

NATIONAL POLITICAL ECONOMY

' Et *la patrie* et l'humanité '

THE
NATIONAL SYSTEM
OF
POLITICAL ECONOMY

BY
FRIEDRICH LIST

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NEW EDITION

WITH AN INTRODUCTION BY
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LONGMANS, GREEN, AND CO.
39 PATERNOSTER ROW, LONDON
NEW YORK AND BOMBAY

1904

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TRANSLATOR'S PREFACE TO FIRST EDITION.

ABOUT five years ago, when the works of Friedrich List were republished and widely circulated in Germany, the Berlin correspondent of the 'Times' took occasion to comment on the powerful influence which those works were then exercising in that country in favour of the adoption of a protective commercial policy.

It was this testimony to the practical influence of List's economical theories which first attracted my attention to his writings, and a perusal of them induced me to undertake the translation of the following work, with a view to affording English readers an opportunity of judging for themselves as to the truth of his statements and the soundness of his arguments.

The work consists of four parts—the History, the Theory, the Systems, and the Politics of National Economy. It is important to bear in mind that all were written before 1844, and the fourth part in particular treats of political circumstances and of commercial policies which have now for the most part ceased to exist. The Corn Laws, the Navigation Laws, and the generally protectionist tariff of Great Britain were then still unrepealed; the manufacturing industry of Germany was still in its infancy, and the comparatively moderate tariff of the German States still permitted England to supply them with the greater part of the manufactured goods which they required.

At first sight, therefore, it would seem an anachronism to place before the reader of to-day a work having special relation to a state of things which existed forty years ago. The principles, however, enunciated by List are in their main features as applicable at one time as at another, and it will be found that they possess two especially powerful claims to consideration at the present moment.

In the first place, there is good reason for believing that they have directly inspired the commercial policy of two of the greatest nations of the world, Germany and the United States of America; and in the next, they supply a definite scientific basis for those protectionist doctrines which, although acted upon by our English-speaking colonies and held by not a few practical men as well as by some commercial economists in this country, have hitherto been only partially and inadequately formulated by English writers.

The fundamental idea of List's theory will be seen to be the free import of agricultural products and raw materials combined with an effective but not excessive protection (by means of customs duties) of native manufacturing industry against foreign competition. According to his views, the most efficient support of native production of agricultural products and raw materials is the maintenance within the nation of flourishing manufacturing industry thus protected. The system which he advocates differs, therefore, on the one hand from the unconditionally free import system of one-sided free trade adopted by England, and on the other from the system now apparently approved by Prince Bismarck, of imposing protective duties on the import of food and raw materials as well as on that of manufactured goods.

In fact, List draws a sharp line of demarcation between what he deems a truly 'political' economy and the 'cosmopolitical' economy of Adam Smith and his followers (English and foreign), and he vigorously defends a 'national' policy as opposed to the 'universal trade' policy which, although nearly forty years have elapsed since its adoption by England, has failed to commend itself in practice to any other civilised country.

In combating what he regarded as the mischievous fallacies of the cosmopolitical theory, List occasionally denounces with considerable asperity the commercial supremacy then exercised by England. But, so far from being an enemy of England, he was a sincere admirer of her political institutions and a warm advocate of an alliance between this country and Germany. 'England and Germany,' he wrote, 'have a common political interest in the Eastern Question, and by intriguing against the Customs Union of Germany and against her commercial and economical progress, England is sacrificing the highest political

objects to the subordinate interests of trade, and will certainly have to rue hereafter her short-sighted shopkeeper policy.' He further addressed to the English and Prussian Governments a brief but forcible essay 'On the Value and Necessity of an Alliance between Great Britain and Germany.'

In translating the work, my aim has been to render the original as literally as possible. I have neither attempted to abridge my author's tautology nor to correct his style, and where passages are emphasised by italics or capital letters they are so in the original. Those, and they are probably many in this country, who are prepared to accept some or all of List's conclusions, will prefer to have his theories and arguments stated in his own way, ungarbled and unvarnished, while those who reject his doctrines may perhaps still be interested in seeing the exact form in which the intellectual founder of the German Zollverein gave his opinions to the world.

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INTRODUCTORY ESSAY.

As the demand for the re-publication of the work of Friedrich List is to be assigned mainly to the interest aroused by the fiscal controversy, the purpose of the Introduction which I have been requested to write, will be best served by indicating in the first place the bearing of the author's ideas and arguments on the present situation in this country. Those who expect to find an assortment of authoritative opinions which can be aggressively and conclusively quoted against upholders of the present system will surely be disappointed. The method of isolated extracts would probably be as favourable to the supporters as to the opponents of 'free trade.' List maintained, for example, that England would have gained by the abolition of the Corn Laws just after the restoration of the general peace (in 1815), but—these are the words—'Providence has taken care that trees should not grow quite up to the sky. Lord Castlereagh gave over the commercial policy of England into the hands of the landed aristocracy, and these killed the hen which had laid the golden eggs' (p. 297). Or, again, take this passage on retaliation: 'Thus it is Adam Smith who wants to introduce the principle of retaliation into commercial policy—a principle which would lead to the most absurd and most ruinous measures, especially if the retaliatory duties, as Smith demands, are to be repealed as soon as the foreign nation agrees to abolish its restrictions' (p. 254).

Nor if we abandon the dangerous and unfair method of isolated extracts, and look on List as the great critic and

opponent of Adam Smith, can there be much doubt as to the general results of the comparison of the Scotsman with the German. List has made the mistake so common with popular writers, but inexcusable in the author of a systematic work, of attributing to Adam Smith the extravagant dogmas of his exponents. One would almost suppose that List had never read Adam Smith himself, but had taken for granted the *Smithianism* bandied about in popular pamphlets. One passage from List may suffice to illustrate the unfairness of his rendering of Adam Smith. 'He [Adam Smith] entitles his work, "The Nature and Causes of the Wealth of Nations" (i.e. [on List's interpretation] of all nations of the whole human race). He speaks of the various systems of political economy in a separate part of his work solely for the purpose of demonstrating their non-efficiency, and of proving that "political" or *national* economy must be replaced by "cosmopolitical or world-wide economy." Although here and there he speaks of wars, this only occurs incidentally. The idea of a perpetual state of peace forms the foundation of all his arguments' (p. 97). The real Adam Smith wrote that the first duty of the sovereign, that of protecting the society from the violence and the invasion of other independent societies, can be performed only by means of a military force. No nation, he declared, ever gave up voluntarily the dominion of any province how troublesome soever it might be to govern it. 'To propose that Great Britain should voluntarily give up all authority over her colonies, would be to propose such a measure as never was and never will be adopted by any nation.' 'The art of war is certainly the noblest of all arts.' And in a passage too long for quotation, Adam Smith maintained that even if the martial spirit of the people were of no use towards the defence of the society, yet to prevent that sort of mental mutilation, deformity, and wretchedness which cowardice necessarily involves in it from spreading themselves through the great body of the people, is a duty as

incumbent on the Government as the prevention of leprosy or any other loathsome disease. The same Adam Smith approved of bounties on the export of sail-cloth and gunpowder so that the production at home might be encouraged and a larger supply be available for war in case of need.

Malthus, it may be observed incidentally, is another great writer whom List has utterly misrepresented through relying on popular dogma instead of going to the original source. The account given by List of the 'errors of Malthus' (p. 103 *et seq.*) is curiously and perversely wrong.

