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Discovering and Promoting Economic Nationalism: Friedrich List in the United States

In the introduction to his celebrated book *Das nationale System der politischen Ökonomie* of 1841 the German journalist and economist Friedrich List wrote that his stay in the United States had been crucial to the development of his economic theory: "The best work about political economy that one can read in this new country is life itself."¹ List lived in the United States from 1825 to 1835. It was a time of much heated debate between free traders and protectionists inside and outside Congress on the "American system," a set of bills combining tariff protection, encouragement of manufactures, a national bank, and the promotion of internal improvements which had been introduced by Senator Henry Clay in 1824. Soon List's talents were discovered by the protectionists, and for a few years he was a major participant in the debate. After his return to Germany, List developed his famous and controversial national system of political economy that had a lasting influence reaching far beyond his homeland. Often reduced to the propagation of protective tariffs for industrial interest groups, the focus of List's theory is much broader. It shaped developmental theory internationally and his *Nationales System* became a classic in the field of economic nationalism.

The first part of the article introduces the concept of economic nationalism and intends to give a theoretical background. The second part discusses List's writings and activities during his stay in the United States which in many ways proved to be formative for his ideas and theories.

1. Economic Nationalism

Since the 1930s the term "economic nationalism" has been widely used by economists, political scientists and sociologists. At first it described an aggressive policy of autarky in Nazi Germany and other countries. Since the end of World War II "economic nationalism" has been applied to good effect in order to analyze the economic and political development of new and developing nations. Rather than limiting the term to a certain type of economic policy like

protectionism, it is applied to concepts as well as a policy which place internal needs and long-term interests of the nation above considerations for the international situation or the interests of individuals.

Economic nationalists contend that there is a fundamental clash of interests between nations. Their aim is foremost a political, not an economic one: the achievement or protection of political, military and economic independence and power of their nation. In order to do this a nation should be self-sufficient to a large degree. This in turn requires a balanced economy, which in the case of agrarian states demands industrialization.²

Many scholars emphasize a correlation between nationalism and modernization, the crises of modernization or, better, of partial and uneven modernization. Some have followed Alexander Gerschenkron's idea that nationalism acted as a necessary "New Deal of emotions," as an ideology of industrialization, to overcome relative backwardness.³ According to that view economic nationalism is a kind of developmental nationalism latecomers are forced to use. However, the decisive role economics played in the process of nation-building has been neglected by the ever increasing literature on nationalism in recent years.

Many of the problems the states of the German Confederation and the United States faced during much of the nineteenth century are comparable to those of developing nations in the twentieth century. In both countries the starting point was the diagnosis of a supposed backwardness with regard to England's economic power. The surprisingly similar assessments and actions suggested by economic nationalists were intended to speed up the formation of their respective nation-states and to channel this process properly, as in the United States, or even to make it possible and permanent, as in Germany. Often irrespective of the preferred trade policy, there was a widespread public belief that improved transportation, increased trade, and economic growth within a nation would reduce regional and particular interests and would knit the people more closely together. The economic sphere was considered to be an indispensable element of national development and independence, a means of strengthening the existing cultural and ethnic ties, or even guaranteeing their stability.

At a time when there was no direct taxation and no one knew of Keynesian economics, trade policy and tariffs, the latter being the main source of income for governments, were considered the central elements of economic policy. But arguments for and against tariff increases or internal improvements constitute more than economic interests. For a long time tariff protection has been regarded as the appropriate means for relatively backward nations to protect their own economy and to build up a home market. The British economic historian Alan Milward even regards the growing protectionism of the late nineteenth century as "a set of stages in the widening participation of different groups in the body politic." In his view tariffs are "written compromises"

resulting from political and economic struggles, but he probably goes too far in calling them "a visible expression of national unity" or "constitutions."⁴

2. List in America

In 1817 List was made a professor of government at Tübingen University. In 1819 he became the secretary of the newly founded *Deutscher Handels- und Gewerbsverein*, a society of merchants and manufacturers. Through several petitions, a journal which was edited by List, as well as visits to the different German courts, the group tried to convince the German public and the Federal Assembly to protect the economy of the German Confederation by removing the still existing trade barriers inside the Confederation and introducing tariffs on imports.

