

# EIR American System

## Henry Carey ripped Britain's 'free-trade' looting system

*Henry C. Carey, largely written out of today's "revisionist" history books, is to be credited, perhaps more than any other single individual, with pursuing the policies which kept alive the American System. From the late 1840s until his death in 1879, Carey organized in support of Alexander Hamilton's dirigist system of political economy. His leadership in that effort, especially as exercised through Abraham Lincoln's Treasury Department, enabled much of the nineteenth-century technological development of the United States to take place.*

*Henry Carey's background is rooted in republican humanist traditions. His father, Mathew Carey, was an Irish republican revolutionary, strongly influenced by circles who were, in turn, influenced by Jonathan Swift. Mathew Carey was kicked out of Ireland for "defaming the British" when he resurrected Swift's Modest Proposal for the Universal Use of Irish Manufactures. He then made his way to France, where he worked with Benjamin Franklin and General Lafayette. Upon his arrival in the United States, Carey became an ardent supporter of Hamilton.*

*The following are selections from Henry Carey's The Harmony of Interests: Agricultural, Manufacturing, and Commercial, first published in 1851, and reprinted by Augustus M. Kelley, New York, 1967. The subheads correspond to Carey's own chapter titles.*

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### How protection tends to increase production and consumption

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A great error exists in the impression now very commonly entertained in regard to national division of labour, and which owes its origin to the English school of political economists,

whose system is throughout based upon the idea of making England "the workshop of the world," than which nothing could be less natural. By that school it is taught that some nations are fitted for manufactures and others for the labours of agriculture, and that the latter are largely benefited by being compelled to employ themselves in the one pursuit, making all their exchanges at a distance, thus contributing their share to the maintenance of the system of "ships, colonies, and commerce." The whole basis of their 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 toward 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. . . .

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### Why is it that protection is required?

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The object of the colonial system was that of "raising up a nation of customers," a project "fit only," says Adam Smith, "for a nation of shopkeepers." He was, however, inclined to think, that even for them it was unfit, although "extremely fit for a nation whose government was influenced by shopkeepers." As early as the period immediately following the Revolution of 1688, we find the shopkeeping influ-

ence exerted for the “discouragement” of the woolens manufacture of Ireland; and while the people of that unfortunate country were thus prevented from converting their own wool into cloth, they were by other laws prevented from making any exchanges with the fellow-subjects in other colonies, unless through the medium of English ports and English “shopkeepers.”

Such being the case, it was little likely that any efforts at combination of exertion among distant colonists, for rendering labour more productive of the conveniences and comforts of life, should escape the jealous eyes of men whose shop-keeping instincts had prompted them to the adoption of such measures in regard to nearer ones. The first attempt at manufacturing any species of cloth in the American provinces was followed by interference on the part of the British legislature. In 1710, the House of Commons declared, “that the erecting of manufactories in the colonies had a tendency to lessen their dependence upon Great Britain.” Soon afterwards complaints were made to Parliament, that the colonists were setting up manufactories for themselves, and the House of Commons ordered the Board of Trade to report upon the subject, which was done at length. In 1732, the exportation of hats from province to province was prohibited, and the number of apprentices to be taken by hatters was limited. In 1750, the erection of any mill or other engine for splitting or rolling iron was prohibited; but pig-iron was allowed to be imported into England duty-free, that it might then be manufactured and sent back again. At a later period, Lord Chatham declared, that he would not allow the colonists to make even a hobnail for themselves. . . .

We see thus, that the whole legislation of Great Britain, on this subject, has been directed to the one great object of preventing the people of her colonies, and those of independent nations, from obtaining the machinery necessary to enable them to combine their exertions for the purpose of obtaining cloth or iron, and thus *compelling* them to bring to her their raw materials, that she might convert them into the forms that fitted them for consumption, and then return to the producers a portion of them, burdened with great cost for transportation, and heavy charges for the work of conversion. We see, too, that notwithstanding the revocation of a part of the system, it is still discretionary with the Board of Trade, whether or not they will permit the export of machinery of any description. . . .

The whole system [of British free trade] has for its object an increase in the number of persons that are to intervene between the producer and the consumer—living on the product of the land and labour of others, diminishing the power of the first, and increasing the number of the last; and thus it is that Ireland is compelled to waste more labour annually than would be required to produce, thrice over, all the iron, and convert into cloth all the cotton and wool manufactured in England. The poverty of producers exists nearly in the ratio in which they are compelled to make their exchanges in

the market of Great Britain. . . .

The manufacturers of India have been ruined, and that great country is gradually and certainly deteriorating and becoming depopulated, to the surprise of those people of England who are familiar with its vast advantages, and who do not understand the destructive character of their own system.