When List is so weak on the history of economic theory, it is not to be expected that his history of economic facts and institutions should be above suspicion. On such important matters, for example, as the causes of the secession of the American colonies and the influence of the Navigation Acts, the opinions of List are not confirmed by the more recent work of Dr. Cunningham and Professor Ashley.¹

And without insisting on details, for it must be expected that recent work in economic history should have upset many old opinions, List is open to the general charge of exaggeration. He is led away by preconceived ideas and induced to build up systems of policy on too little evidence. Notably as regards the industrial and commercial development of England he lays far too much stress on the benefits derived from legislation and governmental action. He is too ready to assume that if an idea is good in theory it must also be good in practice; but, as every student of history knows, the wastage in ideas is as great as that in the ova of fishes—millions of ova for one good herring.

List shows on occasion that he was aware of this liability to over-emphasis. In his Preface he says authors of celebrity must be refuted in energetic terms, and this must be his

¹Cf. 'England and America, 1660 to 1760,' in *Economic Surveys*, by Professor Ashley, and Dr. Cunningham's *Growth of English Industry and Commerce*, vol. ii. (edition 1903).

excuse if he appears to condemn in too strong language the opinions and works of authors and whole schools. And in the body of the work he occasionally reminds the reader that the prosperity of nations depends on a multitude of causes besides the commercial policy of governments. After insisting, as usual with a good deal of exaggeration, on the advantages England derived from trial by jury, and the early abolition of the use of the Latin language in her Law Courts and State departments, and comparing the happy history of England with the unhappy history of her neighbours on the Continent, List exclaims, 'But who can say how much of these happy results is attributable to the English national spirit and to the constitution; how much to England's geographical position and circumstances in the past; or again, how much to chance, to destiny, to fortune?' (p. 42).

List's habit of 'contradicting energetically' is no doubt to be ascribed largely to the fact that he was engaged for the greater part of his life in political agitation. In this he resembled Cobden, who also excelled in exaggeration. The political agitator is like a person accustomed to shout to the deaf one idea at a time and as loud as possible, and even when a soft answer would be more suitable to the ears of the unafflicted he shouts still.

If, then, List is open to these charges, wherein lie his merits? Why is List popularly regarded as the great critic of the free-traders?

In the first place, it may be allowed that the defects just noticed are not constructive but superficial. The energetic language, which is absurdly wrong as applied to Adam Smith, is often just as applied to those who have tried to make his arguments popular by leaving out the difficulties and the qualifications. Indeed List himself constantly speaks of 'the school' alternatively with Adam Smith, and his mistake consists in not knowing or remembering that the extreme popular dogmas on free trade are not countenanced

by Adam Smith. The principles on which List insists so strongly may for the most part be considered as the natural development of the modifications of what List calls *cosmopolitical* free trade, which are acknowledged throughout the 'Wealth of Nations.' It is clear from the passages already cited that Adam Smith took it for granted that the world consisted of nations, and that national interests were not always harmonious.

And if further proof were needed, it is furnished in his great chapter on colonial policy. He there distinguishes between the advantages which Europe in general has derived from the planting of new colonies and the particular advantages derived by particular nations. What any one nation ought to expect from her colonies is an increase of revenue or an increase of military power. It is true he showed that the various nations have sacrificed an absolute advantage to gain a less relative advantage by the monopoly of their respective colonial trades, but, on the other hand, he formulated the most thorough scheme of Imperial Federation to convert the 'project of an empire' into a reality. From the British standpoint Adam Smith is indeed more Nationalist than List himself; for whilst Adam Smith says the most visionary enthusiast would not propose the abandonment of the colonies, List (p. 216; see also p. 143) calmly assumes that Canada will secede as soon as she has reached the point of manufacturing power attained by the United States when they seceded, and that independent agricultural manufacturing commercial states will also arise in the countries of temperate climate in Australia in the course of time. But although Adam Smith himself always adopted the national standpoint, his followers of 'the school' have in general assumed that what is best for all the nations as a whole, must *ipso facto* be best for each individual nation, or that cosmopolitical and national interests always coincide. Against this extreme view List's central doctrine is directed, 'I would indicate, as the distinguishing

characteristic of my system, NATIONALITY. On the nature of *nationality*, as the intermediate interest between those of *individualism* and of *entire humanity*, my whole structure is based' (Preface, p. xliii.). List's system is emphatically and explicitly the national system of political economy.

Next in importance to his doctrine of nationality must be placed his position on immaterial capital and productive powers. Adam Smith had included under the fixed capital of a nation the natural and acquired abilities of its inhabitants, but for a long time both in theory and practice the term 'capital' was narrowed down to purely material forms. If this change of definition had been made merely in deference to popular usage, in order to avoid confusion, no harm might have ensued; but, unfortunately, with their exclusion from capital the immaterial productive forces and powers were dropped from the popular arguments altogether. Apparently the wealth of nations was supposed to depend principally on the accumulation of material capital, which was necessary to provide both the auxiliary aids to labour and its subsistence. List did good service in showing that mere accumulation is of minor importance compared with the organisation of the productive forces of society. 'The present state of the nations is the result of the accumulation of all discoveries, inventions, improvements, perfections, and exertions of all generations which have lived before us; they form the *mental capital of the present human race*, and every separate nation is productive only in the proportion in which it has known how to appropriate these attainments of former generations and to increase them by its own acquirements, in which the natural capabilities of its territory, its extent and geographical position, its population and political power, have been able to develop as completely and symmetrically as possible all sources of wealth within its boundaries, and to extend its moral, intellectual, commercial, and political influence over less advanced nations and especially over the affairs of the world' (p. 113).

3 Closely associated with these doctrines was the leading idea that from the national standpoint of productive power the cheapness of the moment might be far more than counter-balanced by the losses of the future measured by the loss of productive power. It follows that to buy at the time in the cheapest market and to sell in the dearest may not always be the wisest national policy.

The distinction between present and future advantage from the national standpoint is fundamental throughout the whole work. As soon as it is clearly apprehended the principle must be admitted, at least in theory, and the difficulty is to discover in practice the cases that may be brought under the rule. To Mill it seemed that there was only one case 'in which, on mere principles of political economy, protecting duties can be defensible,' that is, 'when they are imposed temporarily, especially in a young and rising nation, in hopes of naturalising a foreign industry, in itself perfectly suitable to the circumstances of the country.' This case so jejune treated by Mill (though the bare admission has exposed him to the fierce attacks of extreme free-traders) is taken by List as one simple example capable of much more extended application by analogy. List maintains that in the early years of the nineteenth century England had obtained the manufacturing and commercial supremacy of the world to such a degree that all the other nations were in danger of becoming mere providers of food and raw materials in return for her manufactures. To List it seemed that the continental nations (just as much as the United States of America) must adopt protection until they were strong enough to compete with England (p. 294). But List goes much farther. He seeks for a wide inductive generalisation based on the experience of nations. In the chapter on the teachings of history the conclusion is reached that nations must modify their systems according to the measure of their own progress (p. 93). In the first stage they

must adopt free trade with the more advanced nations as a means of raising themselves from a state of barbarism and of making advances in agriculture. In the second stage they must resort to commercial restrictions to promote the growth of manufactures, fisheries, navigation, and foreign trade. In the last stage, 'after reaching the highest degree of wealth and power,' they must gradually revert to the principle of free trade and of unrestricted competition in the home as well as in foreign markets, so that their agriculturists, manufacturers, and merchants may be preserved from indolence and stimulated to retain the supremacy which they have acquired. Writing in 1841, he concludes the survey: 'In the first stage, we see Spain, Portugal, and the Kingdom of Naples; in the second, Germany and the United States of North America; France apparently stands close upon the boundary line of the last stage; but Great Britain alone at the present time has actually reached it' (p. 93).

