THE LEGACY OF FRIEDRICH LIST

The American System's Battle Against British Free Trade

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This article originally appeared in EIR*, Jan. 3, 1992, under the title "The Legacy of List's 'National System of Political Economy.'"*

What Is an American Patriot?

This article is part of a series aimed at unearthing the real history of the American patriotic tradition, and causing its revival. The purpose is to create the political and intellectual climate in which a genuine American patriotic candidate can emerge for the 2008 elections—a candidacy which does not yet exist.

Of special relevance in this fight is the period of the early 19th Century, when patriots had to fight in the context of series of poor, or even treasonous Presidents (viz. Jackson, Van Buren, Pierce, Polk, Buchanan). The fact that our greatest President, Abraham Lincoln, was produced from this political environment, testifies to the effectiveness of the network of republican forces from this period, many of whom are totally unknown to the American public today. The LaRouche movement has worked for decades to uncover the original writings and other evidence of this network, materials which will form the basis for many of the articles in this series.

This week's installment counterposes the work of German-American economist Friedrich List, a leading opponent of Adam Smith and the British free-trade school, to the operations by Lord Palmerston, Lord Shelburne, Jeremy Bentham, and the British East India Company to destroy America.

Friedrich List (1789-1846) lived and worked as part of three republican networks that were at political war with the British Empire: the Prussian Reformers movement in Germany, the Ecole Polytechnique of France, and the heirs of the American Revolution. After being imprisoned at the behest of Prince Metternich for his attempts at reforms in Württemberg, the German-born List was invited by the French hero of the American Revolution, General Lafayette, to join him on his triumphal tour of the United States in 1824-25.[1] List lived in Pennsylvania for several years, where he worked with the Careys, Henry Clay, and John Quincy Adams to build the fight for protective tariffs for industry. After 1830, he returned to Germany to implement the American System there. Known as the "Father of the German Railways," he was perhaps the most outspoken opponent of free trade in the world. His book *The National System of Political Economy,* translated into numerous languages, has served since 1841 as a manual on how to fight the evils of the British cosmopolitan "free trade" system of looting to build an empire.

Opposing the physiocratic notion of the landed oligarchy and the British-Swiss-Venetian banking interests, List believed that the creative powers of human mentation were a nation's greatest wealth. When he had returned to Europe, he wrote that the greatest book he had read in America was the book of life: to see the potential of a new republic for growth, if put under proper economic policies.

Refutation of Smith

In his first Letter from Reading to the General Convention at Harrisburg, in 1827, List stated that he would concentrate

1. See William Jones, "Rekindling the Spark of Liberty: Lafayette's Visit to the United States, 1824-1825," *EIR*, Nov. 23, 2007—ed.

The Saugus Iron Works, near Boston, was the first integrated ironworks in North America, 1646-68. List emphasizes, "In her North American colonies, England . . . [disallowed] the manufacture in those colonies of even a single horseshoe nail, and still more, that no horseshoe nails made there should be imported into England." This policy was one of the main factors leading to the American Revolution.

on "the refutation of the theory of Adam Smith and Co., the fundamental errors of which have not yet been understood so clearly as they ought to be.

"It is this theory, sir, which furnishes to the opponents of the American System the intellectual means of their opposition.... Boasting of their imaginary superiority in science and knowledge, these disciples of Smith and Say are treating every defender of common sense like an empiric whose mental power and literary acquirements are not strong enough to conceive the sublime doctrine of their masters." List admonished Americans to stand up in print for the theoretical superiority of their doctrine against the authority of Smith and his French counterpart J.B. Say, pointing out that Smith's *Wealth of Nations* never addresses the issue of national economy at all, but instead puts forward the utopian thesis of a universal republic.

According to the British free-traders, any form of protectionism used by a country to foster the growth of its own agro-industrial sectors is in violation of "pure," unfettered competition. The British themselves never practiced this nonsense. List pointed out that "England was unwilling to found settlements in Asia in order to become subservient to Asia in manufacturing industry. She strove for commercial supremacy, and felt that of the two countries maintaining free trade between one another, that one would be supreme which sold manufacturing goods, while that one would be subservient which could only sell agricultural produce. In her North American colonies, England had already acted on those principles in disallowing the manufacture in those colonies of even a single horseshoe nail, and still more, that no horseshoe nails made there should be imported into England."

