

**NOTES ON FALLACIES
PECULIAR TO AMERICAN
PROTECTIONISTS, OR CHIEFLY
RESORTED TO IN AMERICA**

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Notes on fallacies peculiar to American protectionists, or chiefly resorted to in America by Francis Lieber

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BY
FRANCIS LIEBER.

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NOTES
ON
FALLACIES OF AMERICAN PROTECTIONISTS.

FALLACY FIRST.

PROTECTION OF AMERICAN CAPITAL AGAINST CHEAP FOREIGN
CAPITAL.

At the beginning of the American system, so-called, the most favored argument of the protectionists was the American Capital argument. Capital, it was said, is dear in America; that is, high interest must be paid for it. In Europe capital is cheap, consequently the manufacturer can produce cheaper; therefore we must keep those cheaper products out of the country. It was the argument most popular in 1827, when I first landed in America. It was Daniel Webster's chief argument when he took the protectionists' side. In 1824 he was yet a champion of free trade, a statesmanlike and patriotic defender of unshackled exchange and free consumption.

The reply to this fallacy is, that no protection of capital is wanted, since no one assails capital or capitalists. The fact that higher interest is paid for capital here than elsewhere is sufficient proof that no privilege is required, were it even justifiable, on the fundamental principles of politics, to grant a privilege of this kind. Whence is derived the right of granting prerogatives to the capitalist above other producers, workmen and toilers, at a high cost to the latter? For, if products are kept out of the country, because cheaper than they could be produced by American capital, in that case, of course, the

consumers, that is the people at large, of whom the straitened and needy are always the great majority, have to make up the sum given to the capitalist or to the monopolist. It was a simple matter of undue privilege, not in accordance with our public law, and inconsistent with the spirit of individual independence pervading our whole polity.

The name protectionist, claimed by those who openly proclaimed that their object was to favor American capital, was then, in this case, as it is in all others, chosen with peculiar lack of skill. Protectionist is a term which does not mean a person who desires to protect some thing or some one against some attack or injury, but it means exclusively a person who desires to favor one branch of business or set of men at the cost of the rest. The protectionist is always an assailant, and Obstructionist would be the fitting name for him, but we must use the term as it is used in common language, though not without a protest.

When the argument founded on the protection of domestic capital was here in vogue, the favorite protectionist argument in England was that taxation in England was much higher than on the Continent, which, consequently, could produce cheaper than Great Britain; therefore, the cheaper productions of the Continent must be excluded from England; that is to say, from the English consumer, who is also made to bear higher taxation; at all events, the prices of the articles he desires to consume must be raised, in order to benefit the comparatively small class of manufacturers, or actually, to create a privileged class of manufacturers. This argument is now, when the heavy war debt is weighing on us, frequently used in our country. See Fallacy 5.

FALLACY SECOND.

HOSTILITY TO FOREIGN CAPITAL.

If American capital was too dear for domestic manufacture in general, yet certain branches could be advantageously pursued in this country at that time, then if you do not desire to grant prerogatives to the American capitalist, the question presented itself at once: Why do you not borrow foreign

capital, which can be had at a much lower rate of interest than American ?

It was answered that it is bad to work with foreign capital ; it makes the borrowing country dependent ; the interest which must be paid for the capital is so much money leaving America, and therefore lost ; so that working with borrowed capital is tantamount to impoverishing a country. Even General Jackson, in a message to Congress, the spirit of which was for moderate protection of certain branches by discriminating duties, within the limits of a revenue tariff, or a judicious tariff as it was then called, expressed himself strongly against working and producing with capital borrowed from the foreigner. When a conflagration consumed the larger portion of Charleston, in 1838, and South Carolina allowed the city to borrow several millions, some would-be patriots blamed the Corporation for preferring foreign capital, which could be had at five per cent. interest, to domestic capital, which could not be had at less than seven per cent. at the North, and eight or even more than that at the South.