This summary of historical tendencies is no doubt open to the usual charge of hasty and imperfect generalisation, but it shows very clearly the attitude of List towards protection. The main use of protection is to promote the growth of productive power in all the departments in which the nation has the requisite natural resources.

The attitude of List towards protection is made still clearer in the following passages, which fairly represent a large part of his main argument: '*The power of producing wealth* is therefore infinitely more important than *wealth itself*; it insures not only the possession and the increase of what has been gained, but also the replacement of what has been lost' (p. 108). 'The prosperity of a nation is not, as Say believes, greater in the proportion in which it has amassed more wealth (i.e. values of exchange), but in the proportion in which it has more *developed its powers of production*' (p. 117). On List's view there is no real opposition between free trade and protection, because neither is

an end in itself, but simply a means to achieve a certain end, namely, the greatest development of productive power. Which policy may be better at any time depends on the stage of development of the nation in relation to the development of other nations. For the time being a protective duty involves a loss. But the present loss is justifiable if in the future there will be a greater gain. 'It is true that protective duties at first increase the price of manufactured goods; but it is just as true, and moreover acknowledged by the prevailing economical school, that in the course of time, by the nation being enabled to build up a completely developed manufacturing power of its own, those goods are produced more cheaply at home than the price at which they can be imported from foreign parts. If, therefore, a sacrifice of *value* is caused by protective duties, it is made good by the gain of a *power of production*, which not only secures to the nation an infinitely greater amount of material goods, but also industrial independence in case of war' (p. 117).

The reference to economical independence in the last phrase indicates that List did not consider that even as regards productive power the advantage was to be measured merely by the greater cheapness ultimately. As with Adam Smith, 'defence is of much more importance than opulence.' And with List the maxim is applied to all the industries that may be considered of vital importance to a nation. An interesting example is given in List's account of the methods of dumping (though the name is not used) practised by the English against the manufacturers of the Continent and America. 'Through their position as the manufacturing and commercial monopolists of the world, their manufactories from time to time fall into the state which they call "glut," and which arises from what they call "overtrading." At such periods everybody throws his stock of goods into the steamers. . . . The English manufacturers suffer for the moment, but

they are saved, and they compensate themselves later on by better prices' (p. 119). This is, of course, a simpler form of dumping than the modern plan of continuous sale of goods at lower prices abroad than at home, but the principle involved is the same as regards the economic independence of the nation. List goes on to show that by this English method of dealing with gluts the whole manufacturing power, the system of credit, nay, the agriculture and generally the whole economical system of the nations who are placed in free competition with England, are shaken to their foundations.

List also insists on the importance, from the standpoint of national productive power, of the development of both manufactures and agriculture, as indeed of all industries, for which the nation is by nature adapted. When List wrote, dealing as he did mainly with the interests of other nations as against England, he was most concerned to show that without manufactures a nation must remain relatively unprogressive, even as regards its agriculture. 'A nation which possesses merely agriculture, and merely the most indispensable industries, is in want of the first and most necessary division of commercial operations among its inhabitants, and of the most important half of its productive powers, indeed it is in want of a useful division of commercial operations even in the separate branches of agriculture itself' (p. 124). 'The productive power of the cultivator and of the labourer in agriculture will always be greater or smaller according to the degree in which the exchange of agricultural produce for manufactures and other products of various kinds can proceed more or less readily. That in this respect the foreign trade of any nation which is but little advanced can prove in the highest degree beneficial, we have shown in another chapter by the example of England. But a nation which has already made considerable advances in civilisation, in possession of capital, and in population, will find the de-

velopment of a manufacturing power of its own infinitely more beneficial to its agriculture than the most flourishing foreign trade can be without such manufactures' (p. 127). A number of reasons are assigned, but the final argument is 'especially because the reciprocal exchange between manufacturing power and agricultural power is so much greater, the closer the agriculturist and manufacturer are placed to one another, and the less they are liable to be interrupted in the exchange of their various products by accidents of all kinds.'

This is the argument which was developed in theory by Henry Sidgwick to show that ultimately the world at large might gain by the temporary protection of the constituent nations. And on the practical side it is this argument which is most popular in the British colonies. The colonies are protectionist because they wish to become complex industrial nations, and though it is the manufacturers who gain in the first place by protection, it is claimed that agriculture must also gain indirectly by the encouragement to various bye-products.

Even as regards manufactures the benefit of protection is limited by List to the educational or young industry stage of development. When nations have attained to their full powers protection is apt to check progress and lead to decadence. The case of Venice is given as typical (p. 8). Unrestricted freedom of trade was beneficial to the Republic in the first years of her existence, but a protective policy was also beneficial when she had attained to a certain stage of power and wealth, and protection first became injurious to her when she had attained the commercial supremacy of the world, because the exclusion of competition led to indolence. 'Therefore, not the introduction of a protective policy, but perseverance in maintaining it after the reasons for its introduction had passed away, was really injurious to Venice.' As regards protection to agriculture, curiously enough List

confesses that he is in accord with the prevailing theory—that is, extreme free trade (p. 175). 'With regard to the interchange of raw products, the school is perfectly correct in supposing that the most extensive liberty of commerce is, under all circumstances, most advantageous to the individual as well as to the entire State. One can, indeed, augment this production by restrictions; but the advantage obtained thereby is merely apparent. We only thereby divert, as the school says, capital and labour into another and less useful channel.' The argument is given at length and is on familiar lines.

Nor is List's attitude towards free trade merely negative. It is not that protection should be abandoned when it becomes useless, and that free trade is the absence of useless restrictions, but positive virtue is ascribed to free trade as to other forms of freedom. List was an enthusiast for freedom. 'The real rise of the industry and the power of England dates only from the days of the actual foundation of England's national freedom, while the industry and power of Venice, of the Hanse Towns, of the Spanish and Portuguese, decayed concurrently with their loss of freedom' (p. 87). In this passage the reference is to freedom in the larger political sense, but in other places List extols the positive virtue of free trade once a nation has attained its full maturity. Protective duties ought never to be so high as to strangle healthy competition. 'It may in general be assumed that where any technical industry cannot be established by means of an original protection of forty to sixty per cent. and cannot continue to maintain itself under a continued protection of twenty to thirty per cent. the fundamental conditions of manufacturing power are lacking' (p. 251). Thus even in the educative stage the duties are to be moderate (relatively to the methods of production), and later on they are to be abandoned altogether. 'In order to allow freedom of trade to operate naturally, the less advanced nations must first be

raised by artificial measures to that stage of cultivation to which the English nation has been artificially elevated' (p. 107). List was also a great enthusiast for the political union of kindred states, as exemplified in the case of Germany and Italy, but he thought that the political union must always precede the commercial union of the separate states (p. 102). Although the corner-stone of List's system is nationalism, his ultimate ideal is universal free trade. His difference with the *laissez-faire* school was that if under present conditions universal free trade were adopted, it would simply serve to subject the less advanced nations to the supremacy of the predominant manufacturing commercial and naval power (the England of his day); and in this way the development of the nations would be checked, and in the end the whole world would lose. The system of protection was the only means in his view of bringing other nations to the stage at which universal free trade would be possible and desirable.

This brief survey of the leading ideas of List's work confirms the suspicion, suggested by isolated extracts, that his arguments can only be brought to bear on the present controversy in this country by appealing to his fundamental ideas. List, like every other great writer, was influenced very much by the conditions under which he wrote and the atmosphere in which he moved. The predominance of England in industry and commerce was in fact considerable, and, according to the popular sentiment and jealousy of other nations, was altogether overbearing. The problem with List was to show the nations how they might upset this commercial overlordship and attain to an equality with England. The only method seemed to be that of temporary protection. To-day the fear has been expressed that England may succumb to other nations. It is plain that the case is altered. It would be absurd to argue that the manufactures of England must be protected until they have had time to grow up:

they are no longer young ; if they are weak, the weakness is that of age and not infancy.

