



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

Tariffs and the Founding Fathers

Though free trade — really trade managed by an entity empowered to change countries' laws — is portrayed as an unalloyed “good,” America’s influential Founders disagreed.



It is an oddity, considering the popularity of the play *Hamilton*, that its subject, Alexander Hamilton (shown) — America’s first secretary of the treasury — has emerged as a favorite of sorts among those who roundly dislike President Donald Trump. In fact, Vice President Mike Pence was even castigated from the stage of a production of *Hamilton* for the supposed sin of serving as Trump’s vice president.

This is largely due to the misconception that Hamilton was an immigrant (it has become liberal dogma to attribute all types of positive qualities to immigrants), coupled with the accusation that Trump is anti-immigrant. Of course, while Hamilton was not born in one of the colonies that emerged as the United States of America in 1776, he was born in a Caribbean colony that was part of the British Empire. This means he was no more an immigrant than a person today who moves from Texas to Arkansas.

{modulepos inner_text_ad}

Open borders — or something rather close to it — is now the default position among America’s “elites,” thus making Hamilton (the supposed “immigrant”) something of a hero. Hamilton, who settled in New York, the home state of our 45th president, was, however, a powerful foe of another favored position of the elites — “free trade.” As a matter of historical fact, protectionism was the position of almost all the Founding Fathers. By the early part of the 1800s, there was not what would today be termed a “free trader” in the bunch.

It is really rather simple to understand why. They had only recently won their independence from the British Empire, and they wished to maintain that independence. Of all the arguments that can be forwarded about free trade, no one can seriously argue that it enhances our national sovereignty.

In his 1998 book, *The Great Betrayal*, Pat Buchanan makes this very point. “The most perilous aspect [of free trade] ... is the loss of U.S. sovereignty and the potential loss of nationhood itself. Look at Europe. Nations there are meekly transferring control of their defense and foreign policy, of trade and immigration policy, to a superstate called the European Union; they are even giving up control of their currencies, which means control of their destinies. And what is happening to France, Britain, Germany, Italy, will happen here if we do not wake up. Once a nation has put its foot onto the slippery slope of global free trade, the process is inexorable, the end inevitable: death of the nation-state.”

Americans have enjoyed the fruits of national sovereignty for more than two centuries — sovereignty



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

won by the nation's Founders at great sacrifice. They knew what it was like to be told what to do on local matters by a far-off distant government, and they did not like it. The Hat Act, for example, severely limited the manufacture of hats in the colonies, making the colonists dependent upon British hatters. There is a reason, other than a fashion statement, that so many colonials, including Ben Franklin, wore coonskin caps and the like.

Historian Clarence Carson offered a specific example of the effect of this lack of sovereignty. "Much of the difference in the balance of trade was made up by loans of British merchants to the Americans. Many Americans, especially Southern planters, were in debt to British merchants from year to year. It was this fact which spurred them to buy more and more slaves and acquire more and more land in the vain hope of getting out of debt by producing larger crops."

Writing in 1886, Senator John Logan summed up the cause of the American Revolution. As is almost always the case with wars, the roots were economic. "The war of the American Revolution chiefly grew out of the efforts of Great Britain to cripple and destroy our Colonial industries to the benefit of the British trader," and the independence won "was an Industrial as well as Political Independence."

The control that British regulations placed upon Americans was immense. *London Magazine* wrote in 1766, "The American is appareled from head to foot in our manufactures.... He scarcely drinks, sits, moves, labours or recreates himself without contributing to the emoluments of the mother country."

By the 1770s, the American colonists were becoming increasingly frustrated at this heavy control of their domestic economy. When Parliament, wanting to bail out the failing British East India Company, passed the Tea Act, turning over to them monopolistic control of the sale of tea in the colonies, it led to the famous Boston Tea Party on December 16, 1773, when the Sons of Liberty dumped 342 chests of tea into Boston Harbor. This was followed by the Intolerable Acts, which were designed to punish Massachusetts in particular, and impress upon the other colonies the consequences if they did not obey. The Intolerable Acts closed the port of Boston, limited town meetings, made British officials basically impervious to criminal charges by ensuring their trials happened in Britain, and more.