As a member of the Württemberg parliament List in 1821 wrote the famous "Reutlinger Petition" in which he demanded political reforms. Charged with subversive activities, List lost his position and was later imprisoned. He was set free after having promised to leave the state of Württemberg to go into exile in America, where he arrived in June 1825.

General Lafayette, the French hero of the American War of Independence had invited List, whom he had met in Paris in 1824, to join him on his triumphant tour of the United States where List was introduced to President John Quincy Adams, to Jefferson, Madison, Monroe, Webster, Clay, Andrew Jackson, and many other important statesmen. From 1826 to 1831 List lived in Pennsylvania where he soon became the editor of the *Readinger Adler*. During his trip with Lafayette he had also made the acquaintance of leading businessmen in Philadelphia, among them Charles J. Ingersoll and Mathew Carey. Both were nationally known figures in the early protectionist movement. Aware of his rhetorical talents and his economic knowledge, Ingersoll and others gained List's support of the activities of the protectionist "Pennsylvania Society for the Promotion of Manufactures and the Mechanic Arts." There can be no doubt that even before his departure for the United States List had been critical of the theory of free trade. In April 1825 he blamed Adam Smith for having caused "enormous harm" since his ideas had been picked up by many in Germany.⁵

The woolens bill of 1827, which would have increased the tariff considerably, had been defeated by one vote in Congress, cast by Vice-President John C. Calhoun. Now the protectionists started a major campaign for a revision of the tariff. Its climax was the five-day Harrisburg Convention in the summer of 1827, with ninety-five representatives from fourteen different states, among them several members of Congress like the chairman of the Committee on Manufactures of the House of Representatives, Mallary. Central was the increase of duty on wool, but not exclusively. The convention and its resolutions were much debated in the press and in Congress.⁶

In this struggle the protectionists found List to be very useful. His major contribution was the "Outlines of American Political Economy." Originally

published under the title "The American System" in twelve letters to Charles Ingersoll in the *National Gazette* of Philadelphia from 18 August to 27 November 1827, the "Outlines" were reprinted by more than fifty newspapers all over the country and in December the Pennsylvania Society published them—except for letter number twelve—as a book, which was also sent to the members of Congress. List's entrance on the American scene was described as a "warrior-like debut" by the *New York Evening Post*.⁷

In the *Outlines* List described himself as a former disciple of Smith and the French economist Jean Baptiste Say. But now he strongly criticized them and their followers like the prominent American economist and president of South Carolina College Thomas Cooper. Among their "fundamental errors" was the fact that they failed to take into account "the different state of power, constitution, wants and culture of the different nations." Unlike the classical economists he did not believe that individual and national interests were identical. For List the interests of the nation were paramount. Its object was power and wealth. List described the nation as "the medium between individuals and mankind, a separate society of individuals, who, possessing common government, common laws, rights, institutions, interests, common history, and glory, common defence and security of their rights, riches and lives, constitute one body, free and independent."⁸

In List's view the idea of the nation included the idea of a national economy. He wanted to replace the cosmopolitical economy with a national and political economy. Since the world was divided into different nations, each nation had to follow its own developmental path according to its respective political economy. Free trade only worked in an ideal and united world and was therefore not suited to the United States, List maintained. List regarded trade restrictions and protective tariffs both as the most important means to develop home manufactures and as a kind of "war between the powers of industry of different nations." However, there was no alternative to using them, he maintained. List also warned that these means were not in all times and places effective. In addition, they might increase prices in the domestic market for a while. But these present sacrifices would be more than compensated by future returns. The only losers under the American system, List was convinced, would be the English merchants.⁹

