

# Friedrich List, Excerpt from *National System of Political Economy* (1841)

## Abstract

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In this excerpt from *National System of Political Economy* (1841), economist Friedrich List (1789–1846) elaborates on the stages of economic development, the distinction between cosmopolitan and nationalist views of economics, and the importance of protectionism. A critic of the free-market thinker Adam Smith and his followers, List argued that less developed economies like Germany's required protective tariffs on manufactured goods to allow their fledgling industries to grow. List's specifically national interpretation of economics called for restrictions on international trade but advocated free trade and occupational freedom in the German states.

## Source

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For greater clearness, we give here a cursory view of the principal results of his researches and meditations:

The association of individuals for the prosecution of a common end, is the most efficacious mode towards ensuring the happiness of individuals. Alone, and separated from his fellow-creatures, man is feeble and destitute. The greater the number of those who are united, the more perfect is the association, and the greater and the more perfect is the result, which is the moral and material welfare of individuals.

The highest association of individuals now realized, is that of the state, the nation; and the highest imaginable, is that of the whole human race. Just as the individual is happier in the bosom of the state than in solitude, all nations would be more prosperous if they were united together, by law, by perpetual peace, and by free interchange.

Nature leads nations gradually to the highest degree of association; inviting them to commerce by variety of climate, soil, and productions; and by overflowing population, by superabundance of capital and talents, it leads them to emigration and the founding of distant colonies. International trade, by rousing activity and energy, by the new wants it creates, by the propagation among nations of new ideas and discoveries, and by the diffusion of power, is one of the mightiest instruments of civilization, and one of the most powerful agencies in promoting national prosperity.

The association of nations, by means of trade, is even yet very imperfect, for it is interrupted, or at least weakened by war or selfish measures on the part sometimes of one and sometimes of another nation.

A nation may by war be deprived of its independence, its wealth, its liberty, its constitution, its laws, of its own special features, of that degree of culture and national well-being to which it may have attained; it may be wholly enslaved. Nations are thus the victims of each other, and selfish policy is continually disturbing and delaying the economical development of nations.

To preserve, to develop, and to improve itself as a nation is consequently, at present, and ever must be, the principal object of a nation's efforts. There is in that nothing false or selfish; it is a reasonable tendency, agreeing perfectly with the real interests of humanity; for it leads naturally to universal

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association, which is an advantage to men, so far as nations have reached the same degree of culture and power, and, consequently, so far as it may be realized, by way of association or confederation.

A universal association, proceeding from the overbearing influence and wealth of a single nation, based, consequently, upon the subjection and dependence of all others, would result in the annihilation of separate nationalities, and national emulation; it would hurt the interests and wound the feelings of nations which deem themselves on the way to independence and the attainment of great wealth, as well as of high political importance; such an association would be only a repetition of what has already occurred in the attempt to subjugate the world, made by the Romans; an attempt that would be more successful in our days, by means of manufactures and commerce, instead of, as formerly, by the sword; though either mode would restore the world to barbarism.

The civilization, political education and power of nations, depend chiefly on their economical condition and reciprocally; the more advanced their economy, the more civilized and powerful will be the nation, the more rapidly will its civilization and power increase, and the more will its economical culture be developed.

In the economical development of nations, it is necessary to distinguish the following principal stages: the savage state, the pastoral state, the agricultural state, the agricultural and manufacturing state, and finally, the agricultural, manufacturing, and commercial state.

It is obvious that a nation possessing an extensive territory, enriched with varied resources and a numerous population, uniting agriculture and manufactures with an external and internal trade, is beyond comparison more civilized, politically more developed and more powerful than any merely agricultural country. But manufactures constitute the basis of external and internal trade, of navigation, of an improved agriculture, consequently of civilization and political power; and should any nation succeed in monopolizing all the manufacturing activity of the world, and in checking all other nations in their economical development by reducing them to the mere production of agricultural commodities and raw materials, and other indispensable local productions, it would undoubtedly attain to very wide, if not to universal dominion.

A nation that greatly values its independence and its safety, must make a vigorous effort to elevate itself as fast as possible, from an inferior to a higher state of civilization, uniting and perfecting as quickly as possible, its own agriculture, manufactures, navigation, and commerce.

The transition from the savage to the pastoral, and from the pastoral to the agricultural state, as well as the first progress in agriculture, is very efficiently promoted by free intercourse among manufacturing and commercial nations.

The elevation of an agricultural people to the condition of countries at once agricultural, manufacturing, and commercial, can only be accomplished under the law of free trade, when the various nations engaged at the time in manufacturing industry shall be in the same degree of progress and civilization; when they shall place no obstacle in the way of the economical development of each other, and not impede their respective progress by war or adverse commercial legislation.

