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Alexander Hamilton REPORT ON MANUFACTURES

DECEMBER 5, 1791

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Communicated to the House of Representatives, December 5, 1791

[To the Speaker of the House of Representatives:]

The Secretary of the Treasury in obedience to the order of the House of Representatives, of the 15th day of January 1790, has applied his attention, at as early a period as his other duties would permit, to the subject of Manufactures; and particularly to the means of promoting such as will tend to render the United States, independent on foreign nations, for military and other essential supplies. And he thereupon respectfully submits the following Report:

The expediency of encouraging manufactures in the United States, which was not long since deemed very questionable, appears at this time to be pretty generally admitted. The embarrassments, which have obstructed the progress of our external trade, {193} have led to serious reflections on the necessity of enlarging the sphere of our domestic commerce: the restrictive regulations, which in foreign markets abridge the vent of the increasing surplus of our Agricultural produce, serve to beget an earnest desire, that a more extensive demand for that surplus may be created at home: And the complete success, which has rewarded manufacturing enterprise, in some valuable branches, conspiring with the promising symptoms, which attend some less mature essays, in others, justify a hope, that the obstacles to the growth of this species of industry are less formidable than they were (972) apprehended to be; and that it is not difficult to find, in its further extension; a full indemnification for any external disadvantages, which are or may be experienced, as well as an accession of resources, favourable to national independence and safety.

There still are, nevertheless, respectable patrons of opinions, unfriendly to the encouragement of manufactures. The following are, substantially, the arguments, by which these opinions are defended.

"In every country (say those who entertain them) Agriculture is the most beneficial and *productive* object of human industry. This position, generally, if not universally true, applies with peculiar emphasis to the United States, on account of their immense tracts of fertile territory, uninhabited and unimproved. Nothing can afford so [279] advantageous an employment for capital and labour, as the conversion of this extensive wilderness into cultivated farms. Nothing equally with this, can contribute to the population, strength and real riches of the country."

"To endeavor by the extraordinary patronage of Government, to accelerate the growth of manufactures, is in fact, to endeavor, by force and art, to transfer the natural current of industry, from a more, to a less beneficial channel. Whatever has such a tendency must necessarily be unwise. Indeed it can hardly ever be wise in a government, to attempt to give a direction to the industry of its citizens. This under the quick-sighted guidance of private

interest, will, if left to itself, infallibly find its own way to the most profitable employment; and it is by {194} such employment, that the public prosperity will be most effectually promoted. To leave industry to itself, therefore, is, in almost every case, the soundest as well as the simplest policy."

"This policy is not only recommended to the United States, by considerations which affect all nations, it is, in a manner, dictated to them by the imperious force of a very peculiar situation. The smallness of their population compared with their territory -- the constant allurements to emigration from the settled to the unsettled parts of the country -- the facility, with which the less independent condition of an artisan can be exchanged for the more independent condition of a farmer, these and similar causes conspire to produce, and for a length of time must continue to occasion, a scarcity of hands for manufacturing occupation, and dearness of labor generally. To these disadvantages for the prosecution of manufactures, a deficiency of pecuniary capital being added, the prospect of a successful competition with the manufactures of Europe must be regarded as little less than desperate. Extensive manufactures can only be the offspring of a redundant, at least of a full population. Till the latter shall characterise the situation of this country, 'tis vain to hope for the former."

"If contrary to the natural course of things, an unseasonable and premature spring can be given to certain fabrics, by heavy duties, prohibitions, bounties, or by other forced expedients; this will only be to sacrifice the interests of the community (973) to those of particular classes. Besides the misdirection of labour, a virtual monopoly will be given to the persons employed on such fabrics; and an enhancement of price, the inevitable consequence of every monopoly, must be defrayed at the expence of the other parts of the society. It is far preferable, that those persons should be engaged in the cultivation of the earth, and that we should procure, in exchange for its productions, the commodities, with which foreigners are able to supply us in greater perfection, and upon better terms." [280]

This mode of reasoning is founded upon facts and principles, which have certainly respectable pretensions. If it had governed the conduct of nations, more generally than it has done, there {195} is room to suppose, that it might have carried them faster to prosperity and greatness, than they have attained, by the pursuit of maxims too widely opposite. Most general theories, however, admit of numerous exceptions, and there are few, if any, of the political kind, which do not blend a considerable portion of error, with the truths they inculcate.

