
The American Community of the Common Man, 1776–1860

2.1 Introduction

The United States of America was one of the first modern nations. American economic thinkers therefore developed many themes that would influence subsequent nationalist thought across the world. Moreover, much early American thinking on the economy was motivated by the country's colonial past, a feature it shares with later anti-colonial movements. Like policymakers in twentieth-century Africa and Asia, American thinkers struggled with the Nationalist Dilemma. On the one hand, they sought to isolate the new nation from Britain, the former imperial power, but on the other hand they wanted to maintain economically productive links with that same power. It is therefore important to understand in some detail the aims of early American policymakers, as well as the conflicts they encountered when attempting to shape their commercial affairs.

The inhabitants of the Thirteen Colonies rebelled in part against British commercial restrictions, which infused American thinking with an enduring free-market strain. At the same time, military and commercial conflict with the former imperial metropolis accentuated the fragility of the republic's independence and provided US policymakers with a rationale for economic intervention. Intervention had two aims, both of which have become fundamental to ensuing nationalist thinking on the economy. First, policymakers sought to integrate the fragmented economies of the individual American states. In 1789, the Constitution provided a framework within which a unified market could be created. Nationalist statesmen, in particular Alexander Hamilton (1755–1804), built on this fundament by fostering centralised credit markets and sponsoring infrastructure investments. Second, Hamilton complemented domestic unification with an ambitious strategy of economic expansion to guarantee the military security of the new nation. His plans envisaged the transformation of the agrarian republic into a dynamically growing industrial power. This arguably constituted the first programme of expansionist economic nationalism.

Yet Hamilton also encountered the Nationalist Dilemma. While he was ready to use government subsidies and tariffs to nurture native manufacturing

enterprises, he recognised that the United States needed to maintain its openness to foreign direct investment, trade and skilled migrants coming from Britain in order to foster economic growth. This compromise aroused the opposition of Thomas Jefferson (1743–1826) and James Madison (1751–1836), who pressed for a more combative stance in international trade. Hamilton's programme also did not satisfy influential grassroots supporters of manufacturing, who saw his policies as benefiting a small financial elite.¹

As nationalist agitation involved ever wider sections of the population, American policy discourse moved away from Hamilton's 'elitist' positions. This process was spurred by several years of actual and commercial warfare, as well as the financial crisis of 1819, all of which accentuated the dangers of economic openness. The new mass movement that emerged from these reverberations drew on notions of national self-sufficiency and popular participation, finding its theoretical synthesis in the writings of Daniel Raymond (1786–1849). The democratisation of American economic nationalism led to a pivot from expansionist motives towards isolation, a pattern that we will encounter repeatedly.²

Motives were important, but in America, as elsewhere, political interests shaped the implementation of ideas. Those elements of Raymond's programme that were amenable to middle-class voters – mainly the development of domestic markets safeguarded by import tariffs – found an able advocate in the politician Henry Clay (1777–1852) and his iconic 'American System'. Even the politically astute Clay encountered fierce resistance, however. His attempt to force tariffs against the free-trading and slave-holding southern states placed the Union under increasing strain in the 1830s. Responding to these tensions, a new generation of economic nationalists, led by Henry C. Carey (1793–1879), changed tack once more. Attempting to depict tariff protection as a panacea to America's social divides, Carey promised a 'Harmony of Interests' that would once again unite the nation. Carey's influence proved decisive in persuading Abraham Lincoln (1809–65) and the emergent Republican Party to adopt a long-lasting protectionist platform in the late 1850s. Yet the 'Harmony of Interests' proved elusive, also because many nationalists did not intend such harmony to include black Americans.³

Nonetheless, economic nationalists remained largely supportive of immigration, which they believed would augment national strength. With immigration also came the import of foreign ideas. This proved useful, because expertise from abroad helped to bolster the authority of protectionist economic theories. Imported nationalists, such as the Irish activist Mathew Carey (1760–1839), therefore played a large role in pushing a pro-manufacturing agenda in the United States. The most influential immigrant, however, proved to be the German economist Friedrich List (1789–1846), whose exchange with American thinkers during the 1820s would form the cornerstone for his influential *The National System of Political Economy*.

2.2 Independence and Integration

American economic nationalism had its origins in resistance to British mercantilist policies. While many colonists thought these policies to be overly restrictive of their commercial liberties, the lessons they drew from the colonial experience varied. Thomas Jefferson promoted a republican idyll of decentralised agricultural communities and free trade, in effect creating an antithesis to industrial and mercantilist Britain. Nationalists like Robert Morris (1734–1806), however, were mindful that such decentralisation might leave the new republic weakened in the face of Britain's might. They sought salvation in the creation of an integrated market economy with centralised financial institutions. Small-scale manufacturers, as a third strand of thought, feared British imports and pushed for a protective tariff policy (which itself bore many hallmarks of mercantilist restrictions). The US Constitution was one attempt to reconcile these different strands by providing an institutional framework for domestic market integration and an independent trade policy. This set the stage for later nationalist programmes.

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When the United States formally declared its independence in 1776, Americans could already look back upon a long history of grappling with questions of trade and political sovereignty. The formation of American nationhood had been decisively shaped by debates surrounding the economic dependence of the Thirteen Colonies on the British Empire. British taxation of imports into the colonies, especially tea, had famously inflamed American passions (despite its modest economic impact). The increasing severity of the mercantilist Navigation Acts, which restricted American freedom to trade, provoked continued resistance from colonial merchants.⁴ British attempts to safeguard the emerging pre-eminence of the motherland in manufacturing also invited criticism. For instance, imperial prohibitions on the erection of iron manufactories in the colonies served as a vivid reminder to colonists that America's place in the British intercontinental economy was to supply primary commodities, especially cash crops such as tobacco and indigo.⁵

The colonists hit back against British trade policies through boycotts, such as the non-importation movements of the 1760s. Often organised by local groups of merchants, artisans and patriotic students, they involved a common public pledge not to purchase British manufactures. Sometimes artisans would also commit to work exclusively with American 'homespun' materials. Non-importation movements were initially instrumental in their intent, aimed at the removal of restrictive British tax and trade legislation. Yet these movements soon developed their own dynamic.⁶ The boycotts aided the creation of an American consumer culture based on domestically produced manufacturing products, as well as providing income for the embryonic American

industrial sector.⁷ Most importantly, boycotts linked the notions of economic and political independence in the minds of early American leaders. Benjamin Franklin (1705–90), a one-time staunch defender of British trade policy, exhorted his rebellious countrymen in 1769 that ‘we should disdain the thralldom we have so long been held in by this mischievous commerce, reject it for ever, and seek our resources where God and Nature have placed them WITHIN OUR SELVES’.⁸ Non-importation movements were the first stirrings of an American grassroots movement motivated by self-sufficiency.

Victory in the American Revolutionary War in 1783 ensured political independence and freed Americans from onerous British commercial legislation. Yet the young republic, politically and economically divided, faced its first major economic depression. The disintegration of colonial trade ties depressed commerce and hence incomes. British mercantilist restrictions also continued to inhibit trade with the British possessions in the Caribbean. Trade negotiations with other powers proceeded slowly due to the lack of policy coordination between the independent US states, whose unity under the Articles of Confederation was tenuous.⁹

The Articles provided only for a weak central government. Individual states were free to regulate their own trade, frequently taxing interstate trade for revenue purposes. Disunity had monetary implications too. Each state was free to issue its own notes, a privilege some states abused through heavy use of the printing press. There was moreover little provision of domestic banking services, which still had to be carried out through the London market. Finally, the expenses of the Revolutionary War had led to states accruing large amounts of debt. Many creditors were patriots who had supported the war effort, thus endowing the debt with a particular political significance.¹⁰

Given the importance of economic motivations for independence, the disappointing performance of the post-colonial US economy came as a shock. This eased the search for institutional alternatives. Two issues were at the forefront of the debate. The first was how to foster internal unity, the second was how to respond to the challenge posed by hostile British trade policy.

Already during the war, voices had emerged calling for political unity and economic centralisation. Some of these came from army officers, such as the young Alexander Hamilton, serving on George Washington’s staff. Many officers had become dispirited at the inability of the decentralised Continental Congress to adequately pay and equip the fighting troops. Other discontents were merchants, who advocated larger domestic markets unencumbered by interstate restrictions. In 1781 these positions found reflection in the programme of a group of nationalists centred around Robert Morris, Superintendent of Finance of the new Confederation.¹¹ Morris stood for an ambitious programme of fiscal and financial unification, proposing that state-level debts be assumed centrally. Centralised debt would be funded through

a permanent federal tax, as well as through the emittance of securities by the Confederation.¹² Morris justified a centralised debt on grounds of nation-building, claiming that it ‘give[s] stability to Government by combining together the interests of moneyed men for its support, and consequently in this Country a domestic debt, would greatly contribute to that Union, which seems not to have been sufficiently attended to, or provided for, in forming the national compact’.¹³ As he linked national unity to fiscal unity, Morris was in correspondence with Alexander Hamilton, whose defence of fiscal centralisation a decade later would tread a similar path.¹⁴ Unlike Hamilton, however, Morris had little to say regarding the external orientation of the US economy.