Again, in List's day the conditions of agriculture and the means of transport were such that he himself argued in reference to England that with the abolition of the Corn Laws and other restraints on the import of raw produce, 'it is more than probable that thereby double and three times as much land could have been brought into cultivation as by unnatural restrictions' (p. 175). The idea at the time seemed reasonable that in the main every country must rely on its own food supplies, that agriculture was naturally protected, that the cultivator could resort to 'other things,' and that the growth of wealth through the increase of manufacturing power would increase the demand for these other things. And for nearly a generation after the repeal of the Corn Laws this view seemed justified. But again the conditions have changed; and it would be idle to quote the authority of List regarding raw products, that under all circumstances the most extensive liberty of commerce is most advantageous both to the individual and to the State.

Alike in agriculture and in manufactures the particular opinions of List are either irrelevant or adverse as regards the adoption by England of protection or retaliation, and even as regards federation he thought that political must precede commercial union. But the real value of List's work lies in the principles and fundamental ideas. These ideas are always to be reckoned with ; they suggest questions which the statesman must answer whatever the change in conditions. The questions which our statesmen have to answer, suggested by the ideas of List, are such as these : Will the productive powers of the nation suffice to maintain and increase its present prosperity ? Are the great national industries threatened with no signs of decay, and if there is decay where are substitutes to be looked for ? Is there any change in the character of our trade which indicates a lower standard

of national life? Is there any danger from foreign monopolies? Will retaliation promote the industrial development of the nation?¹ Is the Empire capable of closer and more effective commercial and political union? And, lastly, there is the practical question, how far a change in tariffs is likely to prevent or remedy any of the evils of the present system?

The work of List will give no cut-and-dried answers to these questions, but it will suggest fruitful lines of inquiry in the search for the answers. Finally, it may be said, just as Adam Smith admitted exceptions to free trade, so List admitted exceptions to protection. And in both authors the exceptions in theory are so important that the divergence on balance is not nearly so great as the reader might suppose. List's work would have gained in power and in popularity if, instead of attacking Adam Smith for opinions which were only held by his extreme successors, he had emphasised his points of agreement with the original author.

J. SHIELD NICHOLSON.

¹The principle of retaliation is reasonable and applicable only if it coincides with the principle of the *industrial development of the nation*, if it serves as it were as an assistance to this object' (p. 255).

MEMOIR.¹

FRIEDRICH LIST was born August 6, 1789, at Reutlingen in Württemberg, where his father, who, though not rich, was highly respected, carried on business as a currier and held several public appointments. At a very early age Friedrich manifested a strong dislike for his father's business, and determined to strike out a career for himself.

For a few years he found employment in the Town Clerks' offices at Blaubeeren, Ulm, and Tübingen; and after passing several Government examinations with distinction entered the Government Civil Service of Württemberg, in which his promotion was so rapid that in 1816 he had risen to the post of Ministerial Under-Secretary. Von Wangenheim, who was Minister at the time, seems to have recognised his talents from the first, and cordially to have welcomed the assistance of so able a coadjutor in promoting his own projects of reform.

Among these was the establishment of a Chair of Political Economy in the University of Tübingen, an event which elicited from List an able and comprehensive pamphlet, in which he freely criticised the system of administration in Württemberg, and pointed out that certain branches of knowledge in connection with the new Faculty, which it was of special importance to cultivate, had hitherto been almost entirely neglected. The pamphlet, in fact, was rather a manifesto than an essay, and may be regarded as List's first open declaration of that war against officialism and red tape in which the rest of his life was to be spent.

Von Wangenheim showed his appreciation of the work by appointing the author Professor of Practical Administration (*Staatspraxis*) in the University, and encouraged him

¹ Abridged from *Friedrich List, ein Vorläufer und ein Opfer für das Vaterland.* (Stuttgart, 1877.)

to persevere in his advocacy of reform in the State administration, of local representative government, and of freedom of the press.

Unhappily, so far from being of any advantage to List, the Minister's approval of his efforts was fatal to himself. The time was unpropitious for broaching schemes of reform, which the nobility and bureaucracy were incapable of distinguishing from revolution—the King himself was alarmed, and the Minister had to resign.

This publication, however, was by no means List's only offence against the predominant official conservatism. At the close of the Napoleonic wars in 1815, German diplomatists appear with one consent to have shut their eyes to the industrial interests of the people. The Continental blockade as long as it lasted operated as a strongly protective system in favour of German home trade, particularly in the case of the minor States. But on the removal of the blockade, when the German ports were opened to foreign manufactures at low duties, the trade of the various German States with each other still remained restricted by a chain of internal custom-houses along every frontier. This state of things naturally excited just and general discontent, and an Association was formed for the abolition of these internal customs dues. Of this Association, List accepted the Presidency, a step which immediately brought down upon him the censure of the Government and deprivation of his office. His fellow-townsmen at Reutlingen testified their confidence in him by electing him their representative in the Würtemberg National Legislative Assembly, but so unpardonable was the crime which he had committed against those in authority that his election was cancelled by Ministerial veto.

Nothing daunted, however, List still devoted all his energies to agitating for the abolition of these internal tariffs and for the commercial union of all the German States, from which he foresaw that the political union of Germany must ultimately follow. He not only advocated these objects in the press in the shape of letters, articles, and pamphlets, but travelled, at a time when travelling was both difficult and expensive, to Berlin, Munich, Vienna, and other German capitals, in order to make his views known to all the principal statesmen and leaders of commerce. His pilgrimage, however, produced but little practical result at the time; he

found that the heads of the commercial houses, as usual, were timid, while Ministers, as usual, were jealous of any 'unauthorised' agitation for political objects.

A little later, in 1822, he was again elected as deputy from his native town to the Representative Assembly of Würtemberg. But a powerful petition, which he was chiefly instrumental in preparing, in favour of Commercial Union, and of other needful reforms, was resented so strongly by the King and his Ministers, that List was not only expelled from the Assembly, but condemned to ten months' imprisonment in a fortress, with hard labour, and to pay the costs of the proceedings against him.

To avoid the execution of this harsh sentence, he escaped to Strasburg; but after a brief stay, he was ordered by the authorities to quit that city, at the instance of the Würtemberg Government. From Strasburg he went to Baden, but only again to suffer the same indignity. From Baden he proceeded to Paris, where he was kindly welcomed by General Lafayette, who invited him to visit the United States. Instead, however, of at once accepting the invitation, his intense love of his native country urged him to return to Würtemberg and appeal to the mercy of the King. His appeal was made to deaf ears. He was arrested and imprisoned in the State fortress of the Asberg, from which he was only released after several months' confinement, on condition of renouncing his nationality as a Würtemberger and quitting the country at once. Once more he proceeded to Strasburg, and once more his steps were dogged by the vindictive animosity of the King of Würtemberg, at whose request he was ordered by the French Government not to remain in French territory. He now determined to leave Europe altogether for a time, and took refuge in the United States, where he was again warmly welcomed by General Lafayette, whose introductions secured him the friendship of President Jackson, Henry Clay, James Madison, Edward Livingstone, and other influential American statesmen.

