In Defense of the American System (1832)

HENRY CLAY

In the years after 1815, Alexander Hamilton's pro-banking, pro-development policies were adopted by a group of politicians who had initially come to public notice as young supporters of Thomas Jefferson and James Madison. These politicians, who included Henry Clay of Kentucky, John C. Calhoun of South Carolina, and Daniel Webster of New Hampshire and Massachusetts, came to be called "National Republicans." In the years after 1815, they helped to create the Second Bank of the United States. They spent federal money on clearing harbors and rivers for steamboats and merchant ships. They promoted canals as infrastructure investments that would open tremendous opportunities for commercial farmers, manufacturers, and others. They also supported tariffs to protect manufacturing.

Henry Clay, the most charismatic of all the National Republicans, put all the policies together in a synthesis of government-supported nationalist-capitalist development that he called "The American System." His critics charged that the American System helped well-connected citizens while hurting ordinary farmers, and worried that the Bank of the United States would corrupt the American economy as a whole. But here, in the 1832 speech, Clay argues that the tariff—one part of the system—had already provided great benefits to all actors in the American economy, not just the textile or iron manufacturers that it specifically protected from competition. Opponents wanted to reduce the tariff dramatically, and one of their claims was that the process of paying off the national debt, begun in the 1790s by Hamilton, was now almost complete—thus meaning that high surcharges on imports were no longer necessary for raising revenue. South Carolina, led by Calhoun—who had experienced a change of heart and now opposed the American System—charged that tariffs did not protect cotton growers, but only raised the prices that they paid for manufactured goods. Here Clay credits the new tariffs imposed in 1824 and 1828 not only with protecting American markets from unfair British "dumping" of goods but also allowing manufacturing to employ more workers, thus creating markets for the farmers who feed them—and markets for Southern plantation owners, as well.

This transformation of the condition of the country from gloom and distress to brightness and prosperity, has been mainly the work of American legislation, fostering American industry, instead of allowing it to be controlled by foreign legislation, cherishing foreign industry. The foes of the American System, in 1824, with great boldness and confidence, predicted [. . .] The augmentation of the price of objects of consumption, and further decline in that of the articles of our exports. Every prediction which they made has failed—utterly failed.

[. . .] It is now proposed to abolish the system to which we owe so much of the public prosperity, and it is urged that the arrival of the period of the redemption of the public debt has been confidently looked to as presenting a suitable occasion to rid the country of the evils with which the system is alleged to be fraught. [. . .] We shall see that its foes will have accomplished comparatively nothing, after having achieved their present aim of breaking down our iron founderies, our woollen, cotton, and hemp manufactories, and our sugar plantations. The destruction of these would undoubtedly lead to the sacrifice of immense capital, the ruin of many thousands of our fellow citizens, and incalculable loss to the whole community. [. . .]

[. . .] Its duration is worthy, also, of serious consideration. Not to go behind the Constitution, its date is coeval with that instrument. It began on the ever memorable 4th day of July—the 4th day of July, 1789. The second act which stands recorded in the statute book, bearing the illustrious signature of George Washington, laid the corner-stone of the whole system. That there might be no mistake about the matter, it was then solemnly proclaimed to the American people and to the world, that it was necessary for "the encouragement and protection of manufactures," that duties should be laid. [. . .] Mr. Jefferson argued that foreign restrictions, foreign prohibitions, and foreign high duties, ought to be met, at home, by American restrictions, American prohibitions, and American high duties. Mr. Hamilton, surveying the entire ground, and looking at the inherent nature of the subject, treated it with an ability which, if ever equalled, has not been surpassed, and earnestly recommended protection. [. . .]

The question, therefore, which we are now called upon to determine, is not whether we shall establish a new and doubtful system of policy, just proposed, and for the first time presented to our consideration; but whether we shall break down and destroy a long established system, patiently and carefully built up, and sanctioned, during a series of years, again and again, by the nation and its highest and most revered authorities. [. . .] The people of the United States have justly supposed that the policy of protecting their industry, against foreign legislation and foreign industry, was fully settled, not by a single act, but by repeated and deliberate acts of government, performed at distant and frequent intervals. [. . .]