The letters were so well received in many parts of the country that on 3 November 1827 the Pennsylvania Society gave a special dinner in honor of List. One of the toasts declared that without manufactures a people would remain a tribe instead of becoming a nation. In his speech List again attacked Adam Smith and called his system "confused and distracted, as if the principal aim of his books were not to enlighten nations, but to confuse them for the benefit of his own country." It was America's duty to create her own system of political economy and it was conceived in Pennsylvania's capital. List praised the Harrisburg Convention for having pronounced a "declaration of Economic Independence" and suggested organizing similar meetings on an annual basis.¹⁰

In his next piece of work, List took issue with the so-called Boston Report which had been published in 1827 and was considered the best summary of the free trade position. Supposedly written by a group of Bostonians, its real author, the wealthy merchant Henry Lee, made a strong argument against any further increases of the tariff, especially of the duties on wool, and ably attacked the American system and its proponents. In Lee's view the American system planted discord, created sectional prejudices and hatred instead of binding the union together. Furthermore he criticized that it endangered freedom and independence, and transferred the people's wealth to only a few. Therefore this system was not American, but foreign, Lee wrote.¹¹

In addition to a lengthy written review List also addressed the Pennsylvania legislature on Lee's report and admitted that it contained all that could be said against the American system. List, whom Lee had called a "learned and profound economist" and a leading defender of the American system, then accused the author of devising an "Anti-American System" and "advocating the cause of England." It seemed to him that at least part of it had actually been written there. List claimed that the system of economy proposed in the Boston Report was not suitable for the American situation. After gaining its political independence, the United States was now in danger of becoming England's economic vassal again.¹²

Also in 1828 List wrote a reply to a report of the Committee on Ways and Means arguing that promoting domestic manufactures in order to substitute foreign products would increase the national wealth as well as foreign commerce. The text was published without recognition of List's authorship and was reprinted in *Niles' Weekly Register*, arguably the most important national paper of the time, whose editor, Hezekiah Niles was one of the leading protectionists of the country. Meanwhile List had become so prominent that he was even criticized in Congress. On 18 April 1828, for example, Senator McDuffie of South Carolina attacked List as "the German professor of political economy and necromancy from Pennsylvania."¹³

Due to his prominence and ability List was asked by the Pennsylvania Society in November 1827 to write a textbook on political economy for use in schools as well as a full-length version of "his new and fundamental views of that important science." An announcement for the planned *American Economist* appeared in Washington's *Daily National Intelligencer* on 4 February 1828. According to the announcement, the author intended to show the insights as well as the "misconceptions and shortcomings" of the "old school," the politicians who followed it as well as its American advocates. By giving the American system a "scientific basis and portrayal," and by regarding the interests of all three economic sectors, agriculture, commerce, and manufactures as intimately connected, *The American Economist* was supposed to be a "truly national and non-partisan" work. Like so many other of his projects, the books were never finished, however. The first chapter was printed in early 1830, but

then List turned to a more lucrative railroad project. In late 1830 he returned to Europe.¹⁴

As proven by the support he got from the Pennsylvania Society and the harsh criticism he received from his opponents, for a while Friedrich List was considered a major defender of the American system. Nevertheless one should not overestimate his influence on American developments, as is often done. It has been argued that the approval of the tariff law of 1828 was a "direct consequence" of List's *Outlines* and that for quite a while the Republican platform "was based upon his doctrines." These theses are highly speculative and can basically not be proven. It is equally questionable whether List's support for Andrew Jackson in the presidential election of 1828 was crucial for the latter's victory in Pennsylvania which was key to his winning the presidency. List's preference for Jackson might be considered somewhat surprising. Even though with regard to economic policy List must have been closer to John Quincy Adams, a proponent of the American system, he strongly disliked the distribution of political offices under Adams, while he believed in Jackson's integrity. Also, Adams supposedly had not taken a clear stand on the American system during the campaign.¹⁵