In general, Morris’ concept of centralisation implied neither overwhelming state intervention nor protection. Early nationalists were quite explicit in ascribing a key role to market incentives, merchants and especially banks in driving a modern commercial economy.¹⁵ Credit was to be the driver of growth and in order to supply the cash-starved US economy with capital, Morris founded the Bank of North America in 1781. The country’s first bank, Morris planned, would develop into a nationwide bank under public auspices, furthering national financial integration.¹⁶ The nationalists did not represent a dominant view in the mid-1780s, however, because they faced stiff competition from the Jeffersonians. As effective veto power remained with the individual states, most of the nationalist projects failed to become law.¹⁷

Thomas Jefferson, a politician, architect and planter from Virginia, provided the most influential template for the political economy of the early republic. Jefferson had been one of the authors of the Declaration of Independence and his word carried weight. In his *Notes on the State of Virginia* (1785), Jefferson sketched an idealised picture of his state as a republic populated by independent yeomen farmers.¹⁸ Farmers were ‘the chosen people of God, if he ever had a chosen people, whose breasts he has made his peculiar deposit for substantial and genuine virtue’.¹⁹ The virtue that Jefferson thought was peculiar to farmers was republican virtue, a civic spirit that would provide the bedrock of political freedom.²⁰ Although Jefferson, like Franklin, promoted small-scale manufacturing in a household setting, he abhorred large factories and therefore preferred importing manufacturing products. ‘Let our workshops remain in Europe’, advised Jefferson, ‘it is better to carry provisions and materials to workmen there, then to bring them to the provisions and material, and with them their manners and principles’.²¹ The ‘manners and principles’ that large-scale manufacturing promoted, and which Jefferson feared, were the corruption, poverty and squalor that characterised British industrial cities.²² Jefferson had a clear vision of America as a distinct national community of independent farmers. He saw free trade, by saving the republic from the ravages of manufacturing, as a way to achieve this ideal.²³

A close ally on matters of trade policy was Jefferson’s fellow Virginian James Madison, who expanded on the pro-agrarian argument. Madison believed that

the demand for agricultural necessities was less volatile than the demand for industrial products, because the latter was susceptible to the whims of foreign fashion.²⁴ Political independence and national security, which both Jefferson and Madison prized highly, therefore strengthened the argument for an agrarian economy. However, neither man advocated free trade at all costs. If any foreign nation were to threaten US trade, as Britain did through commercial restrictions, Jefferson felt that the United States should reciprocate with embargoes to force a policy change.²⁵ Madison similarly argued that as a producer of necessities such as food, the United States held substantial coercive power over its trade partners, a power that could be used in the form of sanctions or embargoes.²⁶ The republican ideas of Jefferson and Madison provided a powerful rival to the 'nationalist' position of Morris, and later Hamilton. Whereas Morris offered national integration and finance-led growth, the republicans wanted agrarian decentralisation and virtue. On trade policy, however, Jefferson and Madison were potentially more combative.²⁷

The most aggressive foreign economic policy was pursued by the manufacturers and their intellectual champions. This third strand of American economic thought is easily ignored, propelled as it was by a grassroots movement that did not field thinkers quite of the calibre of Madison. The manufacturing movement was dominated by middling urban craftsmen (the 'mechanics'). As such they fit neither into the Morris-Hamiltonian world of high finance nor into Jefferson's agrarian idyll.²⁸ They were, nonetheless, politically influential, especially in the Mid-Atlantic states such as Pennsylvania. The colonial non-importation movements had polished the patriotic credentials of these craftsmen and by the 1780s they were well-organised in mechanics' societies that lobbied state legislatures for protection.²⁹ Their programme had a mercantilist tinge. The mechanics' treatises often argued that only a favourable balance of trade could guarantee independence. Given that the current balance was largely unfavourable, this provided an argument for prohibitions against foreign manufactures and a comprehensive regime of navigation laws to protect the American carrying trade.³⁰

Two intellectual pioneers were instrumental in broadening the mechanics' narrative beyond mercantilist restrictions. The first was Tench Coxe (1755–1824), a merchant and manufacturer, who stressed that a balanced economy required the mutual interdependence of manufacturing and agriculture. This concession to rural regions was an attempt to soften the opposition of the agrarians. Coxe also advocated the use of internal improvements, that is investments in infrastructure, to tie different regions of the new country together. Coxe's stance was influenced by Mathew Carey, who would soon become the most prominent spokesman for the protectionist movement.³¹

Carey was a recent exile from Dublin, where he had gained notoriety as a radical journalist covering the political battles against British trade policy in Ireland. Like the Thirteen Colonies, Ireland had a history of non-importation movements, which had sprung up in the mid-eighteenth century in opposition

to British restrictions on Irish exports. Carey supported the patriotic spirit of ‘Buy Irish’, but wanted to go further than grassroots activism. In addition, he did not believe that the mere abolition of British trade restrictions and the introduction of free trade between Ireland and Britain would solve Irish economic woes. Fearing that Irish industry would perish in competition with its superior English counterpart, Carey agitated for protective tariffs. His writings found favour with an incensed patriotic mob that ran amok in Dublin in 1779, destroying the property of merchants under the slogan that ‘all importers are enemies of Ireland!’ This did not play well with the British authorities, and in the ensuing crackdown Carey was forced to leave Ireland.³²

Carey’s first stop in exile had been Paris, where he had met Benjamin Franklin and the Marquis de Lafayette (1757–1834), a hero of the American Revolutionary War who arranged his passage to the United States. His journalistic activism in Ireland had equipped Carey with a sharp pen and a visceral aversion to Britain, both of which he put to use in the United States.³³ With help from the Marquis, he set up a publishing house in Philadelphia which published a magazine, *The American Museum*, that soon gained a large circulation among the elites of his new home. Billed primarily as a cultural periodical, *The American Museum* also carried frequent pieces by authors advocating protectionism, thus pushing the topic into the political mainstream.³⁴

The protectionism Carey advocated pivoted around tariffs, rather than wholesale prohibitions, and was therefore more amenable to American notions of commercial liberty. He seems to have been one of the first exponents of the infant industry argument in the United States, predating Hamilton. In all likelihood, Carey imported the concept from Ireland, where he had developed it under a pseudonym.³⁵ A capital-scarce country like Ireland, with little experience in manufacturing, could not compete against Britain, Carey had explained. It should therefore impose temporary tariffs to lower its costs until it could produce as efficiently as its British competitor. At that point, tariffs could safely be removed.³⁶ Carey’s approach was useful to the mechanics’ cause because it was dynamic: temporary protection would avoid the baneful monopolies that Americans learned to loathe since their colonial days. Moreover, Carey was able to frame his argument in terms of the national good, rather than as just another talking point by manufacturing interests.

Carey’s approach shows how protagonists of different intellectual traditions attempted to accommodate their programme to the political climate in the new republic. It is, in any case, easy to overstate the differences in economic policy proposals as they existed in the 1780s, especially in light of the bitterness of later controversies. Thinkers such as Madison did not always fit neatly into either camp – in trade policy, he supported Jefferson, but on issues of domestic centralisation he was closer to Morris.³⁷ Many participants in these early debates, whether nationalists, republicans or protectionists, veered into mercantilist arguments or were prepared to use economic means to further goals of

nation-building. Almost all participants also sought to devise institutions that would maximise the economic gains from political independence. Most eventually agreed that the Union's internal fragmentation threatened economic prosperity and undermined the ability of the United States to conduct trade negotiations. It was also increasingly clear that without central authority, states pursued selfish, rather than national interests.³⁸ Importantly, many thinkers sought a government that would extend the markets currently available to American merchants, both domestically and abroad.³⁹

This consensus found its expression in the US Constitution, drafted with the aid of both Madison and Hamilton in 1787. The Constitution provided for a federal government with the power to tax external trade and regulate interstate commerce. This was a first step towards the creation of a unified national market and a coordinated external trade policy.⁴⁰ In that sense, the drafters of the Constitution were following and shaping the nationalist consensus at the time. The Constitution was propagated by the Federalists, as the nationalists now styled themselves, who stressed the enlarged markets offered by the document. Any diverging interests in the new country, the Federalists argued, would be reconciled within the growing national economy that the Constitution would enable. The Federalists were successful in persuading their countrymen, so that the Constitution came into effect in March 1789.⁴¹

Nonetheless, the great debate about economic community had only begun. The Constitution did not define the external orientation of the American economy and was silent as to the depth of its domestic integration.

2.3 The Hamiltonian Proposal

The Constitution provided a framework within which centralised economic institutions could be created. The person who created many of these institutions was Alexander Hamilton. He is the key figure in the transition from mercantilism to modern economic nationalism. Widely read in both mercantilist and classical economic literature, Hamilton crafted a vision that was at once liberal in its reliance on market incentives and foreign investment, but at the same time oriented towards growing American national power. Hamilton therefore formulated the first expansionist nationalist programme. While his policy interventions (encompassing subsidies, public banking and moderate tariffs) were moderate in comparison to those used by later nationalists, the national purpose of these tools was clear and could readily be extended by later practitioners.

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Born in the British Caribbean, Hamilton had spent much of his boyhood as an apprentice clerk with a trading company in the Danish West Indies, becoming well versed in the commercial practices of colonial mercantilism.⁴² Having

settled in the United States in 1772, he attended King's College in New York (later Columbia University), where he came into contact with political philosophy, in particular the writings of David Hume.⁴³ He fought with Washington in the Continental Army, impressing the general with his keen intellect. This allowed him access to the social circles of the New York moneyed elites. Even while on military campaigns, he read widely on political economy and business practice. While a member of Congress after the war's end, he closely studied Adam Smith's *The Wealth of Nations*.⁴⁴ Hamilton knew both the restrictive trade rules of the late eighteenth century, as well as the enlightened theory of classical political economy that was gaining ground.