The impoverishing effects of the system were early obvious, and to the endeavour to account for the increasing difficulty of obtaining food where the whole action of the laws tended to increase the number of consumers of food and to diminish the number of producers, was due the invention of the Malthusian theory of population, now half a century old. That was followed by the Ricardo doctrine of Rent, which accounted for the scarcity of food by asserting, as a fact, that men always commenced the work of cultivation on rich soils, and that as population increased they were obliged to resort to poorer ones, yielding a constantly diminishing return to labour, and producing a constant necessity for separating from each other, if they would obtain a sufficiency of food. Upon this theory is based the whole English politico-economic system. Population is first supposed to be superabundant, when in scarcely any part of the earth could the labour of the same number of persons that now constitute the population of England obtain even one-half the same return. Next, it is supposed that men who fly from England go always to the cultivation of rich soils, and therefore everything is done to expel population. Lastly, it is held that their true policy when abroad is to devote all their labour to the cultivation of those rich soils, sending the produce to England that it may be converted into cloth and iron, and they are cautioned against any interference with perfect freedom of trade as “a war upon labour and capital.”

Colonization is urged on all hands, and all unite in the effort to force emigration in the direction needed to raise up “colonies of customers.” It is impossible to read any work on the subject without being struck by the prevalence of this “shopkeeping” idea. It is seen everywhere. Hungary was to be supported in her efforts for the establishment of her independence, because she was willing to have free trade, and thus make a market for British manufactures. The tendency of the Ricardo-Malthusian system to produce intensity of selfishness was never more strikingly manifested than on that occasion.

We thus have here, first, a system that is unsound and unnatural, and second, a theory invented for the purpose of accounting for the poverty and wretchedness which are its necessary results. The miseries of Ireland are charged to over-population, although millions of acres of the richest soils of the kingdom are waiting drainage to take their place among the most productive in the world, and although the Irish are compelled to waste more labour than would pay, many times over, for all the cloth and iron they consume. The wretchedness of Scotland is charged to over-population

when a large portion of the land is so tied up by entails as to forbid improvement, and almost forbid cultivation. The difficulty of obtaining food in England is ascribed to over-population, when throughout the kingdom a large portion of the land is occupied as pleasure grounds, by men whose fortunes are due to the system which has ruined Ireland and India. Over-population is the ready excuse for all the evils of a vicious system, and so will it continue to be until that system shall see its end. . . .

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## How protection affects commerce

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Men are everywhere flying from British commerce, which everywhere pursues them. Having exhausted the people of the lower lands of India, it follows them as they retreat toward the fastnesses of the Himalaya. Afghanistan is attempted, while Scinde [Sindh] and the Punjab are subjugated. Siamese provinces are added to the empire of free trade, and war and desolation are carried into China, in order that the Chinese may be compelled to pay for the use of ships, instead of making looms. The Irishman flies to Canada; but there the system follows him, and he feels himself insecure until within this Union. The Englishman and the Scotsman try Southern Africa, and thence they fly to the more distant New Holland, Van Dieman's Land, or New Zealand. The farther they fly, the more they must use ships and other perishable machinery, the less steadily can their efforts be applied, the less must be the power of production, and the fewer must be the equivalents to be exchanged, and yet in the growth of ships, caused by such circumstances, we are told to look for evidence of prosperous commerce!

The British system is built upon cheap labour, by which is meant low priced and worthless labor. Its effect is to cause it to become from day to day more low priced and worthless, and thus to destroy production upon which commerce must be based. The object of protection is to produce dear labour, that is, high-priced and valuable labour, and its effect is to cause it to increase in value from day to day, and to increase the equivalents to be exchanged, to the great increase of commerce. . . .

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## How protection affects the farmer

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. . . Let us look now to what would be the effects of the adoption of perfect freedom of trade, as urged upon the world by England. It could not fail to be that of *riveting upon the world the existing monopoly of machinery for the conversion of the products of the farm and the plantation into cloth and iron*, closing the factories and furnaces of Russia, Germany, and the United States, and compelling the people who work in them to seek other modes of employment, and the only recourse would be to endeavour to raise food. There would then be more food to sell; but who would buy it?

The producers of the world have been, and they are now being, sacrificed to the exchangers of the world; and therefore it is that agriculture makes so little progress, and that the cultivators of the earth, producers of all that we consume, are so universally poor, and so generally uninstructed as to their true interests. . . .

The object of protection is that of diminishing the distance and the waste between the producer and the consumer; thereby enabling the producer to grow rich, and to become a large consumer of cloth and iron.

There is a perpetual complaint of over-production, and it is a matter of rejoicing when, by reason of short seasons, or any other occurrence, the crop is diminished 200,000 or 300,000 bales, the balance producing more in the market of the world than could otherwise have been obtained for the whole. No better evidence need be desired that there exists some error in the distribution.

