
FREE TRADE: FOUR AMERICAN VOICES

Daniel Webster, Robert J. Walker,
Albert Gallatin, and Alexander Hamilton

The dispute between free trade and protection has recurred again and again through American history. To the sober historian, its recurrence today may provide a reassuring sign of the continuity of the American polity. But to the partisans involved, it is probably a frustrating sign of the country's inability to learn from experience—although what the lessons are, of course, is part of the dispute.

Many of the arguments heard today were current 150 years ago. Daniel Webster's speech to the House of Representatives in 1824 is a high-water mark of American oratory.

Albert Gallatin's *Memorial of the Free Trade Convention* states the sense of a meeting of tariff opponents in Philadelphia in 1831. Another secretary of the treasury, Robert Walker, wrote his *Treasury Report of 1845* as an official state paper. Alexander Hamilton was usually sympathetic to protection—but not on investment issues, as his 1791 *Report on Manufactures* proves. All four excerpts are from *State Papers and Speeches on the Tariff*, edited by F. W. Taussig and published in 1893 by the Riverside Press of Cambridge, Massachusetts.

DANIEL WEBSTER

On "Zero-Sum" Theories

Commerce is not a gambling among nations for a stake, to be won by some and lost by others. It has not the tendency necessarily to impoverish one of the parties to it, while it enriches the other; all parties gain, all parties make profits, all parties grow rich, by the operations of just and liberal commerce. If the world had but one clime and but one soil; if all men had the same wants and the same means on the spot of their existence to gratify those wants,—then, indeed, what one obtained from the other by exchange would injure one party in the same degree that it benefited the other; then, indeed, there would be some foundation for the balance of trade. But Providence has disposed our lot much more kindly. We inhabit a various earth. We have reciprocal wants, and reciprocal means for gratifying one another's wants. This is the true

origin of commerce, which is nothing more than an exchange of equivalents, and from the rude barter of its primitive state to the refined and complex condition in which we see it, its principle is uniformly the same; its only object being, in every stage, to produce that exchange of commodities between individuals and between nations which shall conduce to the advantage and to the happiness of both. Commerce between nations has the same essential character as commerce between individuals, or between parts of the same nation. Cannot two individuals make an interchange of commodities which shall prove beneficial to both, or in which the balance of trade shall be in favor of both? If not, the tailor and the shoemaker, the farmer and the smith have hitherto very much misunderstood their own interest. And with regard to the internal trade of a country, in which the same rule would apply as between nations, do we ever speak of such an intercourse being prejudicial to one side because it is useful to the other? Do we ever hear that, because the intercourse between New York and Albany is advantageous to one of those places, it must therefore be ruinous to the other?

On Imbalances between Particular Countries

Springing out of this notion of a balance of trade, there has been another idea, which has been much dwelt upon in the course of this debate; that is, that we ought not to buy of nations who do not buy of us; for example, that the Russian trade is a trade disadvantageous to the country, and ought to be discouraged, because in the ports of Russia we buy more than we sell. Now allow me to observe, in the first place, sir, that we have no account showing how much we do sell in the ports of Russia. Our official returns show us only what is the amount of our direct exports to her ports. But then we all know that the proceeds of other of our exports go to the same market, though indirectly. We send our own products, for example, to Cuba, or to Brazil; we there exchange them for the sugar and the coffee of those countries, and these articles we carry to St. Petersburg, and there sell them. Again: our exports to Holland and Hamburg are connected directly or indirectly with our imports from Russia. What difference does it make, in sense or reason, whether a cargo of iron be bought at St. Petersburg by the exchange of a cargo of tobacco, or whether the tobacco has been sold on the way, in a better market, in a port of Holland, the money remitted to England, and the iron paid for by a bill on London? There might indeed have been an augmented freight, there might have been some saving of commissions, if tobacco had been in brisk demand in the Russian market. But still there is nothing to show that the whole voyage may not have been highly profitable. That depends upon the original cost of the article here, the amount of freight and insurance to Holland, the price obtained there, the rate of exchange between Holland and England, the expense, then, of proceeding to St. Petersburg, the price of iron there, the rate of exchange between that place and England, the amount of freight and insurance home, and finally, the value of the iron, when brought to our own market. These are the calculations which determine the fortune of the adventure; and nothing can be judged of it, one way or the other, by the relative state of our imports or exports with Holland, England, or Russia.

I would not be understood to deny that it may often be our interest to cultivate a trade with countries that most require such commodities as we can furnish, and which are capable also of directly supplying our own wants. This is the simplest and most original form of all commerce, and is, no doubt, highly beneficial. . . . All I would be understood to say is, that it by no means follows that that must be a losing trade with any country, from which we receive more of her products than she receives of ours. . . .

