, the American Protectionists viewed induction as a means of discovering generalizable natural laws of human conduct, albeit conduct conditioned somewhat by the institutional setting.

In renouncing 'economic man', the American Protectionists posited a more realistic view of mankind which considers the full spectrum of man's benevolent and wicked qualities. Whilst they viewed Man as ultimately flawed, his capacity for

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<sup>473</sup> Van Buren Denslow, *The Principles of Economic Philosophy*, 46.

improvement was immense. The flawed, but improvable, nature of mankind underscores the significant but still relatively free and decentralized design of the American System. Since Man himself is flawed, the American Protectionists were skeptical of vesting too much power in highly centralized authorities since, by implication, whoever occupies this centralized position would also be flawed. Man's imperfect nature also made them cautious of unconstrained liberty with them advocating the need for society to be tempered by proper ethics and good governance. Alexander Hamilton perhaps best encapsulates this view by answering the question: "Why has government been instituted at all? Because the passions of men will not confirm to the dictates of reason and justice without constraint."<sup>474</sup> This also underscores the affinity which the American Protectionists had with Republican principles, as opposed to Democratic ones. The American Protectionists tended to view unconstrained democracy as appealing to the vices of man, vices which needed to be tempered through proper checks, balances, and restrictions on the democratic process. Such constraints included the protection of private property rights, or an appointed Senate to counterweight the popularly elected house.<sup>475</sup> American Protectionists therefore tended to be far more optimistic about individuals in their private capacity than them collectively exercising power through the ballot box.

The other major aspect of the American Protectionists' social philosophy concerns the nature of wealth, particularly the distinction between individual and national wealth. Whereas Classical economics tended to emphasize exchange value, the American Protectionists placed more emphasis on productivity. This led them to define national wealth in terms of productive power. In doing so, they emphasized how national wealth comes about through creation, whereas private wealth is gained through both creation and acquisition. This led to the implication that individual and national wealth is not always commensurate, and, as will be shown in later chapters this view of wealth would go on to inform many other aspects of their thought. Now that there is a sufficient overview of the social and moral philosophy which underpins American Protectionist thought, the study can now proceed with a discussion of the theoretical foundations of this system. This will be the focus of Chapter 7.

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<sup>474</sup> Alexander Hamilton, "The Federalist No. 15", [1 December 1787] In *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett (New York: Columbia University Press, 1962), 363.

<sup>475</sup> The view of having an appointed Senate and popularly elected House to counterweight one another is well demonstrated by Alexander Hamilton, who explains that "in every community where industry is encouraged, there will be a division of it into the few and the many... Give all power to the many, they will oppress the few. Give all power to the few, they will oppress the many. Both, therefore, ought to have the power, that each may defend itself against the other... The House of Lords a most noble institution... [it] forms a permanent barrier against every pernicious innovation... attempted on the part of the... Commons." Alexander Hamilton, "Speeches in the Federal Convention" [June 18, 1787] In *The Works of Alexander Hamilton*, Vol. 1. ed. Henry Cabot Lodge, (New York: G. P. Putnam's Sons, 1904), 389-390. This position is also typified by Van Buren Denslow, *A Plea for the Introduction of Responsible Government and the Representation of Capital into the United States as Safeguards Against Communism and Disunion* (Springfield: Jno. C. Hughes, 1879).

## Chapter 7: Theoretical Foundations of American Protectionist Thought

### 7.1: Introduction

It is true that a different system of political economy is maintained by a certain school of theoretical writers... This is the system which been lately called enlightened [or Classical]. We, on the contrary, believe it to be founded on mistaken views; and that a practical application of it would paralyze the industry of the country.<sup>476</sup>

- Hezekiah Niles

This chapter introduces the theoretical foundations or building blocks of the American Protectionist system of thought. This represents a critical explanatory chapter, as it has often been asserted that the American Protectionists simply utilized the theory of the Classical economists, and that they just happened to arrive at different conclusions.<sup>477</sup> This is demonstrably false. Indeed, “the differences that exist between the two schools is not merely in regard to the details”, Robert Ellis Thompson explains, “it is a difference about foundations and first principles. Neither can concede to the teaching of the other the name and rank of a science, without giving up its own claim to that name and rank.”<sup>478</sup> It is, in fact, precisely because the American Protectionists started off with very different foundations that they arrived at different conclusions. This chapter is thus designed to elucidate eight of the key principles of their system of thought. Once this task is complete, the study can proceed with constructing the theoretical system of the American Protectionists.

These foundations start with the law of the endless circulation of matter and force, which posits that matter and energy can neither be created or destroyed, but merely changed in form. This led to the recognition that all economic interactions must fall within the confines of this law. The second foundation builds upon their conception of Man, discussed in the previous chapter. In renouncing economic man as a purely abstract and homogenous creature, the American Protectionists stressed the importance of individual difference as a distinctive feature of mankind. This emphasis placed on individual difference (in addition to invention) would also inform the third foundation concerning the nature of the division of labor.

Foundations four through eight relate to the factors of production in the American Protectionist system of thought. The fourth foundation relates to ‘nature’ as an original and unique factor of production. The fifth foundation concerns the nature of capital, and posits that capital (and indeed, factors of production more generally) are often highly heterogenous, which stands in contrast with the abstract approach of

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<sup>476</sup> Hezekiah Niles, *Journal of the Proceedings of the Friends of Domestic Industry in General Convention at New York*, 19.

<sup>477</sup> This is essentially the Dunbar narrative outlined in Chapter 2.

<sup>478</sup> Robert Ellis Thompson, *Elements of Political Economy*, 31.

the Classical School. The sixth foundation builds upon this concept of capital yet focuses more specifically on the role of mental and intellectual capital. In doing so, the American Protectionists also build upon the notion of individual difference by emphasizing qualitative differences between workers, as it relates to skill and education. The seventh foundation provides an overview of the American Protectionist treatment of land in its economic context and illustrates how and why the American Protectionists considered land to be a form of capital. Finally, the last foundation discussed in this chapter concerns the role of linkages which represent another crucial building block of American Protectionist thought. The chapter will then end with a summary.

## **7.2: The Law of the Endless Circulation of Matter and Force.**

The benevolent Creator has placed within man's reach in the storehouses of the earth those substances, that when properly prepared can add to his comfort and improvement. Man can neither create a particle of matter nor can he destroy it; he can only change its form by making combinations of its various properties, produce results that become useful and adapted to gratify desires.<sup>479</sup>

- Jacob Harris Patton

The law of the endless circulation of matter and force was the recognition that all economic activity must operate within the first law of thermodynamics. That is, that matter and energy can neither be created or destroyed, only changed in form or transferred. Whilst this might not appear particularly insightful to the modern reader, it is worth providing a brief overview of the principle as it was central to American Protectionist thought and it still holds important implications for economic theory today.

To demonstrate the significance of this law for economic thought, it is important to observe how the absence of this understanding can lead to exceedingly defective conclusions. It must be remembered that the chief arguments against Hamilton's *Report on Manufactures* was rooted in Physiocracy. It was assumed by the Physiocrats that only agriculture was productive, to the exclusion of all other industries, because only land could produce. This is because it was said that agriculture and only agriculture involves the creation of new matter. The Physiocrats thus asserted that manufacturing did not create anything new and was therefore 'sterile'. It only involves the reshuffling of matter, and thus does not add any value to production. Hamilton summarizes this Physiocratic position, writing that "labor of artificers does nothing more than replace the stock which employs them" (as such stock is derived purely from

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<sup>479</sup> Jacob Harris Patton, *Political Economy for American Youth*, 17.

agriculture) and “neither does it add anything to the total value of the whole annual produce of the land and labor of the country [agriculture].”<sup>480</sup> Yet, agriculture, like manufacturing, also does not lead to the creation of new matter at all. It merely changes it from one form to another. Peshine Smith explains that “in this world, nothing is created except human souls and the souls of other animals, if brutes have souls. Every particle of matter was made from some other matter already existing.”<sup>481</sup> Or as Henry Carey puts it:

Man can neither create nor destroy a particle of matter, nor can he affect the quantity of force in the world. His power is limited to altering the mode of its manifestation, its direction and distribution... He may do this by giving the appropriate direction to some independent force existing in the storehouse of Nature... Every development of force, however, involves a consumption of matter – not its destruction, but its change of form.<sup>482</sup>

In a dualistic fashion, economic activity is characterized by the human soul and mind interacting with and rearranging earthly substances into useful instruments. Hamilton lacked an understanding of the law of thermodynamics since he was writing prior to its discovery.<sup>483</sup> In response to the Physiocrats, Hamilton still rightfully points out that the artificer or manufacturer must bestow at least some incremental amount of value when furnishing the products of the soil, since these finished products earn “an amount sufficient, not only to repay the farmer” but to “furnish the artificer himself with a supply of similar commodities” after wages are deducted.<sup>484</sup> In other words, it is self-evident that value is added through manufacturing because the furnished goods command a higher value than raw goods. Whilst this is no doubt true, if Hamilton understood that economic phenomenon was bounded by the laws of thermodynamics, as later American Protectionists did, he would have more easily dispelled the sophistry of the Physiocrats. The original matter cannot be the source of the final value of a finished good since, as Horace Greeley explains, “industry applies itself to the transmutation of certain substances into others presumptively of greater value.”<sup>485</sup>

The critique of Physiocracy is perhaps the clearest example of where grounding

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<sup>480</sup> Alexander Hamilton, *Report on Manufactures*, 3.

<sup>481</sup> E. Peshine Smith, “Notes on Political Economy Designed Chiefly for Japanese Readers: Chapter 1,” *The Tokio Time*, 1, no. 7, (February 17, 1877), 80.

<sup>482</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 65; This is echoed by William Dexter Wilson, who notes that “The forces [of nature] are inexhaustible. This results from the fact that man can only change the form of materials, he can neither create nor destroy.” *First Principles of Political Economy*, 81.

<sup>483</sup> Daniel Raymond seems to have pre-empted such developments, characterizing nature as the source of value, but labor as a cause of wealth. That is to say, that labor creates wealth out of the pre-existing matter found in nature. To quote Raymond, “the earth is the sole fountain or source of wealth... *labour* is not a *source*”, but “labour is the cause... of wealth – which draws forth from the great fountain the necessities and comforts of life.” *The Elements of Political Economy*, Vol. 1 (Baltimore, F. Lucas, Jnr. And E. K. Coale, 1823), 92, 93, 98.

<sup>484</sup> Alexander Hamilton, *Report on Manufactures*, 7.

<sup>485</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, (Boston: Fields, Osgood, & Co, 1870), 44.

economic theory within the laws of thermodynamics would have produced far sounder theories. The importance of the law of the endless circulation of matter and force will be further demonstrated throughout the course of this study. Indeed, the American Protectionists would go on to characterize economic activity as Man manipulating matter and energy and fitting it for human use. For now, however, it can be said that the American Protectionists recognized that economic activity is firmly rooted in the real physical world and thus economic theory cannot escape the physical laws pertaining to matter and energy.

### 7.3: Individuality and the Nature of Man

There is nothing more manifest in the constitution and course of nature than the law of diversification... Of the millions of human beings, the features of each one are so unlike the features of all the others as to be distinguishable; and observation and experience prove a similar diversity to exist in their mental organization and aptitudes.<sup>486</sup>

- Erastus B. Bigelow

The foundations of American Protectionist thought is very different to that of the British Classical School. Nowhere is this seen more clearly than with their conception of the nature of mankind. Since this represents the bedrock on which economic theory is built upon, it would alter the overall trajectory of the two systems of thought. Building upon the view of Mankind outlined in Section 6.4, the American Protectionists observed that Man is distinguished from the animal kingdom by his high degree of individuality. Henry Carey explains, for instance, that the “distinctive quality of man is individuality... each rat or robin, fox or wolf, is the type of his species wherever found, possessing habits and instincts in common.” But such is not “the case with man, in whom we find differences of tastes, feelings, and capacities almost as numerous as those observed in the human countenance.”<sup>487</sup>

This represents a sharp break with the Classical economists. Whereas the writings of the American Protectionists emphasize the existence of natural and nurtural differences and distinctions among individuals, Classical thought portrays human beings as uniform and homogeneous units.<sup>488</sup> This rejection of innate differences between individuals is perhaps best illustrated by the School’s founder Adam Smith, who asserts that “the difference of natural talents in different men, is, in reality, much less than we are aware of.” In fact, “the very different genius which

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<sup>486</sup> Erastus B. Bigelow, ‘The Relations of Labor and Capital’, 481.

<sup>487</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 52; This passage is repeated verbatim in *Unity of Law*, 94. With respect to Henry Carey, Arnold W. Green, *Henry Charles Carey: Nineteenth-Century Sociologist* (Philadelphia: University of Pennsylvania Press, 1951), 64, provides a brief discussion of the concept of individuality, but he does not appear to grasp its full implications and significance.

<sup>488</sup> This interpretation of Smith is consistent with Joseph Schumpeter, *History of Economic Analysis*, 180; and Murray Rothbard, *Economic Thought Before Adam Smith*, 454.

appears to distinguish men of different professions... is not upon many occasions so much the cause, as the effect of the division of labour." Hence, "the difference between the most dissimilar characters, between a philosopher and a common street porter, for example, seems to arise not so much from nature."<sup>489</sup>

The importance which American Protectionist thought attaches to individual differences and distinctions is perhaps most clearly demonstrated by the fact that Henry Carey even goes so far to define social science, in some instances, as "the science of the laws which govern man in his efforts to secure for himself the highest individuality, and the greatest power of association with his fellow-men."<sup>490</sup> The view that individual differences are ever present across the different members of the human species is also not an isolated view. It is instead one of the defining features of American Protectionist thought. Even the likes of Alexander Everett, which some sources have wrongly depicted as being outside of the broader School of American Protectionists, affirmed this view.<sup>491</sup> In the words of Everett:

The labor of individuals is by no means a fixed quantity, but varies with their natural dispositions, and with the motives that determine their conduct. We observe a remarkable difference in the activity and industry of different communities, and of different persons in the same community, resulting from varieties of situation and character.<sup>492</sup>

This law of individuality was a feature of the School since its very inception and underpins their commitment to economic diversification. Since individual differences are ever present, much of which is determined by nature, this means that different individuals are predisposed and suited to different modes of employment and enterprise. Alexander Hamilton explains, for instance, that "furnishing greater scope for the diversity of talents and dispositions which discriminate men from each other... is a... powerful mean[s] of augmenting the fund of national industry." This is because the "minds of the strongest and most active powers for their proper objects fall below mediocrity... if confined to uncongenial pursuits. And it is hence to be inferred, that the results of human exertion may be immensely increased by diversifying" national industry. Therefore, "when all the different kinds of industry obtain in a community each individual", explains Hamilton, "can find his proper element, and can call into activity the whole vigor of his nature. And the community is benefited by the services of its respective members, in the manner, in which each can serve it with most effect."<sup>493</sup>

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<sup>489</sup> Adam Smith, *The Wealth of Nations*, 19-20.

<sup>490</sup> Henry Charles Carey, *Manual of Social Science*, ed. Kate McKean (Philadelphia: Henry Carey Baird, 1866), 47.

<sup>491</sup> See Section 4.2.

<sup>492</sup> Alexander H. Everett, *New Ideas on Population*, 24.

<sup>493</sup> Alexander Hamilton, *Report on Manufactures*, 11. Before Hamilton, William Barton also alluded to the "variety of genius" in support of establishing manufactures. "On American Manufactures," *Columbia Museum*, 1, no.1 (1786), 26.

Hamilton clearly acknowledges that mankind as a species is uniquely characterized by its high degree of diversity, differentiation, and individuality. Thus, without a diversity of employments, there will necessarily be unique qualities which will remain dormant and unutilized. This view is likewise acknowledged by Rufus Choate who explains that “in a country of few occupations, employments go down by an arbitrary, hereditary,” and even “coercive designation without regard to the peculiarities of individual character”, noting that “the son of a priest is a priest; the son of a barber is a barber” and so forth.<sup>494</sup> Having a diversified economy would break this cycle and rouse the unique talents and qualities of each individual. In the words of Rufus Choate:

A diversified, advanced, and refined mechanical and manufacturing industry, co-operating with these other numerous employments of civilization which always surround it, offers the widest choice; detects the slightest shade of individuality; quickens into existence and trains in perfection the largest conceivable amount and the utmost possible variety of national mind... Every fragment of mind is gathered up. Nothing is lost... Every taste, every faculty, every peculiarity of mental power finds its task, does it, and is made the better for it.<sup>495</sup>

Because the American Protectionists accepted that individuality represents an innate and distinctive feature of Man, it follows that they did not believe in the notion of a blank slate or a *tabula rasa*. American Protectionists believed that everyone was equal before God and that everyone deserves equal treatment before the law, but they did not believe that different individuals had equal abilities and aptitudes.<sup>496</sup> This rejection of the blank slate view of mankind can even be seen in the writings of Stephen Colwell who happens to represent one of the more egalitarian thinkers within the School:

Men are not born equal; they do not grow to equality in physical or mental qualifications. No human training could produce an equality evidently not contemplated in the human constitution.<sup>497</sup>

Envisioning everyone as equal in all respects ultimately reduces Man into a uniform and generic creature. The American Protectionist thus saw individual differences and distinctions as making each person special and unique. Even though there was an acceptance that no two individuals are created equal, everyone has a disposition or aptitude for a particular pursuit, and thus possesses the capacity for excellence in their particular field. In spite of this, however, the fact still remains that since Man is not created equal, true genius tends to be the product of nature, which

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<sup>494</sup> Rufus Choate, “Value of Mechanical Industry,” *The American Magazine*, 1, no. 3 (1851), 127

<sup>495</sup> Rufus Choate, “Value of Mechanical Industry,” 127.

<sup>496</sup> This belief in equal treatment before the law can be also seen in their support for tariffs and aversion to subsidies.

<sup>497</sup> Stephen Colwell, *Rights of Labor*, 23.



contrasts sharply with the Smithian view highlighted in the passages above. In the words of John Rae:

Genius is, by many, considered synonymous with learning... A refined and cultivated mind does not properly constitute genius; but it consists in a gift of nature... Education may embellish the mind... but there is something noble and majestic in a great natural genius... There is something in divine in a true genius that raises the soul above itself, and enables it to attain objects beyond the sphere of intellect.<sup>498</sup>

As will be demonstrated through subsequent chapters, the emphasis which the American Protectionist School places on Man's individuality would go on to shape nearly all aspects of their thought and would culminate in two fundamentally different sets of ideas. This divergence cannot simply be dismissed as an archaic squabble over details with no bearing on modern economics. Since the three leading contemporary schools of economic thought – Neoclassical economics, Keynesianism, and Marxism – all have their roots in Classical economic thought, the American Protectionist conception of Man is very much distinct from the view which still pervades and dominates mainstream economics and the leading heterodox schools of economic thought till this very day.<sup>499</sup>

#### **7.4: The Nature of the Division of Labor**

The farmer, the manufacturer, the merchant... are constituent members of the great family, and indispensable to its highest prosperity. The constitution of man, and of the earth, demands this division of labour.<sup>500</sup>

- Lyman Beecher

The American Protectionists fundamentally agreed with the Classical School on the power of the division of labor, but they had quite different ideas about its nature. The first contention relates to what gives rise to the division of labor. It should come as no surprise that the Classical view, which reduces individual beings to uniform and homogenous factors of production, considers the division of labor not to be the result of individuals seeking out different modes of employment based on their unique individual characteristics. Instead, Adam Smith argues that the division of labor is the

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<sup>498</sup> John Rae, "Genius and its Application," [Originally published in *Literary Garland*, December 1839] reproduced in R. Warren James, *John Rae: Political Economist*, Vol. 1 (University of Toronto Press, 1965), 320-321.

<sup>499</sup> It is a relatively uncontroversial statement to ascribe the view of homogenous factors to Neoclassical economics, as evidenced by Neoclassical production functions which use homogenous units of labor. This is essentially the same in Keynesian economics. Marxism is perhaps the antithesis of the American Protectionists on this issue. Marx rejects the presence of individual differences and assumes that everyone could be equally proficient in all areas. Marx also explicitly states that "The labour, however, that forms the substance of value, is homogeneous human labour, expenditure of one uniform labour-power." *Capital: A Critical Analysis of Capitalist Production*, (London: Swan Sonnenschein & Co, 1887), 5-6.

<sup>500</sup> Lyman Beecher, 'Means of National Prosperity', 281.

“consequence of a certain propensity in human nature... to truck, barter, and exchange one thing for another.”<sup>501</sup>

In rejecting Smith’s explanation, the American Protectionists observed that there are instead two pillars which give rise to the division of labor. The first is man’s individuality, and the second is the process of invention and innovation. Because individuals possess a high degree of variety and individuality, this means that different individuals do indeed seek out different modes of employment, whereas the process of invention and innovation leads to a multiplication in the variety of employments which allows this division to take place. Ezra Seaman explains, for instance, that “a division of employments cannot take place until man has made some progress in making tools and instruments.” It is “the division of employments, which follows, and cannot precede the mechanic arts.”<sup>502</sup>

The Classics did not provide a satisfactory explanation for why innovation occurs, often treating it as an exogenous force. However, they often declared that invention was the result of the division of labor.<sup>503</sup> The American Protectionists, on the other hand, argued that the Classics mistook the line of causality. Whilst some Protectionists seemed to have recognized the existence of bi-directional causality between the division of labor and invention, they stressed the role of innovation and invention as the first mover and driving force which begets the division of labor. As John Rae explains:

In the *Wealth of Nations*, the division of labor is considered the great generator of invention and improvement... [But] the division of labor, is to be held as an effect...

It will appear...to be... a result, not a cause; and ranks properly, not as a prime mover... but as a consequence of the actions of the prime movers.<sup>504</sup>

Rae, in an earlier article, more explicitly observes that the prime mover behind the division of labor is that of discoveries and inventions:

In the early stages of human society, some persons, more ingenious than the rest, make discoveries and improve the natural products in a variety of modes, whence gradually arise the division of labour, [and] the difference of professions... From making clothes and utensils for his

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<sup>501</sup> Adam Smith, *The Wealth of Nations*, 16.

<sup>502</sup> Ezra Seaman, *Essays on the Progress of Nations*, 58; By mechanical arts, Seaman (p. 62) is referring to ingenuity and invention embodied in production, as per the following passage: “it may therefore be truly said that a division of employments... all depend upon the mechanic arts and cannot exist without them; and that as a general rule, no nation or people can advance... any faster than they make progress in the mechanical arts, and the science which they are based.”

<sup>503</sup> Adam Smith speaks of “the invention [of machinery] of which the same division of labour has probably given occasion” and also explains how the “the invention of a great number of machines” is a “consequence of the division of labour,” *The Wealth of Nations*, 6, 9.

<sup>504</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 352, 357.

family, the man of an inventive mechanical turn will be led by degrees to a profitable employment of his time and talent in working for others... [and] the utility of this division of labour in process of time will establish the distinction.<sup>505</sup>

In short, rather than the division of labor giving rise to improvements and inventions, it is the very opposite. Inventions give rise to the division of labor, as it multiplies the number of industrial pursuits within society and creates more opportunities for labor to be subdivided into separate tasks.

The second contention held by the American Protectionists in relation to the Classical conception of the division of labor was the undue emphasis placed on the internal division of labor within an individual firm. This is highlighted by Smith's emphasis on workers in a pin factory.<sup>506</sup> The American Protectionists argued that Classicalists were virtually silent on the far more important division of labor which takes place between different industries within the economy. As Friedrich List explains:

The [Classical] School has erred in confining [the division of labor] to a manufacture, or to the working of a farm; it should have perceived that the same law extends over the whole of manufacturing and agricultural industry, and generally over the whole economy of a nation.

As the manufacture of pins can prosper only by the combination of the productive power of individuals, every manufacture, of whatever kind, can flourish only by the combination of its productive power with those of all other manufactures. To make a manufactory of machinery prosperous, it is necessary that mines and metallic works furnish the material which it uses.<sup>507</sup>

The neglect of the division of labor between industries, in preference for the division of labor within a firm, by the Classical economists perhaps explains why the vernacular of the American Protectionists shifted, with them dropping the usage of the term the 'division of labor', preferring instead the 'division' or 'diversity of employments.' Indeed, Ezra Seaman explains that "a division of employments beyond a doubt contributes greatly to increase the productive industry of a nation", but also emphasizes that "quite too much importance has been generally attached to a minute subdivision of employments" within the individual firm.<sup>508</sup>

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<sup>505</sup> John Rae, *Sketches of the Origin and Progress of Manufactures and of the Policy which had Regulated their Legislative Encouragement in Great Britain and in Other Countries*, [Originally published in *The Canadian Review and Literary and Historical Journal*, no. 3, March 1825] reproduced in R. Warren James, *John Rae: Political Economist*, Vol. 1 (University of Toronto Press, 1965), 195-196.

<sup>506</sup> Adam Smith, *The Wealth of Nations*, 6-7.

<sup>507</sup> Friedrich List, *National System of Political Economy*, 232-233.

<sup>508</sup> Ezra Seaman, *Essays on the Progress of Nations*, 136; Along similar lines, John Phillip Young also criticizes the notion of an international division of labor, explaining that "many modern economists, misled by the apparent

The Classics' emphasis on the internal division of labor within a particular firm seemingly stems, in no small part, from their rejection of innate differences between individuals. Since, according to Adam Smith, individual differences are the result, rather than the cause of the division of labor, there is no need for the Classics to emphasize the diversity of employments across industries since each individual will become accustomed to the narrow range of tasks within any particular firm, no matter what those tasks may be. In contrast, because the American Protectionists started off with the opposite view of human nature, which means that individuals will seek out different employments based on their unique individual characteristics, they therefore downgraded the importance of the internal division of labor, placing greater emphasis on the diversity of employments across industries.

### 7.5: Nature as a Factor of Production

Where does wealth come from? It comes from the power of man to let loose and yet guide those elemental forces, the energy of which is infinite... To grasp the full powers of nature... we must utilize the full power of man... both of muscle and brain, of body and of soul, in the great enterprise of setting in motion the ever gratuitous forces of nature.<sup>509</sup>

- Thomas Brackett Reed

In the traditional model of political economy, there are typically three or four factors of production depending on how they are defined. This is (1) labor, (2) capital, (3) land, and sometimes, (4) enterprise. Often the latter is paired with the capital (or in some instances with labor) which is often the case in American Protectionist thought and non-Ricardian variants of Classical thought. Other times the entrepreneur is omitted altogether, as in the case of Ricardian, Marxist, and certain lines of Neoclassical thought.<sup>510</sup> In the case of the American Protectionists, however, there exists an additional factor of production not commonly recognized by the other schools. This factor of production is nature.

The American Protectionists considered nature and Man as the two original factors of production.<sup>511</sup> In the words of George M. Steele, "there are two great agencies which must co-operate in production – *nature* and *man*... Nature furnishes

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advantages of the subdivision of labor, have failed to recognize that the principle may be carried too far. They have assumed that because subdivision works well within limitations the principle cannot be carried to excess, but it is obvious that if the effect of completely developing along such lines would be to make one country the manufacturer of finished articles and all the rest of the world a producer of raw products, mankind, as a whole, would not be a gainer." *Protection and Progress*, (Chicago: Rand, McNally & Company, 1900),112.

<sup>509</sup> Thomas Brackett Reed, *The Tariff*, 7.

<sup>510</sup> Certain Neoclassical economists include the entrepreneur as a bearer of risk. This is also consistent with the Smithian view of the entrepreneur as risk taker.

<sup>511</sup> Man can be viewed of as inclusive of his labor and intellectual capital.

all the material upon which labor is to be exerted.”<sup>512</sup> Since Man and nature are the two original factors, it follows that capital goods have their origin in Man’s transformation of nature’s bounties into instruments, with successive capital goods coming about through the conjoined operation of labor and capital in the exploitation of nature. In the words of Ezra Seaman:

Man by his inventive powers and his own efforts and industry during a series of years, can alter the face of nature, and convert the ores and mineral substances in the bowels of the earth, and other material things, and nature's products, as well as nature's laws, into instruments and mechanical powers, to augment the productiveness of his own industry... the more labor saving machinery he can invent and bring into use, the more easily he can subdue the earth; convert its resources and products to his use.<sup>513</sup>

The American Protectionists also saw nature as possessing unique properties which differentiates it from the other factors of production. For one thing, nature is essentially a free factor. Henry Carey refers to this as “the always gratuitous services of nature.”<sup>514</sup> As described in the example above, all that is required is Man combining his labor and/or capital with nature to access this free gift.

Nature, as a factor of production, can be further subdivided into two categories.<sup>515</sup> The first being the raw materials of nature, such as timber, minerals, and so forth. The second being natural services and energy, which includes sunlight, wind, and waterpower. The natural energy of nature was also perceived as existing in its active and potential forms. William Elder notes, for instance, how there “exists latent capabilities of service” within the earth, which would include the likes of coal and oil deposits.<sup>516</sup> In the case of natural energy, this free service can be harnessed through the use of special tools and machinery. Tench Coxe, as one of the originators of this concept, provides a perceptive treatment of how machines can tap into the natural energy and the free services of nature. “Machines ingeniously constructed”, explains Coxe, “will give us immense assistance... Several instances have been

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<sup>512</sup> George M. Steele, *Outline Study of Political Economy*, 11, emphasis in original; Similarly, Erastus B. Bigelow explains that “the two great agencies of production, in addition to the forces of nature, are labor and capital.” “The Relations of Labor and Capital”, 475; This is also consistent with Daniel Raymond’s view of “the earth being the original source of wealth, [and] labour [as] the original cause that produces it [wealth].” *Elements of Political Economy*, Vol. 1, 95.

<sup>513</sup> Ezra Seaman, *Essays on the Progress of Nations*, 23.

<sup>514</sup> Henry Charle Carey, *Principles of Social Science*, Vol. 1, 149, 18.

<sup>515</sup> Some thinkers further subdivided nature into the categories of animate or living (e.g. animal power), and inanimate or non-living. Jacob Harris Patton explains, for instance, that “Man commands many natural agents to do his work. These are divided into two classes – the animate and the inanimate.” *Political Economy for American Youth*, 43. Andrew W. Young similarly explains that “these agents are of two kind, animate and inanimate.” *Introduction to the Science of Government*, (Auburn and Buffalo: Miller, Orton, & Mulligan, 1854), 249.

<sup>516</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 18; George M. Steele also explains that “nature furnishes not only materials, but also forces, to aid man in his productive efforts. The more obvious and palpable of these are gravitation, wind, explosive agencies, the expansive power of steam, magnetism, electricity, and the forces of vegetation. There are also numerous passive powers or properties of matter, which, when adopted by man, give him untold advantage.” *Outline Study of Political Economy*, 12

ascertained, in which a few hundreds of women and children perform the work of thousands of carders, spinners and winders.”<sup>517</sup>

These ingeniously constructed machines to which Coxe refers are those operated by the natural power of water, wind, fire and steam. Coxe elaborates further that “factories which can be carried on by water-mills, wind-mills, fire, horses and machines ingeniously contrived, are not burdened with any heavy expense of boarding, lodging, clothing and paying workmen.” These machines “supply the force of hands to a great extent without taking our people from” other employments and industries. “In short, combinations of machines with fire and water have already accomplished much more than was formerly expected from them by the most visionary enthusiast on the subject.”<sup>518</sup> Indeed, Henry Carey similarly notes how “even the air itself is made to work, windmills grinding the grain, and sawmills cutting the timber.”<sup>519</sup> Natural energy when properly harnessed through machinery thus allows nature to act as a substitute for labor power.

The other aspect of nature which requires comment is its immense diversity, which also complements the diversity in individual interests, talents, and aptitudes, noted in the sections above. Indeed, Alexander Everett comments on how the great diversity of natural substances leads itself to the cultivation of an immense variety of industrial pursuits. In the words of Everett:

When we reflect upon the variety and excellence of the natural products, animal, vegetable, and mineral, that enrich the different parts of our magnificent and almost boundless territory... with inexhaustible and incalculable treasures their hitherto almost unexplored recesses... we cannot hesitate to affirm that our situation is eminently auspicious for the establishment of almost every branch of industry.<sup>520</sup>

Moreover, this immense diversity within nature was also seen to aid invention, with John Rae explaining that the “diversity of materials, must have increased very

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<sup>517</sup> Tench Coxe, *A View of the United States of America, in a Series of Papers, Written at Various times, Between the years 1787 and 1794*, (Philadelphia: William Hall, 1794), 40. Andrew W. Young also explains that “hence we see the advantages resulting from a union of natural agents with capital. Machinery and tools, which constitute an important item of capital, bring into service of man numerous and very powerful natural agents.” Andrew W. Young, *Introduction to the Science of Government*, 251.

<sup>518</sup> Tench Coxe, *A View of the United States of America, in a Series of Papers, Written at Various times, Between the years 1787 and 1794*, 38-39. Coxe’s “Draft of the Report on Manufactures” also extols similar views. Likely inspired by Coxe, Hamilton also notes “the vast extension given by late improvements to the employment of machines, which substituting the agency of fire and water, has prodigiously lessened the necessity for manual labor.” *Report on Manufactures*, 18; Nathaniel A. Ware, also singles out the benefits of water-power, noting that “In no country does waterpower more abound than in the United States. As it costs less than steam power for heavy and permanent operations, it would give us much advantage.” *Notes on Political Economy*, 54; For an clear overview of this concept, see Andrew W. Young, *Introduction to the Science of Government*, 249-251

<sup>519</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 101.

<sup>520</sup> Alexander H. Everett, *British Opinions on the Protecting System*, 2<sup>nd</sup> ed. (Boston: Nathan Hale, 1830), 42; Giles B. Stebbins similarly notes that “we have exhaustless coal beds, convertible into exhaustless power, and iron, lead, copper and the precious metals, exhaustless also. We have a broad land of varied wealth, cotton and wool and food. With these gifts of a beneficent Creator, we must build up a diversity of occupations, giving complete scope to all powers of body and brain,” *The American Protectionist’s Manual*, 16.

much the chance of discovery in the arts.”<sup>521</sup>

The above passages focus on nature with respect to its role in production, but recognizing nature as a factor of production also has profound implications for distribution. What is unique about nature is that, unlike labor and capital, it does not require a return for its use. Nature is always a “gratuitous service.” Whereas Marxists emphasize the apparent exploitative nature of the relations between capital and labor, the inclusion of nature fundamentally changes this dynamic. According to the American Protectionists, the exploited factor in capitalist production is not labor, but nature. By labor and capital working in combination, they both benefit out of nature’s exploitation.<sup>522</sup> Peshine Smith explains, for instance, that “the wages of labor and the hire of capital, both come out of the product of their co-operation in directing the natural forces to the service of man. This joint work of labor, capital, and the natural forces, we call production.”<sup>523</sup> In light of this, the American Protectionists did not view exploitation with a negative connotation, as is now commonly the case within modern literature. Van Buren Denslow thus explains that:

The choice of the word “exploitation” by the socialists is particularly happy, since it is in fact truthful when accurately understood. Exploitation does not mean “spoliation,” but simply creating or causing exploits or achievements where otherwise there would be inaction. It implies that capital energizes labor, but this implication is ignored. Its perversion into a term signifying robbery is part of the general system of “exploitation” of economic terms carried on by socialist writers.<sup>524</sup>

This understanding underscored what the American Protectionists considered as a harmony of interests between capital and labor (which will be elaborated upon in Chapter 10). The notion of a class struggle was thus rejected by the American Protectionists. Capitalism was not marked by class struggle, but by man’s struggle over nature.

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<sup>521</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 251; a similar argument is also intimated in Alexander Hamilton, *The Report on Manufactures*, 13.

<sup>522</sup> Although the School could scarcely be considered environmentalists, they were careful not to conflate man’s exploitation of nature with the reckless destruction of it. Robert Ellis Thompson writes, for instance, that “it is true that a mismanagement of the tariff might result in harming American forestry, by excluding the logs of other countries, and causing excessive drain on our forests. Unless there is an awakened interest in the maintenance and extension of our area for the trees, we are sure to injure our country.” Thompson, “The Difficulties of Tariff Making”, *The Protectionist*, 33, no. 4 (1921), 170. In another instance, Thompson also explains that “the fertility of a country may be destroyed by stripping it of its trees, which seem to affect very greatly the amount of rain that falls on its surface.” Thompson, *Elements of Political Economy*, 47. Henry Carey and Peshine Smith were likewise concerned with the exhaustion of the soil and the loss of fertility which accompanied the export of raw material, which will be examined in Section 11.6 and 13.2. See also Michael Perelman, “Henry Carey’s Political-Ecological Economics: An Introduction,” *Organization & Environment*, 123, no. 3 (1999): 280-292.

<sup>523</sup> E. Peshine Smith, “Notes on Political Economy Designed for Japanese Readers: Chapter 3,” *The Tokio Times* 1, no. 8 (1877), 89.

<sup>524</sup> Van Buren Denslow, *The Economic Philosophy*, 184f.

## 7.6: Theory of Heterogenous Capital

Similar to their views on labor, or more generally, Man, the American Protectionists saw that there exists a high degree of heterogeneity between capital goods. By failing to clearly distinguish between different types of capital goods, the American Protectionists accused the Classical economists of falling into the trap of equating capital goods with capital funds. This treatment meant that capital, even when it takes the form of highly specialized or immobile pieces of machinery, tends to be expressed in highly liquid terms, with the presumption that it is able to flow effortlessly in and out of different industries as each industry contracts and expands. Mathew Carey, quoting from *The Wealth of Nations*, highlights this tendency in Classical thought:

Though a number of people should, by restoring the freedom of trade, be thrown all at once out of their ordinary employment, and common method of subsistence, it would by no means follow, that they would thereby be deprived either of employment or subsistence... To the greater part of manufactures, there are other collateral manufactures of so familiar a nature, that a workman can easily transfer his industry from one to the other... The greater part of such workmen, too, are occasionally employed in country labor... The stock, which employed them in a particular manufacture before, will still remain in the country, to employ an equal number of people in some other way... The capital of the country remaining the same, the demand for labor will still be the same, though it may be exerted in different places, and for different occupations!<sup>525</sup>

In contrast, the American Protectionists saw that capital goods, or any other factor of production for that matter, are often heterogenous and, at times, fixed and immobile.<sup>526</sup> These resources, in turn, could not shift between industries with anywhere near the ease assumed by the Classical economists.<sup>527</sup> Mathew Carey, of course, conceded that “there is an affinity” and thus an interchangeability “between [capital involved in] the weaving of cotton and woollen, and a few other manufactures. But this cannot by any means” be accepted as a general rule for all capital. Carey then asks, “where will [Adam Smith], or any of his disciples, find *collateral manufactures* to employ... the great variety of other artists and manufacturers?” Carey then responds that “there is no such affinity as he has presumed. And it may be asserted, without scruple, that” if through the introduction of free trade “ten thousand hatters, shoemakers, printers, or chandlers, are thrown out of their ordinary employment, there is no *collateral manufacture of so familiar a nature that they can easily transfer*

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<sup>525</sup> Adam Smith quoted in Mathew Carey, *Essays on Political Economy*, 27.

<sup>526</sup> This concept has also been noted, with respect to Mathew Carey, in Kenneth Wyer Rowe, *Mathew Carey: A Study in American Economic Development*, (Baltimore: The John Hopkins Press, 1933), 75-76.

<sup>527</sup> This logic is implicit in Alexander J. Dallas, *Report on a General Tariff*. This can be seen as the first step on the path to extending infant-industry protection to perpetual protection.



*their industry from one to the other?*"<sup>528</sup> Indeed, although the capitalist can observe and predict changes in the economy and channel his capital funds into new capital goods accordingly, this "direction" as Ezra Seaman notes "may [only] be given to it before it is invested, but when once invested in agriculture, real estate of any kind, mills, factories, tools or machinery, it is invested forever, and can never be recalled."<sup>529</sup>

The American Protectionists observed that because capital is heterogeneous and thus lacks an ability to be easily transferred from one industry to other industry, the process of deindustrialization often results in the destruction of capital, as opposed to being freed up for use elsewhere in the economy. It was argued by the Protectionists that the Classicsals likened capital movements to a reticulation system diverting idle water to its ideal equilibrium point. In the words of Ezra Seaman:

The theory of Free Trade... involves the farther assumption that... capital be changed from one employment to another with as much facility as water runs down hill; that by a sort of instinct, natural or gravitating tendency, the moment the price of an article falls below its cost, both laborers and capital leave the employment by which it is produced, and it ceases to be produced until the price rises; and that these shifting laborers, and this floating capital, are moved on by some irresistible natural impulse, and rush into that species of employment whose products are above the assumed standard of cost.<sup>530</sup>

Friedrich List was more generous, admitting that the Classical School did in fact distinguish between "capital fixed and capital circulating."<sup>531</sup> That is capital goods, such as machinery and equipment, and liquid capital funds. He even noted that they acknowledged the difference between material, intellectual, and social capital. Yet, List explains that, while the Classical School acknowledged this fact, they remained silent during every instance wherever this distinction was relevant:

The [Classical] School ought, of course, when it speaks of capital, to indicate whether it intends material capital or material instruments of production, or intellectual capital, or capital arising from moral or physical power; whether this power be personal, or whether individuals find it in the civil and political condition of society. The omission of this distinction in cases where it ought to be made, cannot fail to lead to false conclusions, or to conceal the truth.<sup>532</sup>

Failure to distinguish between different types of capital and capital goods when it mattered, leads to a tendency in Classical thought to treat different capital goods as

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<sup>528</sup> Mathew Carey, *Essays on Political Economy*, 27-28, italics in original. Carey includes quotation marks in the original, which were only included for emphasis. These have been omitted to improve readability.

<sup>529</sup> Ezra Seaman, *Essays on the Progress of Nations*, 318.

<sup>530</sup> Ezra Seaman, *Essays on the Progress of Nations*, 317.

<sup>531</sup> Friedrich List, *National System of Political Economy*, 314.

<sup>532</sup> Friedrich List, *National System of Political Economy*, 307.

if they were identical. This undoubtedly explains why the American Protectionists (and later, members of the Austrian school) regarded the Classics as subscribing to a homogenous theory of capital. The French Liberal Jean-Baptiste Say did attempt to qualify the Classical view of capital homogeneity and liquidity by pointing out that, while capital goods themselves are not homogenous, they still function as if they are homogenous because the capitalist can always sell existing capital goods from one branch of industry and exchange it for capital goods in another branch of industry with relative ease.<sup>533</sup> Still, the American Protectionists considered this qualification to be far from satisfactory. List notes, for instance, that a nation cannot sell the entire stock of capital goods in a declining branch of industry, as simply as one individual leaving that branch of industry can:

[Jean-Baptiste Say] has blended individual with national capital. A manufacturer or a merchant may withdraw his capital from manufacturing industry or commerce by selling his manufactories or his ships to another, and by purchasing with the proceeds real estate; but a whole nation cannot perform such an operation without sacrificing a large portion of its material and intellectual capital.<sup>534</sup>

Say's qualification thus represents a fallacy of composition. What is true for the individual, in this case, cannot be true for the nation as a whole. Indeed, the American Protectionists recognized, as noted by Seaman, that "the owner of [capital] may exchange it for other property, yet... it is the owner only that is changed, and not the capital" itself.<sup>535</sup> It is not true, therefore, that specialization under free trade necessarily increases the stock of national capital and capital goods. In contrast, national capital can be laid to waste if an entire industry declines as a result of enacting free trade policies, since capital goods often lack the ability to be easily transferred between industries.

It is important to note that while the American Protectionists took for granted the view that innovation and technological change can render capital obsolete, this represents a very different situation to trade-induced obsolescence. Technological-induced obsolescence is inevitable, and they saw that the benefits derived from technological change more than compensates for the loss of existing capital. George B. Curtiss summarizes this view, noting that:

The general benefits and advantages of the new inventions, to the whole people, so outweighed the temporary and individual losses [of capital and employment] which [has] occurred, that nothing could stop or check the full play of inventive genius, and the progressive

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<sup>533</sup> See Jean Baptiste Say, *A Treatise on Political Economy*, New American ed., ed. C. R. Prinsep, trans. Clement C. Biddle, (Philadelphia: Lippincott, Grambo & Co, 1851), 350-351.

<sup>534</sup> Friedrich List, *National System of Political Economy*, 315.

<sup>535</sup> Ezra Seaman, *Essays on the Progress of Nations*, 318.

development of man's powers over the forces of nature went steadily on.<sup>536</sup>

Moreover, as will be shown in Section 8.3, productivity enhancing inventions tend to reduce the cost of capital goods over time, which would conceivably lead to a more than compensatory increase in the total stock of capital over time.

Finally, whereas the above mainly focuses on the destruction of capital through free trade and deindustrialization, the theory of heterogenous capital also represents a positive argument in favor of protection. The American Protectionists observed that there is often capital within the economy which remains dormant because it lacks the industry to stimulate it into effect. Alexander Everett explains, for instance, that:

Many persons of great discretion believe that there is in most, if not in all countries, at all times, what has been contemptuously called an *imaginary dormant capital*; in other words, that a certain portion of the capital and labor of almost every community, is at all times either unemployed, or not employed so as to yield the ordinary returns. A circumstance which renders practicable the introduction of a new branch of industry that did not exist before, by stimulating enterprise, has a tendency to bring this dormant capital into activity.... [Yet,] the *dormant capital* of the country is not so entirely *imaginary*, nor yet so completely insignificant, as some [free traders] have supposed. The whole amount of this dormant capital, whatever it may be, which is thus brought into action, may be regarded as a real addition to the previously existing capital of the country, resulting from the establishment of manufactures, and from the protecting policy which rendered that establishment practicable... The capital which is put in motion by the establishment of manufactures, is therefore not withdrawn from other employments, but is furnished by the increase that regularly takes place in every flourishing community. That this increase, if not taken up by manufactures, might be employed in some other way, is a mere baseless assumption.<sup>537</sup>

This represents an argument against the position put forth by free traders, and in the case, Albert Gallatin, who argued that the encouragement of manufacturing through protective tariffs would only serve to divert capital away from existing and more profitable pursuits, which, according to Gallatin, was agriculture. Since the American Protectionists conceived capital as being heterogenous, it stands to reason that the establishment of manufactures would more often tend to stimulate dormant

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<sup>536</sup> George B. Curtiss, *Protection and Prosperity*, 123.

<sup>537</sup> Alexander Everett, "Memorial of the New-York Convention to the Congress of the United States," reproduced in Hezekiah Niles, *Journal of the Proceedings of the Friends of Domestic Industry in General Convention at New York*, 138-140. It must be said, however, that Everett does not specify or provide examples of what this dormant capital may consist of.

capital that is presently unsuited to existing industries into effect, as opposed to diverting existing capital goods away from more profitable pursuits.<sup>538</sup> Indeed, protective tariffs, it must be remembered from Section 5.4, does not coerce capital into alternate channels of production, but merely widens the scope of activities and opportunities in which capital and labor can be employed.

## 7.7: Mental and Intellectual Capital

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.<sup>539</sup>

- Friedrich List

More than other schools of thought in the 19<sup>th</sup> century, the American Protectionists stressed the importance of what is known today as human capital, that is, the mental and intellectual capabilities of the individual.<sup>540</sup> Erastus B. Bigelow, for instance, recognizes that “the efficiency of labor, on whatever objects it is exercised, depends not only upon the natural power of the laborer, but also upon his training and general intelligence.”<sup>541</sup> This view contrasts particularly with the Ricardian variety of Classical economics which downgraded the importance of individual skill and talent, asserting that “the consideration of the comparative skill and intensity of labour required for [a] particular commodity needs scarcely to be attended to... [as it] continues nearly the same from one generation to another; or at least, that the variation is very inconsiderable from year to year.”<sup>542</sup> Indeed, this problematic tendency in Classical economics of treating labor as an abstract and homogenous unit, while ignoring the differences in the quality of labor, was well observed by Francis Bowen:

The great mistake of Ricardo and his followers, who have done so much to reduce Political Economy to a mere deductive science, all the

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<sup>538</sup> That said, Everett does admit that there may indeed be instances where capital is diverted from existing channels, explaining “this would doubtless sometimes happen. In the particular case of the United States, it is probably true that a part of the labor and capital now employed in manufactures would, if they had never existed, have been employed in clearing wild land, and in regard to this portion, the only question is, which of the two employments is the more conducive to the general good?” Alexander Everett, “Memorial of the New-York Convention”, 140. In fact, it might be added that since capitalists tend to seek out the most profitable channel, capital would only tend to be diverted if it can be more profitably employed in the new channel of industry, which renders Gallatin’s argument null and void anyway.

<sup>539</sup> Friedrich List, *Outlines of American Political Economy*, 20.

<sup>540</sup> Arno Mong Daastøll, “Friedrich List’s Heart, Will and Wit: Mental Capital as the Productive Force of Progress”, Unpublished Dr. rer. pol. Dissertation, Universität Erfurt, 2011, discusses this topic with reference to Friedrich List.

<sup>541</sup> Erastus B. Bigelow, *The Relations of Labor and Capital*, 479.

<sup>542</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 3 ed. (London: John Murray, 1821), 14. It seems that Ricardo made this assumption in order for his labor theory of value to constitute an invariable standard.

conclusions in which are obtained by abstract reasoning from a few arbitrarily assumed premises, is, that they generally treat of labor *in the abstract*, and make no allowance for these differences in the *quality* of the labor.<sup>543</sup>

The American Protectionists were thus highly critical of the Classical economist for ignoring the role of intellect and skill in production. Henry Carey argued, for instance, that “the English school of political economy treats Man as a *mere* machine” and “takes no account of him as being capable of intellectual and moral improvement. It looks for physical power in connection with ignorance and immorality, and the result is disappointment.”<sup>544</sup> This view is echoed by Stephen Colwell who explains that:

Many of the leading works upon Political Economy treat labor merely as a productive agent... [Yet] the nature of that power as the agency of a moral and intellectual being is but little considered. So far therefore as most of the propositions and reasonings of political economy go, they may be regarded as not distinguishing the labor of man from that of beasts, or that of machinery.<sup>545</sup>

For the American Protectionists, intellectual capital assumed an even greater importance than material capital. Peshine Smith observes that “Man’s office in the world is that of engineer; all his real power is mental.”<sup>546</sup> The relative importance which the American Protectionists placed on intellectual capital over material capital is perhaps best illustrated by Ezra Seaman who explains that:

Immaterial [or intellectual] capital is even more necessary than material capital, to the progress of individuals and communities in productive industry. It is true that a certain amount of material capital is necessary to make labor effective; yet intellectual capital, experience, and skill, are still more indispensably necessary; without which man labors to no purpose. If he live[s] in a country of great natural resources, and have an abundance of immaterial capital, no matter how destitute he may be at first of material capital, in a few years, by means of properly directed industry and frugality, he can accumulate sufficient products for a year's subsistence in advance, and sufficient capital to make his industry effective.<sup>547</sup>

Indeed, whilst the productivity of manual labor has its definite limits and is subject to diminishing returns, the productivity of intellectual capital was seen as

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<sup>543</sup> Francis Bowen, *American Political Economy*, (New York: Scribner, Armstrong & Co., 1877), 77, emphasis in original.

<sup>544</sup> Henry Charles Carey, *The Harmony of Interests*, (Philadelphia: J. S. Skinner, 1851), 210-211, emphasis in original.

<sup>545</sup> Stephen Colwell, *The Claims of Labor*, 32.

<sup>546</sup> Peshine Smith, *Manual of Political Economy*, 74.

<sup>547</sup> Ezra Seaman, *Essays on the Progress of Nations*, 134.

virtually limitless with a tendency to exhibit increasing returns. In the words of Calvin Colton:

A man's power of labor is limited; but his skill is unlimited. Skill is often a thousand times more productive than what is commonly called labor. But it is to be remembered, that, skill itself is the fruit of the labor of mind, or is the employment of mind, as muscular effort is labor of the body. But skill is capital.<sup>548</sup>

Referring to skill as capital was deliberate on the part of the American Protectionists and it signifies an underlying importance. Whereas modern socialist literature often depicts the term 'human capital' as condescending and dehumanizing to workers, the American Protectionists employed the term in a positive manner. The American Protectionists considered skilled and educated workers to be micro-capitalists of sorts. Since the decision to invest in one's education and training is the result of deliberate decision making, often requiring the worker to sacrifice a portion of his income and to forego other enjoyments, the process of intellectual capital accumulation is similar to how an industrialist accumulates capital through investing in new equipment.<sup>549</sup> It must also be added that this intellectual capital is owned by the laborer and is merely leased out to the capitalist for the contracted period. Skilled labor can therefore be viewed in a similar vein to an independent contractor. As Calvin Colton explains:

The relative position of the capital of labor and moneyed capital, is, not that the latter commands the former, but that the former commands the latter. Moneyed capital employs labor, because its owner has need of the service... Labor is the master here; it is the great capitalist... within his own skin, and deep down in his own soul, lies the capital, the productive power, with which he is to trade.<sup>550</sup>

As with their analysis of heterogeneous capital, the American Protectionists saw that trade policy had important implications for intellectual capital. Although most of the same rules applied, the implications tended to be greatly magnified with respect to intellectual capital. This is because the development of intellectual capital tends to take far longer to develop than material capital. This in itself provides a great justification for infant industry protection because it takes time for workers to develop the requisite skill to compete internationally. In the words of Ezra Seaman:

As a general rule, it requires several years of training and discipline of both body and mind, to fit persons for any nice mechanical or manufacturing employment, and make them skillful workmen. Great

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<sup>548</sup> Calvin Colton, "Labor and Capital," *The Junius Tracts*, no. 7, (1844), 2.

<sup>549</sup> Van Buren Denslow notes, for instance, "that 'capital' has been by some defined as the 'fruit of abstinence.'" *Principles of Economic Philosophy*, 210.

<sup>550</sup> Calvin Colton, "Labor and Capital," 7.

difficulty has, therefore, been experienced in every country, in introducing the mechanic arts and any new branch or modes of manufacture, and obtaining skillful workmen to carry them on successfully... [thus] the mechanic arts and manufactures have never flourished in any country, without the fostering care of the government.<sup>551</sup>

By implication, this also means that the loss of industry resulting from free trade results in a far greater loss of investment than simply the loss of machinery and tools, since the outlay involved in accumulating intellectual capital, often represents a far greater cost.

### **7.8: Land as Capital**

A safe basis may be found in certain fundamental propositions which are to be credited to the system of [the American Protectionists]. According to [this] doctrine land is a machine in functions and uses.<sup>552</sup>

- William Elder

As noted in Section 7.3, the traditional model of political economy holds that there exists three basic factors of production: labor, capital, and land. Not only did the American Protectionists differ from this view by their inclusion of nature, they also differed in that they did not consider land to be a separate factor of production. Rather, land instead represents a form of capital.<sup>553</sup> The origins of this concept can be traced to Hamilton's *Report on Manufactures*, and it represents a fairly consistent view held across the entire history of the School.

Starting at the beginning, Hamilton's treatment of land as a form of capital takes the form of a critique of Physiocracy. Reflecting the physiocratic bias towards agriculture and its disdain for manufacturing, it was asserted by the Physiocrats that manufacturing is inferior to agriculture because it fails to produce a "net product" that accrues to the proprietor of land, what is now considered today as rent.<sup>554</sup> In response to this claim, Hamilton contended that whilst manufacturing does not produce a source of income denoted as rent, the supposed issue is purely nominal in nature. In this case, the ordinary profit of the manufacturer captures what otherwise would have been called 'rent'. "The rent of the landlord and the profit of the farmer are therefore nothing more than the ordinary profits of two capitals belonging to two different persons", explains Hamilton. The problem is thus merely "verbal rather than

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<sup>551</sup> Ezra Seaman, *Essays on the Progress of Nations*, 135.

<sup>552</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 51.

<sup>553</sup> Lewis Haney, *History of Economic Thought*, 239, also notes that "the idea that land is but a form of capital [is] an idea characteristic of the 'American [Protectionist] School'."

<sup>554</sup> The Physiocrats termed this 'net product' or 'rent' as a "neat surplus." Peter Groenewegen, *Eighteenth-Century Economics: Turgot, Beccaria and Smith and Their Contemporaries*, (London: Routledge, 2002), 241.

substantial.”<sup>555</sup> In other words, land represents a form of capital which yields an income the same as any other form of capital. In this particular example, Hamilton’s remarkably simple observation is quite lucid, but it would be up to Hamilton’s successors to transform what many might consider a special case into a general principle.

As noted, the American Protectionists considered nature as a factor of production. Man and nature represent the two original factors, with capital goods coming about through Man’s transformation of nature into instruments. Land insofar as it is a productive factor adheres to the same principles, and thus represents a form of capital. As Robert Ellis Thompson explains, “a farm is like a ship. Nature gives us the materials out of which to make it, but it is labor which gives these their value in adapting them to human use.”<sup>556</sup> In other words, it is through the application of labor and capital that land, in the form of nature, is transformed into new capital. As William Elder explains:

The primary fact is that Land in the state of Nature... must be subdued in order to be brought into service [that is, transformed into capital]. Its forests must be felled, its swamps drained; its mould must be broken up, and the seeds of the required harvest must be sown; and the implements of clearing and culture must be provided.<sup>557</sup>

It can be seen how this conception of land as capital diverges significantly from the Classical tradition in its conclusions. Whereas the Classical economists, particularly David Ricardo, and later Georgists, likened landlords to parasites on society who receive an unearned income, or what became known as rent, based solely on what Ricardo labels as “the original and indestructible powers of the soil”, the American Protectionist saw that landlords were indeed a productive class since they were responsible for transforming land into productive capital and were responsible for maintaining the productiveness of that capital.<sup>558</sup>

Indeed, in response to Ricardo, Henry Carey poses the question: “What are indestructible powers? The most fertile soil, if not renewed, will have its powers destroyed.”<sup>559</sup> The implication being that through the ‘law of the endless circulation of matter and energy’, elements and nutrients are necessarily lost in the process of

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<sup>555</sup> Alexander Hamilton, *Report on Manufactures*, 5; This position is echoed by Daniel Raymond, who notes that “some writers... have taken great pains to establish a distinction in principle, between rent paid for the use of land and the price paid for the use of commodities or personal property... when in fact no such distinction exists, except in name.” *Elements of Political Economy*, Vol. 1, 184.

<sup>556</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 19; William D. Wilson also notes that “doubtless land is a force [of nature]... But it is also a “tool,” an implement, or a machine by which man is able to unite these elements into the forms in which they serve him for food... and nameless other purposes.” *First Principles of Political Economy*, 90-91.

<sup>557</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 28.

<sup>558</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 53.

<sup>559</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 1, (Philadelphia: Carey, Lea, & Blanchard, 1837), 189.



cropping and cultivation which lowers the productive power, and, in this case, the fertility of land. This process can thus be likened to the wear and tear of capital goods. Just as capital goods require repair and maintenance, so too does land through the application of fertilizer and organic waste (reintroducing lost nutrients), rotational cropping, clearance of regrowth, and so forth. In relation to the loss of fertility, Peshine Smith illustrates how land functions as a form of capital:

[Land] is a great machine, differing from others in the circumstance that it is immovable. But, like other machines, whatsoever of its force is due to the past operation of natural agents [in this case, nutrients] having been gratuitously produced, must be gratuitously parted with [as it is expended through production] ... Such is that accumulation of organic and inorganic matter, which constitutes its fertility, and gives it what Ricardo calls its original and indestructible powers.<sup>560</sup>

In this case, landlords, operating not unlike capitalists, must replenish the soil of elements and nutrients as it is exhausted in order for it to remain productive, and thus landlords adhere to the same principles as any other capitalist maintaining a piece of machinery. This principle, of course, encompasses all improvements and maintenance to land. The American Protectionist thus avoided the Ricardian trap of equating the productivity of land with fertility. The productivity of land more generally was the result of investment.<sup>561</sup>

This treatment of land as capital has important philosophical implications and underscores the American Protectionists' commitment to the Lockean theory of property rights. Since land, as a productive resource, comes into existence through the application of labor and capital, it necessarily follows that the person responsible for bringing about such improvements should have an exclusive natural right to the land. It is for this reason that the American Protectionists rejected the Ricardian-Georgist-Millian proposal of taxing away land rent. This rejection can be seen in the following passage by William Elder:

Is [the] English theory of political economy, like that of the French [communist] Proudhon, based upon the axiom, "Property is robbery?"... [Ricardo, George, Mill, etc.] put land upon a different economic basis from all other machinery of industrial production... If that property [land], though it be in fact like any other property, wholly due to labor and capital applied to its creation, is based upon a different right, or no right at all, the theory is answerable for the result [that] it is no man's land. Every occupant is an usurper; but curiously enough,

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<sup>560</sup> Peshine Smith, *Manual of Political Economy*, 102.

<sup>561</sup> It seems that this treatment of land as capital may have had some influence on Neoclassical thought. John Bates Clark, for instance, also tends to treat land as capital, albeit differently to the American Protectionists, see John F. Henry, *John Bates Clark*, 75.

not of the rights of other people, for nobody has any right to any portion of it... [Their view] is invented to support... the principle of depriving landlords of the power of raising rent; the principle, therefore, of imposing on the State the obligation of saying what a *fair rent* is... I [say] these people reason in a circle.<sup>562</sup>

Indeed, a similar view is also expressed by George B. Dixwell in his critique of Henry George. “It is *assumed*”, writes Dixwell, “that the value of land of these United States is the product of nature; but nearly all of it is the product of capital slowly acquired by self-denial.” If it were not, continues Dixwell, “for this antecedent labor and thrift no piece of ground would command any rent. The whole value then would seem to belong to those who are here”, that is, those who own it.<sup>563</sup> In other words, since all forms of property, including productive land, is the product of Man’s transformation of nature, the only internally consistent position is that property rights must either extend to land ownership, or it does not extend to anything at all. It is for this reason, among others, that Van Buren Denslow declared that “Karl Marx begins with Ricardo, and ends with thuggism.”<sup>564</sup>

## 7.9: Linkages

The industries of a nation are interconnected... One is an aid to the other. The home manufacture of iron and steel fosters the growth of all related industries. Their development is not only of direct benefit in finding employment for capital and labor, but it indirectly results in finding employment for capital and labor in other industries.<sup>565</sup>

- A. B. Stone

The concept of economic linkages between different industries emerged within mainstream development economics in the period immediately following World War II. Yet, this notion was already a feature of American Protectionist thought since at least the early 19<sup>th</sup> century, and by the second half of the 19<sup>th</sup> century, the American Protectionists refined this notion into a sophisticated theory of linkages. Linkages represent the connection between different firms or industries involving purchases,

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<sup>562</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 50-51, emphasis in original.

<sup>563</sup> George B. Dixwell, *Progress and Poverty*, 41, emphasis in original.

<sup>564</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 91. The other reason relates to Marx’s adoption of the Ricardian labor theory of value.

<sup>565</sup> A. B. Stone, ‘How Protection Protects’, in *Proceedings of the Convention of Iron and Steel Manufacturers and Iron Ore Producers, at Pittsburgh, Tuesday, May 6, 1879*, (Philadelphia: The American Iron and Steel Association, 1879) 26. No biographical sketch has been presented in the Appendix for A. B. Stone. The only information available on Stone is that he was at one point President of the Ohio based Society for Protection of American Industry. This information found in the circular: A. B. Stone, *Protection to American Industry: Opinions of Many Prominent Men*, (Cleveland: Society for the Protection of American Industry, 1865), 2. Other than this small circular, the work quoted above appears to be the lone work written by Stone on the subject. He was also, at one point, on the executive for the American Iron and Steel Association, see American Iron and Steel Association’s Secretary’s Report [p. 24], Box 230, Folder 3, AISIR, HML, Wilmington, DE.

particularly with respect to inputs. As early as 1810, Tench Coxe clearly acknowledges the significance of industrial and agricultural linkages, explaining that:

The manufacturing [firm] uses... the productions of the earth, [and] occasion a regular and extensive sale and consumption of them, in places, where there would otherwise be no market. Agriculture and the landed interest are materially benefitted [through manufactures], and the country prospers by [the] convenient internal exchanges and operations. <sup>566</sup>

The implication is that the expansion of a particular industry will have the tendency to expand connected industries. In the case of a protective tariff, the implication is that even non-protected sectors, such as export orientated industries, will have a tendency to benefit from protective legislation. This understanding is clearly demonstrated by Ellis H. Roberts:

[Free traders] assume that all industries not included directly, and by name, in the imposts, do not secure protection through the tariff... [But] the effect of a given duty is to stimulate production in all its [connected] branches, to protect industry in every one of its phases. When you seek to raise a chain of which the links are all connected, and to raise it for a considerable height, you need not fasten your hook to every link. If you grip closely a single link, you lift the whole chain as far as that link is raised. <sup>567</sup>

The description above is what modern development economists would refer to as ‘cumulative causation’. This refers to the tendency for industrial development to act in a mutually reinforcing manner, whereby growth in one industry will tend to produce growth in connected or linked industries. In this case, the development of a particular industry, or link, as Roberts explains, will increase the demand for products produced by other industries along the chain of production to an increasing extent. It is this concept of linkages which underscores what the American Protectionists considered as ‘the harmony of interests’ between different sectors of the economy. With this concept of linkages in mind, Daniel Webster explains that all “great interests of the country are united and inseparable... [and] will prosper together, or languish together.”<sup>568</sup> Indeed, it is precisely because different “employments are”, as Rufus Choate writes, “so interwoven with all the nerves of business,” that what affects one tends to affect all.<sup>569</sup> Henry Carey, however, provides one of the most detailed

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<sup>566</sup> Tench Coxe, *A Statement of the Arts and Manufactures of the United States for the Year 1810* (Philadelphia: A. Cornman, 1814), iix.

<sup>567</sup> Ellis H. Roberts, *Government Revenue*, 260-261.

<sup>568</sup> Daniel Webster, “The Tariff,” [April 1 and 2, 1824] In *The Works of Daniel Webster*, Vol. 3, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1881), 96.

<sup>569</sup> Rufus Choate, *Speech Upon the Subject of Protecting American Labor by Duties on Imports*, [Originally delivered in the United States Senate, April 12 and 15, 1844] (Washington: Gales and Seaton, 1844), 43.

expositions in his work entitled *The Harmony of Interests*:

It is not so much that coal needs protection for itself—or that iron or cotton need it for themselves—but that each needs it for the other. The producer of coal suffers because the furnace is closed, and the producer of iron suffers because the factories are no longer built, and the maker of cloth suffers because labour is everywhere being wasted, and the power to buy cloth is diminished. The harmony of interests — agricultural and manufacturing — is as perfect as is that of the movements of a watch, and no one can suffer without producing injury among all around. The grower of cotton suffers when the operatives in cotton factories and the workers in mines and furnaces are unemployed, and the latter suffer when adverse circumstances diminish the return to the labour of the farmer and planter.<sup>570</sup>

As Carey notes, the presence of linkages, by implication, also means that the stagnation or decline of a particular industry will have the effect dragging down those connected with it. In any event, this emphasis placed on the interconnectedness of different industries led the American Protectionist to stress the importance of having a balanced and diversified economy, with Daniel Raymond explaining that it is “manifest, that in a national point of view, [agriculture, manufactures, and commerce], are but parts of one great system, each of them essential to the other.”<sup>571</sup>

### **7.10: Summary**

This chapter establishes the key theoretical foundations of American Protectionist thought. The first foundation relates to the law of the endless circulation of matter and force. This holds that all economic activity cannot create matter or energy, it only involves its transformation from one state to another. Although this is a relatively simple observation, it has important implications for the theories of the American Protectionists, particularly, though not exclusively, those concerning growth and development, discussed in Chapter 9. One of the other more profound foundations of American Protectionist thought is the law of the individuality of man. This law runs counter to the assumption held by virtually all other schools of economic thought, that individuals are homogenous and uniform factors of production. In contrast, American Protectionist thought posits that individual differences, both natural and nurtural, are a defining characteristic of Man. It is also because of these innate differences, the American Protectionists argued, that individuals sought out different modes of employment, and this represented one of the pillars which gives rise to the division of labor. The other pillar giving rise to the division of labor was invention, which led to the multiplication of employments and pursuits within the economy, allowing such a

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<sup>570</sup> Henry Charles Carey, *The Harmony of Interests*, 49

<sup>571</sup> Daniel Raymond, *The Elements of Political Economy*, Vol. 1, 205.

division to take place.

The next four foundations relate to the factors of production in the American Protectionist system. The American Protectionists posited that economic activity involves four factors of production. These factors being labor, nature, capital and enterprise. The inclusion of land as a form of capital, and nature as a separate factor of production represents a characteristic distinct to the School and constitutes two of the foundations of American Protectionist thought.

In a similar vein to the American Protectionist's emphasis upon the individuality of Man, the American Protectionists also stressed the heterogeneity of capital goods. Because of this heterogeneity, the American Protectionists argued that capital goods often cannot move between industries with anywhere near the ease assumed by the Classical economists. This means that industry destroying free trade, often results in the destruction of capital, instead of it being freed up for other sectors of the economy. This theory of heterogeneous capital represents another key foundation of American Protectionist thought. Building further upon their conception of capital, as well as the view of qualitative differences among individuals, the American Protectionists also emphasized the importance of intellectual and mental capital, that is, the intellectual capabilities of individuals. This also represents a foundation which distinguishes American Protectionist thought from the more abstract approach of Classical economics, particularly the Ricardian version, which simply treats a unit of labor as homogeneous. Finally, the American Protectionists also developed a theory of linkages, which emphasizes the inter-connectedness of different industries and sectors of the economy. This theory of linkages also led them to conclude that industrial development tends to proceed in mutually reinforcing manner. This would also go on to inform their theory of the business cycle (discussed in Chapter 12) as well as their home-market argument (discussed in Section 13.5), among other aspects of their thought. Now that these foundations have been established, this study can proceed with a more direct discussion of the system of economic laws developed by the American Protectionists. The first of these discussions will concern their theory of value, which will be the focus of the next chapter.

## Chapter 8: Theory of Value

### 8.1: Introduction

This chapter examines the value or price theory of the American Protectionists. Reflecting their emphasis placed upon productive powers, the American Protectionists developed a distinct value tradition predicated upon productivity growth. This represents a sharp departure from the prevailing Classical value theories of the time, and can be especially juxtaposed to the variant stemming from David Ricardo. With this in mind, it is perhaps useful to provide a brief discussion of the Classical context in which the value theory of the American Protectionists emerged. This is the focus of Section 8.2. The main section of this chapter, Section 8.3, provides an account of the American Protectionists' theory of value. Although there were exceptions, most American Protectionists subscribed to Henry Carey's reproduction cost theory of value.<sup>572</sup>

The scholarly treatment of the reproduction cost theory of value has been particularly egregious, with most studies simply dismissing it as a fallacious cost of production theory.<sup>573</sup> It is, of course, true that the American Protectionists saw reproduction costs as the primary regulator of value, and one which exerts a dominant influence on price over the long-run. But, as will be shown, their theory very clearly incorporates utility, and, in spite of its name, can more accurately be described as a utility-productivity theory of value.<sup>574</sup> The chapter will then proceed to Section 8.4, which involves a discussion of the pricing of land. As has been shown, in Section 7.3, the American Protectionists rejected the Ricardian notion that the value of land was due to the 'original and indestructible powers' of the soil. This section builds upon this earlier analysis by articulating what the American Protectionists saw as the real cause giving rise to the price of land. This theory of land pricing is, of course, congruent with the reproduction cost theory of value, but it would represent a special case due to the peculiar characteristics of land. The chapter concludes with a summary.

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<sup>572</sup> It is important to qualify this statement. Of course, this does not apply to those writers who predate Carey; most of whom did not have a theory of value, or well developed theory of value. Further, many post-Carey writers did not enunciate a theory of value, and it is therefore impossible to know whether or not they subscribed to the reproduction cost theory of value. Notable exceptions, who were clearly aware of the theory, but did not follow it, include Ezra Seaman, Willard Phillips, and Jacob Harris Patton, who subscribed to some version of a supply-and-demand theory of value.

<sup>573</sup> The account of Rodney J. Morrison is representative of the scholarly literature, explaining that "without the concept of subjective utility and a consideration for demand, he [Carey and by extension, his school] was bound to fail in his attempt to explain value" and "Henry Carey... suffered from his reliance on a labor theory of value." *Henry C. Carey and American Economic Development*, 16, 44.

<sup>574</sup> This incorporation of utility should not come as a surprise, as Henry Carey had read J. B. Say, as evidenced by Carey's first work, *Essay on the Rate of Wages* (Philadelphia: Carey, Lea, & Blanchard, 1835, various pages) citing Say; not to mention that the writings of other French Liberals were also popular in the United States at the time. They were, in fact, more popular than the English writers. These French writers adhered to a utility and subjective preference theory of value. Earlier American Protectionists, such as Daniel Raymond, (In *Elements of Political Economy*, Vol. 1, 58-59) also conceived of value in terms of utility, albeit in a rather undeveloped form. It seems that this utility approach was combined with the American Protectionist theory of productive powers to arrive at this utility-productivity theory of value. It should be noted, however, that there is no indication that the American Protectionists viewed utility in marginal terms.

## 8.2: American Protectionist Value Theory in the Classical Context

When trying to understand the way in which the American Protectionists approached value theory, it is important to consider the context in which they were writing. Generally speaking, from the writings of Adam Smith (1776) until the Marginal Revolution (circa 1870s), value theory was, for the most part, predicated on cost of production.<sup>575</sup> Chief among these cost of production theories was David Ricardo's labor theory of value, which was later picked up by Marx.<sup>576</sup> In this Ricardian tradition, value was determined by the amount of labor embodied in a commodity, or as Ricardo puts it, "the value of a commodity, or the quantity of any other commodity for which it will exchange, depends on the relative quantity of labour which is necessary for its production."<sup>577</sup>

In positing this theory, a paramount concern for Ricardo was the need for an "invariable standard measure of value."<sup>578</sup> This invariable standard would be represented by Ricardo's concept of embodied labor. In order for Ricardo to make this work, all production activity was assumed to adhere to laws of constant returns to scale, which, in a labor theory of value, is another way of saying that production adheres to laws of constant value.<sup>579</sup> In other words, a unit of labor or labor time will always produce an equal amount of output, and adding additional laborers to production will always and only produce a proportional increase in output. Moreover, since value is determined by the amount of embodied labor, the amount of value bestowed upon a commodity will remain constant.<sup>580</sup> This can be seen in the following passage from Ricardo's *Principles of Political Economy and Taxation*:

The scale, when once formed, is liable to little variation... In comparing therefore the value of the same commodity, at different periods of time, the consideration of the comparative skill and intensity of labour, required for that particular commodity, needs scarcely to be attended to, as it operates equally at both periods.<sup>581</sup>

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<sup>575</sup> Of course, theories of value predicated on cost predate the writings of Adam Smith, but this is outside the purview of this study. In the post-Smith/ pre-Marginal period, there were also exceptions to this rule (e.g., the French Liberal School).

<sup>576</sup> For this reason, the American Protectionists considered David Ricardo the father of communism.

<sup>577</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 1.

<sup>578</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 42.

<sup>579</sup> While it is true that Adam Smith wrote extensively in *The Wealth of Nations* on how the division of labor generates increasing returns to scale, subsequent economists within the Classical School, such as Malthus, Ricardo, and McCulloch, eliminated increasing returns from the study of production and value theory. See, for instance, Thomas Sowell, *On Classical Economics*, 2006, 48-50; Giancarlo de Vivo, "Malthus's Theory of the Constant Value of Labor", *Contributions to Political Economy*, 31, no. 1 (2012). Marx, who adopted Ricardo's labor theory of value, did assume increasing returns, but this postdates the reintroduction of increasing returns through the reproduction cost theory of the American Protectionists. Whether or not Marx could reconcile increasing returns with an invariable standard of value is not a concern of this study.

<sup>580</sup> Assuming that agricultural land is of the equivalent fertility.

<sup>581</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 13-14. It should be pointed out that Ricardo ultimately assumed diminishing returns as the general state of economic affairs in the long run. This was due, however, to the presence of diminishing marginal returns, specifically in agricultural industries, which Ricardo attributed to the declining availability of fertile agricultural land. Each parcel of land, to be sure, experienced constant returns to scale due to what Ricardo termed the 'original and indestructible powers' of the soil, but as

Thus, in order for Ricardo to maintain embodied labor as an invariable standard, this meant assuming away concepts which were foundational to American Protectionist thought (including those discussed in Chapter 7). Indeed, in order for embodied labor to retain a constant value, Ricardo upheld Smith's assumption that all laborers are uniform and homogeneous units, which is in stark contrast to the American Protectionist's emphasis on individual differences. Moreover, the importance of intellectual capital, technology, and productivity was also done away with in pursuit of the elusive invariable standard. The reproduction cost theory of value of the American Protectionists can thus be viewed in this context and as a reaction to Ricardo's assumption of constant returns.<sup>582</sup> The American Protectionists sought to supplant Ricardo's static theory with a value theory predicated on dynamic changes in production, which emphasized rising productivity and increasing returns to scale.

### 8.3: The Reproduction Cost Theory of Value

One of Henry Carey's crowning achievements was the creation of the reproduction cost theory of value, which would become a mainstay of American Protectionist thought.<sup>583</sup> Whilst this theory has often been mistakenly dismissed as a clumsy modification of the Ricardian labor theory of value, the truth is far from the case.<sup>584</sup> Carey's theory can be more properly seen as a utility-productivity theory of value, and a rejection of the Ricardian (and later Marxian) labor theory of value. For one thing, the American Protectionists denounced the Ricardian notion of an invariable standard and the idea that commodities maintain a constant value. The tendency, according to the American

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more land came under cultivation, farmers were increasingly forced to bring new and less fertile land under cultivation. In other words, production for a given input, in this case land, will adhere to constant returns, with superior land experiencing high but constant returns, and inferior land experiencing low but constant returns. Diminishing returns will be the long-run equilibrium due to production progressing ever more to less fertile land, but production will necessarily be constant for a given input, and since labor is homogenous, Ricardo maintained the assumption of constant returns within the realm of value.

<sup>582</sup> Prior to the introduction of Carey's reproduction cost theory of value, earlier Protectionists engaged in critiques of the Ricardian labor theory of value on this basis, but never developed a positive doctrine to supplant it. Daniel Raymond explains, for instance, that "a permanent standard of value is in the nature of things an impossibility, nay, a palpable absurdity." *The Elements of Political Economy*, Vol. 1, 56.

<sup>583</sup> Some American Protectionists would also modify the reproduction cost theory of value. William Dexter Wilson, for instance, used an average reproduction cost theory of value, explaining that "we need a further modification. The cost of reproduction will vary with time and circumstances... [It is] not, therefore, the cost of reproduction merely, but the average cost of reproduction is the measure of exchangeable value." *First Principles of Political Economy*, 39. According to Wilson, prices will approximate the average cost of reproduction, since the most efficient producers in the industry will typically seek an extra margin of profits by keeping prices at the average cost of reproduction, as opposed to lowering them to their lower cost of reproduction. In this case, when the industry in general achieves this lower cost of reproduction, prices will fall to this lower level. Another modification was also made by George M. Steele. Although in some ways implicit in the other writers, Steele states explicitly that resistance, which as will be shown underpins reproduction costs, not only comes in the form of exertion, but also abstinence. Steele thus explains that what is "require[d] to reproduce or replace an article, which determines its value", but "we thus arrive at a modified form of our statement on value; namely that it is estimated by the amount of sacrifice involved in the production of a commodity; and that sacrifice is of two kinds – exertion and abstinence." *Rudimentary Economics for Schools and Colleges*, 2-3, emphasis in original.

<sup>584</sup> This has been the standard assessment of the reproduction cost theory of value. That said, Murray Rothbard's *Classical Economics*, 449, mounts a similar criticism of the secondary literature's treatment of the reproduction cost theory of value, which is noted in his discussion of Francesco Farrara. Rothbard seems completely unaware, however, that this theory did not originate with Farrara, but was adopted from Henry Carey. Farrara admits this, explaining that "Carey... introduced a formula... that I believe [is] destined to be universally adopted... Carey has remarked with great sagacity, that this law is the... *the cost of reproduction* - an idea that is, as I think, most felicitous. It appears to me that there cannot arise a case... in which this law will not be found to apply." Francesco Farrara quoted in Henry Charles Carey, *Principles of Social Science*, Vol. 1, iv.



Protectionists, is for prices to fall as productivity increases and this reduction in price is inclusive of pre-existing goods. There is thus no fixed and invariable standard underlying value, as assumed by Ricardo and Marx, since, according to the American Protectionists, cost or value tends to diminish over time.<sup>585</sup> Furthermore, the reproduction cost theory of value is not strictly a labor theory of value, or even a purely cost of production theory of value for that matter. The American Protectionists did not equate reproduction costs strictly with labor costs. More precisely, the reproduction cost theory of value considers all elements under Man's command, whether this is his own manual labor, labor-saving machinery, intellectual capital, harnessed services of nature, and so forth.<sup>586</sup> As Robert Ellis Thompson explains:

The price of a thing being fixed by the cost of its reproduction, *every improvement in the methods of production* lowers the price of what has been already produced.<sup>587</sup>

The central idea behind the reproduction cost theory of value is relatively simple. As the cost of reproducing a good becomes less through improvements in productivity, the value of the commodity will decline. In the words of Henry Carey:

Value is measured by the resistance to be overcome in obtaining the service of things required for human use. It is the cost of re-production. As the value of commodities declines, the worth of man advances. In advancing communities, the cost of reproduction constantly diminishes, and in the ratio of such advancement.<sup>588</sup>

This decline in reproduction costs also means that the price of pre-existing goods will also tend to fall. Indeed, "if we can reproduce or replace them with less outlay of labor than when they were made", explains Robert Ellis Thompson, "we will not pay more for them than they would now cost." Thus, "the price of anything, therefore, is not the cost of making it, but the cost of replacing it, or making another like it."<sup>589</sup>

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<sup>585</sup> Henry Carey himself never explicitly rejects the notion of an invariable natural standard with respect to price, but it can be safely concluded that Carey believed this. Robert Ellis Thompson also notes, for instance, how "against the English school generally, [Henry Carey] showed that... there is no natural or necessary rate of wages." This statement, in conjunction with the theory discussed in this section strongly implies that there is no natural standard of value. See, Robert Ellis Thompson "Carey, Henry Charles," 722.

<sup>586</sup> Whilst it is true that the American Protectionists did equate reproduction costs with labor in certain instances, the American Protectionists viewed labor in very broad terms. William Elder, in replying to the view, that "The effect of labor-cost in creating worth or exchange value cannot be universal", remarks that "You are thinking of instances of genius and natural endowments; as they diminish the costs of acquirement by lessening the time and effort required to develop their availableness... Nature works for us in the progressive improvements of her times and seasons, just as she does in the forces of the mechanical powers, *her* labor-cost in production, issuing in readymade values to us." *Conversations on the Principal Subject of Political Economy*, 102. Intellectual capital was seen as a particularly powerful diminisher of value. Robert Ellis Thompson explains that "with the progress of intelligence, and the growth of numbers, man acquires the power over nature we call *wealth*, while the *values* of the things we desire fall." *Political Economy for High Schools and Academies*, 14. In addition, William D. Wilson notes "exchangeable value of any commodity is equal to the average cost of its reproduction" and that "this cost will consist of labor and capital." *First Principles of Political Economy*, 38.

<sup>587</sup> Robert Ellis Thompson, *Elements of Political Economy*, 139, emphasis in original. Whilst certain passages can read like a labor theory of value, William Elder explains that "value is wholly due to labor, in the comprehensive meaning of the word." This, in other words, is referring to Man and all the elements under his command.

<sup>588</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 148-149

<sup>589</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 13.

Whilst the value theory of the American Protectionists rejects the notion of natural price, or an invariable standard, they did conceive of reproduction cost in terms of both abstract and market value. In the abstract sense, the value of production diminishes as the resistance to producing a good or service is overcome through advancements in productivity. That is to say, that the cost of reproduction, in terms of Man's effort, even in the absence of a market with exchangeable values, will tend to diminish as he becomes more proficient at producing the good which he desires. As a frame of reference, value is thus measured, and subsequently diminishes, relative to Man.<sup>590</sup> Market value is an extension of this process, with real market prices approximating the diminution in reproduction costs.<sup>591</sup> Thus, for all practical purposes, a declining reproduction cost leads to lower real prices on the market over the long run. The reproduction cost theory of value is thus a productivity theory of value.

With that said, it is important to note that whilst this theory of value rests primarily on production or the resistance imposed by nature, utility also represents an important element of the theory. In order for a product to have value, it must first have utility, that is, a use or reason for Man to desire it. Having utility does not automatically bestow a commodity with value, unless there is resistance to be overcome in obtaining the commodity. Robert Ellis Thompson, for instance, explains that:

Value is the measure of nature's power over man,—of the resistance that she offers to his efforts to master her. Some of the natural substances are to be had everywhere, always and in the form needed for man's consumption. These have no value, though the very highest utility. Others, such as the water for the supply of a great city, need to be changed in place, and have a value proportional to the cost of their transfer. Others need to be changed in form by manufacture as well as changed in place before their use, and have a still higher value. In other instances the resistance takes the form of scarcity, and is therefore in some degree insuperable, and the degree of the value is still higher.<sup>592</sup>

Value thus represents an intersection between resistance and utility.<sup>593</sup> If a good has utility, but there is no resistance to be overcome or no cost involved in acquiring

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<sup>590</sup> This is not to say, however, that Man's effort is the cause of value, only that it is a measure of value in the abstract sense. If the cost of reproducing commodities declines, then the value of commodities will decline relative to Man. William Elder explains, for instance that "if there be any doubt that labor is the cause of all values, there can be none that it is their measure." *Conversations on the Principal Subjects of Political Economy*, 103.

<sup>591</sup> This difference between resistance in the abstract and market values is due to the element of estimation and comparison in the market system, thus the two cannot be seen as perfectly equating each other.

<sup>592</sup> Robert Ellis Thompson, *Elements of Political Economy*, 41.

<sup>593</sup> This point is well expressed by Peshine Smith who states that "Utility [is] the capacity a thing has to satisfy a man's wants and desires —[it] is something more than Value, which is the sum of the obstacles to its attainment. The difference between them—between the gross amount of service, in the satisfaction of wants, that the possession of a thing will bestow, and the gross amount of labour which must be undertaken to secure it—is the sum of the effects — produced by the gratuitous operation of the forces of Nature. Men differ in their estimate of the utility of objects, which is the same thing as to say that they differ in their tastes and their judgment. In proportion as this

the good, then the good is valueless.<sup>594</sup> Conversely, if the good has no utility, but there is resistance to be overcome to obtain the good, it is equally valueless. Thus, “to be valuable”, explains Robert Ellis Thompson, “a thing must be wanted for use, or for ornament, or as a curiosity, and also must be something we cannot get without an effort.”<sup>595</sup> Unlike the Ricardians, the American Protectionists were therefore completely aware of the role of utility in the determination of value. Reproduction costs simply attracted a greater degree of emphasis than utility in the value tradition of the American Protectionists because they saw that reproduction costs would exert a greater influence on value in the long run. This is attributed to the lessening of the resistance to acquiring something desired through improvements in technology and productivity. Indeed, the American Protectionists are clear that in scenarios where goods cannot be reproduced, value is determined exclusively by utility. As Henry Carey explains:

It may be asked, why should a very rare copy of an ancient work sell for many times its original price? Value is limited to the cost of reproduction; and where an object cannot be reproduced, its value has no limit but the fancy of those who desire to possess it.<sup>596</sup>

Although changes on the reproduction side are emphasized by the American Protectionists, it is important to note that the American Protectionists did not view utility as unchanging. Whereas economic development leads to a lessening of resistance, that is, a declining cost of reproduction, it produces the opposite effect with respect to utility. By stimulating the development of human intellect, economic progress multiplies the uses, that is, the utility of instruments and earthly substances, often giving utility to things which formerly possessed none.<sup>597</sup> Carey thus explains that “the capability of [something] being useful to man exists... but, in order that it may have utility, man must have the power required for overcoming the resisting force of nature.”<sup>598</sup> In explaining this, William Elder notes that certain “raw material rises in value as it is made more useful by labor; but commodities of every kind decline in cost as they are made more readily to decline in resistance... The machine costs more as it is the more efficient [i.e., has a higher utility due to its efficiency], [but] its product

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estimate is high, the demand for a commodity is urgent. In proportion as the obstacles to its production are reduced, that is, in proportion to the number and force of the natural agents, which are made to co-operate with, and to supersede muscular action, its value is diminished.” *Manual of Political Economy*, 70.

<sup>594</sup> In the case of free services provided by nature, William D. Wilson notes that “the fundamental fact is, that these forces are *gratuitous*, they have no exchangeable value, they cost nothing; and the only cost in using them is the labor of making the tools, machinery and other apparatus necessary for their utilization and use.” *First Principles of Political Economy*, 80.

<sup>595</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 8.

<sup>596</sup> Henry Charles Carey, *Manual of Social Science*, 88.

<sup>597</sup> This view was also intimated earlier by Alexander Hamilton, who explains that industrial development “creates a demand for such as were either unknown or produced in inconsiderable quantities. The bowels as well as the surface of the earth are ransacked for articles which were before neglected. Animals, plants and minerals acquire a utility and value, which were before unexplored.” *The Report on Manufactures*, 13.

<sup>598</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 178. This idea was also intimately connected with the concept of individuality, since as individuality is maximized, so are the uses of different things.

costs... less as its capability enhances.”<sup>599</sup> Economic progress is thus marked by declining resistance or reproduction costs, on the one hand, and an increase in potential use, or utility, on the other. In relation to prices on the market, this means that existing commodities will tend to experience declining reproduction costs, whilst at the same time, new commodities will tend to emerge which command a high price. Price determination is thus marked by the process of new uses giving rise to higher prices, yet new processes of production will constantly press down upon price as reproduction costs diminish.<sup>600</sup>

Markets are seen as playing an important role in the determination of value, for they tended to synchronize final price with the cost of reproduction. This synchronization comes about because consumers are constantly comparing the relative sacrifice, or the cost which they otherwise would have to incur, in reproducing a similar good themselves versus producing a different commodity, which they could then trade for the commodity in question. In doing so, the estimated resistance to be overcome, if they were to produce the good themselves, rounds out final value. As Henry Carey explains:

[The] idea of comparison [is] inseparably connected with that of value... [Value] is *simply our estimate of the resistance to be overcome before we enter upon the possession of the thing desired.*<sup>601</sup>

The relative resistance to be overcome in reproducing a commodity is, therefore, an important element in the determination of exchange and relative value between commodities. Individuals will estimate and compare their own estimated cost of reproducing different commodities to that of other producers on the market. It then follows that individuals will typically seek to specialize in producing the commodity which they are relatively more efficient at producing and will then trade these commodities for commodities which would incur a higher cost if they were to reproduce it themselves. If the general reproduction cost is high in terms of absolute sacrifice or resistance to be overcome, this will confer a high price on the market, since individuals are prepared to pay the high price as compensation for the resistance they would face if they were to make it themselves.<sup>602</sup>

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<sup>599</sup> Willaim Elder, *Conversations on the Principal Subjects of Political Economy*, 58.

<sup>600</sup> American Protectionists were reluctant to admit, however, that prices could go up when new uses are found for existing commodities. When new uses are found, the tendency is to cancel out or lessen the fall in reproduction costs. Robert Ellis Thompson notes, for instance, that “if new uses are found for the article, and a greater demand is thus created, its value may remain much the same, or the fall in its value may be much less than the increase.” *Political Economy for High Schools*, 12-13. In fact, reflecting their emphasis on increasing returns, John L. Hayes implies that the emergence of new uses will have a tendency to produce an even greater fall in reproduction costs as it allows the scale of production to expand, explaining that “manufactured commodities are invariably cheapened... as the home demand for them enlarges... This demand justifies production on vast scale, diminishing [reproduction costs] to the lowest point.” “Customs Duties on the Necessaries of Life and Their Relations to the National Industry,” *Bulletin of the National Association of Wool Manufactures*, 14, no. 2 (1884), 117. As will be shown in Section 8.4, the exception to this tendency relates to the value of land.