In his landmark reports as the first Secretary of the Treasury (1789–95), Hamilton drew on these writings (without mentioning them explicitly). He also incorporated the ideas of financial centralisation and protectionism that had been circulating within Morris' financial circles and the mechanics' societies.⁴⁵ Some of Hamilton's ideas drew on mercantilist patterns of thought, primarily his goal of increasing the power and prestige of the new state.⁴⁶ He also exhibited a mercantilist tendency to evaluate policies according to their effect on the balance of trade and the accumulation of specie.⁴⁷ His writings nonetheless impressed contemporaries for the breadth of their vision. He was remarkably prescient in his emphasis on the potential of the American home market and his belief in the power of machines to drive growth.⁴⁸ Even to modern readers, Hamilton's prose stands out from that of other authors of the period for its analytic style and positivist reasoning. Hamilton's argumentation was thoroughly rooted in notions of economic choice and individual rationality, rather than the moral and idealistic categories of thought that characterised writers like Jefferson or Madison.⁴⁹ This betrays Hamilton's legacy to the Smith of *The Wealth of Nations* and classical political economy more generally.

However, the purpose of markets in Hamilton's world was not to raise individual welfare, but to further national ends. National reputation, the 'respectability of the American name', featured prominently in his writing. Even more important was the military security of the new republic.⁵⁰ Security was to be achieved in two ways. One was to enhance the government's ability to command resources quickly *if* the need for this arose.⁵¹ Hamilton regarded it as essential to reserve this option in light of the financial difficulties the Continental Army had experienced in the Revolutionary War and in light of the likelihood of a recurring war.⁵² The option to command production required centralisation of debt and taxes, internal improvements, a navy and a national bank. However, the ability to command resources would be of little use if the United States remained poor. Increasing production was therefore the second priority, and this demanded expansive credit policies and a burgeoning manufacturing sector.⁵³ Autarky was not part of this design. Rather, much of Hamilton's work is built on the premise that both autarky and economic growth were alternative ways towards increasing military security,

but that there existed a trade-off between both means. For example, the inflow of foreign capital might increase the control foreigners enjoyed over the US economy. Restricting foreign investors might enhance short-term security. On the other hand, foreign investment was one of the most effective ways to increase production in a capital scarce country.⁵⁴ Taking a longer-term view than most of his contemporaries, many of Hamilton's financial policies premised that economic growth through openness was the principal way of obtaining national power, outweighing short-term gains from restrictive policies.

This theme runs through Hamilton's reports on public credit, which continuously caution against knee-jerk patriotism that could harm long-run national interest. The property of foreigners was sacrosanct and foreign debt should be paid back in full; a breach of contract on this point would discourage investors from supplying funds in peacetime that would be much needed should war break out.⁵⁵ Similarly, Hamilton took a controversial 'anti-patriotic stance' on the question of discrimination between holders of war-time debt. Madison had, with an essentially moral argument, demanded that the US government fully reimburse the original holders of that debt (many of them war veterans and other patriots who had loaned their funds to the fledgling cause). Hamilton instead insisted on redeeming the debt to the current holders, many of whom were professional investors, who had purchased these instruments at a steep discount from often destitute patriots. What was at stake for Hamilton was the economic principle of transferability: investors had to be sure that the instruments issued by the US government would be negotiable between holders. If this were not the case, US paper would cease to be a liquid means of payment whose circulation would stimulate commerce.⁵⁶

Hamilton's attitude on debt discrimination also signalled whom he regarded as the community fundamental to the prosperity and strength of the United States: the well-off investors in the Northern states, with their stakes in banking and commerce. It was they who could marshal the resources that Hamilton needed for investment in US debt instruments, manufacturing and infrastructure.⁵⁷ Hamilton's policy of creating a funded federal debt presented a way to tap into this wealth. A centralised, permanent body of public debt, whose instruments would be held by investors around the country, would create a community shaped by the same financial interests. In holding a common stake in the national government, these investors would 'cement more closely the union of the states'.⁵⁸ This vision of an almost aristocratic economic community corresponded quite closely with the circles in which Hamilton was by now moving in New York.

Another institution mobilising the wealth of the rich for the purpose of nation-building was the Bank of the United States. A national bank, Hamilton explained, would be indispensable to increasing and centralising the stock of available capital. This would aid industry and commerce, provide the

government with funds and integrate national capital markets.⁵⁹ These ends would be further supported by a national mint and a uniform currency.⁶⁰ Hamilton did seek to prohibit foreigners from becoming directors of the Bank, for 'such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State'.⁶¹ However, Hamilton also hoped to entice the interest of wealthy investors, including British foreigners, in the bank by interfering as little as possible with their operations and by upholding the security of their investment.⁶²

Hamilton's proximity to financial interests meant that the proposals on credit and the Bank were subjected to sharp criticism in Congress. Most virulent were the attacks by James Madison, who alleged that Hamilton's redemption of the debt privileged 'stock-jobbers' over honest patriots.⁶³ In the Bank, detractors saw 'moneyed interests' riding roughshod over the simple yeoman farmers Madison and Jefferson held out as paragons of republican virtue. Both men attempted to outflank Hamilton by adopting the language of patriotism themselves.⁶⁴ But Hamilton's gamble eventually paid off and his schemes for public debt and a national bank were enacted in substantially the form he had envisaged. The Treasury Secretary was quickly vindicated by economic success: the premium on US debt disappeared, interest rates declined and demand for US paper soared.⁶⁵

Credit was Hamilton's engine of growth, but the structure of the economy it was to propel forwards had yet to be determined. This was the purpose of the *Report on Manufactures* of 1791. The report offered a spirited defence of manufacturing and a list of measures to stimulate it. As before, Hamilton's stated aim was military security and national power, building on the 'total mass of industrious efforts in a community', which was best realised through manufacturing.⁶⁶ This sector would increase production by exploiting a finer division of labour and by providing a home market for American raw materials. Burgeoning manufacturing enterprises would also encourage immigration by high-skilled workers, increasing available manpower. It would furthermore draw previously 'unproductive' members of the community, namely women and children into production.⁶⁷ Crucially, manufacturing was more amenable than agriculture to the use of machinery, a key driver in Hamilton's dynamic vision of growth.⁶⁸ The focus on machinery betrays the key influence of the manufacturer Tench Coxe, who drafted the *Report* as Hamilton's assistant, and through Coxe it demonstrates the influence of Mathew Carey and the mechanics.⁶⁹

Hamilton was adamant that the transformation of the United States from a predominantly agricultural country into a manufacturing power could not occur under free trade. In fact, foreshadowing many similar nationalist arguments, Hamilton held that international trade was not free given the multitude of restrictions imposed by European countries, including Britain. These restrictions would perpetuate the agrarian structure of the economy, barring

the USA from enjoying the fruits of industry in the future. In a key passage that would influence much subsequent nationalist thinking, Hamilton proclaimed that:

The United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system which should induce them to confine their views to Agriculture and refrain from Manufactures. A constant and increasing necessity, on their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorize them to aspire.⁷⁰

There was, according to this analysis, an increasing demand for manufacturing items and a diminishing demand for agricultural commodities, thus leaving nations specialising in the latter weakened over the longer term. Given that the future prosperity of the nation was at stake, Hamilton saw a role for government in stimulating ('exciting') individual investments in industry. However, he only sought the government to provide the impetus for investment, for example through credit schemes or premiums for inventors.⁷¹ He had not developed, as Raymond and List later would, the idea of the potential incompatibility of individual and national interests. He rather believed that private productive powers lay dormant, due to habits or capital scarcity, and that once awakened by the government, market forces would propel the US economy forward.⁷² Tariffs could play their part by encouraging infant industries – Hamilton provided a detailed list of products and tariff rates in his report – but he prefaced them with a number of caveats.⁷³ Primarily, tariffs should be moderate enough not to jeopardise their capacity to bring in revenue, which Hamilton needed to fund his national debt.⁷⁴ Import prohibitions could be used in exceptional cases, but his preferred instrument was subsidies ('bounties') to promising sectors, primarily those sectors like textiles that could purchase domestic raw materials.⁷⁵

Hamilton went one step further in welding government and enterprise together by supporting the founding of the Society for Establishing Useful Manufactures (SEUM), a nationwide industrial corporation under the auspices of leading businessmen and Tench Coxe as Assistant Secretary to the Treasury.⁷⁶ The SEUM was to be a large and hierarchical corporation with ample government support, and its private investors expected to use these advantages to generate profits.⁷⁷ But this aim was couched in nationalist terms, with the prospectus declaring 'that community which can most completely supply its own wants is in a state of the highest political perfection'.⁷⁸ However, it turned out that the SEUM could not even supply the rather limitless wants of its own directors. The operation folded quickly, partly due to the malfeasance of its corporate officers. This exposed the SEUM, and the *Report on*

Manufactures with which it was associated, to severe criticism from rank-and-file mechanics, who saw them as get-rich-quick schemes for the elite, rather than as earnest attempts to spur industry.⁷⁹

Hamilton's response to this criticism was uncharacteristically muted, and much of the *Report* was not put up for discussion in Congress, unlike his earlier financial reports. This apparent demurrer, coupled with Hamilton's elitist tendencies and his acquiescence to British demands on trade, has led to some speculation that Hamilton was not actually a nationalist interested in the promotion of American manufacturing, but was attempting to serve the needs of his aristocratic social circle, or even the British.⁸⁰ Such a position, however, ignores a number of salient facts about the *Report* and about Hamilton's general strategic direction.