In order to an accurate judgement how far that which has been just stated ought to be deemed liable to a similar imputation, it is necessary to advert carefully to the considerations, which plead in favour of manufactures, and which appear to recommend the special and positive encouragement of them; in certain cases, and under certain reasonable limitations.

It ought readily to be conceded, that the cultivation of the earth as the primary and most certain source of national supply -- as the immediate and chief source of subsistence to man -- as the principal source of those materials which constitute the nutriment of other kinds of labor -- as including a state most favourable to the freedom and independence of the human mind -- one, perhaps, most conducive to the multiplication of the human species -- has *intrinsically a strong claim to pre-eminence over every other kind of industry.*

But, that it has a title to any thing like an exclusive predilection, in any country, ought to be admitted with great caution. That it is even more productive than every other branch of Industry requires more evidence, than has yet been given in

support of the position. That its real interests, precious and important as without the help of exaggeration, they truly are, will be advanced, rather than injured by the due encouragement of manufactures, may, it is believed, be satisfactorily demonstrated. And it is also believed that the expediency of such encouragement in a general view may be shewn to be recommended by the most cogent and persuasive motives of national policy.

It has been maintained, that Agriculture is, not only, the most productive, but the only productive species of industry. The reality of this suggestion in either aspect, has, however, not been verified by any accurate detail of facts and calculations; and the general arguments, which are adduced to prove it, are rather subtil and paradoxical, than solid or convincing. {196}

Those which maintain its exclusive productiveness are to this effect: (974)

Labour, bestowed upon the cultivation of land produces enough, [281] not only to replace all the necessary expences incurred in the business, and to maintain the persons who are employed in it, but to afford together with the *ordinary profit* on the stock or capital of the Farmer, a nett surplus, or rent for the landlord or proprietor of the soil. But the labor of Artificers does nothing more, than replace the Stock which employs them (or which furnishes materials tools and wages) and yield the *ordinary profit* upon that Stock. It yields nothing equivalent to the *rent* of land. Neither does it add any thing to the *total value* of the *whole annual produce* of the land and labour of the country. The additional value given to those parts of the produce of land, which are wrought into manufactures, is counter-balanced by the value of those other parts of that produce, which are consumed by the manufacturers. It can therefore only be by saving, or *parsimony* not by the positive *productiveness* of their labour, that the classes of Artificers can in any degree augment the revenue of the Society.

To this it has been answered --

1 "That inasmuch as it is acknowledged, that manufacturing labour reproduces a value equal to that which is expended or consumed in carrying it on, and continues in existence the original Stock or capital employed -- it ought on that account alone, to escape being considered as wholly unproductive: That though it should be admitted, as alleged, that the consumption of the produce of the soil, by the classes of Artificers or Manufacturers, is exactly equal to the value added by their labour to the materials upon which it is exerted; yet it would not thence follow, that it added nothing to the Revenue of the Society, or to the aggregate value of the annual produce of its land and labour. If the consumption for any given period amounted to a *given sum* and the *increased* value of the produce manufactured, in the same period, to a *like sum*, the total amount of the consumption and production during that period, would be equal to the *two sums*, and consequently double the value of the agricultural {197} produce consumed. And though the increment of value produced by the classes of Artificers should at no time exceed the value of the produce of the land consumed by them, yet there would be at every moment, in consequence of their labour, a greater value of goods in the market than would exist independent of it."

2 -- "That the position, that Artificers can augment the revenue of a Society, only by parsimony, is true, in no other sense, than in one, which is equally applicable to Husbandmen or Cultivators. It may be alike affirmed of all these classes, that the fund acquired by their labor and destined for their support is not, in an ordinary way, more than equal to it. And hence it will follow, that augmentations of the wealth or capital of the

community (except in the instances of some extraordinary [282] dexterity or skill can only proceed, with respect to any of them, from the savings of the more thrifty and parsimonious."