<sup>601</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 148, emphasis in original.

<sup>602</sup> Henry Charles Carey, *Manual of Social Science*, 84.

The perception of the relative reproduction cost of different commodities among different individuals is thus also important for establishing the basis for exchange as well as the coordination of production and exchange within society. It is the interplay in the variation in the costs of reproducing different commodities between different individuals in the market which coordinates relative prices. In the words of Henry Carey:

Exchanges establish measures of value suited to the places and times at which they are made... The perception of value leads to a comparison of values [with value being the measure of nature's power over man or resistance to be overcome in obtaining a good], and finally to those exchanges which demand an adjustment of the relations of things to be exchanged.<sup>603</sup>

An important element of this concerns differences among individuals. Unlike in the Ricardian labor theory of value, which assumes that a unit of labor time is a unit of labor time, American Protectionist thought assumes that factors of production are heterogenous. Since individuals possess different talents and aptitudes, it follows that no two individuals will be equally productive at producing the same commodity.<sup>604</sup> It is this variance in the productivity of individuals, which feeds into relative reproduction costs, both real and perceived, which constitutes a basis for specialization and exchange.<sup>605</sup> Since productivity necessarily varies among different individuals, there is no concrete mathematical formula for setting relative price, but rather there is a general tendency for prices to apportion themselves based on the cost of reproduction, which is influenced by individual variation.

As a final word, it is important to note the implication which this theory of value has for national wealth, which builds upon that discussed in Section 6.6. Because of the view that a commodity must have resistance, in addition to possessing utility, to have value, this necessarily leads to the view that wealth and value are not commensurate. Instead, wealth and value tend to be inversely related. As Robert Ellis Thompson explains:

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<sup>603</sup> Henry Charles Carey, *Manual of Social Science*, 89. Value thus exists in the abstract sense, but value in relation to different commodities is realized once the market for exchanges comes into existence.

<sup>604</sup> Carey does seemingly contradict himself at times by implying that equal labor time has equal value, but this seems to be a rough simplification for ease of exposition. In other instances, he clearly acknowledges the role of different individual characteristics and its relation to the reproduction cost theory of value. This can be found in an illustrative example where Carey explains why "Jenny Lind [a prominent singer at the time] could get a thousand dollars a single evening; while young women who sing (sic) in the chorus receive less than a single dollar." Carey explains that "were some enterprising Barum [or music producer] now to determine on raising a new Jenny Lind, he would find it necessary to make the experiment on some hundreds, or even thousands, of individuals. [It would only be] after enormous outlay, [that] he produced one prodigy who could earn as much as that famous songstress... Why [then] is Jenny Lind so highly valued? Because of the obstacles to be overcome before an equal voice can be reproduced. So is it with all things whatsoever. To what extent are they valued? To that of the cost of reproduction, and not more." *Manual of Social Science*, 94-95. This clearly demonstrates that Carey acknowledged the role of individual difference in the determination of value. William Elder, *Conversations on the Principal Subjects of Political Economy*, 102-103, also cites the same example.

<sup>605</sup> It is important to emphasize that this constitutes a basis, but not the only basis. See Section 7.4 and Section 11.3.

Closely connected with the term wealth is the term value. The one is the antithesis of the other. If wealth is the measure of man's power over nature, value is the measure of nature's power over man,—of the resistance that she offers to his efforts to master her.<sup>606</sup>

In other words, if the resistance to obtaining something useful increases, this diminishes wealth. In the case of water, for instance, if there is great abundance and thus no resistance involved in obtaining it, then water is valueless, but the community is all the wealthier for it. Conversely, if water was to become scarce, meaning that there is now resistance to obtaining it, which results in water now commanding a price, this means that the wealth of the community has diminished. In a similar vein, falling reproduction costs represent a diminution of values. As such, the wealth of nations is advanced by diminishing the costs of reproducing commodities. Improvements in productivity is thus key to unlocking the wealth of nations.

#### **8.4: The Price of Land**

The price of land, and by extension rent, represents a special case in American Protectionist thought when it comes to pricing. Land was seen as unique because it possesses elements which are reproducible, such as buildings and other improvements, and elements that are not, specifically the space it occupies. Indeed, it should be recalled from Section 7.8, that the American Protectionists considered land to be a form of capital, and like any other form of capital, land is subject to the laws of diminishing reproduction costs.<sup>607</sup> This is the element of land which captures buildings and improvements. In relation to houses, for example, Robert Ellis Thompson notes that:

As nearly everything we have a use for keeps falling in value, through our devising better ways of getting it, or finding new supplies of it, the price we pay for articles is not always what it costs to produce them. If we can reproduce or replace them with less outlay of labor than when they were made, we will not pay more for them than they would now cost. Thus a house that has stood for a century is not worth what it cost to build it. All the materials of which it is made had to be hauled to the site by horses or oxen. The bricks in the walls were made by hand. The

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<sup>606</sup> Robert Ellis Thompson, *Elements of Political Economy*, 41; It should be emphasized that this a general or guiding principle. George M. Steele clarifies that “value and utility are often found in the inverse ratio of each other; that is, as value increases, utility diminishes, and vice versa. But it is not correct to say that this is always the case. If it were, infinitude of value would imply zero of utility. But, as we have seen, an object destitute of utility can have no value. Mr. Carey's description of the two is, that ‘the utility of things is the measure of man's power over nature;’ while value is ‘the measure of nature's power over man,’ or of ‘the resistance which nature makes to man.’ These statements, while not altogether adequate as definitions, imply profound philosophical truths.” *Outline Study of Political Economy*, 4. In line with this thinking, it may also be added that new uses giving utility to an object, which formerly possessed none, also increases wealth at the same time as increasing value in the aggregate, which suggests that the two are not always the inverse of one another. This inverse relationship only holds with respect to changes in productivity, not utility *per se*.

<sup>607</sup> Robert Ellis Thompson explains that “the value of land, like that of anything else, is the measure of nature's resistance that we have overcome in getting what we need of her.” *Political Economy for High Schools and Academies*, 20.

timber was cut into boards in a saw-pit, one man pulling the saw up through the log, another down. The boards were planed by hand. The glass was made by a laborious method. All these things are done more cheaply now, mostly by machinery and steam-power. So we are willing to pay for such a house only what it would require to build another house like it, using modern tools, machinery and the like.<sup>608</sup>

This capital element of land in isolation is thus priced according to the principle of what it would cost to improve, or to reconstruct such improvements, on a similar piece of land.<sup>609</sup> The physical space of land, however, does not follow this same law of diminishing reproduction costs, simply because the space cannot be reproduced.<sup>610</sup> The space of land can thus be viewed differently to the capital element of land. Van Buren Denslow notes, for instance, that rent in its strictest sense represents “a payment for space”, as opposed to profits for the use of capital, which includes profits on capital improvements applied to land – though they still basically considered the difference between rent and profits as nominal in nature.<sup>611</sup>

Because the space of land cannot be reproduced, land is, as with other non-reproducible goods, priced according to its utility. The American Protectionists saw that there were several factors which influenced the final utility, and consequently, the price of land. In the first instance, for land to have utility, Man must have the means to subdue it. It is with the rise of Man’s intellectual and technological capabilities that land possesses a utility. Indeed, it is for this reason that Henry Carey reversed the Ricardian order of cultivation, arguing that cultivation of land tends to proceed from the least to the most fertile.<sup>612</sup> This is due to the fact that the most fertile lands are usually covered by forests and swamps which need to be cleared and drained first in order for them to be rendered useful. Man must therefore develop the requisite technical capabilities or productive powers to perform such a task.<sup>613</sup>

Utility in itself, however, is not sufficient to bestow a good with value. Value only comes into existence when there is resistance to be overcome. In the case of land, this resistance comes in the form of fitting it for human use. “Nature”, explains Robert Ellis Thompson, “gives us the materials out of which to make it, but it is labor which gives

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<sup>608</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 13.

<sup>609</sup> This study refers to the ‘capital’ and ‘space’ element of land, but this is an artificial distinction made for ease of exposition. The American Protectionists did not make such a distinction themselves. The American Protectionist considered land in its completeness as capital, albeit one with special qualities.

<sup>610</sup> In the case of settler societies with abundant unsettled land, however, land is priced mainly on the basis of its capital element.

<sup>611</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 240.

<sup>612</sup> Despite the order of cultivation representing one of the more trivial debates of the time, Carey’s theory on the order of cultivation has received a disproportionate amount of attention in the history of economic thought, whilst his far more important insights have remained neglected. For examples of this treatment, see John Stuart Mill, *Principles of Political Economy*, People’s ed. (London: Longmans, Green, Reader, and Dyer, 1867), 111-112; Alfred Marshall, *Principles of Economics*, 8<sup>th</sup> ed. (London: Macmillan and Co., 1920), 164; and more recently, Wesley C. Mitchell, *Lecture Notes on Types of Economic Theory*, (New York: Augustus M. Kelley, 1949), 148; and John Kenneth Galbraith, *The Affluent Society*, 44.

<sup>613</sup> This theory can be found in Henry Charles Carey, *The Past, The Present and The Future*, (Philadelphia: Carey & Hart, 1848), 10-15.

these their value in adapting them to human use.”<sup>614</sup> Indeed, “there is no value in mere soil, however fertile, unless it has acquired value either through cultivation or through its situation.”<sup>615</sup> There is thus resistance involved in making the space useable, and hence this leads to the emergence of value, even if the space itself cannot be reproduced.

In addition to the rise in value, on account of the resistance that has been overcome, the improvements made in adapting land for use, as well as any subsequent improvements, also adds to the utility of land. This increase in utility has the tendency to further raise the value of land. William Elder explains, for instance, that:

[Value] is the measure of the resistance which nature opposes to our command of the things required for our service. Now land under improvement is in proportion less reluctant, and in capability richer, or worth more. Principal value, thus produced, and rent are equivalents of the labor saved to the purchaser and farmer [that is, resistance involved in rendering a similar piece of land productive]. These qualities of service are the property of the improver and of his assigns. They are the right and the reward of industry applied in bringing the subject up to its serviceableness to the degree attained. Enhancement of every good and valuable thing increases its utility, and therefore, of right, commands a higher price, and a higher rent.<sup>616</sup>

Prices and rents therefore increase as improvements are made upon land. This is on account of the resistance which would otherwise have to be overcome in improving an alternate parcel of land, but also because of the higher utility which accompanies such improvements. There is, of course, a countervailing tendency on price, arising from the falling reproduction costs of such improvements, but in the case of land, the growth of utility typically outpaces the fall in reproduction costs, since these declining costs only apply to the capital improvements themselves, whereas the space itself is non-reproducible. This sets land apart from virtually every other kind of commodity. In every other case, diminishing reproduction costs exhibit the tendency to outpace the growth in utility. Therefore, as a “guiding principle”, explains Elder, “nothing can increase in value except land and labor.”<sup>617</sup>

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<sup>614</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 19; George Steele also explains that “land itself, in its natural relations, has no value. It is that which is done on it, or in some relation to it, which gives it value.” *Outline Study of Political Economy*, 180. William D. Wilson clearly notes, for instance, that “the labor of man increases also the intrinsic value [or utility]” of products. *First Principles of Political Economy*, 40.

<sup>615</sup> The question as to why the utility of land is not realized until subject to human exertion is somewhat pedantic, but it does seem to rest on solid foundations. Robert Ellis Thompson explains, for instance, that “nobody would give a dollar for a square mile of the Amazon valley, which is the most fertile soil in the world. No doubt it will yet become the most valuable through conquest of nature’s forces by labor.” *Political Economy for High Schools and Academies*, 19. In this case, the Amazon rainforest does not possess utility even though it is potentially very useful. This potentiality will only be realized, and will thus command a value, if man has the power to subdue it.

<sup>616</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 52-53.

<sup>617</sup> William Elder, *Conversations on the Principal Subjects of Political Economy*, 58; *Questions of the Day*, 89.



The growth in utility was also seen as broader than the improvements made to the individual parcels of land. An equally important factor contributing to the price of land is the rise in utility resulting from improvements made upon properties within its vicinity. This can be viewed as a geographically-bounded spillover of sorts, whereby utility-enhancing improvements to one property will increase the utility, and thus, the pricing of neighboring properties. These two elements of land price are sometimes described as the earned and unearned increment. Robert Ellis Thompson notes, for instance, that:

That part of the value of a piece of land which is due to labor expended on itself is called the *earned increment*. It is represented by the clearing away of timber, fencing, unexhausted manures, drainage, crops, meadow-sward, lawn, houses, out-houses, and whatever else would not be on the land except through the labor of man and the toil of beasts. All these add to the value of the land, and have been done by him as the holder of this particular piece of it. The part of the value of a piece of land which is due to labor expended on land in its vicinity, we call the *unearned increment*.<sup>618</sup>

Anything that theoretically enhances utility tends to raise price. Thompson notes, for instance, that “whenever a railroad establishes a station at any point, the land near it rises at once and decidedly in value.”<sup>619</sup> It follows from this, however, that prices tends to be “greatest where the population is most dense” on account of the utility derived from being situated within or within close proximity to larger towns and cities.<sup>620</sup> William D. Wilson, for instance, observes that:

In an advancing civilization, with a population increasing in density, something is done every year on the land or around it, to improve its value, to carry it towards a higher state of perfection, and to give it an increased intrinsic value [i.e., the name Wilson gives to utility], as a means of getting a living and supplying human wants... Doubtless, at each successive stage, we should find it increasing in value and in price, as at each, more labor will have been bestowed upon it... *New intrinsic values [arise] with increasing population...* [and this] say[s] nothing of its increasing value [from] *building lots*, [and] the products raised upon it... The proximity to market [also] reduces the cost of transportation and exchanges [etc.]... The English writers are extremely unwilling to admit this doctrine of rent... We find, therefore,

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<sup>618</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 20, emphasis in original.

<sup>619</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 20.

<sup>620</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 20; George B. Dixwell similarly notes that “High rents in the cities appear to be a *consequence* of the fuller occupation of the population” *Progress and Poverty*, 34.

no occasion to regard land as constituting any exception to our rule [of value].<sup>621</sup>

The price of land is thus internally consistent with the broader value tradition of the American Protectionists despite it representing a special case. Land prices and land rent increasingly becomes a payment for the use or utility of a “productive space” and this utility is conditioned by its nearness to town and city centers. Hence, Van Buren Denslow exclaims that “Carey found rent defined [as by Ricardo] as a payment for [an] area of soil because of its fertility. He left it defined as a payment for space, because of its nearness to the societary movement”, that is, because of its proximity to populated centers.<sup>622</sup>

It should be noted, however, that even though the American Protectionists sometimes used the terms earned (the result of resistance that has been overcome by the individual owner) and unearned increment (the result of utility arising from improvements external to the individual piece of land) to describe the two elements composing price, they did not believe that the State had any basis to tax the unearned increment. Even though the owner of an individual piece of land gains higher land value and receives higher rent without having earned it *per se*, the American Protectionists saw that there is no possible way, or it is at the very least extremely difficult, to differentiate between the earned and unearned since both are rooted in improvements effected by human exertion, whether by the individual owner or by society at large. In the words of Robert Ellis Thompson:

One proposal is to tax only land-values, making the tax high enough to take the annual value of the unearned increment... of the land. It is said that this increment owes its existence to the growth of society, and not to the labor of the land-owner, and that society has the right to take what it has created. To this proposal there are several grave objections... The task... of levying such a tax would be one of extreme difficulty. It is hard enough to assess the lump value of land... It would be vastly harder to determine how much was due to labor expended on that farm, and how much to labor expended on land in its vicinity. The attempt to do so would lead to social bitterness, and would be open to many abuses.<sup>623</sup>

Furthermore, since land is considered to be a form of capital (as noted in Section 7.8) and taxes on capital are necessarily injurious to production (see Chapter 14), it follows that the State arbitrarily deciding what is and what is not earned or unearned

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<sup>621</sup> William D. Wilson, *First Principles of Political Economy*, 98-100, emphasis in original. For clarification, Wilson notes that “utility, or intrinsic value, is the capacity to satisfy human wants.” 32. For a list of other utilities arising from land’s location to populated centers, see George M. Steel, *Outline Study of Political Economy*, 187.

<sup>622</sup> Van Buren Denslow, ‘American Economics’, 21-22.

<sup>623</sup> Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 68-70; Other arguments against the land tax can be found in Section 7.8 and Section 11.5.

would constitute an unsound basis on which to base tax policy, when there are other less injurious taxes available. In addition, as will be shown in Section 11.5, the price of land also serves as an important function in the coordination of population movements and the geographical distribution of industry in the American Protectionist theory of agglomeration.

### **8.5: Summary**

The American Protectionists developed their own distinct value tradition predicated on productivity and, to a lesser degree, utility. This approach is seen in their reproduction cost theory of value which emphasizes the tendency for value to fall, as productivity increases. This represents a significant departure from the Classical, and, in particular, the Ricardian labor theory of value. Unlike Ricardian value theory which assumes away productivity growth, technological change, and even differences in productivity among different individuals, the American Protectionists developed a theory of value which captures these dynamic aspects of the economy.

This reproduction cost theory of value would also go on to form the basis of the American Protectionists' theory of distribution and social mobility, which will be the focus of Chapter 10. In addition, their insights with respect to the price of land would form a vital part of their theory of concentration and agglomeration examined in Chapter 11. Now that this theory of value has been clearly spelled out, the study will proceed to Chapter 9, which provides an overview and discussion of the American Protectionist theories concerning growth, development, and entrepreneurship. In doing so, Chapter 9 builds upon themes touched upon in this chapter by further demonstrating the emphasis which the American Protectionists place on dynamic changes within the economy.

## Chapter 9: Theory of Growth, Development, and Entrepreneurship

### 9.1: Introduction

The protective system has required all the services of the inventive faculty and business ingenuity of mankind which it could command, while the free-trade... system had comparatively little use for them. Hence it is that invention and ingenuity have flourished in America under protection and laid comparatively dormant in England under free trade... Invention and protection march hand in hand, one and inseparable.<sup>624</sup>

- David Rice

This chapter will discuss the theories of growth, development, and entrepreneurship developed by the American Protectionists.<sup>625</sup> As a production oriented school of thought, the American Protectionists placed a high degree of emphasis on how inventions augment the productive capacity of the nation. This represents a fundamental difference between the American Protectionists and other schools of economic thought. In contrast to the Classical, Marxist, Neoclassical, and Keynesian schools, which treat the technological base of society as a given, the American Protectionists sought to explain how the technological base comes into existence.<sup>626</sup> The American Protectionist characterized economic activity as Man using his ingenuity to transform nature. Production, therefore, explains George B. Curtiss, concerns “those means by which nature is made to give up her treasures in response to the industry of man.”<sup>627</sup> It is the interaction between human ingenuity and nature which brings about the creation of new products and inventions. Indeed, the view that economic progress is the result of Man utilizing his intellect to manipulate nature is well demonstrated in the following passage by Jacob Harris Patton:

The Creator has constituted him [Man] lord of the earth and endowed him with mental capacity to search out the hidden treasures of nature and utilize them for his own benefit. He did not grant *him great physical strength*, that he might thereby accomplish much in moulding matter, but instead *He inspired him with intellect*, that he might investigate the mysterious powers that are hidden in nature and by controlling them compel them to do his bidding.<sup>628</sup>

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<sup>624</sup> David Hall Rice, *Protective Philosophy*, 68, 176.

<sup>625</sup> Some of the analysis presented in this chapter, including in Section 9.2 and Section 9.3, builds upon ideas discussed in my thesis, Mathew A. Frith, ‘The Economics of Henry Charles Carey’, 39-42.

<sup>626</sup> Schumpeterian economics represents the only other school of economic thought which seeks to explain the emergence of the technological base, and the American Protectionists preceded the ideas of Joseph Schumpeter by roughly a century.

<sup>627</sup> George B. Curtiss, *Protection and Prosperity*, 794.

<sup>628</sup> Jacob Harris Patton, *Political Economy of American Youth*, 17.

This use of human intellect to obtain dominion and mastery over nature connects to the issue of inventive versus accumulative growth within American Protectionist thought. The American Protectionists emphasized the importance of what they called inventive growth (similar to what modern economists would call dynamic growth), which captures the new means of mastering the forces and elements of nature, with accumulative (or static) growth representing the expansion of existing means. This analysis of inventive and accumulative growth will form the first topic of discussion in Section 9.2. The chapter will then proceed to Section 9.3, which will involve a discussion of the role of technological diffusion and technological spillovers in American Protectionist thought. In doing so, the section will explain how technology affects permanent changes to the productive capacity of the economy, and why, because of this, the American Protectionists saw that the increase in national productivity and social benefits arising from invention often far exceeds the private profitability of inventions. Section 9.4 will then provide a discussion of the role of the entrepreneur in bringing about dynamic changes to the economy through discovering new industrial pursuits. Any discussion of the entrepreneur, within the context of American Protectionist thought, would also be incomplete without also discussing the implications which human individuality has on entrepreneurship. This will form the focus of Section 9.5. Finally, the last section (9.6) of this chapter will cover the indispensable role which profit plays in coordinating the migration of resources into new and innovative industrial pursuits. The chapter will then end with a summary.

## **9.2: Inventive versus Accumulative Growth**

The [industrial] arts are the inspiration, no less than the trophies, of inventive genius. They are social and gregarious.<sup>629</sup>

- Willard Phillips

The American Protectionists were dynamic thinkers. Virtually all their writings are from the standpoint of an economy in the process of change. This can be seen most explicitly when comparing their theories of growth with that of the English Classical School. Growth, according to the Classics, was said to be the result of the accumulation of capital, and this was seen as dependent on the level of private savings within the economy.<sup>630</sup> This emphasis on the static accumulation of capital is perhaps best demonstrated by the founder of Classical economics, Adam Smith:

Whatever a person saves from his revenue, he adds to his capital, and either employs himself in maintaining an additional number of productive hands, or enables some other person to do so, by lending it

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<sup>629</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, 226

<sup>630</sup> To clarify, John Stuart Mill acknowledges the role of invention, but this was an insight which he borrowed from John Rae, and it is certainly less of a feature in Mill than it is in the writings of the American Protectionists, see Denis O'Brien, *Classical Economist Revisited*, 265.

to him for an interest... the capital of an individual can be increased only by what he saves from his annual revenue... Parsimony and not industry is the immediate cause of the increase in capital. <sup>631</sup>

In contrast, the American Protectionists viewed the level of private savings and investment as playing an important, but ultimately a subordinate and supportive role. The true cause of the wealth of nations was not savings, argued the American Protectionists, but ideas and inventions. <sup>632</sup> This is perhaps best illustrated in the following passage from John Rae:

Invention is the only power on earth that can be said to create... The ends which individuals and nations pursue, are different. The object of the one is to acquire, of the other to create.... industry and parsimony increase the capitals of individuals... [while] the wealth of all nations cannot be increased, but through the aid also of the inventive faculty. <sup>633</sup>

This emphasis on invention and human ingenuity was shared by virtually every American Protectionist. Even as early as Hamilton, there was a recognition “that there is, in the genius of the people... a peculiar aptitude for mechanic improvements.” <sup>634</sup> The sharpest separation, however, between statics and dynamics in economic analysis can be found in the writings of Rae. Rae termed the static component of growth as the “accumulative”, and the dynamic component as the “inventive”. The static increase in capital or stock through the process of accumulation operated through what Rae termed the “accumulative principle.” This accumulative principle essentially describes economic growth which operates in Classical growth theory. The more important aspect of growth, however, concerns the introduction of an invention or the augmentation of existing knowledge into new capital or products. This operates through what Rae terms as the “inventive principle.” <sup>635</sup> It is this “faculty of invention”, explains Henry M. Hoyt, “by which we [have] turned material forces into use.” <sup>636</sup>

The conjoined operation of the accumulative and inventive principle was seen as the key to unlocking the nation’s productive powers, but primacy was always placed on inventive growth in American Protectionist thought. Indeed, on a theoretical level, Rae implies that accumulation would eventually cease due to an exhaustion of

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<sup>631</sup> Adam Smith, *Wealth of Nations*, 409-410.

<sup>632</sup> For a specific treatment of this concept with respect to John Rae, see Thomas K. Rymes, ‘Rae’s Theory of Capital and Growth’, In *The Economics of John Rae*, ed. O. F. Hamouda, C. Lee, and D. Mair, (London: Routledge, 1998), 145-157; and Joseph J. Spengler, “John Rae on Economic Development: A Note.” *The Quarterly Journal of Economics*, 73, No. 3 (1959), 393-406.

<sup>633</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 15. Note that, in the metaphysical sense, other American Protectionists, particularly after the writings of Henry Carey, characterized economic activity as a process of transformation (changing matter from one state to another) and not creation as such, but they were fundamentally in agreement with Rae that invention was of a higher order of importance than accumulation with respect to wealth creation.

<sup>634</sup> Alexander Hamilton, *Report on Manufactures*, 11.

<sup>635</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 321-322.

<sup>636</sup> Henry M. Hoyt, *Protection versus Free Trade*, 411.

investment opportunities if invention was to stall. This implies that the economy will verge towards an equilibrium or stationary state if deprived of new sources of invention.<sup>637</sup> In reality, however, the American Protectionists observed that there exists a positive feedback loop between invention and accumulation. That is to say, that accumulation tends to promote invention and improvements via a process of learning by doing. This makes the accumulative and the inventive aspects of growth intimately connected.<sup>638</sup> As Rae explains:

The means, or instruments, [serve] to unlock the stores which the nation possesses; but it is not so easy to conceive how, or for what purpose, a general increase of these means or instruments [capital accumulation] should take place without some accompanying discovery of an improvement in their construction... We can easily conceive, that the national capital also, might accumulate in this shape, were some discovery, producing an improvement in the manufacture, to occur.<sup>639</sup>

This process of learning by doing is also a feature of the writings of other American Protectionists. Henry Carey, for instance, observes that:

The great object of man... is to acquire dominion over nature, compelling her to do his work; and with every step in that direction labor becomes less severe, while its reward increases.... each successive triumph is attended by increased facility for further combinations, to be followed by new and greater triumphs.<sup>640</sup>

For all practical purposes, the American Protectionists saw invention and technological progress as an endless frontier that was far from being exhausted. Erastus B. Bigelow explains, for instance, that as “great as mechanical progress has heretofore been, we are still very far from its ultimate limit.”<sup>641</sup> Jacob Harris Patton, likewise, explains how “in the storehouse of nature there may be more forces yet to be discovered and utilized in numerous ways, that are now to us incomprehensible.”<sup>642</sup> Finally, Ezra Seaman notes that “the amount of knowledge and skill which the entire human race can acquire, accumulate, and perpetuate, may be regarded as almost boundless.”<sup>643</sup>

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<sup>637</sup> Adam Smith predicted that the economy would verge towards a stationary state, but this was due to an exhaustion of investment opportunities. No such tendency exists in American Protectionist thought, as demonstrated in sections 9.3, 9.4, and 9.6 of this chapter.

<sup>638</sup> Inventions also induce savings, and thus accumulation, by raising the rate of return on investments, which will be explored further in Section 9.5.

<sup>639</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 19-21.

<sup>640</sup> Henry Charles Carey, *Manual of Social Science*, 87. It is also for this reason that Henry Carey’s reproduction theory of value emphasizes qualitative changes in newly reproduced implements, not just falling reproduction costs.

<sup>641</sup> Erastus B. Bigelow, “The Relations of Labor and Capital,” 479.

<sup>642</sup> Jacob Harris Patton, *Political Economy for American Youth*, 35.

<sup>643</sup> Ezra Seaman, “Human Progress: Its Elements, Impediments, and Limits”, 410.

The American Protectionist conception of technology therefore surpassed most 19<sup>th</sup> century understandings, and even those held into the modern era. Whereas mainstream Neoclassical theory typically views technology in connection with its ability to save labor (a concept which was already fully understood by the American Protectionists dating back to Alexander Hamilton), the American Protectionists saw technology as an endless frontier of possibilities serving to transform matter from one state to another by which Man could obtain mastery over nature. This not only captures changes to the production process (process inventions), it also captures the introduction of new and original instruments (product inventions).<sup>644</sup> Indeed, the pioneering role of the American Protectionists on the economics of technology and invention is brought home by the fact that a member of the School actually coined the term “endogenous growth”, some 100 years prior to its usage in mainstream economics, as demonstrated by the following passage by John L. Hayes:

All American inventions... in hardware so perfect that British manufacturers admit, in their own journals, that they cannot imitate, much less compete with us. The tools and inventions of this industry have helped the mechanics of all industrial nations. They have aided man to subdue the earth. The fruits of protection have overflowed our own borders; nationalism has become cosmopolitanism; for it is through the internal, the endogenous growth of nations that the world's progress is achieved.

Let me refer to but one other illustration of endogenous growth, though one not self-imposed, but compelled by the restrictive policy of our great rival. The existence of the textile manufacture in this country, and especially the industry of manufacturing machinery, dates back only to the arrival of Samuel Slater in 1788, less than half a century. Up to the time of his advent in this country... there were substantially no machines in this country, no steam-engines, no engine-lathes, no machine tools, no artificers' shops with power.<sup>645</sup>

The distinction between inventive (or endogenous) and accumulative growth made by the American Protectionists also has important implications for the issue of international trade, as it dispels the underlying assumption in Ricardian trade theory that allocative efficiency, in the static sense, is the cause of sustainable and long-term growth. Even if it is taken for granted that trade specialization promotes static

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<sup>644</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 320-321. For other descriptions of this learning by doing process, see Friedrich List, *National System of Political Economy*; Ezra Seaman, *Essays on the Progress of Nations*, 52-62, 72-73; Henry Charles Carey, *The Past, The Present and The Future*, 13-17, *Principles of Social Science*, Vol. 1, 200-231; Peshine Smith, *Manual of Political Economy*, 64-66.

<sup>645</sup> John L. Hayes, “The Nationalistic and Cosmopolitan Schools of Political Economy,” *Bulletin of the National Association of Wool Manufacturers*. 14, no. 2 (1884), 150. In another instance, John L. Hayes, *The Woollen Tariff Defended and Explained*, (Cambridge: John Wilson & Son, 1885), 11, also refers to the introduction of “novelties” which adds further support to this thesis. For the origins of endogenous growth within mainstream economics, see Paul M. Romer, “The Origins of Endogenous Growth,” *Journal of Endogenous Growth*, 8, no. 1 (1994), 2-33.



allocative efficiency (something which, in any event, was not accepted by American Protectionists, as will be discussed in Chapter 13), these efficiency gains pale in significance to the gains made possible through invention and technological change.<sup>646</sup>

### 9.3: Technological Diffusion and National Productivity

The fruits of the labors of genius... are the property of the whole human race.<sup>647</sup>

- John Rae

In Section 6.6, it was shown that the American Protectionists acknowledged the difference between private and national wealth. In a similar vein, the American Protectionists also saw that the private profitability of an invention could not be equated with the prosperity which the invention bestows upon the national economy. Since new technology is absorbed into the nation's technological base and because such technology exhibits a tendency to transfer from one industry to another in a process of technological diffusion, this necessarily means that inventions bring about permanent change to the economic structure of society. In other words, because of the diffusive nature of technology, inventions will tend to spill over and seed successive inventions.<sup>648</sup> The rate of technological progress will thus tend to grow exponentially if the economy is conducive to entrepreneurship. Such thinking can be found in the following passage by Horace Greeley:

That our people are ingenious and energetic is undoubted... [But] no great invention ever yet sprang full-armed from the brain of its author; as a general rule... nearly every machine of great value is the product of a score of successive inventions, by nearly so many different laborers thereon.<sup>649</sup>

The view that technology will tend to spill over and seed new inventions is also well illustrated by Peshine Smith, who notes that "every machine facilitates the construction of new ones" and "each new truth discovered is the key to a whole magazine, and each new art the parent of a thousand."<sup>650</sup> This implies that in order for

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<sup>646</sup> Although accumulative growth in American Protectionist thought is not a direct equivalent to the static allocative efficiency which underpins Ricardo's theory of comparative advantage, the implication remains the same.

<sup>647</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 22.

<sup>648</sup> It should be noted that the theory of technological spillovers is often seen as originating with an observation by Alfred Marshall in 1920, but was later formalized by Kenneth Arrow in 1962, and expanded by Paul Romer in 1986. But the American Protectionists developed a worked-out theory of technological spillovers, integrated into an analysis of private and national wealth well prior to these later developments. For a comment on the Marshall-Arrow-Romer spillover, see David B. Audretsch, 'Innovation and Spatial Externalities', *International Regional Science Review*, 26, no. 2, (2003), 169.

<sup>649</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 48. Calvin Colton, likewise, explains that "every new art or pursuit, the products of which are essential and important to the community, almost necessarily calls into existence other new arts and pursuits, to supply its demands; and these latter, the offspring of the former, themselves become parents of other arts and pursuits, in their turn; and so on, in almost endless progression... diffusing its benefits all around." *Public Economy for the United States*, 405-406.

<sup>650</sup> Peshine Smith, *Manual of Political Economy*, 74.

an economy to be innovative, it must be diversified, since if it is true that each new industrial pursuit propagates a thousand more, then the more varied domestic industry is, the greater the capacity for invention and the more exponential the rate of inventive growth. Furthermore, the American Protectionists also understood that new inventions not only seed new industries, but they also have the tendency to spillover and reinvigorate mature and seemingly stagnant ones.<sup>651</sup> John L. Hayes explains, for instance, that:

In all the manufacturing nations, and particularly in our own, a passion for invention has been developed with the new facilities for putting in practice the conceptions of inventive power. The arts succeed each other by a true generation. Idea begets idea, and the invention of to-day gives birth to the invention of to-morrow. In the genial atmosphere of invention, new industries take root in the old [industries], like epiphytes in the humid forests of the tropics.<sup>652</sup>

Since the initial invention and subsequent technological spillovers are a permanent benefit to society, it follows that these benefits can never be fully captured in the entrepreneur's private gains because they persist long after the entrepreneur's earthly existence has ceased.<sup>653</sup> John Rae explains, for instance, how in "spite of every obstacle to be overcome, or pain to be endured, to task themselves to the performance of works of permanent and diffusive utility", the entrepreneur "receives now less recompense than even in ages not so able to appreciate the benefits conferred" by his invention.<sup>654</sup> In other words, the entrepreneur only receives a partial return for the benefits which he affords to society. It is on such grounds that the American Protectionists argued that pure *laissez-faire* conditions would generate suboptimal rates of invention. Since inventions generate immense positive externalities for the nation, it is in the national interest to skew incentives in such a way as to encourage and foster entrepreneurship. This led to the conclusion that the State had an

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<sup>651</sup> Although not an exhaustive argument, this, in part, seems to underpin the American Protectionists' commitment to protected diversification, as opposed to what might be called strategic trade policy. Since it is always unclear how invention and technological spillovers may affect seemingly stagnant industries, it follows that diversification is a more prudent approach than targeting a specific industry in isolation.

<sup>652</sup> John Lord Hayes, 'The Solidarity of the Industries', [Address Originally Delivered October 13, 1870, Boston, Mass.] In *Thirty-First Annual Report of the American Institute of the City of New York, 1870-71*, (Albany: The Argue Company Printers, 1871), 136.

<sup>653</sup> This view of invention affording permanent and diffusive benefits to society is well put by Daniel Webster, who explains that "the application of science to art [i.e., invention] is the main cause of the sudden augmentation of wealth... this augmentation of wealth is general and diffusive, reaching all classes, embracing all interests, and benefitting, not a part of society, but the whole. There is no monopoly... The poorest, as well as the richest man in society, has a direct interest... in the successful operation of these arts." Daniel Webster, "Lecture Before the Society for the Diffusion of Useful Knowledge," [November 11, 1836] In *The Writings and Speeches of Daniel Webster*, Vol. 13, (Boston: Little, Brown, & Company, 1902), 72.

<sup>654</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 211, 216. This view is also supported by George M. Steel, who explains that "sometimes a man [the entrepreneur] has spent a large fortune and given many years to the devising of plans and instruments, by which humanity will be benefited for ages to come. To such a man, no compensation likely to be bestowed will be more than a small fraction of the good conferred [to society]." *Rudimentary Economics for Schools and Colleges*, 180.

indispensable role in encouraging the adoption and discovery of new inventions and technology. As John Rae explains:

Before capital can increase, there must be something in which it may be embodied [i.e., inventions]... [Without invention, there] can never, by simply urging on their production, be rationally expected to be much augmented. It is invention... that may most fitly be esteemed the cause of the existence of [wealth]... It is certainly, therefore, very far from being a self-evident truth, that the legislator, by employing the resources of the country in rousing this principle to activity, necessarily retards, instead of advancing, the increase of wealth and the prosperity of the state.<sup>655</sup>

To the extent that technology has a tendency towards diffusion, it does not necessarily follow that it can be easily transferred from one economy to another. The American Protectionists recognized the immense difficulties associated with establishing new technologies in a different location from its origin due to barriers to entry and geographical constraints. It was on such grounds that the American Protectionists argued that infant-industry protection was necessary for the “successive passage of the same arts from country to country.”<sup>656</sup> This encouragement of new industrial arts was more than justifiable. Even though technological diffusion was seen to be of immense benefit in the abstract, the American Protectionists saw that the benefits arising from the diffusive nature of technology would be severely limited if the economy lacked the industrial capacity and capabilities to absorb and embody said knowledge and technology in the form of industrial production. Indeed, regarding “the diffusion of knowledge”, Willard Phillips explains, that “such diffusion is of no utility if the knowledge, when diffused, is sterile and does not show itself in the arts.”<sup>657</sup>

The American Protectionists recognized, of course, that the transfer of industry would initially consist of “servile imitation” or simple import substitution.<sup>658</sup> In the long run, however, these new industries could surpass those of the established industrial centers due to the influence of positive feedback between accumulation and invention. Moreover, because of the nature of learning by doing within industry, technological spillovers are often confined to the particular location where production takes place, which further underscores the importance of the State in creating conditions conducive to domestic production. This is illustrated in the following passage by Nathaniel A. Ware:

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<sup>655</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 31.

<sup>656</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 253.

<sup>657</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, 42. In context, Phillip’s argument is that industrial arts should be promoted in order make use of knowledge more generally. This consistent with the general argument raised here.

<sup>658</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 365.

This habit of inquiry and freedom of thought appertains to all, even the operator and common mechanic, who have not only this vigor of intellect thus cherished, but time to think and experiment much, because his wages are good and the means of living so certain and easy that he can afford to hazard something. It is generally the common mechanic or operator who is with and near the machinery that makes or suggests improvements, and most of the valuable patents and inventions issue from such persons.<sup>659</sup>

As Ware notes, this means that the positive feedback between accumulation and invention is often geographically bounded since it is generally those directly engaged in production who bring about improvements or apply the technology in different ways. This theme of the geographical boundedness of technological and knowledge spillovers will be elaborated upon in Section 11.4. At any rate, it is clear that the American Protectionists understood that in order for a nation to capture and maximize these beneficial externalities, production must take place within the domestic economy. When this fact is viewed in conjunction with the need to elevate the rate of capital accumulation and invention closer to the national optimum due to the permanent and diffusive benefits which invention affords to society, the importance of substituting income tax with tariff protection was apparent to the American Protectionists. The removal of income tax would eliminate the forced reduction in savings which necessarily accompanies such taxes, and, in doing so, this would elevate the rate of private capital accumulation; whereas the imposition of protective tariffs would promote the establishment of new arts.<sup>660</sup>

#### **9.4: The Entrepreneur as Discoverer**

Closely connected with the theory of growth and development is the theory of the entrepreneur.<sup>661</sup> The entrepreneur plays a central role in American Protectionist thought. Whereas mainstream economics typically treats the entrepreneur as either a bearer of risk or as an agent who works to bring markets back into equilibrium, the American Protectionists sees the entrepreneur as essentially a discoverer and

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<sup>659</sup> Nathaniel A. Ware, *Notes on Political Economy*, 41. In this passage, Ware also emphasizes the importance of giving entrepreneurs breathing space to think and experiment, which is a common thread in American Protectionist thought.

<sup>660</sup> John Rae even went so far to reiterate Hamilton in affirming that the temporary use of industrial subsidies may be necessary if private levels of investment were still insufficient to finance the establishment of the industry in question, which is a position generally rejected by most other American Protectionists, see John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 368; and Alexander Hamilton, *Report on Manufactures*, 33-37.

<sup>661</sup> The bulk of the writings of the American Protectionists predate the popular usage of the term 'entrepreneur'. Nevertheless, their writings still describe an entrepreneurial function. This function is usually carried out by the capitalist, but in some instances, the worker is also depicted as fulfilling such a function (e.g., Jacob Harris Patton, *Political Economy for American Youth*, 104; Van Buren Denslow, *Principles of Economic Philosophy*, 587). Van Buren Denslow refers to the "entrepreneur" as the "undertaker of industry", which although broad, captures what earlier protectionists would have considered to be the entrepreneur. It should also be noted that the American Protectionists did not view economic classes or agents as rigidly as other schools of thought, so the individual may be a capitalist, worker, and entrepreneur. The strict delineation between economic agents seen in modern economics is not applicable to American Protectionist thought.

undertaker of new industrial pursuits.<sup>662</sup> Since economic progress in American Protectionist thought is marked by a greater capacity for Man to control and manipulate the forces and substances of nature for his bidding, the entrepreneurial function is characterized as a process of discovery and experimentation with nature to obtain mastery over it. By discovering new ways of manipulating nature for man's bidding, the American Protectionists did not consider the entrepreneur as an equilibrating force, but rather as an agent who brings about economic change and diversification.<sup>663</sup>

The American Protectionists did not provide a succinct and explicit definition of this entrepreneurial function, but their emphasis on the entrepreneurial process of discovering new industrial pursuits is present throughout their literature. John Rae, for instance, sees discovery as an element which sets the entrepreneur apart from the rest of the population, explaining that “men are so much given to learning, that they do not readily become discoverers. They have received so much, that they do not easily perceive the need of making additions to it, or readily turn the vigor of their thoughts in that direction.”<sup>664</sup> And Jacob Harris Patton likewise explains that “the multiform productions of every kind and grade... are the results of the application of the several powers of nature” combined with the entrepreneur’s “genius and will and perseverance in discovering the properties of these materials, and combining them to accomplish the desired purpose.”<sup>665</sup> Finally, although referring to them as an inventor class, William Dexter Wilson also emphasizes this discovery function and connects it with the class of producers, or what could be considered as a class of entrepreneurial producers:

There is indeed another class of persons who at first sight may appear to deserve a special recognition among the creators of wealth, the inventors... agriculturists and manufacturers are often inventors and discoverers... By their discoveries and inventions they enable men to

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<sup>662</sup> This conception of the entrepreneur is more so implied and described in passing than stated outright. In the context of discovery, the inventor-entrepreneur should also be distinguished from an imitator-entrepreneur. Although Rae did not use the term ‘entrepreneur’, he did distinguish between inventors and imitators, which is a helpful distinction to the modern reader. It should also be noted that risk-bearing (and superintendence for that matter) was also seen as a function of the entrepreneur, but this was often viewed in connection with the discoverer function, as the process of discovery and experimentation involves taking a risk. The entrepreneur was thus conceived quite broadly by the American Protectionists, but discovery was the key characteristic.

<sup>663</sup> There are some parallels between Schumpeterian and American Protectionist thought since both view the entrepreneur as shifting the economy out of equilibrium. That said, their emphasis still differs in some significant respects. Whereas Schumpeter characterized the entrepreneur as a great disruptive force that revolutionizes capitalist production through ‘creative destruction’, American Protectionist thought emphasizes on how the entrepreneur creates greater variety and diversity of industrial pursuits. American Protectionists did, however, recognize that technological change often results in old instruments being superseded by new ones which pre-empt the concept of creative destruction. Robert Ellis Thompson explains, for instance, that “changes continually occur in great industries, by which old methods are at once abandoned and new substituted.” *Elements of Political Economy*, 388. On Schumpeter and Schumpeterian economics, see Jerry Courvisanos, *Cycles, Crises, and Innovation: Path to Sustainable Development – A Kaleckian-Schumpeterian Analysis*, (Cheltenham: Edward Elgar, 2012), 25-28.

<sup>664</sup> John Rae, *Statement of Some New Principles on the Subject of Political Economy*, 222-223.

<sup>665</sup> Jacob Harris Patton, *Political Economy for American Youth*, 35.

accomplish results with less time and expenditure than they could have done without such inventions and discoveries.<sup>666</sup>

It can thus be said that the American Protectionists had a clear conception of entrepreneurship and one which relates specifically to invention and discovery in an economic context. As is shown throughout the course of this study, this conception of the entrepreneur as discoverer has far-reaching implications for their system of economic analysis.

One such implication of conceiving entrepreneurship as a process of industrial discovery concerns trade policy. Since the discovery of new industrial pursuits necessarily involves some degree of experimentation and risk-taking, protective tariffs are necessary to provide up-and-coming entrepreneurs with breathing room to engage in exactly this. Friedrich List explains, for instance, that “tariffs safeguard the industrial enterprises of entrepreneurs who take risks and have no means of knowing if they are going to be a success or not.”<sup>667</sup> Moreover, since humans tend to be habitual creatures and are reluctant to change modes of enterprise, the protective function of the tariff works to skew incentive structures towards discovery and undertaking new avenues of production. Alexander Hamilton, for instance, explains that:

Experience teaches, that men are often so much governed by what they are accustomed to see and practice, that the simplest and most obvious improvements, in the most ordinary occupations, are adopted with hesitation, reluctance and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different ones, may be expected to be attended with proportionably greater difficulty.<sup>668</sup>

On face value, the transfer of industry through protection represents a form of imitation, as opposed to an original discovery. In practice, however, the American Protectionists saw that this has the effect of breaking the population out of old habits and awakening the spirit of enterprise. Indeed, this tendency for protection to break the population out of old habits and to arouse the entrepreneurial spirit is also noted by Nathaniel A. Ware, who observes that “the labour of the country... will be benefitted by a protecting tariff” due to “the creative genius that it calls into existence, and with which it works the wonders and magic that astonish and enrich.”<sup>669</sup> Furthermore, as John Rae notes, because different nations face different circumstances, the imitation of foreign industries is virtually always accompanied by adaption, invention, and improvement. In the words of John Rae:

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<sup>666</sup> William D. Wilson, *First Principles of Political Economy*, 71.

<sup>667</sup> Friedrich List, *The Natural System of Political Economy*, 105

<sup>668</sup> Alexander Hamilton, *Report on Manufactures*, 16.

<sup>669</sup> Nathaniel A. Ware, *Notes on Political Economy*, 134.

In conclusion I may observe, that I believe it will be found, that there is no art in existence which we may not find means to trace, with greater or less certainty, to the rudest and most simple principles, and which may not be shown to have attained perfection by continual changes from place to place, and material to material, and by encountering consequently alternate difficulties and facilities, the former developing its powers, the latter extending their field of action, and both, by helping to introduce general principles, weakening the restraining power of the tendency to servile imitation, and advancing the progress of science. This successive passage of the same arts from country to country, and from one into another, seems to be the great exciting cause of the progress of them all.<sup>670</sup>

John L. Hayes echoes Rae's position, also viewing the process of local adaptation as essentially one of entrepreneurial discovery which brings forth new inventions. Indeed, Hayes goes even further than Rae, arguing that the cultivation of domestic industry is a virtual pre-requisite for the adaptation of production to the peculiar circumstances and necessities of the local population, and he even sees this process of adaptation as extending across different industries. In the words of John L. Hayes:

To resume the main argument for the encouragement of the production... It is only by domestic production that commodities are exactly adapted to the necessities of a people... The close contact of consumer and producer in this country has given to our mechanical industry and its products this distinguishing characteristic – adaptation; we commonly call it ingenuity, but ingenuity is only a genius for adapting means to a desired end... Adaptation to American wants made the first cast-iron plough, and the thousands of improved forms which followed it; it made our seeders, reapers, mowers, harvesters, threshers, grain-elevators; in fact, the whole system of agricultural machinery substantially originated in this country [via the adaptation of the mechanical to the agricultural].<sup>671</sup>

Thus, even though entrepreneurship is viewed as a process of discovering new industrial pursuits, the imitation of existing pursuits tends to produce its own discoveries as production is adapted to the different circumstances peculiar to the nation, community, or the individual producer. This is in addition to the rousing of the entrepreneurial spirit which the establishment of industry tends to produce. With the above in mind, it is therefore clear that the American Protectionists, whether or not they used the term entrepreneur, conceived of an entrepreneurial function. This function involves acts of discovery and experimentation to harness nature and render

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<sup>670</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 253

<sup>671</sup> John L. Hayes, "Customs Duties on the Necessaries of Life," 13.

it fit for human use. In doing so, the entrepreneur brings about the creation of new industrial pursuits.

### **9.5: Individuality, Diversification, and Entrepreneurship.**

It is as wasteful, to say the least, to allow mechanical skill and inventive genius to remain unemployed, as it would be to permit water-power to run without turning mills... To give full scope to all the varieties of taste, genius, and temperament; to foster inventive talent; to afford adequate encouragement to all the arts, whether mechanical or those which are usually distinguished as the fine arts... these are objects which deserve at least as much attention, as the inquiry where we can purchase calicoes cheapest.<sup>672</sup>

- Francis Bowen

Even though it is implied in the writings of the American Protectionists that it takes a particular kind of person to be an entrepreneur, it should be emphasized that entrepreneurship was still viewed within the context of human individuality.<sup>673</sup> It should be recalled that the American Protectionist conception of Man is predicated on the view that no two individuals are the same, with each possessing different talents, aptitudes, and dispositions. With respect to entrepreneurship, this naturally implies that although a particular individual may possess the characteristics to be a successful entrepreneur in a given field, it does not mean that they will be successful in any given field. This view is well illustrated by Ezra Seaman:

The faculties of mankind are almost infinitely various, so as to adapt men to a great variety of pursuits... Some constitutions produce intellectual faculties best adapted to particular pursuits, while the different constitutions of other persons tend to adopt their intellectual faculties to very different pursuits and acquirements. The peculiarities which adapt a person to the highest degree of excellence in one field of employment [or business], [can make him] unfit... for many others.<sup>674</sup>

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<sup>672</sup> Francis Bowen, *American Political Economy*, 494-495

<sup>673</sup> The psychology of the entrepreneur was sometimes discussed by the American Protectionists. One group tended to characterize the entrepreneur to be realistic and calculating types. John Rae explains, for instance that "on this account courage distinguishing well between things difficult and things impossible, and calmly estimating them not as they appear to vulgar prejudices, but as they are, seems to be a necessary element in the composition of genius of a high order. Without the possession of such a faculty, it is impossible clearly to discern the things which changes have brought to light or produced, or to make free use of them." *Statements of Some New Principles on the Subject of Political Economy*, 223. Alexander Hamilton also explains that "there are dispositions apt to be attracted by the mere novelty of an undertaking; but these are not always those best calculated to give it success. To this, it is of importance that the confidence of cautious, sagacious capitalists, both citizens and foreigners, should be excited." *Report on Manufactures*, 16. In contrast, Ezra Seaman tends to emphasize the risk-taking entrepreneur, which has some resemblance to Schumpeter's conception, explaining that "[the entrepreneurs] minds are more full of schemes, and projects often ill digested; and they have more enterprise, but less stability of character, as a general rule... They are more daring and hazardous, but less safe; and their operations frequently partake of the character of gambling speculations. But even their wildest visions, such as the constant search of mechanics after principles upon which to construct a perpetual motion, have often resulted in the discovery of mechanical principles which have been of the greatest value to mankind." *Essays on the Progress of Nations*, 146-147.

<sup>674</sup> Ezra Seaman, "Human Progress: Its Elements, Impediments, and Limits", 410.



This means that in order to maximize the entrepreneurial capacity of the economy, so that more of the nation's population can move into the entrepreneurial class, industry must be varied and diversified. Giles B. Stebbins explains, for instance, that "the individual, if wise, seeks such occupation as will give scope to his genius... The nation should so shape its policy as to give scope to the varied genius of its people."<sup>675</sup> Indeed, this very argument was, in fact, a feature of American Protectionist thought as early as the *Report on Manufactures*, with Hamilton explaining that:

To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted.... Every new scene which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort. The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded in proportion to the simplicity or variety of the occupations and productions, which are to be found in a society.<sup>676</sup>

In other words, if there is greater diversity of industry, this means that those with an entrepreneurial flair for a particular pursuit will have the opportunity to exercise it. In the absence of such diversity, talents will inevitably go to waste, and this, in turn, will reduce the inventive and entrepreneurial capacity of the society. In the absence of economic diversification, the result must necessarily be a reduced pace of invention and technological change. John Phillip Young notes, for instance, that in highly specialized economies, such as purely agricultural nations or regions, there is a limited capacity for invention. "We find", explains Young, "that the proportion of inventions credited to the South during the ante-bellum period was very small", and "a detailed examination of the matter would show that the inventive faculty was almost dormant in those sections of the country which devoted themselves wholly to agricultural pursuits."<sup>677</sup> Indeed, it goes even further than this. As has been noted in Section 7.3, true genius is often the product of nature, and it is likewise the case, that particular kinds of genius are suited to particular fields of enterprise. In order for this inventive genius to be taken full advantage of, it follows that diversity of industry needs to be secured in the national economy. Indeed, this "shows the necessity of protecting duties", writes Tench Coxe, "[it] *alone* can give encouragement to men of genius to pursue complex and difficult manufactures."<sup>678</sup> It does so, explains John Phillip

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<sup>675</sup> Giles B. Stebbins, *The American Protectionist's Manual*, 13.

<sup>676</sup> Hamilton, *Report on Manufactures*, 12.

<sup>677</sup> John Phillip Young, *Protection and Progress*, 202. This is not to say that agriculture was disparaged by the American Protectionists. The issue was not one of agriculture versus industry, but specialization versus diversification.

<sup>678</sup> Tench Coxe, *Memorial of the Artists and Manufacturers of Philadelphia*, (Philadelphia: Graves, 1804), ix.

Young, by “calling into play... the inventive faculties of man by diversifying industries.”<sup>679</sup>

In light of the above, it is therefore clear that the American Protectionists had a fully worked out system of relations between Man’s individuality, economic diversification, and the inventive and entrepreneurial capacity of the economy. In short, a varied and diversified economy would aid the entrepreneurial discovery process by affording a greater range of opportunities by which different individuals can exercise their unique talents, and inventive genius. This, in turn, would further augment the inventive and entrepreneurial capacity of the nation, producing an even greater degree of diversification through which the great variety of talents can be exercised.

### **9.6: Entrepreneurial Profit as a Migratory Force**

The motivation for invention and innovation extends well beyond the profit motive, according to the American Protectionists, but profits were still seen as playing an indispensable role in coordinating and maintaining invention in the economy.<sup>680</sup> In fact, profits and inventions were seen as indispensable to one another. Inventions, in the first place, were seen as necessary for maintaining national savings and will thus influence the level of national investment. This relates to the fact that society’s willingness to save and invest is dependent upon the expected returns or the expected profitability of investments. Without inventions, however, the return on investment would steadily diminish and capital accumulation would cease as the economy is deprived of new investment opportunities. Indeed, “it is invention”, explains John Rae, “which show[s] how profitable returns can be got from [investments].” It can therefore “be esteemed the cause [of investment].”<sup>681</sup> Inventions, therefore, give rise to national savings by creating profitable investment opportunities. Yet, the rate of profit itself also exerts an influence on the pace and direction of invention.

Even though entrepreneurial profit will inevitably fall short of the benefits which the invention bestows upon society (see Section 9.3), the entrepreneur is still nevertheless motivated by profit. In the words of George M. Steele:

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<sup>679</sup> John Phillip Young, *Protection and Progress*, 112; Thomas Brackett Reed similarly explains that it is “the diversification of our industries that has stimulated inventions. Otherwise all the inventive power of America would have run to waste.” *Reed on the Tariff*, [Speech Originally Delivered in the House of Representatives, February 1, 1894] (Washington: 1896), 19.

<sup>680</sup> Since the social benefits of inventions typically exceed private returns, entrepreneurs are often motivated by a desire to better society and were also influenced by society’s moral culture. “On this account”, John Rae explains that though “manifestations of the inventive faculty [invention] imply a superiority in some intellectual powers, they rather imply, in the society, a preponderance of the social benevolent affections. It is this general acuteness of moral sensation, and lively sympathy consequently with the pleasures arising to the individual, from the success of exertions for purposes of general good, that can alone excite, and nourish, the enthusiasm of genius.” *Statement of Some New Principles on the Subject of Political Economy*, 222.

<sup>681</sup> John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 31.

That a benevolent man [i.e., the inventor or entrepreneur] will delight to confer upon society every such boon of which he has been the creator... But, on the other hand, it must be evident that a majority of the inventions which aid in the multiplication of wealth involve sacrifices which would never be incurred but for the hope of reward; and that, even in the case of those who are mainly moved to their undertakings by public spirit, this hope adds a stimulus without which, in many instances, the enterprise would fail.<sup>682</sup>

Thus, in spite of the fact that entrepreneurs are generally motivated by factors which extend beyond the pursuit of profit, profits nonetheless represent an important motive for the entrepreneur. Because of this, entrepreneurs will tend to seek out new industrial pursuits which afford, or which they perceived will afford, higher returns. This pursuit of profit serves as a migratory force within the market system which steers resources into new industries. As more mature industries become saturated with producers, profit rates will tend to stagnate or even decline due to competitive pressures.<sup>683</sup> It is this stagnation, however, which motivates the more entrepreneurial members of society to seek out and discover new sources of profit. This pursuit of new sources of profit provides an impetus to inventions and innovations.<sup>684</sup> As Van Buren Denslow explains:

All profits tend constantly toward an equality of return on past efforts, but an inequality and exorbitance of return on all new efforts which achieve a larger measure of satisfaction to human desires from a smaller expenditure of effort. Hence profits are the migratory or steering principle in industry, whose guidance, rent, interest, and wages all await and follow. Profits impel to the great inventions, discoveries, innovations, economies, improvements.<sup>685</sup>

This also has important implications for the long-run trajectory of capitalism. Throughout the history of economic thought, the belief has persisted that there exists a general tendency in capitalism for the rate of profit to fall.<sup>686</sup> The American

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<sup>682</sup> George M. Steele, *Rudimentary Economics for Schools and Colleges*, 180.

<sup>683</sup> These competitive pressures are partly explained by new competitors entering the market, but also due to technology rendering production more efficient and thus markets more abundantly supplied, see Van Buren Denslow, *Principles of Economic Philosophy*, 194-195; and Ellis H. Roberts, *Government Revenue*, 184-185.

<sup>684</sup> Whilst this theory is predominantly featured in Denslow's work, it received wide praise from American Protectionists, including, but not limited to, Robert Ellis Thompson, James G. Blaine, Robert P. Porter, and Cyrus Elder. Indeed, Porter even considered it "the most valuable work on the subject published." It therefore seems appropriate to include it as a general principle of the system, and it is certainly consistent with the general approach of the American Protectionists. Robert P. Porter quoted in American Protective Tariff League, 'More Praise for Professor Denslow's Book, *Tariff League Bulletin*, 2, no 4. (1888), 39; American Protective Tariff League, 'Denslow's "Principles of Political Economy', *Tariff League Bulletin*, 2, no 6 (1888), 58-59.

<sup>685</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 294.

<sup>686</sup> This view has been prevalent across many major schools of economic thought but has often been explained through different mechanisms. Adam Smith thought it was due to competitive pressures driving down profits to a minimum; Ricardo and Mill thought that it would be due the declining availability of fertile agricultural land; Karl Marx and later Marxists argued that it was due to over-accumulation and the diminishing purchasing power of workers; and some Neoclassical economists have argued that this would be the result of diminishing marginal returns on capital goods.

Protectionists held that no such tendency exists. What Classicals, Marxists, and later Neoclassicals mistake as a falling general rate of profit simply reflects the stagnation of specific industries. The Protectionists did not deny that a stagnation or decline in profits could occur, but if the economy is continually diversifying itself with the emergence of new and profitable industries, there is no general tendency for profits to fall. In fact, a falling rate of profit represents an endogenous and migratory force within the capitalist system which compels entrepreneurs to seek out new inventions and industrial pursuits. In the words of Van Buren Denslow:

A good deal of effort has been expended to prove what Mr. [John Stuart] Mill calls “the tendency of profits [to fall] to a minimum”... As [this] relates to each particular enterprise in which profits are won, this is more than true, indeed, [but] it is inadequate to the truth. Profits may be said to begin at unlimited figures, and to recede rapidly until... they totally disappear. Each particular mode of investment of capital invites a competition from others, [and] a rise [in] wages, rent, and interest, until these swallow up all the returns [profits].

*If this were not so, profit would not be the migratory force which pioneers the way to new fields, processes, and modes. But when this doctrine... is stated as a “tendency for profits to fall as society advances”... it is a palpable absurdity... All observation indicates that as large profits are arising in the new industries [, the same] as [when] the old gave rise to [large profits] when they were new, or, to use the old adage, there are “always as good fish left in the sea as ever were caught out.”*<sup>687</sup>

Rather than capitalist production grinding to a halt through an exhaustion of investment opportunities, capitalist production perpetually reinvigorates and diversifies itself through the actions of the entrepreneurial class of producers with their actions being guided, at least to some degree, by the pursuit of profit. This contrasts with the standard view that profits represent a signal to the entrepreneur to move the economy back into equilibrium. In the first place, high profits are a signal to entrepreneurs to move resources out of equilibrium and into newly established modes of production, but equally important is how the falling rate of profit in stagnating industries sends a signal to the entrepreneur to seek out and discover new inventions, innovations, and industrial pursuits.

## **9.7: Summary**

The American Protectionists had a clear understanding of the causes of growth and development. Unlike other schools of thought, the American Protectionist saw growth

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<sup>687</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 194-195.

and development as a product of human ingenuity. Through the use of human intellect, earthly substances and natural forces could be harnessed and transformed for the benefit of mankind. This represents a significant improvement upon the Classical explanation of growth. Whereas the Classical economists viewed growth simply as the product of savings and capital accumulation, this accumulative growth pales in significance to the power of invention, and because of the permanent and diffusive nature of invention, the societal benefits from invention necessarily outweigh the private returns. The American Protectionists thus concluded that the State has a role in incentivizing entrepreneurship.

In encouraging entrepreneurship, the American Protectionists argued that production must be carried out domestically, so as to take advantage of the diffusive effects of technology. This was predicated on the view that technological diffusion tended to be geographically bounded, with the spillover effects permeating out from where production takes place. Equally important as the need for production to be domestic, was the need for production to be varied and diversified. Because the Protectionists saw that different individuals are suited to different economic pursuits, this meant that certain inventive and entrepreneurial talents would remain dormant in a highly specialized economy. The entrepreneur, to be sure, was likened to a discoverer, and by having a varied and diversified economy, this would aid the discovery process by affording a greater range of opportunities.

The discovery process of the entrepreneur was also aided, according to the American Protectionists, by profit signals which serve as a migratory force within capitalist production. As profits tend to stagnate in particular industries, entrepreneurs would be compelled to seek out new inventions and industrial pursuits. This migratory force also holds important implications for the future of capitalism. Since profit rates steer entrepreneurs and resources into new pursuits in an endogenous manner, this means that there is no general tendency for profits to fall within capitalism. The American Protectionist thus considered a falling rate of profit as an endogenous mechanism that reinvigorates capitalism, as opposed to an internal contradiction. With this chapter establishing the American Protectionist theory of growth, development, and entrepreneurship, the study will now proceed with a discussion of the School's theories concerning distribution and social mobility. This will be the focus of the next chapter.

## Chapter 10: Theory of Distribution and Social Mobility

### 10.1: Introduction

Labor and capital in conflict are in an unnatural state; harmony is their true relation. For reasons already given, capital finds its account in the cheerful service of labor, not in its discontent. To labor, capital is a benefactor in the highest sense; were the whole class of capitalists with all their accumulations to be annihilated, labor would be reduced to indigence and a struggle for existence more severe than can easily be conceived.<sup>688</sup>

- Robert Ellis Thompson

The American Protectionists were primarily concerned with production, but they also made significant contributions to the field of distribution. This chapter will examine this theory of distribution, and in doing so, it will reveal the pioneering role of the American Protectionists in the development of a productivity theory of distribution.<sup>689</sup> Closely connected with this theory of distribution is their theory of social or class mobility. As far as distribution is a concern for the American Protectionists, they were far more interested in the important matter of social mobility. Unlike the tendency in Classical and Marxist thought of treating economic classes as highly rigid, which creates the impression that they are fixed and monolithic, American Protectionist thought emphasizes the high degree of mobility between economic classes. Class analysis, to be sure, was utilized by the Protectionist thinkers, but they fundamentally conceived society as consisting of individuals building an economic surplus together, not classes in conflict with each other over an existing economic surplus.

On the matter of distribution, the American Protectionists developed one of the earliest and most systematic theories explaining how industrial development culminates in class harmony. This system can be seen as the antithesis of the wage theories of Ricardo, Malthus, and Marx. Whereas Ricardo and Malthus portrayed class relations as antagonistic, and Marx portrayed them as exploitative, American Protectionists viewed class relations as fundamentally harmonious and mutually beneficial. As Erastus B. Bigelow puts it:

Notwithstanding [the] reciprocal dependence [between labor and capital], the idea is prevalent that capital oppresses labor and seeks to deprive it of its natural rights. This error has arisen from a misconception of the laws which govern the relations of labor and

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<sup>688</sup> Robert Ellis Thompson, *Elements of Political Economy*, 235.

<sup>689</sup> James L. Huston, *Securing the Fruits of Labor: The American Concept of Wealth Distribution, 1765-1900*, (Baton Rouge: Louisiana University Press, 1998) 174-182, also provides a worthy discussion of this topic.

capital, and of the conditions under which labor and capital cooperate for the greatest good of the greatest number.<sup>690</sup>

In emphasizing the “harmony of interests” between capital and labor, the American Protectionists rejected the Ricardian surplus principle and the iron-law of subsistence wages developed by the English Classical School (both of which were later incorporated into Marxist economics). According to the Ricardian surplus principle, the profits of capitalists and wages of laborers are both paid out of a residue surplus leftover after rents are paid to the landlord, with the implication that profits and wages will vary inversely with one another.<sup>691</sup> Ricardo, for instance, asserts that “there can be no rise in the value of labour without a fall of profits.”<sup>692</sup> The interests of capitalists and laborers are therefore necessarily opposed. Higher wages would only serve to exhaust the surplus, thereby reducing the profits received by the capitalist, and vice-versa.<sup>693</sup> The American Protectionists thus took to rebranding this doctrine as the “see-saw theory of wages.”<sup>694</sup>

In contrast to the static and zero-sum implications of the Ricardian surplus principle, the American Protectionists viewed wage determination as a dynamic process and a positive sum game between labor and capital. Their emphasis was on labor and capital working together in the creation of wealth from which they would both benefit, as opposed to the final ‘distribution’ of a given amount between the two parties.<sup>695</sup> This positive sum thinking is even implicit in the writings of Alexander Hamilton, who saw that “so far as the dearness of labor [or high-wages] may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success.”<sup>696</sup> The American Protectionists thus considered the interests of capital and labor as fundamentally aligned. As Henry Carey explains:

The interests of the capitalist and the labourer are thus in perfect harmony with each other, as each derives advantage from every measure that tends to facilitate the growth of capital, and to render

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<sup>690</sup> Erastus B. Bigelow, “The Relations of Labor and Capital,” 475.

<sup>691</sup> Given the nature of this dissertation, a full exposition of the Ricardian theory of distribution cannot be given here. For a discussion of the Ricardian surplus principle, see Nicholas Kaldor, “Alternative Theories of Distribution,” *The Review of Economic Studies*, 23, no. 2 (1955-1956), 84-87; and Geoff C. Harcourt, & Peter Kriesler, “On Ricardo and Cambridge,” In *Reclaiming Pluralism in Economics*, ed. J. Courvisanos, J. Doughney, & A. Millmow. (London and New York: Routledge, 2016), 150-167. Note that the American Protectionists also rejected the basic assumptions of the theory, since, according to their theory, landlords are themselves capitalists, see Section 7.8.

<sup>692</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 31.

<sup>693</sup> David Ricardo explains that “in proportion as less is appropriated for wages, more will be appropriated for profits, and vice versa.” *On the Principles of Political Economy and Taxation*, 500.

<sup>694</sup> Robert Ellis Thompson, ‘Henry Charles Carey’, 819.

<sup>695</sup> This can be viewed in contrast with the emphasis which Ricardo places on the distribution of a given amount of wealth. Writing to his friend Malthus, Ricardo remarks “Political economy, you think, is an enquiry into the nature and causes of wealth; I think it should rather be called an enquiry into the laws which determine the division of the produce of industry amongst the classes who concur in its formation.” David Ricardo quoted in Samuel Hollander, *The Economics of Thomas Robert Malthus*, (Toronto: University of Toronto Press, 1997), 1000.

<sup>696</sup> Alexander Hamilton, *Report on Manufactures*, 19.

labour productive, while every measure that tends to produce the opposite effect is injurious to both.<sup>697</sup>

The second pillar of the Classical-Marxist theory of wages is the iron-law of subsistence. This law posits that wages are fixed at the level of subsistence, or, in the words of Ricardo, “the natural price of labour is that price necessary to enable labourers... to subsist and to perpetuate their race.”<sup>698</sup> In renouncing the subsistence theory of wages, the American Protectionists would develop a theory of wage determination predicated on productivity growth. The American Protectionists argued that productivity growth and technological change meant that society could escape the misery and class antagonisms which the English Classical School purported to be the destiny of mankind. Man’s destiny was instead one of growing prosperity and harmony. The iron-law of subsistence wages also underscores another important difference between the Classical-Marxist position and that of the American Protectionists. Unlike the Classics and Marxists, the American Protectionists rejected the view that there exists a natural rate of wages which is fixed and uniform. Wage rates are instead varied across the economy, with rates being as numerous as employments are diversified, and then some. Indeed, Peshine Smith sneered at the suggestion of a uniform rate of wages, noting that “the economists of the shop-keeper [Classical] school think there is what they call a *natural* rate of wages...The writers who adopt this view of ‘natural wages’ are constrained by their instinctive sense of justice to try to reconcile the diversity of wages.”<sup>699</sup>

In light of the above, this chapter will begin with a discussion of the American Protectionists’ theory of wages, which will be the focus of Section 10.2. In Section 10.3, the chapter will then turn to their theory of social mobility. Next, the chapter will proceed with a discussion of the preconditions that the American Protectionists saw as necessary for wage growth and social mobility to occur. This will help to clarify and perhaps resolve potential objections to the American Protectionist theory of wage determination and social mobility. This discussion of the preconditions will be the focus of Section 10.4. The chapter will then proceed with an analysis of what the American Protectionists saw as the role of protection with respect to wage growth, which will be the focus of Section 10.5. The chapter will then turn to the American Protectionists’ views concerning labor market regulations and labor unions in Section 10.6, before ending with a summary.

Before proceeding, however, it is necessary to note a couple of points. First, it is important to stress that the insights discussed below represent general laws or general

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<sup>697</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 1, 339. It should be noted that this work was written while Carey was still a free trader, but his views of distribution largely persisted throughout his later writings.

<sup>698</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 86.

<sup>699</sup> E. Peshine Smith, “Notes on Political Economy Designed Chiefly for Japanese Readers: Chapter 7,” *The Tokio Times*, 11, no. 6 (1877), 79.



tendencies. Unlike those portrayed in the Classical theory of distribution, they are not fixed or iron laws. The American Protectionists highlighted mechanisms which made distribution tend towards a particular outcome, but the extent to which this is achieved depends upon particular circumstances. Since American Protectionist thought is predicated on the view that individuals are distinguished by a high degree of variety in tastes, aptitudes, and talents, this means that outcomes are, to some extent, influenced by the qualities of the particular individual. In the case of social mobility, for instance, the American Protectionists posit that there would be a general expansion of opportunities through which laborers could become capitalists. The extent to which this occurs in practice is, however, subject to whether an individual worker is suited or even desires to become a capitalist. The final point to note relates to the presence of nature as a factor of production. It should be recalled from Chapter 7 that the return on nature as a factor of production is shared by both the capitalist and the laborer. Nature is a free gift, so right away the worker and the capitalist are both receiving an unearned return from nature in the process of distribution. Indeed, it is precisely because nature is a free gift that economic activity is a positive sum game for both workers and capitalists. Whilst this chapter will not deal directly with nature's involvement in laws of distribution, the principles laid out above and in Chapter 7 should be tacitly assumed in the proceeding discussion.

## 10.2: Theory of Wages

A major contention in the 19<sup>th</sup> century between the Classical economists and the American Protectionists was the cause of high American wages relative to those of Europe. The English and American Classics asserted that high American wages were due to a limited population and an abundance of unsettled land in the west, and this forestalled the onset of diminishing returns and subsistence wages, as prophesized by Malthus and Ricardo. For pragmatic reasons, early American Protectionists, such as Hamilton, Clay, and Mathew Carey, tended to downplay the height of American wages.<sup>700</sup> High wages meant that labor was dear, and this was alleged to be an obstacle to the development of manufactures. By the mid-19<sup>th</sup> century, however, American Protectionists saw that wages were not universally high across the United States but were concentrated primarily within the more industrial and densely populated Northeast.<sup>701</sup> Wages could therefore not be the result of a relative scarceness of labor and relative abundance of land but was somehow connected with the level of

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<sup>700</sup> Alexander Hamilton writes, for instance, that “as far as it [high labor costs] is the consequence of a scarcity of hands... It is certain too, that the disparity in this respect, between some of the most manufacturing parts of Europe and a large proportion of the United States, is not nearly as great as it commonly imagined.” *Report on Manufactures*, 18; see also William Barton, “Essay on the Promotion of American Manufacturers”, *The American Museum*, 2, no. 3 (1787), 258; and Mathew Carey, *Essays on Political Economy*, 430-431.

<sup>701</sup> Henry Charles Carey explains, for instance, that “the prosperity of the United States is *not* due to the abundance of land.” ‘On the Beneficent Effects of A Policy that Promotes Concentration’, *The Plough, The Loom, and The Anvil*, 1, no. 3 (1848); 182, emphasis in original; See also Henry Charles Carey, *The Slave Trade, Domestic and Foreign*, (Philadelphia: A. Hart, Later Carey, & Hart, 1853), 55.

industrialization. With this view in mind, the American Protectionists proceeded to develop a theory of wage determination which centered on industrial progress and productivity growth.

Although their theory of wage determination revolves around productivity, it should be clearly stated that the American Protectionists did not endorse a theory of wages based on 'marginal productivity'. Unlike the traditional marginal productivity theory of distribution whereby wages are determined by the exact marginal amount which a factor contributes to total output and is arrived at in a monocausal manner, the American Protectionist writers characterized wages as loosely approximating productivity through the convergence of multiple different mechanisms. Wage determination is thus seen as a multi-causal, but mutually reinforcing, process by which wages move in tandem with productivity growth over the long run. Although more critical than other members of the School with respect to wage determination within certain employments in a firm, Horace Greeley provides a good example of this thinking:

While I hold Wages in general the fair equivalent of the services [of labor]... I see clearly that they are at best a rude approximation to justice, regarded in their application to individual cases. Here are one hundred employees in a shop or factory, each working for an established and uniform rate of weekly or monthly pay. But their work is not of uniform value... One is a skilful, thoroughly instructed craftsman, who... turns out none but the best products; another comes to work late and irregularly, wastes time in every way, can barely pass muster as an artisan, and his handiwork narrowly escapes condemnation. These men's services are not of equal value, and probably never will be; and the fact that their remuneration is equal tends to discourage excellence and fill our shops and factories with slovenly, inert, half-taught journeymen.<sup>702</sup>

Both the capitalist and laborer were seen as joint producers of wealth, and both would therefore share in the exploits accompanying productivity growth. Whilst the remuneration of the individual worker or capitalist does not reflect their respective marginal productivity in a precise manner, they would both share in the overall profitability and productivity of the firm or industry. Also inherent within this thinking is the view that more productive firms and industries, and even nations as a whole, will experience higher wages.

The American Protectionists highlighted four mechanisms which tended to increase real wages over the long run, and all of which were in some way connected

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<sup>702</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 87.

with productivity. The first mechanism emerged as a logical extension of Henry Carey's reproduction cost theory of value (discussed in Section 8.3).<sup>703</sup> According to the reproduction cost theory of value, as productivity rises, the cost of reproduction diminishes. When this law is applied to the production of capital goods, this means that rising productivity must also decrease the reproduction costs of capital goods themselves, as it would with any other commodity, which renders capital less expensive relative to labor.<sup>704</sup> As capital goods become less expensive, it follows that more capital can be combined with labor. This renders labor increasingly more productive. As a result, the capitalist can provide laborers with higher compensation for their superior productivity.<sup>705</sup> In the words of Henry Carey:

The quantity of labor required for *reproducing* existing capital, and further extending the quantity of capital, diminishing with every stage of progress. Past accumulations tend steadily to decline in value – labor rising not less steadily when compared to them [capital goods]...

Both [the capitalist and laborer] thus profit greatly by the improvements which have been effected. With every further movement in the same direction, the same results continue be obtained – the proportion of the laborer increasing with every increase in productiveness of effort.<sup>706</sup>

In addition, Carey also points out that in the process of reproducing capital goods, incremental improvements or innovations are also incorporated into the newly reproduced goods, further enhancing productivity at every step.

The relative remuneration of capital and labor does depend, to some extent, on the particular circumstances. If the laborer is an independent contractor, who assumes

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<sup>703</sup> Even though the reproduction cost theory of value was not adopted universally by all American Protectionists, virtually all of them from the mid-19<sup>th</sup> century still adhered to its implication regarding wages, since they all still basically emphasized the importance of productivity growth in bringing down costs of production.

<sup>704</sup> The objection may be raised that this decline in the reproduction cost of capital goods, and even goods more generally, implies low wages (low labor costs) for the workers involved in production, but the American Protectionists observed that declining costs of reproduction was often caused by an expansion in the scale of production, labor-saving machines, and worker productivity, which means that the cost of high wages would be spread across multiple units. John L. Hayes explains, for instance, that “the cheapening under this law applies... [to] production on a vast scale, diminishing to the lowest point the portion of the general expenses of a manufacturing establishment which each article produced bears. The large scale of production enables the manufacturer [and hence their workers] to thrive with but a slight profit on a single article.” John L. Hayes, “Customs Duties on the Necessaries of Life,” 117

<sup>705</sup> Henry Carey, *Principles of Social Science*, Vol. 1, 171; *Principle of Social Science*, Vol. 3, 112-116, 125. It is important to note that Carey defines profits and wages in a clear cut manner. To quote Carey, “profits are the compensation received for use of capital... while wages are obtained by present labour, and are the reward of time, attention, talent, and often sacrifice of convenience, comfort, and even of health. The first is paid for *the aid of things*, and the for *the services of men*.” Thus, entrepreneurship is viewed as the labor of the capitalist, and although the return for this work is bundled up as part of profits, it actually represents his wages in Carey's terminology. This delineation is rather unique to Carey, with most others adopting the standard terminology.

<sup>706</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 3, 111-113. In the full passage, Carey implies that the wages of labor grow relative to the returns on capital. To give context, Carey is referring to a situation where the laborer assumes the role of entrepreneur and is borrowing capital goods from a lender-capitalist, so as to give a simple explanation. Whilst this is not a typical employment relationship, a fuller explanation would require disentangling entrepreneurship from capital. In this case, when the reproduction cost of capital goods falls, this means that the cost of borrowing capital goods also falls. This implies that both the laborer and the lender of capital goods benefit in absolute terms, but the laborer benefits relatively more than the lender of capital. In the example, however, Carey assumes that productiveness of both the new capital and laborer has doubled, and that the lender-capitalist takes a diminished proportion of greatly increased production.

the role of the entrepreneur and hires out capital goods, then the laborer is assured to benefit from the reduction in the price of capital goods. If the laborer is employed by the capitalist than the extent (or degree) to which he benefits is more complicated, but the capacity for higher remuneration still necessarily increases. As William Elder explains:

The argument of this point may be put thus: The laborer must receive his share, or wages, out of the product to which he contributes. That share depends upon the quantity of such product. The larger this is, the greater the fund on which he draws. When he hires the capital, his share is the residuum after paying the capitalist his interest, or profit, upon the investment. This is certain when the laborer is his own employer; and his profit is found in the enhanced productiveness of his labor due to the aid of capital. When the capitalist hires the labor, which is the more general state of the case, a like equitable division of profits is *possible*, or in other words the fund is created for such equitable dividend, and it is made possible for him to receive the due advantage of his cooperation in the enlarged yield of his industry.<sup>707</sup>

The American Protectionists saw that there were additional mechanisms (set out below) which would compel and incentivize the capitalist within the individual firm to remunerate labor for this increase in productivity. However, even in the absence of these mechanisms, the general decline in reproduction costs, for both consumer and capital goods, means that the purchasing power of existing wages would still tend to increase with economic progress regardless of whether the worker receives higher remuneration from the employer, since the value of the wage would increase relative to the general price of commodities in the marketplace.<sup>708</sup> The end result is that real wages will tend to increase with economic progress regardless of any other actions taken on behalf of the employer.

The second mechanism which produces higher real wages concerns the accumulation of intellectual capital by the worker. Almost all American Protectionists had some conception “that wages”, as Henry Carey explains, “are the reward of human labour [and] of the exertion of skill or talent.”<sup>709</sup> It was seen quite plainly that capitalists would be willing to pay more for workers possessing a higher degree of intellect and skill in the same manner as they would pay a higher price for more

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<sup>707</sup> William Elder, *Questions of the Day*, 88; by equitable distribution, the Protectionists did not suggest that distribution would be divided equally between capitalist and laborer, but that each would receive their respective contribution. Erastus B. Bigelow explains that “equitable distribution consists, not in an equal pro-rata division of the produce of labor and capital, but in allotting to all a share proportionate to the degree in which they have respectively aided production, directly or indirectly.” *The Relations of Labor and Capital*, 480. Bigelow’s emphasis on both ‘direct’ and ‘indirect’ causes also supports the view that the American Protectionist did not support a monocausal marginal productivity theory of distribution.

<sup>708</sup> William Elder explains that “the increase of accumulated capital... lessens the value in labor of products already existing and brings them more easily within the purchasing power of present labor.” *Conversations on the Principal Subject of Political Economy*, 52.

<sup>709</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 1, 338.

productive capital. This likewise means that employments which require comparatively higher skill will yield comparatively higher wages. This can be seen in the following statement by Horace Greeley on industrial and agricultural wages:

Manufactures requiring greater intelligence, rarer skill, more delicate manipulation, than Agriculture, it is inevitable that the recompense of Labor therein should be proportionally higher. Even though an equality should be maintained in the lowest grades of service, the comparative value of skill, experience, ability, is far greater in Manufactures, and must be paid for accordingly.<sup>710</sup>

In addition, higher skill and intellect also means that workers possess a greater bargaining position in the negotiation of employment contracts due to the higher degree of intellect.<sup>711</sup> Indeed, some American Protectionists, such as Calvin Colton, went as far to declare that skilled workers are masters over capitalists.<sup>712</sup>

The third mechanism concerns the introduction of labor-saving machines. The importance of labor-saving machinery represents a key feature of the wage doctrine of American Protectionists extending back to Alexander Hamilton. Although Hamilton never developed a systematic theory of wages, his writings imply that the introduction of labor-saving machines would lessen wage costs as a concern for domestic manufacturers, as labor is substituted by machines, and would thus make industry better able to accommodate higher wages.<sup>713</sup> This logic is later echoed and elaborated upon by Henry Clay, who explains that:

The argument [that high wages makes industry unviable] assumes, that natural labor is the principal element in the business of manufacture. This [is an] ancient theory... valuable inventions and vast improvements in machinery, which have been made within a few past years, have produced a new era in the arts. The effect of this change in the power of production... [means that] we must no longer limit our views to... the price of wages... Capital, ingenuity in the construction and adroitness in the use of machinery, and the possession of raw materials, are those which deserve the greatest consideration... The state of our population is peculiarly favorable to the most extensive introduction of machinery. We have no prejudices to combat, no persons to drive out of employment.<sup>714</sup>

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<sup>710</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 167.

<sup>711</sup> Henry Carey, *Principles of Political Economy*, Vol. 1, 338; Calvin Colton, 'Labor and Capital', 2; Alexander H. Everett, *New Ideas on Population*, 111-112; William Elder, *Questions of the Day*, 89; among others.

<sup>712</sup> For a more thorough discussion of this mechanism, see Section 7.7. Calvin Colton, 'Labor and Capital', 2; Henry Carey and William Elder also imply that laborers are masters over capital.

<sup>713</sup> Alexander Hamilton, *Report on Manufactures*, 18. In relation to machines that harness natural energy in place of labor, see Tench Coxe, *A View of the United States of America*, 38-39; and Section 7.5 of this study.

<sup>714</sup> Henry Clay, 'On American Industry', 279.

There are several elements involved in this labor-saving mechanism of wage growth. In the first instance, the introduction of labor-saving machines will enhance productivity and, as implied above, this will tend to improve wage rates, or at the very least, would make higher wages more viable for the firm or industry. The introduction of labor-saving machines was also seen as working in combination with the accumulation of intellectual capital (the second mechanism discussed), with the two amplifying the effect of another. As Van Buren Denslow explains:

The introduction of labor saving machinery has some tendency to enhance wages... wherever extraordinary rates of profit are being made [from labor-saving machinery], there capital will forego a part of its profits in the form of increased wages, in order to increase its output rapidly and to “make hay while the sun shines.”... As the successful working on new forms of machinery nearly always involves some degree of skill, it is often better economy to enlarge the wages of those who have some degree of skill than to take on new and unskilled hands. Probably every labor-saving invention has witnessed the increase of wages to labor, through the increased profits to capital obtained by saving labor-cost in the production of commodities.<sup>715</sup>

The second element can be seen as a compounding of wage growth which operates through positive feedback. The American Protectionists saw that high wages themselves tended to spur the introduction of labor-saving machines since capitalists would be incentivized to substitute labor with machinery. John Phillips Young explains, for instance, that the “extraordinary development of labor-saving inventions in the United States is probably largely due to the great cost of American labor... In a country where wages are low the incentive to resort to labor-saving devices is never very strong and their use is always resisted, passively or actively.”<sup>716</sup> Thomas Brackett Reed makes a similar observation, explaining that “on account of higher wages, there are greater inducements to substitute labor-saving devices for costly labor.”<sup>717</sup> This substitution of labor with machines means that the wages of workers remaining within the firm can be further advanced through an increase in productivity.

The American Protectionists also saw that this capital-substitution effect would have an additional, but equally powerful effect on national wage rates. The introduction of labor-saving machines would result in the outright elimination of unskilled and hence low-wage employment. In the long-run, this has the effect of

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<sup>715</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 299.

<sup>716</sup> John Phillip Young, *Protection and Progress*, 480. Interestingly, Young is rather pessimistic about whether the further introduction of labor-saving machines will sustain wage growth into the future, stressing that it is fully contingent on the maintenance of the tariff, see 290-291. This pessimism is not shared by other American Protectionists.

<sup>717</sup> Thomas Brackett Reed, *The Tariff*, 9.

raising the national wage rate. This is best explained in the following passage by Robert Ellis Thompson:

Furthermore, machinery supersedes muscle but not brains, force but not intelligence. It drives men from low-priced, mechanical work, to employments that demand a higher capacity and command higher pay. Increasing the productiveness of labor, it increases also the workman's share of its results. And this share is not to be conceived as lying idle in the hands of those that earn it. It is again expended in employing other workmen by purchasing necessaries and comforts.<sup>718</sup>

Whilst labor-saving machinery could conceivably result in transitory disruptions in economic activity in certain instances (as will be discussed in Section 12.3), the general effect in the long-run would be to create more employment and raise the national wage rate by expanding productive capacity. It is for this reason that Erastus B. Bigelow rejected the term 'labor-saving machines' all together, arguing that "the advance in wages which has taken place concurrently with the increasing use of labor-aiding machinery is conclusive proof that such machinery, in the long run, increases rather than diminishes the demand for labor" and "hence the term 'labor-saving' as applied to inventions is a misnomer."<sup>719</sup> In due course, labor-saving machines would raise wages within the firm by raising productivity, but also the general rate of wages nationally by eliminating low-wage employment. Indeed, it was not only the wage rate that would improve, but also general working conditions and conceivably working hours.<sup>720</sup>

The fourth mechanism involves the capitalist raising wages in order to render labor more productive. This was seen as working independently of the productivity gains bestowed by capital investment. The American Protectionists maintained that in order to have a productive work force, laborers require wages and living standards far above the subsistence levels assumed by Malthus and Ricardo.<sup>721</sup> High wages are necessary to keep workers in optimal health and properly nourished, but most importantly well trained and educated. As Henry Carey explains:

The higher degree of intellect applied to the work of production, the larger will be the return to labour, and the more rapid will be the accumulation of capital... The colonial [free trade] system looks to low

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<sup>718</sup> Robert Ellis Thompson, *Elements of Political Economy*, 127; William Elder also explains that "the substitution of artificial labor, in the form of steam or water force and machinery, for muscular toil, relieves the laborer of so much mere muscle force, which is low priced, and remits him to the higher styles of skill, which always command correspondingly higher rates of wages, which, in every way that concerns his advancement, is so much in his favor." *Questions of the Day*, 96.

<sup>719</sup> Erastus B. Bigelow, *The Relations of Labor and Capital*, 486.

<sup>720</sup> Ellis H. Roberts notes the beneficial effects on working conditions, writing that "invention in mechanism has simplified the tasks of husbandry, has reduced its drudgery, and diminished the number of persons required in its operations." Ellis H. Roberts, *Government Revenue*, 189.

<sup>721</sup> See also William Elder, *Questions of the Day*, 89; Stephen Colwell, *A Preliminary Essay Prefixed to the American Editions of List's National System of Political Economy*, (Philadelphia: J. B. Lippincott & Co, 1867), lxxvi; Robert Ellis Thompson, *Elements of Political Economy*, 120.

wages, necessarily followed by an inability to devote time to intellectual improvement. Protection looks to the high wages that enable the labourer to improve his mind... To increase the productiveness of labour, education is necessary. Protection tends to the diffusion of education, and the elevation of the condition of the labourer... To raise the intellectual standard of man... our object can be accomplished only by raising the value [wages] of man.<sup>722</sup>

This also connects to the important issue of international trade. Protectionists maintained that highly remunerated labor, with their superior productivity, would be able to underprice and outproduce cheap foreign labor. In the words of Peshine Smith:

The American System rests upon the belief that in order to make labor cheap [for the capitalist], the laborer must be well fed, well clothed, well lodged, well instructed, not only in the details of his handicraft, but in all general knowledge that can in any way be made subsidiary to it. All these cost money to the employer and repay it with interest... In raising up a body of such labourers... they can ... [produce] to the last degree of manufacture, more cheaply than it has ever yet been done elsewhere.<sup>723</sup>

This fourth mechanism highlights that nominal wage costs in isolation mean little to the capitalist. What matters is the relation between compensation and productivity. If higher wages lead to productivity growth which more than offsets the cost of the higher wages, then capitalists will find it in their own interest to provide higher remuneration for their workers as a form of capital investment. Because of the implication that productive high-wage labor can out compete the low wage labor of foreign nations, this means that the struggle between nations over industrial production does form some part of the analysis of the American Protectionists, albeit a less important one than Man's struggle against nature. Even aside from improving nutrition, health, and education, raising wages was also seen to improve the motivation of workers, aligning their interests with that of the capitalist, thereby fostering greater harmony. As Giles B. Stebbins remarks:

[High] wages as give possibility for comfort and taste, for accumulation, education, and the hope of a larger life, tend to good feeling and to harmony and equality of rights and condition. The fairly

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<sup>722</sup> Henry Carey, *The Harmony of Interests*, 209-213.