First, many of the tariffs Hamilton proposed in the *Report* were enacted only five months later. What Hamilton needed was to overcome resistance in Congress. The opportunity arrived when a military emergency on the western frontier demanded that additional funds be raised immediately. Hamilton now quickly passed his planned tariffs, ostensibly to raise revenue.⁸¹ Second, the charge that Hamilton did not seek to promote domestic manufactures is unconvincing, despite the almost two years it took the Secretary to prepare the *Report*. Congress had initially asked for a report on domestic military procurement, which his assistant Coxe duly drafted. It was Hamilton's own decision to go beyond this initial brief, as well as Coxe's tepid draft, and provide a much more ambitious blueprint of an American path towards manufacturing pre-eminence.⁸² Third, despite his clear admiration for Britain, Hamilton flouted British laws when he deemed it in the best interest of US economic expansion. He directed Coxe to secretly import British machinery for the purposes of technology transfer, and encouraged the immigration of highly skilled British mechanics, despite British prohibitions against such acts.⁸³

Hamilton's caution in offending the British on most other counts stemmed from his desire to avoid war at a time when he did not think the country ready for such a conflict.⁸⁴ He played a longer game than Madison and Jefferson, who were quicker to resort to aggressive commercial policies. Madison tried to punish Britain by subjecting its shipping to discriminatory tonnage duties, a move Hamilton worked hard to prevent because he feared the repercussions on US trade.⁸⁵ Madison also wanted restrictions on foreigners buying the stock of the Bank of the United States, while Hamilton saw gains in foreign direct investment.⁸⁶ Jefferson, for his part, pushed the idea that the United States could, through the use of restrictions on foreign shipping, force these countries to open up their trade to American vessels. For Hamilton, this significantly overestimated the republic's economic power at the close of the eighteenth century.⁸⁷ What differentiated both camps was clearly not their desire to defend a national economic community, as they saw it. This was common to

both. Yet their temporal conception of this community was very different. Whereas Madison and Jefferson's economic thinking, with their emphasis on agriculture and commercial retaliation, was essentially static, Hamilton's was dynamic. He sought to create stability for market participants in order to generate the industrial growth that could guarantee American security and independence in the future.

2.4 Nationalism Democratised

In the first decades of the nineteenth century, the Hamiltonian proposal was transformed from a pro-growth programme building on a narrow class of financial elites to a broad-based popular movement championing self-sufficiency. Two factors drove this change. The first was the increasing clout of grassroots manufacturing activists. This ascendancy of the mechanics was aided by the international political tensions that interrupted trade during this period and inadvertently protected American manufacturing from foreign competition. A second factor militating against Hamilton's vision was the financial crisis of 1819, which to many Americans illustrated the pitfalls of high finance. Daniel Raymond, one of America's first economists, wove these trends into a blueprint for a national economy that was to be self-sufficient and profoundly egalitarian. The broadening of the nationalist movement thus led to a hardening of isolationist positions.

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The reception of Hamilton's economic programmes was decisively shaped by the rapidly developing sectional tensions between Hamilton's Federalists and the Jeffersonian Republicans. Ironically, Hamilton's policies of nation-building were a prime reason for these divisions. His centralising measures fostered resistance from advocates of states' rights. Differing conceptions of America's political economy also reflected the growing antagonism between the agrarian slave-holding South and the free commercial North.⁸⁸ These divisions were reinforced by the escalating war between Britain and revolutionary France in Europe, which split public opinion in the United States, especially as both countries confiscated American ships and their cargo.⁸⁹ The old question of how commercial policy should respond to a hostile international environment thus came to the fore again.

One of the defining controversies was the Jay Treaty with Great Britain, signed by President Washington in 1795. The Jay Treaty was a typically Hamiltonian project, which established peaceful commercial relations with Britain at a price (limited navigation by American vessels to the British West Indies) that many American patriots considered too high. Madison and

Jefferson led the fierce opposition to this Treaty, but they were not alone.⁹⁰ Many protectionist mechanics of the first generation, such as Mathew Carey and even Hamilton's assistant Tench Coxe, were outraged by the concessions made to Britain. They instead supported the Democratic-Republican position that the United States should reciprocate British trade restrictions to maintain what Jefferson called 'commercial independence'.⁹¹ This development is easily lost in overly stark portrayals of the conflict between 'industrial' Federalists and 'agrarian' Jeffersonians: ardent manufacturing activists ultimately deserted the Federalist cause – not because they had decided that economic nationalism was a lost cause, but because Hamilton's commercial policy seemed too moderate!

In addition to qualms about moderation, many mechanics also turned away from the Federalist programme because they found Hamilton's vision of a community of economic elites too narrow.⁹² Among the activists that populated the manufacturing societies, there was a growing unease with large corporations such as the SEUM, run by Hamilton's peers, that would obliterate small manufacturers.⁹³ In letters published in Mathew Carey's *The American Museum*, George Logan (1753–1821), a prominent Pennsylvania politician, articulated this opposition to helping the rich. 'Under a vague undefined idea of supporting the general welfare, Congress is permitted to enact partial laws in favour of a few wealthy individuals', Logan charged, predicting that 'such regulations will inevitably destroy the infant manufactures of our country, and will consign the useful and respectable citizens, personally engaged in them, to contempt and ruin'.⁹⁴ Self-sufficiency was important, Logan argued, but it should build on a grassroots movement of true patriots: 'the success of American manufacturers will not depend on financial calculations, or legislative inference, but on the patronage and encouragement they may receive from patriotic citizens'.⁹⁵ Mathew Carey himself, ever the champion of the common man, argued that government interference was justified, but only in the form of general tariffs that would offer protection to all craftsmen, rather than Hamiltonian subsidies, which would only advantage elites with close ties to the government.⁹⁶ Credit, moreover, was not just to be dispensed through centralised institutions such as the Bank of the United States, but should be made available through a network of small banks to middle-class manufacturers too.⁹⁷ This democratisation of economic nationalism triggered a pivot of especially poorer and middling mechanics to the Jeffersonians by the late 1790s.⁹⁸ They brought their protectionist positions with them.

The turn of these budding economic nationalists towards the Democratic-Republican Party was eased by the pivot of party leaders themselves towards manufacturing and self-sufficiency. Once they were in power after 1800, both Jefferson and Madison saw their presidential terms dominated by commercial conflict and war between France and Britain. Jefferson's attempt to steer

a middle ground between both belligerents by issuing a general trade embargo did not, as he had hoped, force the warring parties into acquiescence.⁹⁹ Neither did Madison's subsequent policy forbidding commercial intercourse with those two nations.¹⁰⁰ Real and commercial warfare did, however, lessen Democratic-Republican opposition towards developing the home market.¹⁰¹ Trade restrictions had started out as a strategy to force free trade upon America's trade partners. However, the continuing trade disruptions brought the importance of domestic markets to the fore. Jefferson and Madison now started to see self-sufficiency as an intrinsic goal. The collapse of trade, Madison declared to Congress in 1809, had encouraged domestic manufacturing, so that the republic could now 'behold a rapid diminution of our dependence on foreign supplies'.¹⁰² Jefferson likewise now applauded self-sufficiency, noting that his own embargo had 'reduce[d] our future demand on England fully by one half'.¹⁰³ Trade disruptions and sanctions, as they would do on many occasions, decreased the costs of pursuing autarky.

Positive attitudes towards manufacturing by Jeffersonian Republicans were strengthened by the fact that domestic industry, itself established as a by-product of trade restrictions, presented an increasingly powerful interest that could lobby for further aid to manufacturing.¹⁰⁴ When the Democratic-Republican Treasury Secretary Albert Gallatin (1761–1849) was tasked in 1808 and 1810 with writing reports on internal infrastructure and manufactures respectively, his recommendations encompassed a combination of import duties, credit and subsidies to industry, as well as internal improvements to create a national market. This was a thoroughly Hamiltonian project.¹⁰⁵ The active involvement of the federal government in infrastructure remained limited to the postal network and the National Road due to constitutional scruples. State and local governments, however, became deeply involved in the networks of turnpikes and canals that increasingly connected Americans.¹⁰⁶ Madison enacted another element of the Hamiltonian programme as president by rechartering the Bank of the United States in 1816.¹⁰⁷

Nationalist fervour was most apparent when it came to trade policy, especially after the conclusion of the War of 1812 against Britain.¹⁰⁸ Once peaceful commercial relations returned, American industry found itself again under pressure from British competition and charges of 'dumping' were quickly levied against British competitors by Carey and his protectionists.¹⁰⁹ Jefferson, now in retirement, charged that those marshalling free-trade arguments in such a situation 'cover their disloyal propensities to keep us in eternal vassalage to a foreign and unfriendly people'.¹¹⁰ President Madison reacted with the first explicitly protectionist tariffs in US history in April 1816, which were justified by his administration as safeguarding 'the influence of domestic manufacturers upon the wealth, power, and independence of the Government'.¹¹¹

The fully fledged economic nationalist movement that emerged from these years of conflict was, despite significant confluence in terms of manufacturing,

infrastructure and credit policy, quite different from Hamilton's prototype. Economic nationalism was now a movement with a broader social base than its predecessors of the early 1790s and it built on participation by smaller producers.¹¹² It also sought to appeal to rural constituencies. One example of such efforts is provided by the activities of George W. P. Custis (1781–1857), an adopted son of Washington and plantation owner, who preached cooperation between farmers and manufacturers. Like George Logan, he admonished large corporations and exhorted the patriotic duty of each citizen to work hard and 'buy American'. Even the American flag, he told an audience of sheep farmers in Virginia, was manufactured abroad, an embarrassment as 'we shall ever bear a secondary grade in the rank of nations, if we are not independent of all'.¹¹³ Dreams of autarky clearly featured more prominently than they had in Hamilton's time and with that came, at times, a stronger dose of chauvinism. As early as 1800, George Logan had railed against 'our commercial towns filled with British Subjects who conduct our trade, with British Agents, who drain our Wealth; with British Politics, British interests, and British Influence'.¹¹⁴ Yet despite the fierce rhetoric, very few commentators sought extensive government intervention, and most emphasised free domestic markets as the best way to raise the common man.¹¹⁵ Trade joined Americans together, who would 'abandon the ocean, and within ourselves, establish a great mart for all the world to visit'.¹¹⁶ Apart from the use of protective tariffs, self-sufficiency would be driven by the daily consumption choices of ordinary patriotic Americans.