Its beneficial effects [. . .] have been felt in all parts of the Union. To none, I verily believe, has it been prejudicial. To the North, everywhere testimonies are borne to the high prosperity which it has diffused. There, all branches of industry are animated and flourishing. Commerce, foreign and domestic, active; cities and towns springing up, enlarging and beautifying; navigation fully and profitably employed, and the whole face of the country smiling with improvement, cheerfulness, and abundance. The gentleman from South Carolina has supposed that we, in the West, derive no advantages from this system. He is mistaken. Let him visit us, and he will find, from the head of La Belle Riviere, at Pittsburg, to America, at its mouth, the most rapid and gratifying advances. He will behold Pittsburg itself, Wheeling, Portsmouth, Maysville, Cincinnati, Louisville, and numerous other towns, lining and ornamenting the banks of that noble river, daily extending their limits, and prosecuting, with the greatest spirit and profit, numerous branches of the manufacturing and mechanic arts. [. . .]

Nor has the system [. . .] proved injurious to the cotton-growing country. I cannot speak of South Carolina itself, where I have never been, with so much certainty; but of other portions of the Union in which cotton is grown, especially those bordering on the Mississippi, I can confidently speak. If cotton planting is less profitable than it was, that is the result of increased production; but I believe it to be still the most profitable investment of capital of any branch of business in the United States. [. . .] When gentlemen have succeeded in their design of an immediate or gradual destruction of the American System, what is their substitute? Free trade! Free trade! The call for free trade, is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon or the stars that glitter in the firmament of heaven. It never has existed; it never will exist. Trade implies at least two parties. To be free, it should be fair, equal, and reciprocal. [. . .] We may break down all barriers to free trade on our part, but the work will not be complete until foreign powers shall have removed theirs. There would be freedom on one side, and restrictions, prohibitions, and exclusions, on the other. [. . .]

Gentlemen deceive themselves. It is not free trade that they are recommending to our acceptance. It is, in effect, the British colonial system that we are invited to adopt; and, if their policy prevail, it will lead substantially to the recolonization of these states, under the commercial dominion of Great Britain. [. . .] The South Carolina

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policy now, is identical with the long-cherished policy of Great Britain, which remains the same as it was when the thirteen colonies were part of the British empire. [. . .] Then it was the object of this British economist to adapt the means or wealth of the colonists to the supply required by their necessities, and to make the mother country the only source of that supply. Now it seems the policy is only so far to be reversed, that we must continue to import necessaries from Great Britain, in order to enable her to purchase raw cotton from us. [. . .]

The establishment of manufactures among us excites the creation of wealth, and this gives new powers of consumption, which are gratified by the purchase of foreign objects. A poor nation can never be a great consuming nation. Its poverty will limit its consumption to bare subsistence. [. . .] If the establishment of American manufactures, therefore, had the sole effect of creating a new, and an American, demand for cotton, exactly to the same extent in which it lessened the British demand, there would be no just cause of complaint against the tariff. The gain in one place would precisely equal the loss in the other. But the true state of the matter is much more favorable to the cotton grower. It is calculated that the cotton manufactories of the United States absorb at least 200 thousand bales of cotton annually. I believe it to be more. The two ports of Boston and Providence alone received, during the last year, near 110 thousand bales. The amount is annually increasing. [. . .] Break down the home market, and you are without resource. Destroy all other interests in the country, for the imaginary purpose of advancing the cotton-planting interest, and you inflict a positive injury, without the smallest practical benefit to the cotton planter [. . .]

[O]ne topic has, I think unnecessarily, been introduced into this debate. I allude to the charge brought against the manufacturing system, as favoring the growth of aristocracy. [. . .] [W]ould gentlemen prefer supporting foreign accumulations of wealth, by that description of industry, rather than their own country? But is it correct? The joint stock companies of the North [. . .] are nothing more than associations, sometimes of hundreds, by means of which the small earnings of many are brought into a common stock. [. . .] Nothing can be more essentially democratic, or better devised to counterpoise the influence of individual wealth. [. . .] Is there more tendency to aristocracy in a manufactory, supporting hundreds of freemen, or in a cotton plantation, with its not less numerous slaves, sustaining, perhaps, only two white families—that of the master and the overseer? [. . .]