<sup>723</sup> E. Peshine Smith, 'Art. II. – Protection versus Free Trade: The Law of Progress in the Relations of Capital and Labor,' *Hunt's Merchant Magazine and Commercial Review*, 26, no. 1 (1852), 42, emphasis in original. This view, however, is rejected by Horace Greeley, who explains that "In my conception, the true and ultimate relation of the Laboring Class of one country to that of another – is not that of underworking rivals, seeking to take the bread from the mouths of each other's children... If it were practicable, at my discretion, through invention, machinery, the aggeneration of capital, talent, experience, and skill, for the artisans of my country to undersell and run out the artisans of all other countries, so that all manufactures should be gradually transferred to and thenceforth prosecuted only on our soil, I would not speak the word that would insure such transfer." *Essays Designed to Elucidate the Science of Political Economy*, 170. Greeley's sentiment also seems implicit in Henry Carey.



paid artisan or laborer feels less a slave and more a co-operative helper of the employer, with common hopes and interests. He is a man and not a human machine.... [A] reduction of wages in this country... is far from desirable, and is not wished for by a large majority of employers. They know and feel that the conditions of trade and production which enable them to pay our present rates are better for all.<sup>724</sup>

The American Protectionists, of course, did not view this as an iron-law that invariably led every capitalist to increase wages endlessly and they acknowledged that there were clearly limits to the logic. Robert Ellis Thompson explains, for instance, that “against the English School generally,” the American Protectionists “showed that the doctrine of a wage-fund... is a delusion resting on no facts; that there is no natural necessary rate of wages, while there are necessary upper and lower limits to the rise and fall of wages... the employer finds his interests promoted by high wages more than low.”<sup>725</sup> Whilst this particular mechanism might not constitute a universal law of economics, the fact that the capitalist finds it in his own interest to improve the efficiency of workers, serves as an impetus to increase wage rates.

The American Protectionists thus identified four mechanisms which would sustain wage growth over the long run. It is perhaps useful to reiterate these key mechanisms. These mechanisms are:

1. The diminution in the reproduction cost of capital goods lessens the cost of purchasing new capital goods, which allows more capital to be combined with labor. This raises productivity and increases the capacity for workers to earn higher wages. The decline in reproduction costs also raises the purchasing power of existing wages.
2. The accumulation of intellectual capital means that capitalists will pay higher wages for the worker’s superior productivity, and that the worker will have a better bargaining position due to his improved intellect.

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<sup>724</sup> Giles B. Stebbins, *American Protectionist Manual*, 130-131, emphasis in original.

<sup>725</sup> Robert Ellis Thompson, “Carey, Henry Charles,” 720. The wage-fund doctrine represents a refinement of the Malthusian population principle and underpins both the Ricardian surplus principle and the iron-law of subsistence wages, and thus the Classical theory of distribution. Although a full exposition cannot be given here, the wage-fund doctrine basically states that the aggregate wages of labor are paid out of a fixed fund which is determined by the amount of circulating capital. If the fund is fixed, and the population increases, then workers must receive lower wages. The deficiency of the wage-fund doctrine is demonstrated, albeit implicitly, in Chapter 11, as the American Protectionists observed that an increase in population tends to increase productivity without necessarily requiring a concomitant increase in circulating capital. This increase in productivity will, in turn, have the tendency to reduce the reproduction costs of goods, meaning that workers will tend to experience higher real wages. This is why Thompson notes that this “theory of the wage-fund... is a fiction.” Robert Ellis Thompson, *Elements of Political Economy*, 24. Unfortunately, scholars have wrongly contended that “Henry Carey” and, by implication, his School “subscribed to the wage-fund theory... long after the British mainstream rejected it.” Herbert Hovenkamp, *Enterprise and American Law, 1836-1937*, (Cambridge: Harvard University Press, 1991), 72; this is also affirmed by Rodney Morrison, *Henry C. Carey and American Economic Development*, (Philadelphia: American Philosophical Society, 1986), 19. This is a mistaken view. American Protectionists rejected the wage-fund doctrine long before the Classics dispensed with the theory.

3. The introduction of labor-saving machines and labor-saving improvements on new capital goods will increase the productivity of workers within the firm. This increase in productivity allows capitalists to raise wages. High wages will also incentivize capitalists to substitute labor with labor-saving machines, further raising productivity.
4. The capitalist has an incentive to raise the wages of labor. Higher wages will motivate and empower workers, and will allow laborers to invest in better nutrition, education, and health. This will improve the worker's productivity, and in doing so, the capitalist will reap higher profits.

It is important to highlight that the American Protectionists saw these mechanisms as exerting positive feedback upon one another and would therefore represent a virtuous and mutually reinforcing process.

The American Protectionists thus had a clear understanding that wages tend to approximate productivity growth and they also provided a detailed explanation for why this occurs. That said, they saw that determining the direction of the relative remuneration between capital and labor was marred with immense difficulties. The closest answer was that given by Henry Carey.<sup>726</sup> Carey argues that while capital and labor would both benefit in absolute terms, labor's share of industrial income would grow relative to capital. That said, unlike many other Protectionists, Carey defines profits very rigidly as that "paid for *the aid of things*" and wages as that paid "for *the services of men*."<sup>727</sup> Hence, in Carey's schema, entrepreneurial profit is the wage earned by the capitalist for his labor. Thus, in the more practical sense, the final breakdown between capital and labor is still undetermined. Others accept that wages would still tend to approximate productivity, but institutional factors and the relative bargaining position would influence final distribution at the margins.<sup>728</sup> Others saw the relative share of income as oscillating back and forth between the capitalist and laborers depending on the changing profitability of the enterprise.<sup>729</sup> And others appear reluctant to announce a definitive position.<sup>730</sup>

The reason for this lack of precision in final distribution relates to the complexity involved in ascertaining respective contributions. Because capital and labor were seen by the American Protectionists as joint producers, their productive efforts are necessarily intertwined, so disentangling relative contribution is difficult and perhaps

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<sup>726</sup> This is also strongly indicated in Calvin Colton and implied in William Elder.

<sup>727</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 1, 336, emphasis in original.

<sup>728</sup> Robert Ellis Thompson largely accepts the viewpoint of Henry Carey, but also sees the bargaining position as modifying the law to some degree. William Elder alludes to this but places less emphasis on it than Thompson; Alexander Everett also notes the role of institutional factors.

<sup>729</sup> This includes Jacob Harris Patton.

<sup>730</sup> This includes Van Buren Denslow.

impossible.<sup>731</sup> The other important issue is that of accounting for losses on the side of the capitalist or entrepreneur which makes the determination of relative sacrifice and thus contribution imprecise. In the words of Van Buren Denslow:

It is not clear, however, yet in what definite relation profit-making stands to wages-earning — in the comparative comfort and ease of life it brings to the average of those engaged in the two modes of life. For profit-making includes also loss-incurring, and the means of estimating the totality of losses, incurred by the profitmakers, are very defective.<sup>732</sup>

Because of this, many American Protectionists saw that the process of distribution is necessarily disjointed. Whereas the capitalist advances the laborer's wage prior to final distribution taking place, the return to the capitalist is always uncertain until the production and the final sale of commodities takes place. In this sense, workers who receive a fixed wage will benefit by having forgone the risks and uncertainty involved.<sup>733</sup> The American Protectionist therefore cautioned against attributing instances of high profits relative to wages to exploitation. As Jacob Harris Patton explains:

In relation to their respective incomes the employed may be inclined to ignore some of the most influential items in enumerating the conditions under which the dividends of the employer are obtained. The latter include the salary of the owner; the interest on his money invested (the result of former labor); the risks that he runs; the mental anxiety and care; the liability of accidents to his property; the rent, insurance, the wear and tear of machinery, and the uncertain conditions of the market—all these unknown quantities must be met and provided for before he can draw his dividends. On the other hand, the workman has something sure in his wages, the income from his skill and industry, without the responsibility of the management, or the contingency of financial failure that might involve him in debt and blight his prospects for life. Under such conditions, is not the workman

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<sup>731</sup> Carey seems to have understood this issue, which is why he uses the example of an independent contractor to clearly delineate returns to capital and returns to labor.

<sup>732</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 295. This is due to the fact that the capitalist advances the worker his wage. Thus, in the case of business failure, the worker has still received his wages, but the capitalist incurs all the losses, see *Principles of Economic Philosophy*, 198.

<sup>733</sup> The capitalist bearing the risk can be seen as a general case, but the American Protectionists were aware of alternative employment arrangements which can alter this situation. Peshine Smith explains, for example, that "if the Capitalist hires a laborer to use his tools, he pays the latter with a part of what he makes or gets with the tools. This part is called Wages. The part that is left for the Capitalist is called Profit. The things made and got may be divided in proportions agreed upon, so that both parties share the risk, and the reward of each may be great or may be small. In another form, the Capitalist may take all the risk upon himself and agree to give the laborer a fixed amount of wages.... There is still a third method, by which the laborer takes all the risk, and gives work for a fixed number of days, or a fixed quantity of products, or of money for the loan and the use of Capital." Peshine Smith, "Notes on Political Economy Designed for Japanese Readers: Chapter 3," 89.

remunerated in proportion to the value of his capital fully as much as the employer?<sup>734</sup>

With all this said, however, for the American Protectionists the relative distribution of a fixed amount between capital and labor represents a secondary concern. What matters is that labor and capital both advance through ingenuity and the mastery of nature. Class struggle was thus superseded by the struggle against nature.

### 10.3: Theory of Social Mobility

[T]he original workman, who in the course of time, by being industrious, temperate and economical, [is] enabled to invest in such manner that he himself [becomes] a capitalist and an employer. The path to success was open to him, and a similar one is now open to the workman whom he employs. In the divine arrangement, each one has his chance and turn... In the end such principles of integrity may lead them to positions even higher than the one to which he himself aspired.<sup>735</sup>

- Jacob Harris Patton

As much as the American Protectionists preoccupied themselves with the issue of wage growth, they saw that the more important feature of capitalist development was the expansion in the opportunities for workers to climb the social ladder and become capitalists themselves.<sup>736</sup> This theory of social or class mobility represents the centerpiece of their theory of distribution, and is a feature which distinguishes itself from other 19<sup>th</sup> century schools of economic thought, which tended to treat the class structure of society as fixed.

The first element of this theory of social mobility relates to the issue of reproduction costs. Similar to that described in their theory of wages, the American Protectionists saw that there exists a general tendency in capitalist production for prices to diminish overtime, and they also saw this tendency as extending to the production of capital goods.<sup>737</sup> The second element of the theory relates the tendency for wages to rise with productivity growth.<sup>738</sup> Because of this dual tendency for the

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<sup>734</sup> Jacob Harris Patton, *Political Economy of American Youth*, 107-108.

<sup>735</sup> Jacob Harris Patton, *Political Economy for American Youth*, 107.

<sup>736</sup> Even Carey's critic, Karl Marx, admits that social mobility is the more important aspect of the American Protectionist's theory of distribution, explaining "Mr Carey lets the worker buy or borrow the machine; in short, he transforms him into a capitalist." Yet, Marx does not seriously contend with the theory, dismissing it as a "bad joke" and asserting that any productivity gains would ultimately result in less need for labor and thus unemployment. Karl Marx, *Grundrisse: Foundations of the Critique of Political Economy*, 1<sup>st</sup> Vintage Books Edition, (New York: Random House, 1973), 501-502.

<sup>737</sup> Henry Carey explains that "with every step in this direction, there is a diminution in the value of all previously accumulated machinery, because of the steady diminution in the cost of reproduction, as nature is more and more forced to labor in the service of man." *Principles of Social Science*, Vol. 1, 149, emphasis in original.

<sup>738</sup> Even aside from the more elaborate explanations given below, there was a general awareness among American Protectionist that above subsistence wages meant a greater tendency for capital accumulation. Daniel

reproduction costs of capital goods to decline and for wages to rise, the American Protectionists saw that the capacity for laborers to acquire capital goods will gradually and persistently improve overtime. The third element concerns the capacity for laborers to acquire and accumulate intellectual capital. This was seen as the outgrowth of high wages, which allows workers to invest in their education, in addition to the skills and knowledge acquired in their respective employments. Within industrial capitalism, therefore, there is a gradual expansion in the capacity for laborers to become capitalists themselves. As Henry Carey explains:

It is evidence that the labors of the present are becoming daily more productive – that the value of all commodities, as measured by labor, is steadily declining – [and] that the [wages of the] laborer is rising... with constantly increasing facility for becoming himself a capitalist.<sup>739</sup>

The third element of the theory, namely the expanding capacity for workers to accumulate intellectual capital, should not be understated. Since discovery and invention was seen as vital to entrepreneurship, if workers desired to become an entrepreneur, in the capacity as a capitalist, intellect and skill is required. President William McKinley thus explains that:

We must have more concern for the man, for his welfare, his improvement and development, [and] the enlargement of his opportunities... These conditions will ultimately secure cheaper commodities, not through harsh and unnatural exactions placed upon labor, but through that skill and craft and invention which are the sure outcome of intelligent, thoughtful, independent, and well paid labor. The mind will not invent, will not discover, new and better and more economical processes and methods of production, if the body is used as a mere “creature of burden.” If the body is enslaved, the mind cannot be free...

It must be conceded that the protective system has accomplished much in this direction [of improving the condition of labor]; certainly more than any other system... It has opened to him every gateway to opportunity. We observe its triumphs on every hand: we see the mechanic become the manufacturer, the workman [become] the proprietor, the employee [become] the employer. It does not stifle, but it encourages, manly effort and endeavor.<sup>740</sup>

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Webster explains, for instance, that “[under protection] our labor reaches beyond mere subsistence... We know that, with us, labor earns for itself and creates a capital... He thus not only lives by labor, but every day’s work, while it gives him subsistence, adds to his means, his property, his capital.” Daniel Webster, “Convention at Andover” [November 9, 1843] In *The Works of Daniel Webster*, Vol. 2, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1881), 175-176.

<sup>739</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 3, 114-115.

<sup>740</sup> William McKinley, “The Value of Protection”, *The North American Review*, 150 (403): 1890, 743-744; Note,

Virtually all American Protectionists were of the view that social mobility tended to improve with capitalist development, but there were differing views as to the extent to which this would occur in practice. Their theory, after all, emphasizes a growing general tendency towards greater social mobility, but it was not seen as a fixed rule or an iron law. Even though there is an expansion in the opportunities to become a capitalist, this does not imply that everyone has equal ability or capacity to seize such opportunities. Because Man is defined by his individuality, this necessarily implies that certain individuals tend to make better capitalists or possess a unique flare for entrepreneurialism. Even before this theory of social mobility became firmly established, Hamilton, as we have seen, posited that certain individuals would be better suited to become capitalists than others, and similar position can also be inferred from the writings of John Rae.<sup>741</sup> It is for this reason that Hamilton argued that economic “inequality would exist as long as liberty existed, and that it would unavoidably result from that very liberty itself.”<sup>742</sup> Erastus B. Bigelow is also more in this Hamiltonian camp, explaining that “the number of persons possessing [the] organizing and administrative faculty [to run a business] is comparatively small; hence a large amount of human effort is wasted by misdirection, and failures are nearly as numerous as successes.”<sup>743</sup>

The most utopian view with respect to social mobility was that expounded by Horace Greeley. Greeley seems to imply that through protected industrialization all workers would inevitably become capitalists themselves, whether this be in the form of small independent proprietors or workers pooling their capital to establish voluntary cooperatives.<sup>744</sup> Most Protectionists were less optimistic about the prospect of cooperatives than Greeley, but at the same time, they did not have any objection to them operating freely within a free enterprise system. Henry Carey explains that “among the numerous attempts at manufactures by co-operative societies, we scarcely know of one that has had success... [since] instead of the capitalist... there is no one [in charge] whose peculiar interest is to see to the profitable employment of [the

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however, that there was still an acknowledgement that pressure contributes to invention. Thomas Brackett Reed explains, for instance, “inventive genius [is] stimulated by necessity... all invention is a product of necessities and of pressure.” *Reed on the Tariff*, 19.

<sup>741</sup> See Section 9.4 of the Present Study.

<sup>742</sup> Alexander Hamilton, “Constitutional Convention. Remarks on the Term of Office for Members of the Second Branch of the Legislature” [26 June 1787] *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett. (New York: Columbia University Press, 1962), 218–220.

<sup>743</sup> Erastus B. Bigelow, *The Relations of Labor and Capital*, 480.

<sup>744</sup> This seems implicit in the following passage by Greeley, “I have already considered and commended Cooperation in Industry as the natural sequence or continuation of the progress already made in superseding or supplanting Slavery by Wages, the change meditated is so important, and in my view so inevitable.” Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 273. Whilst Horace Greeley has sometimes been dismissed as a utopian socialist, he can be better described as a utopian capitalist, holding the view that through hard work and thrift, all workers can eventually become capitalists themselves. Indeed, although Greeley was immersed, at one point, in the socialist ideas of Charles Fourier, he never accepted Fourier’s doctrines. Greeley himself would later remark “that while there have been... decided successes in practical Socialism... all have that Communistic basis which seems to me irrational, and calculated to prove fatal... I hold that... Communism must destroy individual liberty.” *Recollections of a Busy Life*, (New York: The Tribune Association, 1873), 154-155. John L. Hayes, likewise, explains that Greeley “look[ed] into the questions of Socialism or Fourierism... although he did not adopt them.” “Horace Greeley as a Political Economist.” *Bulletin of the National Association of Wool Manufactures*, 4, no. 1 (1873), 7.

cooperative].”<sup>745</sup> A similar view is held by Robert Ellis Thompson, who explains that if cooperatives are “intended to supersede the wages system entirely, cooperation is open to serious theoretical and practical objections.” Yet, Thompson still accepts that “in spite of many failures, cooperation has an honorable record of successes.”<sup>746</sup>

In any event, the American Protectionists understood that there exists a variety of avenues by which workers could become capitalists, whether this be by establishing a traditional business venture, becoming an independent contractor, or forming a cooperative. Moreover, even though there was a spectrum of views ranging from Hamilton to Greeley concerning the final degree of upward social mobility, none accepted the view implicit in Classical and Marxist thought that individuals are invariably locked into their existing economic class. The opportunities and capacity for workers to become capitalists was seen to be ever expanding.

#### **10:4: Preconditions**

The American Protectionists assumed that certain preconditions were necessary to allow for the expansion in wages and expansion of opportunities for individuals to climb the social ladder. With respect to wages, it was argued that competition for the purchase of labor was necessary, or at the very least desirable, to keep upward pressure on wage growth. Likening competition for the purchase of labor to that of commodities, Henry Carey explains:

Two men competing for its [a product's] purchase, its owner becomes a freeman. The two competing for its sale, become enslaved... The man who finds a purchaser for his labor, competes for the purchase of that of others.... [Hence] the greater the competition for the purchase of labor, the more perfect is the power of the laborer to select for himself the pursuit in which his powers shall be employed.<sup>747</sup>

Calvin Colton made similar remarks explaining that “it should be observed that labor is never *independent*, when it has no *alternatives*; that is when it is not strong enough in its own position to accept or reject the wages offered to it in a given case.”<sup>748</sup> Workers, therefore, require sufficient employment opportunities for the process of

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<sup>745</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 2, (Philadelphia: Carey, Lea, & Blanchard, 1838), 425. In other instances, Carey writes approvingly of cooperatives, arguing for the removal of government barriers that prevent “our working men... [from being able] to participate in the great co-operative movement.” Henry Charles Carey, “Private Corporations”, in *Debates of the Constitutional Convention to Amend the Constitutional Convention of Pennsylvania*, Vol. 7, (Harrisburg: Benjamin Singerly, 1873), 772-773. With this in mind, Carey appears to make a distinction between cooperative societies (i.e., communistic societies), and private cooperative enterprises, which is indicated by his line “instead of capitalist” in the main given above. This is consistent with his disdain for communism and his support for free enterprise.

<sup>746</sup> Robert Ellis Thompson, *Elements of Political Economy*, 137; Erastus B. Bigelow is somewhat more negative, quoting and affirming Thomas Brackett Reed (the original source could not be identified), Bigelow explains that “though some experiments [with cooperatives] actually tried have been successful, the failures have been more numerous than the successes.” *The Relations of Labor and Capital*, 483. Finally, even though he was utopian about the general trajectory, Horace Greeley was not utopian about the success of individual cooperatives, noting that “there are hundreds of Cooperative Stores now in operation; some will fail, as some have failed already” *Essays Designed to Elucidate the Science of Political Economy*, 282.

<sup>747</sup> Henry Charles Carey, *Manual of Social Science*, 427.

<sup>748</sup> Calvin Colton, *The Rights of Labor*, (New York: A. S. Barnes & Co., 1847), 7, emphasis in original.

wage growth to be sustained. This necessarily meant that a greater amount and variety of capitalists was required, and the American Protectionists saw this as being insolubly connected with economic diversification. Robert Ellis Thompson explains, for instance, that:

The more openings there are for the laborer to invest his capital (which is his labor), and for the capitalist to invest his (which is the accumulation of past labor), the better each will be remunerated. Hence the connection between varied industry and fair wages, as well as fair profits. In any country (or even district) in which that is wanting, labor will be but poorly paid, and especially so, if agriculture is the only pursuit open to the great body of the people. Furthermore, that form of industry, as a rule, furnishes employments that are suited only to able-bodied men, and consequently, if there be not a fair admixture of manufactures, those who are not equal to hard, out-door work, are left dependent upon those who are. With the rise of a varied industry, the number of workers rises to a maximum, that of idlers sinks to minimum.<sup>749</sup>

An economic environment conducive to industrial diversification means more opportunities for individuals to become capitalists and this creates greater competition for the purchase of laborers. Since there are natural limits to the demand for specific commodities, the only true way to have generalized competition for the purchase of labor is to have a highly varied and diversified economy. Moreover, this connects the concept of individuality to the question of wage growth. Since different individuals are naturally predisposed to different employments and pursuits, a diverse range of industrial activities will tend to maximize the productivity of the population and with therefore maximize wage growth.

Since the success of labor depends on the success of capitalists, the American Protectionists generally objected to anti-trust laws designed to bust up large firms. They were, of course, concerned about the monopolization of industry, but they understood that it is virtually impossible in the long run for monopolies to exist if internal markets are kept free from excessive governmental barriers to entry and interference.<sup>750</sup> They were much more concerned about the State instilling monopolies

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<sup>749</sup> Robert Ellis Thompson, *Elements of Political Economy*, 129.

<sup>750</sup> More precisely, it would be impossible for a monopoly to maintain monopoly pricing in the long run due to competitive pressures. As Albert Clarke explains “one thing is certain... extortion will not be submitted to. No company that practices that can live long.” Albert Clarke, “Trust Insanity,” *The Protectionist*, 11, no. 121 (1899), 4; Robert Ellis Thompson further notes that “nor have they [trusts], as a rule, put prices of the articles they produce. Coal oil was cheapened by the Standard Oil Company and made safer for the public [and] sugar fell heavily when the sugar trust got under way.” Robert Ellis Thompson quoted in Albert Clarke, “Trust Insanity,” 3; Although more favorable to larger enterprise than other members of the School, see also George Gunton, *Trusts and the Public*, (New York: D. Appleton and Company, 1899) for a defense of trusts. On the other hand, John Phillip Young, “Growth of Modern Trust System,” *San Francisco Chronicle*, September 30, 1900, 1-4, provides an argument against trusts, and supports anti-trust regulation. Although he does not specify the exact nature of the regulation, he implies support for laws relating to their conduct, as opposed to outright trust busting. That said, it is important



through regulatory barriers which prevent new capitalists from entering the market. Albert Clarke explains, for instance, that “the remedy would be worse than the disease” and “in spite of legislation... aimed to prevent these combinations and *smash* these trusts, the consolidation or absorptions are here as a fact, more numerous... than ever before.”<sup>751</sup>

Indeed, most American Protectionists contended that the reason why English wages were suppressed, compared to the United States, was due to the system of special privileges, excessive taxation, restrictions of labor mobility (seen in the poor laws), and other legislated barriers to entry which sustained the monopolization of British industry that had been built up previously under royal charters.<sup>752</sup> “Such is the condition of England in relation to the United States”, Henry Carey explains, “diminished by endless taxation for the maintenance of armies; for the payment of interest upon moneys borrowed for the support of armies and fleets in past times; and for the salaries of hosts of officers whose services would soon cease to be required were economy to come in fashion: by taxation for the support of an immense church establishment: and by endless regulations that forbid association, and [which] tend to maintain existing monopolies.”<sup>753</sup>

These preconditions for the increase in wages also apply equally to the issue of social mobility. Since declining reproduction costs and growing wages represent the key mechanisms through which laborers can more readily become capitalists themselves, having competitive markets for the sale of capital goods, and for the purchase of laborers, is therefore necessary to increase the social mobility of workers. Moreover, an economy conducive to economic diversification is equally important because this greatly expands the range of investment and entrepreneurial opportunities for the laborer, so there is greater abundance of avenues by which a worker can become a capitalist.

### **10.5: The Role of Protection**

Nor is it necessary, as some allege, to reduce wages in order to secure a share of foreign commerce. The other alternative is to increase the efficiency of labor... The aim and purpose, as well as the direct

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not to exaggerate the emphasis which the School places on the trust question, since, on the whole, they did not have that much to say about it.

<sup>751</sup> Albert Clarke, ‘Trust Insanity’, 4, emphasis in original.

<sup>752</sup> Francis Bowen explains, for instance that “in England... government, by excessive taxation and regulation... have ultimately the effect of giving a monopoly to the great capitalist.” *American Political Economy*, 236. And on the poor laws, Nathaniel A. Ware explains that “experience proves the fact that poor rates create pauperism... There is no foundation in his case left upon which to build him up, no pride, no self-esteem, no ambition— in short, the person is not a man.” *Notes on Political Economy*, 195. Note that even though American wages were higher than English wages, English wages were still high relative to the rest of the world which can be explained by their level of industrialization.

<sup>753</sup> Henry Charles Carey, *The Past, The Present, and the Future*, 319. Nathaniel A. Ware also admonishes the costs which the poor laws impose on industry through taxation. *Notes on Political Economy*, 197.

consequence, of the protective policy is to maintain and develop this superior efficiency.<sup>754</sup>

- Ellis H. Roberts

It should be clear from the analysis presented in the sections above that protectionism was not viewed as a means of preserving low-wage employment, but for the purposes of securing high wages and upward social mobility. So that there is no confusion, however, it should be stressed that the American Protectionists did not view tariffs as possessing a direct mechanism that can elevate wage rates (although by creating more entrepreneurial opportunities, it does directly influence social mobility). Robert Ellis Thompson explains, for instance, that “it can not be asserted, of course, that a protective tariff works directly to raise wages.”<sup>755</sup> It is, likewise, true that one can also accept the theory of wages developed by the American Protectionists without necessarily accepting their protectionist conclusions. In any event, the American Protectionists did conceive of indirect mechanisms through which protective tariffs could aid the process of wage growth and upward social mobility. This is most clearly demonstrated by the need for industrial diversification as a precondition. In addition to aiding in the diversification of industry, however, protective tariffs were seen as complementing wage growth through other means.

The first argument relates to the higher degree of certainty afforded by protective tariffs concerning the profitability of private enterprise. Indeed, as Van Buren Denslow explains “wages are dependent on profits, in the sense, that no employer will continuously pay wages unless he can make a profit by doing so.” Therefore, “if protection promotes profits it cannot avoid in equal degree promoting wages... [as] whatever promotes the cause promotes the effect.”<sup>756</sup> Along this line of thinking, it must be recalled that the American Protectionists saw distribution as a disjointed process. This is due to the fact that the entrepreneur advances wages to the worker prior to the final amount of profit being realized. This is where protective tariffs come in. Similar to how infant-industry protection affords a higher degree of confidence in the success of a new enterprise, tariffs also provide the entrepreneur or capitalist with a higher degree of certainty in his profitability. With the position of the entrepreneur being less precarious, the entrepreneur can therefore advance higher wages to workers. David Rice thus explains that:

Capital must be ensured a certain reward for the enterprise, else we shall have no enterprise; and the more certain the reward, the smaller the amount of it which will satisfy capital, and the larger the portion of

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<sup>754</sup> Ellis H. Roberts, *Government Revenue*, 304-305.

<sup>755</sup> Robert Ellis Thompson, “Protection,” In *Johnson’s Universal Dictionary*, Vol. 6, ed. Charles Kendall Adams, (New York: D. Appleton and Company, 1897), 819-820.

<sup>756</sup> Van Buren Denslow, ‘Why I am a Protectionist’, *Twentieth Century*, 4, no. 17, (1890): 7-8.

the product which it will concede to labor. Protection performs one of its chief functions in rendering this reward of capital certain. It consequently lessens it, while keeping the capital invested in the given industry, which leaves a greater share of the product to be devoted to increasing the wages of labor, without impairing the field of labor in that industry; for nothing is more certain than that both the reward of capital and the wages of labor must be derived from the product, in the long run. There is no other source from which it can come. But, although capital must, by this operation of protection, concede a much larger portion of the product to labor than under other economic systems, it is not without its compensation for the sacrifice.<sup>757</sup>

Closely related to this, is that by enabling capitalists to extract higher profits and for the government to collect revenue, tariffs would tend to facilitate investment in private capital and public investment in infrastructure. In doing so, labor would be rendered more productive and thus better remunerated. The capitalist would, likewise, receive higher profits due to the superior productivity of the worker and through the use of more productive infrastructure. Moreover, the substitution of direct taxes with import tariffs would allow the capitalist to retain greater means to either invest in his laborers or capital goods. Moreover, by foregoing the burden of internal direct taxation, the wages of the labor would, in effect, be higher in real terms, giving them greater means to invest in themselves (i.e., intellectual capital accumulation) or to purchase capital goods.<sup>758</sup> This positive feedback between industrial profits, capital accumulation, productivity, and wages would reinforce this process and establish a virtuous cycle.

The second argument relates to the fact that by raising the price of imports, protective tariffs would lessen the temptation for capitalists to engage in wage competition. Or to put it differently, capitalists would be less likely to reduce wages in order to gain a price advantage over producers from abroad. Tariffs would instead incentivize the capitalist to compete through investing in the likes of new technology. Van Buren Denslow explains, for example, that:

Whenever low prices, obtained by importation, involve the destruction of a domestic production, which both countries have equal natural facilities for producing, the first interest of the importing country is to encourage the application, by its own people, of the artificial facilities to which the rival country owes its temporary superiority, and consequent lower prices.

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<sup>757</sup> David Hall Rice, *Protective Philosophy*, 140-141

<sup>758</sup> This is implied by virtually all within the School, but Alexander Everett's *New Ideas on Population*, 116, provides a more explicit discussion of the matter. This will also be expanded upon in Chapter 14.

These may consist of inventions, machinery, discoveries, capital, skill, low rates of interest, low rates of wages or the like. All of these any country can more wisely adopt than the low rates of wages, since a descent in rates of wages involves a degradation in the standard of living, which may react on the productivity of the labor itself, by making it less efficient, and may involve an inhumanity from which the conscience of society would revolt.<sup>759</sup>

When faced with competition from abroad, the capitalist may be tempted to gain a short term price advantage by lowering wages, when in the longer term, this would have the effect of disenfranchising workers, and thereby lowering productivity. A more sustainable source of competitiveness would be to invest in skill, inventions, and labor-saving machines. The protective tariff would lessen the need to compete through the former (competition based on wages) and incentivize the latter (competition based on technology and productivity).

This also relates to what some American Protectionists considered to be destructive competition, that is, competition predicated exclusively on lowest price and lowest cost. Indeed, Stephen Colwell notes that in terms of economic welfare, what matters is the purchasing power of workers and capitalists, not the nominal prices of goods *per se*. In the words of Colwell:

The most important consideration then in reference to this scene of domestic labor and production, is not the nominal prices or rates at which their exchanges are made, but the efficiency and skill of the labor, the obtaining the largest quantity of commodities, and of the best quality...

In such a system [of domestic industry], if the rates of labor are high, the prices paid for commodities may appear high compared with those paid for corresponding articles in other countries; but the criterion of the benefits enjoyed by the inhabitants of two countries, is not the price of the articles they consume, but *the quantity* of articles they consume; the *price of labor* and the price of goods must be taken together. That system of industry is the best which affords the largest consumption to the masses, and the best opportunities of moral, mental, and physical improvement.<sup>760</sup>

In short, what matters is the growth of productive, and thus purchasing, power. If protective tariffs were to lead to nominally higher prices, yet purchasing power is advanced through increased productivity and higher wages, than tariff protection is still justified. That said, it is important not to exaggerate the logic of this argument, as

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<sup>759</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 124.

<sup>760</sup> Stephen Colwell, *Preliminary Essay*, *ixxi-ixxii*, emphasis in original.

most American Protectionists argued that protection would lead to lower real prices in the long-run through falling reproduction costs. These low prices were seen as necessary for the enhancement of purchasing power and upward social mobility.

Whilst the American Protectionists were primarily focused on supply side considerations, they also connected their ideas to the demand side of the economy. There was the understanding that within a relatively closed or protected economy that capitalists would be more willing to increase wage rates, as these higher wages would tend to recirculate as expenditures within the home market, rather than leaking out into foreign markets. David Rice again explains that:

Likewise capital, when under protection it concedes a larger share of the product to wages, which gives superior vitality to labor, finds itself in turn invigorated by the circumstance that our laboring men spend more of their earnings to procure those commodities which capital, invested in our industries, produces, and thus they add to the aggregate of the returns of capital, even though its proportion derived from a given amount of commodity be diminished. Thus capital, by first benefiting labor, receives in turn a reciprocal benefit.<sup>761</sup>

This insight alone was not seen as a sufficient reason to increase wages, since the capitalist would nevertheless stand to benefit if they simply retained the income for further investment. Yet, when combined with the productivity mechanisms discussed previously, a protected home market would be more conducive to higher wages than an open economy, since the capitalist class as a whole would stand to benefit from the increase in domestic consumption, and thus reinforces the mechanisms of wage growth outlined earlier.

### **10.6: Views on Labor Market Regulation and Labor Unions.**

The American Protectionists were generally opposed to labor market regulation, particularly with respect to wage controls and other heavy handed measures. They were, of course, champions of higher wages, but they were of the view that wage growth should occur naturally through sound structural conditions and industrial progress, rather than by decree of a central authority, which necessarily fails to consider the specific circumstances faced by individual firms and individual workers. There were two main reasons for their rejection of these sorts of labor market regulations. The first concerns the inherent barriers to entry which they create for new entrants and small-scale entrepreneurs, and even barriers to entry, or rather barriers to employment, for workers themselves. Often these producers are themselves in a precarious position, and it is in neither their interest, nor in the interest of their

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<sup>761</sup> David Hall Rice, *Protective Philosophy*, 141.

workers for them to fail due to burdens imposed by such policies. Objecting to such forms of interference, Henry Carey explains that by:

Beginning with a fear of the very capital by which they [the labourer] are aided, they fall now into a fundamental error, to wit, fear of competition from their own class for the employment they would monopolize, because, as they think, the market for labor may be overcrowded. In the nature of things, however, there is no possibility that shall ever fail of its opportunities if its market be kept free and fairly balanced.<sup>762</sup>

To secure a free and fairly balanced markets, the American Protectionists argued that the State must instead remove obstacles which prevent laborers from becoming capitalists themselves, whether this be individually or collectively through the likes of cooperatives. These regulations include the labor laws above mentioned, monopoly privileges, and so forth. Indeed, “it [the removal of obstacles]”, explains Henry Carey, “would enable thousands of intelligent working men, miners, mechanics, inventors and others to obtain the aid required for enabling them to pass from working in the pay of others to working on their own account.”<sup>763</sup> By removing barriers to entry, this would lead to an expansion of private enterprise, and in doing so, would prevent monopolization, leading to upward pressure on wage rates and social mobility. Such a position is well contrasted with that of the German Historical School and the American Progressives, who were the first major proponents of wage controls. Whereas the American Protectionists emphasized the dangers of such policies for social mobility and market concentration, many Progressives welcomed the monopolization of industry so long as it was accompanied by policies such as wage controls, unemployment insurance, and other redistributive programs.<sup>764</sup>

The second reason for opposing the regulation of labor markets concerns the role of price, or rather wage, signals which guide individuals to seek out new avenues of production. The American Protectionists were clear that whilst Classical economists (particularly in the case of John Stuart Mill) tended to treat production and distribution as distinct no such distinction exists in reality. As Erastus B. Bigelow puts it, “production and distribution are so related to each other that they cannot be treated separately; and any system which may be devised for their accomplishment, to be

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<sup>762</sup> Henry Charles Carey, “*Capital and Labor*”, In *Debates of the Constitutional Convention to Amend the Constitutional Convention of Pennsylvania*, Vol. 5. (Harrisburg: Benjamin Singerly, 1873) 473.

<sup>763</sup> Henry Charles Carey, “Private Corporations”, 772-773. In this particular passage, Carey is objecting to specific regulations concerning the incorporation of private enterprise, but this forms part of his more general arguments against legislated barriers to entry.

<sup>764</sup> Progressive economist Richard T. Ely explains, for instance, that the “surplus value which has been accumulated by monopoly will in part be absorbed by society for social purposes and will in part be widely scattered.” *Monopolies and Trusts*, (New York: The Macmillan Company, 1912), 265. In other instances (p. 254), Ely recommended the nationalization of monopolies, arguing that “government ownership with private operation will be sufficient, and even socially desirable.” Note, however, that not all Progressives held this view of monopolies. Others supported anti-trust and anti-monopoly legislation e.g. Jeremiah Jenks, *The Trust Problem*, (New York: McClure, Phillips, & Co., 1907), 320-321.

permanent, must embody the conditions essential to their joint success.”<sup>765</sup> No where is this better demonstrated than with respect to the process of entrepreneurship. As identified in Section 9.6, the tendency for the rate of profit to fall in mature industries operates as a profit signal for entrepreneurs to seek out new inventions and modes of production. The American Protectionists saw this signal as applying similarly to wages as it does profits. Since wage rates are determined by productivity, that is, wages tend to approximate that which labor contributes to production, this means that industries in stagnation or decline will tend to exhibit stagnant or declining wages.<sup>766</sup> Thus, as Robert Ellis Thompson explains, the “elimination and excision of true profits in all old industries... obliges the enterpriser or profit-maker to seek new places, new process, or new economies”, but so too, does this have “the like effect on the wage-worker.” Thompson thus explains that “the equipoise to this law of declining returns in old industries... is a continual restoration of maximum profits at new points of demand; thus making profit-seeking and wage-seeking the steering principles in industry.” This happens equally to profits and wages because “enterprise and labor [are] the joint producers of wealth.”<sup>767</sup> Thus, as Denslow explains, “higher profits of capital, and higher wages of labor, are the industrial forces at work to induce the migration of populations from old to new centers of industry.”<sup>768</sup> This necessarily implies that the imposition of wage controls, or even more extreme socialist measures, disrupts one of the key mechanisms through which new avenues of production are sought out and created.

Whilst the likes of wage controls and other pecuniary regulations (such as unemployment insurance, and taxation for redistributive purposes) were denounced by the American Protectionists, the attitude towards daily working hours or other health and safety regulations tended to vary between individual economists, though most accepted some minimum health and safety regulations.<sup>769</sup> Robert Ellis Thompson, for instance, argues that the State should have the power to enact laws

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<sup>765</sup> Erastus B. Bigelow, *The Relations of Labor and Capital*, 481; George Gunton similarly explains that “the distinction between production and distribution is purely a metaphysical one, existing only as a mental concept, while as an actual economic fact it has no existence. In a word, economic or industrial distribution is an inseparable and indispensable part of the necessary process of production, and cannot take place in any other way ... the payment of wages is distribution, but it takes place only as an investment in production.” George Gunton, *Wealth and Progress*, (London: MacMillan & Company, 1888), 6-7.

<sup>766</sup> It should be stressed that this declining rate of profit was viewed in relative terms. That is to say, that profits in new industries would tend recede to back to the average rate but would not recede absolutely to zero. If the general trajectory is for profits to grow, then it holds that wages in the aggregate will have a general tendency to grow. See Section 9.6.

<sup>767</sup> Robert Ellis Thompson quoted in ‘Dr. Denslow’s Successful Work’, 58-59.

<sup>768</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 315.

<sup>769</sup> Whilst most economists within the School seem to accept the view that working hours for adult males should be a matter of individual negotiation, there were some exceptions, with the most notable being George Gunton who avidly championed the eight hour workday, in his work *Wealth and Progress*. Likewise, John L. Hayes also advocates restrictions on working hours. However, somewhat counterintuitively to the localism of many other American Protectionists, Hayes “advocates no restriction of labor [hours] unless it be universal and national”, noting how “unequal and partial restrictions by State legislation disturb the industries, annoys the manufacturers, and are serious obstacles to the industrial progress of the nation.” *Labor Restriction Abroad and At Home*, (Cambridge: John Wilson and Son, 1886), 16. In contrast to Hayes, David Hall Rice (*Protective Philosophy*, 9) seems to accept limits to the workday, although he implies that this is a matter for individual states, and not the federal government.

“forbidding women and minors from engaging in excessive work or in night-work in factories” and laws “requiring that dangerous employments shall only be carried on, and explosive machines used, with all possible precautions for the safety of the workmen and the public, and by enforcing this by general state inspection.”<sup>770</sup> In a similar vein, Henry Carey rejects government intrusion in determination of working hours and pay rates, but agreed that the government “may, and should, protect children from being worked in factories to the loss of health and life; [and] it should require employers to provide ventilation to and practicable securities of life for miner” to name a few examples.<sup>771</sup> This support for minimum health and safety regulations is very much consistent with the American Protectionists’ concern for human capital and human life more generally. “For a workingman’s capital”, explains Robert Ellis Thompson, “is his health and strength, and his death or serious illness destroys it.”<sup>772</sup>

On the issue of labor unions, the position of the American Protectionists ranged from ambivalence, lukewarm acceptance, moderate skepticism, and to explicit hostility. It is perhaps best, however, to consider each economist within the School as falling somewhere along a spectrum, as it cannot be said that there is one unifying position which captures the differing perspectives on the issue. The more labor orientated thinkers are best represented by the likes of Horace Greeley, Robert Ellis Thompson, and George Gunton.

Greeley and Thompson take a rather nuanced and measured approach with respect to trade unions. Although ever the champion of labor, Greeley is under no illusion that labor as a “class is likely as any other to be selfish, rapacious, wrong-headed, domineering, and tyrannical” and sees that “strikes for wages are often mistaken.” Yet, in spite of these reservations, Greeley views labor unions as generally a force for good, noting that “Trades’ Unions and similar compacts, though often abused, have, on the whole, effected signal good; that Labor is to-day better paid, and its rights better secured, than they otherwise would or could be.”<sup>773</sup> For Thompson, harmony between labor and capital represents the natural state of affairs, but the perverse ideologies of English Classicalism (because of the zero-sum thinking inherent in the Ricardian theory of distribution) and Radical Socialism and Marxism (through its emphasis on class exploitation) have disrupted this harmony.<sup>774</sup> Since class disharmony is the unfortunate prevailing state of affairs in many workplaces, Thompson approves of trade unionism for the purposes of collective bargaining and more often than not sees it as a corrective influence. His reason for this, is that laborers

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<sup>770</sup> Robert Ellis Thompson, *Elements of Political Economy*, 52.

<sup>771</sup> Henry Charles Carey, ‘Capital and Labor’, 471.

<sup>772</sup> Robert Ellis Thompson, *Elements of Political Economy*, 139.

<sup>773</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 344-345.

<sup>774</sup> Thompson does not level the blame solely on one group. He instead criticizes both the capitalists for advancing the logic of the wage-fund and the Ricardian surplus principle as an argument for suppressing wages, and also workers for appealing to socialist ideas.



are generally placed at a disadvantage relative to capitalist in the negotiation of contracts. Unlike a standard market where the seller can withhold a commodity until the price is agreeable, Thompson saw that laborers generally do not have the same luxury since they have no alternative means of subsistence. In the words of Thompson:

When the workman makes his contract singly, the capitalist has a power to dictate its terms, which does not exist in ordinary transactions. In case of disagreement as to terms, it remains to be seen which of the two can hold out the longest. Labor cannot: the laborer would starve. Capital can live on its accumulations. If I refuse to the baker's load, because I think it too dear, he loses but little in waiting till noon for another customer... But "labor is the most perishable of commodities." He who cannot sell his morning's labor before noon, can never sell it; it is gone.<sup>775</sup>

Thompson, however, recognizes that excessive union power could lead to the opposite extreme, and thought the certain limits on union activity should be prescribed. Thompson is, for instance, critical of "closed shops" and implies that individuals should have the right to work without being forced off worksites by strikers.<sup>776</sup>

Although quite a different thinker to most American Protectionists, the views of George Gunton represent an interesting development. The idiosyncratic Gunton saw labor unions as an inevitable evolution within capitalism to counter-balance the growth of large-scale industry, noting that "the combination of labor is the historic and economic accompaniment of the combination of capital."<sup>777</sup> Although Gunton generally holds favorable views on labor unions, he detests the more radical political ambitions which characterizes the labor movement in Europe. Indeed, this point is representative of the general stance of the American Protectionists. To the extent that the American Protectionists accepted a role for labor unions, they argued that their actions should be localized, internal to the firm, and apolitical.<sup>778</sup>

William Elder is representative of the more ambivalent center on the issue of unions, considering them as a necessary evil. Much like Thompson, Elder admits that the capitalist often wields greater power in the negotiation of contracts, and for this reason unions should be permitted to act as a counterweight. Elder is keenly aware, however, that union power is liable to abuse, explaining that "the counterpoise of Unions among workingmen for the like purpose is just [and] legitimate, but not more

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<sup>775</sup> Robert Ellis Thompson, *Elements of Political Economy*, 120-121.

<sup>776</sup> Thompson does, however, see a place for strikes, seeing them as "the safety valve of our present industrial system." Robert Ellis Thompson, "Social Reform and the Socialists," 734.

<sup>777</sup> George Gunton, *Principles of Social Economics*, 416. Note that other thinkers within the School accepted the presence of large-scale enterprise, but, unlike Gunton, they did not necessarily see this as the rule or an inevitable evolution within capitalism.

<sup>778</sup> See also Robert Ellis Thompson, *Political Economy for High Schools and Academies*, 5.

or less so.”<sup>779</sup> In particular, Elder detests attempts to fix wage rates and to dictate the direction of industry. In the latter case, Elder sees workers as often possessing an exaggerated view of their own knowledge with respect to business operations. In the words of Elder:

Do they [workers] intend to take the rule of the world’s business affairs into their own hands, for their own benefit? Let them begin by ruling their own share of that business [that is, employment], and thus test their fitness, and qualify themselves for the agency they would assume. Until they are generally capable of cooperation within the range of their present possibilities, they will not be ready to administer the whole range of industrial operations; and, when they are so capable, they will not need or desire to usurp a larger authority.<sup>780</sup>

Van Buren Denslow shares a similar ambivalence to labor unions. Whilst he notes that “for laborers to combine to get the true value of labor can hardly be called objectionable,” he notes that, “in practice, [there is] no test whereby to draw the line between [them] combining to get the true value of labor, and combining to obstruct industry setting by upon labor an impossible price.” Moreover, if such a right is accepted for labor than it follows that “employers have the same right to combine to avoid paying more.” Denslow sees such combinations as ultimately harmful, viewing labor unions as having the “same effect to enhance the rate of wages, as wars between nations had to promote national rights.” Yet, in any event, he noted that such combinations are here to stay, and to argue against them is “as idle... as to argue against wars.” To avoid the excesses of such combinations, however, Denslow permits the use of legislation to limit union action, namely, to prevent criminal activities that would “endanger life, limb, or property”.<sup>781</sup>

Whilst sympathetic to the plight of workers, Peshine Smith and Henry Carey generally view labor unions as having a detrimental influence. Peshine Smith argues in the “earnest defence of the freedom of labour,” explaining that “to trammel it [freedom of labor] by voluntary combinations [or labor unions] is equally prejudicial to the general interest as if the same object were effected by legislative interference” such as wage controls.<sup>782</sup> In a similar vein, Carey argues that organized labor routinely misidentify the true causes of their suffering, and instead seek to address symptoms through mistaken means, which inevitably produces unintended consequences.<sup>783</sup> In the words of Carey:

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<sup>779</sup> William Elder, *Questions of the Day*, 330.

<sup>780</sup> William Elder, *Questions of the Day*, 330.

<sup>781</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 301-303

<sup>782</sup> Peshine Smith, *Manual of Political Economy*, 135.

<sup>783</sup> Whilst it is apparent that Carey opposes labor unions, it is not clear whether he endorses their outlawing, and it seems unlikely that he would have favored such a policy. That said, he is clearly opposed to unions fixing wage rates.

Seeing only wrong in the order of human affairs, he [the labourer] shuts his eyes and falls back on the strength in assault on the one hand, and resistance on the other. He calls upon the State to interpose, not in reference to causes, but to their effects, thus demanding the end, not in reference to the means by which they might be attained. Legal pains and penalties are his chosen remedies, and in keeping with this impulse he enters into association with his fellow toiler, surrendering his own liberties as largely as he would invade of others of his fellow-men on whom he looks as his oppressors. Further even than this, he forbids the opportunities of labor to his brother, his son, his daughter, that he may thus, as he imagines, be enabled to secure himself against evils resulting from competition for the sale of labor... Such measures are as useless as, to all the parties concerned, they are unjust. They are not remedies for the evils suffered and apprehended, for the reason they are based upon erroneous notions of causes and effects. In the first place, it is assumed that labor and capital are naturally hostile to each other. This is not true.<sup>784</sup>

Carey views barriers to employment as akin to barriers to entry for capitalists. Just as it is often the new entrepreneur who are most disadvantaged by excessive labor market regulation, so too is it generally the least experienced and the least skilled workers who are the ones who tend to lose out. It is also often these individuals who are in the most precarious situations. In the case of unions, by excluding employment through the likes of closed shops or other restrictions, the unskilled worker has no capacity to bid himself cheaper, and if the business cannot afford or justify the prevailing wage set by the union, then the worker must necessarily be left unemployed.<sup>785</sup> This perpetuates his dire position since the worker is denied the opportunity to acquire skill and experience. Indeed, more so than other schools of economics, American Protectionist thought considers the individual over the course of his lifetime and how best the system can be structured to achieve upward social mobility. Individuals may indeed start off by earning a low wage, but this provides them with opportunities to develop their intellectual capital by which they can earn a higher future wage. These higher wages also improve the capacity for workers to purchase capital goods, allowing them to become capitalists in the proper sense.

It is not possible in a thesis of this nature to conduct a full examination of the views of the American Protectionists on the subject of labor regulation and labor

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<sup>784</sup> Henry Charles Carey, "Capital and Labor," 472; Although seemingly more open to the possibility of labor market regulation, Stephen Colwell makes a similar observation, cautioning that "when the evils of society become severe or intolerable to masses of men, reformers often appear who would remedy all that is wrong by destroying or endangering all that is good." *The Claims of Labor*, 48.

<sup>785</sup> Peshine Smith views this as simply the monopolization of the market, much like that of a cartel, explaining that "to limit the number of labourers in any craft is to limit the production of the commodities which it furnishes - to restrict exchanges by restricting the supply of the materials of exchange - to enhance prices by the creation of a monopoly." *Manual of Political Economy*, 136.

unions. At the very least, however, the above survey of views gives a rough indication of the main currents in American Protectionists thought.

### **10.7: Summary**

The American Protectionist theory of distribution is predicated on the notion of a harmony of interests between capitalists and workers. At its most basic, the process of distribution was seen as mutually beneficial since capitalists and workers both share in the exploits of nature. In positing this view, the American Protectionists developed a theory of wage determination based upon productivity. In this productivity theory of wages, the American Protectionists outlined four mechanisms through which wages tend to approximate the growth in productivity. In contrast with the Classical and Marxist theories of distribution, which posits that wages are fixed at the level of subsistence, the American Protectionists emphasized how productivity growth leads to growing opulence overtime. This theory also stands in contrast with the more modern Neoclassical theory of marginal distribution. Whereas Neoclassical theory sees wage determination as being arrived at in an exact and monocausal manner, the American Protectionist view of wages representing an approximation of productivity through the convergence of multiple mechanisms is arguably far more realistic.

This theory of wages also underpins the American Protectionists theory of social mobility. Through productivity growth, which simultaneously tends towards higher wages as well as a lower cost of purchasing capital goods, the American Protectionists observed that capitalist development tends towards an expansion in the opportunities for workers to become capitalists. This theory can also be juxtaposed to the highly rigid class analysis presented in Classical and Marxist economics. Whilst the American Protectionists accepted a role for class analysis, they also emphasize the importance of the individual, who through productive industry and hard work, can better themselves and climb the social ladder. Whilst the American Protectionists did not consider protection as possessing a direct means of elevating wage rates, by improving the industrial conditions of the nation, the American Protectionists saw tariff protection as indirectly contributing to wage growth overtime. American Protectionists did, however, see protection as exerting a direct influence on social mobility, which, in many respects, was seen by the American Protectionists as of greater value. Tariffs did this by creating more industrial and entrepreneurial opportunities through which workers are able to become capitalists. Now that the American Protectionist theory of wages and social mobility has been established, the thesis will now turn to a discussion of their theories concerning population and agglomeration. This discussion will also complement the analysis presented above. Since the American Protectionists saw population and population density as

influencing productivity, it is thus directly relevant to the matter of wage growth and social mobility.

## Chapter 11: Theory of Population, Association, and Agglomeration

### 11.1: Introduction

There is not, perhaps, any political axiom better established, than this, — That a high degree of population contributes greatly to the riches and strength of a state. In fact, the progressive increase of numbers, in the people of any civilized country, is reciprocally the cause and effect of its real wealth.<sup>786</sup>

- William Barton

This chapter addresses the American Protectionist theories concerning population, association, and agglomeration.<sup>787</sup> Reflecting their optimistic worldview, the theory of population extolled by the American Protectionists can be seen as the antithesis of Malthusian economics. In contrast to Malthus, who expounded the position that population growth produces scarcity, the American Protectionists sought to explain how population growth produces abundance. Indeed, this viewpoint is captured by John Melish, who represents the first member of the School to respond directly and explicitly to Malthus. Invoking biblical imagery, Melish declared “be fruitful, and multiply and replenish the earth, the opinions of men of *the Malthus School, to the contrary, notwithstanding.*”<sup>788</sup> The basic theory of population which developed along these lines is the focus of Section 11.2 of this chapter.

With the above in mind, the American Protectionists went beyond an analysis of population in isolation by connecting their theory of population to an analysis of population density. The starting point of this analysis can be found in their principle of association which is the focus of Section 11.3. This principle, to be sure, extends far beyond concerns regarding population and informs much of the American Protectionist thinking more generally, including their concept of individuality. In short, the principle of association posits that Man is a social creature, and thus Man has a need to associate with his fellow-man. As will be shown, this need for association also forms the basis of the American Protectionist’s theory of agglomeration, which they referred to as concentration. Since Man has a need for association, it follows that the population must concentrate within towns and cities, so that Man can associate.

The American Protectionists also observed numerous benefits accruing from this process of concentration. A discussion of these benefits is the focus of Section 11.3.

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<sup>786</sup> William Barton, *Observation on the Progress of Population, and the Probabilities of the Duration of Human Life in the United States of America*, (Philadelphia: R. Aitken & Son, 1791), 1.

<sup>787</sup> The discussion presented in Section 11.4, 11.5, and 11.6 builds upon ideas discussed earlier in my Honours thesis, Mathew A. Frith, *The Economics of Henry Charles Carey*, 55-69.

<sup>788</sup> John Melish, *A Geographical Description of the World: Intended as an Accompaniment to the Map of the World on Mercator's Projection*. (Philadelphia: J. Melish & S. Harrison, 1818), 269, emphasis in original. See also John Melish, ‘Calculations Grounded on the View of the World’, *The Bolles-Letters Repository, and Monthly Magazine*, 2, no. 1 (1819), 45. That said, the first American Protectionist to write specifically on the subject of population was William Barton in *Observation on the Progress of Population*.

Section 11.4 provides an overview of the forces which the American Protectionists viewed as giving rise to these agglomerations and centers of concentration, as well as those forces which inhibit the creation of these centers. The American Protectionists referred to these forces as the forces of attraction and the forces of dispersion. Finally, building upon their theory of agglomeration and concentration, the American Protectionists also provide an analysis of urban-rural balance, which is the focus of Section 11.6. In doing so, the American Protectionists envisioned a system whereby industrial towns and cities are clustered throughout the countryside and alongside agricultural production. By achieving this balance between the urban-rural and industrial-agricultural sectors, the American Protectionists observed that agriculture would be able to partake in the benefits arising from concentration.

### **11.2: Theory of Population**

“Be fruitful and multiply,” said the Lord, “and replenish the earth, and subdue it”. That it may be subdued, men must multiply and increase.<sup>789</sup>

- Henry Charles Carey

The American Protectionists developed their doctrine of population under the backdrop of Malthusian economics.<sup>790</sup> In a sense, their theory of population can be viewed as a reaction to, and a critique of, Malthus, but their theory was not simply critical. It was also constructive. The American Protectionists would go on to develop an alternate doctrine designed to supplant Malthusian economics. This doctrine rests on two pillars. The first is that population growth is ultimately self-regulative, and the second is that an increase in population typically results in a higher rate of productivity growth. Both of these taken together would dismantle the Malthusian theory of population, for if population is self-regulative than there is no inherent tendency for population to increase geometrically.<sup>791</sup> Further, if an increasing population leads to higher productivity growth than this dispels the Malthusian claim that the means of subsistence only tends to increase arithmetically. Thus, when taken together, there is no inherent tendency for population to outpace the means of subsistence.

The view that population growth is ultimately self-regulative is rooted in the American Protectionist view of Man, discussed in Section 6.5. Unlike the Malthusian worldview which appeals to Man’s brutish impulses, the American Protectionists looked to Man’s higher-order faculties, such as intellect and moral restraint. Due to

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<sup>789</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 3, 263.

<sup>790</sup> This is not strictly true, as the views of William Barton, Tench Coxe, and Alexander Hamilton on population growth clearly influenced later American Protectionists, yet their writings predate those of Malthus. That said, later American Protectionists clearly juxtaposed their thoughts to the more well-known views of Malthus.

<sup>791</sup> Robert Ellis Thompson points out, for instance, that there exists no iron law which prescribes a geometric or even a fixed rate of increase since in practice fertility rates vary significant between nations, explaining that “in modern nations the growth of numbers—as officially ascertained—varies so greatly as to set at nought all attempts to fix a general rate of increase. Nor can the difference be traced to the operation of preventive checks.” *Elements of Political Economy*, 61.

these higher-order faculties, the American Protectionists envisioned that humans would naturally limit their rate of procreation in the event that population pressed upon the means of subsistence. In the words of Henry Carey:

[Human] procreation must not, in contradistinction to every other animal function, be assumed to be a fixed, invariable action, ruled... with mechanical rigor, entirely independent [of human will]... the ratio of reproduction is not so fixed and limited, that figures can express it... That this flexibility [in procreation] has been provided... under a self-adjusting law... to the necessities of the race, and in harmony with the surroundings.<sup>792</sup>

John Rae similarly notes that “the inferior animals... led by pleasure, may be said to be under the necessity of multiplying... Man, knowing the consequences of the act, may... refrain from procreation.”<sup>793</sup> The view that population growth is ultimately self-regulatory also came from empirical observation. The American Protectionists saw, for instance, that birth rates tended to be higher in poorer parts of the world or even in poorer parts of society in order to compensate for high rates of infant mortality and low odds of survival. Yet, as development proceeds, birth rates have a tendency to slow down through self-regulation. Protectionists thus sometimes stated that “the power of reproducing life is in inverse proportion to the power of maintaining it.”<sup>794</sup> In capturing this view that a declining birth rate corresponds with increased development, William Elder explains that:

The whole of natural history demonstrates the rule that, where mortality is largest, fecundity [fertility] is greatest... The facts to be considered are broadly contrasted in the excessive fertility of the drudges of Europe and of the slaves of America on the one side, and the less fertility of the highest grade of society everywhere on the other.<sup>795</sup>

This can be viewed in direct contrast to the Malthusian view of population. Whereas Malthus assumed that an increase in the means of subsistence causes fertility rates to increase, the American Protectionists argued the exact opposite. As the means of subsistence increases, which subsequently improves the chances of survival, the tendency instead is for Man to regulate and thus reduce the number of offspring produced. Hence, fertility rates will tend to moderate with economic development.<sup>796</sup>

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<sup>792</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 3, 267-269

<sup>793</sup> “John Rae to John Stuart Mill (draft),” [c. 1854], 430.

<sup>794</sup> William Elder, *Questions of the Day*, 77.

<sup>795</sup> William Elder, *Conversations of the Principal Subjects of Political Economy*, 86

<sup>796</sup> Although it never appeared in his published works, John Rae provides a different yet similar explanation of population growth which operated along similar lines to his theory of the effective desire to accumulate (which as alluded to in Section 9.6, was conditioned by the moral character of society). Rae thus explains that “the population question seems to me to turn on what I might call the effective desire of offspring. This runs parallel with the effective desire of accumulation (for at bottom they spring from a similar cause)... the reason is that the desire of offspring is regulated... by certain sentiments of the society which we may term the instincts of society.” “John Rae to John Stuart Mill, (draft),” [c. 1854], 435.



This tendency toward self-regulation and moderation in birth rates also extends, however, beyond the decline in infant mortality and reflects a more general rise in Man's intellectual culture. Robert Ellis Thompson explains, for instance, that while population growth improves civilization and intellectual culture through the process of association and concentration (which is elaborated upon in Section 11.3 and 11.4), the subsequent rise in Man's intellect also moderates birth rates. In words of Thompson:

A high degree of civilization and mental culture imposes an immediate and natural check upon the growth of numbers. The growth of mind and growth of numbers are two balancing forces, two tendencies counteract each other... Thus we find that population is self-regulative. Its multiplication brings the civilization, that is the one effectual and all efficient check to all undue multiplication.<sup>797</sup>

The second and more important pillar of the American Protectionists' theory of population corresponds to the view that population growth produces abundance as opposed to scarcity, which is the opposite of that put forth by Malthus. In short, even in the absence of Man's self-restraint in procreation, population growth would not be an issue since it has a tendency to produce a proportionally greater increase in wealth creation. In other words, population growth causes wealth and subsistence to grow in per capita terms. The American Protectionists thus identified what they saw as the fundamental flaw of Malthusian economics. Whereas Malthus viewed the growth of population and of subsistence as being determined independently of one another, the American Protectionists recognized how procreation tended to augment the growth in the means of subsistence.<sup>798</sup> Alexander Everett, for instance, explains that Malthus "views every individual added to a society as an additional consumer, without appearing to reflect, that he is also at the same time an additional laborer."<sup>799</sup>

American Protectionists recognized, of course, that an increase of the population would increase the demand for subsistence, but since individuals tend to produce more than what they can consume individually, it follows that even a proportional increase would invalidate Malthus's theory.<sup>800</sup> Protectionists went further than this though, arguing that the means of subsistence would experience a more than proportional increase due to invention and rising productivity. In other words,

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<sup>797</sup> Robert Ellis Thompson, *Elements of Political Economy*, 65-66.

<sup>798</sup> This is not strictly true. Malthus recognized an interplay between subsistence and population growth but approached it from an alternate standpoint to the American Protectionists. That is, that an increase in the means of subsistence tended to increase the rate of population growth, which, in any event, still overlooks the productivity side of the economy.

<sup>799</sup> Alexander H. Everett, *New Ideas on Population*, 21.

<sup>800</sup> Robert Ellis Thompson illustrates this point, explaining that "[Malthusian] theory is discredited by the experience of the past... The pressure... upon subsistence is characteristic of the periods and the places where population is most sparse,—not of those where it is densest." *Elements of Political Economy*, 57.

population growth tends to promote increasing returns. Alexander Everett explains, for instance, that:

It is sufficiently notorious, that an increase of population on a given territory is followed immediately by a division of labor; which produces in its turn the invention of new machines, an improvement of methods in all the departments of industry, and a rapid progress in the various branches of art and science. The increase effected by these improvements in the productiveness of labor is obviously much greater in proportion than the increase of population, to which it is owing.<sup>801</sup>

Virtually all American Protectionists agreed that productivity growth tended to outpace the growth of population.<sup>802</sup> They saw that Malthus was ignorant of the operation of inventive growth within the economy, and thus how a larger population sows the seeds of abundance through the multiplication of the inventive faculty. Indeed, even independent of the increase in population, an increase in invention and productivity growth would still tend to occur due to the natural tendency for technological improvement over time, which in isolation would increase wealth per capita, but the American Protectionists saw that population growth itself would positively contribute to productivity growth and invention.<sup>803</sup> Robert Ellis Thompson notes, for instance, how “the more the numbers... the greater [the] people’s mastery over nature, and the larger the share of the good things that will fall to each individual.”<sup>804</sup> That said, the full scope of factors contributing to this increase in productivity relates more so to rising population density and the process of agglomeration, than population growth in isolation, and will therefore be expanded upon in Section 11.4. In any event, the American Protectionists had a clear conception of how population growth tended to produce abundance, as opposed to scarcity. Hence, even if the first aspect of their theory hypothetically fails and population growth was non-self-regulative, there would still be no cause for concern since the means of subsistence would still tend to outpace the rate of population growth.

The pessimism of Malthus was therefore controverted by the American Protectionists and was supplanted with an optimistic and ultimately more realistic destiny for mankind. George B. Curtiss explains, for instance, that “the pessimistic forebodings of Malthus and his followers have been proved by experience to be without foundation... That the world is large enough, and its resources [are] sufficient if

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<sup>801</sup> Alexander H. Everett, *New Ideas on Population*, 26; Ezra Seaman also explains that “the increase of population... has progressed step by step, in all civilized countries, with the inventions and improvements in the mechanic arts, the increase of productive industry, and the extension of commerce” *Essays on the Progress of Nations*, 189.

<sup>802</sup> The American Protectionists were, of course, aware of extreme or anomalous cases of excessive population increase, but they saw that this was usually the result of ill-directed government policies or institutions. Robert Ellis Thompson, *Elements of Political Economy*, 59.

<sup>803</sup> Although Rae does not make this connection, his emphasis on genius (see Section 7.3) being the product of nature, also seems to imply that a larger population increases the odds of a natural genius being born.

<sup>804</sup> Robert Ellis Thompson, *Elements of Political Economy*, 66.

properly utilized, to furnish an abundance for all; there cannot be the slightest question.”<sup>805</sup> Indeed, rather than being worried about overpopulation, the American Protectionists were more concerned about the prospects of fertility rates declining too dramatically.<sup>806</sup> John Rae declares, for instance, that whatever tends “therefore to weaken or destroy those social instincts which tend to generate love of offspring, is a crime against society.”<sup>807</sup> Robert Ellis Thompson, likewise, remarks that “history shows us also that a vast decrease in the population of a country, through the sweeping operation of Mr. Malthus's positive and preventive checks, is a dangerous possibility.”<sup>808</sup>

The above represents the basic theory of population put forth by the American Protectionists. But population in isolation is one thing. The American Protectionists went beyond this simple model and connected their theory of population with an analysis of population density and the economics of agglomeration. This theme forms the focus of Section 11.4. However, before discussing this idea, it is important to provide an overview of the principle of association which represents the foundation of the American Protectionists views on population density, and this also connects more broadly with their overall economic thought.

### **11.3: The Principle of Association**

The growth of the power of association is, at the same time, growth in individual freedom. The more closely men are thus united, the more free each one is to give full play to the bent of his own character. He is not forced to make his living by an employment for which he may have no taste, and in which he can therefore never use his natural gifts to the best advantage.<sup>809</sup>

- Robert Ellis Thompson

One of the most important concepts in American Protectionist thought is the principle of association.<sup>810</sup> At its most basic, the principle of association views Man as a social creature. Because of this, Man has a need to associate with his fellow man, usually within a community and within close geographical proximity to one another. Although

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<sup>805</sup> George B. Curtiss, *Protection and Prosperity*, 794

<sup>806</sup> Self-regulation for the American Protectionists was viewed more as a moderation of birth rates to prevent excessive rates of population growth.

<sup>807</sup> “John Rae to John Stuart Mill (draft)” [c. 1854], 437.

<sup>808</sup> Robert Ellis Thompson, *Elements of Political Economy*, 60.

<sup>809</sup> Robert Ellis Thompson, *Elements of Political Economy*, 220.

<sup>810</sup> The term ‘association’ is also used by a number of utopian socialists, known as associationists, but this is unrelated to the concept of ‘association’ envisioned by the American Protectionists. Ezra Seaman explains that “I do not mean... association on the principles of the Fourierism or Communism of France, or of the Shakerism or Owenism of America; nor do I mean a general community of property and income of any kind, among the persons associated. Such associations diminish the motives necessary to induce industry, attention, and frugality, to improve the mind, and develop the capacities of man. They tend to destroy individuality of character; to discourage inquiry and invention, and to check progress.” *Essays on the Progress of Nations*, 495.

the term was coined by Henry Carey, the basic concept can be seen in American Protectionist thought as early as the writings of William Barton. In the words of Barton:

The very nature of man, necessarily constitute him a social animal: And, in the very origin of society, their mutual necessities, with the various talents, means and opportunities of individuals for supplying them, must have produced a reciprocity of services, and an occasional interchange with one another of that property, which each had acquired by his own exertions.<sup>811</sup>

Because a particular individual is limited in his capacities, it follows that each individual has a mutual dependence on their fellowman. From this, individuals must utilize the services of others on a reciprocal basis. They must therefore associate with one another.

This principle of association is intrinsically connected with Man's individuality. As has been shown in previous sections, the American Protectionists placed a heavy emphasis on Man's individuality, postulating that every individual is different and unique, and that there exists an immense variety in individual talents, aptitudes, and dispositions. Yet, in spite of this individualism, the American Protectionist's rejected the more extreme individualism which views Man in an atomistic manner, preferring instead to treat Man as part of a community.<sup>812</sup> In other words, they saw that individuals must associate with other individuals, and thus cannot be treated in isolation to one another. Indeed, it is precisely because there exists individual differences that association comes about. It is also why association is essential for mankind. In the words of Henry Carey, "association depends upon INDIVIDUALITY. There can be no association without differences."<sup>813</sup> The American Protectionists thus considered individualism as properly and intimately connected with the community, and by extension, the nation. Both were essential to one-another. George M. Steele provides perhaps one of the best renderings of this position:

Not only is association essential to man, but individuality is equally essential. A superficial thinker might regard these two characteristics as antagonistic. The fact is so far otherwise, that each of them is actually dependent on the other. No man would associate with another unless the one had something which the other wanted. But for this, there would be no commerce. Two hatters making the same kind of hats would neither of them have anything which the other would want. Men of the same mental habits and requirements could not benefit one

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<sup>811</sup> William Barton, "The True Interest of The United States, and Particularly of Pennsylvania Considered", *The American Museum*, 2, no. 1 (1787), 3. It is very possible that Carey derived this theory from Barton, as both resided in Philadelphia, and both had a mutual acquaintance in Tench Coxe, or may have even been acquainted themselves. Barton's articles also appeared in Mathew Carey's *American Museum*

<sup>812</sup> This is elaborated upon in Section 6.5.

<sup>813</sup> Henry Charles Carey quoted in George M. Steele, *Outline Study of Political Economy*, iv, emphasis in original.

another. Men must differ, or they will not associate; and the greater the difference, the greater the association.<sup>814</sup>

Therefore, unlike many other nationalist ideologies, which subordinates the individual to the nation or the nation state, the American Protectionists saw individualism and nationalism as complimentary ideologies, with individualism fitting neatly within nationalism. The process of association would allow for the expression of the unique characteristics possessed by different individuals to an increasing degree through the creation of a diversity of pursuits, and likewise, this expression of individuality would enable further association by creating a greater range of products through which commerce and further association can occur. William Elder thus explains that “the operation of these two forces – Association and Individuality... are thus reciprocal and corroborative in enhancing each other and in promoting the progress of the man, the community, and the race.”<sup>815</sup> As will be shown, this need for association and individuality underpins the American Protectionist views on agglomeration.

#### **11.4: Theory of Concentration and Agglomeration**

Cities and towns are the great agents and tokens of the increase of national opulence and the progress of civilization.<sup>816</sup>

- Francis Bowen

The principle of association represents the starting point of the American Protectionist theory of agglomeration, or what they referred to as “concentration.”<sup>817</sup> Concentration, in short, refers to concentrating the population within towns and cities, which is necessarily tied to an increase in the density of the population.<sup>818</sup> In fact, the benefits arising from population growth relate more to an increase in population density than population growth in the abstract. This view is well illustrated by Robert Ellis Thompson who explains “man's ‘power over nature’ continues to grow with every advance in the compactness of society.”<sup>819</sup> The mechanisms underlying the process of concentration, which bring about the formation of large towns and cities, will be elaborated upon in Section 11.5, but for now an overview of the benefits of concentration identified by the American Protectionists will be provided.<sup>820</sup>

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<sup>814</sup> George M. Steele, *Outline Study of Political Economy*, 7.

<sup>815</sup> William Elder, *Questions of the Day*, 9.

<sup>816</sup> Francis Bowen, *American Political Economy*, 79.

<sup>817</sup> This term originates with Henry Carey, but allusions to this concept can be traced back to Tench Coxe, *Memorial of the Artists and Manufacturers of Philadelphia*, (Philadelphia: Graves, 1804), xi.

<sup>818</sup> It should be noted that agglomeration economics is commonly viewed as originating with Alfred Marshall's 1890 treatise *Principles of Economics*, 1<sup>st</sup> ed, (London: Macmillan and Co., 1890). The American Protectionist's theory of concentration well predates that of Marshall's.

<sup>819</sup> Robert Ellis Thompson, *Elements of Political Economy*, 69.

<sup>820</sup> Stephen Meardon, “Henry C. Carey's ‘Zone Theory’ and American Sectional Conflict” *Journal of the History of Economic Thought*, 37, no. 2 (2015), 305, discusses a “zone theory” developed by Henry Carey, and similarly notes that it “merits attention as an early example of economic theories of geography... akin to those claiming attention

The American Protectionists outlined roughly nine reasons why concentration and rising population density tends to improve productivity and economic welfare. These reasons include: (1) the growth of individuality and association; (2) an increase in the division of labor and the diversity of pursuits; (3) a reduction in transportation costs; (4) the stimulation of new wants; (5) the diffusion of knowledge and ideas; (6) technological diffusion and spillovers; (7) tighter linkages between different industries; (8) an increased provision of, and improvements to, training and educational institutions; and (9) an improved affordability of internal improvements.<sup>821</sup>

The increase in individuality and association, noted in the previous section, connects closely with the increase in the diversity of employments and the division of labor, both of which was seen as dependent, to some degree, on the concentration of the population. Indeed, more than anything else, the process of concentration was applauded by American Protectionists due to its ability to facilitate the maximization of individuality. Francis Bowen explains, for instance, that “to concentrate the people” is “to give full scope to all the varieties of taste, genius, and temperament.” This scope allows for the greatest capacity to exercise such a diverse range of individual attributes, and this “can only be found in cities and large towns.”<sup>822</sup> In other words, as the population becomes more concentrated, this allows for a greater array of variation and diversity in pursuits, which facilitates the maximization of individuality. Henry Carey thus explains that with “population further augmenting, [and with it] employments became diversified... the more [the individual] becomes individualised.”<sup>823</sup>

Along similar lines, it also follows that by enabling a greater diversity of employments and pursuits, the process of concentration also tends to promote new discoveries and inventions by allowing individuals to concentrate their mind and effort more fully on the pursuits which they are more inclined towards. Ezra Seaman provides a clear rendering of this connection between concentration and inventions and improvements. In the words of Seaman:

Where men are congregated together by commerce, manufactures, and the mechanic arts, in cities and large towns, they see more objects to stimulate them to activity and enterprise, than those do who are

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today.” Note, however, that this “zone theory” does not elaborate upon the theory of agglomeration discussed in this section. It relates instead to broad regional economic zones.

<sup>821</sup> William D. Wilson captures at least four of these, explaining that there are “distinct causes affecting the... increase in wealth, which are dependent upon the density of the population: (1) division of labor, (2) savings in the cost of exchanges, (3) stimulation of new wants, (4) production of new commodities.” *First Principles of Political Economy*, 117.

<sup>822</sup> Francis Bowen, *American Political Economy*, 495. John Rae makes a similar observation, noting that when “a territory is scantily peopled, and its inhabitants spread over it at a great distance from each other, they can never subdivide themselves into different trades and employments, and each devoting himself to a particular business and art, exercise his whole ingenuity to bring that particular occupation to perfection; and that hence arts are in general in the most flourishing condition, where the population is the most dense.” *Statements of Some New Principles on the Subject of Political Economy*, 35.

<sup>823</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 3, 209.

scattered over the country as agriculturalists; their intellectual passions are more stimulated, and become stronger; and at the same time, the division of employments being more complete, and their minds more concentrated for years upon one department of industry or business, they are generally enabled to attain a much higher degree of science and skill than is attainable under less favorable circumstances. Hence the minds of these classes of persons become more active and acute in their respective employments, more original, more inventive, more inclined to seek after new discoveries, and inventions, and new modes of enterprise, than agriculturalists; and hence nearly all the discoveries, inventions and useful improvements, have been made by the mechanical, manufacturing, and commercial classes.<sup>824</sup>

The tendency for concentration to increase the rate of invention and entrepreneurial discovery also connects closely to the concept of technological diffusion and information spillovers. As noted in Section 9.3, technological spillovers are often bounded geographically, and it follows from this, that concentration will tend to stimulate spillovers of technology and information. Observing this tendency, Willard Phillips observes that the concentration of a variety of different industries within a close geographical proximity would be far more conducive to invention and improvement than a single isolated industry. Indeed, “you cannot have”, explains Phillips, “a few isolated, solitary arts, in high perfection. Each art, in order to its success, needs the near and ready aid of a thousand others. Easy and familiar communication between artisans... keeps the inventive faculties in lively exercise.”<sup>825</sup>

The necessity for varied and diverse industry also extends to the ease of communication between different firms within the agglomeration, which can be considered as a form of information or knowledge spillover. In criticizing the Classical view that nations should specialize in the production of a specific commodity, Phillips notes the importance of communication between different industries in close proximity:

One is, therefore, struck with the simplicity and conceited levity of teachers of economical philosophy, who take for granted that a solitary art can be... carried on successfully, in competition... with a competitor who is surrounded with all the auxiliary arts and trades. Besides cheapness, there is an advantage to the artisan in the quality of the articles supplied to him by others in his own vicinity. He will, in the long run, be supplied with those better adapted to his particular business, than he possibly could be by workmen three thousand miles off... You will readily see about you, proofs enough that the nearer you

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<sup>824</sup> Ezra Seaman, *Essays on the Progress of Nations*, 146.

<sup>825</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, 227

are to the place whence your tools and materials are supplied, and the more intimate your communication is with it, the better adapted to your wants they will be.<sup>826</sup>

A similar emphasis on the increased ease of communication and the dissemination of knowledge which accompanies the process of concentration is also a feature of the writings of Henry Carey, who notes that:

The greater the tendency to association [and concentration], the greater is the facility for the dissemination of new ideas in regard to modes of thought or action, and for obtaining aid in carrying them into practical effect. The object of the [free trade] monopoly system is that of separating men from each other, and depriving them of this advantage. The object of protection is to enable them to come together.<sup>827</sup>

Another important benefit arising from the concentration of population identified by the American Protectionists relates to the reduction in transportation costs. By bringing the consumer to the side of producer, the American Protectionists saw that the process of concentration would reduce the transportation costs of articles. Henry Carey explains, for instance, that “the nearer the parties to the exchange, the smaller is the proportion absorbed by the parties engaged in the works of trade, transportation, or conversion—that the smaller that proportion, the more rapid must be the accumulation of wealth.”<sup>828</sup> Since this reduction in transportation represents a saving to producers and consumers, it has the indirect effect of aiding capital accumulation by promoting savings. It is for such reasons that the American Protectionists often referred to the costs of transportation, particularly when the commodities are hauled long distances, as the “tax of transportation.”<sup>829</sup> As will be elaborated upon in Section 14.4, the tax of transportation would also form a crucial argument in support of the compensatory effects of infant-industry protection.

Concentration is also linked in American Protectionist thought to the accumulation of intellectual capital. Since the provision of universities, libraries, and other educational institutions is only viable once the population of towns and cities reaches a critical mass, it follows that through the process of concentration, there is a gradual development in the capacity to accumulate intellectual capital. As Henry Carey explains:

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<sup>826</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, 223-223.

<sup>827</sup> Henry Charles Carey, *The Harmony of Interests*, 27.

<sup>828</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 70.

<sup>829</sup> Henry Charles Carey, *Principles of Political Economy*, 407; Henry Carey Baird, *Protection of Home Labor and Home Productions Necessary to the Prosperity of the American Farmer*, (Philadelphia: Henry Carey Baird, 1860), 9; Robert Ellis Thompson, *Elements of Political Economy*, 263; See also Thomas Haines Dudley, *The Farmer Freedeth All: How Protection Affects the Farmer*, (Philadelphia: Allen, Lane & Scott's Printing House, 1882), 3.



With increased power of association [and concentration], there is a steady improvement in the provision for the development of the intellectual faculties.... [accompanying concentration] are numerous [schools, universities, and] other institutions devoted to particular branches of education, some of which are provided for by government, while others are supported by the contributions of individuals.<sup>830</sup>

In a similar vein, the American Protectionists also linked concentration and rising population density with an increase in the provision of internal improvements. Tench Coxe perceived, for instance, that “a scattered population requires a greater extent of roads, than can be kept in any decent repair.” In contrast, the creation of larger towns and cities, with a higher population density, means that “good roads may be made without oppressive taxation” by spreading the costs over a larger population.<sup>831</sup> Robert Ellis Thompson adds to this observation, noting that as internal improvements and other similar services are rendered more viable through an increase in population density, this results in a greater economizing of labor and economies of scale. Using the example of water infrastructure, Thompson explains that “when the density of population [has] made it worth while to carry the water in pipes through the streets of our city, it [the water] was obtained with far less outlay of labor than when every man carried his bucket to the river's bank, or even to the pump.”<sup>832</sup>

In light of the above, it should be emphasized that since the benefits of concentration all contribute towards rising productivity in some way, the American Protectionists argue that a rising population density tends to raise wage rates. Indeed, as Ellis H. Roberts explains, “low wages are not caused by density of population... on the contrary, with the growth of population labor receives better pay and higher consideration.”<sup>833</sup> This contrasts sharply with the Ricardian-Malthusian-Marxian view of population, which argues that an increase in population would only serve to reinforce subsistence levels of wages by suppressing the wage rates further.<sup>834</sup>

Finally, it is important to acknowledge that the American Protectionists understood that trade-offs exist between the benefits of concentration and achieving sufficient economies of scale.<sup>835</sup> Where a product could not be sourced locally, the

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<sup>830</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 122.

<sup>831</sup> Tench Coxe, *Memorial of the Artists and Manufacturers of Philadelphia*, ix-x.

<sup>832</sup> Robert Ellis Thompson, *Elements of Political Economy*, 69.

<sup>833</sup> Ellis H. Roberts, *Government Revenue*, 366-367.

<sup>834</sup> Note that whilst Ricardo, Malthus, and Marx all arrived at the same conclusion, they had different explanations of how they arrived at the same conclusion.

<sup>835</sup> This is illustrated by the American Protectionists commitment to a strictly national policy of protection and is also sufficiently demonstrated by Horace Greeley's response to the question “If the United States should be fenced about by a tariff, why not Illinois or Rhode Island?” Greeley responds by stating that “such logic may provoke a smile, but can hardly require serious refutation. The fact that every industrial pursuit, and especially every one that requires a heavy concentration of capital, skill, [and] machinery... to insure its successful prosecution, must have 'room to turn itself,' — a reasonably capacious area upon which to find customers and consumers, — is too obvious to require demonstration” *Essays Designed to Elucidate the Science of Political Economy*, 38.

American Protectionists understood that commerce should proceed on a regional (regions within the nation) or national basis. Henry Carey, for instance, applauded the efforts made by the Republican Party to connect local markets to the broader national market:

The Republican party has now for fifteen years been engaged in developing and building up those internal connections by means of which the men of all sections are to be brought into harmonious relations with each other – iron rails mean-time being brought to cross and re-cross each other in all directions, and tying together the North and the South, the East and the West – giving us, as indeed it has already given, a domestic commerce without parallel in the world.<sup>836</sup>

Thus, according to the logic of the American Protectionists, regional and national commerce would still exhibit some of the beneficial effects associated with concentration and association, albeit in a diminished magnitude. To put it differently, the closer the proximity, the more the benefits are accrued, with this diminishing as the proximity is lessened. Localized production and exchange is thus the foundation for regional and national commerce, just as national commerce serves as the foundation for international trade.

### **11.5: Forces of Attraction and Dispersion**

The writings of the American Protectionists not only observe the process of concentration, but they also provide a detailed explanation of the forces which give rise to these centers of concentration, and conversely, the forces which inhibit or lead to their disintegration. In explaining the rise of centers of concentration, American Protectionist thought introduces two concepts referred to as forces of “attraction” and forces of “dispersion.” The former (attraction) represents the force which gives rise to centers of concentration, and the latter (dispersion) is a force which inhibits the creation of such centers.

In explaining the operation of these attractive forces, the American Protectionists used the analogy of gravitational forces in the solar system. Similar to how gravity pulls together material from space to form celestial bodies, the American Protectionists observed that masses of individuals would exhibit a similar gravitational or attractive force, leading to a concentration of the population, and thus the formation of towns and cities. In the words of Henry Carey:

The greater the number [of people] collected in a given space the greater is the attractive force there exerted... Gravitation is here, as everywhere else in the material world, [operates] in the direct ratio of the mass, and

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<sup>836</sup> Henry Charles Carey, ‘Maintenance of the Union: An Address to the Friend of the Union Throughout the Union’, *The Daily Inter-Ocean*, August 23, 1876, 2.

in the inverse one of the distance... Such being the case, why is it that all the members of the human family do not tend to come together on a single spot of earth? ... We are surrounded by [cities] of various sizes, and some of these are themselves provided with satellites, each having its local centre of attraction, by means of which its parts are held together... Small as are the asteroids, each has within itself a local centre of attraction enabling it to preserve its form and substance, despite the superior attraction of the larger bodies by which it is everywhere surrounded.<sup>837</sup>

The need for association, as well as the benefits associated with concentration discussed in the above section, constitutes the attractive force which leads to the creation of industrial towns and cities, and was usually seen as contingent upon the establishment of industrial arts and manufacturing industries. In fact, within certain limits, the American Protectionists emphasized the existence of positive feedback between the process of concentration, association, and the other benefits described above. Concentration would, for instance, promote a diversity of pursuits, but this diversity of pursuits would also promote a further concentration of the population.

A particularly important aspect of this process relates to the clustering of support industries and linked industries. Indeed, even as early as 1804, Tench Coxe developed an early concept of clustering and is perhaps even the first writer to apply the term 'cluster' to the study of economics. In doing so, Coxe reveals how certain groups of industries tend to emerge as clusters, whereby a key industry gives rise to support industries. Using the example of an agricultural cluster, Coxe observes that "In a country *devoted to agriculture*, the cluster of arts and trades which minister to its wants spring up of course, and almost from necessity."<sup>838</sup> Although, in spite of Coxe's example of agriculture, as will be shown, agriculture in isolation was seen as exhibiting an insufficient force of attraction to give rise to larger agglomerations.

The forces of dispersion represent an opposing force to that of attraction. In identifying these dispersive forces, however, the American Protectionists differentiated between detrimental and benign forces of dispersion.<sup>839</sup> The detrimental forces of dispersion were seen as those which inhibit the development of these local centers of association and concentration. They were thus detrimental in the

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<sup>837</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 42-43; William Elder similarly notes that "this associative attraction is analogous to the material law of gravitation, which groups the atoms of the universe in planets, solar systems, and constellations; ordering and collocating them around their several centers; the local centers by counter attraction, holding each group in its own sphere and office, and every individual of each group in its appropriate position" William Elder, *Questions of the Day*, 10.

<sup>838</sup> Tench Coxe, *Report of the Committee of Commerce and Manufactures on Various Memorials and Petitions from Citizens of New York, New Jersey, Pennsylvania, and Maryland, Praying for Legislative Patronage of to Several Domestic Arts, Trades and Manufactures*, (Philadelphia: Graves, 1804), xvi; Coxe also explains in another instance that in "a nation who has progressed to a state of agriculture... [there is] that *cluster* of necessary arts which minister its [agriculture's] wants." *An Essay on the Manufacturing Interest of the United States*, 25, emphasis in original.

<sup>839</sup> Note that the terms detrimental and benign dispersion were not terms used by the American Protectionists, but they had a clear conception that one was detrimental and the other was beneficial.

sense that they prevented the expression of individuality, and it also meant that the nation's populace would forego the other benefits associated with association and concentration highlighted above. These detrimental forces of dispersion are also inversely linked with industrialization. If the economy fails to industrialize and instead specializes in agricultural production, then individuals will tend to disperse and scatter across agricultural lands. It also follows that any movement towards deindustrialization would tend to produce similar results due to the disintegration of linkages between different industries and employments. Tench Coxe explains, for instance, that:

Agriculture *alone* will never concentrate the population, so as to form a town of any considerable magnitude. There can only be a country where a few neighbouring proprietors are collected... which instead of being the centre of trade and industry is often the focus of dissipation.<sup>840</sup>

Francis Bowen would later echo this view, explaining:

The interfusion of manufactures and commerce with agriculture, favors the increase of national capital... by concentrating the population in cities and towns. Agriculture [in isolation] is necessarily diffusive in its effects; the laborers must be distributed over the whole face of the territory which they cultivate.<sup>841</sup>

This detrimental form of dispersion is also linked to a concept known as centralization (not to be confused with concentration). Centralization refers to the centralization of industry and the domination of trade by a particular nation or major trading port. This concept can be seen as analogous to that posited in the theory of comparative advantage whereby a nation specializes in industrial production with others specializing in agriculture or raw material to supply the foreign industrial center. This industrial center, which in the 19<sup>th</sup> century was seen to be Britain, represents a centralizing force which inhibits the formation of local centers of concentration in agricultural-exporting economies by disintegrating local linkages between industry and agriculture, causing a dispersion of the population across agricultural lands.<sup>842</sup> As Henry Carey explains:

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<sup>840</sup> Tench Coxe, *Memorial of the Artists and Manufacturers of Philadelphia*, ix, emphasis in original. The flip side is that manufacturing promotes concentration, with Francis Bowen explaining that "Manufactures and commerce, on the other hand, requiring a great division of labor, and also that the participators in the work should be near each other, necessarily create a civic population. They will flourish only in cities and towns, and they are the only means of creating cities and towns." *American Political Economy*, 78

<sup>841</sup> Francis Bowen, *American Political Economy*, 77.

<sup>842</sup> This also represents a point of difference between the American Protectionists and Alfred Marshall on the connection between agglomeration and international trade. Whereas the American Protectionists saw the two as linked, Marshall saw the two as independent of one another, with Marshall writing that "the causes which determine the economic progress of nations belong to the study of *international trade* and therefore lie outside of... these broader movements of the localization of industry... within the narrow boundaries of a manufacturing town or a thickly peopled industrial district." Alfred Marshall, *Money, Credit, and Commerce*, (London: Macmillan and Company, 1923), 105.