Mathew Carey remained one of the driving forces behind the democratisation of American economic nationalism. He was deeply involved in the manufacturing societies that operated in the protectionist heartland of Pennsylvania and provided important networking opportunities for economic nationalists.¹¹⁷ Carey's convictions were hardened by the financial crisis of 1819, which had led to widespread foreclosures and unemployment across the country. Carey attributed the crisis to an overreliance of the American economy on volatile foreign demand and foreign credit.¹¹⁸ This is reflected in his proposals to disengage the United States from the use of specie, which aided international credit transactions. Instead the country would transit to the use of paper money, which would privilege domestic trade.¹¹⁹ Carey disseminated these views in his pamphlets, the *Essays*, which he printed and distributed with his own publishing company. Despite his influence as an agitator, however, Carey's *Essays* were not of the kind taken seriously by political economists. Haphazardly organised, with liberal use of exclamation marks and plenty of polemic in place of argumentative substance, the *Essays* were really more a journalistic commentary on current economic affairs than an intellectual basis for the growing nationalist movement.¹²⁰

The thinker who provided the intellectual crystallisation of mass nationalism into a system of economic theory was Daniel Raymond. Having made

a rather unsuccessful attempt at a career in the legal profession, Raymond became the first American to write a systematic treatise on economics, the *Thoughts on Political Economy* (1820).¹²¹ America's first piece of academic economics turned out to be a cornerstone of the evolving nationalist creed. Wrestling with the problem of how to reconcile popular participation in economic affairs with Hamilton's plan for directed development, Raymond envisaged the transformation of America into a mass society with an interventionist state, but without the extremes of social privilege and wealth that Hamilton had accepted.¹²² Although only moderately successful initially, the *Thoughts* went through three more editions, so that Raymond attracted the financial backing of Mathew Carey, who was keen to bankroll promising theoreticians.¹²³

Raymond's principal significance for the larger development of economic nationalism stems mainly from his conception of the nation, which he in all likelihood bequeathed to Friedrich List (Sections 2.5 and 3.4). As a lawyer, Raymond saw the nation as a legal person that had been formed by its constituent individuals: the 'nation . . . is an artificial being, or a legal being, composed of millions of natural beings; still it possesses all the attributes of a being'.¹²⁴ Unlike most contemporaries, however, Raymond held that once individuals had formed this political community, they had to abide by the regulatory will of the nation as it expressed itself through majority rule.¹²⁵ This justified his methodological nationalism, that is his treatment of the nation as a distinct unit of analysis. 'A nation is one, and indivisible', Raymond declared, 'and every true system of political economy must be built upon this idea, as its fundamental principle'.¹²⁶

Having defined the nation, Raymond drew a sharp distinction between individual and national wealth and he harshly criticised classical economists, primarily Adam Smith, for allegedly conflating the two.¹²⁷ For an individual, accumulating land and money would count as wealth, but for a nation what mattered was the capacity to use these assets to *grow* wealth. This would require government policies, as the interests of individuals and nations were not identical.¹²⁸ Individual planters in the South amassed wealth through slavery. This was not only morally abhorrent, Raymond stressed, but slavery also depleted national wealth as it eroded incentives for work and industry.¹²⁹ In this and many other cases, the government was permitted to override individual property rights and channel individual action towards the national good. Individual rights were always conditional, for a nation is like 'the army [which] is ONE, and the general the head; no soldier is permitted to have a right, or an interest, opposed to the general good of the army'.¹³⁰

The aim of the government as the army's general was the growth of national wealth. It's main tool on this path was the mobilisation of labour, which Raymond thought was chronically idle, an assumption possibly reflecting his own experience as an unemployed lawyer.¹³¹ Increased employment would

create stimulating effects throughout the economy; demand would increase and consumption would be revitalised. As long as the government continually stimulated effective demand, thus preventing an oversupply ('glut') of goods, growth would be recurring. Raymond's list of stimuli included the provision of public works and internal improvements, public debt and the stimulation of manufacturing, and finally tariffs.¹³² He supplemented this with a defence of income redistribution, which he believed would increase overall consumption and hence growth.¹³³

Raymond's theory of growth was based on the unrealistic assumption of a continually expanding labour supply, and his proto-Keynesian program of stimuli did not prize in the costs of an overheating economy. This did not concern Raymond, who was quick to point to the additional benefits derived from employment creation. Internal improvements would further unify national markets. The redistribution of income would foster a more equal and therefore more cohesive national community.¹³⁴ Tariffs increased certainty in times of crisis – the impact of the 1819 crisis can be seen here too. '[T] his nation is at present groaning under distress, caused by a fluctuation in the demand for labour', Raymond conjectured, 'this is always liable to be the case, when the consumption depends on a foreign market'.¹³⁵ Finally, tariffs were a way in which productive capacity could be built up with benefit to the community in the long-term. This future transcended the short-sightedness of individuals, because '[t]he schemes of the former [the legislator], may be adapted to the life of the nation, to which no limit can be fixed'.¹³⁶

Like Hamilton, to whom he owed a lot, Raymond thus prioritised a long-run view of the economy.¹³⁷ Yet his scheme involved the participation of a vastly more extensive group of economic agents than Hamilton's small circle of elites – every member of the national community had their role to play as labourers, consumers or small-time investors. Raymond's vision of community was expressed in vivid language praising the common man and assailing the rich and powerful, who had risen to their station through skewed property rights and protected privilege.¹³⁸ The epitome of licensed greed and privilege were private banks 'who prey upon the public, with a view to make good their losses'.¹³⁹ This was a position close to that of Mathew Carey and similarly reflects the distrust bred by the financial crisis. Raymond was equally clear about his rejection of European hierarchies and any attempt to establish their surrogates on American soil.¹⁴⁰

Raymond's policy prescriptions – internal improvements, tariffs, public debt – were to be the programme of Henry Clay, who would infuse these ingredients into his American System.¹⁴¹ This programme would serve as the rallying cry for nationalist policy makers for the remaining antebellum era and Raymond explicitly threw his weight behind it in a 1828 pamphlet.¹⁴² The American System therefore deserves close study, but before doing so it should be borne in mind that Clay and his followers did not have an intellectual

monopoly on interpreting nationalist writings. Raymond's community of the common man and his aversion to banks are elements that would later become central to Jacksonian democracy. Named after President Andrew Jackson (1767–1845), this movement is not commonly associated with economic nationalism, because it opposed Clay's tariffs. Yet Raymond's anti-elitism suggests that economic nationalism had a much broader remit than trade policy by 1820 and that much of it was equally fundamental to Jacksonian visions of America.¹⁴³

2.5 The American System

Daniel Raymond was a good economist, but making reality out of his theory required political support. This was provided by Henry Clay, the foremost American protectionist politician of the early nineteenth century. Clay recognised the value of a coherent programme to advance his project of national unification. More prosaically, nationalism allowed him to forge a useful coalition of otherwise divergent political interests. The nationalist programme Clay designed was the American System, a policy package combining tariffs, infrastructure and banking, in addition to some gifts to property holders. In order to make the case that this package amounted to more than just pork-barrel politics, the supporters of the American System received intellectual assistance from abroad in the person of Friedrich List.

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On 30 March 1824, Henry Clay of Kentucky, Speaker of the House of Representatives, delivered a speech on the floor of the House that would signal a new phase in the evolution of the economic nationalist movement.¹⁴⁴ The economy had not recovered from the financial crisis of 1819, Clay claimed. Quite the opposite, 'general distress . . . pervades the whole country', of which deflation was the most vicious sign.¹⁴⁵ This had in turn led to a build-up of household debt and foreclosures.¹⁴⁶ Clay was quick to point to the cause of the crisis: 'we have shaped our industry, our navigation, and our commerce, in reference to . . . foreign markets which no longer exist; in the fact that we have depended too much upon foreign sources of supply, and excited too little the native'.¹⁴⁷

In the face of the vagaries of world markets, the only remedy was to replace the current 'foreign' system with a 'genuine American system'.¹⁴⁸ The core principle of the American System was to be the home market on the demand side and home production on the supply side. The American system, in other words, came close to a circular system of domestic self-sufficiency, limiting both imports and exports.¹⁴⁹ Clay enumerated the advantages of isolation: it

would create certainty for American producers, aid national security, increase employment for American workers and eventually even decrease prices for consumers.¹⁵⁰ Fortunately, the required policy instruments were quite familiar to Americans by now, encompassing high tariffs on the outside, as well as federally funded internal improvements and a national system of credit provision on the inside.¹⁵¹

Clay's programme was clearly not original. Raymond had provided much of the rationale, as had Mathew Carey (Clay admitted as much in his speech).¹⁵² Clay's importance lay in his position as a populariser and implementer. As an astute politician, he recognised the electoral potential of combining tariffs, credit and infrastructure into a single policy platform. The tariff appealed to the Mid-Atlantic states, with their budding industry. Banking and credit remained centred in the northern states. Finally, internal improvements were popular in the West, where remoteness made investments in roads and canals a priority. This coalition was needed to outmanoeuvre the slave-holding South, which depended on foreign markets for its plantation cash crops.¹⁵³