3 -- "That the annual produce of the land and labour of a country can only be increased, in two ways -- by some improvement in the *productive* (975) *powers* of the useful labour, which actually exists within it, or by some increase in the quantity of such labour: That with regard to the first, the labour of Artificers being capable of greater subdivision and simplicity of operation, than that of Cultivators, it is susceptible, in a proportionably greater degree, of improvement in its *productive powers*, whether to be derived from an accession of Skill, or from the application of ingenious machinery; in which particular, therefore, the labour employed in the culture of land can pretend to no advantage over that engaged in manufactures: That with regard to an augmentation of the quantity of useful labour, this, excluding adventitious circumstances, must depend essentially upon an increase of *capital*, which again must depend upon the savings made out of the revenues of those, who furnish or manage *that*, which is at any time employed, whether in Agriculture, or in Manufactures, or in any other way."

But while the *exclusive* productiveness of Agricultural labour has been thus denied and refuted, the superiority of its productiveness has been conceded without hesitation. As this concession {198} involves a point of considerable magnitude, in relation to maxims of public administration, the grounds on which it rests are worthy of a distinct and particular examination.

One of the arguments made use of, in support of the idea may be pronounced both quaint and superficial. It amounts to this -- That in the productions of the soil, nature co-operates with man; and that the effect of their joint labour must be greater than that of the labour of man alone.

This however, is far from being a necessary inference. It is very conceivable, that the labor of man alone laid out upon a work, requiring great skill and art to bring it to perfection, may be more productive, *in value*, than the labour of nature and man combined, when directed towards more simple operations and objects: And when it is recollected to what an extent the Agency of nature, in the application of the mechanical powers, is made auxiliary to the prosecution of manufactures, the suggestion, which has been noticed, loses even the appearance of plausibility.

It might also be observed, with a contrary view, that the labour employed in Agriculture is in a great measure periodical and occasional, depending on seasons, liable to various and long intermissions; while that occupied in many manufactures is constant and [283] regular, extending through the year, embracing in some instances night as well as day. It is also probable, that there are among the cultivators of land more examples of remissness, than among artificers. The farmer, from the peculiar fertility of his land, or some other favorable circumstance, may frequently obtain a livelihood, even with a considerable degree of carelessness in the mode of cultivation; but the artisan can with difficulty effect the same object, without exerting himself pretty equally with all those, who are engaged in the same pursuit. And if it may likewise be assumed as a fact, that manufactures open a wider field to exertions of ingenuity than agriculture, it would not be a strained (976) conjecture, that the labour employed in the former, being at once more *constant*, more uniform and more ingenious, than that which is employed in the latter, will be found at the same time more productive. {199}

But it is not meant to lay stress on observations of this nature they ought only to serve as a counterbalance to those of a similar

complexion. Circumstances so vague and general, as well as so abstract, can afford little instruction in a matter of this kind.

Another, and that which seems to be the principal argument offered for the superior productiveness of Agricultural labour, turns upon the allegation, that labour employed in manufactures yields nothing equivalent to the rent of land; or to that nett surplus, as it is called, which accrues to the proprietor of the soil.

But this distinction, important as it has been deemed, appears rather *verbal* than *substantial*.

It is easily discernible, that what in the first instance is divided into two parts under the denominations of the *ordinary profit* of the Stock of the farmer and *rent* to the landlord, is in the second instance united under the general appellation of the *ordinary profit* on the Stock of the Undertaker; and that this formal or verbal distribution constitutes the whole difference in the two cases. It seems to have been overlooked, that the land is itself a Stock or capital, advanced or lent by its owner to the occupier or tenant, and that the rent he receives is only the ordinary profit of a certain Stock in land, not managed by the proprietor himself, but by another to whom he lends or lets it, and who on his part advances a second capital to stock & improve the land, upon which he also receives the usual profit. The rent of the landlord and the profit of the farmer are therefore nothing more than the *ordinary profits of two* capitals belonging to *two* different persons, and united in the cultivation of a farm: As in the other case, the surplus which arises upon any manufactory, after replacing the expences of carrying it on, answers to the ordinary profits of *one or more* capitals engaged in the prosecution of such manufactory. It is said *one* [284] or *more* capitals; because in fact, the same thing which is contemplated, in the case of the farm, sometimes happens in that of a manufactory. There is one, who furnishes a part of the capital, or lends a part of the money, by which it is carried on, and another, who carries {200} it on with the addition of his own capital. Out of the surplus, which remains, after defraying expences, an interest is paid to the money lender for the portion of the capital furnished by him, which exactly agrees with the rent paid to the landlord; and the residue of that surplus constitutes the profit of the undertaker or manufacturer, and agrees with what is denominated the ordinary profits on the Stock of the farmer. Both together make the ordinary profits of two capitals [employed in a manufactory; as in the other case the rent of the landlord and the revenue of the farmer compose the ordinary profits of two Capitals] employed in the cultivation of a farm.