The object of the English [free trade] system is to promote centralization, and its necessary consequence is that of compelling the dispersion of man...The proclaimed object of [this] monopoly system is that of producing a necessity for scattering ourselves over large surfaces, and thus increasing the difficulty of association... The object of protection is that of bringing the consumer... to the side of [the] producer... the consumer of cotton to the side of its producer... and the shoemaker to the side of the farmer and planter... If we look westward, it is the same. Centralization produces depopulation, and that is followed by poverty and crime.<sup>843</sup>

Centralization and concentration were thus seen as having an inverse relationship with one-another. Centralization inhibits forces of attraction and promotes dispersion, whereas association and concentration exhibits forces of attraction which inhibits detrimental dispersion. This relationship was also linked closely with the distinction made by American Protectionists between commerce and trade. Henry Carey explains, for instance, that:

Commerce promotes the development of the treasures of the earth, and enables men to come nearer together to find instant demand for all their faculties and to accumulate wealth and power to be used in the peaceful pursuits of life. Trade causes the exhaustion of the soil and the dispersion of men... Centralization and dispersion are the necessary consequences of the growing supremacy of trade [over commerce].<sup>844</sup>

Thus, the American Protectionists saw free trade, by preventing industrialization domestically, as a detrimental dispersive force. Carey explains, for instance, “that of the system falsely called free-trade is [there] to promote dispersion”, whereas “the object of protection is to enable men to remain at home... which cannot exist where the tendency to dispersion exists.”<sup>845</sup> Hence, tariff protection was seen as a necessary check against centralization and detrimental dispersion which arise from specializing in agricultural production. By promoting manufacturing, protectionism would allow for the creation of local centers of industry, allowing for concentration and association.

It should be recalled, however, that dispersion is not strictly detrimental. Whereas specializing in purely agricultural production promotes a detrimental form of dispersion, there are also benign forces of dispersion which are seen as a natural outgrowth of concentration. The chief factor which impels this benign tendency towards dispersion results from rising rents and land prices associated with the increasing population density within more established industrial towns and cities. Rising rents, according to the American Protectionists, represents a price signal or

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<sup>843</sup> Henry Charles Carey, *The Harmony of Interests*, 203-208.

<sup>844</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 238-240.

<sup>845</sup> Henry Charles Carey, *The Harmony of Interests*, 147, 202.

dispersive force which causes the population to disperse outwards and establish new centers of economic activity. Van Buren Denslow thus explains that:

Rent [is] a Dispersive Force on Population. Essentially, therefore, rent is a natural social force operating to disperse population, and economize working space, by imposing a tax upon the occupation of the more valuable localities, proportionate to their value for working purposes.<sup>846</sup>

This tendency towards dispersion resulting from rent was seen as benign since the result would not be a scattering of the population, but a tendency to establish new industrial centers or satellite cities. This force therefore operates in both a dispersive and attractive manner. “In this point of view,” explains Denslow, “rent is the centrifugal force, which disperses men from the centers toward which commerce and exchange attracts them, and obliges them to form new and smaller centers.”<sup>847</sup> The creation of these new industrial centers would then neutralize the attractive forces of the larger cities through the presence of counter-attractive forces.<sup>848</sup> In the words of Henry Carey:

The establishment of a local attraction [will tend] to neutralize the attraction of the capital, or great commercial city; and where such local centres must exist, there, invariably, is found the greatest tendency to the development of individuality, and the combination of action – and the most rapid progress in knowledge, wealth, and power.<sup>849</sup>

Rent thus plays an important role in the theoretical system of the American Protectionists since it coordinates population movements and the geographical distribution of industry. In the words of Denslow, “rent, therefore, is just a beneficent force in economics as is wages or commerce, for it is as essential to disperse as to attract mankind.”<sup>850</sup> This is part of the reason why the American Protectionists rejected the likes of Georgist-style rent and land taxes, land nationalization programs, and rent controls. By distorting land prices, such policies would only serve to inhibit the seeding of new industrial centers and would lead to situations analogous to that of centralization by creating overpopulated centers, or what would now be called ‘mega-cities’. For the American Protectionists, the ideal system was not the creation of mega-cities, but a clustering of medium-sized industrial cities throughout the continent, which is largely reminiscent of the experience of the United States.<sup>851</sup> Indeed, whilst some secondary sources have argued that the American Protectionists rejected

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<sup>846</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 190.

<sup>847</sup> Van Buren Denslow, ‘American Economics’, 22.

<sup>848</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 57; William Elder, *Questions of the Day*, 10.

<sup>849</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 190.

<sup>850</sup> Van Buren Denslow, ‘American Economics’, 22.

<sup>851</sup> Whilst an explicit discussion has not been identified, the American Protectionists seemed to have an implicit awareness of the diseconomies of agglomeration (e.g., overcrowding and slums) associated with ‘mega-cities’, with Henry Carey echoing Jefferson that “great cities” are “great sores.” *Harmony of Interests*, 203.

Manifest Destiny and westward expansion, this is not strictly true.<sup>852</sup> What the American Protectionists rejected was the premature dispersion and westward expansion which accompanied free trade and specializing purely in agricultural production. The American Protectionists were not opposed to westward expansion if it represents a natural outgrowth of concentration and leads to the sowing of new industrial centers throughout the country-side. Indeed, Giles B. Stebbins captures this wider vision of Manifest Destiny extolled by the American Protectionists:

The “manifest destiny” of this country is not to be simply a great agricultural nation, but to build up the richest and most beneficent varied industry and commerce in the world. We cannot have the best farming until we have the best manufacturing, in varied forms and materials, near the farm, each an indispensable help to the growth and perfectness of the other. Give us both, and the blending of these varied experiences and vocations, the meeting and mingling of these many life-currents, tinged and shaped by such wide mastery of man over nature's forces and materials, is full of benefit.<sup>853</sup>

In any event, the American Protectionists developed a sophisticated explanation of the forces which lead to the formation of industrial cities and towns. What is more, is that this theory predates the development of agglomeration theory within the economics mainstream.<sup>854</sup> Indeed, it is quite telling that the attractive and dispersive forces described by the American Protectionists is sometimes even referred to as centripetal and centrifugal forces, which is consistent with the terminology now used in modern agglomeration literature.<sup>855</sup> This more than illustrates that American Protectionists were far ahead of their time on the question of agglomeration economics, and can be even considered pioneers in the field.

### **11.6: The Role of Urban-Rural Balance**

The object of protection is to accomplish all these objects, by bringing the loom and the anvil to take their natural places by the side of the plough and the harrow, thus making a market on the land for the products of the land.<sup>856</sup>

- Henry Charles Carey

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<sup>852</sup> Michael Hudson, *America's Protectionist Takeoff*, xiii, posits that the School rejected Manifest Destiny.

<sup>853</sup> Giles B. Stebbins, *The American Protectionist's Manual*, 16.

<sup>854</sup> It remains an object of future research to investigate whether Alfred Marshall was influenced by the American Protectionists. Note that Marshall was acquainted with several of the American Protectionists. To quote Marshall, “In 1875 I went to America to study the problem of Protection on the spot. I discussed the Protective policy with several of its leading advocates.” Alfred Marshall, “Protection to Native Industries,” 89.

<sup>855</sup> In addition to the earlier quotes by Denslow, Henry Charles Carey (*Principles of Social Science*, Vol. 3, 312, 415) also refers to the forces of attraction and dispersion as centripetal and centrifugal forces in different instances.

<sup>856</sup> Henry Charles Carey, *The Harmony of Interests*, 190.

As alluded to in the previous section, the American Protectionists envisioned a clustering of medium-sized industrial cities and towns along the countryside. This vision was underpinned, in no small part, by the need to form a balance between the urban and rural sectors of the economy. By concentrating large towns and cities alongside agricultural production, the American Protectionists saw that agriculture would also accrue many of the benefits accompanying association and concentration. Indeed, Oliver Putnam explains that “agriculture, in [an isolated] state, contributes little to the augmentation to national wealth. But as population becomes denser and other occupations and employments arise, it grows more productive.”<sup>857</sup> Similar to how manufacturing industries would tend to experience increasing returns and rising productivity through concentration, the American Protectionists saw that this would apply equally to agricultural industries if they were located in proximity to centers of industrial activity. This point is well put by Friedrich List who explains that:

Manufacturing industry and agriculture, being regarded as a whole, prosper in the proportion of their proximity, and in proportion as they are less disturbed in the reciprocal influence which they exercise upon each other... Agricultural power is productive likewise in proportion as agriculture is more strictly united... with a manufacturing industry complete in its various branches.<sup>858</sup>

In positing this view, the American Protectionists reaffirmed their assault on the Ricardian assumption of constant returns to scale. With respect to agriculture in particular, the American Protectionists took aim at the Ricardian notion of “the original and indestructible powers of the soil,” which presupposes that soil fertility and agricultural productivity is intrinsically fixed.<sup>859</sup> As implied by this view, agricultural land was subject to neither improved fertility through the application of manure or fertilizer, nor depletion through the exhaustion of the soil. The rejection of Ricardo’s assumption of permanent and indestructible soil productivity can be seen as early as 1837, with Henry Carey posing the question of “what are indestructible powers? The most fertile soil, if not renewed, will have its powers destroyed. In Virginia, the best land has been cropped until it is entirely worthless.”<sup>860</sup>

This rejection of the original and indestructible powers of the soil led to the development of a theory which contemporary critics of American Protectionism labelled as the “manure argument,” with the term seemingly and subsequently adopted by the American Protectionists themselves.<sup>861</sup> The manure argument draws

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<sup>857</sup> Oliver Putnam, *Tracts on Sundry Topics of Political Economy*, 18

<sup>858</sup> Friedrich List, *National System of Political Economy*, 232-234.

<sup>859</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 54.

<sup>860</sup> Henry Charles Carey, *Principles of Political Economy*, Vol. 1, 1837, 189.

<sup>861</sup> This manure argument is also discussed in Paul K. Conkin, *Profits of Prosperity*, 283-284; and Ariel Ron, “Developing the Country: “Scientific Agriculture” and the Roots of the Republican Party”, Unpublished PhD. Dissertation. University of California, Berkeley, 2012, 80-93; Although Ron credits the term “manure theory” to



from the law of the endless circulation of matter and force, discussed in Section 7.2, which posits that nothing can be created or destroyed, but can only be changed in form. Similar to how the American Protectionists characterized economic activity as Man's transformation of matter and energy into goods and services fit for human use, agricultural production involves the transformation of nutrients and elements from within the soil into agricultural produce. In the case of agricultural production, however, this transformation must necessarily lead to the depletion of nutrients and elements. As Henry Carey explains:

Each and every plant requires for its nourishment certain elements, by the continual extraction of which the earth is impoverished; and thus do the exhaustion of the land, and the dispersion of men, in one year, prepare for further exhaustion and dispersion in another one. Such having been the case with cotton and sugar cultivation in the Southern States, and that of wheat and tobacco in the more Northern ones, the consequences are seen in the fact, that the impoverishment of the soil and the dispersion of population proceed from year to year at a constantly accelerated pace.<sup>862</sup>

This depletion of productive soil represents a negative temporal externality not factored into the present exchange value of agricultural production. The implication of this is far-reaching since it means that agricultural production will tend to experience diminishing returns, as the nutrients and elements become increasingly exhausted, rendering the soil less fertile. The novel response to this problem elicited from the American Protectionists was to replenish the soil and offset the loss of nutrients by allowing manure from the urban and industrial sectors to be recirculated and reapplied to agricultural land.<sup>863</sup> This would only be practical, however, if agriculture was situated within the vicinity of larger towns and cities. Peshine Smith explains, for instance, that only “centres of population, however, supply manures which may be made immediately available by the individual farmer, with no other assistance than that of his own carts and horses.”<sup>864</sup> Robert Ellis Thompson explains,

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Conkin, critics of the American Protectionists actually employed the term contemporaneously. Writing to Carey, Van Buren Denslow states “please notice in today’s paper a republication of three articles from the Chicago Tribune impeaching that paper’s sneer at the ‘manure argument.’ Remembering that while I was connected with the Tribune and was battling against [the free traders there]... I wrote three or four articles in favour of the ‘manure argument’ I thought would ‘trot them out’ and put the tribune once more through it’s high tariff paces.” Van Buren Denslow to Henry Charles Carey, February 12, 1867, Box 12, Folder 6, HCCP, ECGG, HSP, Philadelphia, PA

<sup>862</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 1, 218. As noted in this quotation, Carey also saw declining agricultural productivity as a dispersive force, since it propelled agriculturalists to seek out less exhausted parcels of land. Henry Carey Baird also explains that “to prevent exhaustion, as well as to remedy it after it has taken place, it is requisite that those elements which have been drawn from the soil should be restored to.” *Protection of Home Labor and Home Productions*, 4.

<sup>863</sup> American Protectionists noted, however, that this is dependent upon local policies and institutions. Robert Ellis Thompson explains that “the existence of the means and the power to make adequate returns to the soil is no guarantee that these will be fully employed. Through the sewers of our great cities, and the rivers into which they empty, immense quantities of fertilizing matter are poured into the sea, and are thus utterly lost.” *Elements of Political Economy*, 47. This clearly implies that the American Protectionists supported amending local government policies, so as to allow for the economic use of such manures. In any event, the process of concentration makes the use of manures possible and practical.

<sup>864</sup> Peshine Smith, *Manual of Political Economy*, 206.

likewise, that “the creation of a varied industry enables the farmer to enrich himself without impoverishing the soil. It does so by bringing the farmer and the artisan into neighborhood, and giving the former facilities for making returns to the soil that he would not otherwise possess.”<sup>865</sup> It is important to stress, however, that the American Protectionists considered the term ‘manure’ in a broader sense than its conventional usage. For the American Protectionists, manure would refer to any organic and inorganic urban waste, as well as agricultural and industrial by-products, that could be used as fertilizer.<sup>866</sup>

The manure argument focuses on the implications of urban-rural balance with respect to soil fertility, which constitutes only one aspect of agricultural productivity, and one which mainly concerns the prevention of diminishing returns in agriculture.<sup>867</sup> An equally important aspect of urban-rural balance concerns the role of technological spillovers from the industrial to the agricultural sectors. Indeed, John L. Hayes explains that whilst inventions and improvements in manufacturing have historically tended to spillover onto other forms of manufacturing, agriculture has increasingly developed the capacity to capture and benefit from the technological spillovers arising from within manufacturing. In the words of John L. Hayes:

For a long time the mechanical arts reacted chiefly upon each other. The inventive and constructive power invoked by manufactures reached tardily, but at length, the fields of husbandry. The labor-saving machinery of the farm, the harvesters, reapers, mowers, and planters at the last two decades, came into existence. Agriculture, now doubled in its productive capacity, not by improvements properly its own, but through the auxiliary forces of the mechanical arts, presents the final and triumphant demonstration of the solidarity of the industries.<sup>868</sup>

The American Protectionists thus conceived agriculture as fully capable of exhibiting increasing returns through the application of technology, but this was seen as largely contingent upon it being situated alongside manufacturing. Henry Carey explains, for instance, that “agricultural improvement waits upon, and never precedes, industrial development.” Hence, “the application of new manures, the discovery of improved modes of applying power, and the invention of machines... [is] consequent upon that diversification of pursuits, by means of which, the various human faculties are stimulated into action.”<sup>869</sup> This view is also supported by Friedrich List, who

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<sup>865</sup> Robert Ellis Thompson, *Elements of Political Economy*, 243.

<sup>866</sup> Robert Ellis Thompson anticipates, for example, the use of by-products from animal processing as fertilizer, noting that “the soil around the city of Chicago, for instance, is naturally sterile; [Yet,] in the refuse of her slaughtering-houses the city has the means of raising it to a very high degree of fertility.” *Elements of Political Economy*, 47.

<sup>867</sup> Increasing returns were seen to be a possibility with the discovery of more advanced manures and fertilizers. However, this more relates to invention and an increase in scientific knowledge. In its most basic form, the manure argument was more about preventing the onset of diminishing returns in agriculture.

<sup>868</sup> John L. Hayes, “The Solidarity of the Industries,” 136.

<sup>869</sup> Henry Charles Carey, *Principles of Social Science*, Vol. 2, 272.

explains that agricultural production in isolation from manufacturing is always unproductive as “the new processes, new implements, the improved modes of culture scarcely ever reach remote places.”<sup>870</sup> These spillovers from the industrial sectors onto agriculture also culminates in what the American Protectionists termed ‘scientific agriculture’. It is only through the successful operation of a diverse array of industrial pursuits in close proximity that agriculture achieves its productive potential and ascends to the rank of scientific agriculture. As David H. Mason explains:

No other one pursuit calls to its aid such a diversity of knowledge [than agriculture]... The whole circle of the sciences and the arts is made tributary to its successful prosecution; yet a country devoted to the production of... raw materials for export to foreign countries can not possess, in an advanced state, the sciences and auxiliary arts most essential to its own industry [of agriculture]. Thus, chemistry is indispensable to a prosperous agriculture; but who would expect to find that science, in its highest cultivation, in a community merely of farmers and herdsmen? We can not have a few isolated, solitary arts in complete excellence. They are social and gregarious. Each, in order to its success, requires the near and ready assistance of a hundred others. Only a manufacturing people can develop and sustain that diversity of the arts and the sciences which culminates in and is inseparable from a scientific agriculture.<sup>871</sup>

Another important point raised by the American Protectionists in support of clustering urban centers alongside agricultural communities concerns the costs of transporting agricultural commodities. Agricultural commodities were seen as especially prone to the so-called tax of transportation, since many such commodities are disproportionately bulky and heavy, so situating towns and cities alongside agricultural land would be particularly beneficial for farmers and agriculturalists.<sup>872</sup> As Friedrich List explains:

Compare, for instance, the state of agriculture in the vicinity of a populous city with that in remote districts.... [the cost of transportation] is applied only to commodities which bear distant carriage.... [and] a considerable portion of the proceeds of sale is absorbed in expenses of transport. The capital expended in

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<sup>870</sup> Friedrich List, *National System of Political Economy*, 238.

<sup>871</sup> David H. Mason, *How Western Farmers Are Benefited by Protection*, (Chicago: David H. Mason, 1875), 82.

<sup>872</sup> This is also connected closely with the manure argument. Since high transportation costs can render the transportation of manure unfeasible, a reduction in transportation costs through concentration makes the application of manure feasible. Henry Carey explains, for instance, that “of all the things required for the purposes of man, the one that least bears transportation, and is, yet, of all the most important, is manure. The soil can continue to produce on the condition, only, of restoring to it the elements of which its crop had been composed... and yet, this condition of improvement, essential as it is, has been overlooked by all economists.” Henry Charles Carey, *Principles of Social Science*, Vol. 1, 273-274.

reproduction of a crop is with difficulty replaced by any disposition which can be made of it.<sup>873</sup>

As alluded to earlier, by reducing or foregoing transportation costs, farmers and agriculturalists would have greater savings which they can then reinvest into their farms and agricultural land. Indeed, Henry Carey explains that “being at market, and saving all the cost of transportation and commission, he [the farmers] is enabled to improve his machinery of cultivation.”<sup>874</sup>

This theory of urban-rural balance represents the final nail in the coffin of the Malthusian theory of population. Instead of a higher population density bringing about shortages of food, the American Protectionists explained how the clustering of densely populated industrial towns and cities alongside agricultural land would bring about rising agricultural productivity and thus increasing returns in food production. The American Protectionists demonstrated therefore that mankind’s destiny was not one of scarcity and starvation, but would be one of opulence and abundance.

### **11.7: Summary**

The American Protectionist view concerning population can be seen as the antithesis of Malthusian economics. Whereas the Malthusian theory of population is predicated on population growth outstripping the supply of food, and thus resulting in scarcity and subsistence, the American Protectionists emphasized the role of invention, rising productivity growth, and Man’s self-regulation of procreation. Because of these factors, the American Protectionists envisioned a future of growing abundance and opulence, as opposed to scarcity and subsistence.

The American Protectionists also extended their analysis of population to an analysis of population density. The starting point of this analysis was the principle of association. The American Protectionists saw that Man, as a social creature, has a need to associate with their fellow-man within a community. By facilitating a diversity of pursuits, this association allows for the maximizing of individual differences, which, in turn, creates a further need for association. Individuality was thus seen as both the cause and the effect of association. This forms the starting point of the American Protectionists’ theory of concentration, which for all practical purposes, represents one of the first theories of agglomeration in the history of economic thought. The American Protectionists sought to explain how concentrating the population within industrial towns and cities would lead to rising productivity and the onset of increasing returns. Moreover, this rise in productivity is also seen as extending to agricultural production within the vicinity of urban-industrial agglomerations. From this, the American Protectionists envisioned a clustering of urban-industrial centers alongside

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<sup>873</sup> Friedrich List, *National System of Political Economy*, 238.

<sup>874</sup> Henry Charles Carey, *Principles of Social Science*, Vo. 1, 279.

agricultural production. This concept of urban-rural balance represents one of the key mechanism through which agriculture, like manufacturing, could exhibit increasing returns. Now that the American Protectionist theory of population, association, and concentration has been established, the next chapter of the dissertation will proceed with a discussion of the American Protectionists' views concerning the nature of the business cycle.

## **Chapter 12: Theory of the Business Cycle**

### **12.1: Introduction**

This chapter will discuss the theory of the business cycle developed by the American Protectionists. Reflecting their interest in technology and inventive growth, the American Protectionists' theory of the business cycle emphasizes the disruptive, effects of technological change. This can be traced to the writings of Tench Coxe in 1819, and represents a major achievement for its time. Building upon Coxe's pioneering work, later thinkers would expand upon his ideas and turn it into a thorough-going theory of the business cycle. This stands as perhaps the first technological theory of recessions in the history of economic thought and is arguably one of the most sophisticated.

In discussing the American Protectionist theory of the business cycle, it is first necessary to provide a background to the Classical theory of the business cycle. With respect to business cycle theory, the American Protectionists were not wholly original in their thought. Although there are distinctive and original elements in their theory, this theory was built upon a framework similar to that advanced by the Classical economists.<sup>875</sup> An overview of the Classical theory of the business cycle will therefore provide context for our discussion. In doing so, the difference between the Classical and American Protectionist frameworks will be contrasted with the under-consumptionist framework which still pervades modern macroeconomics. This is the focus in section 12.2. From there, Section 12.3 discusses the original and distinctive elements which the American Protectionists introduced to the business cycle theory. The most notable of these elements is the role of technology in producing transient disruptions in the general progress of capitalist production. Section 12.4 will then discuss the stabilizing role which economic diversification bestows upon the economy. From this, policy implications will also be identified.

### **12.2: The Classical Framework and the American Protectionists**

The theory of the business cycle underwent a radical overhaul with the writings of John Maynard Keynes. Ever since the Keynesian Revolution, the Classical or pre-Keynesian understanding of recessions virtually dropped out of the economics profession. It is true, of course, that the theory of the business cycle put forth by the American Protectionists differs from the Classical understanding in significant respects, but both Schools were essentially in lockstep in rejecting what would come to be known as the Keynesian explanation that business cycles are the result of deficient aggregate demand or generalized overproduction. Given this, it is useful to give a background to

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<sup>875</sup> Although the framework is similar, it is not clear whether the American Protectionists were influenced by the Classical economists or whether it was an independent discovery. Tench Coxe's manuscript on the matter appeared in 1819, which is around the same time that the Classical economists began theorizing on the matter.

the Classical theory of the business cycle. Whilst juxtaposing this theory against Keynesianism may seem anachronistic, prior to Keynes's writings, there were various under-consumptionists, including the likes of Malthus, Sismondi, Thorstein Veblen, and even Karl Marx, who can be considered as precursors to Keynesian economics, at least as it relates to the business cycle.<sup>876</sup>

In contrast to both 19<sup>th</sup> century under-consumptionist and modern-day Keynesian economics, which emphasizes generalized demand deficiency or generalized overproduction, as the source of recession or depression, the Classical framework, which in this instance, includes the American Protectionists, rejects the notion of generalized overproduction as the cause of slumps in the business cycle.<sup>877</sup> Classical theory teaches that production could never exceed willingness to buy, and because of this, more emphasis is placed upon miscalculations in the structure of demand relative to the structure of supply. Recessions, according to the Classics, were the result of entrepreneurs making mistakes when it comes to forecasting the future demand for certain products.<sup>878</sup> This explanation is perhaps most succinctly summarized by David Ricardo, in his reply to Malthus, that "men err in their production, there is no deficiency of demand."<sup>879</sup>

Errors in forecasting, it should be noted, would be deemphasized in the American Protectionist explanation, but they accepted the principle that recessions could never be the result of deficient demand and that slumps were of a transitory nature due to issues with the structure of supply relative to the structure of demand. Peshine Smith explains, for instance, that "the proposition that any good thing has ever been produced in excess of the wants of humanity, will not bear a moment's examination; nor is there the slightest reason to apprehend that such an event is likely to occur."<sup>880</sup> Further, Ellis H. Roberts notes that it is not "possible to produce too much in the aggregate."<sup>881</sup> The American Protectionists therefore largely operated on the same macroeconomic framework as the Classical economists.<sup>882</sup> Indeed, even the simpler

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<sup>876</sup> For a discussion of these under-consumptionists, see M. F. Bleaney, *Underconsumption Theories: A History and Critical Analysis*, (New York, International Publishers, 1976), 9-120; and Howard J. Sherman, "Marx and the Business Cycle," *Science and Society*, 31, no. 4 (1967), 489-492.

<sup>877</sup> Daniel Raymond appears to be an exception to the rule with certain aspects of Raymond's thought clearly having a proto-Keynesian bent to them. Raymond argues, for instance, that "if there be a surplus of the product of industry, it is as much the duty of a legislator to make provision, if possible, for its immediate consumption... It is better that the surplus be converted into manure or thrown in the ocean, than remain on hand after the ordinary period of consumption" *Thoughts of Political Economy*, 55. Interestingly, Raymond also advances the need for monetary and fiscal restraint, endorses balanced budgets, a hard currency standard, and full reserve banking, which makes his position somewhat of an anomaly.

<sup>878</sup> See Steven Kates, *Say's Law and the Keynesian Revolution: How Macroeconomics Lost its Way* (Cheltenham: Edward Elgar, 1998) for a more thorough treatment of the Classical theory of the business cycle.

<sup>879</sup> "David Ricardo to Robert Thomas Malthus," [10 October 1820] in James Bonar, *Letter of David Ricardo to Thomas Malthus, 1810-1823*, (Oxford: The Clarendon Press, 1887), 174.

<sup>880</sup> Peshine Smith, *Manual of Political Economy*, 247.

<sup>881</sup> Ellis H. Roberts, *Government Revenue*, 183.

<sup>882</sup> Henry Carey has somewhat distinct views on recessions, which are not addressed in this study due to their monetary nature. That said, he still agrees on the fundamental point that recessions cannot be due to generalized overproduction, explaining that "there has never yet been a day in the world's history when the productive industries were at all adequate to the wants of consumers. In a true order of business not all the possible labor or muscle and mind, with all the appliances of machinery and natural agencies, can overpass the wants of the world.

Classical explanation that recessions are the result of entrepreneurs erring in their production causing transitory oversupply in specific commodities was supported by some individual Protectionists, as illustrated in the following passage by Jacob Harris Patton:

In success in manufacturing often lurks a temptation to increase the production beyond the wants of the community; and the lack of prudent foresight in the owners of capital often causes them to yield to the tempter. For instance: when there is a sufficient amount of woolen cloth made to supply the wants of the consumers, and the capital in that branch of industry pays a fair dividend, and the workpeople receive fair wages and continuous employment, the owners, it may be, wish still larger incomes, and they invest in that business more capital and correspondingly increase the production. They thus show defective business capacity, if they do not take into consideration the wants of the consumers who are already sufficiently supplied by the output of the present mills, when running at their full strength...

[In this] case a glut in both markets occurs, and the loss of profit on the stock on hand that cannot be sold, causes a depression in the industry, and, perhaps, stoppage for a time of the mills, with loss of money to the owners and loss of employment and wages to the workpeople. It would have been better if this extracapital had been invested elsewhere.<sup>883</sup>

In any event, it is clear that the American Protectionists rejected the notion of general overproduction. However, most American Protectionists went further than the traditional Classical explanation by highlighting the role of inventions in bringing about miscalculations in production. The American Protectionists would therefore arrive at a distinct explanation of the business cycle whilst still accepting many of the fundamentals put forth by the Classics.

### **12.3: A Technological Theory of the Business Cycle**

The American Protectionists went beyond the Classical economists in identifying the

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There is possibly a limit to the consumption of food, as there is to the area and fertility of the earth; but their respective limits are providentially adjusted to each other step by step through all the stages of their growth; whereas, with respect to all other industries supply creates demand. Their market can, therefore, never be gorged, and the fear of competition in production is as baseless as the measures taken to repress it [which] are both cruel and unjust." *Capital and Labor*, 473. Erastus B. Bigelow also suggests that recessions are of a monetary nature, but seemingly for quite the opposite reasons to that advanced by Carey. He still, however, agrees with Carey and rejects the notion of generalized overproduction, explaining that "the more a nation produces, the more its people will have to consume. In a normal condition of business affairs there is, generally speaking, no over-production; it is only when some unusual or artificial cause disturbs the relations of demand and supply that labor is unemployed, and want exists in the presence of surplus productions." Erastus B. Bigelow, *The Relations of Labor and Capital*, 475.

<sup>883</sup> Jacob Harris Patton, *Political Economy for American Youth*, 62-63. Francis Bowen also explains that "some distinguished Economists, among whom are Sismondi and Malthus, have maintained that there may be a general over-production of wealth... We are all familiar with the fact, that there is often, in the market, a glut of a particular commodity, or of several commodities at once... But the doctrine of these Economists is, that there may be a general glut... [our] reasoning is quite conclusive against the possibility of a general glut" *American Political Economy*, 225.



role of technology and productivity enhancing inventions in bringing about temporary disruptions in production.<sup>884</sup> The basis of this theory originates in a manuscript written by Tench Coxe.<sup>885</sup> Writing with respect to the Panic of 1819, Coxe posits that crises emerge due to advancements in labor-saving inventions which results in the overproduction of specific commodities. “The most serious matters, affecting the United States in the form of depression of the value of the productions of its industry”, Coxe explains, are “the wonderful power of machinery” and the “wonderful power of inventions of a scientific kind.”<sup>886</sup> In the case of the Panic of 1819, Coxe identified the introduction of labor-saving inventions in cotton manufacturing as the root cause of the crisis. In the words of Coxe:

[Cotton manufacturers using] hand work ... made [cotton cloth] at 10, 8, 9 & 6 cents per yard, while their neighbours were introducing the steam, water or power loom, which makes a good cloth of cotton... at the cost of a single cent!

From the superior perfection of our own machinery and scientific means, in various branches, many of our Manufacturers, who too long worked by means of human hands, have been subjected to an accumulation of excess goods, occasioning a dead mass of capital to some: ruin to others.<sup>887</sup>

Similar sentiments were also later echoed by James G. Blaine, who explains that:

An argument much relied upon and strongly presented by the advocates of free-trade is the alleged tendency to over-production of protected articles, followed uniformly by seasons of depression and at certain intervals by financial panic and wide-spread distress...

The assailants of protection apparently overlook the fact that excessive production is due... to causes beyond the operation of duties either high or low. No cause is more potent than the prodigious capacity of machinery set in motion by the agency of steam. It is not strange that, with this vast enginery, the power to produce has a tendency to outrun

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<sup>884</sup> Veblen’s theory of the business cycle, which came after that of the American Protectionists, did have a similar technological focus. Unlike the American Protectionists, however, Veblen assumes that overproduction tends to be generalized and that it is exacerbated by competitive forces. The American Protectionists saw quite intuitively that entrepreneurs will not persist in chronically oversupplied industries, which runs counter to Veblen. Entrepreneurs will instead seek out new industrial pursuits. Thus, unlike Veblen, the American Protectionists emphasized competition for new inventions and products, not price competition. For a succinct description of Veblen’s theory of the business cycle, see Robert B. Ekelund, Jr. & Robert F. Hébert, *A History of Economic Theory & Method*, 489-490.

<sup>885</sup> Tench Coxe, *An Inquiry into the Cause of the Disorders in the Private Business of the Civilized World, with a Particular View to the Cause of the United States, and Especially of the Manufacturing Branch of its National Industry*, Enclosed in a letter from Tench Coxe to James Monroe, November 27, 1819, *James Monroe Papers*, LOC.

<sup>886</sup> Tench Coxe, *An Inquiry into the Cause of the Disorders*, 8. Although this manuscript was not for public consumption, it seems highly likely that the theory itself circulated within protectionist circles, since Coxe was personally acquainted with both Mathew and Henry Carey.

<sup>887</sup> Tench Coxe, *An Inquiry into the Cause of the Disorders*, 5-6, emphasis in original.

the power to consume.<sup>888</sup>

The adoption of labor-saving machines by multiple producers at the same time within a particular industry therefore has the potential to lead to overproduction in that particular industry. The American Protectionists were thus not denying the existence of overproduction. It was, in fact, their explanation for why recessions occur. They saw, however, that overproduction is related to the adoption of specific inventions and tended to be isolated to a particular sector or a particular range of sectors within the economy. Henry M. Hoyt thus explains that “we have seen how... overproduction for a given market breaks down exchange values,” for in that industry “alone resided superior efficiency of production.”<sup>889</sup> The American Protectionists were not disparaging technological change of course. They were adamantly in favor of encouraging technological improvements through protective legislation, but they recognized that such developments could indeed create transitory dislocations in production.

The question of how overproduction in specific sectors can lead to a more or less generalized disruption in economic activity (i.e. a clustering of business failures) relates to the role of linkages in the economy. It should be recalled from Section 7.9 that industrial linkages serve a valuable function within American Protectionist thought and underscores the need for a diversified national economy, with the varied sectors of industry forming together into one harmonious whole. Conversely, linkages also represent the mechanism by which overproduction in a specific sector or a specific set of sectors can unravel into an economy-wide recession. In short, because of the presence of linkages, over production and distress in a particular industry will tend to produce distress in linked industries. Henry Carey notes, for instance, that “the producer of coal suffers because the furnace is closed, and the producer of iron suffers because the factories are no longer built, and the maker of cloth suffers because labour is everywhere being wasted, and the power to buy cloth is diminished.”<sup>890</sup> This is also recognized by Tench Coxe, who notes that businesses who “have operated on immense scales... spread injury around them in every direction by their failures.”<sup>891</sup> One of the more important linkages, however, which can cause what would be an otherwise localized crisis to become generalized, are the linkages which virtually all kinds of industry have with the financial sector. In Coxe’s example, for instance, the failure of the banking sector could be traced to the failure and subsequent defaults among producers within the oversupplied cotton manufactures industry. Moreover, because of the myriad of linkages between the banking sector and other industries, this

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<sup>888</sup> James G. Blaine, *Twenty Years of Congress*, Vol. 1, 213-214; whilst this has the appearance of

<sup>889</sup> Henry M. Hoyt, *Protection versus Free Trade*, 158.

<sup>890</sup> Henry C. Carey, *Harmony of Interests*, 49; Note that whilst Carey’s views on the business cycle are somewhat distinct, his insights on the role of linkages in amplifying both upswing and downswings in economic activity is shared by economists across the School.

<sup>891</sup> Tench Coxe, *An Inquiry into the Cause of the Disorders*, 5.

culminated in a generalized economic crisis. As Coxe explains:

From such a state of things [overproduction and subsequent bankruptcies] requisite on, suddenly made, upon the whole body of borrowers and credit purchasers in town & country... a vast proportion of the present difficulties among the land holders, cultivators, merchants, bankers, manufacturers, dealers, and improvers undoubtedly arise.<sup>892</sup>

This distinctly American Protectionist explanation also explains why growth sometimes behaves in a cyclical manner. Since the prosperity of a specific sector or a specific range of sectors will produce a tendency for banks to extend credit into such sectors, this means that if overproduction occurs, as the result of technological improvement, something which typically accompanies the expansion of a particular industry, the subsequent impact upon the banking sector, and hence the rest of the economy as a whole, will be more pronounced due to the presence of linkages. This means that periods of expansion in particular industries will sometimes be followed by transitory slumps in economic activity, as business failures ripple through the economy.

#### **12.4: Diversification as a Stabilizing Force**

Since recessions and depressions are seen to be the result of technological improvements leading to the overproduction of a specific commodity or a specific range of commodities, as opposed to general overproduction, the American Protectionists did not endorse the use of counter-cyclical public spending as a cure. An artificial stimulus for the consumption of goods already in excess would only act as a perverse incentive for businesses to continue overproducing commodities in oversupply. The American Protectionists did contend, however, that recessions could be mitigated against. Since recessions are the result of the overproduction of specific commodities, and because there is no such thing as generalized overproduction, both the prevention and the cure is to greatly increase the variety and diversity of production.<sup>893</sup> This way, idle workers and resources can move from the oversupplied to the undersupplied areas of production. Peshine Smith explains, for instance, that:

Some writers have been bewildered, of a general over-production of commodities... [But] The truth of the matter may be quite as correctly rendered by the statement, that the supply of other commodities is deficient, as that any particular one is redundant... The true remedy

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<sup>892</sup> Tench Coxe, *An Inquiry into the Cause of the Disorders*, 6.

<sup>893</sup> Even John Phillip Young, who represents somewhat of an outlier due to his pessimism about “systematic overproduction”, still sees that the best approach is to “concentrate... efforts upon the promotion of domestic industry... by stimulating the people in manifold directions... [and] to provide a greater field of the exercise” of enterprise and industry. John Phillip Young, “Economic Aspects of Reciprocity,” *The Protectionist*, 13, no. 146 (1901), 87, 82.

for what is called over-production, in any article, is an increased production of other things.<sup>894</sup>

Ellis H. Roberts, likewise, explains that:

Too many may crowd into a single vocation, or its product may lose its profitable ratio to the general demand. Then new occupations must be substituted, and the sphere of production must be enlarged.<sup>895</sup>

The movement of resources from the oversupplied to the undersupplied areas of production also has the effect of stabilizing those sectors in oversupply. As entrepreneurs and workers move out of the oversupplied areas, overproduction will cease, the competition within that particular industry will be lessened, and profitability will gradually return.<sup>896</sup> William Jennison explains accordingly that “a variety of productions will have a tendency to check that excessive competition now prevailing among the agricultural class, the cultivators of grain, of tobacco and cotton” to name a few examples.<sup>897</sup> Moreover, the cultivation of these new industries will also tend to stabilize established industries by creating new sources of demand. The best rendering of this can be found in George B. Dixwell, who explains that:

Each new commodity, convenience, and amusement furnishes a new market for the existing industries, and enlarges the effective demand... [Thus] the introduction of a new industry finds ample unemployed capital for its development, and in which its products immediately enlarge the market for the products of the old industries, and enable them to increase their production.<sup>898</sup>

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<sup>894</sup> Peshine Smith, *Manual of Political Economy*, 247; Robert Ellis Thompson similarly explains that “over-production... has characterized some branches of manufacture... [but] there are still plenty of openings for the investment of new capital in [other] manufactures.” *Elements of Political Economy*, 360-361; George Tibbits also applied this to the case of agricultural specialization, noting that “the cause of this great depression of agriculture is obvious. *That branch of business, compared with every other, is overdone.*” Tibbits, *Memoir on the Expediency and Practicability, of Improving or Creating Home Markets for the Sale of Agricultural Production*, 3<sup>rd</sup> ed. (Philadelphia: J. R. A. Skerrett, 1827), 7, emphasis in original.

<sup>895</sup> Ellis H. Roberts, *Government Revenue*, 183. This kind of thinking is also implicit in Daniel Webster, who notes that “reasonable protection... multiplies the modes of employment. It prevents any channel from being filled and choked up. One of the secrets of prosperity is, that there shall be a considerable variety in pursuits.” Daniel Webster, “General Effects of Protection,” [March 3, 1840] In *The Works of Daniel Webster*, Vol. 4, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1881), 534. Thomas H. Dudley also approaches this issue from a different angle by noting the problems of capital concentrating within a single industry and emphasizing the need for a diverse range of investment opportunities for capitalists. As Dudley explains “No civilized country has been or ever will be prosperous and great without a diversity of industrial pursuits... If an excess of capital should be thrown into one industry there would be an over production in that industry, and prices would fall, and loss ensue; and all the other industries would be to a greater or less extent affected by this loss. If, however, capital should be so distributed as to stimulate and develop all the industries alike, and in this way give employment to all the people, there would be gain instead of loss.” Thomas H. Dudley, *Which is Best for Farmers, Protection or Free Trade?* (New York: The American Protective Tariff League, 1885), 12.

<sup>896</sup> Coxe seems to imply that it is the most adaptive businesses or entrepreneurs which remain within the industry (i.e., those who introduced labor-saving machines as opposed to those reliant on human hands), which suggests that once the industry stabilizes, it will be more productive overall. This process can be seen as weeding out the least efficient producers. Coxe, *An Inquiry into the Cause of the Disorders*, 5-6.

<sup>897</sup> William Jennison, *An Outline of Political Economy*, (Philadelphia, 1828), 3.

<sup>898</sup> George Basil Dixwell, “Review of Bastiat’s Sophisms of Protection,” *Bulletin of the National Association of Wool Manufactures*, 11, no. 3 (1881), 22-23. This seems to be justified through the presence of linkages which connects a new source of demand to the old industries, but also through Say’s law of markets (implicit in the Classical theory of the business cycle), whereby the supply of a particular commodity constitutes the demand for another commodity. Rufus Choate also posits a similar view, explaining that manufactures will “do [a] good service to

In terms of creating a more diverse and varied economy, the American Protectionists saw that this could only be achieved by creating conditions conducive to inventive and entrepreneurial activities. In their eyes, this was best achieved by enacting and sustaining the American System. Indeed, Orrin Skinner explains that the American System “relieves the crowded and overworked avenues of industry by opening a way to the prosecution of new industrial pursuits.”<sup>899</sup> In this way, the approach of the American Protectionists differs from the more activist Keynesian response in that their approach is very much hands off and passive in nature. Government was only seen as shaping the conditions necessary for diversification and entrepreneurship, but it was ultimately the inventive and entrepreneurial function of private enterprise which led the recovery. Ellis H. Roberts elaborates upon and provides a detailed description of this process:

The champion of commerce [domestic exchange] discovers a Gorgon in the form of overproduction. He tells us we must beware of developing home industry because the markets will not take our commodities. In no country where population is so great and soil so various and occupations so diverse as with us is it possible to produce too much in the aggregate... [rather] the equation of commodities to each other may be temporarily amiss... Instead of curtailing production, what we need is greater variety of manufacture, a more diversified industry. The trouble is that the supply is not in sufficient variety... The folly of putting all one's eggs in one basket has passed into an axiom... In this branch or that, an excess has doubtless been created, but the trouble has been that labor has not been sufficiently diversified...

The cure for apparent overproduction is not to stop work and moan over excess of commodities. On the contrary, the secret of prosperity is to create new manufactures, and to afford occupation to more people, and thus provide them with means to buy enjoyments with which they are not yet familiar... with every new industry a field is found by individuals who have played the idler, or have waited for their opportunity.

Men have special tastes and aptitudes. A witty scholar has defined idleness to be ill-directed industry. Beyond question the idle singer of a summer day may have in him the qualities which will conquer success in some occupation which enlists his tastes and his genius. Every invention enlists fresh recruits in production. Every new vocation

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agriculture by lessening the number that pursues it, and giving them a nearer and better market.” Choate, *Speech Upon the Subject of Protecting American Labor*, 42.

<sup>899</sup> Orrin Skinner, *The Issues of American Politics*, 416.

rallies some men who have stood idle in the market place.<sup>900</sup>

Specifically, invention needs to be in the form of product inventions or the discovery of new fields of industry, as opposed to process inventions or productivity enhancing improvements. The former (product invention) allows for variation and diversification of industrial pursuits which thereby lessens the tendency for overproduction in specific sectors; whereas the latter (process invention) increases the likelihood for transient overproduction to occur in specific sectors.<sup>901</sup>

The other crucial point of this theory of the business cycle is that a highly specialized and undiversified economy is more susceptible and vulnerable to recessions than a diversified one. In other words, if the nation specializes in one particular sector, and overproduction occurs in that particular sector, then this industry-specific crisis, for all practical purposes, constitutes a general crisis because that particular sector constitutes such a significant portion of the economy. Although overproduction in particular sectors will be inevitable in certain instances, the economy as a whole will be more readily able to withstand recessions if it is more diversified since the undersupplied sectors can act as a shock absorber for the economy by absorbing the idle workers and resources from the oversupplied sectors. Economic diversification, as opposed to the specialization advanced by the Classical economists, thus mitigates against recessions and depressions.

## **12.5: Summary**

The American Protectionists developed their own explanation of the business cycle. Although the general macroeconomic framework was similar to that put forth by the Classical economists, the American Protectionist were distinct in identifying the role of technology in bringing about temporary disruptions in the general progress of capitalist development. According to the American Protectionists, recessions result from productivity-enhancing inventions which lead to the overproduction of specific commodities. These instances of the overproduction of specific commodities have the potential to create generalized economic disruptions due to the presence of linkages with other industries, including those with the financial sector. Whilst these disruptions are sometimes inevitable, the American Protectionists argued that greater variation and diversification of industry could mitigate against, and aid in the recovery from, recessions. In short, since recessions are the result of the overproduction of specific commodities, the remedy is to produce a greater variety of other commodities. This means that economic policy should be shaped in such a way to encourage

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<sup>900</sup> Ellis H. Roberts, *Government Revenue*, 180-186; Robert's reference to variations in individual aptitudes and tastes also corresponds with the ideas discussed in Section 7.3.

<sup>901</sup> Note that the American Protectionists did not disparage process inventions. Both forms of invention were welcomed and encouraged by the American Protectionists. In any event, process inventions were still identified as a cause of overproduction, whereas product inventions were seen as the remedy.

invention and entrepreneurship, which naturally coincided with their support for the American System. Both in theory and in policy, the American Protectionist thus arrived at a theory of the business cycle distinct from the contemporary Keynesian explanation, and also distinct, in terms of details, from the 19<sup>th</sup> century Classical explanation. The study will now proceed with a discussion of the theories of the American Protectionist pertaining to international trade.

## Chapter 13: Theory of International Trade

### 13.1: Introduction

The essence of protection then is, that by such duties on imports, capitalists are induced to invest their money in the establishment of a greater variety of industries which give employment to a large number of people, at higher wages than otherwise would be paid, thereby providing the masses of the people with greater incomes, and making it possible to sustain a larger population, procure a wider diversity of industries, a more perfect division of labor.<sup>902</sup>

- George B. Curtiss

Whilst certain aspects of the American Protectionist theory of international trade are alluded to in previous sections, and there may exist some cross over, it would be remiss not to provide a separate and explicit discussion of international trade. After all, the American Protectionists are, by definition, united by their support of protectionism which connects directly to the issue of trade. In developing their analysis of international trade, the American Protectionists would contend critically with, and repudiate, the leading Classical theories of absolute and comparative advantage. Indeed, as will be shown, the American Protectionists would systematically dismantle virtually every assumption of Classical trade theory and, in doing so, they would dispel the argument that nations should pursue a policy of specialization under freedom of trade. In its place, the American Protectionists extolled the benefits of protected diversification.

The American Protectionists approached the issue of international trade from a fundamentally different vantage point from Classical economics. Whereas Smithian and Ricardian trade theory considers international trade patterns to be the result of fixed and permanent differences in productivity between nations, the American Protectionists sought to explain how production itself influences the productivity of different industries within and between nations. This is seen most explicitly in their simple model of international trade offered in Section 13.2. This model, whilst simple, represents a powerful analysis of long-run trade performance. This theory is, however, complemented by various other arguments developed by the American Protectionists.

The most well-known of these arguments is the infant-industry argument which is the focus of Section 13.2. In addition to the encouragement of infant-industries, there is also a clear line of thought among American Protectionists for the preservation of mature industries. This is the focus of Section 13.3. Section 13.4 provides a discussion of the home-market argument. This is followed by Section 13.5 and 13.6,

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<sup>902</sup> George B. Curtiss, *Protection and Prosperity*, 780-781.



both of which concern the topic of diversification versus specialization. Section 13.5 focuses on diversification in the general sense and connects with the important concept of individuality. This represents perhaps the most powerful argument put forth by the American Protectionists in favor of protected diversification. 13.6 complements this analysis by discussing more specific issues concerning agricultural diversification. Finally, Section 13.7 focuses on the American Protectionists' thoughts concerning the maximization of producers and the minimization of exchangers as it relates to the issue of international trade. The chapter finish with a summary.<sup>903</sup>

### **13.2: The Simple Theory of International Trade**

The simple theory of trade developed by the American Protectionists revolves around the influence of increasing and diminishing returns in economic production. As has been alluded to in Chapters 7 through 9, manufacturing is seen to be subject to increasing returns through capital accumulation, both intellectual and material, the learning by doing nature of industry, as well as invention and technological improvement. This means that industrial production has a natural tendency to grow and to experience increasing returns, or to use the vernacular of the American Protectionists, to experience diminishing reproduction costs over time. In the words of William D. Wilson:

Hence in every stage of an advancing civilization human labor becomes more effective, and avails more and more, in the production of those articles... And with each such advancing stage, therefore, the price, the

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<sup>903</sup> Although space does not permit a full examination, recent scholarship has attempted to paint the American Protectionists as advocates of reciprocity and even going so far to suggest that they were imperialists. For an explicit argument, see Marc-William Palen's *The "Conspiracy" of Free Trade: The Anglo-American Struggle over Empire and Economic Globalization, 1846-1896*; and Matteo Rossi, 'State, Market and Colonization: Notes on Empire in Nineteenth-Century U.S. History', *USABroad – Journal of American History and Politics*, 3, no. 1 (2020). For a subtler position, see Stephen Meardon, "Reciprocity and Henry C. Carey's Traverses on "the Road to Perfect Freedom of Trade," *Journal of the History of Economic Thought*, 33, no. 3 (2011), 307-33. At most, reciprocity was a minority position among the American Protectionist thinkers and, to the extent that it was supported, it was typically only with respect to lowering duties on non-competing imports. This is demonstrated by the following tracts from key Protectionists condemning reciprocity and imperialism: Robert Ellis Thompson, "Germany and Reciprocity: No Reason Why This Country Should Be Bullied into a False Policy." *The American Economist*. 35, no. 19 (1905): 224-225; Henry Charles Carey, *The Past, The Present, and The Future*, 315-377; Giles B. Stebbins, "No Lasting Colonial Policy." *The Protectionist*. 9, no. 121 (1899): 8-9; Thomas Brackett Reed, 'Protection's Grave Danger.' *American Economist*, 29 no. 5 (1902), 52-53; William D. Kelley, *The Proposed Reciprocity Treaty: An Address Delivered by Request of Representatives of the Leading Manufacturing Industries of the United States*, (Philadelphia: Collins Printers, 1874); John Philip Young, "Economic Aspects of Reciprocity," 101-102; John L. Hayes & William Whitman, *Protest of the National Association of Wool Manufacturers Against Commercial Treaties*, (Boston: National Association of Wool Manufactures, 1884). This is far from an exhaustive list. Because American Protectionist thought assumes that there are always new industrial opportunities available and that capitalism exhibits an endogenous force which causes entrepreneurs to seek out such opportunities (see Section 9.6), there is no inherent tendency for capitalist economies to experience generalized overproduction, and thus, no inherent need to adopt imperialist policies and to seek out foreign markets to dispose of surplus production. This position also runs counter to the Marxist-Leninist theory of imperialism. In the American context, the case for imperialism, which basically stated Lenin's theory of imperialism prior to Lenin, but from a favorable standpoint, came from Progressive thinkers such as Brooks Adams and Charles Arthur Conant (see Gary Marotta, "The Economics of American Empire: The Views of Brooks Adams and Charles Arthur Conant", *The American Economist*, 18, no. 2 (1975), 34-37). Since the likes of Palen conflates the Progressive School with the American Protectionists, it is easy to see how he arrived at the conclusion that they endorsed imperialism. Yet, far from endorsing imperialism, the American Protectionists were explicitly critical of Adams and his theory with one Protectionist article describing "Mr. Brooks Adams" as "a free trader and imperialist of the rankest description", and another criticizing Brooks' theory of imperialism as "deluded" and "baseless." The Home Market Club, "The Advanced Imperialist Doctrine", *The Protectionist*, 10, no. 7 (1898), 9; and The Home Market Club. "A New Cobden Propaganda" *The Protectionist*, 13, no. 149 (1901), 273.

actual labor-cost of nearly every article, should be less than in any preceding stage.<sup>904</sup>

In contrast to industrial economies, the American Protectionists argued that raw material exporters would witness a perpetual deterioration of trade performance overtime as the country's productive soil becomes increasingly exhausted. Since raw material exporters would (and should, according to the theory of comparative advantage) sell raw materials to industrial nations, only to buy it back as finished products. This means that the already existent trade imbalances between the raw-material exporters and exporters of industrial products will grow increasingly wider and unsustainable over time. George M. Steele explains, for instance, that "unless manufacturing centers exist in the midst of agricultural areas, products of the soil must be conveyed to a great distance. But *this implies virtually an exportation of the soil*, and this is a diminution of the capital of the farmer."<sup>905</sup> Raw material exporters would, therefore, become increasingly impoverished relative to industrial nations, especially since industrial production is subject to increasing returns to scale. However, it goes much further than this. Because productive soil is, in essence, exported from the raw material producer to the industrial economy, this also implies a net exportation of productive power. Hence, there will be a net productivity transfer from the agricultural industries of the raw material exporter to the agricultural industries of the raw material importer. Henry Carey thus explains that "the reverse of... what we are told in English [economics] books" is true. "Limiting the latter [that is, the agricultural exporter] to the work of scratching out the soil and selling it in distant markets, [is] thus preventing the growth of agriculture", as opposed to enhancing it.<sup>906</sup> In a similar vein to Carey, Peshine Smith provides a clear rendering of this tendency for free trade to culminate in diminishing returns for agricultural producers. In the words of Smith:

The system of foreign trade... itself, necessarily tends to impoverish the land already under cultivation, to reduce it to a lower grade of fertility, or what is [in effect] the same thing, [as] to require a greater outlay of labour and capital, in order to maintain its rate of production.<sup>907</sup>

This result only holds true, however, for nations specializing in agricultural production; in other words, agricultural production divorced from manufacturing. Whilst agriculture will tend to experience diminishing returns in a pre-industrial setting, the opposite is the case in an economy with sufficient industrial and entrepreneurial capacity. By emphasizing the role of technology, improvements in chemical science, and the application of more advanced machinery, the American

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<sup>904</sup> William D. Wilson, *First Principles of Political Economy*, 4.

<sup>905</sup> George M. Steele, *Rudimentary Economics for Schools and Colleges*, 87.

<sup>906</sup> Henry Charles Carey, *The Unity of Law*, 146.

<sup>907</sup> Peshine Smith, *Manual of Political Economy*, 203; For a discussion specifically devoted to Peshine Smith's theory of trade, see Michael Hudson, 'E. Peshine Smith: A Study in Protectionist Growth Theory', 210.

Protectionists view agriculture, similar to manufacturing, as fully capable of experiencing increasing returns.<sup>908</sup> The American Protectionists therefore argued that agriculture must be paired alongside manufacturing industries and an urban-industrial population, where it can take advantage of technological spillovers, the application of machinery and other technologies, and also so that soil can be returned to the land.

With the above in mind, the American Protectionists repudiated the assumption of Ricardian trade theory that trade performance is the result of fixed and permanent differences in the productivity between nations, as conditioned by factor endowments.<sup>909</sup> Instead, the American Protectionists explained trade performance in light of how production, and hence trade, itself influences and alters the productivity of different industries within and between nations. It was thus conceivable and indeed very probable that domestic and international trade affects productivity in different ways. Indeed, Peshine Smith explains that “we must inquire, therefore, whether domestic exchange has any advantage over foreign trade, in rendering a given amount of labour more productive.”<sup>910</sup>

The recognition that internal and external trade, and by extension protection and free trade, can produce different rates of productivity growth is a hallmark of the American Protectionist analysis of trade. Although this will be expanded upon in subsequent sections of this chapter, one of the most explicit illustrations of this approach comes from David Rice, who explains how a protectionist policy, by giving greater scope for entrepreneurial experimentation and discovery, produces a comparatively higher rate of inventive growth relative to free trade. In the words of David Rice:

Another economic law which affects the comparative producing capacity of protective nations, as against the free-trade tariff nation, during the last fifteen years, is that which we may term the energized inventive faculties of the former. When business is exceedingly brisk in

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<sup>908</sup> In contrast, Henry M. Hoyt mentions that “agriculture is subject to the ‘laws of diminishing returns’”, yet notes that “improved machinery, inventions, new modes of fertilization, may retard the effect of the law.” *Protection versus Free Trade*, 150. This point of difference stems from the other American Protectionists operating on an inventive framework, and Hoyt moving between the accumulative (static) and the inventive (dynamic). Indeed, William Elder also admits so much, but explains that it has little practical importance, given the potential for agricultural invention. In the words of Elder, “agriculture differs from manufactures in not being capable of absolutely indefinite expansion. This is true in the literal meaning of the words; but writers of the dismal school give the truism much more force in application than it is entitled to... Let us admit the limited acreage of the fertile soil of the world... [But] the thousand millions of its human inhabitants have not yet conquered ten per cent of the earth’s capabilities for their service... In point of fact the productiveness of all the old countries which have any degree of prosperity is in a constant and rapid increase, far outstripping the demand for sustenance.” *Questions of the Day*, 57-60. It should also be noted that Alexander Hamilton (*The Report on Manufactures*, 10) also saw that manufacturing was more susceptible to increasing returns in the accumulative sense, explaining that “it shall be taken for granted, and the truth of the position referred to observation, that manufacturing pursuits are susceptible in a greater degree of the application of machinery, than those of agriculture.” See also William D. Wilson, *First Principles of Political Economy*, 114.

<sup>909</sup> This notion of permanent and fixed productivity has been noted in Section 8.2, Section 11.6, and will also be elaborated upon in Section 13.5.

<sup>910</sup> Peshine Smith, *Manual of Political Economy*, 190; This passage also features in Peshine Smith, “Notes on Political Economy Designed Chiefly for Japanese Readers: Chapter 15” *The Tokio Times*, 3, no. 6 (1878), 80.

any general branch of manufacture, the inventive faculties of millions of people are continually and actively at work to improve upon its agencies and methods, and the manufacturers themselves are bold and quick to adopt and apply and pay for any improvement which may be made. In fact, they will expend hundreds, or even thousands, of dollars in experiments in numbers of directions to gain one success, which, but for these experiments, would have lain dormant... So in the protected nations, their inventors and their business men are alert and bold to keep in the van of progress of steam and machinery, and so keep in the van of economy of production. This is because business is active, producing establishments are in full operation, and profits and wages bring fair returns... [In] Great Britain... [however] the inventive faculties of the people become dormant, and capital becomes timid and refuses to invest in new experiments or appliances to promote and cheapen production.<sup>911</sup>

The above also demonstrates that the American Protectionist analysis of trade patterns extends well beyond an analysis of increasing and diminishing returns in a purely static, or accumulative sense, by capturing the role of invention and technology.

### 13.3: The Infant-Industry Argument

That manufactures cannot, without great efforts, and the strong protection of government in their infancy, for a great length of time, be introduced, domesticated, and established... while foreign manufactured articles are still freely admitted, and allowed to be brought into competition with home manufactures of the same kind.<sup>912</sup>

- George Tibbits

The oldest argument presented by the American Protectionists in support of protectionism is the infant-industry argument, which also happens to be the argument they are most well known for. Whilst Hamilton's *Report on Manufactures* is most commonly cited as the source of this argument, the basic argument dates to roughly a decade prior in Hamilton's *Continentalist* essays.<sup>913</sup> In the words of Hamilton:

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<sup>911</sup> David Hall Rice, *Protective Philosophy*, 67.

<sup>912</sup> George Tibbits, *Essay on the Expediency and Partibility of Improving and Creating Home Markets*, (Philadelphia: Clark & Raser, 1829), 2.

<sup>913</sup> Infant-industry protection, as the name suggests, is meant to be temporary in nature. On this matter, it must be said that Alexander Hamilton ultimately favored free trade in the long run, once the United States had industrialized, and with the assumption that free trade would be adopted universally by all parties involved. However, the underlying reason for Hamilton's support of universal free trade differed vastly from that implied in the writings of Adam Smith, and later explicit in the writings of David Ricardo and Robert Torrens. In contrast with Ricardo and Torrens who favored free trade with the expressed goal of allowing nations to specialize in producing the commodity that they are best suited at producing, Hamilton supported free trade only when the nation's industrial sectors achieve sufficient scale and when the degree of development is equalized across nations. This is evidenced through his championing of economic diversification and the balanced economy. Hamilton did not support specialization and the international division of labor advanced by the Classical economists.

There may... [through the regulation of trade] be a possibility of opening new sources, which, though accompanied with great difficulties in the commencement, would in the event amply reward the trouble and expence of bringing them to perfection. The undertaking may often exceed the influence and capitals of individuals; and may require no small assistance, as well from the revenue, as from the authority of the state.<sup>914</sup>

In short, the infant-industry argument argues that since foreign producers in more developed nations received a head start in development and are thus more productive, it follows that infant industries will be smothered in the cradle if they are forced to engage in competition with their more developed foreign counterparts. George M. Steel explains, for instance, that protection is “*the only sure defence of new and feeble industries against the unequal competition of those long established in other communities.*”<sup>915</sup> Protectionism is thus necessary to allow infant-industries to catch-up to their more advanced rivals. This position is well put by John Rae who explains that:

The legislator effects his purpose by premiums for successful individual imitations of the foreign article; by general bounties on the home manufacture; or by duties on that imported from abroad... [It is] sufficiently apparent that nothing prevents the branch of industry in question being established, but the difficulties attending new undertakings, the want of skilled labor, and a sufficiently accurate knowledge of the properties of the materials to be employed in the formation of the new instruments, it is then proper to proceed to direct and general encouragements by bounties or duties. In this way real capital, and healthy enterprise are directed to the art, the difficulties attending its introduction overcome in the shortest possible space, and the commodities yielded by it are produced at less outlay, and afforded at a less price than that, at which they were before imported.<sup>916</sup>

The infant-industry argument can thus be juxtaposed to the Classical theory of comparative advantage. Whereas the gains-from-trade described in Ricardo’s theory of comparative advantage can be identified at a given point in time by comparing the relative cost of production between two nations, the American Protectionists saw that a simple comparison of static production costs represents a dubious criterion on which to formulate trade policy. Static production costs are largely meaningless since costs of production are always liable to change, and in the case of developing economies,

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<sup>914</sup> Alexander Hamilton, “The Continentalist No. 5,” 76; It should be noted that there were allusions to the infant-industry argument in earlier mercantilist literature, see Douglas A. Irwin, *Against the Tide: An Intellectual History of Free Trade*, (Princeton: Princeton University Press, 1996), 116-118.

<sup>915</sup> George M. Steele, *Rudimentary Economic for Schools and Colleges*, 83.

<sup>916</sup> John Rae, *Statements on Some New Principles of Political Economy*, 368.

liable to fall. Indeed, because industry is marked by the process of learning by doing and by falling costs of reproduction as industry expands, the American Protectionists looked to what industry would become instead of what it presently is. The American Protectionists were adamant, however, that this promotion of infant-industries should not be pursued through coercive and heavy-handed government policies. As David Rice explains, “it must be remembered that capital cannot be coerced into investing in any branch of industry. It must be led, but it cannot be driven.”<sup>917</sup> Indeed, sometimes the case for infant-industry protection was presented on purely psychological grounds. As noted in Section 9.4, individuals tend to be creatures of habit. Because of this, they are often reluctant to engage in new industrial pursuits. Hamilton thus explains that “the apprehension of failing in new attempts is perhaps a more serious impediment” to the establish of new industries. Hence, the use of protection is often necessary so “that the confidence of cautious, sagacious capitalists... should be excited.”<sup>918</sup> In short, infant-industry protection was there to provide entrepreneurs with the opportunity, the confidence, and the breathing room to experiment and engage in new industrial undertakings without being crushed by foreign producers.

Historical analysis also formed a part of the infant-industry argument. The American Protectionists noted that whilst more advance economies often preached free trade, they themselves often utilized protectionist policies to develop their infant industries. It was only after their industries reached a degree of development where they were unmatched in terms of productivity that they then espoused the universal adoption of free trade. Friedrich List explains, for instance, that:

It is a vulgar rule of prudence for him who has reached the pinnacle of power to cast down the ladder which he mounted, that others may not follow. In this lies the secret of Adam Smith’s theory, and its cosmopolite tendencies... A nation which by protective duties... has built up a manufacturing industry.... to such a point of strength and power as not to fear the competition of any other, can pursue no safer policy than to thrust aside the means of elevation, to preach to other nations the advantages of free trade.<sup>919</sup>

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<sup>917</sup> David Hall Rice, *Protective Philosophy*, 141.

<sup>918</sup> Alexander Hamilton, *Report on Manufactures*, 16.

<sup>919</sup> Friedrich List, *National System of Political Economy*, 139; John Welsh echoes List, noting that “when it became apparent to the circumstance of Great Britain were favourable for it becoming the workshop of the world and carrier for all nations... It was [then] that a new system of was suggested by the statesmen of that day, [it was] called a science, said to be based on a theory of free trade, clothed in language to delude the world and held up for imitation.” *Protection Under the Guise of Free Trade, as Practised by Great Britain and Ireland Compared with Protection as Practised by the United States of America*, (Philadelphia: J.B Lippincott & Co, 1880), 5; and so too does Joseph Wharton, explain that “the whole ‘laissez faire’ doctrine is but the afterthought of crafty people, who having by prior development offeree and skill acquired industrial and commercial supremacy, now desire to be let along in their artificial advantages, and therefore instruct their rivals and victims mildly to acquiesce in the present order of things, to make no efforts and lay no plans for its change, or for their own improvement and emancipation.” *International Industrial Competition*, (Philadelphia: Henry Carey Baird, 1872), 24.

Although in its original context the infant-industry argument was seen as being temporally bounded, that is, applicable to a certain place and time, later American Protectionists saw that the logic behind the infant-industry argument was also applicable to more established and mature industries. They thus argued that infant-industry protection was the rule, rather than the exception, and this lent itself to a perpetual and permanent policy of protection. This is due to the fact that there are always new entrants and infant firms within established industries. In the words of John L. Hayes:

The view that protective duties in this country have now accomplished their mission implies the vague, indefinite, and unpractical notions commonly held by revenue reformers in relation to manufactures. It contemplates them as a whole [as opposed to them as individual manufactures], without discrimination in regard to the infinite variety of conditions, circumstances, and wants in manufacturing industries. It implies that our manufactures, as totality, once in their infancy have now passed into the stage of manhood; whereas as manufactures advance, the buds and seedlings in new branches of manufacture increase, so that portions of manufactures are always in their infancy.<sup>920</sup>

Moreover, whilst some industries will reach a relatively higher state of maturity than others, it is nonetheless the case that all industries are, in a sense, infant, as they are always going through a process of change and development. In short, there is never a point where you can clearly isolate and identify an industry as having reached maturity. Willard Phillips explains this logic in response to the staunchly free-trade Walker report:

If by the inquiry “when will our arts cease to be infant?” be meant... “when will they come to the point of perfection where nothing can be added or changed for the better?” We may well hope that this never will be. This would be the stand-still point... Arts can never advance to the utmost bounds of human invention, and exhaust all possibilities of improvement... They will advance by one improvement giving rise to another, so as to propagate infant arts in an infinite series. Theorists seem to think it possible for the artisans of a nation to pass from rudeness to the ultimate perfection in any and all arts, at a step... What you see passing under your own observation daily, will render any argument unnecessary in order to satisfy you, that the arts do not... instantaneously spring into existence in complete maturity and

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<sup>920</sup> John L. Hayes, “Customs Duties on the Necessaries of Life,” 141; Granted, this argument does not protect infant firms from mature domestic competitors, but by substituting internal taxation with tariff revenue, a protectionist policy also minimizes internal barriers to entry, as will be elaborated upon in Section 14.2.

perfection. “Life is short and art is long;” that is, long in comparison with human life.<sup>921</sup>

This also links to the analysis of individual versus national wealth present in Section 6.6. Because human life is finite, while the life of the nation is potentially infinite, it follows that because industry is in a continuous state of development, producing in its stride permanent and diffusive benefits to society, it will be to successive generations of the nation’s populace who will reap the majority of the benefits which come from new industrial undertakings of the present day. The encouragement of infant-industries and new industrial pursuits is therefore predicated, in no small part, on the view that it will contribute more to the wealth of the nation than the wealth of any given individual entrepreneur bringing it into existence.

### **13.4: The Preservation of Mature Industries**

What is the aim and purpose of American Protectionists? Simply to prevent legislation that may in “one evening destroy the accumulations of labor.”<sup>922</sup>

- John W. Hinton

Although the American Protectionists never used the term the ‘mature-industry argument’, there is a clear line of thought within the School which emphasizes the preservation of mature industries. This passing from infant-industry to the mature-industry argument came with Alexander J. Dallas’ *Report on the General Tariff*. This argument is, however, more of a general collection of arguments. In short, the mature-industry argument holds that even after an industry reaches a relatively mature state of development, it still makes sense to maintain protective tariffs, since the adoption of free trade would only be risking the loss of the nation’s productive resources. Indeed, in its original context, Dallas argued that the protection of mature industries is defensible even at the expense of revenue, explaining that “government will surely deem it better to sacrifice a portion of its revenue, than to sacrifice those institutions which private enterprise and wealth have connected with public prosperity and independence.”<sup>923</sup>

A key element of the mature-industry argument revolves around the concept of heterogenous factors of production, and because of this, the American Protectionists saw foreign competition as fundamentally different in nature to competition among domestic firms. Since factors of production are heterogenous, it follows that trade induced deindustrialization would constitute a loss of the nation’s productive

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<sup>921</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, 217-218

<sup>922</sup> John W. Hinton, “The Humanity of the American Protective Tariff” 20.

<sup>923</sup> Alexander J. Dallas, *Report on a General Tariff*, 24; Note that within certain limits later American Protectionists rejected the trade-off between revenue and protection, see Section 14.6.



resources. In short, the entire stock of productive resources within a particular industry cannot simply be sold as an industry declines since there must be buyers within that industry willing to purchase and employ them. In contrast, if a domestic firm loses out to domestic competitors, these productive resources are not wholly lost, as they have the ability to shift and to be absorbed by the competitors. Stephen Colwell explains, for instance, that:

There are not merely difficulties in the way of a national change from one department of industry to another, according to the phrase so flippantly employed by the [Classical] School, of thus transferring capital; there are utter impossibilities in the way.... Individuals have changed occupations, but the national industry has undergone no change: one manufacturer has given place to another, and one agriculturist to another. Manufacturing capital is chiefly invested in immense factory buildings, surrounded by dwellings for workmen, and in machinery and implements fit for nothing else; this capital cannot, by any possibility be applied to agriculture. When a whole nation can no longer manufacture, the workmen may by possibility obtain other employments, though experience prove that they perish by multitudes in the attempt; but the capital invested in buildings, machinery, and implements, is wholly lost. And even when men skilled in working in iron and cotton, wool and silk, are compelled to find labor in other branches of industry, an immense productive power is lost, because all their skill, experience and facility, becomes useless.<sup>924</sup>

Thus, when viewed through the lens of national wealth, it becomes clear that the failure of a private business in isolation does not necessarily detract from the wealth of the nation, yet the failure of an entire industry does. Indeed, the failure of an isolated business may indeed contribute to national wealth if these resources are absorbed and better utilized by its domestic competitors, but no such mechanism exists if an entire industry is lost.

Tariff protection was viewed not only as a means of encouraging the development of new and infant-industries, but also as a preventative measure to preserve existing industries and to maintain the nation's productive capacity. American Protectionists likened this kind of protection to a levee which guards industries against temporary spouts of excessive foreign production.<sup>925</sup> John L. Hayes explains, for instance, that:

The objection here arises that this enormous development of manufacturing power shows that our protective duties have performed their work and may be safely dispensed with... The duties, however, still perform a most important service. Though they may have ceased

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<sup>924</sup> Stephen Colwell in Friedrich List, *National System of Political Economy*, 316f.

<sup>925</sup> This view was often formulated with a view of foreign subsidies and dumping in mind.

to stimulate, they defend. They are like the levee, which must be high enough to resist the highest tides and the occasional inundations.<sup>926</sup>

A similar position is also espoused by Nathaniel A. Ware, who declares:

We are asked, why keep on the old tariff if the goods become as cheap as the foreign? I answer, that the tariff becomes a dead letter as to fair and honest prices, but is useful as a preventive [measure].<sup>927</sup>

As will be elaborated upon in Section 14.4 and Section 14.5, American Protectionists formulated a compelling argument that domestic consumers forego the incidence of tariff protection once industries reach a relative state of maturity. In this line of thinking, protective measures on mature industries would only represent a cost to consumers during periods in which international markets are temporarily flooded with foreign goods. This temporary cost of protection necessary to keep domestic industries afloat during periods of inundation would, in the long run, more than offset the loss of productive resources. Indeed, David Rice explains that “we thus see that to stop a manufacturing establishment in part would destroy economy of production more effectively than to run [it] part time, and examples of this truth could be multiplied almost indefinitely.”<sup>928</sup> The logic of maintaining tariffs as a means of preservation is therefore not too far removed from that of the standard infant-industry argument. Infant-industry protection is predicated on the view that the short-term costs of protecting infant industries is justified by the long-term benefit which those industries will bestow upon the economy. Likewise, the temporary cost to the consumer of preserving mature industries during periods of excessive foreign production is justified by the longer term benefits of retaining these industries and preventing the loss of the nation’s productive resources.

### **13.5: The Home-Market Argument**

The interests of agriculture require a free and constant access to a market for its staples, and a ready supply of all the articles of use and consumption on reasonable terms; but the national interest may require the establishment of a domestic in preference to a foreign market.<sup>929</sup>

- Alexander Dallas

The home-market argument represents another one of the key arguments extolled by the American Protectionists. In particular, this argument concerns the indirect benefits accruing to agriculture from the protection of manufacturing industries. At its most basic, the home-market argument rests upon the view that production is the

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<sup>926</sup> John L. Hayes, “Customs Duties on the Necessaries of Life,” 140.

<sup>927</sup> Nathaniel A. Ware, *Notes on Political Economy*, 70.

<sup>928</sup> David Hall Rice, *Protective Philosophy*, 66.

<sup>929</sup> Alexander J. Dallas, *Report on a General Tariff*, 19.

cause of consumption. In other words, for an individual to be a consumer of a particular commodity, the individual must first be a producer of another commodity.<sup>930</sup> Since there are natural limits to the production of a specific commodity, it follows that the creation of another class of producers, in the likes of manufacturing, will enable greater consumption of agricultural commodities. Thus, “each new commodity, convenience, and amusement”, writes George B. Dixwell, “furnishes a new market for the existing industries, and enlarges the effective demand” for the commodities produced by existing industries.<sup>931</sup> Or as Oliver Putnam puts it, “manufacture[s], in the multiplication of its products, increases the demand for the products of the other branches of industry.”<sup>932</sup> Indeed, although the home-market argument was typically employed with respect to enlarging the demand for agricultural commodities, the logic conceivably extends to all kinds of goods and services. In the case of agricultural commodities, the view was relatively simple. The encouragement of industrial production would constitute a new source of demand for agricultural production.<sup>933</sup> In the words of Richard W. Thompson:

Every manufacturing establishment in the United States... helps to build up a home market in its own vicinity. Such establishments, considered as a whole, furnish employment to many thousands of laborers, who have to subsist themselves and their families out of our surplus agricultural products.<sup>934</sup>

This view connects closely to another key aspect of the home-market argument which concerns the creation of linkages between different sectors within the economy. As alluded to in Section 7.9, the American Protectionists held that establishing a domestic manufacturing industry within the national economy, would, in turn, create linkages with, and thus demand for, local agricultural inputs. This thinking is well exemplified by Oliver Putnam, who notes that “in consuming cotton goods of foreign manufacture, we encourage the cultivator of foreign cotton; whereas in consuming

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<sup>930</sup> Interestingly, this logic is similar to that inherent in Say’s law of markets, which as alluded to in Section 11.2, was affirmed by the American Protectionists. Yet, the American Protectionists actually turned this logic into a critique of the French Liberal School and its view that the encouragement of new industries comes at the expense of existing industries. George B. Dixwell thus writes that “Bastiat imagined that a new industry would be established by capital drawn from the old industries, which would be thus cramped and diminished... [but the] products [of the new industry], when established, constitute an additional market for the products of the old industries, enabling them all to increase their production.” George B. Basil, ‘Review of Bastiat’, 255-256.

<sup>931</sup> George B. Basil, ‘Review of Bastiat’, 252; George Tibbits also explains that “it is from the great variety and plenty of other products made within the same country, that the rude product of the land finds its advantage, by furnishing values in other articles for which it can be exchanged in the home market.” *Essay on the Expediency and Practicability of Improving and Creating Home Markets*, (Philadelphia: Clark & Raser, 1829), 10. To similar effect, Thomas Haines Dudley notes that “the wages the laboring man earns limits his capacity to purchase, and this applies as well to the purchase of agricultural products as to other commodities... The wages they earn in the mill and workshop, as we have seen, enable them to buy the surplus products of the farmer.” *Farmers and the Tariff*, [Speech Originally Delivered at the Meeting of the Farmers Congress, Chicago, November 11, 1887] (New York, American Protective Tariff League, 1887), 4.

<sup>932</sup> Oliver Putnam, *Tracts on Sundry Topics of Political Economy*, 23.

<sup>933</sup> This is also connected with the growth of population, since manufacturing can support a larger population than agriculture in isolation. Oliver Putnam explains, for instance, that “by the increase of other kinds of industry, the farmer... has a better market for his produce... [as] the establishment of the new branch of industry tends to increase population.” *Tracts on Sundry Topics of Political Economy*, 19.

<sup>934</sup> Richard W. Thompson, *The History of the Protective Tariff Laws*, (Chicago: R. S. Peale & Co, 1888), 463.

cotton goods of domestic manufacture we encourage only our own [cotton agri]culture.”<sup>935</sup>

The superiority of the home market over the foreign market also relates to the degree of certainty and reliance which it affords to the nation’s farmers and agriculturalists. In short, the national government has no control over the policies of foreign governments, and thus cannot guarantee continued access to foreign markets. It only has sovereignty over the home market. It is therefore riskier for a nation of agriculturalists to be reliant on foreign demand as compared to home demand. Alexander Hamilton explains therefore that:

There appear strong reasons to regard the foreign demand for that [agricultural] surplus as too uncertain a reliance, and to desire a substitute for it in an extensive domestic market. To secure such a market there is no other expedient than to promote manufacturing establishments. Manufacturers, who constitute the most numerous class... are for that reason the principal consumers of the surplus of their labor.<sup>936</sup>

Another related aspect of the superiority of the home market over the foreign market also concerns the transportation costs involved in shipping agricultural produce to foreign markets. By creating a home market through the establishment of manufactures, this means that the farmer can forego the ‘tax of transportation’. In the words of Thomas Haines Dudley:

He [the farmer] also wants a near market. The heaviest tax on a farmer is that which he pays for getting his crops to market; therefore, the nearer the market the less the cost. The home market is nearer than a foreign market, hence less expensive, and, being at home, is more certain and reliable. The people of a town, city, or manufactory must be fed, and the farmer can calculate with some degree of certainty as to what they will require.<sup>937</sup>

The American Protectionists therefore differ from the mercantilist doctrine of encouraging manufactures and forcing colonies or trading partners to supply raw materials and agricultural production. For the American Protectionists, the establishment of manufacturing, a worthy objective in itself, was also seen as a means of supporting domestic agriculture through a harmony of interests. Such sentiments are well put by Andrew Stewart who explains that:

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<sup>935</sup> Oliver Putnam, *Tracts on Sundry Topics of Political Economy*, 31.

<sup>936</sup> Alexander Hamilton, *Report on Manufactures*, 13; George B. Dixwell similarly notes that “the home market will be always safe against war and against excessive foreign crops; and, moreover, it will grow step by step with the population, which the foreign market never can.” ‘Review of Bastiat’ 242.

<sup>937</sup> Thomas H. Dudley, *The Farmer Feedeth All: How Protection Affects the Farmer*, (Philadelphia: Allen, Lane & Scott’s Printing House, 1882), 3.

It is the great object therefore to take care of agriculture, make this prosperous and the whole country will prosper; and how is agriculture to be made prosperous but by building up and sustaining home markets. It is therefore not for the manufacturers, but for the mechanics and farmers, yes, sir, for the farmers, that I advocate the protective policy.<sup>938</sup>

It should be finally noted that the home-market argument is not an argument for outright autarky. It is instead an argument for the primacy of internal over external trade. The American Protectionist accepted some role for foreign trade, albeit subject to protective tariffs, but they understood that a strong home market should form the foundation on which foreign trade is sustained. This position is well put by John Phillips Young who explains that “the internal trade of a country, in the nature of things, will always be its most important trade, and that under any rational system of economics external trade must be relegated to the second place and become, as it were, merely an incident of national progress.”<sup>939</sup>

### **13.6: Industrial Diversification versus Trade Specialization**

In every discussion of this subject, it is erroneously assumed by the opponents of protection, that its object is to promote the manufacturing interest in particular... Protectionists, on the contrary, hold to a *community of interests*. They believe that the labor of a country should be diversified... that the production of all commodities should be encouraged... The reasons for favoring this diversity of human industry are, first, that all men are not fitted by inclination or natural faculty for the same pursuit.<sup>940</sup>

- Andrew W. Young

It has been shown that industrial diversification produces numerous benefits ranging from linkages to technological spillovers, and whilst very important to the American Protectionist system, these were largely seen as secondary benefits.<sup>941</sup> The American Protectionists saw that the more important benefit of industrial diversification is that it creates a greater scope for different individuals to undertake pursuits most suited to their particular talents and aptitudes. Indeed, as discussed in Section 7.3, one of the most significant points of departure between the Classical School and the American Protectionists is how the two schools treated human nature. Whereas the Classical

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<sup>938</sup> Andrew Stewart, *The American System*, 110.

<sup>939</sup> John Phillip Young, *Protection and Progress*, 173; Henry Clay also stated earlier that “it is most desirable that there should be both a home and foreign market. But, with respect to their relative superiority, I cannot entertain a doubt. That home market is first in order and paramount in importance.” “On American Industry”, 259; and Giles B. Stebbins also explains that “the home market for our home workers is the foundation; the export of our growing surplus is its result.” “No Lasting Colonial Policy.” 8.

<sup>940</sup> Andrew W. Young, *National Economy: A History of the American Protective System*, (New York: J. C. Derby & N. C. Miller, 1866), 409.

<sup>941</sup> For the beneficial effects of diversification regarding technological spillovers, see Section 9.3.

economists held the view that workers are uniform and homogenous in nature, the American Protectionists posited that the distinctive feature of mankind is its high degree of individuality. This difference has profound implications for international trade and represents perhaps the strongest argument against the Classical theories of trade and its policy implication of specialization.

To recognize the scope of this argument, it is important to compare it to the Classical theories concerning trade. Since the Classical Economists assume that a unit of labor is simply a unit of labor, it is perfectly reasonable to accept the conclusion that specializing in a single commodity, or a narrow basket of commodities, under free trade would represent a prudent policy. The Ricardian line of thinking, in particular, underscores this view. According to Ricardo, “under a system of perfectly free commerce, each country naturally devotes its capital and labour to such employments as are most beneficial to each.” Indeed, “by using most efficaciously the peculiar powers bestowed by nature, it distributes labor most effectively.”<sup>942</sup> Labor, in this case, is distributed to the most efficient area of production, not because of the individual characteristics of the laborer’s themselves, but on the basis of natural resource endowments. Since labor is abstract and homogenous, the Ricardian logic implies that mobility of labor between industries is costless. Moreover, because the Classics assume that individual differences arise as the result, as opposed to the cause, of the division of labor, it likewise follows that all laborers will become equally accustomed to whatever narrow line of production the theories of absolute or comparative advantage dictate.

In contrast, the American Protectionist case for industrial diversification represents an argument from fundamental axioms. The recognition by American Protectionists that there are innate differences between individuals underpin this approach. Since individuals possess different talents, abilities, dispositions and interests, providing a greater scope of diverse employments and industrial pursuits would, according to the American Protectionists, maximize the productive potential and welfare of the nation’s citizens. In contrast, if the nation was to specialize in a narrow range of economic pursuits, as implied in the theories of absolute and comparative advantage, this would necessarily mean that a great bulk of the nation’s citizens would be locked into employments unsuitable and uncongenial to their individual qualities and would thus keep the nation below its productive potential. George M. Steele explains, for instance, that:

In every considerable community there are a great number of diverse tastes and aptitudes, many of which cannot be easily adjusted except to particular employments; and unless these [particular employments]

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<sup>942</sup> David Ricardo, *On the Principles of Political Economy and Taxation*, 139.

exist, a large proportion of the labor-force will be either unapplied, or so applied as to lose much of its legitimate effect.<sup>943</sup>

Indeed, such a view was expressed earlier by Tench Coxe who explains that:

When the variety of human talent is duly remembered (*sic*) and it is considered that minds of the strongest & most active powers for their proper objects, may fall below mediocrity, or labor without effect, if confined to incongenial (*sic*) pursuits, it will appear unwise so to arrange our political oeconomy (*sic*) as to impel to agriculture the whole body of the people. It is interesting to the prosperity and advancement of the U. S. that those who have [an ability that has] been peculiarly qualified by nature for the useful arts, should find the encouragement necessary to call forth their various talents. All employment... were doubtless intended to be pursued... [and] attained to facility and eminence in the greatest variety.<sup>944</sup>

In short, the American Protectionists acknowledged that mankind as a species is uniquely characterized by its high degree of diversity, differentiation, and individuality. Without a diversity of employments, there will necessarily be unique qualities which will remain dormant and unutilized. As such, “[the] American tariff”, explains Jacob Hariss Patton, “should [be] so... calculated to create a diversity of industries, which are essential... [to] the exercise of different shades of talent and taste.”<sup>945</sup>

The difference between the Classical approach and the approach of the American Protectionists is thus axiomatic in nature since the Classical conception of abstract and homogenous units of labor leaves no room for any consideration for the effect of individual difference on the productivity levels between different industrial pursuits. By creating a variety of different opportunities, a protective tariff would allow individuals to seek out modes of enterprise and employment best suited to their unique characteristics and would thus raise national productivity more than it would if the economy specialized in a particular commodity or narrow range of commodities. This led Andrew W. Young to assert that “in the first place, a judicious tariff, by diversifying labor, or multiplying the industrial employments, increases the

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<sup>943</sup> George M. Steele, *Outline Study of Political Economy*, 43.

<sup>944</sup> Tench Coxe, “Tench Coxe’s Second Draft”, [1790] in *The Papers of Alexander Hamilton*, Vol. 26, ed. Harold C. Syrett, (New York: Columbia University Press, 1979), 635. This has very marked similarities to a passage in the final version of *The Report on Manufactures*, quoted in Section 7.3. It should not be concluded, however, that Coxe influenced Hamilton, as Hamilton’s first draft, which was written before Coxe’s, also contains reference to the diversity of human talents, see Alexander Hamilton “Alexander Hamilton’s First Draft of the Report on the Subject of Manufactures”, [1790] In *The Papers of Alexander Hamilton*, Vol. 10, ed. Harold C. Syrett (New York: Columbia University Press, 1966), 26-27. It should also be recalled from Section 7.3 that William Barton alluded to the “variety of genius” in support of industrial diversification as early as 1786, which demonstrates that all three founding members of the School extolled this position.

<sup>945</sup> Jacob Harris Patton, *Political Economy for American Youth*, 215.

productiveness of a nation, and consequently the business of commerce.”<sup>946</sup> Horace Greeley echoes this sentiment explaining that:

A multiplication and diversification of pursuits [aids productivity by] giving employment to a wider range of tastes and capacities, and drawing more and more into the walks of systematic industry by proffering more varied incitements thereto. If it seemed more profitable to devote all our energies to tilling the soil, that seeming would be fallacious, because oblivious of the need of a great diversity of pursuits to educe our diverse capacities and incite as well as employ our varied aspirations and faculties.<sup>947</sup>

This also has ripple effects throughout the entire economy. It follows that if general productivity is hampered through trade specialization, then even those who are employed in congenial pursuits will witness lower economic welfare than if they otherwise lived in a nation with a more diverse range of economic activities. Greeley further underscores this view, noting that:

A people who have but a single source of profit are uniformly poor, not because that vocation is necessarily ill-chosen [for a given individual], but because no single calling can employ and reward the varied capacities of male and female, young and old, robust and feeble... A diversity of pursuits is indispensable to general activity and enduring prosperity.<sup>948</sup>

It should, of course, be noted that even though the above focuses on the effects of industrial diversification in relation to raising productivity rates and economic output, allowing greater opportunities for individuals to exercise their unique talents and interests was also viewed by the American Protectionists as a worthy goal in itself. Yet, even when viewed against the criterion of economic efficiency, the American Protectionists provide a compelling argument against trade specialization, and thus against the Classical theories of absolute and comparative advantage.

### **13.7: Agricultural Diversification**

Free-trade advocates advise the farmer to exhaust his soil by continually cropping it with the same cereal crops, wheat and corn, instead of diversifying his crops and recuperating his soil... This exhaustion of the soil is a permanent national loss, as well as an immediate one to the farmer.<sup>949</sup>

- David Rice

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<sup>946</sup> Andrew W. Young, *National Economy*, 427.

<sup>947</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 348

<sup>948</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 19.

<sup>949</sup> David Rice, *Protective Philosophy*, 117.



An added dimension to the diversification argument concerns the need for a diversity of crops and agricultural production. This is built upon a similar line of thought as the manure argument discussed in Section 11.6. As discussed in that section, the American Protectionists observed that agricultural production tended to deplete nutrients and elements within the soil, and this led them to espouse the need to replenish the soil through the use of manure. Yet, manure, strictly speaking, was not the only means of offsetting the depletion of nutrients from agricultural lands. Similar to their arguments in favor of industrial diversification, the American Protectionists also stressed the diversification of agricultural pursuits. In relation to the issue of soil depletion, the American Protectionists argued that agricultural diversification would allow for rotational cropping and grazing to replace the system of monocrop agriculture that pervades agricultural exporting nations.

Similar to the manure argument, rotational cropping would aid soil fertility by preventing the exhaustion of a particular nutrient. Moreover, by allowing the rotation of a diverse range of different crops and/or livestock, nutrients could also be fixated and returned to the soil. Robert Ellis Thompson explains, for instance, that “by the absence of any system of rotation of crops. Year after year men will take the same elements from the soil by growing the same crop upon it, wheat or tobacco, or some other.”<sup>950</sup> And Peshine Smith, likewise, explains that “nature thus teaches the necessity of a rotation of crops, and the greatest advances in agriculture have been since the lesson has been thoroughly learned.”<sup>951</sup>

This system of rotational agriculture is seen as contingent upon, or at the very least aided by, the protection of a diverse range of agricultural commodities. By protecting a diverse range of agricultural pursuits, this would create a wider scope of crops and livestock through which the farmer or the agriculturalist can engage in rotational agriculture.<sup>952</sup> This led Van Buren Denslow to espouse the “argument that protection may help prevent a wasteful exhaustion of soils by inducing a more diversified system of [agri]culture and rotation of crops.”<sup>953</sup> This position also connects to the home-market argument. By maintaining a more diverse home market near the door of the farmer, it promotes a variety of different agricultural commodities needed to supply such a market and allows rotational agriculture to take place. Horace Greely thus explains “that the farmer who has an ample market at his door may and will diversify his products, improve or at least retain the better qualities of his soil by

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<sup>950</sup> Robert Ellis Thompson, *Elements of Political Economy*, 74; In another instance, Thompson notes the importance of “highly nitrogenized forms of animal manure.” p. 92; see also p. 46.

<sup>951</sup> Peshine Smith, *Manual of Political Economy*, 36.