Instead of obeying, the colonies broke into armed rebellion in 1775, and finally declared independence in 1776. The difficulty of fighting the war, without manufacturing already established, against the greatest manufacturing power on Earth, only intensified the desire of the colonists to establish not only political independence, but also economic sovereignty.

As historian John Miller explained in *Origins of the American Revolution*, "Many Americans recognized that if the colonies were to wage successful economic war with the mother country, it was necessary that they manufacture for themselves the necessities they had formerly imported from Great Britain."

In other words, it was experience that taught the Founding Fathers the important lesson of the need for economic independence if they were going to maintain their political independence. Leading the way with this position was George Washington, whose experiences with British manufacturers had frustrated him for years. To demonstrate his devotion to American economic independence, Washington deliberately wore an American-made suit to his inauguration in 1789.

The brown broadcloth suit had been tailored at Mount Vernon from cloth ordered from a mill in Hartford. Historian Douglas Southall Freeman explained Washington's purpose: "This apparel was to advertise American industry; it was, also, in a homely way to proclaim American liberty since the device on the buttons was that of a wing-spread eagle."



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

For those who snicker at the term “made in America,” they should know that they are laughing at the strong sentiments of George Washington. “Indeed we have already been too long subject to British prejudices. I use no porter or cheese in my family, but such as is made in America,” he wrote in a letter to the Marquis de Lafayette.

To Washington, America’s future lay in the West, not in Europe. He certainly would not favor “free trade” if that meant surrendering America’s national sovereignty to some bureaucratic body such as the WTO. Fellow Founders James Madison, Benjamin Franklin, John Adams, and Thomas Jefferson had all flirted with the idea of free trade, but eventually they all came to share Washington’s aversion to economic dependence upon Europe.

Jefferson famously hoped that America would remain a nation of small farmers and leave the manufacturing to those in other, less-free nations. “Those who labor in the earth are the chosen people of God,” Jefferson argued. “While we have land to labour then, let us never wish to see our citizens occupied at a workbench, or twirling a distaff.... For the general operations of manufacture, let our work-shops remain in Europe.... The mobs of great cities add just so much to the support of pure government, as sores do the strength of the human body.”

Primarily because of this view, Jefferson said that “the exercise of free trade with all parts of the world” was “possessed by the American ... as of natural right.”

One can certainly sympathize with the concerns expressed by the Sage of Monticello, but experience resulted in a changed attitude toward the merits of manufacturing. In an 1815 letter to John-Baptiste Say, a French economist, Jefferson adamantly supported protectionism, mainly for the purpose of maintaining American economic independence. “The prohibiting duties we lay on all articles of foreign manufacture which prudence indeed requires us to establish at home, with the patriotic determination of every good citizen to use no foreign article which can be made within ourselves, without regard to difference of price, secures us against a relapse into foreign dependency.”

Jefferson was quite open in admitting that he once favored free trade — but no more. In 1816, he wrote, “He ... who is now against domestic manufacture, must be for reducing us either to dependence on that foreign nation, or to be clothed in skins, and to live like wild beasts in dens and caverns. I am not one of these; experience has now taught me that manufactures are now as necessary to our independence as to our comfort.”

While president, Jefferson had to deal with the difficulty of dealing with the provocations of Great Britain — arming Indians on the frontier and impressing thousands of American sailors into the British navy — and so he resorted to cutting off all American trade with Europe (the Embargo Act of 1807). While unsuccessful, the embargo caused a boom in American manufacturing to replace the lost trade with Britain.

