

# A Conceptual Glossary

## The American System

When Henry Clay, in the early 1800s, revived the economic policy of President George Washington's Treasury Secretary, Alexander Hamilton, Clay called it "the American System." Its leading features were high tariffs (protectionism, as opposed to free trade), a national bank (the Bank of the United States), and government-sponsored transportation projects ("internal improvements").

President Abraham Lincoln implemented the American System (though unable to restore the national bank). Lincoln's advisor Henry C. Carey, the leading American System economist, defined the difference between the American System and the British System, in his 1851 book, *The Harmony of Interests*:

"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 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 to 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 the import 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. ...

"One looks to exporting men to occupy desert tracts ... which [are] 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 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, ... 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."

## The Tariff

The fight over protective tariffs was the headlined political issue of the 19th Century, though British-line history

texts may black out the matter.

The underlying issue was, what should be our way of life, high-wage industry, or slavery and other forms of cheap labor? Should our country be powerful enough to be independent of the British Empire?

High tariffs would increase the price of imports that had been produced by low-wage workers abroad, so buyers would likely choose American-made items whose manufacturers paid decent wages. Low tariffs would allow slave plantation owners to buy cheap manufactured goods from Britain, while shipping most of their slave cotton there, to be used by virtual slave laborers in British clothing factories.

The Civil War settled the issue. With the Union victory, protective tariffs spurred industrial progress at a pace never seen before or since—resulting in cheaper products from industry.

## Nationalism

The Renaissance idea of the modern nation-state was first tested in Louis XI's France and Henry VII's England. They struggled, against the imperial-minded feudal aristocrats, to uplift the people's conditions of life with science and factories, with laws that applied to all, with defended borders and peace.

The American Revolution, and the new U.S.A.'s continuing struggle against the British, created the anti-feudal point of view that went before the world as "nationalism"—synonymous with inventions, discoveries, and optimism about man's increasing power over nature.

Nationalists such as Washington and Lincoln devoted their lives to defeating imperialism, since they believed in national sovereignty as a universal principle.

Anti-nationalist slaveowners and Boston Anglophiles plunged the United States into the aggressive Mexican War (1846-48). British and Wall Street financiers, bitter enemies of nationalism, sponsored the rise of Adolf Hitler and Benito Mussolini. The British then had the effrontery to teach that these fascists, who had tried for world empires, were *nationalists*, because they used patriotic propaganda to lie to deluded populations.

Today's globalists spread war everywhere, and define nations, and man's power over nature, as the enemy.

## Federalists

Historical confusion clouds this term. The facts vary wildly from the usual use of the names Hamilton and Jefferson.

During and shortly after the American Revolution, those who advocated a strong Federal government and the

adoption of the Constitution (e.g., Hamilton and James Madison) were known as federalists, their opponents were called anti-federalists.

The U.S. Constitution does not mention political parties, and when Washington began his administration, there were none. Thomas Jefferson and his allies (e.g., Madison) attacked the administration's nationalist policy, with Hamilton as their public target. Those who defended the administration were called Federalists; their opponents called themselves Democratic-Republicans.

Hamilton saw that his own Federalist Party was increasingly dominated by pro-British Northeasterners, led by traitors, and Hamilton facilitated the 1800 election of Jefferson, his bitter opponent, as President. In the first decade of the 1800s, most patriots sided with Jefferson against the British-Boston combination, and the Federalist Party died out. By the end of the War of 1812, leading Jeffersonians sided with the nationalist measures first put forward by Hamilton.

## **Anti-Bank Populism**

Who sponsored the free-trade political faction before the Civil War? It was the cotton plantation owners, the merchants of Boston and New York, and their financiers: This was the British party, which used populist rhetoric against "monied aristocrats," to try to cripple the U.S. government's power to withstand the *actual* wealthy aristocrats running the British Empire and the free-trade political movement.

This 19th-Century scam was given a new twist by the free-trade gang, when they established the Federal Reserve System in 1913. They lied that the Fed was the same thing as the Bank of the United States. So, confused patriots might support it, while populists would continue railing against the Hamilton and Biddle banks, whose purposes (national sovereignty and economic progress for all) had been opposite to those of the international bankers' Federal Reserve.

Today, many Democrats are economic populists, who "don't like banks." This is because they have no experience of banks acting in the public interest. They have no historical knowledge of the American founders' Bank of the United States, or of the measures taken by the Federal government, under Abraham Lincoln and Franklin Roosevelt, to stop usury and to regulate banking for the public good.

Investment banks, hedge funds and other private powers are historical enemies of sovereign nations and of self-government. But private banks, chartered by the state or Federal government and well regulated, are crucial instruments of a modern economy, especially when the sovereign nation, not a financial oligarchy, controls national credit.

—Anton Chaitkin