But some of them, favored by circumstances, having distanced others in manufactures, commerce, and navigation, and having early perceived that this advanced state was the surest mode of acquiring and keeping political supremacy, have adopted and still persevere in a policy so well adapted to give them the monopoly of manufactures, of industry and of commerce, and to impede the progress of less advanced nations or those in a lower degree of culture. The measures enforced by such nations, taken as a whole, the prohibitions, the duties on imports, the maritime restrictions, premiums upon exports, &c., are called the protective system.

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The anterior progress of certain nations, foreign commercial legislation and war have compelled inferior countries to look for special means of effecting their transition from the agricultural to the manufacturing stage of industry, and as far as practicable, by a system of duties, to restrain their trade with more advanced nations aiming at manufacturing monopoly.

The system of import duties is consequently not, as has been said, an invention of speculative minds; it is a natural consequence of the tendency of nations to seek for guarantees of their existence and prosperity, and to establish and increase their weight in the scale of national influence.

Such a tendency is legitimate and reasonable only so far as it renders easy, instead of retarding, the economical development of a nation; and it is not in opposition to the higher objects of society, the universal confederation of the future.

As human association ought to be considered under two points of view, that is to say, the cosmopolitan, embracing all the human race, and the political or merely national, every economy, private or public, ought to be considered under two different aspects, the individual, social and material power, by means of which riches are produced, and the interchangeable value of the products of industry.

There is, consequently, a cosmopolitan economy and a political economy, a theory of interchangeable value, and a theory of productive power. These doctrines are distinct in their essence, and require to be developed separately.

The productive power of nations is not solely dependent on the labor, the saving, the morality, and the intelligence of individuals, or on the possession of natural advantage and material capital; it is dependent also upon institutions and laws, social, political, and civil, but, above all, on the securities of their duration, their independence, and their power as nations. Individuals would be in vain laborious, economical, ingenious, enterprising, intelligent, and moral, without a national unity, without a division of labor and a co-operation of productive power. A nation cannot otherwise attain to a high degree of prosperity and power, nor maintain itself in the permanent possession of its intellectual, social, and material riches.

The principle of the division of labor has been hitherto but imperfectly understood. Industrial production depends much less on the apportioning of the various operations of a manufacture among several individuals, than on the moral and material association of those individuals for a common end.

This principle applies not only to a manufacture or to a rural industry; it extends also to every kind of national industry, agricultural, manufacturing, and commercial.

The division of labor and the combination of productive power take place in a nation when the intellectual power is applied so as to co-operate freely and efficiently with national production, when manufacturing industry and trade are equally and harmoniously developed.

A merely agricultural people in free intercourse with manufacturing and trading nations, will lose a considerable part of their productive power and natural resources, which must remain idle and unemployed. Its intellectual and political culture, and its means of defence, will thus be limited. It can possess neither an important navigation, nor an extensive trade; its prosperity, as far as it results from external commerce, may be interrupted, disturbed, or annihilated by foreign legislation or by war.

On the other hand, manufacturing industry is favorable to science, art, and political progress; it promotes the general welfare, increases population, public revenue, and the power of the country; it enables the latter to extend its influence to all parts of the world, and to found colonies; it sustains fisheries and navies, mercantile and national. By it only, can agriculture rise to any high degree of efficiency and perfection.

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Agriculture and manufacturing industry united in the same nation, under the same political power, live in perpetual peace; they are disturbed in their reciprocal action, neither by war, nor by foreign legislation; they ensure to a nation the continued development of its prosperity, civilization, and power.

Agriculture and manufacturing industry are subjected by nature to special conditions.

The countries of the temperate zone are especially fit for the development of manufacturing industry; for the temperate zone is the region of intellectual and physical effort.

If the countries of the torrid zone are little favored in reference to manufactures, they possess, on the other hand, the natural monopoly of many precious commodities which the inhabitants of the temperate climates greatly prize. The exchange of the manufactured products of the one for the commodities of the other, constitutes a division of labor and a co-operation of productive power throughout the chief commercial nations, and mainly constitutes the great international trade of the world.

A country of the torrid zone would make a very fatal mistake, should it try to become a manufacturing country. Having received no invitation to that vocation from nature, it will progress more rapidly in riches and civilization if it continues to exchange its agricultural productions for the manufactured products of the temperate zone.

It is true that tropical countries sink thus into dependence upon those of the temperate zone, but that dependence will not be without compensation, if competition arises among the nations of temperate climes in their manufacturing industry in their trade with the former, and in their exercise of political power. This competition will not only ensure a full supply of manufactures at low prices, but will prevent any one nation from taking advantage by its superiority over the weaker nations of the torrid zone. There would be danger and damage in this dependence only so far as manufactures, important branches of trade, foreign commerce, and maritime power should become the monopoly of a single nation.