Over-production cannot exist, but under-consumption may and does exist. The more that is produced, the more there is to be consumed; and as every man is a consumer in the exact ratio of his production, the more he can produce the better will it be for himself and his neighbour, unless there exist some disturbing cause, preventing the various persons desiring to consume from producing what is needed for them to effect their exchanges with the planter, to the extent that is necessary to their comfort.

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## How protection affects the landowner

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In Europe . . . population is held to be superabundant. Marriage is regarded as a luxury, not to be indulged in, lest it should result in increase of numbers. "Every one," it is said, "has a right to live," but this being granted, it is added that "no one has a right to bring creatures into life to be supported by other people." Poor laws are denounced, as tending to promote increase of population. . . . Labour is held to be a mere "commodity," and if the labourer cannot sell it, he has no "right" but to starve—himself, his wife, and his children. . . . Such are the doctrines of the free-trade school of England, in which Political Economy is held to be limited to an examination of the laws which regulate the production of wealth, without reference to either morals or intellect. Under such teaching it is a matter of small surprise that pauperism and crime increase at a rate so rapid.

Every colony of England would gladly separate from her, feeling that connection with her is synonymous with deterioration of condition. Every one would gladly unite its fortunes with those of our Union, feeling that connection with us is synonymous with improvement. The reason for all this is, that the English system is based upon cheap labour, and tends to depress the many for the benefit of the few. In our system, it is the many who govern; and experience having

taught them that prosperity and free trade are inconsistent with each other, we have “free trade” tariffs with protective duties of thirty percent, and likely to be increased. The colonies are ruined by free trade, and they desire annexation, that they may have protection.

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## How protection affects the labourer

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In England, the power to obtain food, clothing, or iron, for labour, is small, and it tends to diminish with . . . every diminution in the proportion that applies itself to production, because with each such step there is a necessity for greater exertion to underwork and supplant the Hindoo, whose annual wages even now are but six dollars, out of which he finds himself in food and clothing. With every step downwards, labour is more and more becoming surplus, as is seen from the growing anxiety to expel population, at almost every present sacrifice. . . .

Here lies the error of *communism* and *socialism*. They seek to compel union, and to force men to exchange with each other, the necessary effect of which is to sink the whole body to the level of those who are at the bottom.

So too, is it with nations. The industrious community that raises food and is *dependent* on the idle one that makes iron must give much of the one for little of the other. The peaceful community that raises cotton and is *dependent* on the warlike one that raises silk, must give much cotton for little silk. Dependence on others for articles of necessity thus makes a community of goods, and the sober and industrious must help to support the idle and the dissolute—nations as well as individuals. . . .

The policy of England has tended to produce *communism* among nations. She has rendered herself dependent upon other communities for supplies of the articles of prime necessity, obtaining her rice from the wretched Hindoo, her corn from the Russian serf, and her wool from the Australian convict, neglecting her own rich soils that wait but the application of labour to become productive.

The necessary consequence of this is a tendency downwards in the condition of her people, and as it is with those of England that those of this country are invited to compete, it may not be amiss to show what is the condition to which they are now reduced by competition with the low-priced labour of Russia and of India.

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## How protection affects morals

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The whole tendency of the [free-trade] system is to the production of a gambling spirit. In England, it makes railroad kings, ending in railroad bankrupts, like Henry Hudson. If we could trace the effect of the great speculation of which this man was the father, we should find thousands and tens of thousands of husbands and wives, parents and children, utterly

begged to build up the fortunes of the few, and thus increase the inequality of social condition which lies at the root of all evil. If we examine it here, we see it . . . sending thousands of boys and girls to our cities—the former to become shopmen, and the latter prostitutes, while hundreds of thousands are at the same time making their way to the West. . . . With every step of our progress in that direction, social inequality tends to increase. The skilful speculator realizes a fortune by the same operation that ruins hundreds around him, and adds to his fortune by buying their property under the hammer of the sheriff. The wealthy manufacturer is unmoved by revolutions in the British market which sweep away his competitors, and, when the storm blows over, he is enabled to double, treble, or quadruple, his already overgrown fortune. . . . The system tends to make the rich richer and the poor poorer. The coal miner of present year works for half wages, but the coal speculator obtains double profits, and thus is it ever—the producer is sacrificed to the exchanger. . . .

The whole system of trade, as at present conducted, and as it must continue to be conducted if the colonial system be permitted longer to exist, is one of mere gambling, and of all qualities, that which most distinguishes the gambler is ignorant selfishness. He ruins his friends and wastes his winnings on a running-horse, or on a prostitute.

In England, a large portion of the people can neither read nor write, and there is scarcely an effort to give them education. The colonial system looks to low wages, necessarily followed by an inability to devote time to intellectual improvement. Protection looks to high wages that enable the labourer to improve his mind, and educate his children. The English child, transferred to this country, becomes an educated and responsible being. If he remain at home, he remains in brutish ignorance. To increase the productiveness of labour, education is necessary. Protection tends to the diffusion of education, and the elevation of the condition of the laborer. . . .