After an unsuccessful attempt to maintain himself by purchasing and cultivating a small piece of land, he started an American newspaper in the German language—the 'Ad'ler.' The tariff disputes between Great Britain and the United States were at that time at their height, and List's friends urged him to write a series of popular articles on the

subject in his journal. He accordingly published twelve letters addressed to J. Ingersoll, President of the Pennsylvania 'Association for the Promotion of Manufacturing Industry.' In these he attacked the cosmopolitan system of free trade advocated by Adam Smith, and strongly urged the opposite policy, based on protection to native industry, pointing his moral by illustrations drawn from the existing economical condition of the United States.

The Association, which subsequently republished the letters under the title of 'Outlines of a New System of Political Economy' (Philadelphia, 1827), passed a series of resolutions affirming that List, by his arguments, had laid the foundation of a new and sound system of political economy, thereby rendering a signal service to the United States, and requesting him to undertake two literary works, one a scientific exposition of his theory, and the other a more popular treatise for use in the public schools, the Association binding itself to subscribe for fifty copies of each, and to recommend the Legislatures of all the other States to do the same.

The success of the 'Adler,' coupled with the fortunate discovery by himself of a new and important coalfield in Pennsylvania, had now placed List in a position of comparative pecuniary ease; but in spite of the ingratitude he had experienced at home from the King and the governing classes, his thoughts still turned to his native land. During 1828 and 1829 he warmly advocated, in a number of essays and articles, the formation of a national system of railways throughout Germany, and his desire to revisit Europe was heightened by his anxiety to promote his new scheme.

President Jackson accordingly, to whom List's views were familiar, sent him on a mission to Paris with a view to facilitating increased commercial intercourse between France and the United States, and subsequently in 1830 appointed him Consul for the United States at Hamburg. But the old spirit, which six years before had met his proposals of political reform with imprisonment and exile, was not yet dead. In the eyes of the servile official German press, List was still the 'hero of revolution,' and the American Minister, Van Buren, had to inform him with deep regret that the Senate of Hamburg refused to ratify his appointment. Forbidden to revisit his native Würtemberg, he again retired to Paris, where the American representative, Rives, introduced him to a number

of influential friends. At this time Belgium had just gained her independence, and a more favourable prospect seemed opened for realising his plans both for a German national system of railways, and for increasing, through Belgium, the commercial intercourse between Germany and the United States. After a brief visit to America, he returned to Europe as United States' Consul at Leipsic, in which capacity he was able to urge his railway schemes on the Government and people of Saxony, with such success that before long he had the satisfaction of witnessing the formation of powerful companies for the formation of several German lines. Whilst at Leipsic he also projected, and in great part wrote, two works which exercised considerable influence on public opinion in Germany—the 'Staats-Lexicon,' published in 1834, and the 'Railway Journal,' which appeared in 1835.

In the original survey of the railway from Halle to Cassel, the line had been projected so as to avoid the towns of Naumburg, Weimar, Gotha, Erfurt, and Eisenach. List exposed the impolicy of this arrangement both on strategic and commercial grounds, and by articles in the press and personal remonstrances at some of the smaller German courts succeeded in securing for these towns the benefit of railway communication. For his exertions on this occasion he received the personal thanks of the Duke of Gotha, an honorary doctor's degree from the University of Jena, and highly gratifying assurances on all hands that he had 'saved' the three Duchies of Weimar, Gotha, and Meiningen from a 'fatal danger.' These assurances were crowned by the munificent gift of one hundred louis d'or, which List received with the remark: 'So it appears that each of these "saved" principalities estimates the value of its salvation at exactly 33½ louis.'

In 1837, on his way to Paris, he visited Belgium, where he was received with distinction, and renewed his acquaintance with Dr. Kolb, who had shared his imprisonment in the Asberg. Through Kolb's influence, List was persuaded to accept a permanent literary engagement in connection with the well-known 'Allgemeine Zeitung,' which at once began to devote greater space to questions affecting the material interests of Germany, especially in relation to tariffs and commercial law, and the commercial relations of Germany with Austria. List made ample use of this excellent opportunity

of promulgating his opinions by a series of articles, some of which dealt more particularly with the commercial relations of Germany and Belgium with the United States. He also published his views in the columns of the Paris 'Constitutionnel' in 1839.

The agitation for the repeal of the Corn Laws in England, which aroused considerable interest throughout Europe, also gave him an opportunity for expounding his views in favour of a national protective policy and recommending its adoption by Germany.

In pointing out the prejudicial influence which he believed that restrictions on the importation of corn must necessarily exercise on the fully established manufacturing power of England, List argued that a national manufacturing power can only be successfully established and maintained by a free importation of raw materials combined with just protection to native industry against the importation of foreign manufactures.

Among many other results expected from the repeal of the English Corn Laws, it was anticipated that that measure would lead to the abolition of the protective duties imposed by Germany on foreign manufactures. But, according to List, it is only when a nation has reached such a stage of development that she can bear the strain of competition with foreign manufactures without injury in any respect, that she can safely dispense with protection to her own manufactures, and enter on a policy of general free trade. This, in fact, is the central idea of List's theory, which in its economical aspect he opposed to the cosmopolitical theory of Adam Smith and J. B. Say, and in its political and national aspect to their theory of universal freedom of trade. These views he maintained in many of his essays, more particularly in those 'On Free Trade and Protection,' and 'On the Nature and Value of a National Manufacturing Industry.' It was not until List's articles appeared that any public discussion of these questions had taken place in Germany, and to him certainly belongs the credit of having first awakened any general public interest in them.

After leaving Leipsic, Augsburg became the permanent residence of List and his family. Here it was that he completed the first part of his 'National System of Political Economy,' published in 1841. A second part was intended

to comprise 'The Policy of the Future,' and the third, 'The Effect of Political Institutions on the Wealth and Power of a Nation.' A commercial treaty had been concluded between England and Prussia on behalf of the German Zollverein, on March 2, 1841, just about the time when List's work appeared. To this treaty List was bitterly opposed, and his denunciation of it not only aroused the wrath of the official newspapers, which reviled him as the 'German O'Connell,' but brought him again into collision with 'the authorities.' In his despatch to Lord Aberdeen of July 13, 1842, the English Ambassador, Lord Westmoreland, complains of List's proceedings, and describes him as 'a very able writer in the pay of the German manufacturers.' As the English Anti-Corn-Law League had paid their lecturers and agitators, and as the English Government had paid Dr. Bowring to agitate in Germany, France, and Switzerland, in favour of English commercial interests, Lord Westmoreland's assumption that List was also a paid agent was not unnatural, but it was wholly without foundation. Whatever may have been the value of List's services on this occasion, they were at least gratuitous.

As might have been expected, the 'National System' was vigorously attacked immediately on its publication; but such was the demand for it that three editions were called for within the space of a few months, and translations of it were published in French, Hungarian, and some other foreign languages. The principal objection raised against it was that the system it propounded was not one for the benefit of the whole world, but simply for the benefit of Germany. This List never sought to conceal. His avowed object was to free Germany from the overwhelming manufacturing supremacy of England, and on this subject some of his ablest opponents admitted that his was the best practical essay. But List never advocated a policy of prohibition. 'Any nation,' he declares, 'which decides to abandon a policy of absolute freedom of imports, must commence by imposing very moderate duties, and reach the protective system which she has decided to adopt by systematic degrees.' And again: 'Any tariff system which completely excludes foreign competition is injurious.' But 'the productions of foreign manufacturing industry must only be permitted to supply a *part* of the yearly national consumption,' and 'the maintenance of the foundation of

the national industry at home must ever be the unvarying object of a nation's policy.'