The rent therefore accruing to the proprietor of the land, far from being a criterion of *exclusive* productiveness, as has been argued, is no criterion even of superior (977) productiveness. The question must still be, whether the surplus, after defraying expences, of a *given capital*, employed in the *purchase and improvement* of a piece of land, is greater or less, than that of a like capital employed in the prosecution of a manufactory: or whether the *whole value produced* from a *given capital* and a *given quantity of labour*, employed in one way, be greater or less, than the *whole value produced* from an *equal capital* and an *equal quantity of labour* employed in the other way: or rather, perhaps whether the business of Agriculture or that of Manufactures will yield the greatest product, according to a *compound ratio* of the quantity of the Capital and the quantity of labour, which are employed in the one or in the other.

The solution of either of these questions is not easy; it involves numerous and complicated details, depending on an accurate knowledge of the objects to be compared. It is not known that the comparison has ever yet been made upon sufficient data properly ascertained and analysed. To be able to

make it on the present occasion with satisfactory precision would demand more previous enquiry and investigation, than there has been hitherto either leisure or opportunity to accomplish.

Some essays however have been made towards acquiring the requisite information; which have rather served to throw doubt upon, than to confirm the Hypothesis, under examination: But {201} it ought to be acknowledged, that they have been too little diversified, and are too imperfect, to authorise a definitive conclusion either way; leading rather to probable conjecture than to certain deduction. They render it probable, that there are various branches of manufactures, in which [285] a given Capital will yield a greater *total* product, and a considerably greater nett product, than an equal capital invested in the purchase and improvement of lands; and that there are also *some* branches, in which both the *gross* and the nett produce will exceed that of Agricultural industry; according to a compound ratio of capital and labour: But it is on this last point, that there appears to be the greatest room for doubt. It is far less difficult to infer generally, that the *nett produce* of Capital engaged in manufacturing enterprises is greater than that of Capital engaged in Agriculture.

In stating these results, the purchase and improvement of lands, under previous cultivation are alone contemplated. The comparison is more in favour of Agriculture, when it is made with reference to the settlement of new and waste lands; but an argument drawn from so temporary a circumstance could have no weight in determining the general question concerning the permanent relative productiveness of the two species of industry. How far it ought to influence the policy of the United States, on the score of particular situation, will be adverted to in another place.

The foregoing suggestions are *not designed to inculcate an opinion that manufacturing industry is more productive than that of Agriculture*. They are intended rather to shew that the reverse of this proposition is not ascertained; that the general arguments which are brought to establish it are not satisfactory; and consequently that a supposition of the superior productiveness of Tillage ought to be no obstacle to listening to any substantial inducements to the encouragement of manufactures, which may be otherwise perceived to exist, through an apprehension, that they may have a tendency to divert labour from a more to a less profitable employment.

It is extremely probable, that on a full and accurate development of the matter, on the ground of fact and calculation, it would be discovered that there is no material difference between the aggregate productiveness of the one, and (978) of the other kind of industry; and that the propriety of the encouragements, which may in any case be proposed to be given to either ought to be determined upon considerations irrelative to any comparison of that nature.

II But without contending for the superior productiveness of Manufacturing Industry, it may conduce to a better judgment of the policy, which ought to be pursued respecting its encouragement, {202} to contemplate the subject, under some additional aspects, tending not only to confirm the idea, that this kind of industry has been improperly represented as unproductive in itself; but [to] evince in addition that the establishment and diffusion of manufactures have the effect of rendering the total mass of useful and productive labor in a community, [286] *greater than it would otherwise be*. In prosecuting this discussion, it may be necessary briefly to resume and review some of the topics, which have been already touched.

To affirm, that the labour of the Manufacturer is unproductive, because he consumes as much of the produce of land, as he adds value to the raw materials which he manufactures, is not better founded, than it would be to affirm, that the labour of the farmer, which furnishes materials to the manufacturer, is unproductive, *because he consumes an equal value of manufactured articles*. Each furnishes a certain portion of the produce of his labor to the other, and each destroys a correspondent portion of the produce of the labour of the other. In the mean time, the maintenance of two Citizens, instead of one, is going on; the State has two members instead of one; and they together consume twice the value of what is produced from the land.