The American System also built on the support of middle-class voters as an interest that cut across state lines. These voters were to a lesser degree represented by Andrew Jackson's more plebeian Democrats. Clay's emphasis on maintaining property values against the deflationary trend appealed to their preferences.¹⁵⁴ For the same reason, Clay's American System encouraged federal price regulations to limit the sale of Western lands. Free and rapid settlement of these lands, Clay and his supporters feared, would depress the property values of the middle classes. Moreover, new settlements would create millions of new farmsteads, thus limiting the supply of labour to industry.¹⁵⁵ Reminding his base of the dangers of a 'demoralization of society', Clay stressed that secure employment of the destitute classes in manufacturing was key to avoiding 'idleness and vice'.¹⁵⁶ At the same time, large industrial establishments should be avoided – less America descend into the squalor that had characterised British industrialisation.¹⁵⁷ This could be avoided by focusing production on the home market instead of exporting. The home market would offer ample new economic opportunities for medium-scale enterprises and their middle-class entrepreneurs.¹⁵⁸

Clay's coalition was clearly a coalition of interest groups. His achievement lay in encasing this political coalition within a unifying national discourse. The American System, as he liked to emphasise, stood above sectional interests and represented the majority, the interests of the whole that was larger than the sum of its parts. Political horse-trading aside, Clay was an ardent believer in national unity who believed that an activist federal government would cement citizens' attachment to the Union.¹⁵⁹ For Clay, an integrated home market would lead to 'the creation of reciprocal interest' between American producers and consumers, eventually coalescing into a national economy of 'affinity and consanguinity'. It is indeed doubtful whether the American System's

individual elements would have commanded the legislative or popular support they enjoyed as part of the package.¹⁶⁰ This was recognised by Mathew Carey and his followers, who threw their support behind Clay's coalition. As the influential protectionist publisher Hezekiah Niles (1777–1839) told Clay: 'In times like these *national* men must not all quit the field. The liberality & broadness of your views . . . are inestimably valuable just now. The legislation or direction of the public affairs seems to regard a quintal of codfish, a hhd. of tobacco or a bale of cotton, instead of keeping an eye to the whole.' (Niles wisely avoided mention of hemp, in which Clay himself had a major financial stake.)¹⁶¹

Clay's strategy was met with initial success when the tariff proposals of 1824 for which he had campaigned passed into legislation. Nonetheless, the American System aroused fierce opposition from southern delegates, who saw it as naked interest group politics rather than a unifying national project.¹⁶² The defenders of the American System had to ramp up their marketing strategy. Despite Clay's emphasis on 'consanguinity', they did so by procuring intellectual support from two immigrants: John Rae (1813–93) and Friedrich List. This was done on purpose. As foreigners these thinkers were less likely to be blemished by association with one of the many vested interests jostling for control of American trade policy. Foreign expertise could bestow objectivity on the nationalist cause.

John Rae was a Scottish polymath whose travels in the undeveloped Canadian 'backwoods' had convinced him that spontaneous interaction between individuals would not be enough to ensure capital accumulation and consequently economic growth. Especially in a new nation such as Canada, with its high need for infrastructure investment, this private desire for accumulation would not correspond to what was optimal at the national level.¹⁶³ This chasm was wider 'the more the state of feeling . . . pervading any community separates individuals from one another'. What was needed was a strong feeling of national community: 'though individuals perish, the race remains, the more the interests of the community are identified with those of others, the wider will be the circle of events which the accumulative principle will comprehend'.¹⁶⁴ Nationalism was the antidote to slow capital accumulation. Rae was consequently invited by nationalist circles to the United States so that he could publish his work in Boston, where it appeared in 1834. However, Rae's vision of economic community was more abstract than his political backers, who were mainly interested in protectionist tracts, had hoped for. The book languished in relative obscurity.¹⁶⁵

Friedrich List's stay in the United States would prove to be of greater consequence than Rae's brief sojourn. List, a former civil servant and professor of public administration from the German Kingdom of Württemberg, had gained notoriety in the German lands as a political agitator.¹⁶⁶ In 1819, he had been the driving force behind the foundation of the first All-German Business

Association in the mercantile city of Frankfurt, the former ‘capital’ of the by-then defunct Holy Roman Empire. The Association’s prime goal was the removal of customs barriers between the German states, which were a serious hindrance to trade. For the young List, the creation of a unified market was the first step towards German political unification, a goal many of his bourgeois supporters shared. List also advocated the creation of a common German external tariff to retaliate against the barriers erected by other nations.¹⁶⁷ Apart from his activity as an economic nationalist, List also displayed his impeccable credentials as a democrat and liberal when, elected to the Diet of his native Württemberg, he started to campaign for constitutional reforms and citizens’ rights. Both Pan-German nationalism and political liberalism were anathema to the authorities at the time, so that List was imprisoned on charges of treason and subsequently forced into exile.¹⁶⁸ In Paris, List met the Marquis de Lafayette, who had already introduced Mathew Carey to life on the other side of the Atlantic.

List thus chose to emigrate to the United States in 1825, where he embarked on a tour of the country with Lafayette. The excellent connections of the Marquis into the highest circles of American political life put List into contact with, among others, John Adams, Thomas Jefferson, John Quincy Adams and Henry Clay.¹⁶⁹ List was impressed by the spirit of democratised nationalism in the States and wasted no time acquainting himself with local protectionist circles. An invitation to contribute to the Pennsylvania Society for the Encouragement of Manufactures and the Mechanic Arts, Mathew Carey’s influential protectionist association, soon followed.¹⁷⁰ The Society was looking for someone with List’s intellectual firepower in the battles leading up to the tariff bill of 1828.¹⁷¹ In this capacity, List wrote a series of letters to the Society on the topic of protective tariffs that were subsequently published as the *Outlines of American Political Economy* (1827).

The *Outlines* offer a fine example of List’s ability to tailor his writings to a specific audience. Although treating matters of trade generally, List applied his arguments to the contemporary situation of his new host country and directed them specifically against the writings of Thomas Cooper, Adam Smith’s American ‘disciple’.¹⁷² More importantly, it is in the *Outlines* that List first systematically sketched his argument for the economic importance of the nation. Whereas his previous writings had been journalistic polemics, it was through his contact with American thinkers that he recognised the need for a theoretical foundation.¹⁷³ ‘It is theory, sir, which furnishes to the opponents of the American system the intellectual means of their opposition’, he declared, and exhorted his new compatriots ‘to lay the axe to the root of the tree, by declaring the system of Adam Smith and Co. to be erroneous – by declaring war against it on behalf of the American System’.¹⁷⁴ In the United States, List thus aimed his martial rhetoric away from the parochial princes whom he had battled in the German lands, and towards targets with global

visibility: Adam Smith and British trade policy. The preoccupation with Smith may reflect the influence of Raymond's work, which List likely read in preparation for the *Outlines*, while the focus on the purported British threat had long been an intellectual staple of Mathew Carey's manufacturing discourse.¹⁷⁵

A reading of the *Outlines* against his later and more influential *National System* highlights three more American influences on List's thought.

First, the *Outlines* already contain List's tripartite division of political economy into individual, national and cosmopolitan economy, with the attendant charge that Smith had been ignoring the centrality of national economy.¹⁷⁶ The nation, according to the American List, is primarily a legal person, rather than the organic composite envisaged by German thinkers (see Section 3.3). This accentuates the vital position of List's American stay, especially his purported reading of Raymond, in the development of his creed.¹⁷⁷ Once again mirroring Raymond, List argued that the nation had a right to override individual decisions, because the laws governing individual and national welfare differed.¹⁷⁸ This idea has subsequently become a staple of nationalist thinking on the economy. It is equally important to note what List did not adopt: whilst Raymond's conception of national personhood was based on a constitutional theory of majority rule, List's exported creed would omit any reference to the democratic origins of nationhood.¹⁷⁹

Second, the List of the *Outlines* believed that national welfare was in constant conflict with global 'cosmopolitan' welfare, because the global economy was an arena of war. Military security, as well as unfair foreign trade practises, are List's paramount motivations for protection.¹⁸⁰ List's defence of the American System therefore reads in parts like an update on Hamilton's 1791 *Report*, albeit with fiercer rhetoric.¹⁸¹ List did not yet, as he would later, systematically attempt to square the circle between the interests of the nation and humanity at large, giving the *Outlines* a much narrower focus.

Finally, we see in the *Outlines* evidence of List's talent to buttress theoretical arguments with empirical observations drawn from his knowledge of commercial policy. This led him to emphasise that the specific national context determined optimal economic policy.¹⁸² List would later emphasise the influence of his practical experience in the United States on his dynamic view of economic development: 'Here before one's eyes, wildernesses become rich and powerful states. Here it first became clear to me that nations pass through different stages of economic development. A process which in Europe would require many centuries takes place here under our very eyes.'¹⁸³ American dynamism, not the stifling stasis of the German states, showed List the possibilities open to nations embarking on the road to expansion.