John Adams and James Madison likewise allowed experience to change them from free traders to protectionists. Madison’s conversion came sooner, and as a member of Congress he introduced the Tariff Act of 1789: “A national revenue must be obtained; but the system must be such a one, that, while it secures the object of revenue, it shall not be oppressive to our constituents: Happy it is for us, that such a system is within our power; for I apprehend that both these objects may be obtained from an impost [tariff] on articles imported into the United States.”

Most of the imported goods were taxed at five percent of value.



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

Washington told Congress, “A free people ... should promote such manufactories as tend to render them independent on others for essential, particularly military supplies.”

Of course, no American is more associated with the protective tariff — a tax on imported goods, designed to protect American industry from foreign goods — than Jefferson’s arch-rival Alexander Hamilton, the first secretary of the treasury. On December 5, 1791, Hamilton produced his Report on Manufactures, designed to make America economically self-sufficient. “To maintain between the recent establishments of one country and the long matured establishment of another country,” Hamilton wrote, “a competition upon equal terms, both as to quality and price, is in most cases impracticable. The disparity, in the one or in the other, or in both, must necessarily be so considerable as to forbid a successful rivalry, without the extraordinary aid and protection of government.”

Hamilton considered a thriving domestic manufacturing base as essential to national independence, in addition to its continued wealth. “Every nation ... ought to endeavor to possess within itself all the essentials of national supply. These comprise the means of subsistence, habitation, clothing and defense.”

Another aspect of the tariff, Hamilton wrote, was its benefit as a “source of revenue.” Indeed, with only a few other means of revenue, such as the sale of land, or excise taxes, the major source of revenue for the federal government until well into the 20th century was the tariff.

In *The Federalist*, No. 21, Hamilton explained the benefits of the tariff, along with excise taxes, as a source of revenue as well as a method of protection for American manufacturing. In words amazingly similar to those of Professor Arthur Laffer, the guru of “supply side economics” in the 1980s, Hamilton argued that there is a rate of taxation that raises the most revenue.

“Imposts, excises, and, in general, all duties upon articles of consumption, may be compared to a fluid,” Hamilton explained, “which will, in time, find its level with the means of paying them.... It is a signal advantage of taxes on articles of consumption, that they contain in their own nature a security against excess. They prescribe their own limit; which cannot be exceeded without defeating the end proposed, that is, an extension of revenue. When applied to this object, the saying is as just as it is witty, that, ‘in political arithmetic, two and two do not always make four.’ If duties are too high, they lessen the consumption; the collection is eluded; and the product to the treasury is not so great as when they are confined within the proper and moderate bounds. This forms a complete barrier against any material oppression of the citizens by taxes of this class, and is itself a natural limitation of the power of imposing them.”

In short, if tax rates are too high, they bring in less revenue; if they are too low, they bring in less revenue. Hamilton believed the tariff, then, was the perfect tax not only to protect American industry, but also as a source of revenue for the new government.

In fact, the tariff brought in so much revenue (evidently foreigners believed it was in their own interest to pay the tax for the benefit of selling their goods in the vast American market) that the surplus it produced was a major political issue in the late 1800s. (The tariff was bringing in more money than the government could find useful things to spend it on.)

Admittedly, during those years the U.S. government did not have to support either the modern military establishment or the modern welfare state. But until Congress passed the Underwood-Simmons Act (which implemented the income tax, as allowed by the 16th Amendment) during the administration of



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

progressive Democrat Woodrow Wilson, the bills of the federal government were paid mostly by foreigners. While it is true that Americans had to pay somewhat higher prices for manufactured goods due to this tariff, at least they were free from paying a federal income tax, complete with its invasion of privacy.

Following the War of 1812, there was a burst of national pride in the United States, probably unlike what has ever been seen since. In this atmosphere, Congress passed the Tariff of 1816, the brainchild of Kentucky Congressman Henry Clay, who was quite unapologetic about its clearly protectionist features. Free trade “never existed,” Clay said, adding that adoption of free trade would place America under the “commercial domination of Great Britain.”