The United States, at this time, manufacture one half the quantity of cotton which Great Britain did in 1816! We possess three great advantages: First. The raw material. Second. Water power instead of that of steam, generally used in England. And third. The cheaper labor of females. [. . .] And can there be any employment more appropriate? Who has not been delighted with contemplating the clock-work regularity of a large cotton manufactory? [. . .] This brings me to consider what I apprehend to have been the most efficient of all the causes in the reduction of the prices of manufactured articles; and that is, COMPETITION. By competition, the total amount of the supply is increased, and by increase of the supply a competition in the sale ensues, and this enables the consumer to buy at lower rates. Of all human powers operating on the affairs of mankind, none is greater than that of competition. [. . .] By the American System this vast power has been excited in America, and brought into being to act in cooperation or collision with European industry. [. . .] The consequence is the reduction of prices in both hemispheres. [. . .]

Under the operation of the American system, the products of our agriculture command a higher price than they would do without it, by the creation of a home market; and, by the augmentation of wealth produced by manufacturing industry, which enlarges our powers of consumption, both of domestic and foreign articles. [. . .] It cannot be doubted that the existence of American manufactures has tended to increase the demand, and extend the consumption of the raw material. [. . .]

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[. . .] I conclude this part of the argument with the hope that my humble exertions have not been altogether unsuccessful in showing—

1. That the policy which we have been considering ought to continue to be regarded as the genuine American System.

2. That the free trade system, which is proposed as its substitute, ought really to be considered as the British colonial system.

3. That the American System is beneficial to all parts of the Union, and absolutely necessary to much the larger portion.

4. That the price of the great staple of cotton, and of all our chief productions of agriculture, has been sustained and upheld, and a decline averted by the protective system.

5. That, if the foreign demand for cotton has been at all diminished by the operation of that system, the diminution has been more than compensated in the additional demand created at home.

6. That the constant tendency of the system, by creating competition among ourselves, and between American and European industry, reciprocally acting upon each other, is to reduce prices of manufactured objects.

7. That, in point of fact, objects within the scope of the policy of protection have greatly fallen in price.

8. That if, in a season of peace, these benefits are experienced in a season of war, when the foreign supply might be cut off, they would be much more extensively felt.

9. And, finally, that the substitution of the British colonial system for the American System, without benefiting any section of the Union, by subjecting us to a foreign

legislation, regulated by foreign interests, would lead to the prostration of our manufactures, general impoverishment, and ultimate ruin. [. . .]

It is for the great body of the people, and especially for the poor, that I have ever supported the American System. It affords them profitable employment, and supplies the means of comfortable subsistence. It secures to them, certainly, necessaries of life manufactured at home, and places within their reach, and enables them to acquire, a reasonable share of foreign luxuries; whilst the system of gentlemen promises them necessaries made in foreign countries, and which are beyond their power, and denies to them luxuries which they would possess no means to purchase. [. . .] Let us then adopt the measure before us, which will benefit all classes: the farmer, the professional man, the merchant, the manufacturer, the mechanic, and the cotton planter more than all. [. . .] Our southern brethren believe that it is injurious to them, and ask its repeal. We believe that its abandonment will be prejudicial to them, and ruinous to every other section of the Union. [. . .]

Questions

1. Clay seems to be arguing for heavy regulation of trade and government direction of overall economic policy. Is this incompatible with true capitalism?
2. Who was right about the effects of the growth of northern industry—Clay, or his South Carolina critics?
3. Contemporary economists are nearly unanimous in their belief that free trade is better for consumers than tariffs. Clay seems to argue otherwise. What is his case for tariffs in the U.S. of 1832? Do you find that persuasive? Would it be persuasive at other times or places?
4. "Policymakers ought to privilege the development of a domestic market and a manufacturing sector over other initiatives in order to promote economic growth." Discuss.