There has been much debate on the question of which American sources List used in his *Outlines* and in subsequent writings. For a long time most German writers tried to belittle the American input while Americans exaggerated its importance. In his *Outlines*, List mentions that he read addresses of the Pennsylvania Society (most of which were written by Mathew Carey), Congressional speeches, *Niles' Weekly Register*, and other works which he did not mention by name. List was never very honest about the origin of his ideas but there can be no doubt that he learned from the writings of Alexander Hamilton and of Daniel Raymond.¹⁶ List's developmental program in many ways resembles the one suggested by Hamilton, in the latter's praised *Report on the Subject of Manufactures* of 1791, which has been called "a sort of Magna Charta of economic nationalism." Hamilton questioned the validity of classical economic theory for the United States and at the same time perceived an economic backwardness with regard to England. He designed a program to be instituted by the federal government which included the founding of a national bank, the development of a national market, as well as bounties and protective tariffs for new industries: the famous "infant-industry argument," which List borrowed from him. For Hamilton, economic policy was an instrument of national unification and national power and independence. He believed that intensified communication and trade would create an even closer and more durable "community of interest." Raymond's *Thoughts on Political Economy* of 1820, regarded as the first systematic treatise on political economy in America, rejected the applicability of foreign systems of political economy to the American situation. Raymond denied that the interests of individuals and those of their respective nations were identical. For him national interests were

paramount, and he deemed protective duties necessary to encourage the industrial development of the American nation.¹⁷

The *Outlines* in many ways formed the basis for List's *National System of Political Economy*, in which he developed his theoretical arguments much more systematically. In this book the German economist describes a national developmental program for the states of the German Confederation in order to enable the backward German nation to reach a political and economic level equal with England. In addition to the promotion of new industries and the creation of a home market, both temporarily protected by tariffs, well-directed internal improvements were supposed to unite the German states into a strong and independent nation.

3. Conclusion

Next to America's first secretary of the treasury, Alexander Hamilton, Friedrich List is considered the intellectual founder of economic nationalism, its "apostle." This reputation is based on his principal work, the *National System of Political Economy*. The book had no immediate political consequences, but it became a center of debate in Germany and abroad. Only a few years after its publication it was translated into several languages, and has arguably become the most influential work in this field in the nineteenth and twentieth centuries.¹⁸

In many ways, his years in the United States had proven to be formative, which List himself later admitted: "It was here that the developmental stages of the national political economy became clear to me." List was not an economic nationalist before he went to the United States. Only after his stay did he elaborate his national system and the developmental argument.¹⁹ In America, by learning—from the writings of Hamilton, Mathew Carey, and others as well as from his own observations—and by doing—writing and speaking himself—List became, in the eyes of the German political scientist Dieter Senghaas, the "great-grandfather of today's developmental theorists, politicians, and planners."²⁰

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Notes

¹ Friedrich List, *Das nationale System der politischen Ökonomie* (Berlin, 1982), xvii. On List's stay in America, see Robert Eckert, "Der Amerikaaufenthalt Friedrich Lists in seiner Bedeutung für das Listsche System," (Ph.D. diss., Univ. of Erlangen-Nürnberg, 1963); William O. Henderson, "Lists Wirken in der Emigration," *Die Bedeutung Friedrich Lists in Vergangenheit und Gegenwart*, ed. Hans Besters (Baden-Baden, 1990), 181-206; Margaret Hirst, *Life of Friedrich List and Selections from his Writings* (1909; repr. New York, 1965); Rainer P. Look, "List in Amerika," *Friedrich List und seine Zeit: Nationalökonom, Eisenbahnpionier, Politiker, Publizist, 1789-1846*, ed. Stadt Reutlingen (Reutlingen, 1989), 111-31; William Notz, "Friedrich List in Amerika," in Friedrich List, *Werke* (Berlin, 1931), 2:3-61; ders., "Frederick List in America," *American Economic Review* 16 (1926): 249-

65; Harry Rickel, *Friedrich List Whom American History Forgot* (Hoboken, NJ, 1926); Klaus Schafmeister, "Friedrich List im amerikanischen Exil," *List Forum für Wirtschafts- und Finanzpolitik* 15 (1989): 94-116; Eugen Wendler, *Friedrich List 1789/1989: Eine historische Gestalt und Pionier auch im deutsch-amerikanischen Bereich* (München, 1989).