<sup>952</sup> Although the American Protectionists never made this connection, this logic also demonstrates the superiority of a broad-based agricultural tariff over agricultural subsidies, since subsidies would only serve to encourage the maintenance of monocropping of the particular commodity being subsidized.

<sup>953</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 570-571.

a rotation of crops, and return to that soil the elements which cultivation has exhausted, is plain.”<sup>954</sup>

In light of the above, it can be seen that the American Protectionists rejected the Ricardian theory of trade with respect to both industry and agriculture. Whilst the American Protectionists accepted that natural endowments play an important role in agricultural production, they rejected the implication that this meant that the nation must specialize in the particular agricultural commodity dictated by such endowments. The American Protectionists recognized that the original powers of the soil were not indestructible, as Ricardo argued, but that production itself conditions the productive potential of the soil. A diversified system of agriculture was therefore necessary to maintain this productive potential. Of course, the argument in favor of diversification on the basis of individuality extends to agriculture, but the added need for rotational agriculture presents an additional need for diversification within agricultural production.<sup>955</sup>

### **13.8: Maximizing Producers and Minimizing Exchangers**

Two systems are before the world; the one looks to increasing the proportion of persons and of capital engaged in trade and transportation, and therefore to diminishing the proportion engaged in producing commodities with which to trade, with necessarily diminished return to the labour of all; while the other looks to increasing the proportion engaged in the work of production, and diminishing that engaged in trade and transportation, with increased return to all... One is the English system; the other we may be proud to call the American System.<sup>956</sup>

- Henry Charles Carey

It should be stressed from the outset of this section that the American Protectionist did not accept the Classical and Marxist delineation of productive (labor which produces a physical surplus) and unproductive labor (labor which produces services). To the American Protectionists, all forms of labor were, in essence, productive. Henry Carey, for instance, calls out the mistaken Classical view of classifying a “painter as productive when he paints a picture, but [as] unproductive, when he teaches hundreds

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<sup>954</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 140; Henry Charles Carey’s *Principles of Social Science*, Vol. 2, 33, also notes that “steadiness and regularity in the returns to agricultural labor grow with increase in the variety of commodities to the production of which the land may be devoted.”

<sup>955</sup> It is important to acknowledge that not all American Protectionists supported agricultural protection, although a great many of them did. Robert Ellist Thompson highlights this contention, noting that “special objection is made to the imposition of Duties on the raw material of a manufacture. This objection is sustained by such good Protectionist authorities as Alexander Hamilton and Professor Bowen. I confess that even this high authority has not enabled me to see much force in the objection. The Protective Tariff has not for its object the promotion of manufactures only, but the development of the national industry in every direction... In this view the protection of the woolgrower, for instance, is as legitimate as is that of the woolen manufacturer.” *Protection to Home Industry*, (New York: D. Appleton & Company, 1886), 102.

<sup>956</sup> Henry Charles Carey, *The Harmony of Interests*, 228-229.

of others to make pictures equal to his own.”<sup>957</sup> Friedrich List goes even further, observing that “those who raise pigs, and those who manufacture bag-pipes or pills, are indeed productive; but the instructors of youth [teachers] ... are productive in a much higher degree,” noting that “the former produce exchangeable values; the latter, productive power.”<sup>958</sup>

That said, whilst the American Protectionists rejected the clumsy separation of labor into productive and unproductive classes, they were of the view that production superseded exchange or trade in its value to the economy. This view was presented along the lines of opportunity cost, whereby labor employed in the process of exchange or transportation meant that the opportunity for these laborers to engage in production is foregone. This is not to say that transporters and exchangers were unproductive pursuits in themselves, as they very often contributed to the productiveness of the economy. This view is revealed in the following passage by William Elder:

Whatever power may be exerted over matter, in form or place, is production, and, therefore, is productive labor. The agriculturist is no more a producer than the miner, *the transporter*, or the manufacturer. The greater part of the agriculturist's products owe all their serviceableness to the labor which changes their form and place.<sup>959</sup>

The fact remains, however, that transportation and exchange cannot take place without production. Production is the bedrock of wealth creation with transportation and exchange emerging downstream of it. In terms of wealth creation, there are thus limits to the usefulness of transporters and exchangers, if they diminish the opportunity to engage in production.<sup>960</sup> William D. Wilson explains, for instance, there are:

Limits beyond which trade, or rather transportation, cannot increase the wealth of the world... It is no uncommon thing to hear persons speak of trade and commerce, as that which makes the wealth. Within

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<sup>957</sup> Henry Carey, *Principles of Social Science*, Vol. 3, 46; Andrew W. Young also explains that “the physician also is a productive laborer. By his knowledge of the laws of health, he may cure the sick, and enable them to work; so that there is more labor performed than would be if there were no physicians.” *Introduction to the Science of Government*, 246; Indeed, this rejection of the concept of unproductive labor was a feature in Hamilton’s *Report on Manufactures*, with Hamilton refuting the physiocratic view that only agriculture was productive. In the words of Hamilton, “the establishment and diffusion of manufactures [would] have the effect of rendering the total mass of useful and productive labor in a community, *greater than it would otherwise be.*” *The Report on Manufactures*, 6-7, emphasis in original.

<sup>958</sup> Friedrich List, *National System of Political Economy*, 221; Daniel Raymond referred to labor which augmented the nation’s productive powers as ‘permanent labor’. Raymond explains “This I shall call *permanent* labour... In making discoveries in science and technology and improvements in the arts. This labour does not cause a product, but it augments the capacity to produce. The immediate object of permanent labour is to make permanent improvements — to enlarge the boundaries of knowledge, and to augment [productive] capacity.” Daniel Raymond, *The Elements of Constitutional Law and Political Economy*, (Baltimore: Cushing & Brother, 1840), 95, emphasis in original. Whilst the term ‘permanent labor’ never made it into the common vernacular, the general view is implicit in the writings of most American Protectionists, as demonstrated by the emphasis placed upon the inventor and the entrepreneur.

<sup>959</sup> William Elder, *Memoir of Henry Charles Carey*, 11, emphasis added.

<sup>960</sup> This point is quite nuanced, however, as labor engaged in transportation and exchange is desirable if it increases the opportunities for workers to engage in production.

the limits spoken of, trade does add to the wealth of the world, but no farther. It is indeed true that without trade there can be no great amount of wealth, none, or not many, accumulated fortunes, no large or wealthy commercial cities.<sup>961</sup>

This view is intimately connected with the American Protectionists theory of concentration and agglomeration, discussed in Section 11.4. Similar to their views relating to the ‘tax of transportation’, the American Protectionists held that if producers can be brought closer to one another, and consumers closer to producers, through the process of concentration, this would diminish the need for exchangers and transportation workers and would thus free up more individuals to undertake production. At the very least, if production were to take place within the national economy, this will increase the proportion of laborers engaged in production and would thereby diminish the amount engaged in global shipping. It is for such reasons that many American Protectionist likened protectionism to a labor-saving machine of sorts, since by making exchange more direct and nearer to the point of production, it frees up labor engaged in transportation, allowing them to be employed in the production of goods and services. In the words of Horace Greeley:

Protection is another name for labor saving... by bringing producer and consumer nearer each other, enabling them to interchange their respective products directly and cheaply, instead of circuitously, through several intermediates, and at great cost. In thus reducing the proportion of exchangers and increasing that of producers in a community, it inevitably increases the aggregate product of human effort, and thus enhances the recompense of labor.<sup>962</sup>

This holds important implications for David Ricardo’s theory of comparative advantage. As a relatively uncontroversial proposition, the American Protectionists observed that the opportunity cost of consuming an import was the consumption of a domestic article. However, since labor is required for both production and transportation, the opportunity cost of domestic labor engaged in production is labor engaged in both transportation and foreign production. In this case, the transporter is merely engaged in the transfer of wealth, and not the production of it. If domestic production could thus substitute imports through the use of tariff protection, this would free up labor which can be employed in the production of wealth in both countries. To put it differently, the opportunity costs of global shipping is domestic production. In the words of Henry Carey:

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<sup>961</sup> William D. Wilson, *First Principles of Political Economy*, 68.

<sup>962</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 341-342; Peshine Smith also noted this labor-saving effect of protection, noting that “internal trade is the more advantageous, because it admits of a greater saving in the labour required to be applied to conversion and transportation, and thus increases the quantity that may be given to production.” *Manual of Political Economy*, 200.

The whole basis of [the free trade] system is conversion and exchange, and not production, yet neither makes any addition to the amount of things to be exchanged. It is the great boast of their system that the exchangers are so numerous and the producers so few and the more rapid the increase in the proportion which the former bear to the latter, the more rapid is supposed to be the advance towards perfect prosperity. Converters and exchangers, however, must live, and they must live out of the labour of others: and if three, five, or ten persons are to live on the product of one, it must follow that all will obtain but a small allowance of the necessaries or comforts of life, as is seen to be the case.<sup>963</sup>

The theory of comparative advantage therefore misrepresents the true ‘gains from trade’. It only considers labor engaged in production, and completely omits labor engaged in the transportation of said production between national borders. The American Protectionists therefore provide a far more realistic analysis than that put forth in Ricardo’s theory of comparative advantage. By allowing production to take place within local centers of concentration and association, or at the very least, within national borders, the American Protectionists understood that protection promotes a more efficient use of labor and other resources, even on a purely static level, than free trade.<sup>964</sup> The American Protectionists were, of course, not dogmatic in their view of minimizing exchange and maximizing production, and they understood that transportation within certain limits was necessary and even desirable. In this degree of nuance, the American Protectionists were also seeking to avoid what they saw as the Classical-Marxian fallacy of designating certain categories of labor as unproductive.<sup>965</sup>

### **13.9: Summary**

The American Protectionist theory of trade is predicated on an analysis of how production influences productivity growth over time. This stands in contrast with the approach of the English Classical School which attributes trade performance to fixed and permanent factor endowments between nations. The American Protectionist view that production itself influences long-run productivity is seen most explicitly in their simple theory of trade, as well as in their endorsement of infant-industry protection. Rather than accepting existing trade patterns as they are, American Protectionists extolled infant-industry protection as a means to facilitate the development of the

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<sup>963</sup> Henry Charles Carey, *The Harmony of Interests*, 46.

<sup>964</sup> American Protectionists also extended the analysis beyond mere labor hours found in Ricardian analysis. John Philip Young, for example, was concerned about the wastage of fuel and energy in global shipping, which could be better put to use in domestic manufacturing. Young explains that “the exponents of the idea of *laissez-faire*, when considering the subject abstractly, invariably assume that the tendency of a free interchange in commodities must result in permanently advancing the material welfare of mankind. [But] it is manifestly the duty of economists to point out the consequences of waste... In making this examination, facts will be discovered which bear out the assumption that protection is an enormous conservator of energy and that it has a constant tendency to reduce fuel waste to a minimum by bringing the producer and consumer closely together.” *Protection and Progress*, 149, 153.

<sup>965</sup> The fact that Ricardo ignored labor employed in transportation is all the more curious, since, as they did not produce a surplus, they would have been considered unproductive according to the Classical framework.

productive power of infant industries, and in doing so, this would allow them to catchup to more mature foreign producers. Similar logic also underpins their approach to the preservation of mature industries. In this case, protective tariffs were seen as a means to preserve the nation's productive resources. Since factors of production are often highly heterogenous, this means that the loss of a particular industry, as a result of free trade, does not typically result in these resources being freed up to be reemployed elsewhere in the economy. Rather, the decline of a national industry often results in a loss of the nation's productive powers.

Consistent with the view that production itself influences productivity and economic welfare more broadly, the American Protectionists also extolled protectionism as a means to create and maintain a home market for agricultural commodities. This is predicated on the view that for an individual to be a consumer, they must first be a producer. By encouraging and maintaining a manufacturing industry at home, this would create a new source of demand for agricultural commodities, and would, in turn, benefit agricultural producers. This also underscores what the American Protectionists saw as a harmony of interests between agriculture and manufacturing.

The most important argument for protectionism concerns the need for economic diversification. Whereas Classical economics is predicated on the view of homogenous units of labor, which can become accustomed to a narrow range of economic pursuits dictated by a nation's factor endowments, the American Protectionists emphasized the need for economic diversification to take advantage of the diverse range of talents, aptitudes, and dispositions possessed by the different individuals who make up society. This represents perhaps the strongest argument ever made against the theory of comparative advantage. The American Protectionists went even further, however, by demonstrating how the theory of comparative advantage fails against its own internal logic. By pointing out how internal trade saves labor by minimizing the number of workers engaged in transportation, the American Protectionists showed how protection, as opposed to free trade, allows for more resources to be devoted to productive activities. In doing so, the American Protectionists demonstrate how Ricardo fundamentally misrepresents and exaggerates the true 'gains' from free trade.

This chapter demonstrates that the American Protectionists systematically dismantled the Classical theories of absolute and comparative advantage as a guide on which to base trade policy. The American Protectionists controverted the view that trade outcomes are the result of permanent and fixed differences in productivity between nations as conditioned by factor endowments. They demonstrated how economic diversification, as opposed to trade specialization, maximizes the productive potential of the economy, and how a system predicated on internal trade economizes

labor and allows more workers to be devoted to the work of production. The next chapter of this thesis will turn to the American Protectionists' theory of taxation. In doing so, it will complement the discussion presented in this chapter by addressing the other key function of the tariff, namely the raising of revenue.

## Chapter 14: Theory of Taxation

### 14.1: Introduction

Taxes are a necessity but not a blessing... The fallacy that heavy taxes are a sign of public prosperity is dangerous. Burdens for which no adequate reason exists are near akin to tyranny.<sup>966</sup>

- Ellis H. Roberts

This chapter will discuss the thoughts of the American Protectionists concerning the subject of taxation. Generally speaking, the American Protectionists can be considered as adhering to a low taxation philosophy, anticipating many of the ideas now associated with supply-side economics.<sup>967</sup> It is quite telling indeed that the term ‘trickle down’, often associated with supply-siders, was first used by Congressional Democrats as a smear for the apparent “trickle-down theory of taxation of Alexander Hamilton” which, to put it plainly, was referring to the American Protectionist theory of taxation.<sup>968</sup> The notion of money magically trickling down to the masses, however, is none other than a straw-man. The American Protectionists never framed their policy of low internal taxation on the basis of income redistribution. Their arguments more resembled a ‘climbing up’ argument, whereby low levels of taxation would reduce barriers and burdens to enterprise and initiative, thereby increasing the opportunities for members of the community to better themselves and climb the social ladder. Indeed, this low taxation philosophy connects with the American Protectionist’s position on wages, with Alexander Everett noting that:

The wages of individual labor with the latter [United States] are much higher than the former [Europe]; because in the United States... every individual enjoys the entire fruit of his own labor [i.e., productivity], with scarcely any diminution either from the taxes or the state of property.<sup>969</sup>

Or, in the words of Stephen Colwell:

Laborers whose physical powers are not unduly taxed, whose minds are properly cultivated, and whose labors are duly required, are the happiest men of this world.<sup>970</sup>

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<sup>966</sup> Ellis H. Roberts, *The Treasury and the Taxes*, (Washington: Government Printing Office, 1874), 8.

<sup>967</sup> Robert R. Keller notes the parallels between the domestic economic policy of the protectionist orientated Coolidge-Mellon Administration and the supply-side orientated Reagan Administration. Whilst such parallels exist, the article downplays the protectionist orientation of the Coolidge Administration. Keller, ‘Supply-Side Economic Policies during the Coolidge-Mellon Era’, *Journal of Economic Issues*, 16, no. 2 (1982) 773-790.

<sup>968</sup> Minority View of the Joint Committee on Revenue, ‘Minority Views – General Statement’, In Subcommittee on Administration of the Internal Revenue Laws, *Internal Revenue Investigation*, (Washington: Government Printing Office, 1953), B2 [B1-B24]. Although it is possible that the term was used earlier, the Merriam-Webster’s Dictionary places the terms first usage as 1954. *Merriam-Webster’s Collegiate Dictionary*, 11<sup>th</sup> Edition, (Springfield: Merriam-Webster, 2004), 1336.

<sup>969</sup> Alexander H. Everett, *New Ideas on Population*, 116.

<sup>970</sup> Stephen Colwell, *The Claims of Labor*, 6.



This commitment to low taxation is intimately connected with the American Protectionists espousal of industrial freedom. The American Protectionists saw that economic freedom was best achieved by reducing restraints on domestic production and enterprise, which contrasted with the emphasis which the Classics' placed on maximizing freedom of trade.

Section 14.2 provides a general outline of the system of taxation envisioned by the American Protectionists, as well as some of their basic arguments for that system. In doing so, the American Protectionists commitment to indirect taxation and particularly tariffs will be identified. Whereas the Classical Economists were divided on the issue of indirect versus direct taxation, the American Protectionists were virtually unanimous in their support for indirect taxes and in their disdain for direct taxes. Section 14.3 will discuss what the American Protectionists saw as the ideal standard of taxation, which they contrasted with the five maxims of taxation advanced by the British Classical School. Section 14.4 will discuss the American Protectionists' theory of tax incidence. Finally, Section 14.5 will discuss what the American Protectionists saw as an embedded restraint or a rule of apportionment in levying of indirect taxes, before ending with a summary.

To make the proceeding discussion smoother, however, it is perhaps useful to delineate between the three types of import duties. These are protective tariffs, revenue tariffs, and tariffs for revenue only. Protective tariffs, as the name suggests, were tariffs used to stimulate and protect domestic production. These duties would incidentally raise revenue, but they were not imposed with revenue considerations in mind. In the case of revenue tariffs and tariffs for revenue only, there are similarities between the two, but a subtle difference sets them apart. Revenue tariffs are low to moderate duties levied on imports with the expressed goal of raising revenue. When levied on competing imports, these duties have an incidental protective effect, albeit one far less than a protective tariff which would have a higher duty. Finally, tariffs for revenue only are tariffs imposed on non-competing imports with the sole goal of raising revenue and do not afford any incidental protection. In the case of the United States, non-competing imports would include the likes of coffee and other crops unsuited to North America's climate and soil. These are goods that cannot, for all practical purposes, be produced domestically.

## 14.2: System of Taxation

Impositions of this kind usually fall under the denomination of indirect taxes, and must always constitute the chief part of the revenue raised in this country.<sup>971</sup>

- Alexander Hamilton

The American Protectionists' approach to tax policy was mentioned briefly in Chapter 5, but this section will offer a more in-depth look into the system of taxation advanced by the American Protectionists. It has been alluded to that the American Protectionists disdained direct taxation, or taxes on income and property, and were instead advocates of indirect taxes or taxes on consumption. In particular, the American Protectionists advanced the view that taxation should be primarily drawn from import tariffs, with some even going as far to affirm the position of "Revenue from the Tariff Only."<sup>972</sup> It should be said, however, that although early Protectionists, particularly Alexander Hamilton, viewed protection with revenue considerations in mind, by the time the School reached maturity, most rejected treating protection through the lens of revenue. William Elder explains, for instance, that "protection is totally misunderstood, and fatally abused, when it is reasoned upon, or employed, as identical with *taxation*. It means and intends the protection of domestic labor, skill and enterprise, and of the capital which they employ."<sup>973</sup>

This is not to say that tariff protection has no bearing on revenue. It clearly does, and this fact was seen plainly by the American Protectionists. Rather, the idea was that the principle of protection should not be compromised by the pursuit of revenue, or any other consideration for that matter.<sup>974</sup> In short, protection, Elder explains, "does not look to revenue, but it does, incidentally, secure it."<sup>975</sup> It was thus generally seen that protective tariffs would incidentally raise more than sufficient revenue for funding the general operations of government and the provision of internal improvements

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<sup>971</sup> Alexander Hamilton, "The Federalist No. 21", 401; Tench Coxe affirmed the view of his contemporary, explaining that "I HAVE before observed, that to lay a heavy tax on real property [i.e., direct taxation], and to make it the principal resource of government, ought, if, possible, to be avoided. Many, I am sensible, are of opinion, that an impost will be inadequate to the necessities of government; yet, I must think, that most of the money which could be drawn from the people with convenience, might be drawn in this way." *Observations on the Agriculture, Manufactures and Commerce of the United States*, (New York: Francis Childs & John Swaine, 1789), 87, emphasis in original.

<sup>972</sup> Robert Ellis Thompson, *Protection to Home Industry*, 104, emphasis in original. Note that Thompson does not affirm this position but is instead noting that the position is popular among American Protectionists.

<sup>973</sup> William Elder, *Questions of the Day*, 208, emphasis in original.

<sup>974</sup> We might also add to this, issues concerning income distribution. Elder stresses also that protection should not be viewed as part of "class legislation", whether this be for the upper classes (monopoly privileges) or lower classes (equalizing income distribution). William Elder, *Questions of the Day*, 207-208. However, several earlier Protectionists held favorable views on taxing luxuries, e.g., Tench Coxe, *Observations on the Agriculture, Manufactures and Commerce of the United States*, 87-88; and John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 369-376. This was reasoned partially on the grounds of distribution, but more so on the grounds of encouraging savings.

<sup>975</sup> William Elder, *Questions of the Day*, 204; Calvin Colton expresses a similar view, explaining that "If, in accomplishing the original and main design of a tariff, revenue can be raised, it is well; but it is incidental. If a sufficient revenue can be raised, and direct taxation avoided, so much the better. Still, this incidental result does not change the original design and character of the measure [that being, protection]." *Public Economy for the United States*, 504.

without compromising the principle of protection in any way. It is for this reason that most American Protectionists after Hamilton rejected the use of revenue tariffs since protective tariffs would incidentally secure sufficient revenue. Hamilton, for his part, straddled the line between protection and revenue, endorsing what later Protectionists would have considered a revenue tariff. Hamilton was, however, acutely aware that “all the duties imposed on imported articles, though with an exclusive view to revenue, have the effect in contemplation... [of possessing] a beneficent aspect towards the manufactures of the country.”<sup>976</sup>

If in the event that protective tariffs cannot raise sufficient revenue, and assuming that there are no unnecessary government expenditures which could be curtailed, rather than compromising the principle of protection, government should proceed to levy tariffs for revenue only, that is, duties on non-competing imports. If revenue is still insufficient, then the government should, in the final instance, proceed to impose internal taxes on consumption, which typically took the form of sin taxes on liquor and tobacco.<sup>977</sup> However, it is important to note that in the case of internal taxes on consumption, the American Protectionists argued that such taxes should be levied at a rate which is lower than the rate of duty on competing imports. The difference in the two rates of taxation, between the internal tax and the import duty, would ensure that domestic articles would continue to be afforded protection.<sup>978</sup> This was, in fact, the policy pursued by Alexander Hamilton, who notes that:

To the manufacture itself, the [internal] duty is no injury, if an equal duty be laid on the rival foreign article. And when a greater duty is laid upon the latter than upon the former, as in the present instance, the difference is a bounty on the domestic article, and operates as an encouragement of the manufacture. The manufacturer can afford to sell his fabric the cheaper, in proportion to that difference, and is so far enabled to undersell and supplant the dealer in the foreign article.<sup>979</sup>

In broad terms, the notion that domestic taxation should be lower than that imposed upon foreign articles, or even lower than the general rate of taxation imposed

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<sup>976</sup> Alexander Hamilton, *The Report on Manufactures*, 33. It should be noted that revenue was an immediate and pressing concern for the early republic, which perhaps explains Hamilton’s cautious approach to tariffs.

<sup>977</sup> For instance, Daniel Raymond explains that “the most suitable article for an [internal] excise is ardent spirits... Such a tax may be made an ample substitute for a land tax.” Raymond, *The Elements of Political Economy*, Vol 2. (Baltimore: Fielding Lucas, Jr., 1836), 304-303; Robert Ellis Thompson notes that “all internal revenue duties – except on spirits, tobacco, and the like... should... be wiped from the statute books.” *Elements of Political Economy*, 183; see also John Rae, *Statements of Some New Principles on the Subject of Political Economy*, 372-373. Of course, these internal taxes should be used sparingly, as Ellis H. Roberts notes that “internal taxes fall inevitably upon the labor of the country, either by checking production, or reducing its rewards, or by increasing the cost to the consumers, or both.” *The Treasury and the Taxes*, 18.

<sup>978</sup> This is actually the opposite of that endorsed by the Classical economists, who advocate an equalization of rates between internal imposts and revenue duties. As Denis O’Brien explains, the Classical believed that the “protective effect of revenue duties should be balanced by the levying of excise duties at home.” *The Classical Economists Revisited*, 229.

<sup>979</sup> Alexander Hamilton, “Spirits, Foreign and Domestic,” In *The Works of Alexander Hamilton*. Vol. 2. ed. Henry Cabot Lodge (New York: G. P. Putnam’s Sons, 1904), 76. Note that while Hamilton refers to fabrics, this is only an example. His policy of internal taxes on consumption pertained only to spirits.

by foreign nations, represents a guiding principle of taxation for the American Protectionists. William Jennison notes, for instance, that “taxation, however, is injurious chiefly... in a national sense, when the magnitude of the burden is such, as to reduce the profits of labour and capital materially below those of other countries.”<sup>980</sup>

With the above discussion in mind, it should be clear that the American Protectionists considered revenue in terms of an overall system of taxation and expenditures. Although, generally speaking, protective tariffs would incidentally raise sufficient revenue for the government, the American Protectionists were conscious that conflicts could potentially arise between revenue and protection. Rather than compromising the principle of protection for the sake of revenue, the government could always curtail expenditures or resort to other forms of indirect taxation. This dispels one of the arguments put forth by the Progressives that the American System lacked flexibility in relation to revenue.<sup>981</sup> Indeed, the problem, in the eyes of the Protectionists, was not so much that the American System lacked flexibility. It was rather that Progressives lacked restraint in governmental expenditures, which would necessarily lead to a burgeoning of taxes on domestic producers.<sup>982</sup> On this question, Ellis H. Roberts notes that:

Taxation weighs only on one side of the scales. However heavy that may be, it will be all too light if expenditures are in excess... Drain production and commerce as much as you may, your treasury will be empty if the expenditures run out like a flood.<sup>983</sup>

Since internal taxes necessarily constitute an obstacle or barrier to entry for domestic producers, government restraint in expenditures is necessary to minimize such barriers. Indeed, William D. Kelley even saw that within national borders a reduction of internal taxes can be viewed in some likeness to infant-industry protection. Since infant industries or infant producers are typically those least able to incur the costs of taxation, the elimination of internal taxes will tend to be more

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<sup>980</sup> William Jennison, *An Outline of Political Economy*, 62.

<sup>981</sup> As noted in a footnote in Section 4.5, the argument against the American System on the basis of tax inflexibility and elasticity was put forth by Richard T. Ely in *Problems of To-Day*, 46.

<sup>982</sup> When the American System was in effect, the problem was not so much budget deficits, but excessive surpluses, which meant that individuals were being overburdened with taxes. Ellis H. Roberts notes that “collections in excess of expenditures have become a rule in this country” and “the protectionist must regard excessive revenues as hostile to his policy.” Ellis H. Roberts, ‘The Wrong of the Great Surplus’, *North American Review*, 185, no. 619, (1907), 578, 582. Thus, writing to Henry Carey, Van Buren Denslow urges “Protectionists to take the lead of the Tax reducers by aiming to strike off the duties on Tea, Coffee, Spices, foreign wines, Silks, a reduction on Sugar & other non-competing articles.” Van Buren Denslow to Henry Charles Carey, March 23, 1870, Box 12, Folder 6, HCCP, ECGC, HSP, Philadelphia, PA. Robert Ellis Thompson, on the other hand, argues that excess federal revenue should be distributed to the states in return for them lessening the extent of direct taxation, noting that “all of them [direct taxes imposed by the States]... are oppressive in the incidence of their amounts... [Yet,] we have too much in the big governmental pocket at Washington, and too little in the lesser pockets at the state and county and township centres of our system... [We] can take the money from the former and transfer it to the latter.” Robert Ellis Thompson, *Protection to Home Industries*, 106-108.

<sup>983</sup> Ellis H. Roberts, *The Treasury and the Taxes*, 20-21. It is important not to exaggerate this fiscal conservatism. Alexander Hamilton did, after all, exclaim that “a national debt, if it is not excessive, will be to us a national blessing; it will be powerful cement of our union. It will also create a necessity for keeping up taxation to a degree which without being oppressive, [which] will be a spur to industry.” Alexander Hamilton to Robert Morris, [30 April 1781] In *The Papers of Alexander Hamilton*, Vol. 2, ed. Harold C. Syrett. (New York: Columbia University Press, 1961) 635.

advantageous to them than their more mature counterparts. Thus, in reference to allowing the South's infant industries to catch-up to the North, Kelley explains that "the diversified industry of the South... are in their infancy... They need the fostering care of the Government, and in no way can this be bestowed more acceptably than by the immediate repeal of our internal taxes."<sup>984</sup>

At any rate, the American Protectionists conceived of a system of taxation predicated on tariffs and indirect taxes. The American Protectionists saw many advantages of indirect over direct taxation (some of which will be elaborated upon in later sections). In the first instance, the American Protectionists, to put it simply, saw that indirect taxes would be far less difficult and costly to collect. Indeed, all the way back in *The Federalist Papers*, Hamilton rejected direct taxation due to the immense costs and difficulties involved in its collection and enforcement. According to Hamilton, "in every country it is a Herculean task" to administer taxes "of the direct kind", and "the expense of an accurate valuation is, in all situations, a formidable objection."<sup>985</sup> In short, a system of revenue involving direct taxes unavoidably requires the creation and maintenance of large and expensive bureaucracies. This necessarily means that cost of collection is going to be less efficient relative to taxes on consumption. This attitude is summed up well by James G. Blaine, who notes that "Mr. Hamilton... more promptly than any other financier... saw that ten dollars could be more easily collected by indirect tax than one dollar by direct levy."<sup>986</sup> Indeed, cost of collection was even less for customs duties relative to internal consumption taxes, since it would only require the stationing of customs officials along national borders. Ellis H. Roberts thus remarks that:

The customs system requires officers only on the frontiers of a country, and involves a smaller force than imposts gathered from the citizens in their homes. It has been found in practice the system involving the least expense in administration<sup>987</sup>

The second advantage of indirect taxes is that they are less intrusive than direct forms and do not violate the privacy of producers. In order to collect taxes on income and property, the State must invariably pry into the affairs of the business or the wage earner. Robert Ellis Thompson explains, for instance, that "objections to the income tax... are very strong" for they are "inquisitorial. It demands of the citizen a statement

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<sup>984</sup> William D. Kelley, 'Reduction of Internal Taxes' [Address Originally Delivered before the New York Tariff Convention, November 29, 1881] (Philadelphia: The Industrial League, 1887), 14.

<sup>985</sup> Alexander Hamilton, "The Federalist No. 21", 401.

<sup>986</sup> James G. Blaine, *Twenty Years of Congress*, Vol. 1, 188.

<sup>987</sup> Ellis H. Roberts, *Government Revenue*, 163; This view was expressed earlier by Hamilton, and as an argument for the adoption of the Constitution, noting that with the collection of import duties, the federal government has "but ONE SIDE to guard - the ATLANTIC COAST... It is therefore evident, that one national government would be able, at much less expense, to extend the duties on imports." Alexander Hamilton, "The Federalist No. 12" [27 November 1787] In *The Papers of Alexander Hamilton*, Vol. 4, ed. Harold C. Syrett (New York: Columbia University Press, 1962), 350, emphasis in original.

of his affairs for each current year.”<sup>988</sup> And Alexander Hamilton also notes in *The Report on Manufactures*, that “men engaged in any trade or business have commonly weighty reasons to avoid disclosures.”<sup>989</sup>

This leads into another important objection to direct taxation, that being, that direct taxes are inevitably arbitrary in nature. Since businessmen and entrepreneurs have weighty reasons not to disclose the true state of their financial affairs, they will often conceal and misrepresent their financial affairs, or they will simply undervalue their earnings or property to evade the tax. Moreover, on the side of the tax collector, there is the equally problematic issue of ascertaining the true value of income and/or property. This ultimately means that the final rate of taxation is at the discretion of the tax official. Thus, unlike indirect taxes which are clear and uniform in their application, direct taxes are unavoidably arbitrary, and “arbitrary taxes”, explains Hamilton, “are as contrary to the genius of liberty as to the maxims of industry.”<sup>990</sup> What finally arises from this messy system of taxation are issues ranging from costs of compliance to litigation. In the words of Ellis H. Roberts:

[Such] changes in the revenue laws are the occasion of annoying and costly litigation. Suits which are grievous and mischievous in every way spring out of new rates and new methods [of taxation]... The present system [of import duties] is cheaply administered, and its results are on the whole satisfactory... Let us do nothing to increase such litigation, which does more than else to render Government obnoxious.<sup>991</sup>

In short, the American Protectionists saw that, in practical terms, a system of direct taxation would be avoidably messy, bureaucratic, obnoxious, and inefficient.

On less practical and more philosophical grounds, the American Protectionists also argued that indirect taxation would be more conducive to, or at the very least, impinge less upon personal liberty and natural law.<sup>992</sup> Indirect taxes are, by their nature, voluntary since the consumer can always forgo consumption of the particular article being taxed. Direct taxes, in contrast, must invariably and unavoidably come out of an individual’s income, savings, or property. Hamilton thus explains that indirect taxes and tariffs, in particular, are “the most agreeable tax to the people that can be imposed, because it is paid insensibly, and seems to be voluntary.”<sup>993</sup> This view is echoed by Daniel Raymond who, likewise, notes that “indirect is preferable to direct

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<sup>988</sup> Erastus B. Bigelow also explains that “in marked contrast with taxes on property and income, they [customs duties] involve no annoying inquiry as to the circumstances of individuals and no vexations with the practice of any art or trade.” *The Tariff Question Considered in Regard to the Policy of England and the Interests of the United States*, (Boston: Little, Brown, & Company), 1.

<sup>989</sup> Alexander Hamilton, *Report on Manufactures*, 41.

<sup>990</sup> Alexander Hamilton, *The Report on Manufactures*, 42.

<sup>991</sup> Ellis H. Roberts, *The Treasury and the Taxes*, 19.

<sup>992</sup> See Section 6.3 for a discussion of taxation with respect to natural law.

<sup>993</sup> Alexander Hamilton, “The Report on the Impost Duty” [December 14, 1782] In *The Works of Alexander Hamilton*, Vol. 2, ed. Henry Cabot Lodge (New York: G. P. Putnam’s Sons, 1904), 189.

taxation, because the tax is then paid by the consumer voluntarily, and the government does not appear in the odious character of an exacter.”<sup>994</sup> Indeed, it should also be added that tariffs, in particular, are more congenial to liberty than other forms of indirect taxes, since the individual always has the option of buying a domestic substitute, and can thus forego the tax if they so desire. It is for this reason that Andrew Stewart likened “[tariff] revenue... [to] a *voluntary* and not *compulsory* contribution paid by those only who choose to purchase and consume foreign, in preference to home productions.”<sup>995</sup> This insight also led Ellis H. Roberts to conclude that, through the use of import duties, “government can secure its revenue with certainty upon conditions which come very near to voluntary offerings.”<sup>996</sup>

Indeed, even on the side of the foreign producer, tariffs were likened to a voluntary charge which is paid for the privilege of accessing the home market, and thus does not impinge upon the liberties of foreign producers. As Daniel Raymond explains:

An *impost* is not strictly speaking a *tax*. Taxes are levied upon citizens and property within the jurisdiction of the government laying the tax. An *impost* is a bonus which the owner of property is required to pay for the privilege of bringing it within the territorial limits of another government for sale or use. The owner of the property upon which a tax is laid, has no option whether he will pay the tax or not; but the owner of property upon which an *impost* is laid, has his election, whether he will bring his property within the jurisdiction of the government and pay the *impost*, or keep it out of that jurisdiction and save the *impost*.<sup>997</sup>

The argument that indirect taxes and tariffs, in particular, constitute a voluntary form of taxation also has important implications for economic development. It has been noted in Section 9.2, that whilst savings, and thus investment, is not the primary cause of economic growth, it still represents an important contributing factor. Since taxes on income must forcibly reduce an individual’s savings, this means that income taxes are necessarily injurious to growth and development. Consumption taxes, on the other hand, are voluntary and only reduce saving if one engages in consumption. They therefore do not forcibly reduce savings and hence investment. It is thus “a chief excellence of [indirect taxes]”, explains Hamilton, “that it preserves a just measure of the abilities of individuals, [and] promotes frugality [i.e., savings] and taxes

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<sup>994</sup> Daniel Raymond, *The Elements of Constitutional Law and Political Economy*, 255.

<sup>995</sup> Andrew Stewart, *The American System*, 9, emphasis in original.

<sup>996</sup> Ellis H. Roberts, *Government Revenue*, 137; This position is also supported by Richard W. Thompson, who writes “it is true that the duties upon imports are in the nature of taxes, but it is also true that they are without the odious element which makes taxes seem oppressive. If they fall upon the consumer at all, they are paid voluntarily and without compulsion.” *The History of Protective Tariff Laws*, (Chicago: R. S. Peale & Co., 1888), 449.

<sup>997</sup> Daniel Raymond, “The President’s Message, and the Report of the Secretary of the Treasury,” 388, emphasis in original.

extravagance.”<sup>998</sup>

### 14.3: The Ideal Standard of Taxation

Whilst there are various philosophical arguments concerning taxation scattered throughout the writings of the early American Protectionists, it would not be until the post-Carey writers that an explicit philosophical standard on which to formulate tax policy would be clearly spelt out. To better grasp this philosophy, it is perhaps best to compare it to the taxation philosophy of the Classical economists, which is rooted in the four maxims of Adam Smith and the additional equality maxim of John Stuart Mill. The last three of Smith’s maxims are not particularly controversial and were largely affirmed by the American Protectionists.<sup>999</sup> The Protectionists took issue, however, with Smith’s first maxim and Mill’s equality maxim. Smith’s first maxim asserts that “the subjects of every state ought to contribute towards the support of the government... in proportion to their respective abilities... [and] in proportion to the revenue which they respectively enjoy under the protection of the state.”<sup>1000</sup>

The American Protectionists rejected Smith’s view that only the subjects of the State ought to contribute to the support of the government, as this necessarily implies that only domestic subjects should be burdened by taxation.<sup>1001</sup> This, according to Van Buren Denslow, “ignore[s], at the outset, a cardinal point in the protectionist experience, that not only the subjects of a state, but aliens who seek to do business or sell their wares within its borders, or in any way to get the benefits of its markets... ought to... contribute to the support of its government.”<sup>1002</sup> Since foreign producers benefit from the privilege of accessing and selling their products in the home country’s market, and because this necessarily involves the provision of public goods, such as infrastructure, taxation should not be merely limited to the nation’s citizens.

The second issue with Smith’s first maxim relates to taxing people according to their ‘ability to pay’ and the ‘benefits they enjoy’. Many American Protectionists saw this maxim as hopelessly muddled because it conflates two separate and seemingly contradictory principles into one maxim. An ability-to-pay principle lends itself to both a tax on labor and capital since, from an American Protectionist perspective, a person’s ability to pay is determined by their ability to generate a profit or earn an income.<sup>1003</sup> However, these taxes are, as Denslow puts it, distinct from “those which

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<sup>998</sup> Alexander Hamilton, *The Report on the Impost Duty*, 180-181.

<sup>999</sup> These include the maxims that (2) taxation ought to be certain and not arbitrary, (3) payment of taxes ought to be as convenient as possible for the payer (4) that the cost of collection ought to be kept to a minimum.

<sup>1000</sup> Adam Smith, *An Inquiry into the Nature and Causes of the Wealth of Nations*, Vol. 2, (London: W. Strahan & T. Cadell, 1778), 425

<sup>1001</sup> This could be seen as an overly literal interpretation of Smith, but given Smith’s fierce criticism of import tariffs, it is very plausible that Smith supported the view that only domestic citizens should be taxed.

<sup>1002</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 467.

<sup>1003</sup> It was not entirely clear what was exactly meant by ‘ability to pay’, as Denslow points out “Dr. Smith holds that taxation should be equal according to the ability of each to pay. But who shall define ability to pay?”. The American Protectionists interpreted this to mean a tax on capital and income. Van Buren Denslow, *Principles of Economic Philosophy*, 463.



arise from the “[benefits] they enjoy’ [principle] for this... is measured by expenditure.”<sup>1004</sup> The benefits-they-enjoy principle therefore necessarily lends itself to a tax on consumption, ostentation, and luxury. The American Protectionists observed therefore that, in practice, Smith’s ability-to-pay/benefits-they-enjoy maxim would produce an exceedingly broad and complex tax system which would violate another maxim expounded by Smith and affirmed by the American Protectionists: that the cost of collection ought to be kept to a minimum.

American Protectionists then turned to Mill’s maxim of equality, which posits equal taxation on the basis “of not... taking equal proportions from the incomes of individuals, but in taking equal proportions from their enjoyments.”<sup>1005</sup> This was rejected purely on practical grounds. Protectionists charged that Mill’s criterion was purely “chimerical” and represented an impossible and impracticable standard on which to formulate tax policy.<sup>1006</sup> The process of ensuring an equality of sacrifice of enjoyments demands that the incidence and burden of taxation is certain and can be accurately determined. Responding to Mill, Denslow explains that “the notion, that the incidence of taxes should be made certain... demands an impossibility in finance.”<sup>1007</sup> Such a view is further echoed by Robert Ellis Thompson, who notes that “experience shows that the incidence of taxation is not determined by laws as rigid as those of hydraulics.”<sup>1008</sup>

The above describes what the American Protectionists did not see as an acceptable philosophical or practical basis on which to formulate tax policy. Instead, they arrived at the view that taxes ought to be those “the taxpayer bears with most ease.”<sup>1009</sup> In other words, taxation should create the least amount of burden for the nation’s producers.<sup>1010</sup> In affirming this philosophy, Van Buren Denslow identifies three conditions which makes taxation consistent with this principle. These conditions were seen as constituting the ‘ideal standard of taxation’. These are taxes:

- 1... which indirectly promote the energy of national production, in a degree which more than supplies to the taxpayer the means of paying the tax, so that where a penny is taken out of one pocket in taxes, a shilling is put into the other in the form of better wages, more

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<sup>1004</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 463.

<sup>1005</sup> John Stuart Mill, “Errors and Truths on a Property Tax”, *Examiner*, January 1833, reproduced in *Collected Works of John Stuart Mill*, Vol. 23, ed. Ann P. Robson and John M. Robson, (Toronto: University of Toronto Press, 1968) 552.

<sup>1006</sup> As early as 1828, Willard Phillips explains that “the common maxim that taxation ought to be equal... like most general maxims, has no very definite meaning, and is of little practical utility.” *Manual of Political Economy*, 273.

<sup>1007</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 467.

<sup>1008</sup> Robert Ellis Thompson, *Elements of Political Economy*, 182.

<sup>1009</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 467.

<sup>1010</sup> This is broadly consistent with Andrew Mellon’s principles of taxation: “a sound tax policy must take into consideration three factors. It must produce sufficient revenue for the Government; it must lessen, so far as possible, the burden of taxation on those least able to bear it; and it must also remove those influences which might retard the continued steady development of business and industry on which, in the last analysis, so much of our prosperity depends.” *Taxation: The People’s Business*, (New York: The Macmillan Company, 1924), 9.

industries, or higher profits.

2... of which the returns come into the treasury of his own country, while the taxes are paid by the producers of other countries.

3... whose first incidence is a temporary scarcity of some product, but whose speedy effect is to greatly cheapen its supply.<sup>1011</sup>

To put it simply, taxation should be formulated so that (1) it indirectly promotes national industry, (2) at least some of the tax burden can be shifted onto foreign agents, and (3) so that the tax itself will eventually erode away its own burden. It is important to stress, however, that this represents the ‘ideal standard of taxation.’ At the very least, taxes which operate in the opposite direction should be minimized.

This ideal standard is clearly at odds with Smith’s ‘ability-to-pay’ principle, if taken to its logical end, since a tax on capital and income necessarily hurts industry, cannot be shifted to foreign producers, and it has no mechanism for eroding away its own burden. This is very much in line with the thinking of American Protectionists starting with Alexander Hamilton. According to Hamilton, “all... taxes... which proceed according to the amount of capital supposed to be employed in a business, or of profits supposed to be made in it, are unavoidably hurtful to industry.”<sup>1012</sup> This view is also further echoed by Willard Phillips, who notes how the ‘ability to pay’ principle in its completion threatens the development of industry:

This principle of apportioning the taxation in the ratio of the ability to pay, is one that is liable to abuse in popular governments; and this abuse, like every other, injures the whole community, since if you threaten accumulation of property with violence, or plunder, though it be under the guise of taxation, you thereby check and discourage it, and thus check and discourage the general industry and production.<sup>1013</sup>

Although there were some American Protectionists who acknowledged some truth to the ability-to-pay principle, they acknowledged its clear limitations and only affirmed it with important qualifications in mind.<sup>1014</sup> Andrew Mellon notes, for example, that:

The principle that a man should pay taxes in accordance with his “ability to pay” is sound but, like all other general statements, has its practical limitations and qualifications, and when, as a result of an excessive or unsound basis of taxation, it becomes evident that the

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<sup>1011</sup> Van Buren Denslow, *Principles of Economic Philosophy*, 467-468.

<sup>1012</sup> Alexander Hamilton, *Report on Manufactures*, 41.

<sup>1013</sup> Willard Phillips, *Manual of Political Economy*, 273.

<sup>1014</sup> In contrast to that previously mentioned, Willard Phillips implies that the ability to pay principle can be safely applied with respect to consumption taxes, noting “it is a general maxim in taxation to levy a greater proportion upon luxuries, by which rule reference is had to the ability to pay.” *Manual of Political Economy*, 273.

source of taxation is drying up and wealth is being diverted into unproductive channels, yielding neither revenue to the Government nor profit to the people.<sup>1015</sup>

The most important qualification is that the ability-to-pay principle should not discourage national production. Indeed, Andrew Mellon proceeds to explain that if “the idle man is relieved [but] the producer is penalized... we destroy the initiative which produces the wealth in which the whole country should share, and which is the source of revenue to the Government.”<sup>1016</sup> In fact, the ‘ability to pay’, to the extent that it was accepted by American protectionists, was more akin to an ‘ability to bear’. That is, the ability to bear the tax without it adversely affecting production.

It should be apparent that this ideal standard of taxation lends itself to a protective duty. Indeed, Horace Greeley clearly articulates this view, noting the compensatory effects of an import tariff, through the cultivation of new industries, which corresponds with the first criterion:

The superiority I claim for taxation by tariff or duties on imports over any and all modes of taxing commended as direct is this: Taxation by tariff involves and insures a compensating advantage to the great body of our taxpayers, in that it strongly tends to encourage the planting of new industries, the naturalization of new departments of productive labor, on our soil, and the consequent opening to hundreds of thousands of opportunities for earning a livelihood superior to, and more acceptable than, any which they would else have enjoyed.<sup>1017</sup>

Although independent theories in themselves, the two following sections will demonstrate how the protective tariff fulfils the two conditions of the ideal standard of taxation outlined above.

#### **14.4: The Tendency for Tariffs to Erode Away Their Own Cost**

The fact undoubtedly is that, under the process of protection, the common price, or cost of goods has become less. No one can deny that.<sup>1018</sup>

- Daniel Webster

One of the more important taxation theories developed by the American Protectionists concerns the tendency for protective tariffs to erode away their own costs. In fact, if taken to its full logic, protective tariffs would eventually be compensatory. This represents one of the most powerful theories concerning protective tariffs, for if it

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<sup>1015</sup> Andrew Mellon, *Taxation*, 15-16.

<sup>1016</sup> Andrew Mellon, *Taxation*, 19.

<sup>1017</sup> Horace Greeley, *Essays Designed to Elucidate the Science of Political Economy*, 271-272.

<sup>1018</sup> Daniel Webster, “General Effect of Protection” In *The Works of Daniel Webster*, Vol. 4, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1853), 534.

holds true, it dispels the belief that tariffs create a deadweight loss for society and thus dismantles one of the chief arguments which continues to be employed against protectionism. Like many of the other taxation theories discussed in this chapter, the notion has its origins with the writings of Alexander Hamilton. In the words of Hamilton:

Though it were true, that the immediate and certain effect of regulations controlling the competition of foreign with domestic fabrics was an increase of price, it is universally true that the contrary is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of persons, it invariably becomes cheaper. Being free from the heavy charges which attend the importation of foreign commodities, it can be afforded, and accordingly seldom or never fails to be afforded cheaper in process of time than was the foreign article for which it is a substitute. The internal competition which takes place soon does away everything like monopoly, and by degrees reduces the price of the article to the minimum of a reasonable profit on the capital employed.<sup>1019</sup>

The American Protectionists did not deny that the price of protected domestic goods would initially be higher than imported articles. These costs were seen, however, as a short-term sacrifice for a long term gain. As industries expand under protection, the price of protected articles will have a tendency to fall below the price of competing imports.<sup>1020</sup> This tendency would be later explained by American Protectionists with reference to Henry Carey's reproduction cost theory of value. As production expands, reproduction costs have a tendency to fall, and this represents a real saving to consumers. John L. Hayes thus explains that:

No economical law is more capable of demonstration than this; that manufactured commodities are invariably cheapened in the cost of production and in the prices at which they are afforded to consumers, as home demand enlarges them. Mr. Carey lays down this law [of declining reproduction costs] with great emphasis. This cheapening under this law applies most of all to the necessaries of life, the commodities in universal demand. This demand justifies production at vast scale, diminishing to the lowest point the portion of the general

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<sup>1019</sup> Alexander Hamilton, *The Report on Manufactures*, 27. Calvin Colton also explains that the "facts... demonstrate the *general truth*, that home products of manufacture, under Protection, *tend* invariably and uniformly to reduce the prices of the articles." *Public Economy for the United States*, 368; See also Giles B. Stebbins, *Tariff is Not a Tax*, (Philadelphia: American Iron and Steel Association, 1880), 7-8.

<sup>1020</sup> It is important to emphasize that the American Protectionists were clear that this theory does not hold for tariffs on non-competing imports. Thomas H. Dudley explains, for instance, that free traders "argue that the amount of protection placed upon a commodity represents the increased price to the purchaser. This is not true. The history of protection in our country shows directly the reverse of this. It shows that upon all commodities such as tea, coffee and spices, which we do not grow or produce in this country, the duty, when imposed, increases the price to the extent of the duty; but in no case has protection permanently increased the price upon commodities manufactured or produced here." *Farmers and the Tariff*, 6.

expenses of a manufacturing establishment which each article produced bears... The large scale of production leads to the constant introduction of machinery and labor-saving machines. Finally competition between rival establishments, encouraged by the universal demand, prevent monopolies of production... and furnishes to consumers commodities at the lowest possible price at which they could be afforded at the period of consumption.<sup>1021</sup>

Indeed, this tendency for prices to be lower in the long-run under protective tariffs was also explained via reference to the different pricing strategies undertaken by foreign producers. Some American Protectionists observed that foreign producers would temporarily lower prices to crush domestic producers who would enter the market, only to raise them back up again. Tariffs could thus be used to ensure that prices are consistently lower in the long-run through the emergence of domestic competition. In the words of Joseph Wharton:

The real effect of import duty on prices is about this:... In the case of articles produced both at home and abroad, home competition, which is at first made possible by the duty preventing foreigners from crushing it in the bud through temporary lowering of prices, or even by its causing an absolutely higher price, soon forces the foreigner to abate his price or totally lose his market. Later, it constantly obliges the foreigner to accept not what he would wish to charge, but the home producer is willing or able to sell at. Finally, in many cases, after quite driving the foreigner out of the field, domestic establishments competing among themselves force prices down to a lower point than foreigners could deliver at free of duty.<sup>1022</sup>

In either case, the reason for the price of domestic articles being lower in the long run, as opposed to simply matching the price of imports, is explained by the fact that imports have the added costs of transportation.<sup>1023</sup> In the case of the domestic article, however, there is no, or at the very least, limited transportation costs involved. This means that once domestic production expands to the point that production costs are at parity with foreign producers, domestic articles will be cheaper than foreign articles due to the lower transportation costs. In the final stage, protective tariffs would thus be compensatory.<sup>1024</sup> This means that free trade is far more costly to the consumer in the long run because the cost of transportation will continue to persist and will ultimately be borne by the consumer. In fact, it is for this reason that American Protectionists labelled the transportation costs associated with international trade as

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<sup>1021</sup> John L. Hayes, "Customs Duties on the Necessaries of Life," 117

<sup>1022</sup> Joseph Wharton, *National Self-Protection*, 26-27.

<sup>1023</sup> Alexander Hamilton, *The Report on Manufacture*, 27.

<sup>1024</sup> Nathaniel A. Ware also notes that "the price and quality of the goods, after competition shall have had its effects, are so low and good that the difference much more than pays back the tax paid for the protection the first few years." *Notes on Political Economy*, 66.

the “tax of transportation”, which has been elaborated upon in Section 11.4. Indeed, on this basis, some American Protectionists, such as Calvin Colton, argued “that protective duties are not taxes, but a rescue from taxation.”<sup>1025</sup> In any event, it is clear that the American Protectionists developed a clear and thorough explanation for how protective tariffs have a tendency to erode away their own burden with an eventual compensatory effect. This was not only in terms of cultivating new industries and avenues of production, but also through lowering the costs of articles.

#### **14:5: Theory of Tax Incidence**

The American Protectionists did not believe that the burden or incidence of taxation could be calculated with any high degree of certainty. Still, they developed a theory which would account for the direction which incidence tended to move. This analysis could be thought of as a competition theory of tax incidence. According to the American Protectionists, it is the interplay of competitive forces in the real world which influences the proportion of incidence shouldered by each party involved. This is markedly different from the modern Neoclassical approach which treats the issue of tax incidence from the standpoint of an economy suspended in equilibrium. Before proceeding, however, it is important to note that the theory discussed in this section is a theory of incidence specifically for indirect taxation, and does not purport to determine the incidence of direct taxes.

The American Protectionists argued that the burden of taxation would be divided between the buyer and the seller. What proportion of the burden falls upon each is determined by the intensity of demand relative to the intensity of supply in the market, and this is ultimately conditioned by competitive forces.<sup>1026</sup> This theory also has its origins in Alexander Hamilton’s early economic writings. In the words of Hamilton:

The maxim, that the consumer pays the duty has been admitted in theory with too little reserve; frequently contradicted in practice. It is true, the merchant will be unwilling to let the duty be a deduction from his profits, if the state of the market will permit him to incorporate it with the price of his commodity. But this is often not practicable. It turns upon the quantity of goods at market in proportion to the demand. When the latter exceeds the former, and the competition is among the buyers, the merchant can easily increase his price and make

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<sup>1025</sup> Calvin Colton, *Public Economy for the United States*, 374. Indeed, Colton goes even further arguing that if the economy develops domestic substitutes and can thus forego imports, they also forego any foreign taxation (that would presumably be higher than that levied in a low taxing economy such as the United States) shifted onto the price of imports. Colton thus explains that protective tariffs “will rescue us from a grievous system of foreign taxation.” 505.

<sup>1026</sup> So that there is no confusion, it is important to emphasize that this is not a price elasticity theory of tax incidence, but a competition theory of incidence. The Neoclassical price elasticity theory of tax incidence holds that tax incidence will be determined by how sensitive demand is to changes in price in a perfectly competitive market. In the American Protectionist theory of tax incidence, the competitive state of the market is the factor influencing who bears the incidence. As will be shown in Section 14.6, however, price elasticity does play an important role in revenue raising.

his customers pay the duty. When the reverse is the case, and the competition is among the sellers, he must then content himself with smaller profits, and lose the value of the duty or at least of a part of it. Where a nation has a flourishing and well settled trade this more commonly happens than may be imagined, and it will, many times, be found that the duty is divided between the merchant and the consumer.<sup>1027</sup>

In other words, if the level of demand exceeds the quantity of goods supplied, competition within the market will be among the consumers for the purchase of commodities. In this situation, the producer or merchant will tend to shift a higher portion of the tax burden onto the consumer. When supply exceeds demand within the market, then competition will be among the producers for the sale of commodities. In this case, producers will decide to pay a higher proportion of the tax burden, lest they lose sales to competitors.<sup>1028</sup> This means that the exact proportion of incidence borne by the consumer, producer, and merchant will depend on the degree of competition within the market. Ultimately, however, the incidence will be indeterminately shared by the consumer and producers with these competitive forces only influencing the direction which incidence tends to fall. The above, of course, represents a simple case between a buyer and a seller. In practice, the incidence would be proportioned through the line of exchange by the interplay of competitive forces. Hamilton explains, for instance, that “there is strong reciprocal influence between the prices of all commodities in a state, by which they, sooner or later, attain a pretty exact ballance (*sic*) and proportion to each other.”<sup>1029</sup>

It must be said, however, that this theory was never intended to be viewed as a purely static explanation of tax incidence. Instead, there is a tendency for the incidence to change over the long run since producers and entrepreneurs behave in a reactive manner to changes in legislation and changes in the marketplace. This adds another dimension to the theory, particularly with respect to the incidence of import duties over the long run. Because tariffs tend to stimulate domestic production, this, as shown in the previous section, necessarily means that the cost of the tariff will tend to diminish as production expands and prices fall. There is, however, a similar, though

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<sup>1027</sup> Alexander Hamilton, “The Continentalist No. 5,” 79-80; See also Hamilton, “The Report on the Impost Duty,” 180.

<sup>1028</sup> As Alexander Hamilton explains, “where the markets are overstocked... there is a competition among the sellers,” “The Report on the Impost Duty”, 180. That said, although Hamilton follows the same reasoning, he seems to contradict himself in “The Report on the Impost Duty,” by implying that the duty is “ultimately paid by the consumer” (p. 180), rather than it being determined precisely by the interplay of competitive forces. It is plausible that because this was a report which strictly concerned low revenue tariffs, Hamilton saw the duty as having limited impact on supply and would thus be borne more so by the consumer, assuming a markets are well supplied, as will be elaborated upon below. Alternatively, this could have been political maneuvering on the part on the Hamilton, as the point of the report was to convince the commercial States to approve the import duty, and it would thus be more acceptable to imply that consumers, as opposed to merchants, borne the incidence of the duty.

<sup>1029</sup> Alexander Hamilton, “The Continentalist No. 5,” 80.

unrelated effect, when it comes to the question of who bears the incidence of the import duty.

When duties are first imposed on foreign articles which compete with infant industries, this results in a temporary scarcity of goods. This means, as Hamilton shows, that the bulk of the incidence of the import duty will be shifted to the domestic consumer since there is competition for the purchase of goods. However, because the import duty creates both a scarcity and shifts the incidence to the consumer, this means that the market will be more profitable to domestic producers. Van Buren Denslow, thus explains, that “in the case of every really protective duty, therefore, there is a domestic production which the duty is constantly stimulating into a condition more nearly approximating to that of fully supplying the demand.”<sup>1030</sup> As domestic production, and thus competition from domestic producers, increases, this has the effect of shifting the incidence of the import duty away from domestic consumers. Since import duties, however, are only levied on foreign goods, as opposed to domestic production, this means that foreign producers will be compelled to shoulder the bulk of the incidence, especially since they are trying to compete with domestic producers. Denslow thus concludes that:

When the American supply is wholly or nearly adequate to the American demand [i.e., the industry becomes mature] it may nevertheless happen that the article will be imported, notwithstanding [that] the American price is no higher than the foreign. In every such case the foreigner either divides the duty with the American consumer or pays it all... [When] our customs revenue are in this manner paid by foreigners, [they] are not a tax on the American consumer at all.<sup>1031</sup>

This not only reinforces the view that protective tariffs represent the ideal standard of taxation posited earlier (since at least some of the burden can be shifted to foreign producers), more significantly, it underscores an important time dimension when analyzing the incidence of import duties. In short, tariffs or duties on foreign articles which compete with infant industries will tend to be shouldered more by the domestic consumer, whereas tariffs on articles competing with established industries will tend to be shouldered more by foreign producers. Incidence will thus shift between the two according to the degree of development of the particular industry in question. This incidence shifting mechanism embedded in the protective tariff is important since it means that tariffs are naturally more protective in the early stages of an industry’s development when protection is needed the most. Tariffs will thus always be protective in nature, but the degree of protection will be stronger for infant industries. It also

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<sup>1030</sup> Van Buren Denslow, *The Logic of Protection*, 8.

<sup>1031</sup> Van Buren Denslow, *The Logic of Protection*, 10; See also Henry M. Hoyt, *Protection versus Free Trade*, 432-434.



means that the burden of the tariff for the domestic consumer will gradually reduce as development progresses. This view is well expressed by Ellis H. Roberts, who explains that:

The law of incidence may be clearly stated. The tendency is first to charge every impost to the final consumer of the commodity affected; thus, in articles which enter into new modifications, the tendency is to throw the charge forward upon the last purchaser. But against this tendency acts any increase of supply relative to demand... the incidence will depend upon the ease and rapidity with which the supply can be increased relative to the demand... [The] operation [of the impost] magnifies the profits in the branch of trade so affected, and when those [profits] are carried above the average, competition enters... With the publicity which attaches to production and trade in these days, any considerable increase in profits in one branch immediately increases the competition in it and leads soon to such an augmentation of supply that the consumer gets the benefit [due to the foreign producer burdening the tax].<sup>1032</sup>

This also demonstrates another superiority of a protective tariff over tariff for revenue only (and to a lesser extent a simple revenue tariff). Since tariffs for revenue only are those levied on non-competing imports, there is no stimulus to domestic production, and thus no mechanism to shift incidence away from domestic consumers to foreign producers. Tariffs for revenue only would thus be paid chiefly by domestic consumers. Although perhaps exaggerating the full amount shouldered by consumers, William McKinley captures this view:

If the duty is put upon the non-competing foreign products, the consumers in the United States will pay every dollar of that tax, because, as there is no competition at home, the price of such foreign products to the American consumer will be the foreign price with the duty added. We would secure the revenue, but we would pay it wholly ourselves. A revenue tariff is always paid by the consumer. We would secure the revenue for a time, but, in placing the duty upon the non-competing foreign product, we would give no encouragement or protection to any home industry.<sup>1033</sup>

The American Protectionists thus developed a clear and dynamic analysis of tax incidence. This theory also clearly articulates the incidence shifting mechanism inherent to protective tariffs, and, in doing so, it controverts the popular notion that

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<sup>1032</sup> Ellis H. Roberts, *Government Revenue*, 157-158; This is also intimated in Daniel Raymond, *The American System*, (Baltimore: Lucas & Deaver, 1828) In *Free Trade and Protectionism in America: 1822-1890*, ed. Lars Magnusson (London: Routledge, 2000), 134-136.

<sup>1033</sup> William McKinley, "Value of Protection," 742; This also likewise supported by Daniel Raymond, *The Elements of Constitutional Law and Political Economy*, 228-230.

the domestic consumer pays all of the incidence of a tariff. Unlike internal taxes which are shouldered fully by the nation's citizens, tariffs are shouldered by both the domestic consumer and foreign producer, with the exact amount conditioned by competition and the level of development of the industry in question.

#### **14.6: Theory of Governmental Restraint in Taxation**

An important feature in the American Protectionists' treatment of taxation concerns the issue of governmental restraint in the formulation and imposition of taxes. Protectionists were conscious of the possibility that excessive taxation would create burdens for domestic industry and private enterprise. In light of this, the need for well-functioning government to oversee the development and the expansion of industry needs to be checked by a policy of moderation when it comes to the imposition of taxes, so as not to stifle the expansion of private enterprise. On this issue, American Protectionists saw that indirect taxation, and especially import duties, would exhibit a tendency towards self-restraint. It should be noted from the outset, however, that this theory was formulated with the view of revenue in mind, and, as such, it is used to describe revenue (as opposed to protective) tariffs and internal consumption taxes.

The view that indirect taxation, and particularly import duties, exhibits a tendency to impose self-restraint on the taxing authority was first expressed by Alexander Hamilton in the *Continentalist*, and elaborated upon later, in the *Federalist*. The argument, in short, assumes that if the rate of taxation is excessive, this would discourage consumption and would also encourage tax avoidance, and would thereby limit the revenue raised by the tax. In the *Continentalist*, Hamilton attributes this to the increase in smuggling and customs evasion that arises from excessive rates of duties, and also from the reduction in demand from the higher prices that accompanies an increase in indirect taxes. Both would serve as a restraint against excess. In Hamilton's words:

They [the State] can have no temptation to abuse this power, because the motive of revenue will check its own extremes. Experience has shown that moderate duties are more productive than high ones. When they are low, a nation can trade abroad on better terms— its imports and exports will be larger—the duties will be regularly paid, and arising on a greater quantity of commodities, will yield more in the aggregate, than when they are so high as to operate either as a prohibition, or as an inducement to evade them by illicit practices.<sup>1034</sup>

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<sup>1034</sup> Alexander Hamilton, "The Continentalist No. 5," 78-79; William Bingham expressed similar views in letter to Hamilton, noting that "in proportion as the Impost is heavy the Temptation to escape it will increase, & the smuggler will find additional Incitements to exercise his Contraband Practices." William Bingham to Alexander Hamilton, [[25 November 1789], in *The Papers of Alexander Hamilton*, Vol. 5. ed. Harold C. Syrett (New York: Columbia University Press, 1962) 549.

Writing in *Federalist* number 21, Hamilton would offer a more sophisticated and improved analysis:

It is a signal advantage of taxes on articles of consumption [indirect taxes] that they contain in their own nature a security against excess. They prescribe their own limit, which cannot be exceeded without defeating the end proposed—that is, an extension of the revenue. When applied to this object, the saying is as just as it is witty that, ‘in political arithmetic, two and two do not always make four’. If duties are too high, they lessen the consumption; the collection is eluded; and the product to the treasury is not so great as when they are confined within proper and moderate bounds. This forms a complete barrier against any material oppression of the citizens by taxes of this class [indirect taxes], and is itself a natural limitation of the power of imposing them.<sup>1035</sup>

What Hamilton is referring to when he speaks of consumption taxes ‘prescribing their own limit’ is the role that the price elasticity of demand plays in determining the optimal rate of revenue when levying taxes on articles of consumption. According to this view, when applying such taxes, there will be a revenue optimizing rate of taxation, and any increase of the tax rate beyond this point will lead to a decrease in the amount of revenue raised, as consumers forego or reduce their consumption due to the excessive rate of taxation. This revenue optimizing rate will depend upon the particular price elasticity of demand for the good in question.

This represents an important distinction between consumption taxes and taxes on income. The rule of apportionment is clearly identifiable when levying or adjusting a consumption tax since the influence on revenue will be clear and explicit to the taxing authority. In contrast, when it comes to the imposition of income tax, Hamilton explains, that “no limits to the discretion of the government are to be found in the nature of things.”<sup>1036</sup> This is to say, that the taxing authority has no simple means of deciphering the revenue maximizing point of taxes on income because of the complex array of factors influencing the revenue generated from such taxes, and also because of the indeterminate nature of how the tax itself affects income.

An issue closely connected to revenue maximization concerns the secondary welfare effects produced by the tax itself. This line of thought suggests that because taxation is burdensome, it will reduce economic welfare and thus limit the amount of revenue collected from the nation’s citizens by lowering consumption. Hamilton’s rule of apportionment meant that indirect taxation tended not to reach such excessively

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<sup>1035</sup> Alexander Hamilton, “The Federalist No. 21”, 401; This is also noted in Bruce Bartlett, “The Laffer Curve, Part 2,” *Tax Notes*, 136, no. 10 (2012), 1208.

<sup>1036</sup> Alexander Hamilton, “The Federalist No. 21”, 401.

burdensome levels, and it is for this reason that Hamilton opted for tariff rates that were lower than that advocated by later American Protectionists. Later American Protectionists did, of course, continue to affirm Hamilton's position with respect to revenue duties and other consumption taxes. Writing with respect to revenue tariffs and other indirect taxes, for instance, William McKinley explains that "it is for this reason that revenues are assured with the smallest tax; for these revenues will always be measured by the demand of our people for such foreign articles as we cannot produce [such articles] at home, [and thus consumption is] limited only by our ability to buy."<sup>1037</sup> Protective duties, however, were seen as an exception to this rule because they have the unique effect of stimulating domestic production which enhances economic welfare. As Henry Carey explains:

The power of the people to pay taxes for the support of government is dependent upon their power to consume commodities that are taxed, and if protection diminished wages, it must of course diminish revenue; but when we examine the facts, it is shown that, notwithstanding a great increase of the free-list, the revenue increased under the [high] tariff of 1828, and fell off [after its repeal] so much afterwards that the government was compelled almost to beg for loans in the markets of Europe.<sup>1038</sup>

Since protection stimulates production, and since the production of commodities constitutes the demand for other commodities, many of which are subject to taxation, it follows that high protective tariffs will tend to enhance revenue.

Although a less powerful argument than that originally put forward by Hamilton, the basic concept behind this taxation theory of governmental restraint, would underpin a more general argument against high taxation, and it would represent an argument put forth by Andrew Mellon and Calvin Coolidge in favor of the Mellon tax cuts.<sup>1039</sup> In anticipating the logic behind the Laffer curve, Andrew Mellon put forth the case that higher rates of taxation do not necessarily result in increased revenue.<sup>1040</sup> By suppressing production, higher taxes may well lower the taxable income of businesses and individuals. Mellon thus explains that:

The history of taxation shows that taxes which are inherently excessive are not paid. The high rates inevitably put pressure upon the taxpayer

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<sup>1037</sup> William McKinley, 'Value of Protection', 742.

<sup>1038</sup> Henry Charles Carey, *Harmony of Interests*, 42. For similar arguments. See Henry Charles Carey, *How Protection, Increase of Public and Private Revenues, and National Independence March Hand in Hand Together*, (Philadelphia: Collins Printer, 1869); and Henry Clay, "On the Protection of Home Industry," [April 16, 1820] In *The Works of Henry Clay*, Vol. 5., ed. Calvin Colton, (New York: Henry Clay Publishing Company, 1896), 224.

<sup>1039</sup> This is less powerful since Hamilton clearly identifies the rule of apportionment in indirect taxes. Mellon's is more so describing the revenue maximizing level of taxation in general, as opposed to identifying an inherent tendency towards self-restraint.

<sup>1040</sup> Robert R. Keller, 'Supply-Side Economic Policies During the Coolidge-Mellon Era', 781.

to withdraw his capital from productive business... or to find other lawful methods of avoiding the realization of taxable income.<sup>1041</sup>

A similar observation was also made by Calvin Coolidge in his State of the Union:

Four times we have made a drastic revision of our internal revenue system, abolishing many taxes and substantially reducing almost all others. Each time the resulting stimulation to business has so increased taxable incomes and profits that a surplus has been produced... It has been a method which has performed the seeming miracle of leaving a much greater percentage of earnings in the hands of the taxpayers with scarcely any diminution of the Government revenue.<sup>1042</sup>

The central idea behind this view is that high taxes, particularly of the direct kind, has the tendency to stifle initiative, enterprise, and wealth creation.<sup>1043</sup> Indeed, “the vital defect in our present system [of taxation]”, explains Mellon, “is that the tax burden is borne by wealth in the making... We place a tax on energy and initiative.”<sup>1044</sup> In short, by cutting taxes, industry can proceed unencumbered, and the ensuing increase in production may well lead to an increase in government revenue by increasing the overall amount of taxable wealth. This result is, of course, not a given, but it does demonstrate how under certain circumstances lowering taxes can increase the overall amount of revenue.

#### **14.7: Summary**

The American Protectionists were clear that “every revenue system must bear upon production either with friendly or hostile hand.”<sup>1045</sup> They therefore opted for a policy of low taxation, and one structured in such a way that it was least burdensome to domestic industry. Their system of taxation was one predicated on indirect taxes, and predominately, protective tariffs. When compared to direct taxation, indirect taxes were seen as far less costly to collect, less intrusive to domestic producers, more conducive to liberty, and tended to promote savings and investment. Against the Classical maxims of taxation, the American Protectionists posited that the ideal form of taxation was one which indirectly promotes national industry, one where at least

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<sup>1041</sup> Andrew Mellon, *Taxation*, 13

<sup>1042</sup> Calvin Coolidge, ‘President’s Annual Message’ [State of the Union], in *Congressional Record*, Vol. 70, Part 1, (Washington: U.S. Government Printing Office, 1929), 20.

<sup>1043</sup> Stephen Colwell expresses a similar argument, noting that taxation can only be paid for out of net income for any extended period of time. If taxation therefore exceeds the net income of an industry or individual, this means that it must detract from capital accumulation and will thus leave the industry in a paralyzed and precarious situation, which will reduce the revenue-raising capacity of the economy in the long run. As Colwell explains: “something more than mere hard work is needful to give industry the power to endure taxation... People may work hard and long, and spare for taxes. It is needful that, in other words, that labor should not only be productive of great results and abundant commodities, but should be productive of net income, for out of such income only can taxes be paid for any protracted period... If taxes do not come from net income, they must ultimately crush the industry upon which they are levied.” Stephen Colwell, “Report upon the Relations of Foreign Trade to Domestic Industry and Internal Revenue,” in *Reports of A Commission Appointed for a Revision of the Revenue Commission of the United States, 1865-66*, commissioned by David A. Wells, Stephen Colwell, and Samuel S. Hayes (Washington: Government Printing Office, 1866), 276.

<sup>1044</sup> Andrew Mellon, *Taxation*, 94.

<sup>1045</sup> Ellis H. Roberts, *Government Revenue*, 328.

some of the tax burden can be shifted onto foreign agents, and one whereby the tax itself eventually erodes away its own burden. Protective tariffs were seen as embodying this ideal standard. The American Protectionists understood that by encouraging domestic production and domestic competition, that tariffs would bring down the domestic costs of production. Tariffs would thereby eventually erode away their own burden, and would even produce compensatory benefits, as consumers forego the 'tax of transportation'. This fulfils the first and third condition of their ideal standard.

The American Protectionists, likewise, developed an impressive analysis of tax incidence predicated on the interplay of real-world competitive forces. In approaching the issue of tax incidence from a dynamic, as opposed to a static, standpoint, they also uncovered an incidence shifting mechanism unique to protective tariffs. According to this theory, tariffs tend to be more protective in the infant stages of an industries' development, but, as development progresses, the incidence will tend to shift onto the foreign producer, as they are forced to compete with domestic producers. In the long-run, tariffs will therefore tend to be borne more by foreign producers, which also fulfils the second condition of their ideal standard.

Finally, the American Protectionists developed a governmental restraint theory of indirect taxation. According to this view, indirect taxation exhibits a tendency to prescribe its own limits, since excessive tax rates tend to discourage consumption and will thus produce lower revenue. Although later American Protectionists saw this theory as inapplicable (or at least not completely applicable) to protective tariffs, it underscored their approach to levying internal consumption taxes and revenue tariffs. This theory of restraint also formed the basis of their more general commitment to low taxation. By reducing the obstacles and burdens to domestic enterprise, and encouraging wealth creation, it was argued that lower taxes often have the ability to increase tax revenue. Now that the major aspects of American Protectionist thought have been set out (from Chapter 6 through to the present one, Chapter 14), the next chapter will directly address the research question and will provide a discussion of the contributions made by this thesis.

## Chapter 15: Discussion

### 15.1: Introduction

This study provides an overview, general treatment, and critical examination of the system of economic thought developed by the American Protectionists. It commenced with a review of the existing literature pertaining to the School. By identifying the flaws and gaps within this literature, a research methodology was crafted that sought to examine the American Protectionists from their own standpoint, and to avoid the all too common experience of dismissing them via reference to outside systems of thought, or worse, distorting their system by ‘reading in’ outside themes. This study took the form of a critical exegesis, an internal critique, and a rational and historical reconstruction of their system. This reconstruction represents the distillation of the views of the American Protectionist School into a general system of philosophy and theory. This represents the significant and original contribution to knowledge made by this study.

With this study nearing completion, this chapter provides a discussion of its contribution to the history of economic thought and economic science more broadly. In doing so, this chapter will situate this contribution within the context of the existing literature, namely, how it corrects the errors and misunderstandings which have pervaded most studies concerning the American Protectionists (Section 15.2). It will then provide a reflection on the contributions of this study within the context of the methodology utilized (Section 15.3). The chapter will then address the research question posed via a synthesis of the ideas discussed in the preceding chapters (Section 15.4), before turning to a discussion of the prospects of reviving this lost school of economic thought (Section 15.6). The chapter will end with a concluding remark.

### 15.2: This Thesis in the Context of the Literature

This study provides the first detailed and comprehensive account of the general system of economic philosophy and theory developed by the American Protectionist School. It challenges much of the conventional thinking concerning the School. In the past, the American Protectionists have been routinely ignored and omitted from most general texts on the history of economic thought, but even among those which have dealt with the American Protectionists, the prevailing attitude is that the American Protectionists ‘did nothing towards developing a theory of political economy.’<sup>1046</sup> This thesis makes it clear that this statement is fundamentally false. By rediscovering and reconstructing the system of economic thought of the American Protectionists, this research demonstrates that they did, in fact, develop a theory of political economy. This thesis

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<sup>1046</sup> Charles Franklin Dunbar, ‘Economic Science in America, 1776-1876’, 140; Joseph Schumpeter, *The History of Economic Analysis*, 489; John Galbraith Kenneth, *The Affluent Society*, 44; Paul K. Conkin, *Prophets of Prosperity*, 16, 40, 312. See Section 2.1 for further detail.

consolidates and conveys this theory of political economy in a form which renders it intelligible to the modern reader. In doing so, it also places the American Protectionists within their proper context in the history of economic thought.

This rediscovery and reconstruction of their theory of political economy also shows that the American Protectionists did indeed form their own distinct school of economic thought replete with unique principles, an integrated system of economic laws, and, in some cases, even their own specialized language. In other words, the American Protectionist School is its own unique and complete theoretical system. This stands in contrast with much of the secondary literature which has relegated them to a parenthetical position within the more well-known intellectual traditions. This dismissal has sometimes been explicit, implicit, or subtle. The American Protectionists have often been viewed as derivations or adaptations, yet still basically Classical in nature.<sup>1047</sup> In other instances, they have been viewed as an antecedent, junior partner, or even indistinguishable from the German Historical, Progressive, and Institutionalist traditions.<sup>1048</sup> Still, at other times, they have been described as an American counterpart which ran parallel to the Marxian economics of Europe.<sup>1049</sup> It is evident from the findings of this study that the American Protectionists are fundamentally different in nature and character to these other intellectual traditions. They were, in fact, some of the harshest critics of Classical, Marxist, and German economics. Whilst there may be certain instances in which they share common ground with the above-mentioned Schools, and even other Schools not here mentioned, these commonalities are also accompanied by substantial and numerous points of departure and difference. They can thus be conceived as a school of economic thought in their own right.

The final correction to the record made by this contribution is the restoration of the American Protectionist School to its place of intellectual respectability. Indeed, not only did they develop a theory of political economy, they developed one which rivalled and, in the view of the author, surpassed that of the leading 19<sup>th</sup> century schools of economic thought, both in terms of theoretical depth and strength, but also in terms of their influence on American economic policy.<sup>1050</sup> In a similar vein, this research also affirms that their contributions extended well beyond questions of international trade and protectionism. Their system of economic thought is extensive. They wrote on matters pertaining to philosophy, methodology, price and value theory, growth and development, entrepreneurship, distribution and social mobility, the business cycle,

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<sup>1047</sup> John Galbraith Kenneth, *The Affluent Society*, 44; Paul K. Conkin, *Prophets of Prosperity*, 16, 40, 312. See Section 2.1 for further detail.

<sup>1048</sup> Marc-William Palen, *The "Conspiracy" of Free Trade*, 177; Donald Gibson's *Wealth, Power, and the Crisis of Laissez-Faire Capitalism*, 44; Erik Reinert's *The Visionary Realism of German Economics*, 337; Christopher W. Calvo, *The Emergence of Capitalism in Early America*, 237-238; Michael Hudson, *America's Protectionist Takeoff*, 25-26. See Section 4.4 for further detail.

<sup>1049</sup> Michael Hudson, *America's Protectionist Takeoff*, xix. See Section 2.1 for further detail.

<sup>1050</sup> Section 4.3 for their influence of the American Protectionists on Republican economic policy.



population and agglomeration, and a host of other economic topics. They were thus far from shallow single-minded thinkers. They tackled a broad range of complex and difficult economic questions. With the above in mind, this thesis provides clarification on an important chapter in the history of economic thought which has been neglected and often misunderstood.

### **15.3: This Thesis in the Context of the Research Paradigm**

The critical realist approach adopted in this study posits that all research is inherently value laden. This poses a particular challenge for an inquiry of this nature. The value-ladenness of research necessarily means that systems of economic thought are especially susceptible to being dismissed, purely on the basis that their ideas are at odds with conventional thinking, or at odds with the particular views held by the researcher conducting the study. It also means that schools of economic thought are also susceptible to being distorted by a ‘reading in’ of ideas and concepts which are entirely foreign to the original meaning intended by the authors. Indeed, this distortion is particularly pernicious since it is far easier to pick up a dismissed and neglected area of research than it is to clear away misconceptions and misunderstandings.

In order to avoid the twin-issues highlighted above, this study has taken the form of an internal critique of the American Protectionist School based upon a broad-ranging critical exegesis of the writings of the numerous figures who made up the School. This was performed through a cumulative and circular hermeneutical process of using context to inform the reading of their texts, and similarly, using the texts themselves to further inform the context surrounding other texts from within the School.<sup>1051</sup> This internal critique has allowed for a historically accurate and non-distortionary account of their system of economic thought, yet one reconstructed in such a way that it makes sense to the modern reader. Because of this kind of reconstruction, the economics community can now appreciate the system of the American Protectionists on its own terms, instead of it being conveyed through the lens of an external system of thought. In essence, this reconstruction provides a clarification of what American Protectionist thought is from the standpoint of the School itself.

It should also be reiterated that this reconstruction was not undertaken for antiquarian purposes, but was instead undertaken for the purpose of rediscovering lost knowledge. Even though these works were written within a particular historical context, the market economy has not changed that dramatically that these ideas have been rendered obsolete. In fact, the American Protectionists were writing on matters

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<sup>1051</sup> This is an oversimplification of the process. Section 3.4 provides a more complete explanation.

relevant and directly applicable to modern economics. To give an example, the economic system of the American Protectionists centered heavily on the role of invention and technological change. The importance of technology is as relevant to the modern era as it was in the times of the American Protectionists, and it is far from clear that modern economics is more capable than American Protectionist thought in understanding technology's place in economic analysis. With this in mind, a consideration of resurrecting this system of thought will be presented in Section 15.5.

#### **15.4: Addressing the Research Question**

It is time to draw a complete picture of American Protectionist thought. At the start of this dissertation the following question was posed: What are the key principles, theories, and ideas of the 19th century American Protectionists? When similar questions have been asked in relation to other schools of economic thought, or research paradigms, there has been a tendency to speak of something as 'hard-core' or essential to the School. Whilst there are generally accepted principles within American Protectionist thought, it is perhaps best to caution against ascribing a strict and rigid set of essential elements to the School. It may be said, for example, that the reproduction cost theory of value represents a value theory that is distinct to the American Protectionists, but there were exceptions, such as Ezra Seaman and Jacob Harris Patton, who did not accept this particular aspect of the system, yet they were, in every other respect, consistent and genuine American Protectionists. Whilst this study cautions against viewing the School in too rigid a manner, there are nevertheless commonalities and generalities which can be regarded as characteristic of the American Protectionist School. These principles, ideas and theories are the substance of Chapters 5 through 14. To better appreciate how each of the different aspects fit into the overall system of thought, however, a synthesis of these principles is provided below. After all, the American Protectionists saw their ideas as representing a complete system of interlocking laws and principles, as opposed to a few isolated ideas. In other words, their system was a general theory, as opposed to a partial one.

At its most basic, American Protectionist thought starts with a view of mankind as inherently flawed, but one capable of improvement through the use of intellect and moral reasoning. Man, according to the American Protectionists, is a tool-making and social creature, and one marked by a high degree of difference in individual talents, aptitudes, and dispositions. Yet, in spite of these individual differences, the American Protectionists still conceived of fundamental and natural laws of human conduct, and it is these laws of human conduct which give rise to general laws of economics. Because Man is a social creature, however, these natural laws are subject, within certain limits, to modification by social and cultural institutions. The most universal of these natural laws is the law of the endless circulation of matter and force, that is, that matter and

energy cannot be created or destroyed, but only changed in form. This led to the view that economic activity fundamentally concerns Man transforming nature into instruments fit for human use. According to the American Protectionists, God bestowed Man with intellectual faculties through which he could seek out and obtain mastery over the hidden treasures of nature. This emphasis on Man's ingenuity and inventive genius led the American Protectionists to distinguish between what they saw as inventive and accumulative growth. In doing so, the American Protectionists extended their analysis beyond the confines of Classical economics by analyzing the role of invention and technology. Although the American Protectionists stressed the importance of both the inventive and accumulative in unlocking the wealth of nations, primacy was always placed upon the inventive.

Central to American Protectionist thought is also the distinction between individual and national wealth. National wealth, according to the American Protectionists, cannot simply be viewed as the aggregation of individual wealth. Instead, national wealth is defined in terms of productive power. This connects intimately with the concept of inventive growth. Since invention permanently alters the productive power of the economy through its tendency towards diffusion, and because it is permanently absorbed into the nation's technological base, the American Protectionist saw that the social benefits of invention often eclipses the private benefits it affords to the individual entrepreneur bringing it into existence. This means that it is in the national interest to promote conditions conducive to invention and entrepreneurship. This emphasis on entrepreneurship also relates to their conception of Man. Because Man is conceived as a tool-making creature, there is a natural propensity in Man to better his condition through discoveries and invention. The entrepreneur is viewed in this light and is thus depicted as a discoverer of new industrial pursuits. This entrepreneurial discovery function also relates to another important aspect of Man, namely the unique talents and capabilities possessed by different individuals. Although a certain individual can possess an ability to be a successful entrepreneur in a particular industry, it does not necessarily follow that this individual can be successful in all industries. Thus, in order to maximize the inventive and entrepreneurial capacity of the economy, economic diversification is necessary so that the full scope of society's individual talents and capabilities can be exercised.

This emphasis on invention and Man's mastery of nature also underpins the American Protectionist theory of value. The American Protectionists conceived value in terms of utility and resistance to be overcome. Whereas new industrial uses for commodities give rise to utility and establishes value; productivity-enhancing improvements, inventions, and processes of production will tend to press down upon value by reducing the resistance imposed by nature to acquiring such commodities. This means that there is a general tendency for reproduction costs to decline over time

as industries become more productive. This reproduction cost theory of value also represents one of the starting points of the American Protectionist theory of distribution. Noting the tendency for reproduction costs to fall and for productivity to increase through invention, the application of labor-saving machines, and the accumulation of intellectual capital, the American Protectionists rejected the subsistence theory of wages espoused by the Classical School. They saw instead that there would be a tendency for real wages to rise over time. This also led into an analysis of social mobility. With the law of declining reproduction costs applying to the production of capital goods, the growth in wages combined with this cheapening of capital goods over time means that there is a gradual expansion in the opportunities for workers to become capitalists themselves. The American Protectionist thus espoused a harmony of interests between workers and capitalists. Indeed, because all economic activity involves Man's exploitation of nature, distribution is necessarily a positive-sum game with workers and capitalists receiving a gratuitous gift from nature.

The concept that all wealth creation involves Man's transformation of nature also extends to their analysis of land. Since all economic activity involves adapting nature to human use, the American Protectionists considered productive land to be a form of capital. Like any other form of capital investment, land requires significant outlay to render it productive and upkeep is also required to maintain its productivity. When this conception of land as capital is viewed in light of the law of the endless circulation of matter and force, it also means that in order for farming land to remain as productive capital, it is necessary to replenish nutrients lost in cultivation. This need to replenish the soil also holds implications for international trade. Since agricultural exports effectively result in the exportation of productive soil, it means that agricultural exporting nations will tend to witness a perpetual deterioration in trade performance over time. Thus, the creation and preservation of a home market, in addition to providing a market for agricultural commodities, is necessary to maintain the productivity of land, so as to allow for nutrients to be returned to the soil in the form of manure.

This conception of land as capital also led to an explicit defense of land ownership, for if it holds that all economic creation involves Man's transformation of nature, it follows that private property rights must also extend to the ownership of land. In this respect, the American Protectionists were generally far more ardent and far more consistent in their defense of private property rights than members of the English Classical School, who often held landlords and land ownership in contempt. Whilst the American Protectionists supported intervention in the form of tariff protection, they fundamentally supported capitalism and market institutions. Indeed, American Protectionist thought considers the market system as vital and necessary for the coordination of economic activity. In the case of entrepreneurial discovery, for

instance, the onset of lower profit rates in stagnant industries is seen as an endogenous and migratory force which compels entrepreneurs to seek out new industrial pursuits and sources of invention. This market coordination also extends to the geographical distribution of industry and population. In this case, the American Protectionists viewed rent as a dispersive force which causes the population to leave more densely populated centers, and to go forth and establish new towns and cities.

The view of Man as a social creature characterized by individual differences also has important implications in the formation of towns and cities. Since Man is a social creature, he has a need to associate with his fellowman, and because Man is also marked by individual differences, he is also dependent upon the services of others and thus has a need to associate with them. This process of association was seen as both the cause and the effect of individuality. Association, by allowing a greater diversity of pursuits, allows for the expression of an individual's unique characteristics. It then follows from this that concentrating the population within cities and towns can allow for greater association and greater expression of Man's individuality. In addition to allowing greater association and individuality, other beneficial effects on productivity, ranging from technological spillovers to lower transportation costs, also arises from this process of concentration. These benefits would inform the views of the American Protectionists concerning population. With the process of concentration and rising population density contributing positively to productivity growth, this led the American Protectionists to reject the Malthusian theory of population. Instead of population growth outstripping the food supply and creating scarcity, the productivity growth generated from a growing population would tend to produce abundance.

The emphasis which American Protectionist thought places upon invention and technological change also informs their analysis of the business cycle. In rejecting the view that aggregate demand deficiency can be the cause of recession, American Protectionist thought posits that the overproduction of specific commodities can temporarily occur through productivity enhancing inventions and improvements. Through the presence of linkages, this overproduction of specific commodities could unravel into an economy wide recession. The cure to the overproduction of specific commodities, however, is the increased production of commodities in undersupply. Diversification was therefore seen as a means of mitigating against recessions as well as a means of stabilizing economies experiencing recessions. This need for economic diversification also ties into an analysis of international trade, and also the American Protectionist conception of the individual. Against Classical trade theory which emphasizes the need for specialization in trade, the American Protectionists extolled the virtues of diversification. Whereas specialization means that individuals will be locked into uncongenial pursuits, fostering a more diverse array of industries would

create greater scope for individuals to exercise their unique talents, aptitudes, and dispositions.

With respect to economic policy, the American Protectionists accepted a significant role for government, but they also saw that this role should be limited in scope. The basis of government policy was to create conditions conducive to entrepreneurship, the expansion of private enterprise, and a diversity of employments and economic pursuits. The American Protectionists affirmed the view that government had a fundamental duty to secure and protect private property rights and to enforce contracts. Whilst they extolled a policy of internal free markets and low internal taxation, predicated on consumption taxes, they also advanced the view that government had the right and the duty to protect domestic industry through the imposition of protective tariffs and to aid the ease of doing business through the provision of infrastructure. The revenue from tariff protection also represented the proceeds in which to fund the general operations of government, but also the provision of infrastructure. This significant role, yet limited scope, for government also feeds into the American Protectionist's conception of economic freedom. In contrast to freedom of trade, the American Protectionists emphasized industrial freedom or the freedom of production. Industrial freedom means freedom for domestic producers to engage in entrepreneurial and economic activities, but perhaps most importantly, it also means freedom for individuals to maximize their individuality by having the widest choice of diverse industrial pursuits.

