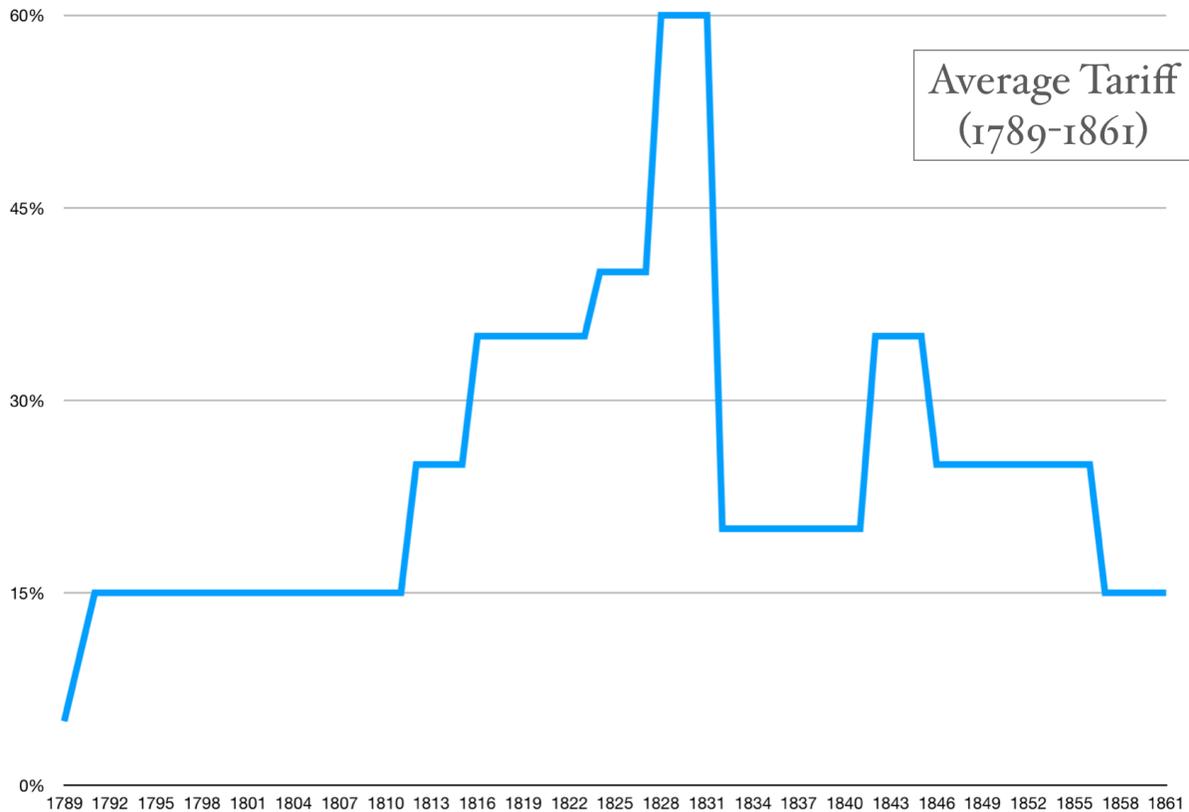


E. The “American System” of Mercantilism

1. A number of factors contributed to the dominance of agrarianism in the original American political-economic system.
 - a) When America was first created, it was still a set of colonies in a pre-industrial state of technological development. In that setting, where agriculture was common and manufacturing and commerce were uncommon, agrarianism was almost the default point of view.
 - b) Mercantilist policies by the British government has obviously hurt the colonies, and were part of the reason for the American Revolution, so such policies were naturally viewed negatively by Americans.
 - c) Mercantilism is not compatible with liberty. It involves the government passing laws that favor some segments of the economy at the expense of others—usually the industries of a country that “exports” at the expense of whatever people want to “import.” This is an interference in the normal, spontaneous economic activity that people would engage in if left free to choose.
 - d) Mercantilism is always associated with nations at war. Monarchies—and other mercantilist governments—make laws that impede the flow of goods from other countries into their own and try to promote the exporting of goods to other countries, because these policies result in the flow of money into the country, which allows the government to tax that money, and have access to it for the purpose of war. This is called the “balance of trade,” and it is linked to the “balance of power,” because a country with a negative balance of trade (more imports than exports) has less money on hand for its own government to confiscate in times of war. Since America intended to be politically separate from Europe, however, this policy was less relevant to its particular situation. Only when the Napoleonic Wars (1799-1815) expanded to include America did mercantilism become more appealing.
2. Britain, which was at war with Napoleon’s France, practiced a policy of “inalienable citizenship,” which is quite near to the opposite of “inalienable rights.” It means that if you are born in a country, you can never not be a citizen (and thus subject to its king). Following that policy, its navy would board American ships at sea and seize American sailors. This was intolerable to Americans, and was enough to push America into another war with its mother country.
3. The **War of 1812 (1812-15)** was a painful experience for America, because the British were brutal in their attacks. They no longer intended to rule America, only to punish it. British troops even landed in Washington, and burn the White House to the ground.
4. This made Americans resent Britain much more, and made them willing to accept mercantilist laws as a barrier to British goods being imported. It was at this point that taxes on foreign goods—collectively known as *The Tariff*—were raised. This was essentially Hamilton’s idea come to life, but the credit at the time went to a new American politician named Henry Clay.
5. The Tariff, which stood at 5-15% in early American history, was quickly doubled, and doubled again, until the taxes on imported products was as high as 60%. Imagine being

used to buying a suit of clothes from Britain at \$100, and then in a few short years, seeing the price of that same suit rise to \$160.



6. In addition to causing the price of many goods to rise for American consumers, The Tariff caused many exporters—especially Southern farmers—to suffer a drop in business as well. This is because countries rarely allow their trading “partners” to raise tariffs without raising their own tariffs in retaliation.
7. The justification for this policy was that American manufacturers would be able to compete with British manufacturers. It was thus a policy to **encourage** “American industry.” The fact that most such industries were in the North was not lost on Southern plantation owners, who now had to pay more for the things they needed, and whose exports were harmed by the very same policy.
8. Not surprisingly, since this policy generally hurt the South and favored the North, and these two parts of America were already engaged in an important argument about the morality of slavery because of *abolitionism*, the Tariff contributed to the antagonism between the two, and was one of the causes of the Civil War (even though it had been lowered from its peak by the time the war happened).