In 1844 he published the fourth part of his principal work, 'The Politics' (of national economy). In this, after a graphic sketch of the negotiations and economical measures promoted by Canning, Huskisson, Labouchere, and Poulett Thompson, and censuring what he terms the 'crafty and spiteful commercial policy of England,' he advocates the establishment in Germany of thoroughly efficient transport facilities by river, canal, and railway, under united management—the creation of a German fleet and the adoption of a universal German flag—the founding of German colonies abroad—national supervision of emigration—the establishment of efficient German foreign consulates—of regular lines of German steamships—and the negotiation of favourable commercial treaties with the United States, Holland, and other countries.

The contemptuous bitterness with which this work was criticised by the English press, led many of List's countrymen to conclude that he had 'hit the right nail on the head,' and thus increased the influence of his writings.

In 1843 he had added to his other numerous literary labours the editorship of the 'Zollvereinsblatt,' and continued to write in the 'Allgemeine Zeitung' and other newspapers, on economical and commercial questions, particularly on the development of the railway system in Germany. He visited Hungary, where he was honourably welcomed, Kossuth alluding to him in public as 'the man who had best instructed the nations as to their true national economical interests.' He received testimonials from the Spinners' Association of Bohemia, the Congress of Manufacturers of Leipsic, the Iron Manufacturers of the Rhine, and various other public bodies. He enjoyed the further satisfaction, amidst the bitter opposition which he had to encounter, of witnessing the conclusion of the treaty between the Zollverein and Belgium on September 1, 1844, for which he had worked long and earnestly, both in the press and by personal visits to Brussels, and by which, as he observed, 'the Zollverein was enabled to carry on its foreign trade with as much facility as if the ports of Holland and North Germany were included in it.' Lastly, at an audience with the King of Würtemberg, he received a tardy acknowledgment of the injustice with which he had formerly been treated in the words: 'My dear

List, I bear you no ill-will. What a pity it is that twenty-four years ago we had not learnt to know each other as well as we do now!

By this time his almost ceaseless labours had seriously undermined his health. He suffered from severe and frequent headache, and his bodily weakness increased, but he still continued his work. The repeal of the Corn Laws in England was imminent, and List dreaded lest the measure should enable England still further to encroach on German manufacturing industry. In spite of his failing health, he hastened to London in order that he might form a clear idea on the spot of the state of public opinion, and the probable effect of the impending change on the industrial interests of Germany. He was received with courtesy by many who had strongly opposed his policy, among others by Richard Cobden, who jokingly asked him, 'Have you actually come over here in order to get yourself converted?' His visit, however, only left List more strongly convinced than ever of the earnest determination of England to secure for herself the manufacturing supremacy of the entire Continent, and the corresponding necessity for Germany to protect herself against it.

On his return from England his unfavourable symptoms both mental and bodily became more alarming, in spite of the affectionate care of his wife and family, to whom he was tenderly attached. A journey to the Tyrol was undertaken in the hope of restoring his shattered health, but it was already too late. After a few days' confinement to bed at Kufstein, on November 30, 1846, he left his lodging alone. He did not return. A desponding letter addressed to his friend Dr. Kolb was found in his room; search was made, and his remains were found under some newly fallen snow under circumstances which left no doubt that in a moment of mental aberration he had died by his own hand. A monument in the cemetery at Kufstein marks his last resting-place.

The news of his death was received with sincere and general regret throughout Germany and wherever he was known abroad. A subscription was set on foot to present to his bereaved family a substantial testimonial in recognition of his unselfish and devoted efforts to promote the unity, the power, and the welfare of Germany. King Louis of Bavaria was among the first to subscribe, as was also the Regent of Württemberg, that native land whose rulers formerly so under-

valued and ill-treated her able and patriotic son. Many of his most earnest political opponents joined in this endeavour to do honour to his memory, and even urged that 'it was the bounden duty of the German people to erect a statue to the noble patriot,' an appeal which has since been responded to by the erection of such a statue in his native town of Reutlingen.

The commercial policy suggested by List has been in great measure adopted by his native land. The internal tariffs have long since disappeared; under the Zollverein German manufactures and commerce have enormously increased; vigorous steps are being taken to found German colonies; an Imperial German flag floats over German shipping; a German empire has united the German people. And though to give effect to these great objects required the efforts of later and mightier men, a measure of the credit of them is surely due to the man who was long first and foremost in their advocacy, to which he sacrificed health, wealth, and ultimately his life.

List's talents were those of an original thinker, an able and laborious writer, and an earnest and untiring political agitator. For the latter career undoubtedly he was far more fitted by nature than for the service of the State. His was the thankless task of the political pioneer—the prophet who is not permitted to witness the full realisation of his own predictions, and whose message of a brighter future for his country is disbelieved and resented by those who should have been foremost to help him to hasten its advent.

SOME EXTRACTS
FROM THE
AUTHOR'S PREFACE TO THE FIRST EDITION.

MORE than thirty-three years have elapsed since I first entertained doubts as to the truth of the prevailing theory of political economy, and endeavoured to investigate (what appeared to me) its errors and their fundamental causes. My avocation (as Professor) gave me the motive to undertake that task—the opposition which it was my fate to meet with forcibly impelled me to pursue it further.

My German contemporaries will remember to what a low ebb the well-being of Germany had sunk in 1818. I prepared myself by studying works on political economy. I made myself as fully acquainted as others with what had been thought and written on that subject. But I was not satisfied with teaching young men that science in its present form; I desired also to teach them by what economical policy the welfare, the culture, and the power of Germany might be promoted. The popular theory inculcated the principle of freedom of trade. That principle appeared to me to be accordant with common sense, and also to be proved by experience, when I considered the results of the abolition of the internal provincial tariffs in France, and of the union of the three kingdoms under one Government in Great Britain. But the wonderfully favourable effects of Napoleon's Continental system, and the destructive results of its abolition, were events too recent for me to overlook; they seemed to me to be directly contradictory of what I previously observed. And in endeavouring to ascertain on what that contradiction was founded, the idea struck me that *the theory was quite true, but only so in case all nations would reciprocally follow the prin-*

ciples of free trade, just as those provinces had done. This led me to consider the nature of *nationality*. I perceived that the popular theory took no account of *nations*, but simply of the entire human race on the one hand, or of single individuals on the other. I saw clearly that free competition between two nations which are highly civilised can only be mutually beneficial in case both of them are in a nearly equal position of industrial development, and that any nation which owing to misfortunes is behind others in industry, commerce, and navigation, while she nevertheless possesses the mental and material means for developing those acquisitions, must first of all strengthen her own individual powers, in order to fit herself to enter into free competition with more advanced nations. In a word, I perceived the distinction between *cosmopolitical* and *political* economy. I felt that Germany must abolish her internal tariffs, and by the adoption of a common uniform commercial policy towards foreigners, strive to attain to the same degree of commercial and industrial development to which other nations have attained by means of their commercial policy.

In 1819 all Germany teemed with schemes and projects for new political institutions. Rulers and subjects, nobles and plebeians, officers of State and men of learning, were all occupied with them. Germany was like an estate which had been ravaged by war, whose former owners on resuming possession of it are about to arrange it afresh. Some wanted to restore everything exactly as it had been, down to every petty detail; others to have everything on a new plan and with entirely modern implements; while some, who paid regard both to common sense and to experience, desired to follow a middle course, which might accommodate the claims of the past with the necessities of the present. Everywhere were contradiction and conflict of opinion, everywhere leagues and associations for the promotion of patriotic objects. The constitution of the Diet itself was new, framed in a hurry, and regarded by the most enlightened and thoughtful diplomatists as merely an embryo from which a more perfect state of things might be hoped for in the future. One of its articles (the 19th) expressly left the door open for the establishment of a *national commercial system*. This article appeared to me to provide a basis on which the future industrial and commercial prosperity of the German Father-

land might rest, and hence the idea arose of establishing a league of German merchants and manufacturers for the abolition of our internal tariffs and the adoption of a common commercial policy for the whole of Germany. How this league took root, and led to united action between the noble-minded and enlightened rulers of Bavaria and Würtemberg, and later to the establishment of the German Zollverein, is well known.