Fearing competition with infant, but growing, American manufacturing, the British had tried to kill the baby in its crib. Their plan was to flood the American market with subsidized goods, and bankrupt American industry.

John Adams, who had been a free-trader earlier in life, supported the Clay bill to defend American industry from this assault. “The British merchants and manufacturers, immediately after the peace,” Adams noted, “disgorged upon all of us all their stores of merchandise and manufactures, not only without profit, but at certain loss for a time, with the express purpose of annihilating all our manufacturers, and ruining all our manufactories.”

As president, former free-trader James Madison enthusiastically endorsed the increased tariff rates designed to frustrate the nefarious British plan. As Pat Buchanan explained in *The Great Betrayal*, “To halt British dumping, Madison adopted the Federalist policy of economic nationalism, with a 25 percent tariff on cotton and woolen goods, and a 30 percent tariff on iron products.”

Some have mistakenly believed that the Founding Fathers were uniformly free-traders, dedicated followers of the famed Scotsman Adam Smith, author of the monumental *Wealth of Nations*. But while Smith believed trade among nations increased the wealth of a nation, he was not against all tariffs. In fact, he was commissioner of Customs in Scotland, a position he took after he wrote his famous book. As E. G. West wrote in his biography, *Adam Smith: The Man and His Works*, “Smith’s proposal was not that customs and tariffs should be totally abolished; his chief complaints concerned the arbitrary, unpredictable nature in which they were imposed, the high costs of collection and their manipulation in favor of monopolies and special interest groups.”

Smith said there were important exceptions to free trade. “The first is, when some particular sort of industry is necessary for the defence of the country.... The second case, in which it will generally be advantageous to lay some burden upon foreign [imports] for the encouragement of domestic industry, is, when some tax is imposed at home upon the produce of the latter. In this case, it seems reasonable that an equal tax [i.e., tariff] should be imposed upon the like produce of the former.”

With great relevance for today in our dealings with economic powers such as China or the European Union, Smith also noted the case that a foreign nation may restrain “by high duties or prohibitions the importation of some of our manufacturers into their country. Revenge in this case naturally dictates retaliation.”

But doctrinaire free-traders do have a champion from history they can call upon: Karl Marx. He supported free trade, he said, because “it breaks up old nationalities and carries antagonism of proletariat and bourgeoisie to the uttermost point.... I favor free trade.”



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

Certainly it would be unfair to tar the bulk of free-traders with Marxism, but at the same time, we should give fair consideration to the wisdom of the Founding Fathers, who were almost all for protective tariffs. Could they all have been totally wrong? Jefferson and Hamilton often disagreed, but not about protective tariffs, which they both favored. This is not to say protective tariffs are a perfect solution for the economy, or are without their drawbacks, but when confronted with modern realities, we should side with the Founders in clearly stating the obvious: National sovereignty trumps the free-trade agenda.

Painting of Alexander Hamilton: John Trumbull

This article originally appeared in the August 20, 2018 print edition of The New American.



Written by [Steve Byas](#) on August 20, 2018

Published in the August 20, 2018 issue of [the New American](#) magazine. Vol. 34, No. 16

Subscribe to the New American

Get exclusive digital access to the most informative,
non-partisan truthful news source for patriotic Americans!

Discover a refreshing blend of time-honored values, principles and insightful perspectives within the pages of "The New American" magazine. Delve into a world where tradition is the foundation, and exploration knows no bounds.

From politics and finance to foreign affairs, environment, culture, and technology, we bring you an unparalleled array of topics that matter most.



Subscribe

What's Included?

- 24 Issues Per Year
- Optional Print Edition
- Digital Edition Access
- Exclusive Subscriber Content
- Audio provided for all articles
- Unlimited access to past issues
- Coming Soon! Ad FREE
- 60-Day money back guarantee!
- Cancel anytime.