



# Henry Clay: National development must take precedence over debt payments

by Anton Chaitkin

*On Feb. 2, 3, and 6, 1832, Sen. Henry Clay of Kentucky delivered a speech, entitled "In Defense of the American System, Against the British Colonial System." Clay defended the American System of government-guided development of industry, from the attack of British agents of influence in northern and southern states.*

*Henry Clay had recently completed a term as U.S. Secretary of State (1825-29), in which post he had ably advanced and defended the joint interests and independence of the new republics in North and South America, urging the adoption of the anti-colonial principles of the American Revolution for all developing nations.*

*The instruments of the American System included: the Bank of the United States—run by American nationalists—controlling speculators and guaranteeing cheap credit for farmers and developers; tariffs to protect home industry against foreign trade war; and growing government expenditures for the creation of roads, canals, and rail lines.*

*South Carolina was threatening to secede from the Union unless the protective system were ended. The anti-national ("Free Trade" or what would today be termed a "pro-free market") movement was led by the former U.S. Treasury Secretary Albert Gallatin of Switzerland. During his own long reign at the Treasury (1801-14), Gallatin had canceled the Founding Fathers' industrial development program and had virtually dissolved the American armed forces, using the money instead to "try to pay off the national debt."*

... [The] decision on the system of policy embraced in this debate, involves the future destiny of this growing country. One way . . . it would lead to deep and general distress; general bankruptcy and national ruin; the other, the existing prosperity will be preserved and augmented, and the nation will continue rapidly to advance in wealth, power and greatness. . . .

Eight years ago, it was my painful duty to present to the other House of Congress, an unexaggerated picture of the general distress pervading the whole land. We must all yet remember some of its frightful features. We all know that the

people were then oppressed and borne down by an enormous load of debt; that the value of property was at the lowest point of depression; that ruinous sales and sacrifices were everywhere made of real estate [such as forced sales of farms]; that stop laws and relief laws [i.e., debt moratoria] and paper money were adopted to save the people from impending destruction; that a deficit in the public revenue existed, which compelled Government to seize upon, and divert from its legitimate object, the appropriation to the sinking fund to redeem the national debt. . . .

[Today by contrast] we behold cultivation extended, the arts flourishing, the face of the country improved, our people fully and profitably employed . . . a People out of debt; land rising slowly in value, but in a secure and salutary degree; a ready, though not extravagant market for all the surplus productions of our industry; innumerable flocks and herds browsing and gamboling on ten thousand hills and plains, covered with rich and verdant grasses; our cities expanded, and whole villages springing up, as it were, by enchantment; our exports and imports increased and increasing; our tonnage [shipping], foreign and coastwise, swelling and fully occupied; the rivers of our interior animated by the perpetual thunder and lightning of countless steam boats; the currency sound and abundant; the public debt of two wars nearly redeemed; and, to crown all, the public treasury overflowing. . . .

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. . . .

It is now proposed to abolish the system, to which we owe so much of the public prosperity . . . I have been aware that, among those who were most eagerly pressing the payment of the public debt, and, upon that ground, were opposing appropriations to other great interests [i.e., *instead of develop and defend the nation*], there were some who cared less about the debt than [preventing] the accomplishment of other objects. But the People of the United

States, have not coupled the payment of their public debt with the destruction of the protection of their industry. . . . If it is to be attended or followed by the subversion of the American system, and an exposure of our establishments and our productions to the unguarded consequences of the selfish policy of foreign Powers, the payment of the public debt will be the bitterest of curses. Its fruit will be like the fruit

“Of that forbidden tree, whose mortal taste  
Brought death into the world, and all our woe,  
“With loss of Eden.”

. . . [There] is scarcely an interest, scarcely a vocation in society, which is not embraced by the beneficence of this system [of government promotion and deliberate development]. . . .

. . . 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. . . .

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. And whom do we find some of the principal supporters, out of Congress, of this foreign system? Mr. President, there are some foreigners who always remain exotics, and never become naturalized in our country: whilst, happily, there are many others who readily attach themselves to our principles and our institutions. . . .

But, sir, the gentleman [Albert Gallatin . . . or Henry Kissinger?] resident of this country, has no feelings, no attachments, no sympathies, no principles, in common with our People. Nearly fifty years ago, Pennsylvania took him to her bosom, and warmed, and cherished, and honored him; and how does he manifest his gratitude? By aiming a vital blow at a system endeared to her by a thorough conviction that it is indispensable to its prosperity. . . .

To [recommend] the . . . theories by Mr. Gallatin . . . to favorable consideration . . . [South Carolina's Senator Robert Y. Hayne] has cited a speech by my Lord Goderich, addressed to the British Parliament, in favor of free trade. . . . I dislike this resort to authority, and especially *foreign* and *interested* authority, for the support of principles of public policy. I would greatly prefer to meet gentlemen on the broad ground of fact, of experience, and of reason; but since they will appeal to British names and authority, I feel myself compelled to imitate their bad example. Allow me to quote from the speech of a member of the British Parliament, bearing the same family name with my Lord Goderich. . . .

“It was idle for us to endeavor to persuade other nations

to join with us in adopting the principles of what was called ‘free trade.’ Other nations knew . . . what we meant by ‘free trade’ was nothing more nor less than . . . to prevent them, one meant by ‘free trade’ was nothing more nor less than . . . to prevent them, one and all, from ever becoming manufacturing nations. . . . The policy that France acted on, was that of encouraging its native manufactures, and it was a wise policy; because if it were freely to admit our manufactures, it would speedily be reduced to the rank of an agricultural nation; and therefore a poor nation, as all must be that depend exclusively upon agriculture. America acted too upon the same principle with France. America legislated for futurity—legislated for an increasing population . . . since the peace, France, Germany, America, and all the other countries of the world, had proceeded upon the principle of encouraging and protecting native manufactures.”

But I have said that the system nominally called “free trade” . . . is a mere revival of the British colonial system, forced upon us by Great Britain during the existence of our colonial vassalage. The whole system is fully explained and illustrated in a work published as far back as 1750, entitled “The trade and navigation of Great Britain considered, by Joshua Gee”. . . . In that work the author contends—

“1. That manufactures, in the American colonies, should be discouraged or prohibited . . . we ought always to keep a watchful eye over our colonies, to restrain them from setting up any of the manufactures which are carried on in Britain; and any such attempts should be crushed in the beginning: for, if they are suffered to grow up to maturity, it will be difficult to suppress them. . . .

“2. The advantages to Great Britain from keeping the colonists dependent upon her for their essential supplies . . . not one-fourth part of their product redounds to their own profit: for, out of all that comes here, they only carry back clothing and other accommodations for their families; all of which is the merchandise and manufacture of this kingdom. . . .

“All these advantages we receive by the plantations, besides the mortgages on the planters' estates, and the high interest they pay us, which is very considerable; and therefore very great care ought to be taken, in regulating all affairs of the colonists, that the planters be not put under *too many difficulties*, but encouraged to go on cheerfully.”

*But the British colonial authorities had taken no heed of warnings, and had squeezed the American colonists beyond their endurance. The Americans had fought back in the Revolution of 1775-1782. British cavalymen had broken into and ransacked the house of the four-year-old Henry Clay, who watched while enemy soldiers thrust swords into the grave of his recently-dead father, looking for treasure.*

*Senator Clay remembered these scenes, while recommending to his countrymen the American over the British system of economics.*