As adviser of this German commercial league, I had a difficult position. All the scientifically educated Government employes, all the newspaper editors, all the writers on political economy, had been trained up in the cosmopolitical school, and regarded every kind of protective duty as a theoretical abomination. They were aided by the interests of England, and by those of the dealers in English goods in the ports and commercial cities of Germany. It is notorious what a powerful means of controlling public opinion abroad is possessed by the English Ministry in their 'secret service money'; and they are not accustomed to be niggardly where it can be useful to their commercial interests. An innumerable army of correspondents and leader-writers, from Hamburg and Bremen, from Leipzig and Frankfort, appeared in the field to condemn the unreasonable desires of the German manufacturers for a uniform protective duty, and to abuse their adviser in harsh and scornful terms; such as, that he was ignorant of the first principles of political economy as held by the most scientific authorities, or else had not brains enough to comprehend them. The work of these advocates of the interests of England was rendered all the easier by the fact that the popular theory and the opinions of German learned men were on their side.

The contest was clearly being fought with unequal weapons. On one side a theory thoroughly elaborated and uncontradicted, a compact school, a powerful party which had advocates in every legislature and learned society, but above all the great motive power—money. On the other side poverty and want, internal divisions, differences of opinion, and absolute lack of a theoretical basis.

In the course of the daily controversy which I had to conduct, I was led to perceive the distinction between the *theory of values* and the *theory of the powers of production*, and beneath the false line of argument which the popular school

has raised out of the term *capital*. I learned to know the difference between *manufacturing power* and *agricultural power*. I hence discovered the basis of the fallacy of the arguments of the school, that it urges reasons which are only justly applicable to free trade in agricultural products, as grounds on which to justify free trade in manufactured goods. I began to learn to appreciate more thoroughly the principle of the division of labour, and to perceive how far it is applicable to the circumstances of *entire nations*. At a later period I travelled through Austria, North Germany, Hungary, Switzerland, France, and England, everywhere seeking instruction from observation of the actual condition of those countries as well as from written works. When afterwards I visited the United States, I cast all books aside—they would only have tended to mislead me. The best work on political economy which one can read in that modern land is actual life. There one may see wildernesses grow into rich and mighty States; and progress which requires centuries in Europe, goes on there before one's eyes, viz. that from the condition of the mere hunter to the rearing of cattle—from that to agriculture, and from the latter to manufactures and commerce. There one may see how rents increase by degrees from nothing to important revenues. There the simple peasant knows practically far better than the most acute savants of the old world how agriculture and rents can be improved; he endeavours to attract *manufacturers and artificers* to his vicinity. Nowhere so well as there can one learn the importance of means of transport, and their effect on the mental and material life of the people.

That book of actual life, I have earnestly and diligently studied, and compared with the results of my previous studies, experience, and reflections.

And the result has been (as I hope) the propounding of a system which, however defective it may as yet appear, is not founded on bottomless cosmopolitanism, but on the nature of things, on the lessons of history, and on the requirements of the nations. It offers the means of placing theory in accord with practice, and makes political economy comprehensible by every educated mind, by which previously, owing to its scholastic bombast, its contradictions, and its utterly false terminology, the sound sense of mankind had been bewildered.

I would indicate, as the distinguishing characteristic of my system, NATIONALITY. On the nature of *nationality*, as the intermediate interest between those of *individualism* and of *entire humanity*, my whole structure is based. I hesitated for some time whether I should not term mine the *natural* system of political economy, but was dissuaded from so doing by the remark of a friend, that under that title superficial readers might suppose my book to be a mere revival of the physiocrâtic system.

I have been accused by the popular school, of merely seeking to revive the (so-called) 'mercantile' system. But those who read my book will see that I have adopted in my theory merely the valuable parts of that much-decried system, whilst I have rejected what is false in it; that I have advocated those valuable parts on totally different grounds from those urged by the (so-called) mercantile school, namely, on the grounds of history and of nature; also that I have refuted for the first time from those sources the arguments urged a thousand times by the cosmopolitical school, and have exposed for the first time the false train of reasoning which it bases on a bottomless cosmopolitanism, on the use of terms of double meaning, and on illogical arguments.

If I appear to condemn in too strong language the opinions and the works of individual authors or of entire schools, I have not done so from any personal arrogance. But as I hold that the views which I have controverted are injurious to the public welfare, it is necessary to contradict them energetically. And authors of celebrity do more harm by their errors than those of less repute, therefore they must be refuted in more energetic terms.

To candid and thoughtful critics I would remark (as respects tautology and recapitulation), that everyone who has studied political economy knows how in that science all individual items are interwoven in manifold ways, and that it is far better to repeat the same thing ten times over, than to leave one single point in obscurity. I have not followed the prevailing fashion, of citing a multitude of quotations. But I may say that I have read a hundred-fold more writings than those from which I have quoted.

In writing this preface I am humbly conscious that much

fault may be found with my work ; nay, that I myself might even now do much of it better. But my sole encouragement lies in the thought, that nevertheless much will be found in my book that is new and true, and also somewhat that may serve especially to benefit my German Fatherland.

A P P E N D I C E S.

APPENDIX A.

LIST'S allegation as to this effect of the pecuniary subsidies granted by England to her allies on the Continent would appear to have some foundation in fact: any capital transferred by one country to another (other than by a mere transfer of existing securities between wealthy States) must in the long run be effected chiefly in commodities. It is probable that the large loans made by English capitalists to foreign States (notably from 1850 to 1870) resulted in temporary extra demand for British products, which helped to cause the increase of our prosperity 'by leaps and bounds.' So far they may have operated as 'bounties' to British producers, in the manner in which List maintains that the subsidies did. But the subsidies being absolute gifts for services in war, and the subsequent loans to repudiating or bankrupt States being practically (although involuntary) gifts, produced no interest return in future years. The English nation has paid heavily (in the increase to the national debt) for any temporary benefit afforded to English manufacturers by the 'bounties' of which List complains. And English holders of foreign State bonds have paid no less heavily for the temporary 'leaps and bounds' by which British manufacturing industry may have advanced in more recent times, owing to the loans.—
TRANSLATOR.

APPENDIX B.

THE following instances (among others) in which the State has, with general assent of the public, interfered with the liberty of individuals in respect to their separate action, are adduced by the late Mr. Justice Byles.

The State provides defences against external aggression.

It conducts treaties with foreign nations.

It preserves internal peace and order.

It is the corner-stone of family ties, family duties, family affection, family education, by regulating and enforcing the marriage contract.

It institutes and protects property.

It regulates the transmission of property.

It enforces the repair of highways by the several districts through which they pass, or by those who use them.

It obliges each county to make and repair its own bridges.

It maintains ports and harbours.

It surveys and lights the sea coasts of the realm.

It coins money, and prohibits interference with this monopoly.

It regulates the issue of promissory notes payable to bearer.

It provides a uniform system of weights and measures, and proscribes the use of any other.

It assumes the distribution of intelligence by post.

By the patent and copyright laws it gives bounties on the exertion of the inventive faculties, in the shape of a *monopoly* for a limited period.

By requiring a public specification, explanatory of every patented discovery or invention, it takes care that the secret shall not be hidden from the public or die with the inventor.

It imposes a bridle on the acquisition of property by corporate bodies.