Referring ourselves again, sir, to the analogies of common life, no one would say that a farmer or a mechanic should buy only where he can do so by the exchange of his own produce, or of his own manufacture. Such exchange may be often convenient; and, on the other hand, the cash purchase may be often more convenient. It is the same in the intercourse of nations.

What Is an "American" Industry?

Some other gentlemen, in the course of the debate, have spoken of the price paid for every foreign manufactured article as so much given for the encouragement of foreign labor, to the prejudice of our own. But is not every such article the product of our own labor as truly as if we had manufactured it ourselves? Our labor has earned it, and paid the price for it. It is so much added to the stock of national wealth. . . . One man makes a yard of cloth at home; another raises agricultural products, and buys a yard of imported cloth. Both these are equally the earnings of domestic industry, and the only questions that arise in the case are two: the first is, which is the best mode, under all the circumstances, of obtaining the article; the second is, how far this question is proper to be decided by government, and how far it is proper to be left to individual discretion. There is no foundation for the distinction which attributes to certain employments the peculiar appellation of American industry; and it is, in my judgment, extremely unwise to attempt such discriminations.

We are asked, what nations have ever attained eminent prosperity without encouraging manufactures? I may ask, what nation ever reached the like prosperity without promoting foreign trade? I regard these interests as closely connected, and am of opinion that it should be our aim to cause them to flourish together. I know it would be very easy to promote manufactures, at least for a time, but probably only for a short time, if we might act in disregard of other interests. We could cause a sudden transfer of capital, and a violent change in the pursuits of men. We could exceedingly benefit some classes by these means. But what, then, becomes of the interests of others?

Reduction to Absurdity

On the general question, sir, allow me to ask if the doctrine of prohibition, as a general doctrine, be not preposterous? Suppose all nations to act upon it; they would be prosperous, then, according to the argument, precisely in the proportion in which they abolished intercourse with one another. The less of mutual commerce the better, upon this hypothesis. Protection and encouragement may be,

and are, doubtless, sometimes, wise and beneficial, if kept within proper limits; but, when carried to an extravagant height, or the point of prohibition, the absurd character of the system manifests itself. Mr. Speaker has referred to the late Emperor Napoleon, as having attempted to naturalize the manufacture of cotton in France. He did not cite a more extravagant part of the projects of that ruler, that is, his attempt to naturalize the growth of that plant itself in France; whereas, we have understood that considerable districts in the south of France, and in Italy, of rich and productive lands, were at one time withdrawn from profitable uses, and devoted to raising, at great expense, a little bad cotton. Nor have we been referred to the attempts, under the same system, to make sugar and coffee from common culinary vegetables; attempts which served to fill the print shops of Europe, and to show us how easy is the transition from what some think sublime, to that which all admit to be ridiculous. The folly of some of these projects has not been surpassed, nor hardly equaled, unless it be by the philosopher in one of the satires of Swift, who so long labored to extract sunbeams from cucumbers.

On Stimulating the Economy

It is of no consequence to the argument that [the money formerly spent on imports] is expended at home; so it would be if we taxed the people to support any other useless and expensive establishment—to build another Capitol, for example, or incur an unnecessary expense of any sort. The question still is, are the money, time, and labor well laid out in these cases?

On Low-Cost Labor

We have been asked, sir, by the Chairman of the Committee, in a tone of some pathos, whether we will allow to the serfs of Russia and Sweden the benefit of making iron for us? Let me inform the gentlemen, sir, that those same serfs do not earn more than seven cents a day, and that they work in these mines for that compensation because they are serfs. And let me ask the gentleman further, whether we have any labor in this country that cannot be better employed than in a business which does not yield the laborer more than seven cents a day? This, it appears to me, is the true question for our consideration. There is no reason for saying that we will work iron because we have mountains that contain the ore. We might for the same reason dig among our rocks for the scattered grains of gold and silver which might be found

there. The true inquiry is, can we produce the article in a useful state at the same cost, or nearly at the same cost, or at any reasonable approximation towards the same cost, at which we can import it.

Daniel Webster served twice as a congressman, from New Hampshire (1813-17) and Massachusetts (1823-27), twice as a senator from Massachusetts (1827-41 and 1845-50), and twice as the secretary of state (1841-43 and 1850-52).