Intellectual germination was a two-way process. With List, American economic nationalism gained a theoretically sophisticated proponent of protectionism – one more attuned to the practicalities of commercial policy than Raymond had been. The movement also gained someone

who could draw on a knowledge of European economic debates, someone who could quote French protectionists to marshal wider intellectual support for the American System (Section 3.2).¹⁸⁴ The irony was not lost on the System's critics, one of whom quipped in the House of Representatives that '[w]e appear to have imported a Professor from Germany, in absolute violation of the American system, to lecture upon its lessons'.¹⁸⁵ However, it was exactly List's status as a foreigner, which left him untainted by the sectional controversies polarising US politics, that added to the impact of his defence.¹⁸⁶

The *Outlines* were most likely commissioned in preparation for the All-American Harrisburg Convention of Manufacturers. This was a centralised gathering of proponents of the American System, modelled with some theatrical gusto on the 1787 Constitutional Convention.¹⁸⁷ The issue of the tariff loomed large over this Convention, as it did throughout 1827 and 1828. In this atmosphere, List's *Outlines* were widely read and influential in American political circles. List carried on authoring public statements on behalf of the Pennsylvania Society in its lobbying of Congress, while also writing as a journalist.¹⁸⁸ For List personally, his political activities bore fruit when he became a naturalised American citizen in 1830, and was made US envoy to the German Duchy of Baden by President Andrew Jackson.¹⁸⁹

Despite eventual passage of the tariff bill in 1828, Clay's national vision did not emerge the political machinations leading to its passage unscathed. The tariff would enter history as the 'Tariff of Abominations', reflecting both its tortuous legislative enactment process, as well as its divisive content. As a result of Congressional horse trading, the tariff also raised duties on raw materials, diminishing support for the bill even from Carey and other manufacturing supporters.¹⁹⁰ Nonetheless, tariffs kept rising and Clay could claim victory on this basis in an 1832 speech, this time in the Senate, arguing that his tariffs were responsible for the growth of the American economy.¹⁹¹

Clay's influence in US politics throughout much of the first half of the nineteenth century ensured the passage of a number of protectionist tariffs. This policy became one of the corner stones of the National Republican and Whig Party platforms. Other crucial elements, mainly the Bank of the United States and federal infrastructure improvements, were vetoed by President Jackson, ostensibly on grounds of constitutional concerns.¹⁹² Over the long term, the American System would outlive its creator and become part of the policy consensus after the Civil War.¹⁹³ In the short term, however, its effect was divisive. Southerners judged their interests to be threatened by the coalition arrayed against them, and resentment between the sections grew. The agitation reached its apogee in the Nullification Crisis of 1832–33 when free-trading South Carolina attempted to defy Clay's tariff, thereby contravening federal law.¹⁹⁴ Instead of fostering national unity, Clay's American System had

highlighted the Union's political divisions, which would only deepen in the years to come.

2.6 Henry Carey and the Harmony of Interests

Tariff issues became less prominent in the American debate after the Nullification Crisis of 1833 because sectional tensions between slaveholding and free states precluded advancing the controversial issue of trade policy. That did not mean that the supporters of the American System had abandoned their project.¹⁹⁵ Rather, economic nationalism underwent another mutation, now recasting itself as an ideology of harmony that balanced sectional interests. This was the work of Henry C. Carey, son of Mathew Carey. The younger Carey completed the shift in nationalist discourse from a focus on expansion towards a preoccupation with domestic inequality that had already been underway since Raymond. Carey blamed the political polarisation of antebellum society on an exposure to international trade and successfully called for a staunchly isolationist programme. He consequently argued that this isolation would usher in a 'Harmony of Interests' within the United States. Yet economic nationalists were ambiguous to what degree this harmonious community should include immigrants and racial minorities. While they were generally willing to welcome immigrants on account of their alleged economic contributions, the ethno-centric designs of many nationalists excluded African Americans.

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Henry Carey inherited not only his father's wealth and publishing house, but also his Anglophobia, fierce nationalism and protectionist connections.¹⁹⁶ Just like Henry Clay, he was not a detached observer when it came to trade policy, but had financial interests in industries whose protection he demanded. He also frequented the social circles of the Philadelphia industrialists who had a stake in safeguarding their markets. Yet Carey realised, as Clay had done, that the era of the Hamiltonian gentleman capitalist had long passed, so that calls for protection needed to be embedded into a broader national narrative.¹⁹⁷ This implied, first, the need to showcase the advantages from a protective system that would accrue to labour. Second, Carey's writings tapped into a deep-seated anxiety about the future of the Union and the conflict that sectional policies such as tariffs could provoke.¹⁹⁸ Carey was therefore at pains to stress that none of America's many interest groups would loose from protection. One of his best known works, published a decade before the Civil War, stressed that only protection would guarantee 'perfect harmony of interests throughout the Union, and among all its people'.¹⁹⁹ Protection

would aid Americans in building prosperous, almost self-sufficient, communities in which mutual interactions would transcend sectional divisions.²⁰⁰ Unlike Clay, and quite unlike his father, the younger Carey was a well-read economist and prolific academic writer, whose work attempted to span the social sciences. He was not afraid to devise his own theoretical basis for this national *Harmony of Interests*.²⁰¹

Like many nationalists, Henry Carey based his theories on a critique of the division of labour that would occur under free trade. Hamilton and List had held that free trade divided the globe into an industrial Britain and an agrarian rest. Carey followed their lead. The British, he complained, had monopolised the industry of the world and were now using their market power to decrease primary commodity prices and raise the price of manufactured goods. In effect, they were taxing farmers in the United States and elsewhere.²⁰² If one had any doubt about British intentions, one only had to examine the fates of Ireland and India, Carey claimed, colonies whose prosperity had been eroded by a British-led division of labour and a British stranglehold on world prices.²⁰³ Carey's insistence that the British controlled the global price level was a new (if conspiratorial) addition to the nationalist canon, but the remainder so far was standard fare.

Carey's real novelty lay in connecting trade to the division of labour *within* the United States, and the implications this held for national unity. British colonialism and subsequent free trade, he argued, had encouraged large parts of the country, especially the cotton-producing South, to specialise in cash crops for British markets. The South was thus bound to the interests of its foreign trading partners. The problem was magnified by the disproportionate focus on agriculture within the USA, Carey complained, which had dispersed the American population thinly over an immense area. High internal transport costs meant that Americans did not come into contact with each other, thus forming no union of interests at home.²⁰⁴

Predictably, the only way out was a tariff, the panacea for all of America's ills. It would encourage manufacturing, including in the South, thus releasing it from allegiance to British customers. There would fewer farmers, so that the remainder would benefit from increasing land prices and from feeding industrial workers.²⁰⁵ Carey was not circumspect about tariff rates, as Hamilton had been. Manufacturing, he argued, relied on complex value chains including raw materials, and each link in the chain required extensive protection for the benefit of whole.²⁰⁶

Most importantly, industrialisation would encourage more compact settlements, where 'the loom and the anvil . . . take their natural places by the side of the plough and the harrow'.²⁰⁷ Long-distance trade, with its wasteful high transport costs would be replaced by local interactions. As transport costs were saved, Carey believed, domestic commerce would actually pick up. Profit-seeking middlemen would be cut out by direct contact among buyers and

sellers.²⁰⁸ Within such tightly knit local communities, the benefits of ‘powers of association’ could take hold. Americans would communicate more with each other, as consumers, producers and neighbours.²⁰⁹ Fraud, which Carey held to be endemic in long-distance trade, would be replaced by mutual trust, spurring credit provision. Spending time at home with one’s family and peers instead of travelling the world would create intellectual communities.²¹⁰ Peaceful compact populations would decrease the costs of law enforcement, making a smaller-sized government possible. Cooperation would replace conflict as balanced local communities would mean that the nation, as the supreme community, was self-sufficient and in harmony with all its parts.²¹¹

Protection would also save Britain itself from misery. Here Henry Carey drew upon critiques of British ‘pauperism’ that were becoming widespread in the nineteenth century. According to these, Britain’s role as the workshop of the world meant that its labourers were overworked and poorly paid. Exploiting labour allowed the British to flood world markets with their products to undercut competition.²¹² ‘The apparently cheap clothing is very dear. It is obtained at the cost of much labour, and of little value when obtained’, Carey observed, predicting that the ensuing race to the bottom in labour standards would depress wages everywhere.²¹³ Nationalists across the globe therefore needed to work together to ensure the welfare of workers through protection.²¹⁴

Carey’s ambition to show that every imaginable interest would benefit from tariff protection gives his work a forced and at times almost quaint quality. His utopia was not, as Hamilton’s or List’s visions were, a bold imagining of an era to come, but rather a harking back to an imagined past of communitarian decentralisation that had little in common with the accelerating pace of mid nineteenth-century globalisation. Posterity has therefore not been kind to Henry Carey, first subjecting his ‘nationalist bias’ to fierce academic criticism, before eventually forgetting about him altogether.²¹⁵ He did, if often haphazardly, broach many topics that classical economists had neglected: the spatial distribution of economic sectors, the relationship between transport costs and trade, as well as the benefits of agglomeration. These topics were not successfully tackled in the economics discipline until the early 1990s.²¹⁶

Whatever his long-term academic influence, Carey was taken very seriously in his own time, with Karl Marx describing him as ‘the only American economist of importance’.²¹⁷ Marx had a point, for we will see Carey’s influence in contexts as diverse as Meiji Japan and interwar Argentina (Sections 4.5, 6.2). As a publisher and businessperson of extensive connections Carey was furthermore decisive in popularising the American System in Europe.²¹⁸ In the United States, his vision of a harmonic utopia resonated in times of sectional crisis and he invested heavily in extending his intellectual influence. He founded his own school of thought, which could take no name other than

the ‘American School’. Its disciples continued to extol the domestic market for much of the nineteenth century.²¹⁹