Every merchant will tell you that by far the greater portion of all the commerce in the world is necessarily carried on by borrowed capital. Every farmer in the West will testify that its magnificent agriculture begins with borrowed capital. Whether the lender of the capital is abroad or not makes no difference ; it is a great benefit to a country if foreigners gladly lend their money. If loans can be made cheaper abroad than at home, it shows that capital finds better employment at home than abroad ; it makes it more productive in the country of the borrower. Was it or was it not a benefit to our country that foreigners readily bought our bonds, created by Congress to carry on our great war ?

With reference to capital, as to every other economical question, there is no difference in respect to honesty, expediency or profit, between private and public financial questions ; and the most comprehensive national transaction is only a vast multiplication of minor affairs, as, on the other hand, National Wealth does not designate any wealth separate from private wealth, but simply the sum total of all the wealth possessed by the individuals composing a nation, plus the

productive property which the government may possess, and which is a mere minimum with all civilized nations. This latter is called public property, but also national property. The word national is taken in different meanings, but national wealth never means anything but the sum total of all the wealth—of all the gardens, mills, roads, fields, manufactures, mines, houses, implements, goods, money and what not—possessed by all the individuals.

Borrowing from the foreigner does not make us dependent upon him. How should it? He cannot send us to jail. In international affairs, it is the lender who is dependent upon the borrower, rather than *vice versa*. Spain and Mexico may serve as illustrations. As to the presumed loss sustained by the interest of the borrowed capital being payable abroad, we shall say more further on.

FALLACY THIRD.

NATIONAL INDEPENDENCE.

Nearly as old, in our country, as the theoretical hostility to foreign capital, is the argument founded on the desirable or necessary independence of this country. It was a favorite argument of John Quincy Adams. America—republican America, must not be dependent on Europe—monarchical Europe. What would become of us in time of war if we depend for every martial requisite on Europe? How shall we have cordage for our men-of-war if we do not protect Kentucky hemp?

The mixing up of monarchy and republicanism with iron, hemp and cloth resembled much the demagogue's garniture of a poor argument, mistaking Chinese seclusion and exclusion for civilized and dignified independence. We might as well speak of Baptist production, or Presbyterian labor.

The whole economy of our species and of the globe on which it lives is founded upon mutual dependence—on that greatest of laws, that while all human beings have nearly the same desires, appetites and wants, and while this agreement of wants becomes more decided with the extension of civilization, the fitness of particular regions and the ability of

particular people to satisfy the uniform cravings are infinitely varied, and become more exclusive with the progress of our kind. All men stand in need of iron, desire silk, are pleased with indigo blue; but limited regions only produce them. This is the way the creator enforces inter-dependence; this is the law which necessitates and more and more promotes international good will, and leads to the great Commonwealth of Nations.

If protection, unfittly so called, enriches a few at the expense of the many, who must purchase the product they want by the labor of more days, it does not increase our national wealth, but diminishes it, and consequently diminishes our fitness to war with other nations, if that becomes necessary. Even the ancients called money, with reference to war, the *nervus rerum gerendarum* (the nerve of deeds to be done); and Frederic II. of Prussia said, he who can pay the last grenadier will remain master of the field. We must change this, said Joseph Bonaparte to me: He who can pay the last newspaper, &c., &c.

If then, in peace, we impoverish our country, we ill prepare it for the time of war. With plenty of wealth and brave sons to defend our country on land and sea, we need not feel nervous about the hemp for cordage. Besides there is no nation whose soil produces all the various articles of war.

The martyr-patriot and greatest statesman of the Netherlands, Cornelius De Witt, showed in his paper, which bears in the English translation the title "The true Interest and Political Maxims of the Republic of Holland," in the middle of the Seventeenth century, that the Netherlands, though producing not a bushel of wheat, ate the whitest bread in all Europe; and though not producing a sheaf of hemp, a single plank, or any iron, had the best fleet which then ruled the sea, because Holland had wealth to pay for these commodities, and possessed this wealth because its trade and all exchange was left unfettered, unimpeded, unlegislated upon, and by this free trade the Netherlands became both the most peopled and the richest country on earth, so that loans could be effected there for lower interest than anywhere else.

Although De Witt does not say so, I felt when reading this fore-runner of the whole Free Trade literature, that a time will come when the bills of rights of advanced nations will contain