Nations of the temperate zone possessing extensive territory enriched with varied resources, have lost one of the richest sources of prosperity, civilization and power, if they do not succeed in realizing a national division of labor and a co-operation of national productive power, as soon as they possess the necessary conditions, economical, intellectual, and social, for accomplishing it.

By economical conditions, we understand an advanced stage of agriculture, which cannot be sensibly stimulated by the export of its products; by moral conditions, a high moral culture among individuals; by social conditions, we mean legal security to citizens for their persons and properties, and the free exercise of their moral and physical faculties; institutions regulating and facilitating trade, and suppressing all restraints upon industry, liberty, intelligence, and morality, as for instance, feudal institutions.

It is of the utmost concern for a nation uniting such advantages, first fully to supply its own wants, its own consumption, with the products of its own manufactures, then to form direct connections progressively with the countries of the torrid zone, transmitting to them, upon its own vessels, its manufactured products, receiving in exchange their commodities.

In comparison with this exchange of the manufactured products of the temperate, for the agricultural productions of the torrid zone, other international trade is of a secondary importance, if we but except the trade in a few special articles; wine, for instance.

The production of raw materials and commodities among the great nations of temperate climes, has no real importance but in regard to internal trade. An uncultivated nation may at the beginning advance its agriculture by the exportation of wheat, wine, flax, hemp, and wool; but no great nation ever arrived at wealth, civilization, and power, by such policy.

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It may be stated as a principle, that a nation is richer and more powerful, in proportion as it exports more manufactured products, imports more raw materials, and consumes more tropical commodities.

Productions of the tropics serve to manufacturing countries of temperate climes, not only as raw materials and alimentary commodities, but also, and especially, as stimulants for agricultural and industrial labor. The nation that consumes the greatest quantity of tropical commodities, will always be that of which the agricultural and manufacturing production is relatively the most considerable, and that which consumes the greatest quantity of its own products.

In the economical development of nations by means of external trade, four periods must be distinguished. In the first, agriculture is encouraged by the importation of manufactured articles, and by the exportation of its own products; in the second, manufactures begin to increase at home, whilst the importation of foreign manufactures to some extent continues; in the third, home manufactures mainly supply domestic consumption and the internal markets; finally, in the fourth, we see the exportation upon a large scale of manufactured products, and the importation of raw materials and agricultural products.

The system of import duties being considered as a mode of assisting the economical development of a nation, by regulating its external trade, must constantly take as a rule the principle of the industrial education of the country.

To encourage agriculture by the aid of protective duties is vicious policy; for agriculture can be encouraged only by promoting manufacturing industry; and the exclusion of raw materials and agricultural products from abroad, has no other result than to impede the rise of national manufactures.

The economical education of a country of inferior intelligence and culture, or one thinly populated, relatively to the extent and the fertility of its territory, is effected most certainly by free trade, with more advanced, richer, and more industrious nations. Every commercial restriction in such a country aiming at the increase of manufactures, is premature, and will prove detrimental, not only to civilization in general, but the progress of the nation in particular. If its intellectual, political, and economical education, under the operation of free trade, has advanced so far, that the importation of foreign manufactures, and the want of markets for its own products has become an obstacle to its ulterior development, then only can protective measures be justified.

A nation without extensive territory and of otherwise limited resources, which does not control the mouths of its rivers, or which has not suitable boundaries, cannot resort to the protective system, or at least cannot employ it with full success. It must be first enlarged by way of conquest or negotiation.

Manufacturing industry is concerned with so many branches of science and art, it implies so much experience, practice, and adaptation, that the industrial training and education of a country can proceed but slowly. All excessive or premature protection is expiated by a diminution of national prosperity.

No commercial policy is more dangerous and reprehensible than a sudden resort to absolute prohibition of foreign products. It may, however, be justified, when a country, separated from others by a long war, finds itself almost in a compulsory state of prohibitions in regard to foreign products, and under the absolute necessity of offering a high premium to the industry which will enable it to supply its own wants.

The return from such a condition must be by gradual transition from the prohibitive to the protective system, and should be effected by means of duties fixed by anticipation, and decreasing gradually. On the other hand, a nation which is to pass from free trade to the protective system should commence with low duties to be afterwards raised by degrees according to a suitable scale.

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Duties thus fixed by anticipation must be strictly maintained by the government; it must be careful not to diminish them before the appointed time, and equally careful to raise them if they should prove insufficient.

Duties upon imports so high as absolutely to exclude foreign competition are prejudicial to the country which adopts them; for they suppress all rivalry between domestic and foreign manufacturers, and encourage indolence among the former.