Carey’s most important legacy was his imprint on a new political party that was rapidly gaining popularity: the Republicans. Founded in 1854 mainly as an alliance of anti-slavery forces, Carey was instrumental in adding protectionism and domestic market integration to the nascent Republican platform.²²⁰ Carey leveraged his academic pedigree and political connections with lawmakers to such an extent that sections of the Committee Report accompanying the 1857 tariff bill were directly copied from his *Harmony of Interests*.²²¹ This persistent lobbying in the press and in Washington earned him the epithet ‘The Ajax of Protection’.²²² Yet Carey’s finest hour came when the secession of the southern states led to the withdrawal of their traditionally free-trading lawmakers from the Senate.²²³ Having become a principal economic adviser to the incoming administration of Abraham Lincoln, Carey wasted no time in staffing Lincoln’s office with his own supporters.²²⁴ As a young politician in the 1830s, Lincoln himself had already been a supporter of Clay’s American System.²²⁵ Lincoln now became a reader of Henry Carey’s work, soliciting his advice and absorbing the main policy elements of his programme. The Morrill Tariff of 1861, which initiated a long climb in US tariff rates over the next fifty years, was a reflection of Carey’s influence. Lincoln also supported further tariff bills while in office.²²⁶ While these tariffs were primarily motivated by the need to finance the Civil War, Careyite lobbying nonetheless influenced their protective direction. Moreover, subsequent peacetime Republican administrations largely followed Lincoln’s lead until the start of the twentieth century.²²⁷ Although the debate over protectionism would still be raging in Congress, the balance of power in the United States was now firmly on the side of the American System.²²⁸

The obvious irony that it took a civil war to push Henry Carey’s ‘perfect harmony of interests’ unto the statute books is instructive regarding the ultimate failure of American nationalists to speak for the entire economic community. Henry Carey’s long enumeration of interests he sought to defend invites another, in many ways more fundamental question: which were the interests Carey and his fellow economic nationalists did not see as worth defending? The external demarcation of their imagined communities is irretrievably intertwined with the general nature of American nation-building in the antebellum era. It is clear that this nation-building was not wholly based on a ‘civic’ nationalism, where one could attain membership in the nation solely through shared political ideals. Notions of race, gender, cultural heritage and religion mattered in determining full membership in the American nation.²²⁹

The degree to which economic nationalism has contributed to these restrictive conceptions of American nationhood is more ambiguous. It can be argued that, as economic nationalism democratised in the early nineteenth century, the erasure of horizontal hierarchies led to the reification of racial

boundaries.²³⁰ As shown below, this describes the attitude of some economic nationalists, most notably Henry Clay and Mathew Carey, who sought to exclude black Americans from the national community. In general, however, there seems to have been no clear-cut association between arguments prioritising self-sufficient economic communities and those favouring ethnic, racial or religious exclusion before the Civil War. Arguments for such exclusion were frequently made, but they were not predominantly motivated economically.

Debates surrounding migration are a case in point. Many pioneers of economic nationalism, such as Hamilton, Coxe or Mathew Carey favoured immigration, which they interpreted as a sign of the vitality of the domestic economy. They also coveted the skills migrants would bring, which would contribute to the strength and welfare of the nation. Hamilton's circle even arranged for the *Report on Manufactures* to be printed in Dublin to encourage Irish workers to seek work in the USA.²³¹ It is true that during the late 1790s, Hamilton's position on immigration hardened considerably, and he was likely one of the main instigators behind the Alien and Sedition Acts, which considerably raised the naturalisation requirements for foreigners wishing to become American citizens. Hamilton did not arrive at this hard-line stance because he had changed his mind about the economic benefits of migration, however. His increasing xenophobia primarily reflected his paranoia about the *political* reliability of new migrants, whom he branded as radical revolutionaries.²³²

A similar tension between migration as an economic good, but as a political threat, can be observed in another wave of nativism that engulfed the USA. The 1850s saw the rise of the xenophobic American Party, also known as the 'Know-Nothing' movement. At the origin of this movement was a complex set of motivations, but most dominant was a long-standing anti-Catholic sentiment that surged as Irish immigration picked up from the 1830s onward.²³³ Nativists disparaged the ability of Catholic Irish to contribute to American political culture, often citing their supposed cultural distance to Protestant Anglo-America.²³⁴ Economic factors did certainly play a role too, as Irish migrants tended to be poorer and some nativists, many of whom were urban craftsmen, feared downward pressure on their living standards and social status.²³⁵ Nonetheless, their movement couched its argument in cultural and political rhetoric, rather than socioeconomic arguments, by arguing that poverty and culture made new migrants unable to vote responsibly.²³⁶ Some nativist leaders, while demanding that poor immigrants be denied political rights, advocated that their capacity to own property and conduct transactions be kept intact, so as not to endanger the usefulness of immigrants to economic production.²³⁷ Similarly, as much as they railed against foreign trade and British domination, much of the protectionist Whig establishment in the northern states, including their champion Henry Carey, acknowledged the economic benefit of migration to a still-expanding United States.²³⁸

Moreover, for many nativists, the exclusion of Catholic migrants did not necessarily correlate with a strict exclusion of other groups from the community. Some Know-Nothing groups decried America's 'peculiar institution': slavery.²³⁹ Criticism of slavery was widespread in the North, where both nativists and old protectionist Whigs had their electoral stronghold.²⁴⁰ Many promoters of the American System opposed slavery on moral, but also on political and economic grounds. Raymond's argument that slavery enriched southern planters at the expense of economic growth has already been noted. Expansionist nationalists, including Hamilton, generally associated slavery with political backwardness, inefficiency and agrarian poverty.²⁴¹ Henry Carey, rather disingenuously, blamed the British for the persistence of slavery in the USA, arguing that free trade had depressed food prices, thereby allowing the maintenance of inefficient slave labour. Protection, he argued, would raise food prices and erode the profitability of slavery.²⁴²

Other economic nationalists occupied more ambiguous and shifting positions on the issue of slavery. Henry Clay, a slaveholder himself, expressed his dislike for the institution. Yet he often attempted to appease southern slaveholding interests in exchange for their support on policies related to the American System.²⁴³ Mathew Carey also initially attempted to reconcile slavery with the American System in the 1820s, fearing that broaching the topic would jeopardise national unity. After the intransigence of South Carolina in the Nullification Crisis, he abandoned this approach and advocated an economic community of free men without the Southern states.²⁴⁴

It is crucial to emphasise, however, that whatever distaste economic nationalists felt for the moral horrors and economic inefficiencies of slavery, they rarely showed a willingness to build an economic community that encompassed free black workers. Mathew Carey's community of free men was a white community.²⁴⁵ Clay likewise emphasised the alleged incompatibility of free black Americans to live and work in unison with whites.²⁴⁶ (In this, he echoed many of the racist prejudices Thomas Jefferson had expressed at the close of the eighteenth century.)²⁴⁷ Unsurprisingly, Clay and Mathew Carey found it hard to reconcile their advocacy of racial separation with their defence of national unity. The only way out of this predicament they could envisage was the gradual emancipation and subsequent resettlement of free black Americans to Africa. The road to the harmony of interests, in other words, was the removal of a part of the population with possibly divergent interests or identities.²⁴⁸ To this end, Clay co-founded the American Colonization Society in 1816, and pledged to use proceeds from federal land sales to fund colonisation in Liberia.²⁴⁹ This was intimately related to Clay's American System. For one, the emigration of America's black population would create a more homogeneous national community in the United States. This exodus would also raise the wages of white workers and limit competition for land.²⁵⁰ Secondly, the colonisation of Liberia would effectively provide the United States with a base on the African continent,

supplying the mother country with raw materials and spreading its influence.²⁵¹ The American System would have gone global.

This was not a fluke, and Clay expressed his global ambition for the American System on multiple occasions. When he first used the term in a 1820 speech, he was not referring to tariffs, internal improvements or the national bank, but to the political relationship of the United States with the emerging Latin American republics.²⁵² Clay envisaged a system of republics for the American hemisphere free from European colonial rule and influence. This vision deservedly won him many friends in Latin America, but it was also a vision that was perfectly consistent with a leading economic role for the United States within the hemisphere. 'It is in our power to create a system of which we shall be the centre, and in which all South America will act with us', Clay dreamed, 'in respect to commerce, we should be most benefitted'.²⁵³

Clay's hemispheric system and Clay's economic nationalist system are closely linked.²⁵⁴ The hemispheric system would still be protected by tariff walls, Clay stressed, but these walls would now encompass all of Latin America too. This would effectively have granted the United States privileged access to markets within the hemisphere.²⁵⁵ US cotton fabrics, Clay observed, were competitive in South America and the importance of these exports would grow in the future.²⁵⁶ When it came to the economic potential of the new countries themselves, he praised the capacity of Mexico and Chile to grow wheat.²⁵⁷ The economic relationship between the USA and the rest of the hemisphere would therefore be that between a manufacturing power and a group of raw material producers: 'In relation to South America, the people of the United States will occupy the same position as the people of New England do to the rest of the United States. Our enterprise, industry, and habits of economy, will give us the advantage in any competition which South America may sustain with us.'²⁵⁸

Clay's continental dreams, of course, remained largely that, and he never instituted an American economic empire. Many newly independent South American republics gave precedence to economic relations with Britain.²⁵⁹ Mexico, under the conservative minister Lucas Alamán (1792–1853), showed little inclination to remain a primary products exporter and took steps in the early 1830s to encourage a manufacturing sector of its own, one of the first of many Latin American countries to do so.²⁶⁰ Still, Clay was not dreaming alone, and many US economic nationalists veered on occasion into sketches of economic empire. Henry Carey advocated 'the annexation of the land and the people of Canada, and the other British possessions' largely because of the market this would provide.²⁶¹ The publisher Hezekiah Niles, one of Mathew Carey's comrade-in-arms, was keen to emphasise the importance of Latin American markets to an expanding US industry, despite the importance he placed on 'self-sufficiency' when describing relations with Europe.²⁶² The tendency to combine isolation and territorial expansion would come fully to the fore in European economic nationalism.