² Cf. Andreas Etges, "The Imagined Economic Community: Economic Nationalism," *La Storia Infinita: Contributi in Tema di Nazione e Nazionalismo in Europa*, ed. Vito F. Gironde (Rome, 1996), 67-76. The concept is discussed in much more detail in a comparative study of economic nationalism in Germany and the United States from 1815 to 1914 (Ph.D. diss., Univ. of Bielefeld, 1997) by the author.

³ Alexander Gerschenkron, "Economic Backwardness in Historical Perspective," *The Progress of Underdeveloped Areas*, ed. B. F. Hoselitz (Chicago, 1952), 3-29.

⁴ Alan Milward, "Tariffs as Constitutions," *The International Politics of Surplus Capacity: Competition for Market Shares in the World Recession*, eds. Susan Strange and Roger Toozee (London, 1981), 57-66, esp. 63, 65.

⁵ Friedrich List, "Diary" (April 1825), in *Werke* (Berlin, 1933), 8:77.

⁶ Cf. *Proceedings of the General Convention of Agriculturists and Manufacturers, and Others, Friendly to the Encouragement and Support of the Domestic Industry of the United States* (1827).

⁷ Friedrich List, "Outlines of American Political Economy," in *Werke*, 2:97-156. *New York Evening Post*, 25 Aug. 1827. In a letter to List, the secretary of the Pennsylvania Society, Redwood Fisher, speaks of a reason "of political nature" for excluding letter No. 12. Wendler assumes that it had to do with the very last sentence where List mentions the American system again. Ingersoll was a supporter of Andrew Jackson in the coming election, and he probably did not want the term to be mentioned, since it was associated with incumbent John Quincy Adams. This would also explain the change of title. Wendler, *Friedrich List 1789/1989*, 79-80.

⁸ List, "Outlines", 99-106, 109, 124, 128.

⁹ *Ibid.*, 102, 104, 121, 125, 131, 156.

¹⁰ "Account of the Dinner Given to Professor List by the Pennsylvania Society for the Encouragement of Manufactures and the Mechanic Arts, at the Mansion House, Philadelphia, 3 Nov. 1827," in *Werke*, 2:157-72, esp. 158, 160-61, 167.

¹¹ [Henry Lee], *Report of a Committee of the Citizens of Boston and Vicinity, Opposed to a Further Increase of Duties of Importations* (Boston, 1827; repr. New York, 1974), 194-96. Cf. "Introduction" by Michael Hudson, 5-18.

¹² [Lee], *Report*, 118 fn., 138 fn. Friedrich List, "Harrisburg Address," 2 Feb. 1828, in: *Werke*, 2:186-206, esp. 187, 203. The speech was distributed in several hundred copies. Friedrich List, *Review of the Report of a Committee of the Citizens of Boston and Vicinity, Opposed to a Further Increase of Duties on Importations* (Philadelphia, 1828), 15, 17, 80.

¹³ Friedrich List, "Observations on the Report of the Committee on Ways and Means" (1828) in *Werke*, 2:207-31, esp. 220. Again, Ingersoll had requested List to write the response. Cf. List, "Remarks on: Mr. Cambreleng's Report on the Tariff" (1830), in *Werke*, 2:232-39. Cambreleng was chairman of the "Committee on Commerce and Navigation." McDuffie, 18 Apr. 1828, *Register of Debates*, 20th Cong. 1st Sess., 2394.

¹⁴ Cf. John F. Bell, "Frederick List: Champion of Industrial Capitalism," *Pennsylvania Magazine of History and Biography* 66 (1942): 56-83, 69-70 fn. 30; Notz, "Friedrich List," 25-29; Wendler, *Friedrich List 1789/1989*, 86-89; *National Intelligencer* quoted, 88-89. Only a short fragment of the first chapter survived. The idea of the "Harmony of Interests" was later a central element in the theory of Henry Charles Carey, the prominent Philadelphian leader of the so-called American School of Political Economy in the second half of the nineteenth century. Henry C. Carey, *The Harmony of Interests: Agriculture, Manufacturing and Industry* (New York, 1852).