Of course, the synthesis presented above does not capture all the ideas elaborated upon in this thesis, but it does give a general picture of the economic system that the American Protectionists advanced. With the key principles, theories, and ideas of the 19th century American Protectionists presented in earlier chapters, and a brief synthesis of them given here, it is clear that the American Protectionists formed a legitimate, unique, and intellectually robust school of economic thought. To better demonstrate this view, however, it is perhaps useful to compare them with the other major 19th century schools of economic thought touched upon in this thesis. In doing so, this will demonstrate how the American Protectionists differed from the other major schools of thought at the time and it will also help situate them within the general picture of 19th century economics. Table 15.1 does this by asking a series of questions along the left-hand column, with every other column providing a standard answer to these questions from the perspective of the major schools of thought listed. This will, of course, represent a general birds-eye view and will thus neglect the more nuanced positions held by individual thinkers within each of the schools. Nevertheless, it will help to cement the general position of the American Protectionists within the broader picture of 19th century economic thought, and by answering these questions, it will allow for a better appreciation of the system of the American Protectionists.

**Table 15.1: Comparison of Major 19<sup>th</sup> Century Schools of Economic Thought**

	<i>American Protectionist</i>	<i>Ricardian</i>	<i>Malthusian</i>	<i>Marxist</i>	<i>French Liberal</i>	<i>Historical and Progressive</i>	<i>Neoclassical</i>
<b>Main driver of growth is...</b>	Human ingenuity and invention	Capital accumulation (savings & investment)	Capital accumulation	Capital accumulation driven by class struggle over time	Capital accumulation embedded in individual choice	Institutional factors	Capital accumulation embedded in individual choice
<b>Man is...</b>	A social and toolmaking creature. Inherently flawed but possesses a capacity for improvement	Self-interested. Capitalists are rational. Workers are short-sighted and vulgar. Landlords are unproductive and exploitative. Under Mill: rational and utility maximizing	Vulgar and slaves to passion and impulse	Within capitalism: capitalists are selfish, and workers are alienated.	Self-interested and utility maximizing	A product of culture and institutions	Rational, self-interested, and utility-maximizing
<b>Individuals are...</b>	Characterized by a high degree of difference in individual talents, aptitudes, and disposition	Uniform within their respective class	Uniform within their respective class	Uniform within their respective class. Workers are also distinguished by whether they have a false or class consciousness, but otherwise uniform	Characterized by differences in subjective preference	Culturally and institutionally conditioned	Uniform
<b>Technological base is treated as...</b>	Endogenous. School seeks to explain what augments the technological base of society	Exogenous	Exogenous	Exogenous. Technological base determines socioeconomic relations, but the base is treated as a given	Exogenous	Ambiguous: institutions are treated as endogenous which presumably captures technology	Exogenous
<b>Proper economic method is...</b>	Induction to uncover natural laws	Deduction from given assumptions (abstract model building)	Deduction from given assumptions	Deduction: use of dialectical logic	Deduction from assumptions, but less emphasis on abstract models than Ricardo.	Induction to uncover institutional influences and relations	Deduction from given assumptions
<b>Economic laws are...</b>	Natural and general but modified somewhat by institutions.	Natural and fixed ("iron-laws")	Natural and fixed	Scientific and dialectical	Natural and general	Relative and institutionally determined (rejection of general laws)	General, scientific, and can be mathematically expressed.
<b>Theory emphasizes...</b>	Production	Distribution	Population	Distribution	Exchange	Institutions	Exchange

<b>Division of labor arises from...</b>	Individual differences and invention (diversity of production)	Propensity to truck, barter, and exchange	No clear view	Process of alienation (more emphasis on process than cause)	Propensity to truck, barter, and exchange	Evolution of institutions: extension of primitive tribal division of labor.	Ability to aid efficiency
<b>Price is determined by...</b>	Utility and productivity but emphasis is placed on productivity (reproduction cost)	Amount of embodied labor	Amount of labor commanded in exchange	Socially necessary amount of embodied labor	Utility and subjective preference	Institutions, rules, and routines	Marginal utility and subjective preference embodied in opportunity cost.
<b>Wages are...</b>	Diverse and approximate productivity (multicausal)	Uniform and fixed at subsistence	Uniform and equilibrates towards subsistence	Uniform and fixed at subsistence	Diverse and reflects the supply and demand for labor	Institutionally determined. Emphasis is placed on bargaining.	Diverse and determined by marginal productivity (monocausal)
<b>Rent is...</b>	Difference between profit and rent is nominal. Rent also represents a coordinating force in the process of agglomeration.	Unearned surplus exacted by the landlord for the original and indestructible powers of the soil	Result of land scarcity, but not treated as an unearned surplus.	Similar to profit since both are an unearned surplus exacted through exploitation of tenants and workers.	Reflects supply and demand for land. Tended to reject the view of rent being an unearned surplus.	Product of social arrangements. Progressives tend to view it as unearned increment to be taxed or minimized through rent controls	Payment for use of land determined by supply and demand.
<b>Profit is...</b>	Capitalists share of income from production. Represents a migratory force which guides entrepreneurs into new pursuits.	Capitalist share of the residue surplus leftover after rent is paid. Has an inverse relationship with wages.	No explicit analysis of profit, but places an emphasis on effective demand.	Unearned surplus exacted through exploitation.	Capitalist share of income from production and captures a brokerage fee of the entrepreneur.	Variation in the attitude towards profit, but generally viewed as a surplus above the costs of production.	The difference between revenue and costs. Perfectly competitive markets experience zero economic profit.
<b>The Entrepreneur ...</b>	Undertakes industry and discovers new industrial pursuits	N/A	N/A	N/A	Serves as a broker between sellers and buyers	Organizes production	Serves as a bearer risk
<b>Class relations are...</b>	Harmonious: capital and labor exploit nature together. Emphasis on social mobility limits the importance of class	Implicitly antagonistic: distribution is a negative-sum game	Ambiguous, but generally accepted the existing class order	Antagonistic and exploitative: capitalists exploit workers	Harmonious: class relations are predicated on voluntary exchange	Ambiguous, but the State is necessary to resolve conflict and to foster harmony	Undermines competitive exchange. Emphasis is on the individual as opposed to class
<b>Population growth...</b>	Raises productivity and is self-regulative	Pushes cultivation to less fertile land which leads to diminishing returns	Increases geometrically which outpaces the arithmetic growth in food	Adds to the reserve army of unemployed which places downward pressure on wages	No strong view	Product of institutions and slows down as standard of living increases	Is determined by the opportunity cost of alternatives



<b><i>Profit rates have...</i></b>	No general tendency to fall. Creation of new industries means the creation of new sources of profit. A falling rate of profit guides entrepreneurs to seek out new profits.	A general tendency to fall. The result of diminishing returns which raises the price of food and hence wages through an increase cost of subsistence. This depletes the residue surplus leading to lower general profits.	A general tendency to fall owing to the increase difficulty of procuring food.	A general tendency to fall. The result of an irrational overaccumulation of capital and the reduction in worker's purchasing power from the extraction of surplus value.	A tendency to fall to an average rate of profit due to the workings of supply and demand.	No strong view.	A tendency to equilibrate to a zero rate of profit due to diminishing marginal returns.
<b><i>Recessions are due to...</i></b>	Overproduction of specific commodities resulting from technological improvements. Diversification mitigates against recessions	Miscalculations in the structure of supply versus the structure of demand.	Generalized overinvestment and demand deficiency. Recommend redistribution to those with highest marginal propensity to consume	Generalized overproduction combined with restricted purchasing power of workers resulting from capitalist extraction of surplus value	Miscalculations in the structure of supply versus the structure of demand. Emphasis on Say's Law	Emphasis on generalized overproduction and/or demand deficiency. State intervention seen as necessary to cure recessions	Monetary in nature. Recessions cured through price and wage adjustments in the free market
<b><i>Policy recommendations:</i></b>	Tariff protection, internal improvements, free internal markets, and low internal taxation.	Free trade with a tendency towards free markets, but intervention seen as necessary to alleviate social problems and to enable proper functioning of the market.	Free trade with the exception of the corn laws (food security). Tendency towards free markets.	Socialism – abolition of private property	Free trade and near to <i>laissez-faire</i> . Hostile towards monopoly privileges.	Economic planning and administration within a predominantly private economy. A need for social welfare.	Free trade with a tendency towards free markets, but State intervention necessary to correct market failures

### **15.5: Resurrecting a Lost Paradigm?**

An important implication of the critical realist methodological framework adopted in this study is that progress in the history of economic thought is often far from linear. Instead of an onward and upward march towards the pinnacle of truth, systems of economic thought can be shunted aside, not because these systems are lacking, but because of factors unrelated to the thought itself. Although this dissertation does not purport to account for the decline of the American Protectionist School, it is apparent that institutional and rhetorical factors played no small part in its collapse. The Progressive School takeover of the Wharton School and the ousting of Robert Ellis Thompson can be seen as a microcosm of this broader sweeping aside of the American Protectionists. Moreover, the fact that the School was more generally precluded from formal academic institutions adds further weight to this hypothesis.

After examining the system of economic thought developed by the American Protectionists, it is increasingly clear that the collapse of the American Protectionist School cannot be attributed to an objective and scientifically rigorous dismantling of their system on the part of the economics discipline. It is far more apparent that the American Protectionists were dismissed and derided by economists precisely because their theories were too original and too advanced to be entertained by a discipline stooped in static and abstract deductive theorizing; let alone a discipline overwhelmingly hostile to protectionism possibly accepting that such ardent and consistent champions of protective tariffs could possibly have anything valuable to contribute to economic science. The all too common approach of dismissing protectionism as economically illiterate has clearly come at the expense of obscuring the profound insights of the American Protectionists. In fact, the American Protectionists were pioneering the way in fields ranging from endogenous growth to the economics of agglomeration; fields which would resurface later and independently within the economics mainstream. This lends credence to the view that the American Protectionists were too innovative and original to be appreciated in their own time.

Indeed, it is even far from self-evident that contemporary economic thought, both in its mainstream and heterodox variants, offers more realistic theories of the economy than the system constructed by the American Protectionists. Whilst it is unfeasible here to offer a full analysis of the ways in which American Protectionist thought is superior to contemporary economics, the point can be illustrated, at least to some degree, by a simple comparison of axioms. If we compare, for instance, the American Protectionist view of Man with that of the leading modern schools of Neoclassical, Keynesian, and Marxian economics, it is clear that the American Protectionist conception of individuals possessing a wide variety of different talents, aptitudes, and dispositions, is far superior and realistic to that found in modern

economic analysis which treats individuals as homogenous and uniform factors of production.<sup>1052</sup> Since this represents one of the fundamental axioms upon which all economic theory is built, it follows that the system of the American Protectionists rests upon foundations which are more credible than contemporary economic thought, at least with respect to this particular axiom.

It is inevitable, of course, that moving forward, certain details of their system will need to be refined and improved upon, but this applies to all systems of economic thought. To say, however, that the American Protectionist system of thought, as a whole, is unsound or deficient simply does not stand up to serious scrutiny. In light of this view, there is the important question of where American Protectionist thought sits within the contemporary picture of economics. This is not simply a concern relating to the history of economic thought, but cuts to the core of economic science. Whilst the reader is, of course, free to arrive at their own conclusions, the view offered here echoes the sentiments put forth by Robert Ellis Thompson at the start of this dissertation, that economists have no reason to be ashamed of the long series of writers that upheld the economic philosophy and theory of the American Protectionist School. The thoughts and ideas of the American Protectionists is worthy of our attention and consideration, and the prospect of resurrecting this lost economic tradition should be taken seriously by economists.

### **15.6: Conclusion**

This work provides an in-depth scholarly contribution to the history of economic thought and economic science more broadly. It consolidates the ideas of the American Protectionists into a general, yet comprehensive, system of economic philosophy and theory. In doing so, this research provides a clarification and explication of the key principles, ideas, and theories of the 19<sup>th</sup> century American Protectionists. With this research near completion, the final chapter will provide a conclusion, will summarize the contribution made by this study, will discuss the limitations of this research, and will also consider the implications of this study for future research.

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<sup>1052</sup> In the case of Neoclassical economics, in particular, it is puzzling how a school of thought which champions methodological individualism can treat the individual as completely devoid of all individuality.

## **Chapter 16: Conclusion**

### **16.1: Introduction**

This chapter will briefly conclude the study by providing a summary of the dissertation and of the contribution to knowledge made by this study. It will then review the limitations of the study, before providing a discussion of the implications and opportunities for future research which this study has produced.

### **16.2: Summary**

This dissertation is a contribution to intellectual history broadly and the history of economic thought in particular. This dissertation rediscovers and reconstructs the system of philosophy and theory of the 19<sup>th</sup> century American Protectionists. In doing so, it corrects much of the neglect of the American Protectionists, and also clarifies many of the misconceptions concerning the School. The approach has been one which has gone beyond Alexander Hamilton, Friedrich List, and Henry Charles Carey, and has sought to derive the general economic system of the School from the full corpus of their literature. In doing so, this thesis covers all the major aspects of their thought, including their social and moral philosophy, methodology, first principles, value theory, growth and development theory, distribution and mobility theory, their theory of population and agglomeration, business cycle theory, and their theory of international trade and taxation. This dissertation therefore provides a comprehensive account and an explication of the School and its theoretical system.

### **16.3: Contribution to Knowledge**

In the strictest sense, nothing presented in this thesis is original. The ideas presented in this thesis were commonplace within American Protectionist circles in the 19<sup>th</sup> century. Unfortunately, however, knowledge is not immune to being lost over time. Recovering lost knowledge can therefore be just as important as creating new knowledge. With this in mind, this research contributes to knowledge by rediscovering and reconstructing the system of economic philosophy and thought of the American Protectionist School. In essence, it recovers a profound, unique, and original lens through which to interpret and understand the workings of the economy.

### **16.4: Limitations**

The critical realist methodology adopted in this study assumes that knowledge is always going to be incomplete and provisional in nature. The aim of utilizing the full corpus of primary literature of the American Protectionists was pursued with the intention of increasing the confidence of arriving at an accurate and representative interpretation of the American Protectionist School. Whilst it is possible to arrive nearer to the truth, a perfect understanding is an unattainable goal which any study can only hope to strive for. With this in mind, there are clearly limitations to the

analysis provided in this study. Three of these limitations have been identified. First, it is impossible to capture the full extent of their thought simply because the leading Protectionists under examination lived in a different time to our own, and because of the passage of time, portions of their knowledge have been irretrievably lost. It is almost certain that some American Protectionists have been forgotten or that written works have not made it to the present day. Even if it was hypothetically the case that the full corpus of their writing has been preserved, there is no way to witness the personal conversations which took place at the time.<sup>1053</sup> Thus, the general system of American Protectionist thought presented in this study is inescapably based upon incomplete knowledge.

Second, the primary source material of the American Protectionists is vast. One could spend a lifetime trawling through it. Because of this, certain material was prioritized over other material. This is particularly the case with respect to the archival material relating to the American Protectionists. Due to the highly time-consuming nature of sorting, transcribing, and examining the correspondence between the different American Protectionist writers, material was selected with a probabilistic view in mind. In other words, material which ‘seemed’ as if it would be more likely to be significant was selected over other material. As such, there is still a significant amount of material which has not been consulted in the preparation of the present study, and it is possible, that important information has been overlooked.

Finally, whilst this study has avoided focusing on a ‘few great men’ and sought to construct the American Protectionist system of thought by drawing widely from the entire School of American Protectionists, it is unavoidably the case that the views of certain economists were given precedent over others on certain economic issues. It is, of course, impossible to fully overcome this limitation in a study of this nature, and this highlights the need for a more complete intellectual history of the school which can capture the internal nuance and diversity of its members, a consideration which will be expanded upon in the next section.

### **16.5: Implications for Future Research**

Many implications for future research arise as a result of this study, and there are many avenues which still remain to be explored. When viewed especially against other schools of economic thought, the American Protectionist School still represents a significantly under-researched field. There are numerous untapped avenues which the present study opens up, but four key areas of future research come to mind. First, this research identifies roughly seventy theorists within the American Protectionist School.

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<sup>1053</sup> As a case in point, surprisingly no correspondence between Henry Charles Carey and Robert Ellis Thompson was identified in any of the archival collection utilized in this study. It appears that because Carey lived opposite the University of Pennsylvania, which was Thompson’s place of employment, that the two figures conversed in person. In fact, another letter confirms this much.

Due to the generalized nature of the research, the ideas of each of these theorists could not be presented in a detailed and specialized manner. In view of this, more specialized studies on these individual economists represent a promising area of scholarship, whether this is undertaken via separate specialized studies or as a larger project on the history of American Protectionist thought. In fact, this study was originally intended to be an intellectual history which sought to go through each of these individual thinkers, but subsequently changed due to its overly broad nature. It is the intention to recommence this earlier project at a later date.

Second, the system of thought rediscovered in this study has many applied research applications. The fact that free trade has more recently been called into question, at least in the political context, creates an opening whereby such political and economic questions can be analyzed through the lens of American Protectionist thought. One applied example, for instance, concerns the debate over tariff protection versus more paternalistic forms of industrial policy. In spite of the fact that tariff protection is often dismissed as a crude and rudimentary form of industrial policy, the American Protectionists developed many strong arguments against industrial policy and presented the case that tariff protection is superior to industrial policy. Yet, these arguments rarely, if at all, feature in the academic discourse on the issue. The potential areas of applied research, of course, extends well beyond matters of trade policy, and this represents only one of many avenues of applied economic research that can be pursued.

Third, whilst the American Protectionists formed their own unique school of economic thought, there are certain parallels between their ideas and those of later economists. Investigating the possible influence of the American Protectionists on these later economists could represent a promising area of research. Whilst Schumpeter was dismissive of the American Protectionists in his *History of Economic Analysis*, it is ironic that many parallels exist between the ideas of Joseph Schumpeter and the American Protectionists. Indeed, Schumpeter's theory of dynamic growth has many resemblances to the theory of inventive growth developed by the American Protectionists, as both emphasized dynamic changes within the economy. The other one appears to be Alfred Marshall who was personally acquainted with a number of the leading American Protectionists. In this case, Marshall's theory of industrial districts (i.e., his theory of agglomeration) bears a resemblance to the theory of concentration developed by the American Protectionists.

Finally, it has been noted that generalized histories of economic thought have routinely ignored and neglected the American Protectionists. Since these sources represent one of the main ways in which students of economics, and particularly students of the history of economic thought, become acquainted with different

economic thinkers and systems, it stands to reason that the American Protectionists will fall back into obscurity unless they are incorporated into new general texts on the history of economic thought. Since the present study has gone some way to restore the American Protectionists to a place of intellectual respectability, it will hopefully inspire and encourage those undertaking the task of preparing general histories of economic thought in the future to include in a full and considered way the thoughts of American Protectionists.

### **16.6: Concluding Remark**

The aim of this study has been to recover the system of economic philosophy and theory of the American Protectionists, and it has reconstructed it in such a way that it is hopefully comprehensible to the modern reader. This represents the critical contribution to knowledge made by this thesis. This reconstruction not only serves as a valuable resource to historians of economic thought, but also for the economics discipline more broadly. It opens up fresh avenues of research within economics and the history of economic thought, and also informs research in a diverse range of other academic disciplines ranging from political and social science to American history and to the philosophy of science. Most importantly, however, it revives a unique and useful lens through which to understand and interpret the workings of the economy.

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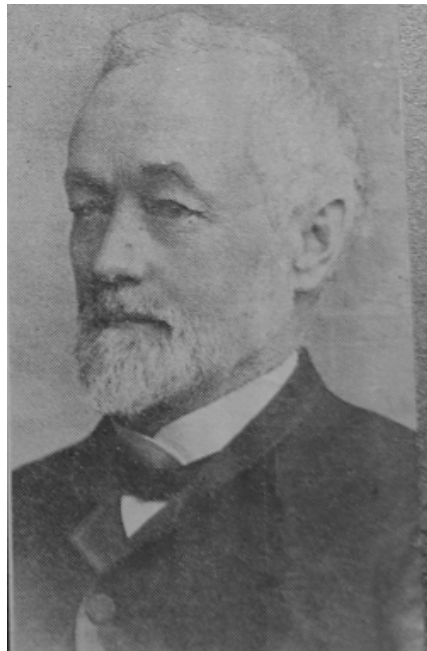
## Appendix: Biographical Sketches

This appendix consists of a series of biographical sketches of the key American Protectionist economists and statesmen identified in Section 2.2. It is designed to be a biographical reference guide to assist the dissertation. Further, whilst the dissertation attempts to give weight to the full scope of thinkers involved, it is inevitable that some thinkers received more consideration than others, so these biographical sketches will hopefully serve to give each thinker their due. Every sketch is designed to be self-contained, without necessarily being read in any particular order. They have been arranged alphabetically and the sources cited in each of the sketches have been included in the main reference list of the dissertation. It also should be noted that the length of the biographical sketch is not necessarily indicative of the importance or theoretical value of the thinker in question. Some biographical sketches have been limited by the availability of material as well as time constraints. Also accompanying some of the sketches are portraits of the individual economists.<sup>1054</sup>

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<sup>1054</sup> To the best of my knowledge, the copyright has ceased on all these portraits, but acknowledgement is given here to the respective institution and individuals from which these portraits were sourced from or could be traced to. The Home Market Club: *Erastus B. Bigelow, James G. Blaine, Henry Charles Carey, Van Buren Denslow, George B. Dixwell, William Elder, George Gunton, John W. Hinton, Roswell G. Horr, Henry M. Hoyt, David Rice, Ellis H. Roberts, Jacob Harris Patton, Giles B. Stebbins*; Library of Congress: *William Barton, William Bingham, Alexander H. Everett*; American Protective Tariff League: *Robert P. Porter, John P. Young*; National Association of Wool Manufacturers: *John L. Hayes, Albert Clarke*; Smithsonian National Portrait Gallery: *Alexander Hamilton*; Maryland Historical Society: *Hezekiah Niles*; National Archives: *Horace Greeley*; Rochester Historical Society: *E. Peshine Smith*; The Evangelical Magazine and Missionary Chronicle: *Calvin Colton*; The Irish World and American Industrial Liberator: *Henry Carey Baird*; U.S. Department of the Treasury: *Alexander J. Dallas*; Joanna Lippincott: *Joseph Wharton*; Jeremiah Paul: *Tench Coxe*; Nathaniel Bartlett Sylvester: *George Tibbits*; J. Mitchell Elliot: *Robert Ellis Thompson*; Henry Charles Carey: *Stephen Colwell*; John Neagle: *Mathew Carey*; Daniel Augustus Tompkins: *William Gregg*; Biographical Directory of the United States Congress: *William Bingham*; William Horatio Barnes: *William D. Kelley*; Alonzo Hartwell: *Willard Phillips*; Joseph DeCamp: *Daniel Webster*; The Daily American: *John Welsh*.

## Henry Carey Baird



Henry Carey Baird (1825-1913) was born on September 10, 1825, at the Frankford Arsenal, an ammunition plant in Bridesburg, now part of Philadelphia, Pennsylvania.<sup>1055</sup> He was the grandson of Mathew Carey and the nephew of Henry Charles Carey. His father was Thomas J. Baird, who served as a Captain during the War of 1812. After receiving an education at the Anthony Bolmar School, now the West Chester Academy, Henry Carey Baird would work at his uncle's book publishing firm, then Carey & Hart, (originally founded by Mathew Carey) and would eventually become a part owner of the firm in 1845. Later in 1849, Baird would establish Henry Carey Baird Publishers which specialized in technical books and books relating to industry and economics. It was around 1857 that Baird became interested in the social and economic doctrines of his uncle, Henry C. Carey. Baird's economic writings would mostly appear in newspaper and magazine articles, or in pamphlet format. Politically, Baird was a member of the Whig party until its disintegration. He then became a Republican in 1856, but would later leave the Party in 1875, after growing disgruntled with the Party's stance on the greenback issue. Baird would then become one of the founders of the Greenback Party. He would, however, abandon the Party in 1884, due to the Party's endorsement of a free trade platform. At the age of eighty-seven, Baird would pass away on December 31, 1913.

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<sup>1055</sup> The biographical information contained within this sketch has been derived from Robert Ellis Thompson, "Baird, Henry Carey," In *Supplement to Encyclopaedia Britannica*, 9th ed., ed. Joseph Marshall Stoddart (New York: J. M. Stoddart, 1883), 400; Robert Ellis Thompson, "Three of a Notable Kindred: The Death of Henry Carey Baird, Grandson of the Illustrious Mathew, and Nephew of Henry C. Carey, Recalls the Work of Famous Trio of Political Economists – A Continuous Story of Devotion Both to Native and Adopted Land – The Father and Guardians of American Protection," *The Irish World and American Industrial Liberator*, January 18, 1913, 12-13; "Henry Carey Baird Dead", *The Buffalo Independent*, January 18, 1913, 1-2; and "An Old Philadelphia Publisher – Henry Carey Baird. Whose House Brought Out Industrial and Technical Book, was a Prolific Writer," *Boston Evening Transcript*, January 1, 1913, 5.

## William Barton



William Barton (1754-1817) is best known for co-designing the Great Seal of the United States which still graces the American dollar bill. Born in Philadelphia on April 11, 1754, William Barton was the son of the Reverend Thomas Barton and Ester Rittenhouse. In 1774, at the age of twenty, the young Barton would move to England where it would appear that he undertook legal training, and possibly training in heraldry. Barton would eventually return to America in 1779, during which time, Britain and the United States were in the midst of War. Later that year, Barton would be admitted to the Bar in Pennsylvania. In 1782, Barton's services would then be requested in the field of heraldry. In collaboration with the heraldist Charles Thomson, Barton produced the Great Seal of the United States, which was adopted by Congress on June 20, 1782.<sup>1056</sup>

It was during the 1780s that Barton took more of an interest in political economy. His first work was a pamphlet which appeared in 1781 entitled *Observations on the Nature and Use of Paper Credit*. He would then turn his attention more to the question of protection and the encouragement of manufactures. Most of his tracts of this nature would appear in Mathew Carey's *American Museum*. These tracts include *On American Manufactures* (1786), *The True Interest of the United States, and Particularly Pennsylvania, Considered* (1787), *Essays on the Promotion of Manufactures* (1787), and *On the Propriety of Investing Congress with the Power to Regulate the Trade of the United States* (1787). Later in 1791, Barton would produce a small book on population entitled *Observations on the Progress of Population*. Finally, although more of a legal treatise than one on political economy, in 1802,

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<sup>1056</sup> The only study devoted to William Barton that could be identified is Milton Rubincam, "A Memoir of the Life of William Barton, A.M. (1754-1817)." *Pennsylvania History: A Journal of Mid-Atlantic Studies*, 12, no. 3 (1945), 179-193. This study, however, neglects Barton's contributions to political economy. The biographical details contained within this sketch have been derived from the above source.

Barton produced *A Dissertation on the Freedom of Navigation and Maritime Commerce*. In addition to these literary efforts, Barton would also serve as the chief clerk of the Treasury Department under Alexander Hamilton and Tench Coxe.<sup>1057</sup> In this capacity, it is plausible that Barton may have had some influence on the direction of *The Report on Manufactures*, since several of the arguments contained in the *Report* were featured in Barton's earlier tracts.<sup>1058</sup> After a life as a heraldist, lawyer, and public official, William Barton would pass away in Lancaster, Pennsylvania, on October 22, 1817.<sup>1059</sup>

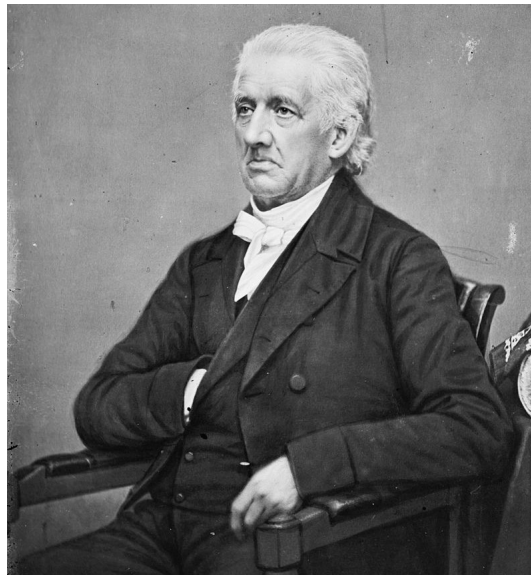
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<sup>1057</sup> Jacob E. Cooke, *Tench Coxe and the Early Republic*, (Chapel Hill: The University of North Carolina Press, 1978), 246.

<sup>1058</sup> In particular, William Barton's "Essay on the Promotion of American Manufactures." *The American Museum* 2, no. 3 (1787), 257-61, argues that the promotion of manufactures would accommodate "the variety of genius", would create employment for women and children, and would "encourage... the emigration of hither useful mechanics", which are arguments featured in Hamilton's *Report*.

<sup>1059</sup> "Died" [William Barton], *Lancaster Intelligencer*, October 22, 1817, 4. This date is tentative, as there is not much biographical information provided in the death notice.

## Lyman Beecher



Lyman Beecher (1775-1863) was born in New Haven, Connecticut, on October 12, 1775.<sup>1060</sup> He was a Presbyterian minister, most known for his role in the Second Great Awakening. Having studied theology at Yale and preached at various congregations, he eventually became President of the Lane Theological Seminary in 1832. Beecher was considered a controversial figure at the Seminary due to his support for temperance and the abolition of slavery. The vast bulk of Beecher's writings are on theological matters, as opposed to political economy. His only known economic tract was entitled "Means of National Prosperity," which was originally delivered as a sermon to his congregation at the First Church of Christ in Litchfield, Connecticut. The sermon would be reproduced in the fifth edition of Mathew Carey's *Addresses of the Philadelphia Society for the Promotion of National Industry*. It was selected in place of several other essays which Carey originally intended to include in the work. Writing on the matter, Mathew Carey declared Beecher's tract to be "very far superior to those essays, being much more argumentative and convincing."<sup>1061</sup> Lyman Beecher would die on January 10, 1863, at the age of eighty-seven.

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<sup>1060</sup> The biographical information contained in this sketch has been sourced from [Obituary of Lymen Beecher], *The Portland Daily Press*, January 15, 1863.

<sup>1061</sup> Mathew Carey, *Addresses of the Philadelphia Society for the Promotion of National Industry*, 5<sup>th</sup> ed. (Philadelphia: James Maxwell, 1820), iii.

## Erastus B. Bigelow



Erastus Brigham Bigelow (1814-1879) was born on April 2, 1814, at West Boylston, Massachusetts, some 50 miles outside of Boston.<sup>1062</sup> He was the son of Ephraim and Polly Bigelow. Bigelow is chiefly remembered in history as a self-made entrepreneur and inventor, who founded the Bigelow Carpet Company. Indeed, Bigelow is a prime example of the inventive genius which permeates American Protectionist thought. Throughout the course of his company's operation, he would receive some forty patents relating to the manufacture of carpets, with his most important invention being a power loom which allowed for the weaving of velvet and pictorial tapestry. But Bigelow's genius also found its way to the study of economics where he published a number of articles, pamphlets, as well as two treatises in defense of protective tariffs.

In his youth, Bigelow would work on a local farm, whilst attending a local school in the winter. By the age of fourteen, he would produce his first invention, a machine which assisted in the manufacturing of rope. He would then sell this invention to pay for his first several years of education at a local academy. Bigelow would then move to Boston, where he would work as a clerk in a dry goods store. It was during this time, in 1839, that he came up with his next and perhaps his most significant invention, the carpet power-loom. This power loom would be first employed in the Lowell Manufacturing Company. In the late 1840s, however, Bigelow would establish several of his own companies, based upon his inventions, including the Bigelow Carpet Company. In addition to his business ventures, Bigelow would also be one of the founders of the Massachusetts Institute of Technology.

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<sup>1062</sup> The biographical details contained within this sketch have been derived from John L. Hayes, "Erastus B. Bigelow", *Bulletin of the National Association of Wool Manufacturers*, 11, no. 4 (1879), 31-85; the Home Market Club, "Champions of Protection: Erastus Brigham Bigelow", *Home Market Bulletin*, 10, no. 6 (1898), 1-3; "Erastus Brigham Bigelow", *Scientific American*, December 27, 1879, 409; Delano A. Goddard, "Memoir of Erastus B. Bigelow", *Proceedings of the Massachusetts Historical Society*, 19 (1882), 429-437; and "A Great Inventor Gone - Death of Erastus B. Bigelow", *The Boston Globe*, December 8, 1879, 4.

Bigelow's first work on political economy was a pamphlet entitled *Remarks on the Depressed Condition of Manufactures in Massachusetts, with Suggestions as to its Cause and Remedy*. This work, however, was not chiefly related to the question of protection, but more concerned the operation of joint stock corporations in the state of Massachusetts. It would be in 1862, that Bigelow would produce his more important and first book sized treatise. This was entitled *The Tariff Question Considered in Regard to the Policy of England and the Interests of the United States*. As the titled suggests, this work was concerned with the practical operation of free trade and protectionism in the two countries. What is distinct about the work, however, is the vast range of statistical information which it draws upon. Later, in 1877, Bigelow would produce his next work entitled *The Tariff Policy of England and the United States Contrasted*. This would be of a similar nature to Bigelow's 1862 work, but would be far more concise and readable. Perhaps the clearest exposition, however, of Bigelow's theoretical thought would appear the following year in 1878. This was a long article in the *Atlantic Monthly* entitled "The Relations of Labor and Capital." This article, among other things, would affirm the doctrine of the harmony of interests.

In addition to his literary efforts, Bigelow would also assist fellow Protectionist Stephen Colwell with the drafting of the tariff schedules on wool and woolen manufactures for the 1866 Revenue Commission, which was subsequently incorporated into the 1867 tariff bill.<sup>1063</sup> Bigelow would also serve as the first President of the fiercely protectionist National Association of Wool Manufacturers, which he had helped found in 1864. Bigelow would remain as President of the Association until 1869. After stepping down from the role, he would continue to serve on the executive until 1878. He would pass away the following year, on December 6, 1879.

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<sup>1063</sup> See also Erastus B. Bigelow to Stephen Colwell, December 22, 1864; March 14, 1866; and John L. Hayes to Stephen Colwell, March 19, 1866; Folder 8, SCP, KMC, UP, Philadelphia, PA.



## William Bingham



William Bingham (1752-1804) was born in Philadelphia on March 8, 1752.<sup>1064</sup> He was the fourth and youngest son of William and Molly Stamper Bingham. In 1765, the young William Bingham would enter the College of Philadelphia, and would graduate in 1768. He would then work for the Quaker merchant Thomas Wharton. Bingham proved very successful in the merchant trade, and eventually entered into business with Willing, Morris, and Company, which was the largest American merchant firm at the time. During the American Revolution, their fleet would be contracted by the Continental Congress to serve as privateers and for the procurement of arms and munitions. Bingham himself would serve as a special agent and would be responsible for circumventing British blockades and securing French supplies via the West Indies. As the war drew to a close, Bingham was widely considered the wealthiest man in the United States, acquiring a fortune through privateering and his merchant trade, but also through his dealings in land. One such tract of land later became the city of Binghamton.

Politically, Bingham was aligned with the Federalist Party, and was a political ally of Alexander Hamilton. In fact, there is even strong evidence to suggest that Bingham assisted Hamilton with preparing the *Report on Public Credit*.<sup>1065</sup> Bingham would hold public office in several capacities during his life. He would serve as a member of the Continental Congress between 1786 and 1788. Between 1790 and 1791, he would serve in the Philadelphia House of Representatives, and would then serve as President of the Philadelphia State Senate between 1794 and 1795. He would then be elected to

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<sup>1064</sup> The biographical details contained within this sketch have been derived from Robert C. Alberts, *The Golden Voyage: The Life and Times of William Bingham, 1752-1804*, (Boston: Houghton Mifflin Company, 1969). This work also appears to be the only significant study devoted to Bingham.

<sup>1065</sup> Bingham's advice to Hamilton can be found in "William Bingham to Alexander Hamilton," [25 November 1789], *The Papers of Alexander Hamilton*, Vol. 5, ed. Harold C. Syrett, (New York: Columbia University Press, 1962), 538-554.

the Federal Senate in 1795, and would remain there until 1801, choosing not to recontest the following election.

Bingham's main work on political economy was his book entitled *A Letter from an American on the Subject of the Restraining Proclamations*.<sup>1066</sup> This was a reply to the British statesmen John Lord Sheffield, who in 1783, published the pamphlet *Observations on the Commerce of the American States*, which argued that Britain should enact severe economic measures on the newly independent American States. The American States, argued Sheffield, would be forced to accept such arrangements, as they were dependent on English manufactures and had virtually no prospect of developing their own. It should be noted that this was prior to the adoption of the United States Constitution. There were no provisions for a uniform national tariff under the existing Articles of Confederation. Individual States, instead, had the authority to enact their own trade legislation, independent of, and without regard to the rest of the States within the Union. This meant that "if one or more [American] states shall prohibit the manufactures of any particular country" for the purposes of developing industry, "British manufactures [will still find] their way to every part of the country" by circumventing the trade barriers of individual States via inland trade.<sup>1067</sup> On this charge, Bingham responded that such measures would only compel the States to "unite together, and form one general system of exclusive navigation," and would ultimately "operate like a charm throughout the country" and would be "a spur on the industry of our inhabitants."<sup>1068</sup> Bingham's support for protectionism was, for the most part, retaliatory and countervailing in nature, with passages of his work reading as if universal free trade would be the best of all possible outcomes. In any event, his *Letter from an American* would contain the germs of what would become the infant-industry argument. Anticipating *The Report on Manufactures*, Bingham explains that "[trade] restrictions wisely imposed, tend to stimulate and encourage a spirit of industry amongst the people."<sup>1069</sup> In 1801, Bingham left the United States for Bath, England, to be closer to his daughter. He would reside there until his death on February 7, 1804.

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<sup>1066</sup> This is a condensed title. The full source is William Bingham, *A Letter from an American, Now Resident in London, to a Member of Parliament on the Subject of the Restraining Proclamation; and Containing Strictures on Lord Sheffield's Pamphlet on the Commerce of the American States*, 2nd ed. (London: J. Stockdale, 1784).

<sup>1067</sup> John Lord Sheffield, *Observations on the Commerce of the American States*, 2nd ed. (Dublin: Luke White, 1784), 276. See also Tench Coxe, *A Brief Examination of Lord Sheffield's Observations on the Commerce of the United States*, (Philadelphia: M. Carey, 1791).

<sup>1068</sup> William Bingham, *A Letter from an American on the Subject of the Restraining Proclamation*, 24-25.

<sup>1069</sup> William Bingham, *A Letter from an American on the Subject of the Restraining Proclamation*, 42; Although this work precedes *The Report on Manufactures*, Alexander Hamilton had presented the infant-industry argument a year earlier in "The Continentalist No. 5." [April 18, 1782] In *The Papers of Alexander Hamilton*, Vol. 3, ed. Harold C. Syrett, (New York: Columbia University Press, 1962), 76.

## James G. Blaine



James Gillespie Blaine (1830-1893) was born on January 31, 1830, in West Brownsville, Pennsylvania.<sup>1070</sup> He would attend Washington College in Pennsylvania, graduating in 1847. He would then move to Georgetown, Kentucky, in 1848, where he would teach in the Western Military Institute as a mathematician. Residing in Henry Clay's home state, Blaine would become an admirer and enthusiastic supporter of Clay. Blaine would later return to Pennsylvania, where he studied the law, and would teach at the Pennsylvania Institution for the Blind. He eventually decided, however, to pursue a career in journalism, and in 1853, he would accept an offer to become editor and part owner of the *Kennebec Journal* in the state of Maine. The *Kennebec Journal* was staunchly Whig, but Blaine's involvement with the publication would coincide with the collapse of the Whig Party. Blaine would quickly transform the publication into a Republican newspaper.

Blaine was an early and active member of the Republican Party, serving as a delegate to the first Republican National Convention in 1856. In 1858, Blaine would then be elected to the Maine House of Representatives and would retain the seat until 1862. That same year, he would run successfully for the federal House of Representatives. Blaine would remain in the House of Representatives until 1876, and would also serve as Speaker of the House between 1869 and 1875. In 1876, he would then be appointed to the Senate, where he would remain until 1881, when he resigned

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<sup>1070</sup> The biographical details contained within this sketch have been derived from Gail Hamilton, *Biography of James G. Blaine*, (Norwich: The Henry Bill Publishing Company, 1895); and John Clark Ridpath and Seldon Connor, *Life and Works of James G. Blaine*, (Philadelphia: Manufacturers' Book Co., 1893).

to become the Secretary of State under James A. Garfield. Blaine would then go on to secure the Republican presidential nomination in 1884, but would lose the election to the Democratic candidate Grover Cleveland.

Blaine's contribution to American Protectionist thought is rather fragmented. His arguments for protection can be found littered throughout his speeches and addresses as a statesman, some of which would be pamphletized or compiled and published as part of collected volumes.<sup>1071</sup> One popular speech was that given on September 29, 1888, which was later circulated by the Home Market Club under the title *Condensed History of the American Tariff Acts and Their Effects Upon Industry*. Blaine's most important work, however, is his two volume treatise *Twenty Years of Congress*, which, despite being a general political treatise, contains numerous discussions on economic questions. In addition to the above, any discussion of Blaine's economic views would be incomplete without mentioning his debate with the English statesmen William E. Gladstone on the subject of protection versus free trade. This debate was conducted in article format and was published in *The North American Review* in 1890.<sup>1072</sup> In terms of Blaine's doctrine, it should be noted that whilst Blaine was a committed protectionist, in practice, he rejected the more traditional isolationist stance of the broader American Protectionist School. Instead, Blaine sought a moderately expansionist foreign policy through the use of reciprocal trade agreements, albeit ones of limited scope and with reference to non-competing imports.<sup>1073</sup> Blaine would pass away on January 27, 1893, in Washington, DC.

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<sup>1071</sup> For compile works, see for example James G. Blaine, *The Welcome Home and Campaign Speeches of James G. Blaine, in Which is a Full Discussion of the Questions of Protection or Free Trade, and the Labor Problem*, (Chicago: J. S Ogilvie Publisher, 1883); and James G. Blaine, *Political Discussions: Legislative, Diplomatic, and Popular, 1856-1886* (Norwich: The Henry Bill Publishing Company, 1887).

<sup>1072</sup> W. E Gladstone and James G. Blaine, "A Duel. Free Trade: The Right Hon. W. E. Gladstone. Protection: The Hon. James G. Blaine," *The North American Review*, 150, no. 398 (1890), 1-54.

<sup>1073</sup> For a discussion of Blaine's more expansionist views, see Richard Carlyle Winchester, "James G. Blaine and the Ideology of American Expansionism," Unpublished PhD. Dissertation, The University of Rochester, 1966.

## Francis Bowen



Francis Bowen (1811-1890) was born on September 8, 1811, in Charlestown, Massachusetts.<sup>1074</sup> He would receive his education at the Mayhew School in Boston. In 1829, he would be admitted into Phillips Exeter Academy. He would then enter Harvard University in the following year and would graduate three years later in 1833. Bowen would then return to Phillips Exeter Academy, this time as a mathematics teacher, before being invited back to Harvard two years later to teach intellectual philosophy. Bowen would remain in this position until 1839. He would then travel to Europe for a brief period of time, before returning in 1841. The following year, Bowen would purchase a stake in the *North American Review* and would become an editor alongside fellow protectionist Alexander Everett.

Bowen would be invited back to Harvard in 1850 and would commence teaching prior to being confirmed by the university board. He would be subsequently denied this position, however, because of a series of politically contentious articles which appeared in the *North American Review*. Bowen would eventually return in 1853, with a new and more favorable President having been appointed to Harvard. Bowen would be appointed as the Alford Professor of Natural Religion, Moral Philosophy, and

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<sup>1074</sup> The biographical details contained within this sketch have been sourced from Francis Bowen to George B. Dixwell, January 31, 1882, *PFB*, HUAH, Cambridge, Massachusetts; "Prof. Francis Bowen Dead", *The Boston Globe*, January 22, 1890, 8; "Death of Professor Bowen", *The Allentown Critic*, January 22, 1890, 4; "Francis Bowen: Ninth Editor of the Review", *The North American Review*, 202, no. 716 (1915), 160; and Herbert B. Adams, *The Study of History in American Colleges and Universities*, (Washington: Government Printing Office, 1887), 23-26. Hudson's *America's Protectionist Takeoff* (119-123) also provides an account of Bowen, but it is not clear whether Hudson actually read his work, as it seems to be derived solely from Peshine Smith's ("Bowen's Political Economy", *New York Daily Tribune*, April 5, 1856, 4) overly harsh review of Bowen's *Principles of Political Economy*. In any event, it is a very confused account which ascribes several falsehoods to Bowen. Hudson, for instance, labels Bowen a "Malthusian Protectionist", asserts that Bowen "differed from the Carey school... [by] urging a dispersion of America's population", and also declares that Bowen "endorsed the Malthusian iron law of wages." In actual fact, Bowen rejects the Malthusian theory of population, he supports concentrating the population in towns and cities, and he also provides a refutation of the iron-law of subsistence wages. Granted, at times, Bowen contradicts himself, and if you take these contradictions and carry them to a logical extreme, you can arrive at positions contrary to Bowen's general position, which is the essence of Peshine Smith's criticism. But to arrive at Hudson's interpretation, you would have to disregard the vast bulk of what Bowen has to say, and cherry pick the inconsistencies.

Civil Polity. Bowen would also begin teaching the first dedicated course on political economy ever offered at Harvard.

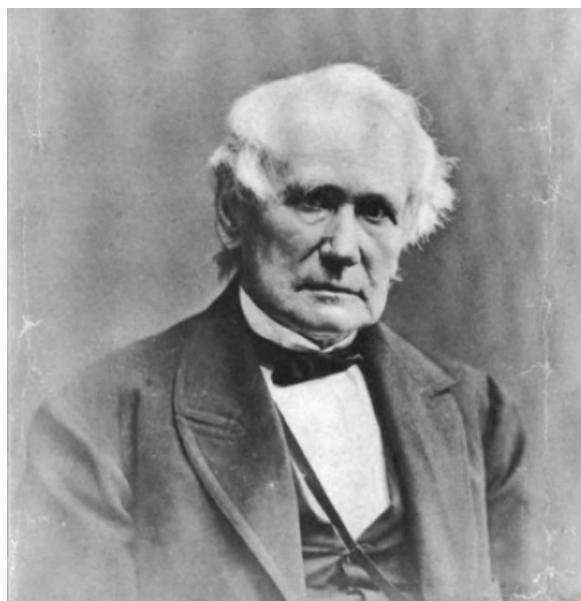
Although sympathetic to Adam Smith, Bowen refused to use an English Classical text in his course on political economy. Hence, in 1856, Bowen produced his first textbook entitled *The Principles of Political Economy*. In this work, Bowen attempted to demonstrate how the doctrines of “Adam Smith upon free trade, of Malthus upon population, [and] of Ricardo upon rent and profits” are “indefensible.” In their place, Bowen sought “to lay down the foundations... of an American System of Political Economy.”<sup>1075</sup> Bowen’s *Principles* would go through several editions and would later be revised and retitled, in 1870, as *American Political Economy*. In 1871, Bowen would be removed from teaching political economy and would be replaced with the less controversial and more Classical aligned economist Charles Franklin Dunbar. In his later years, Bowen would serve on the United States silver currency commission, where he would produce the minority report in 1876.<sup>1076</sup> Francis Bowen would later die in Boston on January 21, 1890.

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<sup>1075</sup> Francis Bowen, *Principles of Political Economy*, (Boston: Little, Brown, and Company, 1856), vi-vii.

<sup>1076</sup> Francis Bowen, “The Minority Report of Mr. Bowen”, In *Reports of the Silver Commission of 1876*, (Washington: Government Printing Office, 1887).

## Henry Charles Carey



Henry Charles Carey (1793-1879) was born in Philadelphia on December 15, 1793.<sup>1077</sup> He was the oldest son of Mathew Carey, himself an important writer in the American Protectionist School. From the age of eight, the younger Carey began working in his father's publishing firm and bookshop. At the age of twelve, he would then be responsible for managing the Baltimore branch. Eventually, in January of 1817, when Carey was the age of fifteen, he would be made a partner in his father's business, with the business being rebranded M. Carey & Son. Henry Carey's brother-in-law, Issac Lea, would then enter the firm in 1821, and in 1824, Mathew Carey would retire. This led to the business being rebranded as H. C. Carey & I. Lea, and then subsequently Carey, Lea, & Carey, after Henry's brother, Edward L. Carey, entered the

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<sup>1077</sup> The biographical information contained within this sketch have been derived from Cyrus Elder, "Obituary – Henry C. Carey." *The Bulletin of the National Association of Wool Manufacturers*. 10, no. 1 (1880):102-110; William Elder, *A Memoir of Henry C. Carey*, (Philadelphia: American Iron and Steel Association, 1880); Robert Ellis Thompson, "Henry Charles Carey," *The Penn Monthly*, 10 [November] (1879), 816-834; Robert Ellis Thompson, "Carey, Henry Charles," in *Supplement to Encyclopaedia Britannica*, 9<sup>th</sup> ed., ed. Joseph Marshall Stoddart, (New York: J. M. Stoddart, 1883) 720-722; and David H. Mason, "In Memory of Henry C. Carey," *The Chicago Journal of Commerce*, October 22 1879, 1; and Henry Carey Baird, "contributions to Trade History No. II: The Carey-Baird Centenary, January 25, 1885 – Memoir of Henry Charles Carey, LL.D, Publisher and Social Philosopher," *The American Bookseller*, 17, no. 4, (1885), 102-106. There are three substantial studies on Henry Carey, including A. D. H. Kaplan, "Henry Charles Carey: A Study in American Economic Thought," PhD. Dissertation. John Hopkins University, 1930; Arnold W. Green, *Henry Charles Carey: Nineteenth-Century Sociologist*, (Philadelphia: University of Pennsylvania Press, 1951); and Rodney J. Morrison, *Henry C. Carey and American Economic Development*, (Philadelphia: The American Philosophical Society, 1986). The problem with each of these studies, albeit to varying degrees, is that they adopt the Whiggish approach of judging the validity of Carey's doctrine by reference to their prevailing worldview. It is particularly evident, however, in Morrison. Taking for granted the view that "the classical model of international trade is probably one of the most consistent, complete, fully developed tools of economic analysis in existence today" and that "few economists reject the theory of comparative advantage", Morrison (p. 82) dismisses Carey's theory as theoretically deficient. It is thus inconceivable that Carey could have possibly surpassed the prevailing Classical/ Neoclassical paradigm. Kaplan (pp. 89-90) is more generous, but reflecting his progressive bias, he basically sees Carey's contribution to the history of economic thought as shaking "the established school out of its lethargy and aid[ing] in the successive movements which first gave rise to the historical school." In the case of Green (p. 197, 204), reflecting his Marxist bias, Carey's system is dismissed by appealing to class interests, noting that "not only is every phase of his system depicted as a mere reflection of his class interests, but he is also accused of meretriciously shifting his stated principles for personal profit... He was... the most effective mouthpiece a growing capitalist class could claim... making special pleas for their, and not too incidentally his own, interests. And there the matter must remain."

firm. Henry Carey would remain in the business until 1836, when he decided to devote his attention to political economy and other business ventures, predominately in coal.

Carey had undertaken limited formal study of political economy prior to 1835, but he tacitly accepted the free trade doctrines of Adam Smith and Jean Baptiste Say. In 1835, however, Carey had become acquainted with Nassau William Senior's *Three Lectures on the Rate of Wages*, which expounded the wage-fund doctrine implicit in Ricardo. Convinced of the errors of this position, Carey undertook a more in-depth study of the question and responded with his *Essay on the Rate of Wages* in 1836. Carey was still a free trader at this point. Carey then wrote *The Harmony of Nature* in late 1836, but convinced of its inadequacy, the book never went to print. Then, between 1837 and 1840, Carey would produce his three volume *Principles of Political Economy*. According to William Elder, "it was in the closing months of 1842, [upon] seeing the wonderful change effected by the protective tariff then in operation" that Carey became convinced that there "must be some great law that" explains why "we always grow rich under protection." Later, he would receive like a "flash of lightning a conviction that the whole Ricardo-Malthusian system is an error, and that with it must fall the system of British free trade."<sup>1078</sup>

Carey's first work as a protectionist would appear in 1848 and was entitled *The Past, the Present and the Future*. A central theme of this work was Careys' refutation and reversal of the Ricardian order of cultivation. In 1848, Carey would then assist John S. Skinner in establishing the journal called *The Plough, the Loom, and the Anvil*. Carey contributed numerous articles to this publication, and in 1851, a collection of these articles would appear in his work *The Harmony of Interests*. Between 1848 and 1857, Carey would also be a regular contributor to Horace Greeley's *New York Tribune*. Carey's most important work, however, would appear in 1858. This was his three volume treatise *The Principles of Social Science*, which provides the fullest exposition of Carey's system of political economy. A single volume abridged version of this work, edited by Kate McKean, would also appear later in 1864 under the title *Manual of Social Science*. Carey's last major work would appear in 1872. This was *The Unity of Law*, which represents a philosophical treatise. On October 13, 1879, at the age of eighty-six, Henry Charles Carey would pass away in Philadelphia.

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<sup>1078</sup> William Elder, *Memoir of Henry C. Carey*, 26



## Mathew Carey



Mathew Carey (1760-1839) was born on January 28, 1760, in Dublin, Ireland.<sup>1079</sup> His parents were Christopher and Mary Sherridan Carey. His father was a baker, who was contracted to supply breadstuffs for the navy. Although his father disapproved of him entering into the printing profession, Mathew Carey would end up becoming an apprentice printer and bookseller for a local publisher, by the name of Thomas McDonnell, at the age of fifteen. Later, Carey would end up writing articles for McDonnell's *Hiberian Journal*, which was known for its anti-English and pro-American views. Carey's vocal criticisms of Britain's interventions in Ireland eventually led to him exiling himself from his homeland out fear of repercussion. In 1781, Carey escaped to France where he became acquainted with Benjamin Franklin. Franklin, who was serving as the American ambassador to France during the War of Independence, was so impressed with Carey's pro-American reputation, that he hired Carey to work at his printery. In the following year, Carey returned to Ireland to serve a brief stint as the editor of the inaugural Irish nationalist newspaper, the *Volunteers*

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<sup>1079</sup> The biographical information contained within this sketch has been derived from Robert Ellis Thompson, "Carey, Mathew," In *Supplement to Encyclopaedia Britannica*, Vol. 1, 9<sup>th</sup> ed., ed. Joseph Marshall Stoddart (New York: J. M. Stoddart, 1883), 722-723; Henry Carey Baird, "The Carey-Baird Centenary, January 25, 1885. Memoir of Mathew Carey, Founder of the House." *The American Bookseller*, 17, no. 3 (1885), 59-64; the Home Market Club "Champions of Protection: Mathew Carey", *Home Market Bulletin*, 9, no. # (1898), 10-12; and Mathew Carey, *Autobiographical Sketches: In A Series of Letters Addressed to a Friend*, (Philadelphia: John Clarke, 1839). Parts of this sketch have also been adapted from a sketch provided in Mathew A. Frith, "The Economics of Henry Charles Carey: Towards a Synthesis of 19<sup>th</sup> Century American Protectionist Thought," Unpublished Honours Thesis, University of New England, 2017. The most authoritative economic study on Mathew Carey is Kenneth Wyer Rowe, *Mathew Carey: A Study in American Economic Development*, (Baltimore: The Johns Hopkins Press, 1933). Although not of an economic nature, another important study is Earl L. Bradsher, *Mathew Carey, Editor, Author and Publisher: A Study in American Literary Development*, (New York: Columbia University Press, 1912). Useful introductions can also be found in Lawrence Peskin, "Introduction," In Mathew Carey, *The New Olive Branch (1820) and Selected Essays*, ed. Lawrence Peskin, (London: Anthem Press, 2014), 1-28; and the pamphlet, James N. Green, *Mathew Carey: Publisher and Patriot*, (Philadelphia: The Library Company of Philadelphia, 1985). See also Stephen Meardon, "A Reciprocity of Advantages: Carey, Hamilton, and the American Protective Doctrine," *Early American Studies: An Interdisciplinary Journal*, 11, no. 3 (2013), 431-454, for a discussion concerning the connection between Hamilton and Carey.

*Journal*. Aggravated by the newspaper's hostility towards the crown, the Irish government eventually ordered Carey's arrest. In order to avoid imprisonment, Carey emigrated to Philadelphia in 1784. As legend has it, Carey snuck aboard the departing ship, *The America*, disguised as a woman.

Shortly after his arrival in the New World, Carey would establish a printing house with the help of \$400 charity from Marquis de Lafayette, a French general who served in the Revolutionary War, whom Carey befriended during his time in France. Over the next several years, Carey founded several magazines and newspapers, including the *Pennsylvania Evening Herald* in January of 1785, the *Columbian Magazine* in October of 1786, and the more popular *American Museum* in January of 1787. Many protectionist articles written by the likes of William Barton and Tench Coxe would feature in these publications. The *American Museum* would eventually cease in 1792, resulting from an increase in the price of postage for magazines. This caused Carey to enter into the publication of books. The most successful of these early publications was what became known as "the Carey Bible", which was in publication from 1790 to 1821, and represented the first quarto Bible printed in the United States. Carey's first major literary work, *The Olive Branch, or Faults on Both Sides*, would appear in 1814. This work represented a plea for both Federalists and Democratic-Republicans to reconcile their partizan differences in the spirit of patriotism.

Mathew Carey's involvement in the American Protectionist movement would begin around 1819. Prior to this, Carey, by his own admission, "knew very little, scarcely any thing of political economy", explaining that he "did not recollect that [he] had ever written a page on it – nor had [he] read much."<sup>1080</sup> Carey, however, quickly became the effective leader of the movement. Carey's first work, *Addresses of the Philadelphia Society for the Promotion of National Industry*, appeared in 1819. As the names suggests, this was a series of addresses written by Carey for the Philadelphia Society for the Promotion of National Industry, which Carey helped found earlier that year, with roughly ten other individuals, including Tench Coxe, Samuel Jackson, and John Melish.<sup>1081</sup> In 1820, Carey produced *The New Olive Branch*, which sought to establish the "complete identity of interest between agriculture, manufacturing, and commerce," a theme which was later picked up by his Son, Henry Charles Carey.<sup>1082</sup> In 1822, Carey would then produce his *Essays on Political Economy* which served as a work which incorporated *The New Olive Branch*, his earlier *Addresses*, and several other essays, into one comprehensive volume. In the same year, Carey would also commence writing a series of essays entitled *Hamilton*, which Carey penned under the

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<sup>1080</sup> Mathew Carey, *Autobiographical Sketches*, 48; Carey did, however, write some earlier essays on taxation and banking reform, but presumably did so without a detailed understanding of political economy.

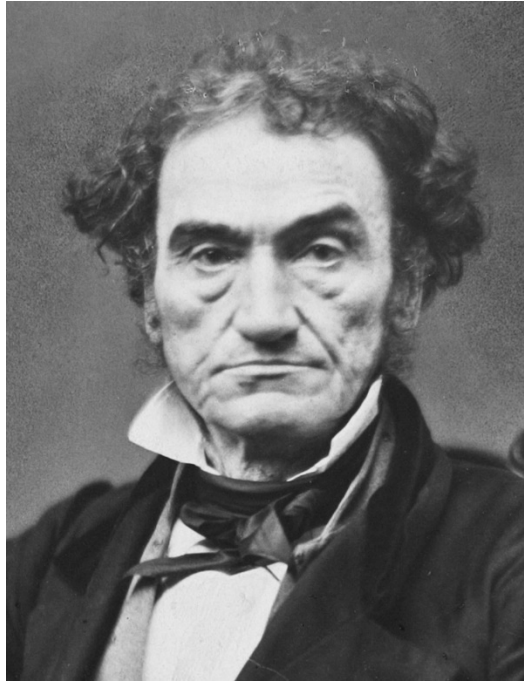
<sup>1081</sup> John Leander Bishop, *A History of American Manufactures from 1608-1860*, (Philadelphia: Edward Young & Co, 1864), 238; and Kenneth W. Rowe, *Mathew Carey: A Study in American Economic Development*, 194.

<sup>1082</sup> Mathew Carey, *The New Olive Branch*, 2<sup>nd</sup> ed. (Philadelphia: M. Carey & Sons, 1821), 7.

pseudonym 'Hamilton', a pseudonym that Carey adopted frequently. His *Hamilton* essays were through twelve series between 1822 and 1826, and comprised 63 essays.

In 1825, Mathew Carey would retire from his bookselling business and would hand the business over to two of his sons, Henry Carey and Edward L. Carey. A year prior to his retirement, Mathew Carey made sure to return \$400 to Lafayette, who had returned to the United States that year in financial ruin. Carey would continue writing on various topics and would also engage in various charity work into his retirement. He would later pass away on September 16, 1839, after a brief illness. He was buried in St. Mary's Roman Catholic Church Cemetery in Philadelphia.

## Rufus Choate



Rufus Choate (1799-1859) was born on October 1, 1799, at the Choate family homestead on Hog Island, Massachusetts, what is now known as Choate Island.<sup>1083</sup> He was the son of David Choate and Miriam Foster. The Choate family was of English puritan descent and their presence in North America can be traced to a John Choate, who settled in Massachusetts in 1645. In 1815, at the age of sixteen, Rufus Choate would enter Dartmouth College, and would graduate later in 1819. In the following year, he would work as a tutor at the college, before entering law school in Cambridge, Massachusetts. Choate would then relocate to Washington, DC., in 1821, where he studied for a year in the office of William Wirt, who was the United States Attorney General. The following year, Choate would complete his legal training in the office of the renowned Judge Cummins of Salem, Massachusetts. He would then establish his own practice in the town of Danvers in 1824.

Choate would commence his political career in the mid-1820s. He would first be elected to the Massachusetts House of Representatives in 1825 and was then appointed to the State Senate in 1827. In 1830, Choate would then be elected on a Whig ticket to the federal House of Representatives and would be subsequently re-elected in 1832. He would resign from his seat early in 1834 in order to establish a law practice in Boston. Choate would then return to politics in 1841, when he was appointed to fill the Senate seat left vacant by Daniel Webster's retirement. Choate would remain in the Senate until 1845, when Webster returned to the Senate. He

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<sup>1083</sup> The biographical details contained within this sketch have been derived from Samuel Gilman Brown, "Memoir," In *The Works of Rufus Choate with a Memoir of his Life*, Vol. 1, (Boston: Little, Brown, and Company, 1862), 1-273; and John B. D. Cogswell, *Memoir of Rufus Choate*, (Cambridge: John Wilson and Son, 1884).

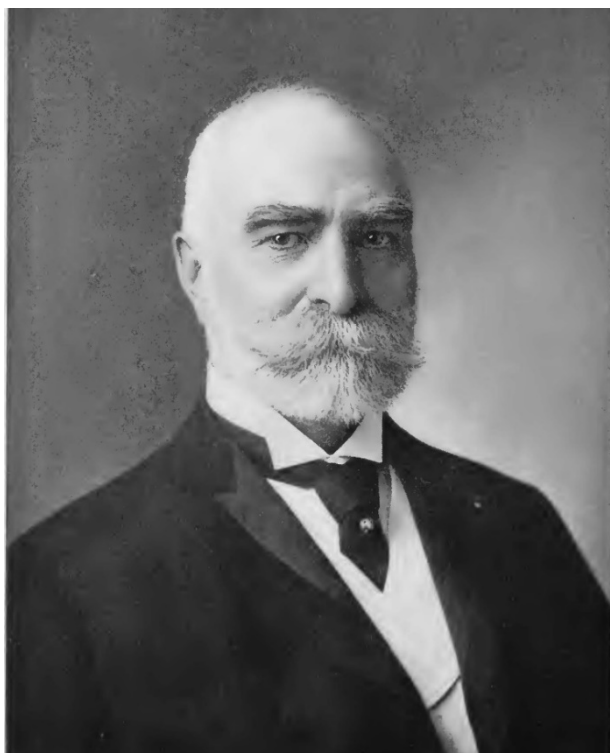
would then return to his legal practice in Boston. Later, between 1853 and 1854, Choate would serve as the Attorney General of Massachusetts. After the demise of the Whigs in 1854, Choate, unlike many former Whigs, refused to join the Republicans, viewing the new party as too sectional in nature.

Choate's contribution to American Protectionist thought came mostly via his congressional speeches. The three most notable of these include his speech delivered on March 14, 1842, entitled *Speech on the Power and Duty of Congress to Continue the Policy of Protecting American Labor*; another delivered on April 12 and 15, 1844, entitled *Speech Upon the Subject of Protecting American Labor by Duties on Imports*; and another entitled *The Tariff* delivered on May 3, 1844. In addition to his Congressional speeches, Choate would also write articles on the subject of protection. Perhaps the most important of these is his 1851 article the *Value of Mechanical Industry*, which provides one of the most elegant renderings of the individuality argument for economic diversification. Choate's speeches and writings would be later pamphletized and circulated by the Industrial League.<sup>1084</sup> Later in life, Choate would suffer from ill health, and while sailing on route from Boston to England, his health would deteriorate. He was forced to depart the ship in Halifax, Nova Scotia. He would die in Halifax on July 13, 1859.

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<sup>1084</sup> Joseph Wharton to Industrial League Members, [December 10, 1885] in Industrial League Record Book, Box 232, Folder 9, ASISR, HML, Wilmington, Delaware.

## Albert Clarke



Albert Clarke (1840-1911) was born on October 13, 1840, on a farm in the small town of Granville in Vermont.<sup>1085</sup> He was the son of Jedediah and Mary Clarke. He attended public school in Rochester and West Randolph, and later the Barre Academy. He undertook study of the law in the state's capital, Montpelier, where he graduated in 1859. Between 1859 and 1862, Clarke practiced law in Montpelier, but after 1862, Clarke ceased his law practice and joined the Vermont Infantry to fight in the Civil War and was soon promoted to the rank of First Lieutenant. During the war, Clarke fought at the Battle of Gettysburg. Despite having been wounded at some point during the three days of fighting, he refused to abandon his post until the fighting had ceased. The injuries inflicted upon Clarke at Gettysburg prevented him from continuing his military service. Clarke then retired to Vermont to recommence his law practice, and subsequently became the First Assistant Clerk to the Vermont House of Representatives. He would also receive the honorary title of Colonel around this time.

Clarke's literary career commenced in 1868, when he became editor of the *St. Albans Messenger*. During this time, he also served a brief stint in the Vermont Senate. In 1880, Clarke relocated to Boston, where he became involved in a publishing house,

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<sup>1085</sup> The biographical details contained within this sketch have been derived from the National Association of Wool Manufacturers, "Obituary. Colonel Albert Clarke", *Bulletin of the National Association of Wool Manufacturers*, 41 (September 1911), 448-451; and Charles K. Darling, "General Darling's Address" [A Tribute to Albert Clark], *The Protectionist*, 24, no. 287 (1913), 682-685; "Buried in Rochester – Col. Albert Clarke Noted Public Figure Died Sunday at Highgate", *Herald and News*, July 20, 1911, 4; "Colonel Clarke Crosses Border – Distinguished Economist, Stricken Last Tuesday at Highgate Centre, Passes Away", *The Burlington Free Press and Times*, July 20, 1911, 14; and "Col. Albert Clark Passes Away at Scene of Military Reunion", *Burlington Daily News*, July 17, 1911, 5.

and between 1883 and 1885, he served as an editor of the *Boston Advertiser*. Clarke would also work in the railroad industry during this time, including as an assistant to the President of the Boston and Lowell Railroad, and for a period as President of the Vermont and Canada Railroad.

In 1899, Clarke became the Secretary of the Home Market Club in Boston, a post he would occupy for twenty-two years of his life. When Clarke took charge, he significantly broadened the activities of the Home Market Club, turning it into a think-tank of sorts for Protectionist thought. He took over as editor of the *Home Market Bulletin*, a periodical for Protectionist thought, changing its name to *The Protectionist* in 1899. He also frequently organized public debates and discussions between free traders and protectionists, including debates with Edward Atkinson, Josiah Quiney, and William Lloyd Garrison. Clark would also write and publish his own articles on the subject. It was estimated that Clarke's collective writings on political economy "would aggregate to forty volumes of three hundred pages each."<sup>1086</sup> Clarke would die on July 16, 1911, after going into apoplectic shock, while attending a military reunion.

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<sup>1086</sup> National Association of Wool Manufacturers, "Obituary. Colonel Albert Clarke", 450.

## Henry Clay



Henry Clay (1777-1852) was born in a district known as the Slashes in Hanover County, Virginia, on April 12, 1777.<sup>1087</sup> His parents were the Reverend John Clay and Elizabeth Hudson. His formal education consisted of three years at a log schoolhouse in the Slashes. At the age of fourteen, Clay would move to Richard, Virginia, where he would work briefly as a clerk at a drugstore. In the following year, Clay would work in the office of the clerk of the High Court of Chancery, where Clay would take a liking to the law. Then, at the age of nineteen, Clay became a student of the then Attorney General of Virginia, Robert Brooke. After a year of study, he obtained his license to practice the law in the state of Virginia. Clay then decided to move to Lexington, Kentucky, in 1797, to be closer to his mother, who had moved there earlier in 1792. After his arrival, Clay would establish a legal office in Lexington.

Clay's career in politics would begin in 1803, when he was elected to the Kentucky State Legislature. In 1806, Clay would then briefly serve in the United States Senate,

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<sup>1087</sup> This biographical sketch has been derived from Calvin Colton, *The Life and Times of Henry Clay* (New York: A. S. Barnes, 1846). There are plenty of other biographical sources on Henry Clay. Robert V. Remini, *Henry Clay: Statesmen of the Union*, (New York: W.W. Norton & Company, 1991) is very comprehensive. In addition, although it is not an analysis of Clay's economic thinking, Maurice G. Baxter, *Henry Clay and the American System*, (Lexington: The University Press of Kentucky, 1995) represents an important political biography which focuses on the American System. In terms of Clay's economic thought, one of the best expositions can be found in Calvin Colton. Two unpublished dissertations have also been identified, including Robert W. Binkley, "The American System: An Example of American Nineteenth-Century Economic Planning. Its Definition by its Author Henry Clay", Unpublished Ph.D. Dissertation, Columbia University, 1949; and James E. Winkler, "The Political Economy of Henry Clay", Unpublished Ph.D. Dissertation, Fordham University, 1969. That said, although Binkley's dissertation purports to be a study of Clay's economic thinking, it more so a commentary on the history of the American System (narrowly defined) as a political program. Other than Colton, Winkler's dissertation provides the only detailed analysis of Clay's economic thought.



filling a seat which had been vacated. He would then return to the Kentucky Legislature in 1808, before returning to the Senate in 1810 to fill another vacancy. He would then be elected to the federal House of Representatives in 1811 as a Democratic-Republican, during which time he served a Speaker of the House. Clay would then resign from the House in 1814 to serve as a commissioner at the Treaty of Ghent, which ended the War of 1812. He would return to Congress in 1815, and would remain there until 1825, serving as Speaker of the House for most of that time. He would then run as a Presidential Candidate in 1824, but ended up pledging his electoral votes to John Quincy Adams to prevent a Jackson victory. In return, Clay would be appointed as Adam's Secretary of State. Clay would then break away from the Democratic-Republicans to form the National-Republicans, which later evolved into the Whig Party. He would then be elected to the United States Senate in 1831, and would serve there until 1842. Clay would also run unsuccessfully in the 1828, 1832, 1836, and 1844 presidential elections. After failing in his 1844 presidential bid, he would return to the Senate in 1849, and would remain there until his death on June 18, 1852.

Henry Clay would effectively become the political leader of the American Protectionist movement, assuming the mantle left by Alexander Hamilton. Throughout his time in Congress, Clay would give no less than ten speeches involving the topic of protection, internal improvements, and American industry. Clay's first speech on the subject was delivered to Congress on April 6, 1810, and was entitled *On Domestic Manufactures*. While Clay does not explicitly endorse tariff protection in the speech, he does present the case for domestic preference in government procurement. Clay would then deliver his speech entitled *On Internal Improvement* on March 13, 1818, which provides a sophisticated analysis and defence of infrastructure development. His three signature speeches on the subject of protection include *On Protection to Home Industry*, delivered April 26, 1820; *On American Industry*, delivered March 30 and 31, 1824; and *On the American System*, delivered February 2, 3, and 6, 1832. Clay's last major speech on the tariff, which is of significance more for political than economic reasons, was his speech of February 12, 1833, entitled *On the Compromise Tariff*. In making this speech, Clay would compromise on the issue of protection by agreeing to a gradual reduction in tariff rates, so as to resolve the nullification crisis which threatened the preservation of the Union.

## Calvin Colton



Calvin Colton (1789-1857) was born in Long Meadow, Massachusetts, in 1789.<sup>1088</sup> He would later attend Yale University, where he would graduate in 1812. Upon graduation, Colton would attend Andover Theological Seminary, and would be ordained as a Presbyterian Minister in 1815. He would then settle in Batavia, New York, where he served as a Pastor. Due to the partial loss of his voice, however, Colton would have to discontinue his pastoral work in 1826, but he would still continue his affiliation with the Church. Colton would then pursue a career in journalism before eventually becoming a Professor of Political Economy in 1852 at the Trinity College in Hartford, Connecticut. Colton produced several works on the subject of political economy. The first of these was his monetary tract *The Crisis of the Country*, which appeared in 1840. Then, between 1843 and 1844, his *Junius Tracts* would appear as a series of articles, and this would contain the first elaboration of his concept of intellectual capital. In 1846, he would then publish *The Rights of Labour*. Colton's most important and elaborate treatise would appear in 1848, however, under the title *Public Economy for the United States*, which spans over 500 pages.

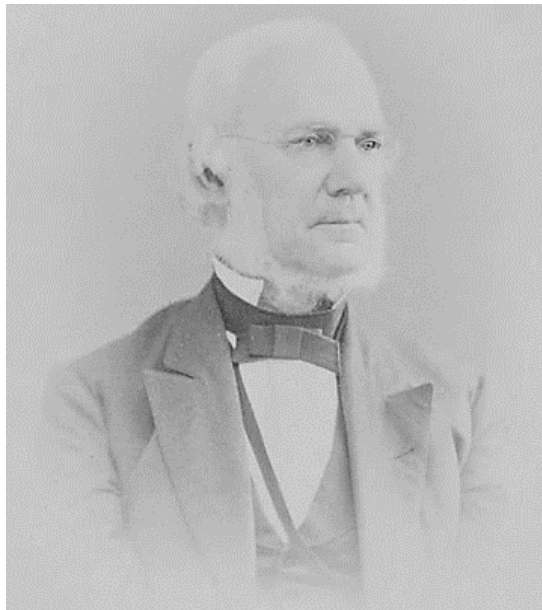
As an economic theorist, Colton was a devout follower and personal friend of Henry Clay. Colton would even be responsible for writing a biography of Clay entitled *The Life and Times of Henry Clay*. This work is also far more than a mere account of Clay's life, it also contains an impressive analysis of Clay's economic thinking. In addition to writing Clay's biography, Colton would also be responsible for editing the

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<sup>1088</sup> The biographical details contained within this sketch have been derived from C. W. R., "Obituary Sketch of the Late Calvin Colton", In *The Speeches of Henry Clay*, Vol. 2, ed. Calvin Colton, (New York: A. S. Barnes & Co., 1857), 1-6. Note that even though the pages are numbered 1-6, this sketch appears in the back of the volume.

seven volume collection of *The Works of Henry Clay*, which made Clay's speeches accessible to the general public. In addition to those aforementioned works, Colton also wrote on theology, including *Thoughts on the Religious State of the Country*, which appeared in 1836, and *The Genius and Mission of the Protestant Episcopal Church in the United States of America*, which appeared in 1853. Colton continued in his Chair of Political Economy at Trinity until his untimely death on March 13, 1857.

## Stephen Colwell



Stephen Colwell (1800-1871) was born on March 25, 1800, in Brook County, West Virginia.<sup>1089</sup> He attended the old Jefferson College in Canonsburg, Pennsylvania, where he received a classical education. Upon graduating in 1819, Colwell moved to Steubenville, Ohio, where he undertook further study in the law. He would later be admitted to the bar in 1821. Over the next seven years, Colwell practiced the law while residing in St Clairsville, Ohio, before moving to Pittsburgh, Pennsylvania in 1828. Colwell continued his law practice while residing in Pittsburgh. Then, after the death of his first wife, Colwell remarried Sarah Bell Richards, the daughter of the wealthy Pennsylvanian iron manufacturer, Samuel Richards. This marked a major turning point in Colwell's life. In 1836, Colwell ceased his law practice, and moved to Weymouth, New Jersey, where he became a manager of one of his father-in-law's iron furnaces. Shortly after, Colwell moved again to Philadelphia, where he took control of another one of his father-in-law's iron works based in the neighboring suburb of Conshohocken. It appears that after the death of Samuel Richards, Colwell would acquire at least some of his father-in-law's assets. Having developed a reputation as an effective businessmen, Colwell would later serve as a director of various railroad companies, including the Camden, Atlantic, Reading, and Pennsylvania Railroads.

In addition to these commercial activities, Colwell was also involved in a number of public charities, associations, and societies. This includes his involvement in the

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<sup>1089</sup> The biographical details contained within this sketch have been derived from Henry Charles Carey, *A Memoir of Stephen Colwell*, (Philadelphia: Collins Printer, 1871); [John L. Hayes], "Hon. Stephen Colwell," [Obituary] *The Bulletin of the National Association of Wool Manufacturers*, 2, no. 4 (1871), 345-347; Robert Ellis Thompson, "Colwell, Stephen," In *Supplement to Encyclopaedia Britannica*, Vol. 2, 9<sup>th</sup> ed., ed. Joseph Marshall Stoddart (New York: J. M. Stoddart, 1884), 318; and the Home Market Club, "Champions of Protection: Stephen Colwell," *Home Market Bulletin*, 10, no. 3 (1898), 1-4.

African Colonization Society, an organization which advocated the ending of slavery and aided in the re-homing of former slaves to Liberia. He would also serve as a trustee of the University of Pennsylvania, the Princeton Theological Society, and other theological associations and charitable institutions. During the outbreak of the American Civil War, Colwell would also supply Union army hospitals with supplies free of charge.

The main elaboration of Colwell's economic views, outside of monetary questions, is his 1850 pseudonymous piece entitled *The Relative Position of Foreign Commerce, Domestic Production, and Internal Trade*, his 1861 economic philosophical piece *The Claims of Labor and Their Precedence to the Claims of Free Trade*, and his introductory essay which was prefixed to the first American edition of Friedrich List's *National Systems of Political Economy*, which appeared in 1856.<sup>1090</sup> This introductory essay would be published later as a separate publication in 1867. Other views of his can also be found in his four special reports contained within the *Reports of a Commission Appointed for a Revision of the Revenue System of the United States*, which appeared in 1866. These reports were written between 1865 and 1866, when Colwell was appointed to serve as a member of the Presidential Revenue Commission. Colwell's special reports include (1) the *Influence of the Duplication of Taxes on American Industry*, (2) the *Report Upon the Relations of Foreign Trade to Domestic Industry and Internal Revenue*, (3) the *Report on Iron and Steel*, and (4) the *Report of the United States Revenue Commission on Wool and Woolen Manufactures*, the latter of which appears to have been a joint effort of both Colwell and Erastus B. Bigelow.<sup>1091</sup> All four of these reports mostly concern the burdensome effect of internal taxation on domestic industry. In addition to those listed, Colwell also wrote a fifth special report entitled *Over-Importation and Relief*, which was omitted from the final report.

Colwell also wrote significantly on financial and monetary questions. The most important of these works was his major 1860 treatise *The Ways and Means of Payment: A Full Analysis of the Credit System with its Various Modes of Adjustment*, which spanned over 600 pages. He also wrote several smaller monetary tracts including *Remarks and Suggestions Upon the State and National System of Banks* which appeared in 1864, and his special report *Upon High Prices and Their Relations with Currency and Taxation*, which was also intended for, but never made it into, the final report of the 1866 revenue commission. Colwell's other literary works mostly

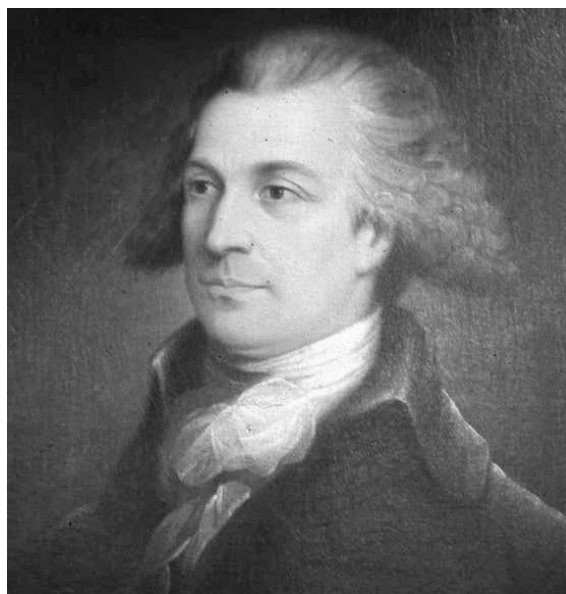
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<sup>1090</sup> Colwell's *The Relative Position of Foreign Commerce, Domestic Production, Internal Trade*, (Philadelphia: Lindsey and Blakiston, 1850) was published under the pseudonym Jonathon B. Wise. Although this work has also been ascribed to John L. Hayes, this appears to be mistaken. John L. Hayes also adopted the same pseudonym, but in this particular case, the work was written by Colwell. Upon Colwell's death, an obituary appeared in the *Bulletin of National Association of Wool Manufacturers* which mentions that Colwell authored the work. Since Hayes was editor of the *Bulletin* and appears to have been responsible for writing the obituary, this confirms Colwell's authorship. [John L. Hayes], "Hon. Stephen Colwell," 346.

<sup>1091</sup> See the biographical sketch of Erastus B. Bigelow contained within this Appendix.

concern religion, the most important of these being his *New Themes for the Protestant Clergy* which appeared in 1851 and went through several editions. At the age of seventy, Stephen Colwell would pass away on January 15 or 16, 1871. Prior to his death, Colwell had bequeathed his library of over 5000 works on political economy to the University of Pennsylvania. It was said to be the most complete library of its kind in the United States at the time.

## Tench Coxe



Although Daniel Raymond was the first American economist to write a systematic treatise on economic theory, Tench Coxe (1755-1824) takes the title as the first American economist to write a full book sized publication on the subject of political economy.<sup>1092</sup> Tench Coxe was born in Philadelphia on May 22, 1755. He was the son of William and Mary Francis Coxe. The younger Coxe received an education from the College of Philadelphia, what is now the University of Pennsylvania, but it is not entirely clear whether he graduated. In 1776, just after the commencement of the War of Independence, Coxe would then enter into his father's merchant house. During the war, Coxe maintained a position of neutrality, though some evidence suggests that he was sympathetic to the British. Later in the war, he would change his allegiance to the Continental Army. Then, in 1786, Coxe would be appointed as a member of the Annapolis Convention, and in 1788, he would serve in the Continental Congress. Like Alexander Hamilton, Coxe would also write in support of the adoption of the United States Constitution during the late 1780s. He would then become a Federalist, and in 1789, he would be appointed as Assistant Secretary of the Treasury under Hamilton, where he would assist in drafting *The Report on Manufactures*. Coxe would remain in this position until 1792, when he became Commissioner of Revenue.

Coxe would eventually change political loyalties, becoming a Democratic-Republican. This shifting of allegiances meant that Coxe was branded a traitor by Federalists and would be given the name "Mr. Facing Both-Ways." Coxe would then

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<sup>1092</sup> There are two excellent studies devoted to Tench Coxe, including Harold Hutcheson, *Tench Coxe: A Study in American Economic Development*, (New York: Da Capo Press, 1969), which focuses more on Coxe's political and economic thought; and Jacob E. Cooke, *Tench Coxe and the Early Republic*, (Chapel Hill: The University of North Carolina Press, 1978), which is solely biographical in nature. See also, Jacob E. Cooke, "Tench Coxe, Alexander Hamilton, and the Encouragement of American Manufactures," *The William and Mary Quarterly*, 32, no. 3 (1975), 369-392, for a discussion of Coxe's role in the *Report on Manufactures*. This biographical sketch has been derived from the above-mentioned sources.

be removed as Commissioner of Revenue in 1797 by President Adams. His next government appointment would not be until 1803, when Jefferson entered the White House and appointed Coxe as Purveyor of Public Supplies, a position he retained until 1812. Coxe then became a collector of internal revenues for the district of Philadelphia in 1813. These menial roles were, of course, displeasing to Coxe, who saw himself, probably quite rightly, as the most obvious candidate for the US Secretary of the Treasury.

Coxe produced numerous tracts on political economy throughout his life. The first of these would appear in 1791. This was a pamphlet entitled *An Enquiry into the Principles on Which a Commercial System for the United States of America Should be Founded*, which represents the first elaboration of his protectionist views. In 1791, he would produce *A Brief Examination of Lord Sheffield's Observations on the Commerce of the States*, which was a response to the pamphlet written by the British statesmen John Lord Sheffield.<sup>1093</sup> His major work would appear in 1794. This was entitled *A View of the United States of America in a Series of Papers*, which represents a major statistical tome and the first ever book-sized economics treatise produced by an American. Other important works written by Coxe include *Observations on the Agriculture, Manufactures, and Commerce of the United States* (1789), *An Essay on the Manufacturing Interest of the United States* (1804), and *A Memoir Upon the Subject of the Cotton Wool Cultivation, the Cotton Trade, and the Cotton Manufactures of the United States of America* (1814).<sup>1094</sup> Tench Coxe would pass away on July 16, 1824, in Philadelphia.

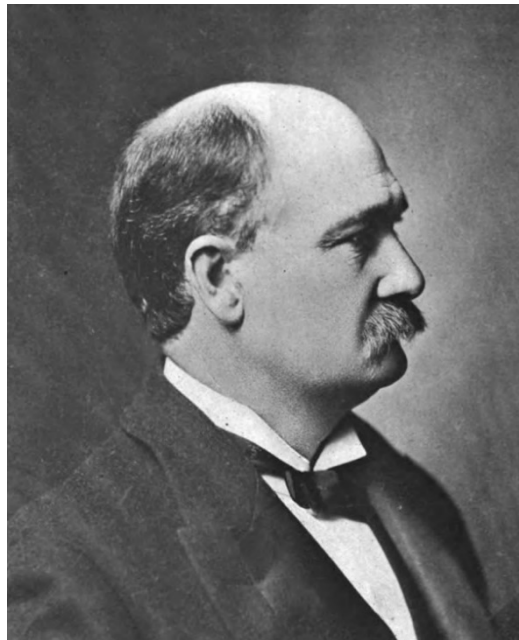
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<sup>1093</sup> See the biographical sketch of William Bingham for details on Lord Sheffield's pamphlet.

<sup>1094</sup> This is by no means an exhaustive list, but it covers some of the key works written by Coxe.



## George B. Curtiss



George Boughton Curtiss (1852-1920) was born in Mount Morris, Livingston County, New York in 1852.<sup>1095</sup> He was the son of George and Hilda Curtiss. During Curtiss's childhood, his family moved to Illinois, where they raised the young George Curtiss on the family farm. It was here that Curtiss received his early education. Later in 1876, Curtiss left Illinois for his native state of New York, and settled in Binghamton. During this time, Curtiss undertook the study of the law, whilst teaching penmanship at Lowell Business College. He would be admitted to the Bar in 1880. Three years later, Curtiss would be elected as the district attorney of Broome County, where he would remain for six years. Curtiss would then form a law partnership with Taylor L. Arms in 1886, under the name Arms and Curtiss, which would later become Curtiss, Arms & Keenan in 1898, and then Curtiss, Keenan & Tuthill in 1908.

Curtiss's first major economic work *Protection and Prosperity* was published in 1896. This 847 page treatise is primarily one of economic history, which traces the effects of tariff legislation on the industrial development of England, Europe, and the United States. Despite its focus being chiefly economic history, the eleventh and final chapter of the work is of immense theoretical value. It provides a clear summary of some of the key doctrines of American Protectionist thought, as well as some original contributions. One of these original contributions concerns the debate over 'natural' and 'artificial selection.' Although more of an argument from analogy, Social Darwinist

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<sup>1095</sup> The biographical details contained within this sketch have been sourced from the Home Market Club, "Champions of Protection: George B. Curtiss," *The Protectionist*, 11, no. 124 (1899), 181-193; The American Protective Tariff League, "Hon. George B. Curtiss," *The American Economist*, 65, no. 1 (1920), 7; "George B. Curtiss, Noted Economist and Lawyer, is Dead at His Home," *The Binghamton Press*, June 21, 1920, 9; "George B. Curtiss Dies at His Home in Binghamton," *Buffalo Courier*, June 21, 1920, 1; "George B. Curtiss Dies in Binghamton; Well Known Lawyer," *The Ithaca Journal-News*, June 23, 1920, 3.

thinkers at the time, such as William Graham Sumner, often invoked the theory of natural selection to justify free trade. In response, Curtiss retorted with an argument from “artificial selection”, noting that “when we come to consider the rapid improvements and development of plant and animals, we find that it has been due not to *natural selection*, but to *human selection*.”<sup>1096</sup> Similar to how farmers utilize artificial selection to perfect certain characteristics found in plants and animals in a shorter amount of time than what would occur naturally, Curtiss notes how the government can perfect and speed up the development of domestic industries through protectionist policies, which discredits the appeals to natural selection extolled by Social Darwinists.

Curtiss’s second major work *The Industrial Development of Nations* appeared in 1912. This monumental three volume treatise consists of over 1880 pages. Relative to his earlier work, *The Industrial Development of Nations* represents a greatly extended analysis of the industrial development of nations and their respective trade policies. Both of Curtiss’s major works would be utilized by the Republican Party in their campaigns. In 1899, President McKinley repaid Curtiss’s debts to the Republican cause by appointing him as US District Attorney for the Northern District of New York. He would be later reappointed to the role by President Roosevelt in 1904, and Taft in 1909, before ending his period of service in 1913. At the age of sixty-eight, Curtiss died at his residence in Binghamton, New York, on June 21, 1920.

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<sup>1096</sup> George B. Curtiss, *Protection and Progress*, (1896), 790

## Alexander J. Dallas



Alexander James Dallas (1759-1817) was born in Kingston, Jamaica on June 21, 1759.<sup>1097</sup> He was of Scottish and Irish ancestry. With Jamaica lacking adequate educational facilities, the Dallas family decided to move to Edinburgh, and then to London, to put the young Alexander through schooling. Dallas was planning to become a lawyer, but upon the death of his father at the age of ten, his family could no longer afford to fund his legal training. He would eventually return to Jamaica in 1780, and through family connections, he would be admitted to the bar. Dallas would remain in Jamaica for three years, before deciding to seek out a new life in the United States. With a letter of introduction from William Bingham and Robert Morris, who he became acquainted with in Jamaica, Dallas sailed to the United States in 1783. He would settle in Philadelphia and would be admitted into the Pennsylvania bar in 1785. Dallas also established a career in journalism during this time. He would briefly gain employment with the *Pennsylvania Evening Herald* in 1787, and would then become the editor of Mathew Carey's *Columbian Magazine* later that year.

In January of 1791, Dallas would be appointed Secretary of the Commonwealth of Pennsylvania, and not long after he would become involved in the Democratic-Republican Party, where he positioned himself in the more conservative and nationalist wing of the Party. He would then pen the work, *Features of Mr. Jay's Treaty* in 1795, which castigated Federalists for normalizing trade relations with Britain. Annexed to this work was his essay *View of the Commerce in the United States*, which emphasized the economic implications of the Treaty. In 1801, Dallas would then be appointed as the US Attorney for the Eastern District of Pennsylvania.