But England insisted on free trade for its colonies. List continued: "Accordingly, England prohibited the import of goods dealt in her own factories, the Indian cotton and silk fabrics.... Not so much as a thread of them would England permit to be used. She would have none of the beautiful and cheap fabrics, but preferred to consume her own inferior and costly stuffs....

"She was, however, quite willing to supply the continental nations with the far finer fabrics of India at lower prices, and willingly yielded to them all the benefit of that cheapness; she herself would have none of it."

In short, free trade was merely a tool to enforce economic backwardness. This practice went to nearly comical lengths, as List reported:

"So late as the year 1750 a hat manufactory in the State of Massachusetts created so great a sensation and jealousy in Parliament, that it declared all kinds of manufactories to be 'common nuisances,' not excepting iron works, not withstanding that the country possessed in the greatest abundance all the requisite material for the manufacture of iron." Ultimately, he continued, "The monopoly of all manufacturing industry by the mother country was one of the chief causes for the American Revolution; the tea duty merely afforded an opportunity for its outbreak."

The Nation-State

List insisted that the sovereign nation-state must be recognized as essential for a healthy economy:

"Between each individual and the entire humanity, however stands *the nation,* with its special language and literature, with its peculiar origin and history, with its special manners and customs, laws and institutions, with the claims of all these

for existence, independence, perfection, and continuance for the future, and with its separate territory; a society which, united by a thousand ties of mind and interests, combines itself into one independent whole.... As the individual chiefly obtains by means of the nation and in the nation mental culture, the power of production, security, and prosperity so is the civilization of the human race only conceivable and possible by means of the civilization and development of the individual nations.... A nation in its normal state possesses one common language and literature, a territory endowed with manifold natural resources, extensive and with convenient frontiers and a numerous population."

Protectionism is the battleground where the unity of national sovereignty and economic development becomes most clear. U.S. tariffs were simply necessary to allow the growth of essential industry, like iron production, shipbuilding, etc. If England could use its economic and military muscle to flood the world with cheap products, then how was any nation to develop its own means of production except by protecting and nurturing manufacturing industries? Developing indigenous industry, List argued, provides jobs, stable prices, an expanding home market for goods, protection from foreign manipulation, and the basis for realizing new technologies, which would also lead to increased productivity in the agricultural sector.

What Is Wealth?

Adam Smith claimed to believe that each individual, in pursuing his own interest, automatically promotes the interests of all, and therefore, any sovereign effort by the state to ensure the prosperity of its people is wrongful interference. List quoted Smith's dictum that: "Restrictions on trade imposed on behalf of the internal industry of a country, are mere folly; every nation like every individual, ought to buy articles where they can be procured the cheapest; in order to attain to the highest degree of national prosperity, we have simply to follow the maxim of letting things alone (*laisser faire et laisser aller*)."

With the insistence that the *exchange value* of a commodity is its true wealth, the British Liberals return man to a talking animal simply instinctively pursuing pleasure and avoiding pain. List counterposed to this economically empty notion, his superior theory of *productive power*:

"*The causes of wealth* are something totally different from *wealth itself.* A person may possess wealth, i.e., exchangeable value; if, however, he does not possess the power of producing objects of more value than he consumes, he will become poorer. A person may be poor; if he, however, possess the power of producing a larger amount of valuable articles than he consumes, he becomes rich. *The power of producing wealth* is therefore infinitely more important than *wealth itself*; it insures not only the possession and the increase of what has been gained, but also the replacement of what has been lost. This is still more the case with entire nations (who cannot live out of mere rentals) than with private individuals."

List elaborated three principal components to his theory of the productive power: a) the capital of nature, b) the capital of productive matter, and c) the capital of mind. He placed the greatest importance on the third. The relationship between man's powers of reason, acting on the physical universe through the force of productive manufacturing, is not explainable from the standpoint of simple exchange value.

Adam Smith was a materialist, List explained: "If he had followed up the idea *'productive power,'* without allowing his mind to be dominated by the idea of 'value,' 'exchangeable value,' he would have been led to perceive that an independent *theory of the 'productive power'* must be considered by the side of a *'theory of values'* in order to explain the economical phenomena. But he thus fell into the mistake of explaining mental forces from material circumstances and conditions, and thereby laid the foundations for all the absurdities and contradictions from which his school suffers up to the present day."