It protects the public health by the prohibition of nuisances of thousands of kinds, and by making provision for their removal.

By the quarantine laws it prevents the importation of contagious diseases.

It provides for the cleanliness of towns.

It regulates the fares of hackney carriages and controls the drivers.

It forbids inoculation for the small-pox, and artificially promotes vaccination.

It assumes the distribution of insolvents' estates.

It provides for the maintenance of the poor.

It forbids perpetuities by avoiding all attempts to tie up property beyond a life or lives in being and twenty-one years afterwards.

Though it tolerates all religions, it does not leave the virtue and

happiness of the multitude without the support and direction of an established faith and worship.

In the above cases Government interferes on behalf of *the public*. But there are others in which it does so to protect the helplessness or inexperience of individuals. Thus:

It shields infants by avoiding their contracts and protecting their persons and property;

And married women;

And persons of unsound mind;

And in many ways the helpless labouring poor.

It forbids the truck system.

It regulates the employment of women and children in mines and factories.

It controls pawnbrokers—grinding the tooth of usury, and securing facilities for redemption.

It prohibits and punishes, as we have seen, the use of unjust weights and measures;

And the sale of unwholesome provisions;

And the adulteration of coffee, tobacco, snuff, beer, tea, cocoa, chocolate, and pepper.

To guard against fraud, it directs the form and manner in which wills shall be executed.

If a man gives a money bond with a penalty if the money is not repaid at a day prefixed, the State forbids the penalty to be enforced.

A purchaser of gold or silver articles cannot tell whether they are real gold and silver or not, or how much of the weight is precious metal, and how much is alloy. The State steps in to his assistance, and requires the assay mark of a public officer.

A man buys a pocket of hops. He cannot always open it to see whether it is of the growth alleged or of uniform quality. The State interferes and makes it penal to mark or pack falsely.

An attorney sends in his bill. The client cannot tell whether the charges are usual and fair. The State intervenes and provides a public officer who is empowered, not only to correct, but also to punish overcharges.

The State compels the professional education of medical men and attorneys.

The above are but some instances of the mode in which nearly all governments have found it for the advantage of the community to interpose.

What is the interposition of Government?

Simply the concentrated action of the wisdom and power of the whole society on a given point; a mutual agreement by all, that certain things shall be done or not done for the general benefit.—‘*Sophisms of Free Trade examined*,’ by a Barrister (the late Mr. Justice Byles), 1870.

APPENDIX C.

THAT List should reject the idea of protective duties on corn and agricultural produce as being in any degree beneficial to a country like Germany, is easy to understand. Her agriculture at the time when he wrote (1841) not only amply provided for the wants of her population, but yielded then, and had yielded for a long previous period, a large and steady surplus for export to other countries. No other European nation could profitably export such produce to her, while the high rates of freight then prevalent and the non-existence of ocean steam transport rendered such export to her from more distant countries impossible.

Whether, as a mere question of policy, the free importation of agricultural produce be approved or not, his contention, thus laid down by him as a sort of universal axiom, but apparently based on the circumstances of his own country and time, can scarcely be deemed consistent with some other arguments on which his general theory of national economy is based. Nor can it be deemed (of itself) conclusive as a solution of the question which is presented to Great Britain at the present time, viz. whether, under circumstances in which the necessary result of a policy of unrestricted importation of agricultural produce is to throw a large portion of the land of the nation out of cultivation, to deprive those who cultivated it of their accustomed employment, and to render the nation dependent for the major part of its food on foreign supplies, the nation's best interests are most effectually promoted by such a policy, or by one of such moderate protection of native agriculture as may retain in cultivation the national land, and greatly lessen the nation's dependence for its food on foreign importation. His contention leads rather to the inference that what may be good for one nation may be undesirable for another which exists under very different conditions, and still more to show that what may be beneficial to a people at one stage of their national history may be injurious at another time—an opinion which the present German Government appears to sanction by its recent reversion to a protectionist policy as respects the import of agricultural produce.

A policy of moderate protection appears to be advocated by those who approve it as a sort of mutual assurance to the industrious producers of the nation against the competition in its own markets of producers who do not belong to the nation. It is further advocated as an impost levied on the foreign producing competitor in the shape of a contribution by him to the revenue of the nation which imposes it, and as the condition on which he is permitted to compete in the markets of the latter nation with the native producers, who are subjected to much taxation to which the foreigner does not otherwise contribute. It is

noteworthy that Adam Smith himself expresses approval of protective duties for the latter purpose in case the foreign imported products are believed to be subjected to less taxation than similar home products. ('Wealth of Nations,' Book IV. chapter ii.)

If those views can be deemed sound in their application to manufacturing industry, our author does not appear to have clearly stated the reasons why that industry which, as he admits, is the most important of any, and which employs more capital and population than any other, should not (if its successful prosecution requires it) receive moderate protection as well as manufacturing industry.

Whether, however, the principle of protective duties (either generally or limited in their application to manufacturing industry alone) be admitted or not, two inferences seem to be fairly deducible from the teaching of Adam Smith and not to be disproved by that of List: firstly, that if the home agriculturist is required (in the interest of the nation) to be exposed to free competition by the foreigner in the home market, he is entitled to be relieved from all such taxation, whether local or imperial, as at all specially or disproportionately oppresses him; secondly, that differential duties are justifiable on imports from those nations who impose restrictions on our export to them as compared with imports from those nations who impose no such restrictions.—TRANSLATOR.

APPENDIX D.

THE example of Great Britain during the last few years may be deemed by many to furnish a refutation of List's doctrine on this point. The excess of her recorded imports over her recorded exports has increased from 58,000,000 in 1869 to 121,000,000 in 1883.

The induction of accurate conclusions as to the beneficial or injurious effects of this state of things on the national welfare, and consequently on the general truth or error of List's allegation, is rendered difficult chiefly by two considerations—first, by the circumstance that Great Britain possessed up to a few years ago, and still possesses to a considerable extent, large amounts of capital invested abroad, the dividends or interest on which, if not reinvested there, necessarily tend to increase her total recorded imports. The second is, that we have no statistical returns of British home production or consumption of manufactured goods, and only imperfect ones of her agricultural production. Hence it is impossible accurately to determine to what extent Great Britain's present enormous excess of imports represents merely the annual interest on previously acquired capital, and to what extent, on the other hand, it represents the substitution of the products of foreign labour in her own markets for those of her home industry.

To the extent to which the former of these two elements can be proved to exist, the excess of imports so accounted for is (in the case of England) special and abnormal, and proves nothing adverse to the general truth of List's allegation.

But even if it be correct (and it is difficult to believe that it can be so) that the excess in value of our imports (less carrying profits) is wholly accounted for by earnings on capital invested abroad (which earnings reach us in imported commodities), it would appear that, if the direct effect of such earnings so imported is to supplant and diminish production at home, there is a countervailing national loss, which goes far to neutralise the alleged national benefit of such excess of imports.

Supposing, for instance, that the nation as a whole possesses 1,000,000,000*l.* sterling invested abroad in various ways realising an annual income of 50,000,000*l.* sterling, that profit, if not reinvested abroad, no doubt reaches us in imported commodities and permeates through the community; but when such commodities mainly consist of goods or produce which supplant home productions, we are then to a great extent losers.

Were such profit to reach us only in goods which we cannot produce, or in raw materials required for manufactures, it might all be deemed national gain; but when it reaches us in the shape of food or other articles which could be produced at home, and only transfers our custom from native to foreign producers, the gain is questionable even for the present, and (viewed prospectively) would appear to involve absolute danger to the community.—TRANSLATOR.

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