ROBERT J. WALKER

On Reciprocity

Soil, climate, and other causes vary very much, in different countries, the pursuits which are most profitable in each; and the prosperity of all of them will be best promoted by leaving them unrestricted by legislation, to exchange with each other those fabrics and products which they severally raise most cheaply. This is clearly illustrated by the perfect free trade which exists among all the States of the Union, and by the acknowledged fact that any one of these States would be injured by imposing duties upon the products of the others. It is generally conceded that reciprocal free trade among nations would best advance the interest of all. But it is contended that we must meet the tariffs of other nations by countervailing restrictions. That duties upon our exports by foreign nations are prejudicial to us, is conceded; but whilst this injury is slightly felt by the manufacturers, its weight falls almost exclusively upon agriculture, commerce, and navigation. If those interests which sustain the loss do not ask countervailing restrictions, it should not be demanded by the manufacturers, who do not feel the injury, and whose fabrics, in fact, are not excluded by the foreign legislation of which they complain. . . . Nor will augmented duties here lead to a reduction of foreign tariffs; but the reverse, by furnishing the protected classes there with the identical argument used by the protected classes here against reduction. By countervailing restrictions we injure our own fellow citizens much more than the foreign nations at whom we propose to aim their force; and in the conflict of opposing tariffs, we sacrifice our own commerce, agriculture, and navigation. As well might we impose monarchical or aristocratic restrictions on our own government or people because that is the course of foreign legislation. Let our commerce be as free as our political institutions.

Robert J. Walker was President James Polk's secretary of the treasury (1845-49).

ALBERT GALLATIN

On Retaliation

The laws of foreign nations which prohibit or restrain the sale of the products of American industry operate precisely in the same manner as any natural cause which confines the market of those products within certain limits. . . . Unless foreign commerce be considered as a positive evil, which must at all events be annihilated, there is no occasion for passing retaliatory laws which, by still more diminishing the imports, would necessarily have the same effect on the exports. Retaliatory laws that had that effect would only aggravate the evil, if the restrictions imposed by the foreign laws on American products are admitted to be an evil. They would also be injurious if, by being applied particularly to those nations which had imposed the restrictions, they compelled Americans to purchase elsewhere the commodities which they want, and might have purchased cheaper from those nations. The whole amount of imports equalizes itself with the whole amount of exports. It is not at all necessary that this equality should exist; it never does exist in the trade of any country with every other country. Every one purchases what it does want from that country which affords it on the cheapest terms, and sells its products to those countries by which they are wanted and which give the highest price.

. . . The restrictions imposed by foreign nations do not afford a single reason, though they may serve as a pretense for the adoption of restrictive measures on the part of the United States, which would not equally apply if the exports were reduced by a natural cause. The question still resolves itself into that of public utility, and whether measures intended to promote American industry fulfill that object. If, on the contrary, it is made less productive by the artificial direction given to it than if left to itself, the fact that foreign nations have imposed restrictions injurious to the foreign trade of the United States does not in the slightest degree change the state of the question, and is no reason whatever why a policy injurious to America should be adopted. . . .

There is an exception to the general principle. Retaliatory measures may be resorted to with more or less success, according to circumstances, and as they may be more or less adapted to the object in view, for the purpose of inducing a nation to alter her policy and conduct. In that case such measures are of a temporary nature, and a discussion of their propriety is foreign to the

question now under consideration. Had this been the motive the course pursued would have been very different. The commercial conventions would, according to the right reserved, have been abrogated, and the manufactures of the countries in question exclusively taxed or prohibited. But it is believed that the advocates of the protecting system would not hesitate to declare that it is in itself highly advantageous, and to avow that unless convinced of the utility of a modification, they will persevere in the same policy even if all the restrictions of foreign nations on the American trade were revoked.

Albert Gallatin was secretary of the treasury under Presidents Jefferson and Madison (1801-14) and president of the National Bank of New York (1831-39).

ALEXANDER HAMILTON

On Foreign Investment

It is a well known fact that there are parts of Europe which have more capital than profitable domestic objects of employment. Hence, among other proofs, the large loans continually furnished to foreign states. And it is equally certain that the capital of other parts may find more profitable employment in the United States than at home. And notwithstanding there are weighty inducements to prefer the employment of capital at home, even at less profit, to an investment of it abroad, though with greater gain, yet these inducements are overruled either by a deficiency of employment or by a very material difference in profit. Both these causes operate to produce a transfer of foreign capital to the United States. . . .

It is not impossible that there may be persons disposed to look with a jealous eye on the introduction of foreign capital as if it were an instrument to deprive our own citizens of the profits of our own industry. But perhaps there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be considered as a most valuable auxiliary; conducting to put in motion a greater quantity of productive labor and a greater portion of useful enterprise than could exist without it. It is at least evident that in a country situated like the United States, with an infinite fund of resources yet to be unfolded, every farthing of foreign capital which is laid out in internal meliorations and in industrial establishments of a permanent nature is a precious acquisition.

Alexander Hamilton was the first U.S. secretary of the treasury (1789-95), serving under President George Washington.