If we desire to raise the intellectual standard of man throughout the world, our object can be accomplished only by raising the value of man . . . throughout the world. Every man brought here *is* raised, and every man so brought tends to diminish the supposed surplus of men elsewhere. Men come when the reward of labour is high, as they did between 1844 and 1848. They return disappointed when the reward of labour is small, as is now the case. Protection tends to increase the reward of labour, and to improve the intellectual condition of man.

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## Conclusion

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Much is said on “the mission” of the people of these United States, and most of it is said by persons who appear to limit themselves to the consideration of the *powers* of the nation, and rarely to think of its *duties*. By such men the grandeur of the national position is held to be greatly increased by having expended sixty or eighty millions upon a

war with a weak neighbour. . . .

The English doctrine of "ships, colonies, and commerce" is thus reproduced on this side of the Atlantic, and its adoption by the nation will be followed by effects similar to those which have been already described as existing in England. There, for a time, it gave the power to tax the world for the maintenance of fleets and armies, as had before been done by Athens and by Rome, and there it is now producing the same results that have elsewhere resulted from the same system: poverty, depopulation, exhaustion, and weakness.

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*To substitute true Christianity for the detestable system known as the Malthusian, it is needed that we prove to the world that it is population that makes the food come from the rich soils, and that food tends to increase more rapidly than population, vindicating the policy of God to man.*

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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, giving the labourer good wages, and to the owner of capital good profits. One looks to increasing the quantity of raw materials to be exported, and diminishing the inducements to imports of men, thus impoverishing both farmer and planter by throwing on them the burden of freight; while the other looks to increasing the import of men, and diminishing the export of raw materials, thereby enriching both planter and farmer by relieving them from payment of freight. One looks to giving the *products* of millions of acres of land and of the labour of millions of men for the *services* of hundreds of thousands of distant men; the other to bringing the distant men to consume on the land the products of the land, exchanging day's labour for day's labour. One looks to compelling the farmers and planters of the Union to continue their contributions for the support of the fleets and the armies, the paupers, the nobles, and the sovereigns of Europe; the other to enabling ourselves to apply the same means to the moral and intellectual improvement of the sovereigns of America. One looks to the continuance of that *bastard* freedom of trade

which denies the principle of protection, yet doles it out as revenue duties; the other by extending the area of *legitimate* free trade by the establishment of perfect protection, followed by the annexation of individuals and communities, and ultimately by the abolition of customs-houses. One looks to exporting men to occupy desert tracts, the sovereignty of which is obtained by aid of diplomacy or war; the other to increasing the value of an immense extent of vacant land by importing men by millions for their occupation. One looks to the *centralization* of wealth and power in a great commercial city that shall rival the great cities of modern times, which have been and are being supported by aid of contributions which have exhausted every nation subjected to them; the other to *concentration*, by aid of which a market shall be made upon the land for the products of the land, and the farmer and planter be enriched. One looks to increasing the necessity of commerce; the other to increasing the power to maintain it. One looks to underworking the Hindoo, and sinking the rest of the world to his level; the other to raising the standard of man throughout the world to our level. One looks to pauperism, ignorance, depopulation, and barbarism; the other to increasing wealth, comfort, intelligence, combination of action, and civilization. One looks towards universal war; the other towards universal peace. One is the English system; the other we may be proud to call the American system, for it is the only one ever devised the tendency of which was that of *elevating* while *equalizing* the condition of man throughout the world.

Such is the true *mission* of the people of these United States. To them has been granted a privilege never before granted to man, that of the exercise of the right of perfect self-government; but, as rights and duties are inseparable, with the grant of the former came the obligation to perform the latter. Happily their performance is pleasant and profitable, and involves no sacrifice. To raise the value of labour throughout the world, we need only to raise the value of our own. To raise the value of land throughout the world, it is needed only that we adopt measures that shall raise the value of our own. To diffuse intelligence and to promote the cause of morality throughout the world, we are required only to pursue the course that shall diffuse education throughout our own land, and shall enable every man more readily to acquire property, and with it respect for the rights of property. To improve the political condition of man throughout the world, it is needed that we ourselves should remain at peace, avoid taxation for the maintenance of fleets and armies, and become rich and prosperous. To raise the condition of women throughout the world, it is required of us only that we pursue that course that enables men to remain at home and marry, that they may surround themselves with happy children and grandchildren. To substitute true Christianity for the detestable system known as the Malthusian, it is needed that we prove to the world that it is population that makes the food come from the rich soils, and that food tends to increase more rapidly than population, vindicating the policy of God to man. . . .