The mere quantity of labor, or labor time as Marx put it, which corresponds to the notion of exchange value, cannot account for the great historical evolution of mankind, because these constructs are rooted in materialism. List recognized that the creative activity of man is fundamental to the growth of nations:

"If we consider mere bodily labor as the cause of wealth, how can we then explain why modern nations are incomparably richer, more populous, more powerful, and prosperous than the nations of ancient times? The ancient nations employed (in proportion to the whole population) infinitely more hands, the work was much harder, each individual possessed much more land, and yet the masses were much worse fed and clothed than is the case in modern nations. In order to explain these phenomena, we must refer to the progress which has been made in the course of the last thousand years in sciences and arts, domestic, and public regulations, cultivation of the mind and capabilities of production. The present state of the nations is the result of the accumulation of all discoveries, inventions, improvements, perfections, and exertions of all generations which have lived before us; they form the *mental capital of the present human race,* and every separate nation is productive only in proportion in which it has known how to appropriate these attainments of former generations and to increase them by its own requirements."

List's lifelong dedication to constructing railroads flowed from these principles. First of all, "only by means of thoroughly good transport can every district or province convey the surplus of its peculiar products to all other provinces, even to the most distant ones, and procure in return supplies of the peculiar products of the latter." If there were no roads, canals, and trains, there would be no markets, and without industry, farmers would still be peasants. But railroads and infrastructure also bring the power of science and manufacturing to all parts of the country, breaking up and transforming pastoral modes of existence with the more cultured and educated activities of city life.

Manufacturing Powers of the Nation

From List's The National System of Political Economy:

Manufactures are at once the offspring, and at the same time the supporters and nurses, of science and the arts. We may observe how little the condition of raw agriculture puts sciences and arts into requisition, how little of either is necessary to prepare the rude implements which it employs. It is true that agriculture at first had, by yielding rents of land, made it possible for men to devote themselves to science and art; but without manufactures they have always remained private treasures, and have only extended their beneficial effects in a very slight degree to the masses. In the manufacturing state the industry of the masses is enlightened by science, and the sciences and arts are supported by the industry of the masses.

There scarcely exists a manufacturing business which has no relations to physics, mechanics, chemistry, mathematics, or to the art of design, etc. No progress, no new discoveries and inventions, can be made in these sciences by which a hundred industries and processes could not be improved or altered. In the manufacturing state, therefore, sciences and arts must necessarily become popular. The necessity for education and instruction, through writings and lectures by a number of persons who have to bring into practice the results of scientific investigations, induces men of special talents to devote themselves to instruction and authorship. The competition of such talents, owing to the large demand for their efforts, creates both a division and cooperation of scientific activity, which has a most beneficial influence not merely on the further progress of science itself, but also on the further perfection of the arts and industrials. The effects of these improvements are soon afterwards extended even to agriculture. Nowhere can more perfect agricultural machines and implements be found, nowhere is agriculture carried on with so much intelligence, as in countries where industry flourishes. Under the influence of manufactures, agriculture itself is raised to a skilled industry, an art, a science.

The sciences and industry in combination have produced that great material power which in the new state of society has replaced with tenfold benefits the slave labor of ancient times, and which is destined to exercise on the condition of the masses, on the civilization of barbarous countries, on the peopling of uninhabited lands, and on the power of the nations of primitive culture, such an immeasurable influence—namely, *the power of machinery.*

A manufacturing nation has a hundred times more opportunities of applying the power of machinery than an agricultural nation. A cripple can accomplish more by directing a steam engine than the strongest man can with his mere hand.

The power of machinery combined with the perfection of transport facilities in modern times, affords to the manufacturing state an immense superiority over the mere agricultural state. It is evident that canals, railways, and steam navigation are called into existence only by means of *the manufacturing power,* and can only by means of it be extended over the whole surface of the country. In the mere agricultural state, where everybody produces for himself the greater part of what he requires, and consumes himself the great part of what he produces, where the individuals among themselves can only carry on a small amount of goods and passenger traffic, it is impossible that a sufficiently large traffic in either goods or passengers can take place to defray the costs of the erection and maintenance of the machinery of transport.

New inventions and improvements in the mere agricultural state are of but little value. Those who occupy themselves with such things in such a state fall themselves, as a rule, a sacrifice to their investigations and endeavors, while in the manufacturing state there is no patch which leads more rapidly to wealth and position than that of invention and discovery. Thus, in the manufacturing state genius is valued and rewarded more highly than skill, and skill more highly than mere physical force. In the agricultural state, however, excepting in the public service, the reverse is almost the rule.