¹⁵ Cf. Edgar Salin and René L. Frey, article "List, Friedrich," *International Encyclopedia of the Social Sciences* 9 (1968): 409-12, 410; Lewis H. Haney, *History of Economic Thought* (New York, 1920), 380; Rickel, *Friedrich List*, 15; John H. Muller, "Der amerikanische Einfluß auf Friedrich List" (Ph.D. diss., Univ. of Munich, 1940), 38; Notz, "Friedrich List," 16.

¹⁶ List, "Outlines," 99. Cf. Frederick Clairmonte, "Friedrich List and the Historical Concept of Balanced Growth," *Indian Economic Journal* 4 (1959): 24-44, 35; Kenneth V. Lundberg, "Daniel Raymond: Early American Economist" (Ph.D. diss., University of Wisconsin, 1953), 152-60; Muller, 56, 61-72; Charles P. Neill, *Daniel Raymond: An Early Chapter in the History of Economic Theory in*

the United States (Baltimore, 1897) 46-56, 62; Edwin R. Seligman, *Essays in Economics* (New York, 1925), 134-5; Keith Tribe, "Friedrich List and the Critique of 'Cosmopolitical Economy,'" *The Manchester School of Economics and Social Studies* 56 (1988): 17-36, 26 fn. 7. Eckert, *Amerikaaufenthalt*, 92-3, and Henderson, *Friedrich List*, 155, do not believe that the writings of American protectionists played a decisive role in the development of List's theory. Michael Hudson is mistaken, however, in believing that List had not been critical of classical theory before he came to the States. Hudson only seems to know List's English texts and the translation of the *Nationales System*, and falsely concludes that List's writings were "only a summary of the views held by the first generation of American protectionists" (Hudson, "Introduction," 5-6). Hudson seems to follow a review of the *Nationales System* in the "New York Tribune" of 12 April 1856 by E. Peshine Smith, another member of the American School of Political Economy (repr. *ibid.*, 18-20).

¹⁷ Stephen C. Neff, *Friends but no Allies: Economic Liberalism and the Law of Nations* (New York, 1990), 65. The "Report" is reprinted in *The Papers of Alexander Hamilton*, ed. Harold C. Syrett et. al., (New York, 1966), 10:230-340. Two years after List's death, Bruno Hildebrand, the founder of the German Historical School, described List's goal as trying to realize what Alexander Hamilton had planned for the United States. Bruno Hildebrand, *Die Nationalökonomie der Gegenwart und Zukunft und andere gesammelte Schriften* (1848), vol. 1, ed. Hans Gehrig, (Jena, 1922), 47; Daniel Raymond, *Thoughts on Political Economy* (Baltimore, 1820).

¹⁸ Jacob Viner, *The Customs Union Issue* (New York, 1950), 94. Cf. B. N. Ganguli, "Principles of Protection in the Context of Under-Developed Countries," *Indian Economic Journal* 1 (1952): 21-38. On List's international influence cf. Eugen Wendler, *Friedrich List: Politische Wirkungsgeschichte des Vordenkers der europäischen Integration* (Munich, 1989); Henderson, *Friedrich List*, 214-18.

¹⁹ List, *Nationales System*, xvii; Klaus Schafmeister, "Friedrich List," 112; Wendler, *Friedrich List: Politische Wirkungsgeschichte*, 21; Bell, "Frederick List," 56; Curt Köhler, *Problematisches zu Friedrich List* (Leipzig, 1908), 89; Eckert, *Amerikaaufenthalt*, 81, 102; Tribe, "Friedrich List," 23.

²⁰ Dieter Senghaas, "Friedrich List und die moderne Entwicklungsproblematik," *Leviathan* 17 (1989): 561-73, 561; similar judgment: Gavin Kitching, *Development and Underdevelopment in Historical Perspective: Populism, Nationalism and Industrialization* (London, 1982), 143; James Mayall, *Nationalism and International Society* (Cambridge, 1990), 86.