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<sup>1097</sup> There are two very good biographies on Alexander J. Dallas. The first is written by George Mifflin Dallas, "Memoir", In *Life and Writings of Alexander James Dallas*, (Philadelphia: J. B. Lippincott & Co., 1871), 9-146, which was written by the son of Alexander Dallas. The other is Raymond Walters, *Alexander James Dallas: Lawyer, Politician, Financier*, (Philadelphia: University of Pennsylvania Press, 1943). The biographical details contained within this sketch have been derived from these two works.

Dallas would remain there until 1814, when President Madison appointed him to replace Albert Gallatin as Secretary of the Treasury. During his tenure, Dallas produced several major treasury reports, including his *Report on Public Credit*, his *Report on Treasury Notes*, and his *Report on the National Bank*.

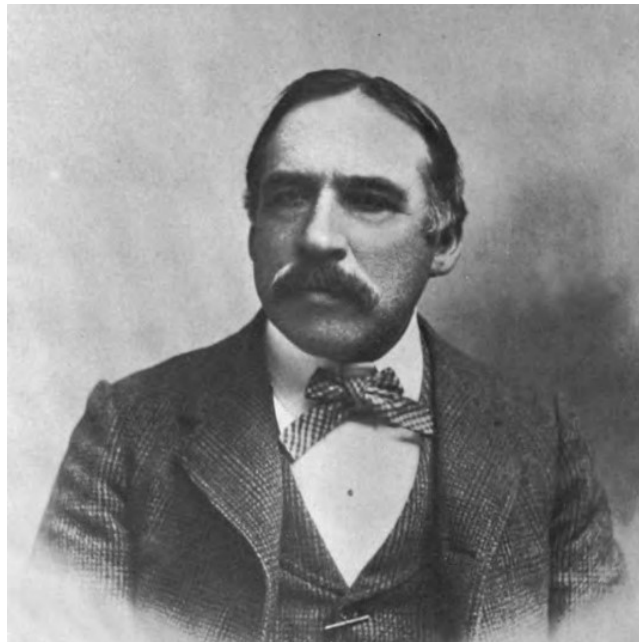
Dallas's main protectionist work, however, was his *Report on the General Tariff*, which was communicated to Congress on February 12, 1816. In this *Report*, Dallas notes that while the establishment of domestic manufactures was deemed important ever since Hamilton's *Report on Manufactures*, the government never implemented policies to bring about this end. Dallas observed, however, that "American manufactures" had "been introduced during the restrictive system and the war," referring to the US non-importation acts enacted during the Napoleonic Wars. These peculiar circumstances "afforded a sufficient inducement for [the] investment of capital, and [the] application of labor" to manufacturing, but, Dallas noted, that this "inducement, in its necessary extent, must fail when the day of competition returns."<sup>1098</sup> Dallas's primary concern was not so much the encouragement of infant industries but preventing the loss of already established industries. Indeed, "the present policy of the Government," explains Dallas, "is directed to protect, and not to create manufactures."<sup>1099</sup> Dallas therefore proposes high rates of protection for mature industries, moderate rates for infant industries, and revenue rates for industries which are unestablished or unsuited to the United States. In November of 1816, Dallas would retire from public office, and would return to his law practice in Philadelphia. Within just weeks of returning to Philadelphia, Dallas would die on January 16, 1817, following bouts of a mysterious and reoccurring pain.

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<sup>1098</sup> Alexander Dallas, *Letter from The Secretary of the Treasury Transmitting A Report on a General Tariff of Duties Proper to Be Imposed on Imported Goods, Wares, and Merchandise*, (Washington: William A. Davis, 1816), 21.

<sup>1099</sup> Alexander Dallas, *Report on a General Tariff of Duties*, 26.

## Van Buren Denslow



Van Buren Denslow (1833-1902) was born in Yonkers, New York, in 1833.<sup>1100</sup> In his early twenties, Denslow would commence the study of the law, and would be admitted into the bar in 1855, but decided to pursue a career in journalism and academia instead. It was around this time that Denslow produced his first protectionist tract through a series of lectures called “The Causes of the Present Hard Times.”<sup>1101</sup> In 1863, Denslow would move to Chicago, where he became chief editorial writer of the *Chicago Tribune*, which was associated with Horace Greeley’s *New York Tribune*. Then, in 1866, he became editor in chief of the *Chicago Republican*, where he undertook an aggressive campaign for the cause of protectionism, but by 1868, he moved back to New York for a brief stint at Greeley’s *New York Tribune*, before returning to the *Chicago Tribune* the following year. Around the same time, he also helped with the editing of *Putnam’s Magazine*. Later in 1880, he would become the chief economic writer of the fiercely protectionist *Chicago Inter-Ocean*, as well as a contributor to George Gunton’s *Social Economist*, where many of his short economic tracts would appear. Denslow’s academic career would commence in 1872, when he became the organizing secretary and Professor of Law at the Union College of Law. Around the same time, Denslow would also begin teaching at Northwestern University and the old University of Chicago, the predecessor institution of the present-day University of

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<sup>1100</sup> In addition to citations provided in subsequent footnotes, the biographical details contained within this sketch have been derived from the Home Market Club, “Champions of Protection: Van Buren Denslow,” *The Protectionist*, 9, no. 128, (1899), 441-464; the Home Market Club, “Van Buren Denslow” [Obituary] *The Protectionist*, 14, no. 161 (1902), 264-265; “Obituary – Van Buren Denslow,” *New York Daily Tribune*, July 20, 1902, 7; and “Prof. Van Buren Denslow,” *The New York Times*, July 20, 1902, 7. The only dedicated study on Van Buren Denslow that could be identified is Gerald F. Vaughn, “Institutional Economics and Community Development: The Pioneering Roles of Henry C. Carey and Van Buren Denslow,” *Journal of Economic Issues*, 37, no. 3 (2003), 681-696. Although this study does contain valuable thinking, it is misguided in its central argument that Carey and Denslow were antecedents of the Institutionalist School.

<sup>1101</sup> It appears that these lectures were either never recorded or has been lost over the years.

Chicago.

One of Denslow's first published works was produced in 1879 for the Philosophical Society of Chicago. This work was entitled *A Plea for the Introduction of Responsible Government and the Representation of Capital into the United States as Safeguards against Communism and Disunion*. In this piece, Denslow calls for constitutional reforms that would allow the introduction of aristocratic elements in state and local government to counterweight populist demands. Such reforms were intended to protect the United States from communism. In 1885, Denslow once again returned to New York with the intention of resuming his law practice but would become immediately preoccupied with editing the *American Economist*, which was the official periodical of the American Protective Tariff League. It was not long after this that Denslow produced his most brilliant work, his *Principles of the Economic Philosophy of Society, Government, and Industry* (1888). Whilst designed as a general economics textbook, the treatise's central and original argument concerns the role of entrepreneurial profit and how it acts as a migratory force which moves resources into new industrial pursuits.

On July 17, 1902, at the age of sixty-nine, Denslow died in his home in New York City. He left his personal effects to his housekeeper and friend, Melissa Waxham. These personal effects included sixteen unpublished manuscripts.<sup>1102</sup> The details surrounding these manuscripts remains unknown, but it stands to reason that at least some of them were on economic matters. Miss Waxham later moved to Omaha, Nebraska, where she lived out her remaining years.<sup>1103</sup> The unpublished manuscripts remain missing until this day. That death prevented Denslow from finalizing these works for publication is a misfortune. As one of the last and most sophisticated writers of the School, these lost writings may have contained one of the most advanced expositions of American Protectionist thought. Van Buren Denslow was survived by his four children, one of whom bore the name Henry Carey Denslow to signify the reverence which the elder Denslow held for the great economist who came before him.<sup>1104</sup>

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<sup>1102</sup> This has been pieced together from Van Buren Denslow, "Last Will and Testament of Van Buren Denslow of Chicago," [Document of the Surrogate Court of the County of New York, recorded October 6, 1902]; Frank J. Fitzgerald, "In the Matter of Proving the Last Will and Testament of Van Buren Denslow – Deceased," [Document of the Surrogate Court of the County of New York, recorded October 6, 1902]; "To Fight Lawyers Will – Heirs of Van Buren Denslow to Dispute Bequest to Literary Assistant," *New-Tribune*, September 5, 1902, 7; and "Left All His Property to Literary Assistant" *Rochester Democrat and Chronicle*, August 9, 1902, 9.

<sup>1103</sup> Robert D. Waxham, *Four Brothers from Downham: The Waxham Family Biography*, (Community Press, 2007), 266, provides an account of Melissa Waxham's movements.

<sup>1104</sup> See Van Buren Denslow to Henry Charles Carey, August 21, 1868, Box 12, Folder 6, HCCP, ECGC, HSP, Philadelphia, Pennsylvania.

## George B. Dixwell



George Basil Dixwell (1814-1885) was born on December 12, 1814, in Boston, Massachusetts.<sup>1105</sup> He was the son of John Dixwell, a Doctor, who received his M.D. from Harvard in 1796. The Dixwell family were esteemed for their intellectual culture and personal worth. The younger Dixwell received an early education from Boston Public Latin School. Like his father before him, George Dixwell would be admitted to Harvard in 1830. He was apparently a very gifted scholar who excelled in all subject areas, but after graduating around 1834, Dixwell decided to enter into a career as a merchant. He would join his older brother in an expedition to India where they established a mercantile house. Over the next thirty years, Dixwell continued his career as a merchant, and undertook operations in both India and China, where he became fluent in Hindi and Mandarin, which aided his commercial activities in the region.

Dixwell ceased his commercial operations and returned to the United States in 1873, at the age of fifty-eight. After receiving a sizable inheritance from his parents and being free from his business affairs, Dixwell turned his attention to the study of science, philosophy, and most importantly, political economy. Although he never produced a major treatise on economics, his articles, many of which were republished in pamphlet format, accorded him a strong reputation within Protectionist ranks. Described as “a demolisher of false systems, an exposé of fallacies, [and] an eradicator of errors,” Dixwell’s essays represented a series of sharp offensives against

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<sup>1105</sup> This biographical sketch has been derived from the National Association of Wool Manufacturers, “Obituary – George Basil Dixwell”, *Bulletin of the National Association of Wool Manufacturers*, 15, no. 1 (1885), 96-99; and the Home Market Club, “Champions of Protection: George Basil Dixwell”, *Home Market Bulletin*, 10, no. 5 (1898), 1-3.

competing economic doctrines.<sup>1106</sup> With the above in mind, Dixwell's approach to political economy differed from that of most other economists within the American Protectionist School. Whereas other American Protectionists tended to adopt an inductive approach, Dixwell, being immersed in the study of logic, utilized the deductive method. Through the use of logical reasoning, Dixwell focused his attention on exposing the fallacies of competing economic doctrines. Among his critical essays are *The Premises of Free Trade Examined* (1881), a *Review of Bastiat's Sophisms of Protection* (1881), "*Progress and Poverty*": *A Review of the Doctrines of Henry George* (1882), a *Review of Perry* (1882), and a *Review of Professor Sumner's Speech* (1882).<sup>1107</sup> Speaking a few days before his death, Dixwell, it is said, told his friend and fellow protectionist, John L. Hayes, that "for the last seven years of my life, waking or sleeping, I have thought and dreamed of nothing else [other than political economy]." <sup>1108</sup> On April 10, 1885, George Dixwell died of pneumonia, at the age of seventy.

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<sup>1106</sup> The Home Market Club, "Champions of Protection: George Basil Dixwell", 1.

<sup>1107</sup> George Basil Dixwell, "*Progress and Poverty*": *A Review of the Doctrines of Henry George*. (Cambridge: John Wilson and Son, 1882); "Review of Bastiat's Sophisms of Protection", *Bulletin of the National Association of Wool Manufacturers*, 11, no. 3 (1881): 233-257; "Review of Perry." *Bulletin of the National Association of Wool Manufacturers*. 12, no. 1 (1882): 28-43; and *Review of Professor Sumner's Speech*, (Cambridge: John Wilson and Son, 1882).

<sup>1108</sup> National Association of Wool Manufacturers, "Obituary – George Basil Dixwell", 96.



## Thomas H. Dudley



Thomas Haines Dudley (1819-1893) was born on October 18, 1819, in Burlington County, New Jersey.<sup>1109</sup> He grew up working on his mother's farm. His mother, Ann Haines, was left a widow, after the death of Thomas's father in 1820. She was thus responsible for raising Thomas and his three siblings herself. Thomas Dudley would subsequently become a schoolteacher and would eventually save enough money from this job to commence his study of the law, which would be undertaken in the office of William N. Jeffers, a respected lawyer in Camden, New Jersey. Then, in 1843, at the age of twenty three, Dudley would serve as both the Camden City Clerk and the City Treasurer. His involvement in politics would also begin around this time. In the following year, Dudley would become Secretary of the Henry Clay Club of Camden and would thus take an active part in Clay's 1844 Presidential Campaign.

Dudley would then be admitted as a counsellor-at-law in 1848, and it was also around this time that he began his friendship with Henry Charles Carey. Dudley continued his involvement in political activities during this period. After the disintegration of the Whigs, Dudley became an early member of the Republican Party, and in 1856, he would serve as Chairman of the Executive of the New Jersey Branch of the Party. He would then be chosen as a delegate to the 1860 Republican National Convention, where he would aid in the nomination of Abraham Lincoln. In addition, it has been suggested that Dudley was responsible for introducing the tariff plank to the 1860 Republican Platform. The following year, Dudley would travel abroad for

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<sup>1109</sup> The biographical details contained within this sketch have been derived from William John Potts, *Biographical Sketch of the Hon. Thomas Dudley*, (Philadelphia: MacCalla & Company, 1895); and the Home Market Club, "Champions of Protection: Thomas H. Dudley", *Home Market Bulletin*, 10, no. 9 (1899), 1-3.

health reasons. Then, at the request of the Lincoln Administration, he would be appointed as the acting Consul to Paris. In late 1861, Dudley would then be appointed as the Consul to Liverpool in the United Kingdom. As this was in the midst of the American Civil War, Dudley would also act as a spy and would coordinate a system of industrial espionage to prevent the United Kingdom from supplying the Confederate States with naval ships. During his time in Liverpool, Dudley also became acquainted with the prominent free trade statesman and Manchester liberal John Bright, and despite their differences in economic creed, it appears that the two formed a friendship. Dudley would remain as Consul until 1872. Upon his return from England, Dudley would establish a legal practice in Camden.

Dudley was a committed Protectionist since his early days as a Clay supporter, but his writings on the topic would not appear until after his return from Liverpool. Although Dudley never produced a major treatise on political economy, he did produce approximately twenty three papers and pamphlets on the subject. Among these were *Protection or Free Trade for the United States of America?* (1880), a *Reply to Augustus Mongredien's Appeal to the Western Farmer of America* (1880), *The Farmer Freedeth All* (1882), and *Which is Best for Farmers, Protection of Free Trade?* (1887). In addition to these literary efforts, Dudley would also be elected as Vice President of the American Protective Tariff League in the 1880s, and would retain this position until at least 1892.<sup>1110</sup> On April 15, 1893, at the age of seventy-three, Dudley would pass away in Philadelphia.

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<sup>1110</sup> Henry M. Hoyt to Thomas H. Dudley, January 17, 1891, Box 1887-1900, Folder DU2271, THDP, HL, San Marino, CA.

## Cyrus Elder

Like his older brother William, Cyrus Elder (1833-1912) was born in Somerset, Pennsylvania, on June 16, 1833, some twenty seven years after William. Cyrus attended both public and private schools during his formative years.<sup>1111</sup> After finishing school, Elder worked at a store in Somerset, before moving to Philadelphia, to work at a dry goods wholesaler. He would then return to his parent's house in 1855, in order to undertake the study of the Law. He would be admitted to the bar in 1856. Around this time, Elder would also be active in the newly formed Republican Party, and would subsequently be nominated as a delegate to the 1856 Republican National Convention. Then, in 1859, Elder would marry the sister of fellow protectionist James M. Swank.

At the outbreak of the Civil War in 1861, Elder was quick to join the Union Army, enlisting in the volunteer infantry company in Somerset, where he would be appointed as second lieutenant. Later in the conflict, he would be appointed as quarter-master of the tenth regiment of the Pennsylvania Reserve and would serve in the Peninsula Campaign of 1862. During this operation, however, Lieutenant Elder would contract chickahominy fever and would subsequently resign from his post. Elder would then return to his law practice in late 1862, where his services were be enlisted for the Cambria Iron Company. Elder would work almost exclusively for the Cambria Iron Company until his retirement in 1901. The owner of the company was Daniel J. Morrell, who along with Joseph Wharton and several others, would go on to establish the explicitly protectionist American Industrial League in 1868. As a staunch Protectionist and associate of Morrell, Elder would be appointed to serve as Secretary of the League. In this capacity, Elder would also serve as the editor of the *Industrial Bulletin*. Elder would continue in this role until the collapse of the League in 1873.

Elder's first publication on political economy would appear in 1872. This piece was entitled *Dreams of a Free-Trade Paradise*, which consisted of several satirical essays mocking the arguments of free traders. It would not be until 12 years later in 1886 that his main work on political economy would appear. This was entitled *Man and Labor*. This contained the substance of a series of lectures delivered by Elder at the Cambria Scientific Institute. In addition to his economic writings, Elder also produced a poetic work entitled *My Gift* in 1867. Cyrus Elder died in Philadelphia on December 14, 1912

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<sup>1111</sup> The biographical details contained within this sketch have been derived from James M. Swank, "Sudden Death of Cyrus Elder," *Bulletin of the American Iron and Steel Association*, 36, no. 15 (1912), 118; and *History of Bedford, Somerset, and Fulton Counties, Pennsylvania: with Illustrations and Biographical Sketches of Some Pioneers and Prominent Men*, (Chicago: Waterman, Watkins, & Co., 1884), 427.

## William Elder



William Elder (1806-1885) was viewed by Henry Charles Carey as one of the two most competent economic thinkers and expounders of the American Protectionist doctrine.<sup>1112</sup> Of the very limited scholarship on Elder, however, his reputation is that of a mere popularizer of the Carey doctrine.<sup>1113</sup> This does a grave disservice to this important thinker. For one thing, Elder did not follow Carey blindly. He drew extensively from a range of protectionist thinkers, and his approach, more than any other in the Carey circle, can be viewed as a synthesis of the leading American Protectionist theories. His harmonizing of the ideas of Alexander Hamilton, Friedrich List, and Henry Carey, in particular, would leave an impressionable mark on the School.<sup>1114</sup>

William Elder was born on July 23, 1806, in the small town of Somerset in Pennsylvania.<sup>1115</sup> His family owned a farm outside of town where William was to spend his childhood years. His early education was apparently quite ordinary. He attended a local public school of substandard quality. Elder later recalled that his teachers were qualified only by the fact that their laziness precluded them from other employments. The only real educational opportunity offered to him was the use of his family's private library, and we must assume by his later literary output that Elder was an astute learner in his private capacity. Prior to turning twenty, Elder would go on to study medicine at a medical practice located in Chambersburg, Pennsylvania, but

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<sup>1112</sup> Robert Ellis Thompson, Untitled [Obituary of William Elder], *The American*, 9, no. 244 (1885), 420. The other economist was Peshine Smith.

<sup>1113</sup> Of the small passage devoted to Elder, Hudson's simply describes his work as a "popularization of Carey's protectionist and related economic views." *America's Protectionist Takeoff*, 175. This also appears to be the only secondary scholarship on William Elder.

<sup>1114</sup> The views of these three economists were similar in many respects, but Elder goes further than other economists identified in this study to combine them into a coherent whole. This synthesis is quite subtle, but it is made apparent in the preface of Elder's *Questions of the Day*, and throughout his writings more generally.

<sup>1115</sup> The biographical details contained in this sketch have been derived from Robert Ellis Thompson, Untitled [Obituary of William Elder], *The American*, 9, no. 244 (1885), 420; anon., Untitled, [Obituary of William Elder], *The Times - Philadelphia*, April 5, 1885; the Home Market Club, "Champions of Protection: William Elder." *Home Market Bulletin*, 10, no. 1 (1898), 1-3; and anon., *History of Franklin County, Pennsylvania*, (Chicago: Warner Beers & Co., 1887), 280.

would later relocate to Philadelphia to attend formal medical training at Jefferson College. He would graduate in 1833. In 1834, he would return to Chambersburg, where he would establish a joint medical practice. He would remain there for two years, before moving to Pittsburgh, where he would establish an independent practice. It was around this time that Elder began to take more of an interest in politics. Among the issues which aroused Elder's interest was the cause of abolition and the anti-masonic movement, and by 1839, Elder ran successfully on a Whig and Anti-Masonic ticket for the Recorder of Deeds for Allegheny County. Elder's medical practice apparently suffered due to his involvement in politics, which led Elder to cease medicine and pursue a legal career instead. He would be admitted to the Pennsylvania bar in August of 1842. He would then establish a practice in Pittsburgh later that year. In 1845, Elder would then relocate to Philadelphia. In the period following, Elder would also commence his career in journalism, and in 1854, a series of essays on assorted political and social topics would be published under the title *Periscopics*.

It would be in 1852, after Elder became personally acquainted with Henry Carey that he began to take more of an interest in political economy, a subject which would occupy the rest of his life. His first efforts in the cause of protection was actually assisting Carey in the preparation of his *Principles of Social Science*. In the period following, Elder began writing newspaper articles in defense of the ideas of Hamilton, List, and Carey. These would appear in the *North American*, the *Philadelphia Press*, the *Philadelphia Inquirer*, and the *New York Tribune*. In 1860, these articles would be compiled and published as a pamphlet entitled *The Doctrine and Policy of Protection*. Having demonstrated a grasp of economics, a year later, Elder gained employment in the United States Treasury. It was in this capacity that Elder published his 1863 work entitled *Debt and Resources of the United States*, a topic which was followed up on in 1865 with the work *How Our National Debt can be Paid*.

In 1866, Elder decided to resign from the Treasury Department, and return to Philadelphia to focus more on his career in journalism. During this time, Elder also lectured on economic matters and continued to produce pamphlets on protection. In 1877, Elder's first major treatise, *Questions of the Day: Economic and Social*, appeared. As the title suggests, this work was a general treatment of the major economic and social questions of the time delivered from a distinctly American Protectionist perspective. In 1873, Elder decided to return to the Treasury Department, where he would remain for the rest of his life. While at the Treasury, Elder would continue to write on economic questions. In 1882, his *Conversations on the Principal Subjects of Political Economy* would appear. This publication would represent the culmination of his literary efforts and would mark his last major work on the subject. Elder passed away three years later on April 5, 1885.

## Alexander H. Everett



Alexander Hill Everett (1790-1847) was born on March 19, 1790, in Boston, Massachusetts.<sup>1116</sup> Everett was an astute learner, and would enter Harvard at the young age of twelve. Although he was the youngest in his class, he would graduate first in his class at the age of sixteen. After a short stint as a teaching assistant at Phillips Exeter College, he would then study law at the office of John Quincy Adams. For some time, Everett would be joined at the hip with Adams. In 1809, when President Madison appointed Adams as the Ambassador to Russia, Everett would accompany Adams and would serve as his private secretary. Everett would reside in St. Petersburg for two years, before proceeding to London, where he would reside for a further year. With the return of hostilities between the United Kingdom and the United States accompanying the commencement of the War of 1812, Everett returned to Boston. There, he would be admitted into the bar, and would establish a law office. Not long after, however, Everett would return to foreign affairs. In 1814, he would be appointed as Secretary of the Legation to the Netherlands, eventually becoming *chargé d' affaires* in 1818. Everett would retain this position until 1824, when he returned to the United States on a leave of absence. In 1825, President Adams would then appoint Everett as Minister to Spain.

Everett would return to Boston in 1829. The same year, he would purchase a stake and would subsequently become editor of the *North American Review*. Under Everett, the *North American Review* would take on a more protectionist orientation.

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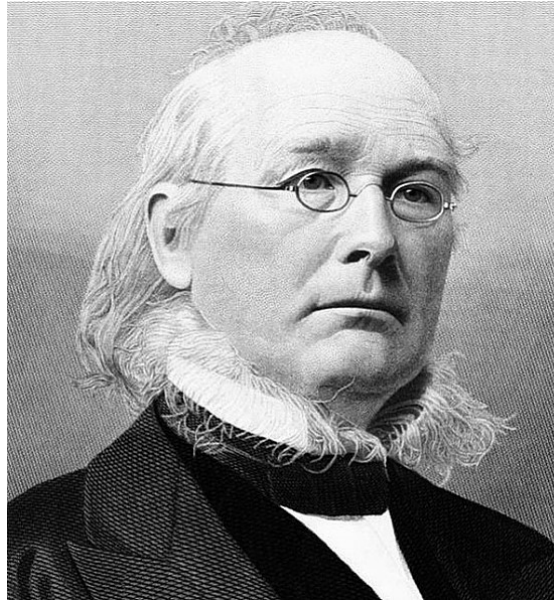
<sup>1116</sup> The biographical details contained within this sketch have been derived from Rufus Wilmot Griswold, *The Prose Writers of America: With a Survey of the Intellectual History, Condition, and Prospects of the Country*, (Philadelphia: A. Hart, Late Carey & Hart, 1852) 284-286; John Seely Hart, *A Manual of American Literature: A Textbook for Schools and Colleges*, (Philadelphia: Eldredge & Brother, 1872), 231-232; and Anon. "Everett, Alexander Hill", in *The American Encyclopaedia: A Popular Dictionary of Knowledge*, Vol 6, ed. George Ripley and Charles A. Dana, (New York: D. Appleton and Company, 1874), 798. The only dedicated study devoted to Everett that has been identified is Joseph J. Spengler, "Alexander Everett Hill: Early American Opponent of Mathus", *The New England Quarterly*, 9, no. 1 (1936), 97-118.

Everett's involvement in party politics would also begin around the same time. In 1830, Everett would be elected as a Whig to the Massachusetts State Legislature, a position he would retain until 1835. He would also be selected as a delegate to the 1831 Whig National Convention, where he would endorse Henry Clay's presidential nomination. Everett would, however, eventually join the Democratic Party, after being impressed by President Jackson's handling of the nullification crisis.

Everett wrote numerous works on political economy. The most important of these is his *New Principles on Population with Remarks on the Theories of Malthus*, which appeared in 1823. The work is essentially a refutation of Malthus, which argues that population growth tends to produce abundance, as opposed to scarcity. Later, Everett would prepare the *Memorial* for the 1833 New York Friends of Domestic Industry Convention, which was designed as a reply to Albert Gallatin's 1831 *Memorial of the Free Trade Convention*. Everett's *Memorial* would be published as part of Hezekiah Niles' *Journal of the Proceedings of the Friends of Domestic Industry*. The bulk of Everett's other economic writings would appear as articles in *The North American Review*. The most important of these articles being "British Opinions on the Protecting System" and "The American System." Later, between 1844 and 1845, Everett would enter into a debate on the topic of population with the economist George Tucker of the University of Virginia. This debate was undertaken through a series of letters which were published in *The United States Magazine and Democratic Review*.

Everett would return to foreign affairs in 1840, having been appointed as a confidential agent in Cuba. Upon the completion of this assignment, he would be appointed as President of Jefferson College in Louisiana. He would serve in this position for a brief period of time, before returning to Boston due to ill health. In 1845, Everett would then be appointed to another diplomatic post, this time as Commissioner to China. En route to China, Everett would fall ill during a stoppage at Rio de Janeiro, which compelled him to return to Boston. He reattempted the trip in 1846 but was once again overcome by illness. Everett passed away on June 28, 1847, shortly after arriving in Canton, China.

## Horace Greeley



Horace Greeley (1811-1872) was born on February 11, 1811, in Amherst, New Hampshire.<sup>1117</sup> Greeley grew up on his parents' farm and was the third of his seven siblings. He would attend a local school, though his attendance was quite irregular. In his private capacity, however, Greeley would be an avid reader and had apparently read the Bible at the age of five. In 1826, at the age of fourteen, Greeley would become an apprentice at the Vermont based newspaper *The Northern Spectator*. Greeley would remain there for five years until the newspaper ceased. With the money he had saved, Greeley decided to move to New York City. He worked briefly for the *New York Evening Post* as a typesetter, before establishing *The New York Morning Post* in 1833. The newspaper proved unsuccessful though, failing not long after its establishment. The printery itself continued, however, and after entering into a partnership with Jonas Winchester in 1834, the two established *The New Yorker*. During this time, Greeley also wrote for various other newspapers and journals, including the *Daily Whig*.

Later in 1838, Greeley would be made editor of the weekly Whig Party campaign organ, the *Jeffersonian*. Greeley's efforts helped to elect the prominent Whig statesmen William H. Seward to the New York Governorship, and this also helped Greeley to establish a political alliance with Seward and Thurlow Weed, the latter of whom was Seward's advisor. Later in 1840, Greeley would establish another Whig newspaper, *The Log Cabin*, which would aid William Henry Harrison's successful presidential campaign. The following year, on April 10, 1841, Greeley would establish

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<sup>1117</sup> The biographical details contained within this sketch have been derived from Horace Greeley, *Recollections of a Busy Life*, (New York: The Tribune Association, 1873); John L. Hayes, "Horace Greeley as a Political Economist," *Bulletin of the National Association of Wool Manufacturers*, 4, no. 1 (1873), 1-10; and the Home Market Club, "Champions of Protection," *Home Market Bulletin*, 10, no. 2 (1898), 1-2.



his most important newspaper, *The New York Tribune*, which became the most widely circulated newspaper in the country. *The New York Tribune* was strongly Whig, but not blindly so. Greeley would allow a broad array of alternative viewpoints, even employing Karl Marx as a foreign correspondent during the 1850s and 1860s. After the demise of the Whigs, Greeley would help found the Republican Party in 1854. Greeley would remain a committed Republican until 1871, when he defected from the Party in opposition to the alleged corruption of the Grant Administration. Greeley would then run for President of United States on the ticket of the newly formed, yet short lived, Liberal Republican Party, but would lose to Grant in a landslide.

During his life, Greeley would author numerous works on the subject of political economy. His first work was a small compilation entitled *Tracts on the Tariff* which appeared in 1840. In 1843, he would publish a periodical entitled *The American Laborer, Devoted to the Cause of Protection to Home Industry*, which consisted of twelve issues. Then, in 1844, in support of Henry Clay's presidential campaign, Greeley would publish *Protection and Free Trade: The Question Stated and Considered*. Later in 1858, he would also produce a pamphlet entitled *Labour's Political Economy; or the Tariff Question Considered*. Greeley's most important and theoretically sophisticated work would appear, however, in 1870. This was his *Essays Designed to Elucidate the System of Political Economy*, which was dedicated to Henry Clay. Two years after the publication of this work, Greeley would pass away near his home in Chappaqua, New York on November 28, 1872.

## William Gregg



William Gregg (1800-1867) was born on February 2<sup>nd</sup>, 1800, in Monongahela county, Virginia.<sup>1118</sup> He was the son of William and Elizabeth Gregg. His ancestry can be traced to Scotland, with his great grandfather arriving in the Americas with William Penn in 1682. William was largely bought up by his uncle Jacob Gregg, who was a watchmaker and manufacturer in Alexandria, Virginia. This early association with manufacturing work likely influenced Gregg's later economic views. Gregg would move further South in 1810, with his uncle Jacob, who established a cotton mill in Georgia. Gregg would later relocate to Lexington, Kentucky, where he learnt the trade of silversmithing and watchmaking. Gregg would eventually return to the South in 1821, now residing in South Carolina. There he would purchase a stake in a cotton mill in Vaucluse but would abandon the venture due to ill health. Gregg would then move to Charleston in 1838, and would purchase a stake in a jewelry and watchmaking business, which became Hayden, Gregg, and Company. Gregg acquired considerable wealth through this venture, and this allowed him to establish his own manufacturing business, known as the Graniteville Manufacturing Company, which was a manufacturer of fine cotton clothing. He was regarded as one of the pioneers of manufacturing in the State of Carolina. Whilst a Southerner, politically, William Gregg

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<sup>1118</sup> Basic biographical details have been derived from "Gregg, William," In *The Biographical Dictionary of America*, Vol. 4, Ed. Rossiter Johnson, (Boston: American Biographical Society, 1906) 343. Other details have been pieced together from James Henry Rice, "Paladins of South Carolina: William Gregg of Watmia," *The State: Columbia, S.C.*, January 10, 1925, 13; "Death of William Gregg", *The Charleston Mercury*, September 13, 1867, 1; "Death of William Gregg," *The Daily Journal*, September 15, 1867, 2; and the *Vermont Chronicle*, October 6, 1857, 4. There is an out of print secondary account of Gregg, but the author was unable to acquire a copy of the work during the preparation of the present study. This is Broadus Mitchell, *William Gregg, Factory Master of the Old South* (Chapel Hill: University of North Carolina Press, 1928).

was also affiliated with the Whig Party, and was, at one point, the chairman of the South Carolinian branch of the Whigs.<sup>1119</sup>

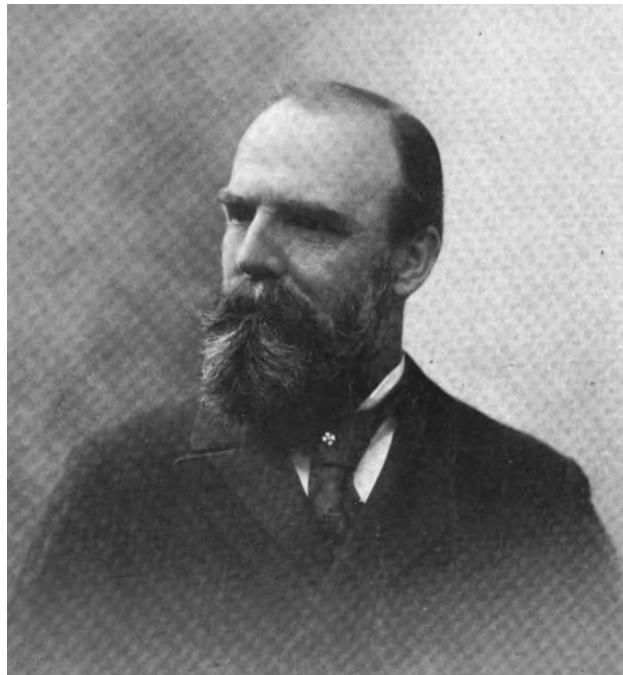
It is not clear exactly when Gregg converted to protectionism, but his thinking was clearly informed by a tour of several manufacturing districts which he undertook during a visit to the Northern States. Gregg observed that the United States was destined to become a manufacturing power but thought that the South was at risk of being left behind by the North. Unlike the other Southerner within the School, Nathaniel A. Ware, who published his writings anonymously, Gregg would ascribe his own name to his works. Gregg's main work was *Essays on Domestic Industry: or, An Enquiry into the Expediency of Establishing Cotton Manufactures in South Carolina*. This was published in Charleston in 1845. Gregg would also publish other articles on manufacturing, including a series of articles in *Hunt's Merchant Magazine* entitled "The Condition and Prospects of American Cotton Manufactures in 1849." Typical of most Southerners of the time, Gregg accepted the institution of slavery, but was more or less critical of the South's plantation system. Gregg, for instance, argues that so much of the South's capital and enterprise is tied up in the direction of slave-labor, that white workers, as a result, suffer from idleness and their talents lay dormant and unutilized. By fostering a diversity of employments through protective tariffs, in addition to altering the South's attitude towards manufacturing, this will "set in motion" the means through which "our miserably poor white population [will] at once rise from their ignorance and degradation."<sup>1120</sup> On September 12, 1867, Gregg would pass away in Kalmia, South Carolina, near Graniteville.

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<sup>1119</sup> William Gregg, Resolutions adopted at a Meeting of the Whig Party of Charleston, South Carolina, May 22, 1849, Mixed Material, *GWCP, RB&SC, HL, UND*, Notre Dame, Indiana.

<sup>1120</sup> William Gregg, *Essays on Domestic Industry*, (Charlston: Burges & James, Publishers, 1845), 25.

## George Gunton



George Gunton (1845-1919) was born on September 8, 1845, in Cambridgeshire, England.<sup>1121</sup> He was the son of Matthew Gunton, who was a poor agricultural laborer. This family situation meant that the young George Gunton had limited opportunity to receive a formal education. From a young age, Gunton would also work as an agricultural laborer. He would later move to Lancashire, which was then a center of British cotton manufacturing. There, he would work in the textile mills. During this time, Gunton would also become involved in union activities within the mill. Being interested in politics, Gunton was considered a liberal radical, supporting such movements as granting suffrage to agricultural workers and the nine-and-a-half-hour workday. He would, however, gravitate towards the theories of free trade, having grown up in the atmosphere of the Manchester School of economics.

After a decade of working in the English textile mills, and getting by at bear subsistence, Gunton and his family migrated to the United States in 1874. He would then reside in Fall River, Massachusetts, where he would gain employment at the local cotton mills. After taking an active part in a labor strike at the mill in 1876, however, Gunton would be blacklisted by the owners of the mill. He would then cease manual work and pursue a career in journalism, initially contributing to the union orientated

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<sup>1121</sup> The biographical details contained within this sketch have been derived from Hayes Robbins, "Champions of Protection: George Gunton," *The Protectionist*, 11, no. 130 (1900), 561-575; and "George Gunton Dies," *The Brooklyn Daily Times*, September 14, 1919, 2. Interestingly, it appears that there was some interest in Gunton during the 1940s and 50s, indicated by the fact that there was an article and three Masters Dissertations written on him during this time. These include; Lillian Makatura Gottsegen, "The Economic Philosophy of George Gunton," Unpublished Masters Dissertation, Graduate School of Michigan State College of Agriculture and Applied Science, 1949; David I. Siskind, "The Economic Thought of George Gunton", Unpublished Masters Dissertation, George Washington University, 1947; Ray Madsen, "The Economics of George Gunton," Unpublished Masters Dissertation, Mashall College, 1953; and Jack Blicksilver, "George Gunton: Pioneer Spokesmen for a Labor-Big Business Entente," *The Business History Review*, 31, no. 1 (1957), 1-22.

*Labor Standard*. It was through this position that Gunton became acquainted with the union leader and self-taught economist Ira Steward. Steward was not a socialist, but he was a staunch advocate of the eight-hour workday, and this was a view later adopted by Gunton. Steward wrote several articles and pamphlets in support of the eight-hour workday and sought to write a larger theoretical treatise on the question. Shortly before his death, Steward entrusted Gunton with the unpublished manuscript. The work, however, was far less developed than Gunton had anticipated, with him noting that Steward's "papers when examined were found to consist of disconnected matter, made up of more or less extended notes, none of which were in a condition to be used."<sup>1122</sup> In any event, Gunton had completed the manuscript in 1887. This represented Gunton's first major work and was published under the title *Wealth and Progress*.

Prior to the publication of *Wealth and Progress*, Gunton had left Massachusetts and arrived in New York in 1885. Here, he became involved in an economics society which operated out of a local church. The church fellowship was so impressed with Gunton that they made him the organizer of the society. The economics society eventually evolved into the Institute of Social Economics. In addition to running classes and lectures, the Institute would also begin publishing its own journal in 1890, known as *The Social Economist*. It would be rebranded sometime later as *Gunton's Magazine*. It seems that it was around this time that Gunton became acquainted and subsequently adopted many of the ideas of the American Protectionists. In 1891, Gunton produced his more sophisticated and more distinctly Protectionist treatise entitled *Principles of Social Economics*. In addition to his various articles, Gunton would also write a volume in 1899 entitled *Trusts and the Public*, and would also co-author two other works with Hayes Robbins entitled *Outlines of Social Economics* (1900) and *Outlines of Political Science* (1901). Despite his earlier orientation with the labor movement and even though he remained steadfast in his commitment to the eight-hour workday, Gunton can be better seen as a compromiser between labor and capital, and essentially affirmed the harmony of interests espoused by the broader American Protectionist School. Politically, Gunton would also be aligned with the Republican Party and would serve as an advisor to William McKinley. George Gunton would die on September 11, 1919, at the age of 74.

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<sup>1122</sup> George Gunton, *Wealth and Progress*, (London: MacMillan and Company, 1888) vi.

## Alexander Hamilton



Alexander Hamilton (1755 or 1757-1804) was among the first of the great American Protectionists with his famous *Report on Manufactures* forever immortalizing him in the history of American protectionism.<sup>1123</sup> The influence of Hamilton's report on later American Protectionists is unquestionable. Mathew Carey declared, for instance, "that Alexander Hamilton was the real founder of the American System," and was so impressed with Hamilton's *Report on Manufactures*, that he declared that if "all those works [in the corpus of political economy] were annihilated," this document "alone would be sufficient to enable a statesman to trace the route that leads... his nation [to] the highest degree of prosperity and happiness."<sup>1124</sup> Similarly, in 1820, Daniel Raymond also declared that "the only American book that has the semblance of a treatise on political economy, is Hamilton's reports, as Secretary of the Treasury."<sup>1125</sup> Even as late as 1892, the Boston-based Home Market Club remarked how "Alexander Hamilton is generally recognized as the father of the protective system in America, [and] it is well for all students of this branch of political economy to go to the fountain-

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<sup>1123</sup> In addition to the citations given below, the biographical details contained within this sketch has been derived from Henry Cabot Lodge, *Alexander Hamilton*, (Boston: Houghton Mifflin 1893). There numerous biographies devoted to Alexander Hamilton. In addition to the one by Lodge, other impressive biographies include Ron Chernow, *Alexander Hamilton*, (New York: Penguin Books, 2004); and Broadus Mitchell, *Alexander Hamilton: A Concise Biography*, (New York: Oxford University Press, 1976). Although there is considerable scholarship on Hamilton's banking and monetary thought, considerably less scholarship exists on Hamilton's broader economic views. Much of this is also rather superficial for such an important figure. In spite its hyperbolic and negative portrayal of Hamilton, one of the more rigorous accounts of Hamilton's economic thought can be found in Virgle Glenn Wilhite, *Founders of American Economic Thought and Policy*, (New York: Bookman Associates, 1958), 225-280. Given the abundance of biographical resources relating to Hamilton, this sketch will focus more on Hamilton's influence on the School.

<sup>1124</sup> Mathew Carey, *Autobiographical Sketches*, (Philadelphia: John Clarke, 1839), ix; and Mathew Carey preface to *Alexander Hamilton's Report on the Subject of Manufactures Made in his Capacity of Secretary of the Treasury*, by Alexander Hamilton, 6<sup>th</sup> ed. (Philadelphia, William Brown, 1827 [1791]), 6.

<sup>1125</sup> Daniel Raymond, *Thoughts on Political Economy*, Vol. 1, (Baltimore: Fielding Lucas, Jr., 1820), v.

head. His famous Report on Manufactures.”<sup>1126</sup>

Hamilton accomplishments, however, extend well beyond his contributions to the theory of protection. Aside from George Washington, Hamilton was perhaps the most important figure in the history of the early republic. Hamilton was a decorated soldier during the Revolutionary War, serving as Washington’s aide-de-camp. Hamilton then served as a representative for New York at the Confederation Congress between 1782 and 1783. This experience further confirmed Hamilton’s opinion that the Articles of Confederation were wholly inadequate for the successful execution of government. Hamilton would later attend the Constitutional Conventions in Annapolis in 1789, and Philadelphia in 1787, where he partook in the drafting of the Constitution of the United States. And although many his proposals were rejected at the convention, Hamilton would later become the Constitution’s chief advocate.<sup>1127</sup> His famed *Federalist Papers*, which he wrote along with James Madison and John Jay, served as an unparalleled defense of the Constitution and later became one of its leading interpretations, and is quite possibly America’s most important document after the Declaration of Independence and the Constitution itself.<sup>1128</sup> Though the scope of the *Federalist Papers* are broader in scope than economics, several of the Federalist essays also offer keen insights into Hamilton’s economic thought.

On September 11, 1789, Hamilton was appointed by President Washington as the Secretary of the Treasury in the first federal cabinet. Hamilton’s influence within the Washington Administration was considerable. As one Hamilton historian has commented, “[Hamilton] assumed an influence in Washington’s cabinet unmatched in the annals of the American cabinet system... He was more than merely Secretary of the Treasury. He was in fact Washington’s prime minister.”<sup>1129</sup> It was during this time that Hamilton produced his major state papers; these being the two *Reports on Public Credit*, the *Report on the National Bank*, *The Report on the Mint*, and *The Report on Manufactures* (the latter of which was co-authored with Tench Coxe).

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<sup>1126</sup> Introductory note in Alexander Hamilton, *The Report of the Secretary of the Treasury of the United States on the Subject of Manufactures*, Home Market Club Edition (Boston: Potter Publishing Co, 1892), Introduction.

<sup>1127</sup> Although the proceedings of the convention were not recorded and an oath of secrecy was sworn by its delegates, in 1911, Max Farrand compiled material from the Constitutional Convention which provided insights into its inner workings. Max Farrand. *The Records of the Federal Convention of 1787*, Vols. 1-3, (New Haven: Yale University Press, 1937), 617-631. From this, we can ascertain that Hamilton proposed lifetime terms for the President and the Senate, as a safeguard against the extremes of democracy. See also Ralph Ketcham, *James Madison: A Biography*, (Charlottesville: University Press of Virginia, 1990), 206.

<sup>1128</sup> The Federalist Papers consisted of 85 articles with Alexander Hamilton writing fifty-one articles, James Madison writing twenty-six, John Jay writing five, as well as three which were co-authored by Hamilton and Madison.

<sup>1129</sup> Richard B. Morris, “Alexander Hamilton after Two Centuries,” In *Alexander Hamilton: A Profile*, ed. Jacob E. Cooke, (New York: Hill and Wang, 1967), 27.

## John L. Hayes



John Lord Hayes (1812-1888) was born on April 13, 1812, in South Berwick in the state of Maine, and was the eldest of his twelve siblings.<sup>1130</sup> His family descended from a long line of Scottish Puritans who had settled in New England from the 1680s. His father, William Allen Hayes, was a prominent lawyer and was for some time a Judge of the Probate. His mother was Susannah Lord Hayes, who also descended from old New England stock. John Hayes was well educated. He attended school at the Berwick Academy, before attending Dartmouth College, where he graduated in 1831. Hayes would then study law at his father's law practice as well as at Harvard Law School. He would then be admitted to the bar in 1835. Hayes then moved to Portsmouth, New Hampshire, where he opened his own law practice. It was here that he met his wife, Caroline S. Ladd, and had five children. He was then appointed clerk of the United States Courts for the District of New Hampshire in 1841. During this time, Hayes also became involved in a number of scientific associations, including the American Association of Naturalists and Geologists, the Boston Society of Natural History, and the American Academy of Arts and Sciences, among others.

In the 1840s, Hayes would be made the general manager of the Katahdin Iron

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<sup>1130</sup> The biographical details contained within this sketch have been derived from Giles B. Stebbins, "Memoir of Hon. John Lord Hayes, LL.D.," *The Bulletin of the National Association of Wool Manufacturers*, 17, no. 2 (1887), 97-111; James M. Swank, "Death of Hon. John L. Hayes", *The Bulletin of the American Iron and Steel Association*, 21, no. 14 (1887), 108; "John L. Hayes, LL.D.," *The Bulletin of the American Iron and Steel Association*, 21, no. 14 (1887), 105; the Home Market Club, "Champions of Protection: John Lord Hayes, LL.D.," *Home Market Bulletin*, 9, no. 12 (1898), 1-5. No secondary sources on John L. Hayes could be identified.



Works in Maine. The iron works would close, however, after the passage of the free trade tariff bill of 1846. This caused Hayes to devote more of his attention to the debate over free trade and protection, and would also lead to his first work on the question through his *Memorial of the Iron Manufacturers of New England, Asking for a Modification of the Tariff of 1846*. This appeared in 1850 and would be presented to Congress. Hayes would subsequently move to Washington and would eventually be made Chief Clerk of the Patent Office. It was through this role that Hayes became acquainted with Erastus B. Bigelow, who Hayes would be closely associated with for the rest of his life. Hayes would be responsible for overseeing the case of extending Bigelow's patent for the carpet power loom. After meeting and establishing a friendship with Bigelow, Hayes would later move to Boston in 1865, and would be appointed as Secretary of the newly established National Association of Wool Manufacturers.

As Secretary of the National Association of Wool Manufacturers, Hayes would also take on the editorship of the *Bulletin of the National Association of Wool Manufacturers*. The bulk of Hayes's writings on political economy would appear in this publication. Indeed, although Hayes never produced a full book sized economic treatise, his other contributions, including his memorials, addresses, pamphlets, and his articles in the *Bulletin*, would constitute a vast amount of literature. The most theoretically significant of Hayes' works would arguably be his 1870 piece *The Solidarity of Industries*, and his two articles, *The Nationalistic and Cosmopolitan Schools of Political Economy*, and *Customs Duties on the Necessaries of Life and Their Relations to the National Industry*, both of which appeared in 1884. In addition to the editorial and literary efforts mentioned above, Hayes would also be picked by the then President of the United States, Chester A. Arthur, to serve as President of the 1882 Tariff Commission. This Commission informed the Tariff of 1883. Hayes would continue in his role as the Secretary and Editor of the National Association of Wool Manufacturers for the remaining twenty years of his life. After several months of ill health, Hayes would die in his home in Cambridge, Massachusetts, on April 18, 1888.

## John W. Hinton



John W. Hinton (1817-1901) was born in London, England, on November 30, 1817.<sup>1131</sup> He would receive a thorough education in England. It is not clear when Hinton made the move to the United States, but when he did, he would settle in Milwaukee, Wisconsin. Hinton would then gain employment at the newspaper *The Evening Wisconsin*, where he would eventually become the editor. He would also be, at one point, the editor of the Wisconsin *Sentinel*, and for several years, he would also contribute protectionist tracts to the Chicago *Inter-Ocean*. Hinton began writing and speaking in support of the American System during the 1840s and would eventually establish the Northwestern Tariff Bureau in 1879. This organization seems to have been affiliated with the American Protective Tariff League, and operated as a local protectionist advocacy organization which published and circulated its own protectionist literature.

Hinton never produced a major treatise on political economy, and was instead more of a pamphleteer, with most of his pamphlets being published by the Bureau. Hinton produced numerous pamphlets and articles on the subject, but some of the more notable ones included *Workingman and the Tariff* (1880), *The Humanity of the American Protective Tariff* (1886), *American Protective Tariff and American Political Economy* (1886), and *The Past, Present and Future Mission of the American Protectionist* (1887). In addition to his written works, Hinton also conducted lectures on protectionism and would regularly engage in debates with free traders. As legend has it, Hinton created such a stir during one debate in 1883 with the economist John

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<sup>1131</sup> The biographical details contained within this sketch have been derived from John W. Hinton, "Champions of Protection: John W. Hinton," *Home Market Bulletin*, 10, no. 7 (1898), 1-5; "Obituary – Hinton," *The Racine Daily Journal*, April 20, 1901, 1; "John W. Hinton Dead," *The Belmont Bee*, April 25, 1901, 7; [Obituary of John W. Hinton], *The Wisconsin Tobacco Reporter*, April 26, 1901, 4; "Northwestern Tariff Bureau," *The Appleton Post*, July 28, 1881, 4; and "Death of a Philanthropist," *The Lake Geneva Herald*, May 3, 1901, 2.

Barber Parkinson at the University of Wisconsin, that Parkinson's students burned Hinton in effigy. On April 20, 1901, at the age of 84, Hinton died in his residence in Milwaukee. Prior to his death, Hinton donated \$100,000 to fund an addition to an old-aged home ran by the local Protestant Church.

## Roswell G. Horr



Roswell Gilbert Horr (1830-1896) was born on November 26, 1830, in Waitsfield, Vermont.<sup>1132</sup> His parents were Roswell and Caroline Horr. The younger Roswell G. Horr and his twin brother Rollin A. Horr, were the eldest of their eight siblings. When Roswell was the age of four, the Horr family purchased a farm and moved to Avon, Ohio. Then, when Roswell was the age of ten, his father would pass away, and this meant that Roswell and his eight brothers would be responsible for working the farm. Roswell Horr would also attend a local country school during this time, and he would ultimately become a teacher. By 1851, Horr had saved enough money to attend Oberlin College, whilst continuing his teaching profession. He would then switch to Antioch College to finish off his college education and would graduate in 1857. Horr would then be elected as Clerk of the Lorain County district court in Ohio in 1858, and in 1864, Horr would be admitted to the bar. The following year, Horr would move near to St. Louis, Missouri, where he established a mining business. He would remain there until 1871, when he moved to East Saginaw, Michigan, where he became a cashier at the city's Second National Bank. He would eventually become president of the bank.

In 1878, Horr would be elected to the House of Representatives on a Republican ticket. He would serve in Congress for three terms but would be defeated when he recontested a fourth term. In terms of his contribution to American Protectionist thought, Horr can be viewed as a popularizer. In November of 1890, Horr would move to Plainsfield, where he became a journalist for *The New York Tribune*, which was

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<sup>1132</sup> The biographical details contained within this sketch have been derived from Roswell G. Horr and William H. Harvey, *The Great Debate on the Financial Question*, (Chicago: Debate Publishing Company, 1895), 7-9; the Home Market Club, "Champions of Protection: Roswell G. Horr", *Home Market Bulletin*, 10, no. 8 (1898), 1-3; "Roswell G. Horr Dead," *Emporia Daily Republican*, December 19, 1896, 1; "Roswell G. Horr Dead", *The Syracuse Democrat*, December 23, 1896, 6; and "Horr is Dead", *The Weekly Pantagraph*, December 25, 1896, 5.

established earlier by Horace Greeley. This is where the bulk of Horr's protectionist editorials would appear. A selection of these editorials would be later compiled and published in book format in 1891 and 1894. The 1891 publication would appear under the title *Big Issues of An Off Year: Ex-Congressmen Horr's Comments on Current Issues*, and the 1894 publication was published under the title *A Tribune Textbook for 1894: The Tariff, Principles of Government, and the Silver Question Discussed*. Horr would continue to give speeches and lectures on economic questions throughout this period. One particular talk which attracted a lot of attention was his 1894 debate with William H. Havery on financial questions. After the debate the transcripts of the debate were compiled and published in 1895 as *The Great Debate on The Financial Question*, which ran over 500 pages. Horr would continue writing for the *Tribune* until his death on December 18, 1896.

## Henry M. Hoyt



Henry Martyn Hoyt (1830-1892) was born on June 8<sup>th</sup>, 1820, in Kingston Pennsylvania.<sup>1133</sup> His ancestry in America can be traced to Simon Hoyt, who emigrated from England to reside in Salem, Massachusetts in 1628. The young Henry Hoyt grew up on his father's farm until the age of fourteen, at which time he entered the Wyoming Seminary. He would then attend Williams College, where he would graduate in 1849. The following year, he would return to the Wyoming Seminary, this time serving as a Professor of Mathematics. Hoyt would remain there for two years, before deciding to pursue legal training. He would undertake this training in Wilkes-Barre, Pennsylvania, and would be admitted into the bar in 1853.

It was around this time that Hoyt started to become active in politics. In 1855, he ran an unsuccessful campaign on a Whig ticket for district attorney for Luzerne County. In the following year, he would be active in the unsuccessful Republican Presidential Campaign for John C. Fremont. These political ambitions would be put on hold in 1861, however, with the outbreak of the Civil War. Hoyt would become Captain of the Wyoming Light Dragoons, and would serve in various operations during the war, eventually reaching the rank of Colonel. After being captured by Confederate forces, Colonel Hoyt would eventually be freed in a prisoner exchange and would be honorably discharged in 1864. After this, Hoyt would return to his law practice, and would continue his involvement in the Republican Party. In 1878, Hoyt would run for

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<sup>1133</sup> The biographical details contained within this sketch have been sourced from "Governor Henry M. Hoyt", *The Scranton Republican*, December 2, 1892, 4; Anon. "Death of Henry M. Hoyt", *The Philadelphia Times*, December 2, 1892, 4; Anon. "Henry M. Hoyt Dead", *Freeland Tribune*, December 5, 1892, 1; and the Home Market Club, "Champions of Protection: Henry M. Hoyt", *Home Market Bulletin*, 10, no. 10 (1899), 1-3; The American Protective Tariff League, [Obituary of Henry M. Hoyt], *The American Economist*, 10, no. 24 (1892), 303.

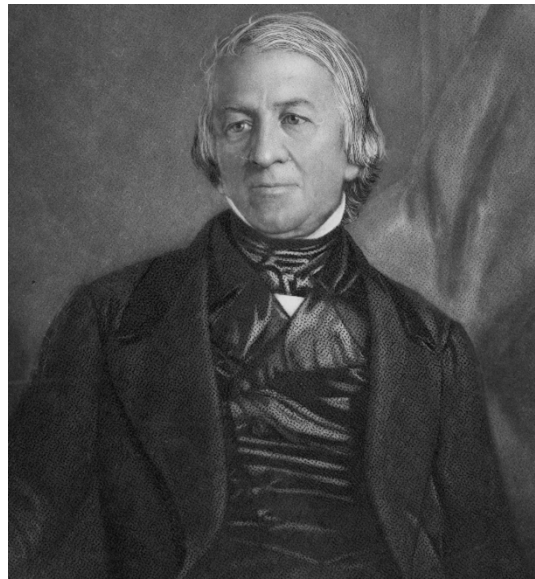
Governor of Pennsylvania on the Republican Ticket and would be elected by a large majority. He would serve in this capacity for four years, before retiring to his law practice, which he relocated to Philadelphia.

It was in the 1880s that Hoyt would turn his attention to the cause of protection. In 1884, he would be asked to deliver an address at Swarthmore College entitled *Protection and Defensive Duties*.<sup>1134</sup> Then, in 1885, Hoyt and several other likeminded graduates would appeal to their alma mater, Williams College, on account that the college's economics Professor, Arthur Latham Perry, taught exclusively French and Manchester *laissez-faire* economics, as evidenced by the college receiving the 'Cobden Club Prize.' In response, the college would approve a series of lectures on the merits of protection which would be conducted by Hoyt, so as to provide students with a more balanced education. It would be in 1886, however, that Hoyt would produce his major treatise on economics entitled *Protection versus Free Trade*. This work comprised 436 pages, and went through four editions, with the last being published in 1888. The expressed aim of the work is that of dismantling the claim that free trade economics represents a scientifically sound system. The work is intricate and contends systematically with the assumptions and arguments put forth by free traders. In addition to his literary and academic efforts, Hoyt would also assist the cause of protection in other capacities. In 1888, Hoyt would be elected as General Secretary of the American Protective Tariff League, and, in the same year, he would also assist Benjamin Harrison's presidential campaign. After a life of serving his community, Henry Hoyt would die on December 1, 1892, in his home in South Franklin, Pennsylvania, at the age of fifty-seven.

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<sup>1134</sup> No physical copies of this work could be tracked down. It appears that the address was never published in a written format.

## Samuel Jackson



Dr. Samuel Jackson (1787-1872) was considered by some to be the best physician in United States in the mid-19<sup>th</sup> century, but far less is documented about his interest in political economy.<sup>1135</sup> Samuel Jackson was born on March 22, 1787, in Philadelphia. In 1808, he would receive his M.D. from the University of Pennsylvania. He would eventually become a professor at the University of Pennsylvania in 1835, where he taught physiology and medicine. Jackson would remain a professor at the university until his retirement in 1863. Jackson's economic writings would appear in 1819 and were a product of his collaboration with Mathew Carey through the Philadelphia Society for the Promotion of National Industry. Only two of Jackson's essays are known today. It is possible that he wrote more which were never published or others which have been lost over the years. The first of his essays was entitled a *General View of the Subject of Political Economy* and the second was *Proportion of Persons who Raise the Necessaries of Life*.<sup>1136</sup> Both essays were published as part of Mathew Carey's *Essays on Political Economy*. Jackson died on April 2, 1872, at the age of eighty-two.

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<sup>1135</sup> The biographical details contained within this sketch have been derived from "Introductory," [Eulogy to Dr. Samuel Jackson] *The Philadelphia Inquirer*, October 8, 1872, 2; "Dr. Samuel Jackson", *The Pittsburgh Post*, April 6, 1872, 1; "Professor Samuel Jackson, M. D.," *The Philadelphia Inquirer*, April 6, 1872, 2.

<sup>1136</sup> Samuel Jackson, "General View of the Subject of Political Economy," In Mathew Carey, *Essays on Political Economy*, (Philadelphia: H. C. Carey & I. Lea, 1822), 169-177; and Samuel Jackson, "Proportion of Persons who Raise the Necessaries of Life", In Mathew Carey, *Essays on Political Economy*, (Philadelphia: H. C. Carey & I. Lea, 1822), *Essays on Political Economy*, (Philadelphia: H. C. Carey & I. Lea, 1822), 177-187.



## William C. Jarvis

Little is known about the life of William Charles Jarvis (unknown-1836). What is known is that Jarvis was born either in or near Boston, Massachusetts, though the date and year of his birth is unknown.<sup>1137</sup> He would later be admitted into the bar in Suffolk County, New York in 1811, and then in 1815, he would move to Pittsfield, Massachusetts, where he would enter the State Legislature as a representative for Pittsfield. He would remain there as a representative between 1821 and 1824, during which time he would also serve as Speaker of the House. Afterwards, he relocated to Woburn, Massachusetts, where he was appointed as the director of State prisons. During the same time, he also served as a custom official, but was subsequently removed from the position following the election of Andrew Jackson in 1828. Jarvis would then enter the State Legislature again as Senator for Essex county. It was in 1820 that Jarvis published his main work entitled *The Republican*. Although the work as a whole represents more of a collection of essays on republican society and good governance, than one chiefly focused on political economy, the third section of the second part of his work consists of five essays devoted to economic questions.<sup>1138</sup> These essays are also distinctly protectionist in nature, and even features several passages from Hamilton's *Report on Manufactures*.<sup>1139</sup> Later in life, Jarvis would suffer from a mental illness, and would commit suicide in 1836.

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<sup>1137</sup> The biographical details contained within this have been derived from George A. Jarvis, George Murray Jarvis, and William Jarvis Wetmore, *The Jarvis Family*, (Hartford: The Case, Lockwood, Brainard Company, 1879), 208; and "Deaths" [Death Notice of William C. Jarvis], *Vermont Chronicle*, October 13, 1836, 3.

<sup>1138</sup> These essays can be found in William Charles Jarvis, *The Republican*, (Pittsfield, Phineas Allen, 1820), 183-291; With this said, his earlier essays relating to the nature of man (pp. 15-10) and natural law (pp. 34-38) are also broadly consistent with the thought of other American Protectionists.

<sup>1139</sup> William Charles Jarvis, *The Republican*, 225-228.

## William Jennison

William Jennison (1757-1843) was born in Mendon, Worcester County, Massachusetts, on August 4, 1757.<sup>1140</sup> It appears that the young Jennison received a thorough education in his youth. Jennison's father, also named William Jennison, enlisted a private tutor to instruct the younger Jennison. This appears to have paid off, as the young William Jennison would enter Harvard University in 1770, and would graduate 4 years later, with highest honors.

Jennison would then relocate to Providence, Rhode Island, where he studied law for a period of six months. It was around this time, however, that the War of Independence began, and Jennison subsequently returned home to Massachusetts in the spring of 1775, where he would enlist in the Continental Army. He later joined the Continental Marines in 1776, before serving on board the Continental frigate, the *Boston*. In December of 1777, he would be promoted to the rank of Full Lieutenant of the Marines. Jennison was later posted to Charleston, South Carolina, during 1780, but was captured by the British in the Siege of Charleston.

Jennison was subsequently released and was able to return home to Massachusetts. After the war, Jennison became a schoolteacher and assisted in the establishment of several schools across the United States. It was in 1828, however, that Jennison published his small treatise on political economy. This was entitled *An Outline of Political Economy*. Jennison's *Outline of Political Economy* represents a fairly standard work for the time. It endorses the American System, espouses the harmony of interests between agriculture, manufacturing, and commerce, and devotes a sizeable discussion to internal improvements. Jennison would pass away in Boston, on December 24, 1843, at the age of 86.

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<sup>1140</sup> The biographical details contained within this sketch have been derived from Charles R. Smith, *Marines in the Revolution: A History of the Continental Marines in the American Revolution, 1775-1783*, (Washington: U.S. Marine Corps, 1975), 343.

## William D. Kelley



William Darrah Kelly (1814-1890) was born in the Northern Liberties of Philadelphia on April 12, 1814.<sup>1141</sup> His grandfather, John Kelley, was a Major for the Continental Army during the War of Independence, and his father, David Kelley, was a jeweler and watchmaker. During the financial crisis which followed the cessation of the War of 1812, however, David Kelley's business would fail. Financially destitute, David Kelley was found dead in a street of Philadelphia, when young William Kelley was only two years old. William's mother, Hannah Darrah Kelley, was left to raise William and his three siblings herself. William Kelley attended school until he was the age of eleven. He would then work as an errand boy in a local bookstore, before becoming a proofreader for the *Pennsylvania Inquirer*. Having saved money from these roles, Kelley would then follow in his father's footsteps and would undertake an apprenticeship in a jewelry store. He would finish his apprenticeship at the age of twenty. He then decided to move to Boston in 1835, where he worked as a journeyman jeweler. He would return to Philadelphia in 1840 and then decided to undertake the study of the law. The following year he was admitted to the bar. His reputation as a lawyer quickly garnered attention, so much so that the Pennsylvania Governor appointed him Prosecuting Attorney of Philadelphia. In 1846, he would then be made a Judge on the Court of Common Pleas, a position he held until 1856.

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<sup>1141</sup> The biographical details contained within this sketch have been derived from James M. Swank, "Sketch of the Long and Honorable Career of the Hon. Wm. D. Kelley," *The Bulletin of the American Iron and Steel Association*, no. 24, no. 2 (1890), 9; *Memorial Addresses of the Life and Character of William D. Kelley, A Representative from Pennsylvania, Delivered to the House of Representatives and in the Senate*, (Washington: Government Printing Office, 1890; William Horatio Barnes, *History of Congress: The Fortieth Congress of the United States, 1867-1867*, Vol. 2, (New York: W. H. Barnes & Co., 1871), 351-356; "Political Portraits with Pen and Pencil: William Darrah Kelley," *The United States Magazine and Democratic Review*, 28, no. 151 (1851), 553-560.

Kelley originally began as a member of the Democratic Party, though he never ran for office as a Democrat. In 1854, however, he switched his allegiance to the newly established Republican Party and would run unsuccessfully as a candidate in 1856. In 1860, he would be selected as a delegate to the Republican National Convention and would be elected to the House of Representatives in the same year. In Congress, Kelley developed a reputation as a staunch tariff man, and eventually earned the nickname “Pig-Iron Kelley” for his support of protective tariffs on iron and steel. Between 1867 and 1873, Kelley would serve as chairman of the Committee on Coinage, Weights, and Measures. He would then be chairman of the Ways and Means Committee between 1881 and 1883, and between 1889 and 1890, he was chairman of the Committee on Manufactures. The latter two positions gave Kelley considerable influence over tariff policy.

Kelley’s contribution to American Protectionist thought mainly comes via his congressional speeches and his other addresses. Two of the more important of these are his 1866 congressional speech *Protection to American Labor*, and his 1871 address entitled *Reasons for Abandoning the Theory of Free Trade and Adopting the Principle of Protection to American Industry*. In 1872, his key speeches would be compiled into a volume entitled *Speeches, Address, and Letters on Industrial and Financial Questions*, which spanned almost 600 pages. Some of the speeches would also circulate separately as pamphlets. In addition to these, Kelley would also write various articles on political economy, including an important article in the *International Review* entitled “A Science Based Upon Assumptions.” In 1888, Kelley would also produce a book entitled *The Old South and the New*, which investigates social and economic questions concerning the Southern States. Kelley would remain a member of Congress until his death in Washington, DC, on January 9, 1890. At the time, Kelly was both the oldest member of Congress, as well as the longest continuously serving congressmen.

## Friedrich List



When one thinks of the leading arguments for protectionism, they typically arrive at the German economist Friedrich List (1789-1846).<sup>1142</sup> Due to his German nationality, however, List is not often associated with the American Protectionist School, and this comes despite the fact that his system of thought was, in many respects, a product of his association with the leading American Protectionists of the time. Indeed, List himself was under no illusion that in advocating what he called the ‘National System’, he was in fact advocating the ‘American System.’ List’s first major work was entitled *Outlines of American Political Economy*, and in the opening passage of the work he declares it to be his duty to defend the American System from the criticisms of free traders. In the words of List:

I believe it to be a duty [for myself and others]... to lay an axe to the... system of Adam Smith and Co... by declaring war against it on the part of the American System... The last work of Dr. [Thomas] Cooper shows pretty clearly the necessity of such measures on the part of the supporters of the American System. According to [Cooper’s] work... you and I... and all the [other] supporters of the American System, are nothing else than idiots.<sup>1143</sup>

Friedrich List was born in August of 1789, in Reutlingen, Württemberg, now a state of Germany. List’s father was a tanner and public official. Limited information exists on List’s early life. What is known is that List would enter the civil service in 1805, where he first worked as a probationer in the local government. Over the course

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<sup>1142</sup> The biographical information contained within this sketch has been derived from Margaret Hirst, *Life of Friedrich List*, (London: Smith, Elder, & Co., 1909); and William Otto Henderson, *Friedrich List: Economist and Visionary, 1789-1846*, (London: Routledge, 1983). These represent the two most authoritative studies on List.

<sup>1143</sup> Friedrich List, *Outlines of American Political Economy*, (Philadelphia: Samuel Parker, 1827), 6.

of the next decade, List would move in and out of various roles within the civil service. In 1817, List would then successfully apply for the newly established Chair of Public Administration at the University of Tübingen. He would then become the secretary of the Union of Merchants in 1819, an organization which advocated for a uniform customs union and the abolition of internal tariff duties between the individual German states.<sup>1144</sup> Taking on this position led List into a confrontation with the administration of the University, which led to List resigning from his academic post. Later in 1820, List would be elected to the *Württemberg* General Assembly. As an assemblyman, List would advocate the privatization of state-owned enterprises, the abolition of state-sponsored monopolies, a reduction in taxation, and a downsizing of the civil service. This created such a stir, however, that List would eventually be charged with sedition. He would be convicted in 1822 and sentenced to ten months in prison. Learning of his verdict, List fled the country and travelled throughout Europe, where he remained a fugitive for the next two years. List eventually returned to Württemberg in 1824 and would have to spend five months in prison. List was then expelled from his homeland and made the decision to move to the United States.

List arrived in New York City on June 9, 1825, and then made his way to Philadelphia. Via a mutual contact, List had managed to establish a relationship with the Marquis de Lafayette, and subsequently joined Lafayette's entourage, which allowed List to become acquainted with prominent statesmen, such as John Quincy Adams, Henry Clay, and Daniel Webster. List would eventually settle in Pennsylvania, becoming a journalist for the German newspaper, the *Reading Adler*. During this time, List also became involved in Mathew Carey's Philadelphia Society for the Promotion of National Industry. It is through his involvement with this organization that List was presented with the opportunity to attend the 1827 Harrisburg Convention, and this eventually motivated List to write his first work, *Outlines of American Political Economy*. List's *Outlines* first appeared through a series of letters in the *National Gazette* in 1827, and would be published in pamphlet format later that year. List had planned to write a subsequent treatise, which was to be titled *The American Economist*, but due to List's attention being devoted to his private business ventures in railroads and anthracite coal, the work never materialized.

When Andrew Jackson ascended to the Presidency in 1830, List, who had befriended Jackson's Secretary of State, Edward Livingston, sought a diplomatic post. List briefly returned to Europe in 1830 to serve as the American Consul to Hamburg, but this post was ultimately denied to him. Eventually, however, List would be appointed American Consul to the Kingdom of Saxony in July 1832, and this ended his

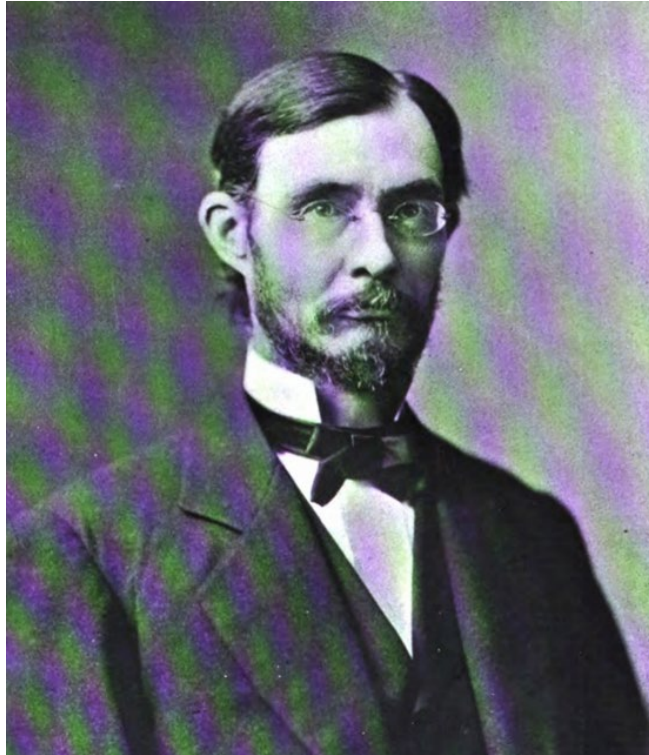
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<sup>1144</sup> In many respects, this anticipates the German Zollverein, but it is unclear as to whether List was of a free trade or lukewarm protectionist persuasion, as List proposes the imposition of a uniform system of countervailing duties "until such time as they [trading partners] too recognized the principles of European free trade." List quoted in Henderson, *Friedrich List*, 35.

life in the United States. List would remain in Saxony until 1837. He briefly returned to Württemberg, where he pleaded to have his citizenship reinstated, but this request was denied. List then proceeded to France. It was during his time in France that List produced his magnum opus *National Systems of Political Economy*. This was published in 1841, with the first American edition (which was also the first English translation) appearing in 1856. This edition was edited by fellow protectionist Stephen Colwell.

List grew increasingly anxious and depressed later in life. On November 30, 1846, List left the inn which he was staying at in Munich. Later that night List's body was found outside the city covered in snow. He had taken his own life earlier that morning. List's other major work, *The Natural System of Political Economy*, would not be discovered and published until 1927, some ninety years after List's death. List had written this work in 1837 for a competition ran by the French Academy for Moral Political Science. The Academy ultimately rejected all twenty-seven manuscripts submitted in the competition. Disheartened by the result, List shelved this work, and proceeded to pen his *National System of Political Economy*.

## David H. Mason



David Hastings Mason (1829-1903) was born on January 8, 1829, in Philadelphia, Pennsylvania.<sup>1145</sup> His father, also named David Mason, was a partner in a manufacturing firm which made instruments for engraving textiles. The elder Mason was apparently a man of invention, who owned several patents in the industry. In 1837, the elder Mason was made a chief coiner for the United States Mint in Dahlonega, Georgia, and subsequently moved his family down South. There were no schools in Dahlonega at this time, but the younger Mason was an avid reader and showed a passion for literary pursuits. Indeed, while still in his teens, Mason began contributing to a local newspaper. In the 1840s, Mason would be admitted into Yale but could only complete two years of study due to the death of his father and a lack of finances.

In 1849, Mason would partake in the goldrush and would leave for California. He would remain in California for two years. When he was not mining for gold, he would teach at a school in San Jose and write for a local newspaper. In 1851, Mason would then move to New Haven, Connecticut, where he would meet his wife, Margaretta Woodward, who was the daughter of a well-known Whig editor in that state. Mason and his wife would move around a lot for the next several years, while Mason pursued his career in journalism. They would eventually settle in Chicago in 1867, however,

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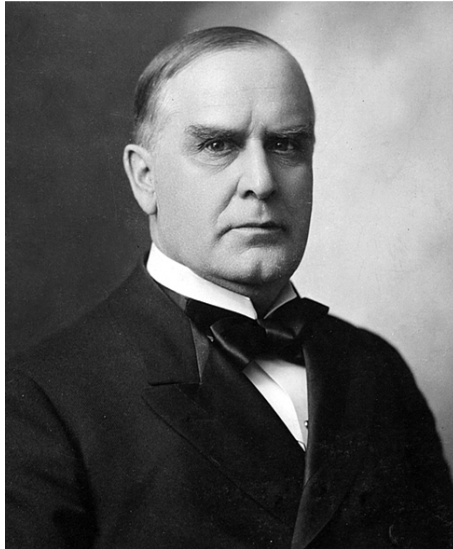
<sup>1145</sup> The biographical details contained within this sketch have been derived from "David H. Mason: Authority on Tariff, Dead", *The Inter-Ocean*, June 19, 1903, 4; the Home Market Club, "Champions of Protection: David H. Mason", *The Protectionist*, 11, no. 121 (1899), 10-20; and the Home Market Club, "Death of David H. Mason", *The Protectionist*, 15, no. 171 (1903), 825-826.



where Mason would write for the *Chicago Tribune*, the *Republican*, and the *Journal of Commerce*. Eventually in 1869, Mason would be made editor-in-chief of the *Republican*. Then after developing an interest in the tariff question, he was made the tariff editor of the *Journal of Commerce*. In 1872, the *Republican* would be absorbed into the newspaper, the *Chicago Inter-Ocean*. From then, Mason would also be tasked with writing articles on protection for the *Inter-Ocean*. Due to his articles proving tremendously popular with readers, he would be appointed as the main tariff editor of the newspaper in 1875.

In 1876, several of his best articles would be compiled and published in a sizable pamphlet entitled *How the Western Farmers are Benefitted from Protection*. In 1880, Mason would resign his post at the *Inter-Ocean*. Then, in 1884, after thirteen years of investigating the tariff question, Mason would publish his main treatise on the topic. This work was entitled *A Short Tariff History of the United States*, and within five years, it had sold around 12,000 copies. Mason would also continue to write articles on protection for newspapers and journals, with various articles appearing in *The Protectionist*. From 1898 until his death, Mason would work for the United States Post Office. He passed away on June 17, 1903, from pneumonia.

## William McKinley



William McKinley (1843-1901) was born in Niles, Ohio, on January 21, 1843.<sup>1146</sup> He was the son of a small-scale iron manufacturer, who also went by the name William McKinley. The younger McKinley would attend school in Poland, Ohio, before receiving an education from Allegheny College. McKinley would then teach at a rural school, before enlisting in the Union Army. During the Civil War, he would serve in the 23<sup>rd</sup> Ohio Volunteer Regiment, which was under the command of Rutherford B. Hayes, who would later serve as the 19<sup>th</sup> President of the United States. McKinley would eventually earn the rank of Major. After the war, McKinley decided to pursue a career in law. He undertook his study of the law at Albany Law School, and by 1867, he had established a legal practice in Canton, Ohio.

In 1876, McKinley would commence his run for public office, campaigning primarily on the question of protection. He would be elected to the House of Representatives as a Republican later that year. In Congress, McKinley formed an intimate friendship with fellow protectionist William D. Kelley, with both of them being regarded as two of the leading spokesmen for protection. In 1880, McKinley would be appointed to the Ways and Means Committee, and then by 1889, he would run for Speaker of the House, but would lose out to Thomas Brackett Reed. As consolation, Reed, also a prominent Protectionist, would appoint McKinley as Chairman of the Ways and Means Committee. As committee chairman, McKinley would be responsible for framing the Tariff Act of 1890, which became known as the McKinley Tariff. In the 1890 election, however, McKinley would be unseated, primarily due to electoral redistribution. He would then run successfully for the governorship of Ohio in 1891, a position he would retain until 1896. In 1896,

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<sup>1146</sup> The biographical details contained within this sketch has been derived from Robert P. Porter, *The Life of William McKinley: Soldier, Lawyer, Statesmen*, (Cleveland: The N. C. Hamilton Publishing Co., 1896); and Charles S. Olcott, *William McKinley*, Vols. 1-2, (Boston and New York: Houghton Mifflin Company, 1916). As a writer in the School, Porter's biography provides a detailed commentary of McKinley's economic views.

McKinley would secure the Republican presidential nomination, and would go on to defeat William Jennings Bryan in the presidential election.

McKinley would contribute to the doctrine of protection through his speeches as well as several written works on the topic. These speeches are too numerous to give an extended commentary, but some of his more important congressional speeches include his speech on *The Wood Tariff Bill* delivered in 1878, which was also his first speech to Congress; his *Tariff Commission* speech of 1882; and his speech on *The Tariff of 1890*. McKinley also made numerous speeches and addresses outside of Congress. Some of the more valuable of these include an address given in 1888 entitled *Protection and the South*; his 1889 campaign speech *Protection and Revenue*; and his 1892 speech *The Triumph of Protection*. In addition to his speeches and addresses on the topic, McKinley also produced a major treatise in 1896 entitled *The Tariff in the Days of Henry Clay and Since*. This work was prepared in connection with the 1896 republication of Calvin Colton's *Works of Henry Clay*, and it provides an exhaustive review and commentary of the tariff legislation of the United States. A second edition of the work would appear posthumously in 1904, under the title *The Tariff: A Review of Tariff Legislation of the United States from 1812 to 1896*. McKinley would also write various articles on the question of protection. One of the more significant articles was "On the Value of Protection," which appeared in *The North American Review* in 1890. William McKinley would go on to successfully recontest another term as President, defeating William Jennings Bryan for a second time. On September 6, 1901, six months into his second term, McKinley would be shot twice in the abdomen, whilst attending the Pan-American Exposition in Buffalo, New York. He would later pass away from the injuries on September 14, 1901.

## John Melish

John Melish (1771-1822) was born in Glasgow, Scotland on June 13, 1771.<sup>1147</sup> The formative years were difficult for Melish, as he was orphaned at a young age. In spite of these adversities, however, Melish would become an apprentice at a leading Glasgow textile manufacturer, and in his spare time, he would study at the University of Glasgow. His talents and abilities were eventually rewarded when he was made a full partner of the textile manufacturer where he worked. Soon after, his work in the textile business afforded him the opportunity to travel to the West Indies in 1798, where he would remain for eight years, before travelling to the United States. Upon arriving in the United States, Melish would undertake a five year tour across the country, and would eventually settle in Philadelphia. Melish's journal from his tour would form the substance of his two-volume treatise *Travels through the United States of America*. This work was originally published in 1812, and would go through several editions which included corrections and additions. Included in this work was an abundance of economic and geographical information. One keen admirer of Melish's *Travels* was Thomas Jefferson, who convinced by Melish, reversed his long-held belief of letting the workshops remain in Europe.<sup>1148</sup> Melish would then establish his cartography and mapmaking business in Philadelphia, which was the first of its kind in the United States. In 1816, he would also be responsible for producing the first map that captured the full territory of the United States.

Melish's *Travels*, although pro-manufacturing, mostly dealt with the topic in a tangential manner. Between 1818 and 1820, however, Melish would write two pamphlets addressed to President James Monroe, which dealt exclusively with the topic. The first of these pamphlets was entitled *The Necessity of Protecting and Encouraging the Manufactures of the United States*, and the second was *A Letter to James Monroe, Esq. President of the United States, on the State of the Country: With a Plan for Improving the Conditions of Society*. Melish's first pamphlet was well received by fellow protectionist Hezekiah Niles, who considered it "an interesting little work, and, so far as we are judges of what is true political economy, [it is] a very excellent one."<sup>1149</sup> John Melish would pass away on December 30, 1822.

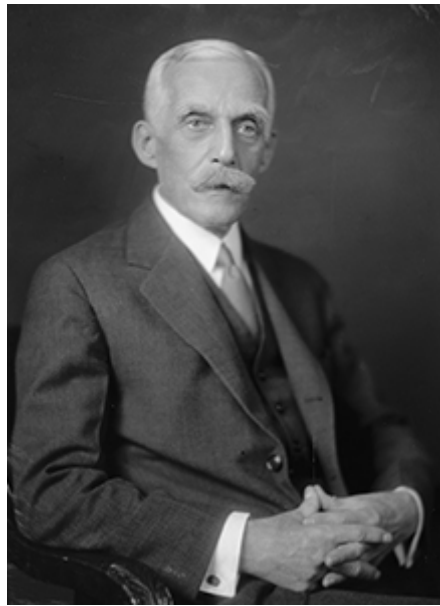
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<sup>1147</sup> The biographical details contained within this sketch have been derived from Walter W Ristow, "John Melish and His Map of the United States," *Quarterly Journal of Current Acquisitions*, 11, no. 4 (1962), 159-178. It is not clear where Ristow obtained this biographical information, as he does not cite any primary or secondary sources. In addition to the above study, which only pertains to Melish's mapmaking, there is also Marvin E. Wolfgang, "John Melish: An Early American Demographer," *The Pennsylvania Magazine of History and Biography*, 82, no. 1 (1958, 65-81), which discusses his views on demography.

<sup>1148</sup> After reading his *Travels*, Jefferson would write to Melish, "I had no conception that manufactures had made such progress... I have not formerly been an advocate for great manufactories. I doubted whether our labor, employed in agriculture and aided by the spontaneous energies of the earth, would not procure us more, than we could make ourselves, of other necessaries, but other considerations entering into the question, have settled my doubts." "Thomas Jefferson to John Melish," [January 13, 1813], In *The Papers of Thomas Jefferson, Retirement Series*, Vol. 5, ed. J. Jefferson Looney. Princeton: Princeton University Press, 2008, 562-563.

<sup>1149</sup> Hezekiah Niles, "Manufactures," *Niles Weekly Register*, January 31, 1818, 361

## Andrew Mellon



Often regarded as the greatest Secretary of the Treasury since Alexander Hamilton, Andrew William Mellon (1855-1937) was born in Pittsburgh, Pennsylvania, on March 24, 1855.<sup>1150</sup> His father, Thomas Mellon, emigrated from Northern Ireland, and would eventually become a prominent judge in Pittsburgh. In 1869, Thomas Mellon would later leave the legal profession to establish the banking house, T. Mellon and Sons Bank. Andrew Mellon would be homeschooled by his father in Pittsburgh before attending the Western University of Pennsylvania, what is now the University of Pittsburgh. He would remain at the University for four years, but would leave for Mansfield, Pennsylvania, prior to graduating, to establish a business in timber and building construction. Mellon would later sell the business for a considerable profit. Impressed with his son's competency in business, Thomas Mellon would invite Andrew to join his bank in 1874, and by 1882, Thomas had transferred ownership of the bank to his son. As banker, Andrew Mellon stressed the importance of providing financial backing for emerging industries and would finance industries ranging from steel and aluminum to coal and oil.

Politically, Mellon was a member of the old guard Pennsylvanian Republicans who held unwaveringly to the American System. By the 1910s, Mellon was also one of the wealthiest individuals in the United States and would be a major donor to the Republican Party. In opposition to the progressive policies of the Wilson Administration, Mellon would financially back Philander C. Knox, a political ally of the late William McKinley, for the presidential nomination. Knox ended up losing the nomination to Warren G. Harding, but Knox would advise Harding to appoint Mellon

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<sup>1150</sup> The biographical details contained within this sketch have been derived from Philip H. Love, *Andrew W. Mellon: The Man and His Work*, (Baltimore: F. Heath Coggins & Company, 1929); Allan Nevins "Mellon, Andrew William" In *Dictionary of American Biography*, Vol. 22, (New York: Charles Scribner's Son, 1954), 446-452.

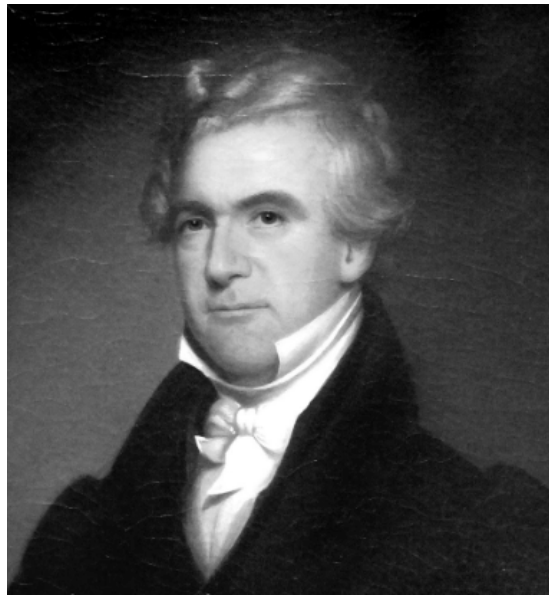
as Secretary of the Treasury, which both Harding and Mellon subsequently accepted. Mellon would then serve as Secretary of the Treasury from March 1921 to February 1932, which encompassed the Harding, Coolidge, and Hoover Administrations. He is most remembered for the Mellon Tax Plan, which oversaw a drastic reduction in domestic taxation.

Mellon's principal published work, *Taxation: The People's Business*, appeared in 1924. As the title suggests, this is a work chiefly on tax policy, and has little to say on the subject of protection. The work does, however, expand upon earlier arguments put forth by Alexander Hamilton. Mellon's views regarding the subject of protection can be mostly found in his various annual reports produced during his tenure as Secretary of the Treasury. In one such report, Mellon would declare that "our tariff policy has been mainly responsible for the development of manufacturing in America... [and] has brought to labor the highest real wages in history."<sup>1151</sup> Mellon would eventually be relieved from his cabinet position in 1932. Unlike Harding and Coolidge, the more progressive President Hoover never quite saw eye to eye with Mellon, and eventually replaced him with Ogden G. Mills. Mellon would then serve as the ambassador to Great Britain but would only occupy the position until March of 1933. Mellon spent the remainder of his life primarily engaged in philanthropic work. One of his more notable acts was the establishment of what became the National Gallery of Art. Later, in November of 1936, Mellon would be diagnosed with cancer. He would pass away on August 26, 1937.

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<sup>1151</sup> Andrew Mellon, *Annual Report of the Secretary of the Treasury on the State of the Finances for the Fiscal Year Ended June 30, 1926* (Washington: Government Printing Office, 1927), 286.

## Hezekiah Niles



Hezekiah Niles (1777-1839) was born in Jefferis Ford, Chester County, Pennsylvania, on October 11, 1777.<sup>1152</sup> Niles' parents were both residents of Wilmington, Delaware, but they sought refuge in Jefferis Ford due to British occupation of Delaware during War of Independence. Once the war ended, the Niles family would return to their Wilmington residence. Being of Quaker descent, Niles attended the Friends Grammar School, and it was here that Niles developed a competency for writing which would assist him later in life. In 1794, at the age of seventeen, Niles left Wilmington to pursue a career in journalism. He ended up in Philadelphia, where he began an apprenticeship at a local printing office. In 1797, Niles would return to Wilmington, and equipped with the skills he acquired in Philadelphia, he would establish a publishing partnership with another local from Delaware in 1799. This business would eventually fail, however, which subsequently led Niles to seek out employment elsewhere.

Niles would eventually relocate to Baltimore, Maryland, and, in early 1805, Niles established *The Appollo or Weekly Magazine*, but this venture was also short-lived and would fail not long after. Later that year, Niles would take on the editorship of the Baltimore *Evening Herald*. This was a partisan Democratic-Republican newspaper, as opposed to a Federalist one. Given his family's background with British occupation, Niles was distrustful of the latent Anglophilia of the Federalists and thus became a devout follower of Jefferson. Niles remained as editor of the *Evening Herald* until 1811. In the same year, Niles would establish the *Niles Weekly Register*, which would prove far more successful than his earlier ventures. Whilst the newspaper was staunchly in favor of the American System, it would operate in a non-partizan manner,

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<sup>1152</sup> There have been two very good studies produced on Hezekiah Niles. These are Richard Gabriel Stone, *Hezekiah Niles as an Economist*, (Baltimore: The John Hopkins Press, 1933) and Phillip R. Schmidt, "Hezekiah Niles and American Economic Nationalism," PhD. Dissertation, University of Kansas, 1974. The biographical details contained within this sketch have been derived from these two publications.

and would not endorse either political party. Even though his newspaper would maintain an image of neutrality, Niles himself would be a devout follower of Henry Clay. Niles would join Clay's National Republican Party in 1828, before joining the Whig Party in the 1830s. Sometime in the 1810s, Niles would also form a business relationship, and eventual lifelong friendship, with Mathew Carey.