When, under the rule of suitable and progressive duties, the manufactures of a country do not thrive, it is evidence that the country does not yet possess the conditions requisite to a manufacturing people.

Duties designed to favor an industry should never be put so low as to endanger the existence of the latter from foreign competition. It should be a rule to preserve what exists—to protect national industry in its trunk and in its roots.

Foreign competition should not have more than its share in the annual increase of consumption. Duties should be raised when foreign commodities supply the greatest part or the whole of the increased annual consumption.

A country like England, which is far in advance of all its competitors, cannot better maintain and extend its manufacturing and commercial industry than by a trade as free as possible from all restraints. For such a country, the cosmopolitan and the national principle are one and the same thing.

This explains the favor with which the most enlightened economists of England regard free trade, and the reluctance of the wise and prudent of other countries to adopt this principle in the actual state of the world.

A quarter of a century since, the prohibitive and protective system of England operated to her detriment and to the advantage of her rivals.

Nothing could be more prejudicial to England than her restrictions upon the importation of raw material and food.

Union of customs and commercial treaties are the most efficient means of facilitating national exchanges.

But treaties of commerce are legitimate and durable only when the advantages are reciprocal. They are fatal and illegitimate when they sacrifice one country to another; when one country, to purchase advantage for its agriculture, sacrifices a manufacturing industry already well advanced; such a treaty was that of Methuen, a compact in which one party took the lion's share.

The treaty concluded between England and France in 1786 was one of those leonine treaties. And all the propositions made since by England and France to other countries are of the same nature.

If protective duties enhance for a time the price of domestic manufactures, they secure afterwards lower prices by means of internal competition; for an industry that has reached its full development can safely reduce its prices far below those which were necessary to ensure its growth, and thus save to its consumers the whole expense of transportation and the whole profits of trade, which are consequent upon imports of the same articles from other countries.

The loss occasioned by protective duties consists, after all, only in values; whilst the country thus acquires a power, by which it is enabled to produce a great mass of values. This loss in values must be considered as the price of the industrial training of the country.

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Protective duties upon manufactured products do not press heavily upon the agriculture of a country. By the development of manufacturing industry, the wealth, population, consumption of agricultural products, rent, and exchangeable value of real estate are vastly increased, whilst the manufactured products consumed by farmers gradually fall in price. The gain, thus realized, exceeds, in the proportion of ten to one, the loss which agriculturalists incur by the transient rise of manufactured products.

Internal and external trade flourish alike under the protective system; these have no importance but among nations supplying their own wants by their own manufacturing industry, consuming their own agricultural products, and purchasing foreign raw materials and commodities with the surplus of their manufactured articles. Home and foreign trade are both insignificant in the merely agricultural countries of temperate climes, and their external commerce is usually in the hands of the manufacturing and trading nations in communication with them.

A good system of protection does not imply any monopoly in the manufacturers of a country; it only furnishes a guarantee against losses to those who devote their capital, their talents, and their exertions to new branches of industry.

There is no monopoly, because internal competition comes in the place of foreign competition, and every individual has the privilege of taking his share in the advantages offered by the country to its citizens; it is only an advantage to citizens as against foreigners, who enjoy in their own country a similar advantage.

But this protection is useful not only because it awakens the sleeping energies of a country and puts in motion its productive power, but because it attracts the productive power of foreign countries, including capital, both material and moral, and skillful masters as well as skillful men.

On the other hand, the absence of manufacturing industry in a nation long civilized, the productive powers of which cannot be sensibly excited by the export of raw materials and agricultural products, and, by the importation of foreign manufactures, exposes it to numerous and serious inconveniences.

The agriculture of such a country must necessarily suffer; for the surplus population, which, in a great manufacturing development, finds means of living in factories and creates a large demand for agricultural products, thus affording substantial profits to agriculture, will be reduced to the labor of the fields, and thence will follow a subdivision of farms and a small culture, both as prejudicial to the power and the civilization of a country as to its wealth.

An agricultural people consisting chiefly of proprietors of small estates, can neither fill the channels of internal trade with large quantities of commodities, nor furnish a large consumption for manufactured goods; in such a country, everyone is limited almost to his own production and his own consumption. In circumstances like these, no complete system of communications can be established, and the immense advantages which they afford are lost to the country.

Hence ensues necessarily, moral and material, individual and political weakness. The danger is aggravated when neighboring nations pursue a different policy: some making progress in every respect, others retrograding; some hoping for a brighter future, the courage and enterprise of their people being aroused; the absence of hope extinguishing by degrees in others all courage, intelligence, and enterprise.

History is not without examples of entire nations having perished, because they knew not and seized not the critical moment for the solution of the great problem of securing their moral, economical, and political independence, by the establishment of manufacturing industry, and the formation of a powerful class of manufacturers and tradesmen.

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