Niles' economic writings are voluminous, albeit quite scattered, mostly comprising his editorials published in the *Niles Weekly* and *Niles National Register*. His two most important works, however, include his *Address at the Harrisburg Convention*, which was a statement made on behalf of the delegates at the 1827 Harrisburg Convention; as well as his *Journal of the Proceedings of the Friends of Domestic Industry General Convention*, which represents an account and summary of the views arrived at the 1831 Friends of Domestic Industry General Convention held in New York.<sup>1153</sup> Both of these Conventions were attended by the leading American Protectionist writers of the time, each for the purpose of drafting a memorial to Congress. Niles was one of eight representatives from Maryland sent to the Harrisburg Convention and would be Secretary and Chairman of the Committee at the Convention held in New York. Later in life, Niles would sell the *Niles Register* to his oldest son and would return to Wilmington. He would later pass away on April 2, 1839, after suffering from a paralytic stroke.

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<sup>1153</sup> Hezekiah Niles, *Journal of the Proceedings of the Friends of Domestic Industry in General Convention at New York*, (Baltimore, 1831).



## Jacob Harris Patton



Jacob Harris Patton (1812-1903) was born on May 20, 1812, in Fayette County, Pennsylvania.<sup>1154</sup> He was the son of Thomas and Anna Harris Patton. He received his bachelor's degree from Jefferson College, graduating in the class of 1839. In the following year, Patton became the principal of the Marshall Academy, a private college preparatory school, in Mississippi at the age of twenty seven. As principal of the academy, Patton's conduct was described as "gentle and persuasive" and "of the strictest moral character."<sup>1155</sup> Patton held this position for one year, before becoming a tutor at the University of Nashville, Tennessee, a position he would occupy from 1840 to 1843. He would then enroll at the Union Theological Seminary in New York City, where he graduated in 1846. In the same year, Patton also received his license to preach from the Presbyterian Church, but decided to return to his teaching career instead. He then became a principal at a private classical school in New York, a position he held for thirty-six years.

Patton eventually retired in 1882, and afterwards devoted his time to private instruction and to the authoring of books and other literary works. In 1884, he received his PhD. from the Washington and Jefferson College. It was around this time that Patton turned to the subject of political economy. His first work on the subject was a ninety-page booklet commissioned by the American Protective Tariff League entitled *Our Tariff: Why Levied and Why Continued*.<sup>1156</sup> This booklet was hugely popular with

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<sup>1154</sup> This biographical sketch is derived from the Home Market Club, "Champions of Protection: Jacob Harris Patton", *The Protectionist*, 11, no. 132 (1900), 673-675; "Jacob Harris Patton" [Obituary], *The Pittsburgh Post*, November 16, 1900, 11; "Jacob Harris Patton Dead", *The Daily Notes*, November 27, 1903, 1; and "Dr. Jacob Harris Patton Dead", *New York Tribune*, November 25, 1903, 3.

<sup>1155</sup> Virginia General Assembly, *Journal of the Delegates of Virginia: Session 1841-42*, (Richmond: Samuel Shepherd, 1841), 45.

<sup>1156</sup> Jacob Harris Patton, *Our Tariff: Why Levied and Why Continued*, (New York: The American Protective Tariff League, 1887).

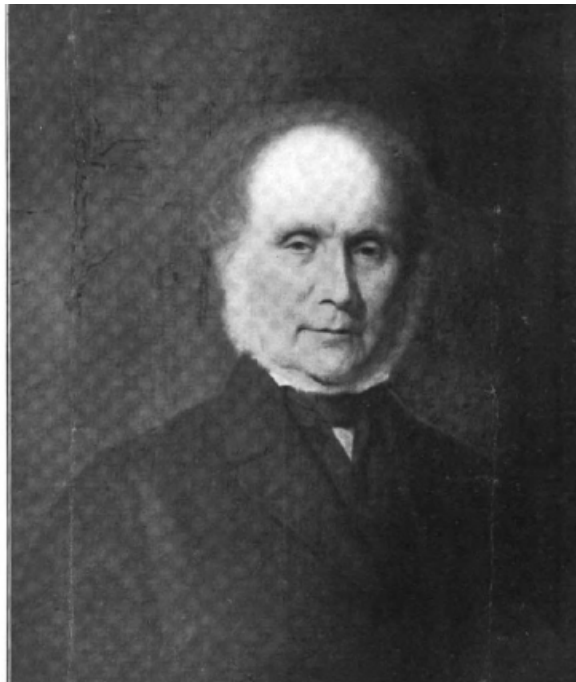
the entire run of 10,000 copies having been placed in circulation. It even caught the eye of the Republican campaign committee who circulated it as part of Benjamin Harrison's 1888 presidential campaign. In 1888, Patton published his next work entitled *Natural Resources of the United States*, which sought to survey and provide "a concise narrative of the resources of [the United States], in *all* their numerous forms."<sup>1157</sup>

The most important of Patton's economical works would appear in 1892. This was his textbook entitled *Political Economy for American Youth*. The purpose of this work was to provide a clear and concise textbook written from an American Protectionist perspective for the instruction of young students of political economy. The only other texts of this nature were Robert Ellis Thompson's *Political Economy for High Schools and Academies*, and George M. Steele's *Rudimentary Economics for Schools and Colleges*. In addition to his writings on political economy, Patton also wrote lengthy works on other subjects, including on politics, literature, American history, and Christianity. Jacob Harris Patton died on November 24, 1903, at the age of ninety-two.

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<sup>1157</sup> Jacob Harris Patton, *Natural Resources of the United States*, (New York: A. Appleton and Company, 1888), iii.

## Willard Phillips



Willard Phillips (1784-1873) was born on December 19, 1784, in Bridgewater, Massachusetts, some forty kilometers south of Boston.<sup>1158</sup> He would then attend local primary and grammar schools in Bridgewater. After finishing school, Phillips worked as a bricklayer where he was able to save enough money to fund his college education. Phillips would then enter Harvard at the age of eighteen and would later graduate in 1810. It can be concluded that Phillips was a productive and hardworking student during his time at Harvard. He would be proficient in Latin and Greek, and, for a period after graduating, he served as a tutor in mathematics. Phillips would then study law in Boston in the office of the respected lawyer William Sullivan. Phillips' intense devotion to his studies would afflict him with sight problems, however, with his physician instructing him to suspend his studies and to go on a sea voyage. Phillips would then sail to Cuba, where he stayed for several months at the estate of John Moreland, the Consul-General of the United States to Cuba at the time. With his sight problems being relieved, Phillips returned to Boston to continue his studies in law. Then in 1815, Phillips would be appointed as the first editor of the newly established *North American Review*, which was one of America's first and most popular literary magazines. Phillips would later retire from this position in 1817, but he would continue to be a contributor.

Phillips started off as a free trader, and during the Panic of 1819, he would

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<sup>1158</sup> The biographical details contained within this sketch are derived from the Home Market Club, "Champions of Protection: Willard Phillips," *Home Market Bulletin*, 10, no. 4 (1889), 1-4; Duane Hamilton Hurd, *History of Plymouth Country, Massachusetts with Biographical Sketches of Many of Its Pioneers and Prominent Men, Part 2*, (Philadelphia: J. W. Lewis, 1884), 887; "Obituary – The Hon. Willard Phillips", *The Boston Globe*, September 11, 1873, 8; and [Obituary of Willard Phillips], *The Daily Picayune*, September 17, 1873, 4.

continue to defend freedom of trade against calls from protectionists. He would later remark that, during his youth, he was “imbued with that [Classical] economical creed which is taught in our public seminaries... against... protective legislation.” He would later realize, however, that “the science... consisted very much of groundless postulates and sophistry.”<sup>1159</sup>All of Phillips’ major economic works were published after his conversion to protectionism. The first of these would be his treatise *A Manual of Political Economy*, which appeared in 1828. This text was of a general nature and covered all the major aspects of Phillips’ system of thought. Phillips’ next major work entitled *Propositions Concerning Protection and Free Trade*, would not appear until 1850. In this work, Phillips provides a systematic refutation of seventy fallacies and sophisms committed by free traders.

Phillips literary efforts also extended outside political economy. In 1823, Phillips would write a treatise on insurance law, and in 1837, he would produce another work on patent law. Both of these works would earn him a reputation as a legal authority, and in 1839, the Governor of Massachusetts Edward Everett, who was also the brother of fellow protectionist Alexander Everett, would appoint Phillips as Probate Judge of Suffolk County. Phillips would remain in this post until 1843, when he would retire in order to take over as President of the New England Mutual Life Insurance Company, a company he helped found in 1835. Phillips would later retire from this role in 1865, at the age of eighty-one. He would pass away eight years later, on September 9, 1873.

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<sup>1159</sup> Willard Phillips, *Propositions Concerning Protection and Free Trade*, iv-v.

## Robert P. Porter



Robert Percival Porter (1852-1917) was born in Marham Hall of Northfolk, England on June 30, 1852.<sup>1160</sup> His parents were the well-educated Jane Harvey and the English gentlemen James Winearls Porter. It is said that he inherited his literary ability from his mother and a splendid physique from his father. Porter received an early education at the prestigious grammar school of King Edward in Norwich. There, Porter developed a keen interest in American history and followed closely the events of the American Civil War. Upon the death of his father in the mid-1860s, which coincided with the close of the Civil War, Porter would seek out a new life in the United States. Upon his arrival, Porter established himself in northern Illinois where he worked in a branch of a business which was owned by relatives on his father's side. After a few years of study, he found his calling as a journalist. Porter would start his journalism career off by writing for a local county newspaper, but would eventually become a contributor to the *Chicago Tribune*, *Times*, and *Inter-Ocean*. *The Inter-Ocean*, in particular, was staunchly protectionist, and by 1877, Porter would join the editorial team. In 1879, Porter would then work with the Census Bureau, where he would contribute to various reports. This was followed up with another government appointment in 1882, when Porter was selected to work for the Tariff Commission. Porter would then travel across Europe on a fact finding mission to aid his investigation into the effects of free trade and protection on European nations. This would form the substance of his 1885 treatise *Bread-Winners Abroad*.<sup>1161</sup>

Upon his return from Europe, Porter, in conjunction with E. H. Ammidown,

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<sup>1160</sup> The biographical details contained with this sketch have been derived from Robert P. Porter, *Timely Suggestions to the Republican Editors of Ohio*, (Urbana: Citizen and Gazette Print, 1891), about the author front matter; "Robert P. Porter Dead," *The Washington Post*, March 1, 1917, 4; "Robert P. Porter Dies In London," *The Standard Union*, March 1, 1917; "R. P. Porter Dead; Founded N. Y. Press," *The New York Times*, March 1, 1917, 13.

<sup>1161</sup> Robert P. Porter, *Bread-Winners Abroad*, (New York: J. S. Ogilvie & Company, 1885), i.

founded the American Protective Tariff League in 1885, as a rival to the British Anti-Corn Law League, a free trade lobby group, which was founded by the Manchester economists Richard Cobden and John Bright. Later in 1887, Porter would then work for a Republican newspaper in New York, through which he would aid Benjamin Harrison's 1888 Presidential Campaign. With Harrison proving triumphant, Harrison would then appoint Porter as Director of the Eleventh US Census. Porter would also later serve under President McKinley as Special Commissioner to Cuba. In addition to his *Bread-Winner's Abroad*, Porter would produce numerous other pamphlets, books, and reports, including *Free Trade Folly*, *Free Trade and Protection To-Day*, *The West*, and a *Report on the Manufacturing Industries in the United States*, among others. In addition to his works on political economy, in 1896, Porter would also publish a 500 page biography on *The Life of William McKinley*. While visiting England later in life, Porter would be struck by an automobile. He would die on February 28, 1917.

## Oliver Putnam

Limited information exists on the life of Oliver Putnam (1777-1826). What is known is that Putnam was born in Newberry, Massachusetts, in November of 1777. He was the son of a blacksmith, who also bore the name Oliver Putnam.<sup>1162</sup> Through his early commercial speculations, the younger Putnam gained financial independence at an early age and had the chance to travel widely across both America and Europe.<sup>1163</sup> He apparently did not have fixed employment, but he did at one point write for the *United States Literary Gazette*.<sup>1164</sup> Putnam's first work was initially published anonymously as *Summary of the Practical Principles of Political Economy* in 1826, but it was later expanded upon and published posthumously as *Tracts on Sundry Topics of Political Economy* in 1834, with the later edition bearing Oliver Putnam's name.<sup>1165</sup> Upon Putnam's death on July 11, 1826, at the rather young age of forty-nine, he left part of his estate and sizable fund of \$50,000 to establish the Putnam Free School at Newberry. This would be a public school devoted to the instruction of English.<sup>1166</sup>

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<sup>1162</sup> This comes from a biographical sketch of Putnam's father contained within John J. Currier, "Ould Newbury": *Historical and Biographical Sketches* (Boston: Damrell and Upham, 1896), 193-194.

<sup>1163</sup> Oliver Putnam, *Tracts on Sundry Topics of Political Economy*, (Boston: Russell, Odiorne, and Company, 1834), iii-iv.

<sup>1164</sup> Oliver Putnam, *Summary of the Practical Principles of Political Economy*, (Cambridge: Hilliard and Metcalf, 1826), 3.

<sup>1165</sup> Joseph Dorfman (*Economic Mind*, Vol. 2, 391) incorrectly ascribes the first work to Caleb Cushing, but a textual comparison of the anonymous and the authored work clearly reveals that Oliver Putnam authored both texts. Apart from the additions made to the second text, which, according to the preface of the text, came from formerly unpublished material written by Putnam, the two works are identical.

<sup>1166</sup> *Vermont Statesmen*, August 2, 1826, 3; *Northern Sentinel*, July 28, 1826, 3.

## John Rae

John Rae (1796-1872) was born in a suburb of Aberdeen, Scotland, on June 1, 1796.<sup>1167</sup> Later, in 1815, Rae would attend the University of Edinburgh, where he would study medicine, although it appears that Rae never finished his degree. In 1822, at the age of twenty-five, Rae and his wife, Eliza, who Rae had married some years earlier, would leave Scotland for Canada. Rae would initially reside in Montreal, seemingly because his sister emigrated there in the period prior. Later, in the spring of 1822, Rae would move to Williamstown, Glengarry County, where he became a schoolmaster. During this time Rae would also work as a medical practitioner, and eventually a coroner, to supplement his income. While in Williamstown, Rae also became closely allied with the Presbyterian Church, and would subsequently act as a virtual spokesman of sorts for the Church, which eventually caused him to be viewed as an agitator by the Church of England

Rae's first known work on economics would appear during his time in Williamstown. This was his 1825 essay entitled "Sketch of the Origin and Progress of Manufactures and of the Policy which has Regulated their Legislative Encouragement in Great Britain and in Other Countries." In many ways, this work foreshadows the ideas which would be later discussed in his *New Principles*. Rae would leave Williamstown in late 1831. He would eventually settle in Hamilton, Ontario, in 1834, where he would become a headmaster of a local school. He would remain in this position until 1848. Rae's magnum opus would appear in 1834 under the title *Statements of Some New Principles on the Subject of Political Economy: Exposing the Fallacies of the System of Free Trade and of Some Other Doctrines Maintained in the "Wealth of Nations"*. This treatise was sponsored by the Boston protectionist Alexander Everett, who had become acquainted with and impressed by Rae earlier in 1834. Although it was known within American Protectionist circles, Rae's brilliant treatise would remain in relative obscurity at its time of publication.<sup>1168</sup> In the late 19<sup>th</sup> century, however, it would receive praise from both John Stuart Mill and the Austrian economist Eugne von Bohm-Bewerk. Rae's final work with important implications for economic thought, albeit not chiefly an economics text, would appear in 1839. This

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<sup>1167</sup> The biographical details contained within this sketch have been derived from *John Rae: Political Economist* (Toronto: University of Toronto Press, 1965); and Charles Whitney Mixer, "Biographical Sketch," In John Rae, *The Sociological Theory of Capital*, (London: The Macmillan Company), ixx-xliv. Jame's work is the most authoritative study on Rae.

<sup>1168</sup> John Rae is cited by no less than eight other American Protectionists. See, for example, Stephen Colwell, *A Preliminary Essay Prefixed to the American Edition of List's National System of Political Economy* (Philadelphia: J. B. Lippincott & Co, 1867), lxx; Robert Ellis Thompson, "Review of Protection versus Free Trade" *The American*, 11, no. 286 (1886), 234; George B. Dixwell, *The Premises of Free Trade Examined*, (Cambridge: John Wilson and Son, 1881), 3; Francis Bowen, *Principles of Political Economy*, (Boston: Little, Brown and Company, 1856), 104, 481, 487-491; Alexander H. Everett, "Rae's Political Economy," *The North American Review*, 40, no. 86 (1835), 122-141; Willard Phillips, *Propositions Concerning Free Trade and Protection*, (Boston: Charles C. Little and James Brown, 1850), 189; Henry M. Holt, *Protection versus Free Trade*, (New York: D. Appleton and Company, 1886), 163, 258, 381; and Henry Carey Baird, *Political Economy*, (New York: D. Appleton and Company, 1875), 13. Stephen Colwell, in particular, singles out five key "American Political Economists who have left the beaten path," these being "Carey, Raymond, Colton, Rae, and E. Peshine Smith."



was his essay entitled “Genius and its Application” which appeared in *The Literary Gazette*.

Rae was, by most accounts, a highly respected headmaster of the school in Hamilton, but his frequent quarrelling with the Church of England on behalf of the Presbyterian clergy, eventually led to his termination in 1848. Rae would spend part of 1849 teaching in Boston and New York. Rae’s wife Eliza would pass away, however, in August of 1849. This ill-fated event, along with the California Gold Rush, caused Rae to seek out a new life in California. Little is known about Rae’s life in California, but what is known is that by the spring of 1851, Rae decided to leave California for the Hawaiian Islands. Rae arrived first in Honolulu but would eventually move to the island of Maui. After a smallpox outbreak in 1853, during which time Rae assisted in the vaccination of the native population, Rae would be appointed as a Medical Agent to the Board of Health. During this period, Rae would also become a farmer, would serve as the District Judge of Hanna, and would continue to write on various topics, including on geology and the Polynesian language. In 1871, Rae decided to return to the United States to live out the remainder of his life with a friend from Staten Island. Rae died in Staten Island the following year on July 12, 1872, at the age of seventy-seven.

## Daniel Raymond

Daniel Fitch Raymond (1786-1849) represents the first American economist and first American Protectionist to produce a systematic treatise which dealt systematically and comprehensively with economic theory.<sup>1169</sup> Indeed, Raymond himself even declared that prior to the publication of his work, “the only American book that [had] the semblance of a treatise on political economy [was] Hamilton's reports as Secretary of the Treasury.”<sup>1170</sup> Daniel Raymond was born on September 12, 1786, in Monteville, Connecticut. He studied law at Tapping Reeve's Law School in Litchfield, before moving to Baltimore, Maryland, in 1814, where he commenced his law practice. Raymond first entered the public spotlight in 1819, with the publication of his controversial pamphlet, *The Missouri Question*. The question of Missouri's admission into the Union was a divisive issue at the time. If admitted, Missouri would represent the first state located west of the Mississippi River to allow slavery, and such a situation would upset the Congressional balance between Northern Free States and Southern Slave States. Although Raymond considered blacks to be inferior to whites, in *The Missouri Question*, Raymond advocated the gradual manumission of slaves.<sup>1171</sup>

Raymond's most important work would appear the following year in 1820. This was his *Thoughts on Political Economy* (1820), and it proved quite popular within certain intellectual and protectionist circles. President John Adam gave the work high praise, considering it “a proud monument of American literature.”<sup>1172</sup> Frederick Beasley, provost of the University of Pennsylvania, commended Raymond as having a “profound comprehension of his subject” which he presented with “such neatness and perspicuity of style.”<sup>1173</sup> The work also caught the eye of the two Protectionist publishers, Hezekiah Niles and Mathew Carey. In review of Raymond's work, Niles would write that “we recommend it to the consideration of those who are desirous of information on this important subject,” describing it “as well worthy of an attentive perusal.”<sup>1174</sup> By far the most enthusiastic reader of the work, however, was Mathew Carey, who declared “Raymond's political economy” to be “a work far superior to either” Smith's “Wealth of Nations and Say's Political Economy,” and praising it as “a valuable work, containing more sound practical truths than I have ever seen in any

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<sup>1169</sup> Other than the other sources cited in subsequent footnotes, the biographical details contained within this sketch have been derived from Kenneth V. Lundberg, “Daniel Raymond: Early American Economists,” Unpublished PhD. Dissertation, University of Wisconsin, 1953. Lundberg's dissertation is the most reliable and detail account of Raymond, but there also another older and smaller publication devoted to Raymond, which is Charles Patrick Neill, *Daniel Raymond: An Early Chapter in the History of Economic Theory in the United States*, (Baltimore: The John Hopkins University Press, 1897).

<sup>1170</sup> Daniel Raymond, *Thoughts on Political Economy*, (Baltimore: Fielding Lucas, Jr., 1820), v.

<sup>1171</sup> Daniel Raymond, *The Missouri Question*, (Baltimore: Schaeffer and Mound Printers, 1819), 35.

<sup>1172</sup> “John Adams to Daniel Raymond,” [February 8, 1821] reproduced in Daniel Raymond, *The Elements of Constitutional Law and Political Economy*, (Baltimore: Cushing & Brother, 1840), vii

<sup>1173</sup> Frederick Bearley to Daniel Raymond,” [May 6, 1824] reproduced in Daniel Raymond, *The Elements of Constitutional Law and Political Economy*, x.

<sup>1174</sup> Hezekiah Niles, “Two New Works” [Review of Daniel Raymond] *Niles Weekly Register*, December 16, 1820, 242.

book on the subject.”<sup>1175</sup> Indeed, Mathew Carey was so impressed that he attempted to establish and fund a Chair of Political Economy for Raymond at the University of Maryland, but the proposal was subsequently rejected by the University.<sup>1176</sup>

Raymond’s *Political Economy* would go through several considerably revised editions. The second edition would appear in 1823 under the title *Elements of Political Economy*. This was greatly enlarged and would now occupy two volumes. In 1836, a third edition would be published under the same title, with some further additions, including a chapter on the United States Constitution, which emphasized the constitutionality of the protective system, and an additional appendix on the tariff. A fourth edition would then appear in 1840, now under the title *Elements of Political Economy and Constitutional Law*. As the names suggests, Raymond added some additional chapters on constitutional law, but he would also condense the sections on political economy which featured in the earlier editions. Later in 1845, Raymond would expand upon the chapters relating to constitutional law and would publish them as a separate publication entitled *Elements of Constitutional Law*. Raymond would also produce two other important works. The first of these would be his 1828 pamphlet *The American System*, which, as the names suggests, provides a defense of Clay’s American System. His other, and seemingly his final work, was his article which appeared in the *American Whig Review* in 1848. This article was entitled *The President’s Message, and the Report of the Secretary of the Treasury*, which provides a critique of Robert J. Walker’s 1845 *Treasury Report*.

The details surrounding Raymond’s later life are subject to some speculation, but it appears that in 1842, Raymond would relocate to Cincinnati, Ohio, where he would establish the political newspaper, the *Western Statesmen*, in addition to conducting a not too successful law practice. The *Western Statesmen* also struggled and seems to have only produced around sixteen issues before it failed, although the exact number is unknown. On July 13, 1849, Daniel Raymond would die in Cincinnati, Ohio, after contracting cholera during an outbreak in the city.

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<sup>1175</sup> Mathew Carey, *Autobiographical Sketches*, ix, 93,

<sup>1176</sup> “Mathew Carey to the University of Maryland” [January 12, 1822]; and “Mathew Carey to Daniel Raymond.” [January 12, 1822] reproduced in Mathew Carey. *Autobiographical Sketches: In A Series of Letters Addressed to a Friend*. Philadelphia: John Clarke, 1839: 93n-94n.

## Thomas Brackett Reed



Thomas Brackett Reed (1839-1902) was born on October 18, 1839, in Portland, Maine.<sup>1177</sup> Reed would attend public school in Portland, and would later attend Bowdoin College, where he would graduate in 1860. Reed initially intended to become a Christian minister but decided to study law instead. He began his legal studies in Maine but moved to California in late 1861. He would be admitted into the California bar in 1863. He later returned to Maine, and after an eighteen month stint in the Navy during the Civil War, he would be admitted to the Maine bar in 1865. In 1867, Reed would then successfully run as a Republican for the Maine House of Representatives. He would be re-elected to the House of Representatives in 1868, before joining the State Senate in 1869. In the following year, he would be elected as the Attorney General for Maine, a position he would retain for the next three years. Reed would then run for Congress in 1876 and would be elected to the House of Representatives. Reed would rise through the ranks of the Republican Party, and by 1882, he was the effective leader of the House Republicans. When Republicans retook the control of the House in 1888, Reed would be elected as Speaker of the House, where he would oversee the passage of the McKinley Tariff. In 1896, Reed would seek the Republican presidential nomination, but lost out to William McKinley in the primary. He would return to the speakership role in 1895, but would later resign in September of 1899, after growing disgruntled with the more imperialist and expansionist faction within the Republican Party.

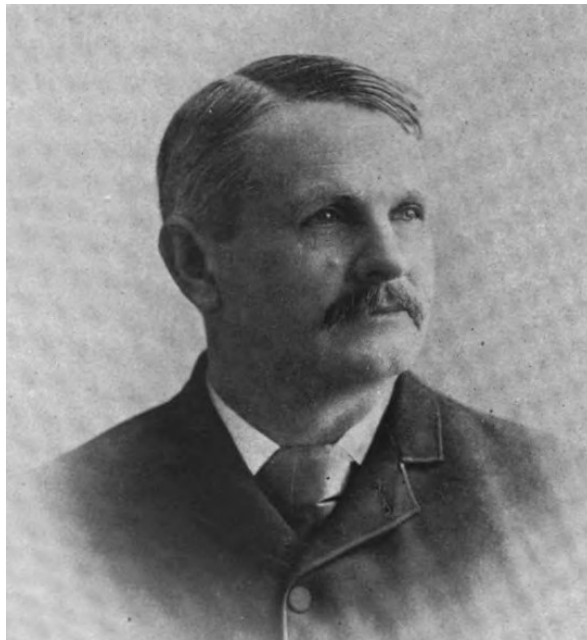
Reed's contribution to American Protectionist thought comes primarily from his speeches and addresses made as a Congressman. The two most impressive of his congressional speeches on the topic include *The Tariff*, which was delivered to the

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<sup>1177</sup> The biographical details contained within this sketch have been derived from Samuel W. McCall, *The Life of Thomas Brackett Reed*, (Boston: Houghton Mifflin Company, 1914).

House of Representatives on May 18, 1888, and *Reed on the Tariff*, which was delivered on February 1, 1894. Both speeches would later circulate in pamphlet format. In addition to his congressional speeches, Reed contributed numerous articles to *The North American Review*, *The American Economist* and *The Protectionist*. In 1896, Reed would also write the introduction to the republication of Calvin Colton's *Works of Henry Clay*. After his resignation from Congress in 1899, Reed would return to his legal practice, which he relocated to New York. During a business trip to Washington, DC, three years later, Reed would fall ill in his hotel room. He would be diagnosed with advanced kidney disease, and would pass away on December 7, 1902.

## David Hall Rice



David Hall Rice (1841-1893) was born on May 6, 1841, in Penn Yan, New York. He would receive an early education from the New York common school system.<sup>1178</sup> He would then attend Genesee College, what is now Syracuse University, where he undertook a partial course, before being admitted to the bar. He would then move to Savannah, Georgia, to practice the law, and in 1867, he became a partner of the United States District Attorney in that state. He would later move to Lowell, Massachusetts, where he opened a law practice, which was later relocated to Boston in 1872. Rice was perhaps the most renowned patent lawyer in the United States at the time. His first major work was on patent law, a work which was subsequently adopted by the United States Patent Office. For this work, Rice earned an honorary Masters degree from Syracuse University.

It was after this that Rice produced his major work on economics. This was his *Protective Philosophy: A Discussion of the Principles of the American Protective System as Embodied in the McKinley Bill*. In addition, Rice also wrote numerous articles which were published in the *Home Market Bulletin* and the *American Economist*. He would also deliver several addresses on the subject, that were later circulated in pamphlet format, including a notable speech given at Brown University. In addition to these literary efforts, Rice was also an executive member of the fiercely protectionist Home Market Club. Later in life, Rice would also be elected to public office, having won a seat in the Massachusetts Governors Council for the Republican

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<sup>1178</sup> The biographical details contained within this sketch have been derived from "David Hall Rice, Councillor, Passes Away," *Boston Sunday Post*, October 15, 1893, 4; "Obituary – David Hall Rice", *The New York Times*, October 15, 1893; "David Hall Rice Wins", *The Boston Globe*, September 23, 1892, 5; and the Home Market Club, "Champions of Protection: David Hall Rice," *The Protectionist*, 11, no. 127 (1899), 385-392.

Party in 1892. This service was cut short, however, with Rice falling ill during a voyage on his yacht. He died on October 14, 1893, before his term expired.

## Ellis H. Roberts



Ellis Henry Roberts (1827-1918) was born on September 30, 1827, in Utica, New York.<sup>1179</sup> His parents, Watkin and Gwen Roberts, were originally from Merionethshire in North Wales, but emigrated to the United States either in 1816 or 1817, and would eventually settle in Utica.<sup>1180</sup> Having lost his father whilst still a child, Roberts was reliant on his own efforts from a young age. At the tender age of nine, he gained employment at a local Utica printing house, and by the age of twelve he would be promoted to typesetter. Roberts had higher ambitions, however, and would eventually save enough from this job to pay his way through college. Roberts first attended the Whitestown Seminary and was then admitted into Yale in 1847. He would graduate in 1850 with second class honors.

Roberts would then commence his literary career in 1852, when he became partial owner and editor of the *Utica Morning Herald*, which was a leading Whig (and later Republican) journal. By 1854, he would become full owner of the journal, and he would continue there as chief editor until 1859. This position as owner of a major Whig and Republican journal made him active in the political debates of the country and brought him into contact with leading members of the Republican Party. This elevated him onto the New York delegation for the 1864 and 1868 Republican National

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<sup>1179</sup> The biographical details contained within this sketch are largely derived from “Ellis Henry Roberts” In *Men of Mark in America: The Ideals of American Life Told in Biographies of Eminent Living Americans*, Vol. 2, ed. Merrill E. Gates, (Washington: Men of Mark Publishing Company, 1906), 269-271; and the Home Market Club, “Champions of Protection: Ellis H. Roberts”, *The Protectionist*, 11, no. 123 (1899), 109-112. It seems highly probable that the biographical entry in *Men of Mark in America* was actually written Ellis H. Roberts himself, since he was on the advisory board of the publication. No secondary literature on Ellis H. Roberts could be identified.

<sup>1180</sup> The two sources cited in preceding footnote give conflicting dates.



Convention, and in 1866, he was also elected to the New York State Legislature on the Republican ticket. Then, in 1871, Roberts would make the shift from state to federal politics, being elected to the United States Congress, where he would serve for two terms, during which time he would also serve on the House Ways and Means Committee.<sup>1181</sup> Having a strong reputation for sound judgement and knowledge on financial and economic matters, Roberts would later be appointed as the Assistant Treasurer of the United States in 1889 by then Republican President Benjamin Harrison. After the election of the Democratic President Grover Cleveland in 1893, Roberts would leave this position, and would be made President of the Franklin National Bank in New York. However, with the election of William McKinley in 1897, Roberts would be called back to public service and would assume the role of Treasurer of the United States.

During his time in Congress, Robert's made several important speeches on protection and other economic questions, several of which would be published and circulated in pamphlet format. Two of the more notable of these speeches include *The Revenue and American Labor: Necessity and Growth of Home Production* (1872) and *The Treasury and the Taxes* (1874). His most important economic work would appear, however, in 1884. This was his 400 page treatise entitled *Government Revenue: Especially the American System, An Argument for Industrial Freedom Against the Fallacies of Free Trade*, which was based upon a series of lectures which he gave at Cornell and Hamilton College a year earlier.<sup>1182</sup> In this work, Roberts approaches the subject of protection mainly from the standpoint of revenue, and advances the view that if state interference, including taxation, is to be permitted anywhere than it should be in the service of promoting domestic industry. On January 8, 1919, Roberts would pass away in his home in Utica at the age of ninety-one.<sup>1183</sup>

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<sup>1181</sup> James G. Blaine explains that "the strength of Mr. Roberts, his intellectual resources, the variety and extent of his knowledge, the elegance and purity of his style... [were] so well recognized... that the general opinion of his colleagues indicated him for the Ways and Means Committee, a position rarely assigned to any but an old member." *Twenty Years of Congress*, Vol. 2, (Norwich: The Henry Bill Publishing Company, 1886), 509.

<sup>1182</sup> Ellis H. Roberts, *Government Revenue*, ii-iv.

<sup>1183</sup> "Former Treasurer of U. S. Dead", *The Pittsburgh Daily Headlight*, January 19, 1918, 2; and "Former United States Treasurer Roberts Dead," *The Ceder Rapids Evening Gazette*, January 8, 1918, 3.

## Ezra Seaman

Ezra Champion Seaman (1805-1879) was born in Columbia County, New York, on October 14, 1805. He would later study law in Ballston Springs, New York, and would be admitted to the Supreme Court as an attorney in 1831, before moving to Detroit, Michigan, in 1839. As a prominent Whig, Seaman relocated to Washington, DC., in 1849, where he served as Chief Clerk and then First Comptroller of the Treasury, during the Taylor and Fillmore Administrations. Upon his return to Detroit in 1853, and subsequent move to Ann Arbor in 1854, Seaman became the Inspector of State Prisons. Later in 1858, he would also edit the *Arbor Journal*, where a series of protectionist essays would appear. He would also write several important articles for *Hunt's Merchants' Magazine*.<sup>1184</sup> One of the more significant of these articles would appear in 1858. This was entitled "Human Progress: Its Elements, Impediments, and Limits." Seaman's main treatise on political economy was his *Essays on the Progress of Nations*, which first appeared in 1846, and went through several editions, including a heavily revised edition in 1852. Seaman's work would receive high praise from the Whig President Millard Fillmore, who declared that "it is a very valuable publication, and that it brings within the reach of every man a vast store of useful information as to the progress of agriculture and the arts among mankind, which can be found nowhere else in so condensed and cheap form... [I] wish a copy might be placed in the hands of every enlightened citizen."<sup>1185</sup> Seaman died on July 17, 1879, from a strangulated hernia following an unsuccessful operation.

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<sup>1184</sup> The biographical details contained in this sketch has been derived from "Death of Ezra C. Seaman," *Detroit Free Press*, July 18, 1879, 4; and "The Late Ezra C. Seaman", *Detroit Free Press*, July 19, 1879, 4.

<sup>1185</sup> Millard Fillmore quoted in Ezra Seaman, *Supplement to Essays on the Progress of Nations, No. II*, (New York: Charles Scribner, 1848), back matter.

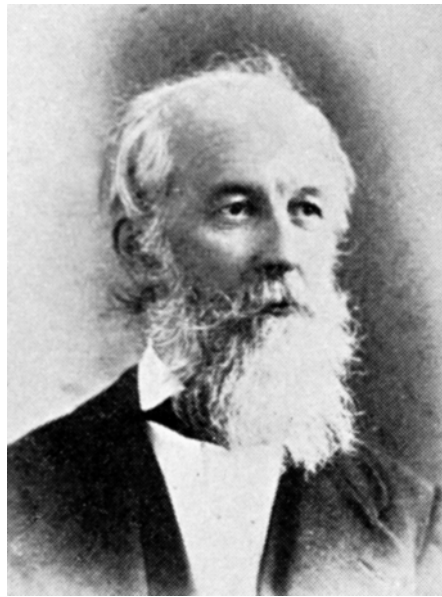
## Orrin Skinner

Limited Information exists on the life of Orrin Skinner (unknown-1896).<sup>1186</sup> It appears, however, that he lived for some time in Springfield, Massachusetts, before moving to Chicago. In Chicago, Skinner would become a lawyer and was seemingly well respected in the community. In 1873, Skinner would move to New York, and it appears that he was admitted to the New York bar the same year. He would then establish the law firm Goudy, Chandler, & Skinner. It was also around this same time that Skinner married the daughter of the prominent Whig and Republican Politician, Orville Hickman Browning, who at one point served as the US Secretary of the Interior under Andrew Johnson. Skinner was more of a political scientist than an economist. His main treatise appeared in 1873 and was entitled *The Issues of American Politics*. As the name suggests, this work was not devoted specifically to the subject of political economy but was instead a general treatise on politics. Skinner does, however, devote a significant portion of his work to economic questions. His approach to economics is also distinctly along American Protectionist lines and is quite in-depth theoretically. Skinner was, however, a man of extravagant tastes, and in 1778, he would cease his law practice to undertake ventures in mining. When this failed, he then resorted to various other schemes to fund his spendthrift lifestyle and would later be exposed as a conman and swindler. Using a variety of different aliases, Skinner would defraud various banks both in the United States and internationally, and would eventually be arrested in London in 1886, attempting to use a forged letter of credit. It appears that he was then extradited to New York, where he would be sentenced to Auburn prison for grand larceny in the second degree. Skinner would later die in prison on September 19, 1896.

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<sup>1186</sup> This biography has been pieced together from the following sources: James B. Bradwell, "Illinois Lawyers in Memoriam", In *Proceedings of the Illinois State Bar Association at Its Twenty-First Annual Meeting Held in the City of Chicago, July 1 and July 2, 1897*, (Springfield: Illinois State Register Book Publishing Houses, 1897), 76; "Orrin Skinner's Operations: His Career in Chicago and Swindles in San Francisco," *The New York Times*, December 19, 1884, 1; "Orrin Skinner in the Tombs," *The New York Times*, March 1, 1885, 8; "Notorious Swindler Dead," *The Madison Daily Leader*, September 19, 1896, 3; "Skinner's Skip: A Rather Smooth Operator Visits San Francisco," *The San Francisco Examiner*, April 5, 1883, 3; "Orrin Skinner: Career of a Swindler who Found Victims in Many Cities", *The Daily Examiner*, March 30, 1885; "King of Rogues: Orrin Skinner Arrested in London," *The Boston Globe*, October 22, 1886, 1; "A Noted Forger: Career of a Talent Rascal – Organizer of the Allied Mines Company," *The Evening Star*, November 27, 1886, 2; "Skinner Was Known Here: Death of Famous Swindler in the New York Penitentiary," *The Kansas City Star*, September 19, 1896, 8; "Skinner Dies in Prison," *The Rising Sun*, September 23, 1896, 1.

## E. Peshine Smith



Erasmus Peshine Smith (1814-1882) was born on March 2, 1814, in New York City.<sup>1187</sup> His ancestry in the United States can be traced to Puritan and Huguenot settlers, who fled from Europe due to religious persecution. Shortly after the birth of Peshine Smith, his family moved to Rochester in upstate New York. Later, Smith would attend Columbia College and would graduate in 1832. In 1833, Smith would then undertake a law degree at Harvard. After graduating, Smith would return to Rochester, and would commence practicing the law. He would eventually join the law firm of the prominent Whig William H. Seward. This relationship with Seward would have a lasting impact on Smith's life. Smith would continue working in Seward's legal practice until 1849, when he decided to pursue a career in journalism. Smith would then become editor of the *Commercial Advertiser* in Buffalo.

Smith's lifelong friendship with Henry Charles Carey would commence in 1850 after Smith read and became inspired by Carey's *The Past, The Present, and the Future*. In the following year, Smith would write a review in *Hunt's Merchants' Magazine* praising the work. He would then seek out academic work in the field of political economy, but was only able to obtain a temporary position as a Professor of Mathematics at the University of Rochester, which he filled for two years. Smith's major work on political economy would appear in 1853. This was his *Manual of Political Economy*. In 1859, Smith would then obtain employment as a reporter of the New York Court of Appeals. After Abraham Lincoln was elected President, and made Seward his Secretary of State, Smith would then be called to Washington in 1865, to

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<sup>1187</sup> The biographical details contained within this sketch have been derived from "Death of E. Peshine Smith", *The Buffalo Commercial Advertiser*, October 23, 1882, 3; "Obituary" [E. Peshine Smith], *Buffalo Courier Express*, October 23, 1882, 1; and Michael Hudson, "E. Peshine Smith: A Study in Protectionist Growth Theory and American Sectionalism," Unpublished PhD Dissertation, New York University, 1968. Limited secondary source material exists on Peshine Smith, but Hudson's dissertation provides a thorough exposition of Smith's work.

work under Steward in the State Department as a solicitor. Smith remained in the State Department until 1871, at which point, he was selected to be an international law advisor to the Japanese emperor. Smith would then travel to Japan later in 1871, and he would remain there for six years. Smith's final economic work would appear in 1877, prior to him leaving Japan. This small work was entitled *Notes on Political Economy Designed Chiefly for Japanese Readers*.<sup>1188</sup> Each chapter was published as a separate tract in the *Tokio Times*. Upon his return to the United States, Smith had planned to write another work on the topic designed for the use in high schools, but this work never materialized. At the age of sixty-eight, Smith passed away on October 21, 1882, in Rochester.

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<sup>1188</sup> This is omitted from Hudson's otherwise detailed account.

## Giles B. Stebbins



Giles Badger Stebbins (1817-1900) was born June 12, 1817, in Springfield, Massachusetts.<sup>1189</sup> His father, Eldad Stebbins, served for over twenty years as a paymaster for the Springfield Armory. The Stebbins family resided on the Armory grounds, where they received free housing from the United States government. The elder Stebbins would later resign from his position in the Armory due to ill health. In 1832, around the age of fifteen, Giles would become a clerk at a hardware store in Springfield. It was here that Stebbins first began to take an interest in American industry. Having noticed that almost all the tools and other supplies sold at the store were English made, Stebbins questioned why these tools could not be produced in the United States.

In his youthful years, Stebbins would become engrossed in transcendentalism, and mingled briefly with the communes based upon the ideas of the utopian socialist Charles Fourier. One such commune was Brookfield Farm, located in Northampton, Massachusetts, not far from where Stebbins resided. Although Stebbins never became a member of the commune, he occasionally attended educational classes by several notable teachers there. Stebbins would later recall that in spite of it working for a short while, the commune eventually unraveled due to poor management and systematic inefficiencies. Stebbins recollected how one member joked that “in [an] association you must learn to work for lazy folks,” and his own observation drew similar

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<sup>1189</sup>In addition to the other citations given in subsequent footnotes, the biographical details contained within this sketch have been derived from Giles B. Stebbins, “Champions of Protection: Giles B. Stebbins,” *Home Market Bulletin*, 10, march (1899), 17-19; The Home Market Club, [Obituary of Giles B. Stebbins], *The Protectionist*, 12, no. 141 (1901), 438; American Iron and Steel Association, “Obituary Notes” [Giles B. Stebbins], *The Bulletin of the American Iron and Steel Association*, 34, no. 25 (1900), 197; and [Obituary of Giles B. Stebbins], *The Republican*, November 16, 1900, 8. No secondary sources on Giles B. Stebbins could be identified.

conclusions.<sup>1190</sup> Reflecting on the failure of the association, Stebbins wrote that “one of the best things for a young man sometimes is to find out how little he knows. It takes down his self-conceit and settles him into deeper thinking. At the association I had that lesson.”<sup>1191</sup>

Even though Stebbins was inclined towards protection early in life, it would not be until the outbreak of the American Civil War, that he took more of an interest in the matter. Being an abolitionist since his youth, Stebbins had already taken issue with the Confederates States for their support of slavery, but increasingly, Stebbins saw free trade as the second pillar of the Confederacy.<sup>1192</sup> This prompted Stebbins to investigate the matter more thoroughly, and in 1865, he would produce his first protectionist pamphlet entitled *British Free Trade Delusion*. It was also around this time that Stebbins became involved with the American Iron and Steel Association, having befriended the Association’s founder, E. B. Ward, in 1863.<sup>1193</sup> In 1866, Stebbins would be elected as the Assistant Secretary of the Association.<sup>1194</sup> In this capacity, Stebbins continued to produce numerous pamphlets on protection, which would be circulated by the Association. Stebbins’ more scholarly works on political economy would not appear until quite later. The first of these was his 1887 work *Progress from Poverty*, which was a critique of Henry George. His more important and significant work would then appear in 1893. This was his treatise *The American Protectionist’s Manual*, which was designed “to present the leading principles and facts” on the question of protection in a “readable and useful” way.<sup>1195</sup> In 1892, Stebbins would also become the editor of *The American Economist*, which was the journal of the American Protective Tariff League. This was a position which he would occupy for two years. At the age of eighty three, Stebbins would pass away in his home in Detroit in early November 1900.

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<sup>1190</sup> Giles B. Stebbins, *Upward Steps of Seventy Years*, (New York: United States Book Company, 1890), 57.

<sup>1191</sup> Giles B. Stebbins, *Upward Steps of Seventy Years*, 64.

<sup>1192</sup> Giles B. Stebbins, *Upward Steps of Seventy Years*, 62.

<sup>1193</sup> Giles B. Stebbins, *Upward Steps of Seventy Years*, 165.

<sup>1194</sup> Secretary Report of the American Iron and Steel Association [p. 59], Box 230, Folder 3, *AISIR*, HML, Wilmington, Delaware.

<sup>1195</sup> Giles B. Stebbins, *The American Protectionist’s Manual*, (Detroit: T. Nourse, 1883), 1.

## George M. Steele

George McKendree Steele (1823-1902) was born in Strafford, Orange County, Vermont, on April 13, 1823.<sup>1196</sup> He would go on to attend Wesleyan University in Middleton Connecticut, where he graduated in 1850. Later in 1863, Steele would become president of Lawrence University at Appleton Wisconsin. Steele would remain there until 1879, before transferring to Wesleyan Academy at Wilbraham, Massachusetts, where he served as principal. After 17 years at the Wesleyan Academy, Steele would resign to take up a position at Lasell Seminary in Auburn, also in Massachusetts. At the Lasell Seminary, Steele would serve as both a chaplain and a teacher, where he taught political economy, in addition to ethics, bible studies, and psychology. It was during this time that Steele published his major work on political economy, *Outline Study of Political Economy*, which was later enlarged and retitled, *Rudimentary Economics for Schools and Colleges*. As the title suggests, this treatise was designed to assist high schools and colleges in the teaching of political economy from an American Protectionist perspective. The work draws heavily upon the ideas of Henry Charles Carey, but also Peshine Smith and Francis Bowen. In addition to his academic pursuits, Steele was also a prominent clergyman with the Methodist Episcopal Church for more than fifty years. Steele would pass away on January 14, 1902, at his son's residence in Kenilworth, Illinois.

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<sup>1196</sup> The biographical details in this sketch have been derived from "Rev. George M. Steele, Educator," *Boston Evening Transcript*, January 15, 1902, 10; and "Funeral of Dr. George M. Steel," *Boston Evening Transcript*, January 16, 1902, 5. No secondary sources on George M. Steele could be identified.



## Andrew Stewart



Andrew Stewart (1791-1872), affectionately known as “Tariff Andy”, was born on June 11, 1792, near Uniontown, Pennsylvania.<sup>1197</sup> He received his education from the public school system, and from a young age, he would work as a farmhand and as a teacher at a local country school. He remained in these roles until the age of eighteen, when he undertook the study of the law. He would be admitted into the bar in 1815 and would establish a practice in Uniontown. In the same year, he was elected to the Pennsylvania House of Representatives, where he would remain until 1818. He would then be appointed as US District Attorney for the western district of Pennsylvania later that year and would remain there until 1820. It was in 1820 that Stewart’s career in federal politics began. He would be first elected to the House of Representatives as a Democratic-Republican and would then successfully recontest the 1823 election as a Democrat. He would then abandon the Democratic Party in 1828 for the National Republicans due to the tariff question, and would openly oppose the election of Andrew Jackson. He would later join the Whig Party and would serve in the House of Representatives between 1843 and 1849. He would not seek renomination for Congress in 1849, choosing instead to contest the Vice President spot in the 1848 Whig primary, but lost out to Millard Fillmore. When the Whigs won the 1848 presidential election, Stewart was asked to serve as Secretary of the Treasury, but was compelled to decline the offer due to illness.

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<sup>1197</sup> The biographical details contained with this sketch have been derived from A. H. Waters “A Biographical Sketch,” In Andrew Stewart, *The American System: Speeches on the Tariff Question, and on Internal Improvements, Principally Delivered in the House of Representatives of the United States*, (Philadelphia: Henry Carey Baird, 1872), 3-7; “Andrew Stewart”, In *Biographical and Historical Cyclopedia of Indiana and Armstrong Counties, Pennsylvania*, ed., Samuel T. Wiley, (Philadelphia: John M. Gresham & Co, 1891), 75; “Death of Andrew Stewart”, *The Pittsburgh Commercial*, July 17, 1872, 1; “Hon. Andrew Stewart”, *The Indiana Progress*, September 15, 1870, 2; “Death of Hon. Andrew Stewart,” *Reading Times*, July 18, 1872, 1.

As a Whig Congressman, Stewart was an earnest follower and contemporary of Henry Clay. During his time in Congress, Stewart would serve as Chairman of the Committee on the Tariff, as well as on the Committee on Internal Improvements, both of which constituted the two planks of Clay's American System. Stewart would contribute to the American Protectionist doctrine through his numerous congressional speeches on the topic. Later, in 1872, these speeches would be compiled and published in a volume entitled *The American System: Speeches on the Tariff Question and on Internal Improvements*, a work which ran over 400 pages in length. After the collapse of the Whigs, Stewart would join the Republican Party, but would remain out of politics for some time, choosing instead to devote his time to private business, mostly in construction and real-estate. He would run for Congress, however, in 1870, but was unsuccessful. At the age of eighty two, Andrew Stewart died at his residence in Uniontown on July 16, 1872.

## David Stirrat

Little is known about the life of David Stirrat (1776-1857). What is known is that he was born in Scotland, where he descended from Scottish nobility.<sup>1198</sup> In 1799, Stirrat migrated to the United States, where he became a grocer in Baltimore, Maryland. In the 1820s, Stirrat was inspired by the works of his fellow Baltimorean, Daniel Raymond, and in 1824, he attempted to prepare a short and poetic version of Raymond's economic doctrines. This appeared in his work entitled *A Treatise on Political Economy: or the True Principles of Political Economy in the Form of a Romaunt*. Stirrat's *Treatise* is mainly a work of romantic prose and can scarcely be said to provide any real instructional or theoretical value. The text takes the form of a series of poetic letters from the fictional philosopher Aristander to his companion, Aristippus, evoking him to consider and examine particular questions of political economy.<sup>1199</sup> Stirrat would remain in Baltimore for the rest of his life and would eventually pass away in November 1857.<sup>1200</sup>

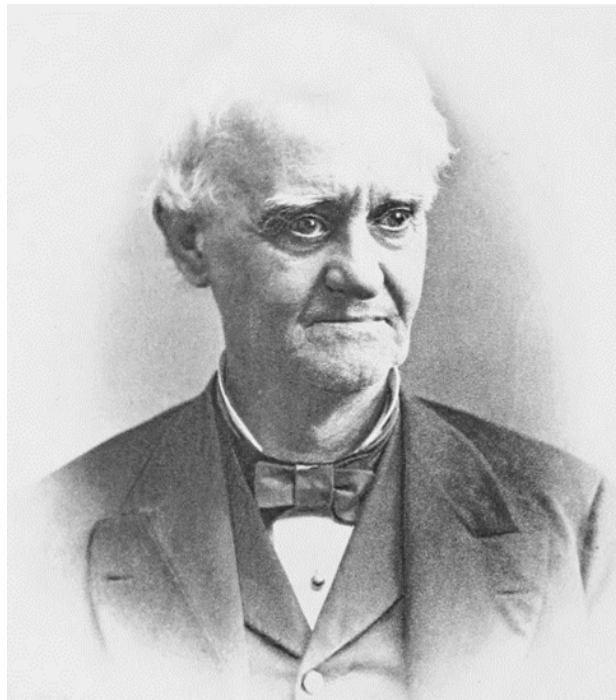
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<sup>1198</sup> The biographical information contained within this sketch has been derived from Henry M. Hyde, "Theories Put 'in Form of Romaunt' Perceived in A Deep Vision", *The Baltimore Evening Sun*, April 23, 1926, 1; and Joseph Dorfman, *The Economic Mind in American Civilization*, Vol. 2, (New York: Augustus M. Kelley, 1966), 574.

<sup>1199</sup> David Stirrat, *A Treatise on Political Economy*, (Baltimore: David Stirrat, 1824), 5-6.

<sup>1200</sup> Although it cannot be substantiated, there is some evidence that Stirrat may have briefly returned to Scotland at some point, as there was another work published in Paisley, Scotland, in 1851 by a David Stirrat, and this features a similar romantic prose to Stirrat's *Treatise*, see David Stirrat, *The Philosopher's Stone of Business Figures: A Newly-Discovered Method of Casting-Up The Price of Goods*, (Paisley: Wm. Anderson, 1851).

## Richard W. Thompson



Richard Wigginton Thompson (1809-1900) was born in Culpeper County, Virginia, in June of 1809.<sup>1201</sup> Thompson descended from a line of patriots. Both his grandfather's fought in the War of Independence, and his stepmother was a great niece of George Washington. In 1831, Thompson moved to Indiana, where he became a schoolteacher, worked as a clerk in a dry goods store, and studied law in his spare time. He would be admitted to the bar in 1834. In the period that followed, Thompson would become active in the Whig Party, and would be elected to the Indiana House of Representatives in 1834, before serving in the State Senate from 1836 to 1838. In 1841, he would then be elected to Congress. He chose not to recontest the following term but decided to run again in 1847 and was subsequently re-elected. When the Whig party began to collapse in the 1850s, Thompson would switch his allegiance to the Know Nothing Party, before joining the conservative Whig offshoot, known as the Constitutional Union Party. He would eventually switch over to the Republican Party and would support Abraham Lincoln. In return, President Lincoln would appoint Thompson as Judge of the Court of Claims in Washington.

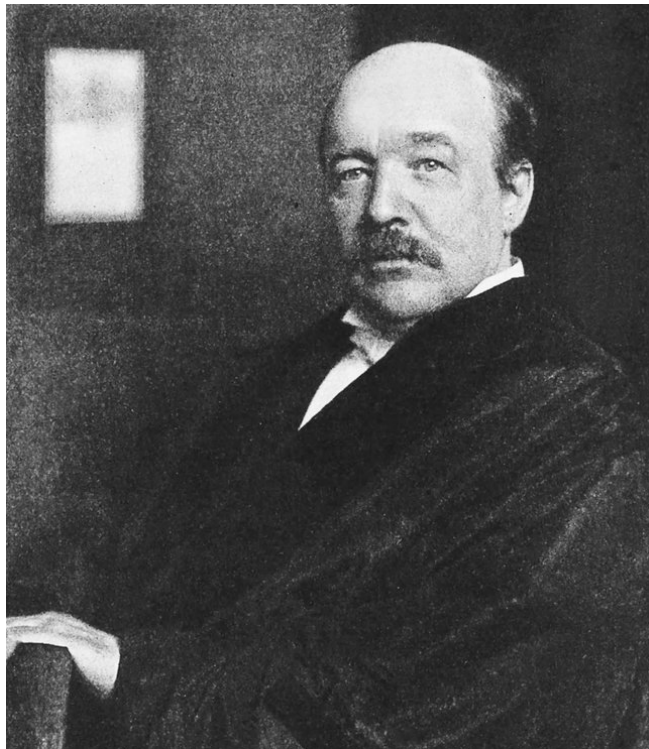
Thompson would remain active in Republican politics and would serve in a variety of capacities in the 1868, 1872, and 1876 Republican National Conventions. Thompson's efforts would not go unrewarded, with President Rutherford B. Hayes appointing Thompson as the US Secretary of the Navy in 1877. After retiring from the

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<sup>1201</sup> The biographical details contained in this sketch have been derived from "Richard W. Thompson – Widely Known Republican Passes Away at an Advanced Age", *The Morning Call*, February 10, 1900, 2; "Richard W. Thompson Dead", *The Pittsburgh Press*, February 9, 1900, 11; "Richard W. Thompson", *Wilkes-Barre Daily News*, February 9, 1900, 1; and "Richard W. Thompson – The Chairman of the American Panama Canal Committee", *The Champaign County News*, March 18, 1893, 11.

post in 1881, Thompson would then be made chairman of the American Panama Canal Committee. Thompson would then produce his major economic treatise in 1888. This work was entitled *The History of Protective Tariff Laws*. As the title suggests, Thompson's treatise was primarily one of economic history, but the work also contains relevant commentary on theoretical and practical questions regarding international trade and protectionism. Thompson would pass away on February 9, 1900, at the age of ninety-one, following a long period of sickness.

## Robert Ellis Thompson



Robert Ellis Thompson (1844-1924) was born on April 15, 1855, near Lurgan, Ireland, to Samuel and Catherine Ellis Thompson.<sup>1202</sup> The young Thompson and his family emigrated to the United States in 1857, where they settled in Philadelphia. Thompson would eventually undertake study at the University of Pennsylvania. It was under the instruction of his moral philosophy professor Daniel R. Goodwin, who utilized Henry Carey's *Principles of Social Science* and Francis Bowen's *Principles of Political Economy* as textbooks, that Thompson became a convert to American Protectionist thought. Thompson would graduate in 1865 with first class honors.

Upon graduation, Thompson studied theology and became a preacher (he would be later ordained as a minister in 1874) with the Reformed Presbyterian Church. Around 1868, however, Thompson returned to the University of Pennsylvania, where he completed a Master of Arts, and was even selected to deliver the Master's speech at the 1868 Commencement Ceremony. The following year, the University offered Thompson an instructor's position. This was initially in mathematics and Latin, but the Provost of the University was so impressed by several articles which Thompson penned on economics, that he was promptly transferred to political economy. In 1875,

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<sup>1202</sup> In addition to the citations given subsequent footnotes, the biographical details contained within this sketch have been derived from "Dr. Robert Thompson Dead", *The Gazette and Daily*, October 20, 1924, 5; "Dr. Thompson Died", *The News-Journal*, October 20, 1924, 14; "Dr. R. E. Thompson Dies of Paralysis in his 81<sup>st</sup> Year" *The Philadelphia Inquirer*, October 20, 1924, 1, 5; "Necrology" [Obituary of Robert Ellis Thompson], *The Alumni Register*, 21, no. 2 (1924), 161-162. [Clipping from the Robert Ellis Thompson Biographical Folder]; and the Home Market Club, "Champions of Protection: Robert Ellis Thompson", *The Protectionist*, 11, no. 136 (1899), 314-318. Only one dedicated and also quite dated study on Robert Ellis Thompson has been identified: James H. S. Bossard, "Robert Ellis Thompson – Pioneer Professor in Social Science", *American Journal of Sociology*, 35, no. 2 (1929), 239-249.

Thompson was then chosen to fill the newly established chair of social science. In the same year, Thompson's first major work on political economy would appear. This work went by the name *Social Science and National Economy*, but would be subsequently revised and retitled in 1882 as *Elements of Political Economy*. Thompson's treatise would become a staple of American Protectionist thought, with even Alfred Marshall commenting that the work largely superseded Carey's *Principles of Social Science*.<sup>1203</sup>

In 1881, Thompson was handpicked by the Philadelphia industrialist Joseph Wharton to serve as both the Dean and the Chair of Social Science at the newly founded Wharton School of Business. Thompson would teach from his *Elements*, as well as Peshine Smith's *Manual*.<sup>1204</sup> In addition to lecturing on a broad range of economic topics, he would also oversee original research undertaken by students. Later in 1885, Thompson would also deliver four lectures at Harvard University, seemingly at the request of Francis Bowen. The substance of these lectures was then published in his treatise *Protection to Home Industry*. Between 1885 and 1887, he would also deliver a series of lectures at Yale, including a ten part lecture series in 1887, and in subsequent years, he would also give lectures at Cornell, Amherst, Princeton, and Swarthmore College. Throughout his life, Thompson would engage in other literary activities. Between 1870 and 1881, Thompson would be the editor of the *Penn Monthly*, and then between 1881 and 1921, he would be the editor of *The American Magazine*. He would also regularly write articles for *The American Economist* and *The Protectionist*. In addition to political economy, Thompson also wrote numerous works pertaining to religion and Christianity, including a 460 page work on the history of the Presbyterian Church in America.

Thompson would eventually be forced out of the Wharton School in 1892, after a long-running dispute with Edmund James, who was made Director of the School earlier in 1883.<sup>1205</sup> After his termination, Thompson became head of the Central High School in Philadelphia, where he also taught classes on ethics, political science, and economics.<sup>1206</sup> This role also led to the creation of his last major work on economics which was entitled *Political Economy for High Schools and Academies*, which lays out his system of economic thought in plain and simple language. During this time, Thompson also continued writing articles on protection and political economy, including a short critique in 1920 of John Maynard Keynes's use of the Ricardian

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<sup>1203</sup> Alfred Marshall to Unknown Correspondent, [6 June 1907], in *The Correspondence of Alfred Marshall, Economist*, Vol. 3, Ed. John K. Whitaker (Virginia: Cambridge University Press, 1996), 160.

<sup>1204</sup> The University of Pennsylvania, *Catalogue of the Trustees, Officers and Students of the University of Pennsylvania, 1882-83*, (Philadelphia: Collins, 1882), 43-44; In other instances, Thompson taught using List's *National Systems*, Carey's *Social Science*, Denslow's *Principles*, Rice's *Protective Philosophy*, and Hoyt's *Protection versus Free Trade*, in addition to non-Protectionist sources. Robert Ellis Thompson, "Syllabus of a Course of Six Lectures on Political Economy," (Philadelphia: American Society for the Extension of University Teaching, [undated]), 1, 6-7.

<sup>1205</sup> See Section 4.5 of this study for a more detailed account.

<sup>1206</sup> "The High School has a President – Prof. Robert Ellis Thompson Elected to Position Vacated by Prof. Johnston", *The Philadelphia Inquirer*, February 14, 1894, 1.

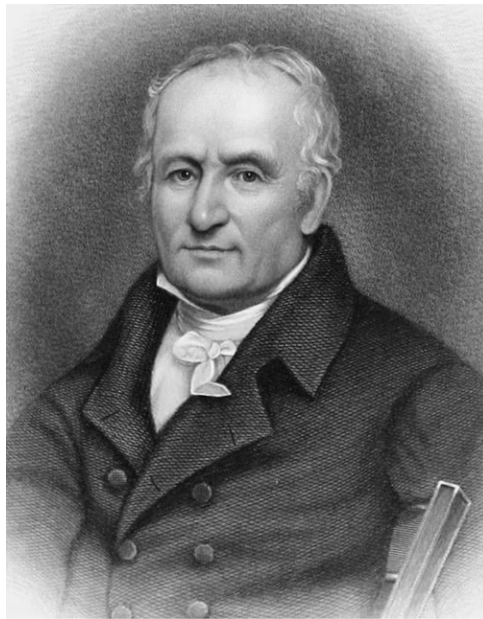
method.<sup>1207</sup> In 1921, Thompson was forced to retire as president of the high school due to Pennsylvania state law imposing a seventy-year age limit on school presidents. At the request of alumni, however, Thompson continued to teach at the school on ethics and political economy. On October 19, 1924, Thompson died in his residence at Philadelphia, at the age of eighty.

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<sup>1207</sup> This is Robert Ellis Thompson, "England's Aim – to be the Workshop of the World: An Old Fallacy Revamped and Again Rejected." *The Protectionist*. 32, no. 1 (1920): 11-14. Thompson refers to Keynes' work as "The Economic Results of the War" which seems to be referring to Keynes' *The Economic Consequences of the Peace* which appeared the same year.



## George Tibbits



George Tibbits (1753-1849) was born in Warwick, Rhode Island on January 14, 1763.<sup>1208</sup> He was the son of John Tibbits and Waite Brown and was the eldest of his ten siblings. When George Tibbits was around five years old, the Tibbits family would move to a farm near the town of Cheshire, Massachusetts, before eventually settling in Lansingburgh in 1780, when George was seventeen. It was during this time that George Tibbits undertook classical studies. In 1784, Tibbits successfully established a dry goods business, after being acquainted with a local merchant who could supply Tibbits with produce at reasonable prices. Tibbits would remain a sole trader until 1787, when he entered into a partnership with his brother Benjamin, under the name G. & B. Tibbits. In 1797, Tibbits would relocate from Lansingburgh to Troy, what is now known as Fall River. There he would establish a corner store as part of G. & B Tibbits. After the death of Benjamin in 1802, George's brother Elisha Tibbits, would enter into the partnership. George Tibbits would eventually retire from the business in 1804. Around this time, Tibbits also began to take a more active involvement in politics. As a member of the Federalist Party, he would serve in the Massachusetts House of Representatives in 1800 and 1820, the Federal Congress between 1803 and 1805, and in the State Senate between 1815 and 1818. In 1816, he would also run as Rufus King's deputy on the Federalist gubernatorial ticket for Massachusetts, but the two were unsuccessful. Later, between 1830 and 1836, Tibbits would also serve as the Mayor of Troy.

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<sup>1208</sup> The biographical details contained within this sketch have been derived from Nathaniel Bartlett Sylvester, *History of Rensselaer Co.*, New York. With Illustrations and Biographical Sketches of Its Prominent Men and Pioneers, (Philadelphia: Everts & Peck, 1880), 192a-192f.

Tibbits was a staunch advocate of the protective doctrine with his emphasis placed primarily on the home market argument. His first work, *A Memoir on the Expediency and Practicability of Improving or Creating Home Markets*, would appear in 1825. This was originally an address given before the New York Board of Agriculture earlier that year. Tibbits followed up the same topic in 1829 with his *Essay on the Expediency and Practicability of Improving or Creating Home Markets*. In 1827, Tibbits would also attend the Harrisburg Convention as the delegate for New York. Later, in 1831, he would also serve as a delegate to the Friends of Domestic Industry General Convention held in New York, where he would be selected to serve as a member of the committee.<sup>1209</sup> In addition to the subject of protection, Tibbits also wrote on the subject of internal improvements. In 1829, he produced *Finances of the Canal Fund of the State of New York Examined*. Later in 1836, Tibbits would also serve as chairman of a committee which was appointed to commission a document relating to the enlargement of the Erie Canal.<sup>1210</sup> At the age of eighty six, Tibbits would pass away on July 19, 1849.

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<sup>1209</sup> Hezekiah Niles *Journal of the Proceedings of the Friends of Domestic Industry in General Convention at New York*, (Baltimore, 1831), 3.

<sup>1210</sup> An excerpt of this document is featured in Nathaniel Bartlett Sylvester, *History of Renesselaer Co.*, 192e, but it does not appear that the complete document has survived.

## **Nathaniel A. Ware**

The details surrounding the life of Nathaniel A. Ware (1780 or 1789-1854) are rather uncertain.<sup>1211</sup> It appears, however, that Ware was born near Abbeville, South Carolina on August 16, 1780.<sup>1212</sup> He seems to have been a schoolteacher in South Carolina for some period of time, while studying and perhaps even practicing the law. He would eventually journey to the Mississippi Territory in 1811, where he would become an attorney. In the following year, he would join the United States militia to take part in the War of 1812, and would eventually be promoted to the rank of Major. Ware would then be elected as a member of the Legislative Council and the House of Representatives of the Mississippi Territory, serving at different times between 1813 and 1817. This was in the period prior to the territory being admitted into the Union. During this time, Ware would also serve as the secretary of the territory, and for a period between 1815 and 1816, Ware would also serve as the acting Governor. He would then attempt a run at Congress after Mississippi's admission to the Union, but this proved unsuccessful. Nevertheless, Ware had apparently gained a considerable amount of wealth due to his dealings in land speculation.

It appears that Ware sold his land in Mississippi around 1820, but it is difficult to know the exact nature of his movements beyond this point. For a period in 1822, Ware would serve in Florida as the commissioner for the adjudication of land claims. He would then reside in Philadelphia for some time, and this is presumably when he became acquainted with the ideas of the American Protectionists. In October 1823, Ware would be made a member of the American Philosophical Society, which was located in Philadelphia. During this time, the Society's membership also included the likes of Tench Coxe, Samuel Jackson, as well as Mathew and Henry C. Carey. Sometime after, it appears that Ware relocated to Texas, and sought to establish a cotton manufacturing plant, but this venture never materialized. Ware would later appear in Cincinnati, Ohio, and there is also some evidence that he may have lived in France for a year. It then seems that Ware returned to the South, first in Natchez, Mississippi, then in Texas. It appears that he was a banker during his time in Mississippi, and then a plantation owner during his later years in Texas.

Ware wrote at least four books during his life, but it is difficult to know the exact number because he published under pseudonyms. His main work was his economics

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<sup>1211</sup> Other than the other sources cited below, the biographical details contained within this have been derived from Ware, Nathaniel A." *In Appleton's Cyclopaedia of American Biography*, Vol 6, ed. James Grant Wilson and John Fiske, (New York: D. Appleton and Company, 1889), 385; Broadus Mitchell, "Ware, Nathaniel A." in *American Dictionary of American Biography*, Vol. 29, ed. Dumas Malone, (New York: Charles Scribner's Sons, 1943), 451; and William Diamond, "Nathaniel A. Ware, National Economist," *The Journal of Southern History*, 5, no. 4 (1939), 501-526. Diamond's article contains the best exposition of Ware and his thought.

<sup>1212</sup> Ware's location and year of birth has also been given as Massachusetts in 1789. Whilst the date is subject to dispute, it seems doubtful that Ware was born in Massachusetts, as he states in his *Notes on Political Economy*, (New York, Leavitt, Trow, and Co, 1844, i) that it is with "the Southern States... which the author stands identified, by birth and interest."

treatise, *Notes on Political Economy*. This appeared in 1844 under the pseudonym “a southern planter.” The following year, his next work appeared under the title *An Exposition of the Weakness and Inefficiency of the Government of the United States of North America*. Then in 1846, he wrote *A Treatise on the Natural Method of Education*. Later in 1848, Ware would produce a novel entitled *Harvey Belden: Or a True Narrative of Strange Adventures*. Although no portraits or images of Ware have survived, a biographical sketch of Ware’s wife, Catharine Ann Warfield, contains a graphic description of this fascinating and obscure economist:

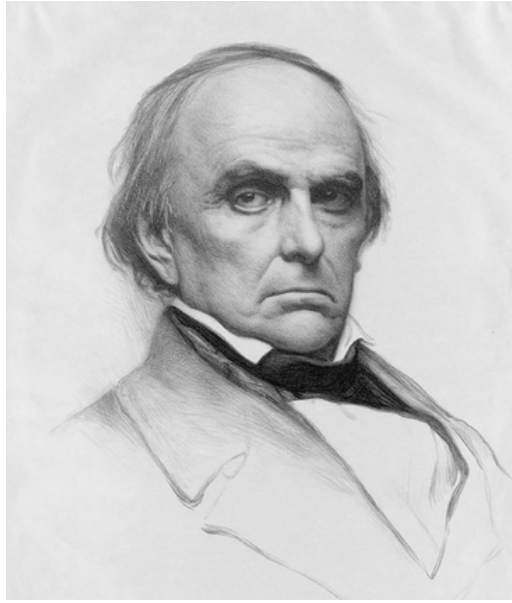
[He was] a man of profound learning and well versed in science... but a man full of eccentricities and naturally very shy and reserved in character... He was a philosopher... a fine scholar, with a pungent, acrid wit, and cool sarcasm, which made him both feared and respected... He was a handsome man, his features marked – his nose aquiline, his mouth small and compressed, his eyes of bright blue, his complexion pure and fair as a young girl’s, his cheeks freshly colored, his brow white as lily – a very venerable looking man.<sup>1213</sup>

In 1854, Nathaniel A. Ware would contract yellow fever and would pass away in Galveston, Texas.

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<sup>1213</sup> “Mrs. Catharine Ann Warfield”, In *Southland Writers: Biographical and Critical Sketches of the Living Female Writers of the South*, Vol.1, Ed. Ida Raymond, (Philadelphia: Claxton, Remsen, & Heffelfinger, 1870), 26-27.

## Daniel Webster



Daniel Webster (1782-1852) was born on January 18, 1782, in Salisbury, New Hampshire.<sup>1214</sup> At the age of fourteen, he would attend Phillips Exeter Academy, before entering Dartmouth College. He would graduate from Dartmouth in 1801 and would then commence the study of the law. He would be admitted to the bar in 1805, and would establish a law practice in Boscawen, New Hampshire, which he would later relocate to Portsmouth. Webster's entrance into public life began in 1813. Running in opposition to the War of 1812, Webster would be elected to the House of Representatives as a Federalist. He would remain there until 1817, when he declined re-election. Webster would have another successful run at Congress in 1822, again for the Federalists, but now as a representative for Massachusetts. With the decline of the Federalists, he would eventually join the National-Republicans around 1827. In 1827, Webster would be elected to the United States Senate, and would be re-elected as a Whig in 1833, and then again in 1839. Webster would also run unsuccessfully as the Whig presidential candidate in 1836. He would later be appointed as Secretary of State in the administrations of William Henry Harrison and John Tyler. In 1845, Webster would again be elected as a Whig for the Senate. He would remain there until 1850, at which time he became the Secretary of State under Millard Fillmore.

Webster originally began as a free trader, and as early as 1808, Webster had produced the pamphlet, *Considerations on the Embargo Laws*, which was a critique of Jefferson's non-importation acts. He would remain a free trader for his first several years of Congress where he spoke ably in support of free trade. The most notable of his free trade speeches was one delivered to Congress in April of 1824. By 1828, however,

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<sup>1214</sup> The biographical details contained within this sketch has been derived from Edward Everett, "Biographical Memoir of the Public Life of Daniel Webster," In *The Works of Daniel Webster*, Vol. 1, 18<sup>th</sup> ed. (Boston: Little, Brown, and Company, 1881), xiii-clx.

Webster had converted to protectionism and would eventually become one of its most reliable advocates. Webster's first speech in favor of protection was his 1828 address concerning the Tariff of Abominations. His more significant Congressional speeches would come later. These include his speech entitled *General Effects of Protection*, which was delivered on March 3, 1840, and his speech against the Walker Tariff delivered on July 25 and 27, 1846, which was subsequently titled *The Tariff*. Webster also gave numerous addresses outside on the matter of protection. Some of the more significant of these include his speech at the 1843 Andover Whig Convention, and his 1844 speech at the Whig Convention in Philadelphia.<sup>1215</sup> In addition to these, Webster would also give a valuable lecture on political economy to the Society for the Diffusion of Useful Knowledge in 1836, which enunciated the view that invention exhibits a tendency towards diffusion which benefits society as a whole, a view that would become a staple of American Protectionist thought. Daniel Webster would continue to serve as Fillmore's Secretary of State until his death on October 24, 1854.

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<sup>1215</sup> As an interesting sidenote, Webster's Andover speech includes extracts from Tench Coxe's pamphlet, *An Enquiry into the Principles on which a Commercial System for the United States of America Should be Founded*, [Paper presented before the Society for Political Enquiries] (Philadelphia: 1878).

## John Welsh



John Welsh (1805-1886) was born on November 9, 1805, in Philadelphia.<sup>1216</sup> His ancestry can be traced to early Swedish and English settlers in North America. His father, who also went by the name John Welsh, was a prominent merchant originally from Delaware, but who later settled in Philadelphia. The early education of the younger John Welsh consisted of the public school system, combined with training in his father's mercantile house. Continuing in this line of business, Welsh would enter into a partnership with his two brothers, William and Samuel. Their business was S. & W. Welsh, which was later renamed S. & J. Welsh. At one point, this represented one of the largest mercantile houses in Pennsylvania. Politically, Welsh was also a committed and active Republican. Although he was never elected to office, on October 30, 1877, Welsh would be appointed as the United States Ambassador to the United Kingdom by President Rutherford B. Hayes. He would stay in this position for two years, when he resigned on August 31, 1879.

Welsh was also known for his philanthropic work. In the mid-1870s, he would endow the University of Pennsylvania with a Professorship, which became the John Welsh Centennial Chair of English Literature and History. The Chair would be later amalgamated into the Wharton School of Finance and Political Economy and would eventually be filled by fellow protectionist Robert Ellis Thompson. Welsh would also

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<sup>1216</sup> The biographical details contained within this sketch have been derived from "The Late John Welsh" *The Daily British Whig*, April 20, 1886, 1; "The Great Citizen", *The Philadelphia Times*, April 11, 1886, 4; "Hon. Jno. Welsh," *The Daily American*, April 18, 1886, 12.

be a trustee of the University of Pennsylvania for twenty years, and in 1878, the University would confer him with an honorary degree. In terms of his contribution to American Protectionist thought, Welsh produced several small works on the subject. These works include *Protection Under the Guise of Free Trade* (1880), *Free Trade and Protection* (1880), *English Views of Free Trade* (1882), and *England and Our Tariff* (1882). Welsh would also write on financial questions including a pamphlet on usury laws entitled *A Few Practical Comments on the Usury Law*, and another monetary tract in the *Penn Monthly* entitled "A Few Thoughts on Subject of Present Interest." Welsh would pass away in Philadelphia on April 10, 1886.



## Joseph Wharton



Joseph Wharton (1826-1909) was born on March 3, 1826, in Philadelphia, Pennsylvania.<sup>1217</sup> He was of Quaker ancestry and descended from the first settlers that arrived in Pennsylvania with William Penn. His parents were both Quaker ministers in the Society of Friends. The young Joseph Wharton was educated in a few different schools until the age of fourteen, including both private and one ran by the Society of Friends. He then received private tutoring from a Harvard graduate until the age of sixteen. After his schooling, Wharton decided to pursue his interest in farming. He thus went to live on a farm owned by a fellow quaker by the name of Joseph S. Walton in Chester County, Pennsylvania. Wharton remained there for three years, but then decided to pursue other interests.

At the age of nineteen, Wharton return to Philadelphia and entered the Waln and Learning accounting house, where he learnt the art of bookkeeping. He would remain there for two years and would then establish a lead manufacturing plant with his eldest brother, Rodman, in 1847. Between 1853 and 1863, Wharton would also manage the Lehigh Zinc Company, of which he was a part owner. In 1863, Wharton would then undertake the manufacture of nickel and cobalt in Camden, New Jersey. He was also a founder and principal shareholder of the Bethlehem Iron Company, which was

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<sup>1217</sup> The biographical details within this sketch have been derived from Joanna Wharton Lippincott, *Biographical Memoranda Concerning Joseph Wharton, 1826-1909*, Philadelphia: J. B. Lippincott Company, 1909; American Iron and Steel Association, "Sketch of the Life of Joseph Wharton," *The Bulletin of the American and Iron and Steel Association*, 43, no. 2 (1909), 11; American Iron and Steel Association, "Death of Joseph Wharton," *The Bulletin of the American and Iron and Steel Association*, 43, no. 2 (1909), 12; and W. Ross Yates, *Joseph Wharton: Quaker Industrial Pioneer*, (Bethlehem: Lehigh University Press, 1987). See also Steven A. Sass and Barbara Copperman, "Joseph Wharton's Argument for Protection", *Business and Economic History*, (Papers Presented at the 26<sup>th</sup> Annual Meeting of the Business History Conference) 9 (1980), 51-60.

established in Bethlehem, Pennsylvania, in 1861, and was the first company to manufacture steel plate armor for the United States Navy. Later, between 1900 and 1905, Wharton would also be the sole owner of the Andover Iron Company, at Phillipsburg, New Jersey, which was the largest manufacturer of pig iron in the world at the time.

Wharton wrote three main works on political economy, in addition to various smaller tracts and pamphlets. The first of these was a paper entitled *International Industrial Competition* which was first read before the American Social Science Association in October of 1870. It was subsequently published as a book in 1872. His next work entitled *National Self-Protection* would first appear in the *Atlantic Monthly* in 1875, but would then be expanded upon, and published separately by the American Iron and Steel Association later that year. His last work was entitled “The American Ironmaster” which appeared in the *Proceedings of the Convention of the Iron and Steel Manufacturers and Iron Ore Producers*, which met at Pittsburgh on May 6, 1879. Wharton’s efforts to the Protectionist cause also extend well beyond his written works. In 1868, Wharton assisted in the establishment of the staunchly protectionist American Industrial League, and would then serve as its first president. Wharton would also serve as Vice President of the American Iron and Steel Association from 1875, and then as President of the Association from 1904 until his death. In addition, Wharton would also endow the University of Pennsylvania with \$530,000 to establish the Wharton School of Finance and Political Economy in 1883, with the explicit intention of teaching the American Protectionist doctrine.<sup>1218</sup> After a suffering a prolonged illness resulting from a stroke, Joseph Wharton would pass away in his home in Philadelphia on January 11, 1909.

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<sup>1218</sup> See Section 4.5 for a more thorough discussion of these institutions.

## William D. Wilson

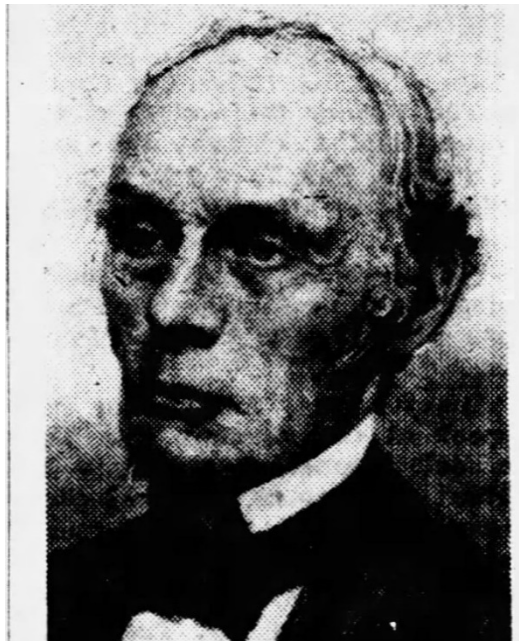
William Dexter Wilson (1816-1900) was born in Stoddard, New Hampshire, in 1816.<sup>1219</sup> Later, in 1835, he would attend Harvard Divinity School, and would graduate in 1838. Upon finishing his studies, Wilson would become a Unitarian preacher for three years before joining the Episcopal Church. Then, in 1850, Wilson would become a professor at Geneva College, remaining there until 1868. Then in 1868, he would be made Professor of Moral and Intellectual Philosophy at Cornell University. This was done at the request of the institution's cofounder, Andrew D. White. It was in this capacity, that Wilson first began to teach political economy. Wilson would produce his main treatise on political economy in 1875. This work was entitled *First Principles of Political Economy*. In addition to his own work, Wilson also recommended that his students read Henry Carey's *Past, Present, and Future* and his *Principles of Social Science*, List's *National Systems*, Bowen's *American Political Economy*, Peshine Smith's *Manual of Political Economy*, and Elder's *Questions of the Day*, as well as several Classical texts.<sup>1220</sup> While teaching at Cornell, Wilson would also serve as the registrar of the University, as well as the editor of the Cornell's annual *Register*. Upon retiring in 1886, Wilson would be made an Emeritus Professor at Cornell. After his retirement, Wilson would be appointed as head of Saint Andrew's Divinity School in Syracuse. Wilson would continue to write on scholarly topics late into his life, with his last major work being a philosophical treatise entitled *Theories of Knowledge Historically Considered with Special Reference to Scepticism and Belief* which appeared in 1889. In the following year, on July 30, 1900, Wilson would pass away in his Son's home in Syracuse, New York.

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<sup>1219</sup> The biographical details contained within this sketch have been derived from "Rev. Dr. William D. Wilson," *Star Tribune*, July 31, 1900, 3; "Rev. William Dexter Wilson Dead," *The Logan County Pioneer*, August 10, 1900, 1; "Death of Rev. William D. Wilson," *The Lancaster Examiner*, August 1, 1900, 3; "Rev. William Dexter Wilson Dead," *The York Republican*, August 8, 1900, 7; "A Prominent Educator Dead," [William D. Wilson Obituary] *Birmingham News*, July 30, 1900, 7; and Morris Bishop, *Early Cornell 1865-1899: The First Part of A History of Cornell*, (Ithaca: Cornell University Press, 1962), 164, 245, 275

<sup>1220</sup> William D. Wilson, *First Principles of Political Economy*, (Ithaca: Finch & Apgar, 1875), 15-16.

## Andrew W. Young



Andrew White Young (1802-1877) was born in Carlisle, Scholarie County, in upstate New York in 1802.<sup>1221</sup> He was of Dutch and Irish ancestry. His education consisted of a few years in the common school system and half a term at the Middlebury academy when he turned nineteen. While still in his youth, he would alternate between working as a farm laborer and a schoolteacher. He would eventually cease working as a teacher at the age of twenty, when he gained employment as a clerk at a mercantile business. Later, in 1830, Young would establish the newspaper *The Warsaw Sentinel*, before purchasing the *Republican Advocate* in 1832, with the former newspaper being merged with the latter. Young would remain as the editor of the *Advocate* for three years, before selling the newspaper in 1835.

It was around this time that Young started writing literary works of a more scholarly manner. In 1835, Young produced his first work, entitled *Introduction to the Science of Government*. This was a general work on law and governance designed for the instruction of youth. It would go through numerous editions and expansions with the third edition of the work containing Young's first contribution to political economy. This third edition contained "a brief treatise on political economy" of approximately ninety pages. This work also represented the first elaboration of Young's protectionist views. Young would continue to produce works on political science. In 1848, he would produce his *Principles of Civil Government*. He would then

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<sup>1221</sup> Aside from the other citations listed, the biographical details contained with this sketch have been derived from "Sudden Death – Hon. Andrew E. Young – Sketch of his Life, etc.", *Democrat and Chronicle*, February 23, 1877, 4; "Sudden Death of an Old Resident and Distinguished Citizen of Western New York – Andrew W. Young, Author of Various on Civil Government – A Brief Account of His Life", *Buffalo Courier*, February 22, 1877, 2; and "Young, Author of Wayne County History, Was No Amateur Author", *The Palladium-Item and Sun-Telegram*, February 5, 1857, 114; Joseph Dorfman incorrectly lists Andrew W. Young as a member of the Wayland School.

follow up this work in 1855 with his monumental treatise, *The American Statesmen*, which ran over a thousand pages. Although primarily a work on political history, it does contain various commentaries on economic questions. Young's next work would be on political economy and would appear in 1864. This was his treatise *National Economy: A History of the American Protective System*. Whilst primarily a history of protective legislation, it also contains various theoretical arguments and commentaries.

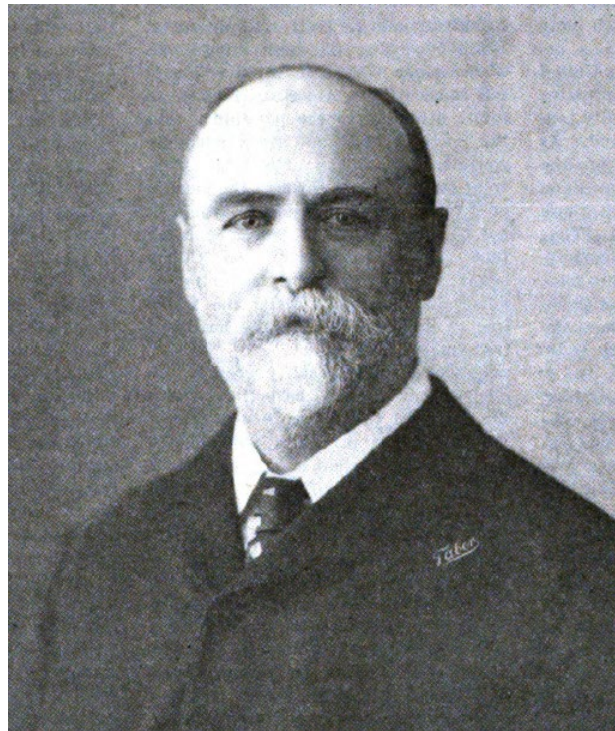
In addition to his business and literary pursuits, Young would also be active in politics. As a committed member of the Whig Party, he would represent Wyoming County in the New York State Legislature in 1845 and 1846, where he would also participate in the 1846 Constitutional Convention in that state. In the 1860s, Young would also be active in the American Iron and Steel Association, where he would be commissioned to produce several pamphlets which were circulated by the Association.<sup>1222</sup> These pamphlets included *Protection vs. Free Trade: Letters to the American Voter*, and *The Doctrine of Protection, Familiarly Explained*.<sup>1223</sup> At the age of seventy, Young would pass away in his home in Warsaw, New York, in February of 1877,

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<sup>1222</sup> Secretary Report of the American Iron and Steel Association, [p. 22, p. 40], Box 230, Folder 3, ASISR, HML, Wilmington, Delaware.

<sup>1223</sup> Andrew W. Young, *Protection vs. Free Trade: Letters to American Voters*, (Cleveland: Society for the Protection of American Industry, 1865); and Andrew W. Young, *The Doctrine of Protection, Familiarly Explained* (Cleveland: Society for the Protection of American Industry, 1865)

## John P. Young



John Phillip Young (1841-1921) was born in Philadelphia on August 8, 1849.<sup>1224</sup> An adventurous life preceded Young's later literary pursuits. At the age of sixteen, Young ran away from home and enlisted in the United States Navy, but would be later picked up by his parents. He instead took on a job in a Philadelphia mercantile house. Soon after, Young moved to Arizona, where he appears to have worked in some capacity with native American tribes. Young would then move to San Diego where he worked as a business manager for the *San Diego Union*. This was a fortuitous event in Young's life, as Young never intended to pursue a career in journalism. He was instead thrust into an editorial position due to the editor suffering a recurring illness. In 1873, Young would then move to Washington D.C., to take a job at the *Washington Daily Chronicle*, where he would remain for four years. It was in this capacity that Young began to publish his first Protectionist articles. Fortunately, Young was also in charge of writing on the United States Senate, and through this, he became acquainted with some of the leading protectionist statesmen, including the likes of James G. Blaine and Samuel J. Randall, figures who would greatly influence Young's economic thought.

After this stint in Washington, Young would return to the West Coast in 1877, and would now reside in California. It was here that Young became the managing editor of the *San Francisco Chronicle*, a position which he would occupy for forty-four

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<sup>1224</sup> The biographical details contained within this sketch have been derived from "Veteran Editor Dead – John Phillip Young of the San Francisco Chronicle Passes", *The Bellingham Herald*, April 23, 1921; "Veteran Editor of the Chronicle Rounds Out Forty Years of Service – John P. Young, Dean of Nation's Managing Editors, Congratulated", *San Francisco Chronicle*, April 1, 1917; "The Passing of John P. Young," *The Recorder*, April 12, 1921; "John P. Young's History." *Oakland Tribune*, March 15, 1913; and "John P. Young Dies Following Illness", *Sausalito News*, April 30, 1921, 2. No secondary sources on John Phillip Young have been identified.

years. Young consistently maintained the *San Francisco Chronicle's* protectionist position with some even crediting him with turning California into a dependable Republican state. Although Young produced many popular protectionist articles as a journalist, his most important work would come in 1900 with the publication of his treatise, *Protection and Progress*. The central theme of this work is that protection, as opposed to free trade, eliminates economic waste by allowing nations to utilize the full scope of their economic resources. This is made possible through industrial diversification, since only diversification can allow for the most productive employment of highly varied and heterogenous resources and mental faculties.

During his life, Young also produced several other monographs on economic issues, including *The Development of the Manufacturing Industries of Japan* in 1896, and *The Growth of the Modern Trust System* in 1902. Young's literary interests also extended outside economics, with him producing other notable works, including *San Francisco, a History of the Pacific Coast Metropolis*, and *Journalism in San Francisco*. At age seventy-one, Young's life would come to an end on April 13, 1921, due to a stroke. This was three months after the American Protective Tariff League bestowed Young with an honorary membership for his efforts for the cause of protection.<sup>1225</sup>

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<sup>1225</sup> American Protective Tariff League, 'John P. Young', *The American Economist*, 67, no. 17 (1921), 133.