If instead of a farmer and artificer, there were a farmer only, he would be under the necessity of devoting a part of his labour to the fabrication of cloathing and other articles, which he would procure of the artificer, in the case of there being such a person; and of course he would be able to devote less labor to the cultivation of his farm; and would draw from it a proportionably less product. The whole quantity of production, in this state of things, in provisions, raw materials and manufactures, would certainly not exceed in value the amount of what would be produced in provisions and raw materials only, if there were an artificer as well as a farmer.

Again -- if there were both an artificer and a farmer, the latter would be left at liberty to pursue exclusively the cultivation of his farm. A greater quantity of provisions and raw materials would of course be produced -- equal at least -- as has been already observed, to the whole amount of the provisions, raw materials {203} and manufactures, which would exist on a contrary supposition. The artificer, at the same time would be going on in the production of manufactured commodities; to an amount sufficient not only to repay the farmer, in those commodities, for the provisions and materials which were procured from him, but to furnish the Artificer himself with a supply of similar commodities for his own use. Thus then, there would be two quantities or values in existence, instead of one; and the revenue and consumption (979) would be double in one case, what it would be in the other.

If in place of both these suppositions, there were supposed to be two farmers, and no artificer, each of whom applied a part of his labour to the culture of land, and another part to the fabrication of Manufactures -- in this case, the portion of the labour of both bestowed upon land would produce the same quantity of provisions [287] and raw materials only, as would be produced by the intire sum of the labour of one applied in the same manner, and the portion of the labour of both bestowed upon manufactures, would produce the same quantity of manufactures only, as would be produced by the intire sum of the labour of one applied in the same manner. Hence the produce of the labour of the two farmers would not be greater than the produce of the labour of the farmer and artificer; and hence, it results, that the labour of the artificer is as positively productive as that of the farmer, and, as positively, augments the revenue of the Society.

The labour of the Artificer replaces to the farmer that portion of his labour, with which he provides the materials of exchange with the Artificer, and which he would otherwise have been compelled to apply to manufactures: and while the Artificer thus enables the farmer to enlarge his stock of Agricultural industry, a portion of which he purchases for his own use, *he also supplies himself with the manufactured articles of which he stands in need*. He does still more -- Besides this equivalent which he gives for the portion of Agricultural labour consumed by him, and this supply of manufactured commodities for his own

consumption -- he furnishes still a surplus, which compensates for the use of the Capital advanced either by himself or some other person, for carrying on the business. This is the ordinary profit of the {204} stock employed in the manufactory, and is, in every sense, as effective an addition to the income of the Society, as the rent of land.

The produce of the labour of the Artificer consequently, may be regarded as composed of three parts; one by which the provisions for his subsistence and the materials for his work are purchased of the farmer, one by which he supplies himself with manufactured necessaries, and a third which constitutes the profit on the Stock employed. The two last portions seem to have been overlooked in the system, which represents manufacturing industry as barren and unproductive.

In the course of the preceding illustrations, the products of equal quantities of the labour of the farmer and artificer have been treated as if equal to each other. But this is not to be understood as intending to assert any such precise equality. It is merely a manner of expression adopted for the sake of simplicity and perspicuity. Whether the value of the produce of the labour of the farmer be somewhat more or less, than that of the artificer, is not material to the main scope of the argument, which hitherto has only aimed at shewing, that the one, as well as the other, occasions a positive augmentation of the total produce and revenue of the Society.

[288]{204} (980) It is now proper to proceed a step further, and to enumerate the principal circumstances, from which it may be inferred -- That manufacturing establishments not only occasion a positive augmentation of the Produce and Revenue of the Society, but that they contribute essentially to rendering them greater than they could possibly be, without such establishments. These circumstances are --

1. The division of Labour.
2. An extension of the use of Machinery.
3. Additional employment to classes of the community not ordinarily engaged in the business.
4. The promoting of emigration from foreign Countries.
5. The furnishing greater scope for the diversity of talents and dispositions which discriminate men from each other.
6. The affording a more ample and various field for enterprise. {205}
7. The creating in some instances a new, and securing in all, a more certain and steady demand for the surplus produce of the soil.

Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community. Together, they add to it a degree of energy and effect, which are not easily conceived. Some comments upon each of them, in the order in which they have been stated, may serve to explain their importance.

1. As to the Division of Labour.

It has justly been observed, that there is scarcely any thing of greater moment in the economy of a nation, than the proper division of labour. The separation of occupations causes each to be carried to a much greater perfection, than it could possible acquire, if they were blended. This arises principally from three circumstances.

1st -- The greater skill and dexterity naturally resulting from a constant and undivided application to a single object. It is evident, that these properties must increase, in proportion to the separation and simplification of objects and the steadiness of the attention devoted to each; and must be less, in proportion to the

complication of objects, and the number among which the attention is distracted.

2nd. The economy of time -- by avoiding the loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances -- the transition itself -- the orderly disposition of the impliments, machines and materials employed in the operation to be relinquished -- the preparatory steps to the commencement of a new one -- the interruption of the impulse, which the mind of the workman acquires, from being engaged in a particular operation -- the distractions hesitations and reluctances, [289] which attend the passage from one kind of business to another.

3rd. An extension of the use of Machinery. A man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination in devising methods {206} to facilitate and abridge labour, than if he were perplexed by a variety of independent and dissimilar opera- (981) tions. Besides this, the fabrication of Machines, in numerous instances, becoming itself a distinct trade, the Artist who follows it, has all the advantages which have been enumerated, for improvement in his particular art; and in both ways the invention and application of machinery are extended.

And from these causes united, the mere separation of the occupation of the cultivator, from that of the Artificer, has the effect of augmenting the *productive powers* of labour, and with them, the total mass of the produce or revenue of a Country. In this single view of the subject, therefore, the utility of Artificers or Manufacturers, towards promoting an increase of productive industry, is apparent.

2. *As to an extension of the use of Machinery a point which though partly anticipated requires to be placed in one or two additional lights.*

The employment of Machinery forms an item of great importance in the general mass of national industry. 'Tis an artificial force brought in aid of the natural force of man; and, to all the purposes of labour, is an increase of hands; an accession of strength, *unencumbered too by the expence of maintaining the laborer*. May it not therefore be fairly inferred, that those occupations, which give greatest scope to the use of this auxiliary, contribute most to the general Stock of industrious effort, and, in consequence, to the general product of industry?

It shall be taken for granted, and the truth of the position referred to observation, that manufacturing pursuits are susceptible in a greater degree of the application of machinery, than those of Agriculture. If so all the difference is lost to a community, which, instead of manufacturing for itself, procures the fabrics requisite to its supply from other Countries. The substitution of foreign for domestic manufactures is a transfer to foreign nations of the advantages accruing from the employment of Machinery, in the modes in which it is capable of being employed, with most utility and to the greatest extent. {207}

The Cotton Mill invented in England, within the last twenty years, is a signal illustration of the general proposition, which has been just advanced. In consequence of it, all the different processes for spinning Cotton are performed by means of Machines, which are [290] ut in motion by water, and attended chiefly by women and Children; [and by a smaller] number of [persons, in the whole, than are] requisite in the ordinary mode of spinning. And it is an advantage of great moment that the operations of this mill continue with convenience, during the night, as well as through the day. The prodigious affect of such a Machine is easily conceived. To this invention is to be attributed

essentially the immense progress, which has been so suddenly made in Great Britain in the various fabrics of Cotton.

3. *As to the additional employment of classes of the community, not ordinarily engaged in the particular business.*

This is not among the least valuable of the means, by which manufacturing institutions con- (982) tribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labours, as a resource of multiplying their acquisitions or [their] enjoyments. The husbandman himself experiences a new source of profit and support from the increased industry of his wife and daughters; invited and stimulated by the demands of the neighboring manufactories.

Besides this advantage of occasional employment to classes having different occupations, there is another of a nature allied to it [and] of a similar tendency. This is -- the employment of persons who would otherwise be idle (and in many cases a burthen on the community), either from the byass of temper, habit, infirmity of body, or some other cause, indisposing, or disqualifying them for the toils of the Country. It is worthy of particular remark, that, in general, women and Children are rendered more {208} useful and the latter more early useful by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the Cotton Manufactories of Great Britain, it is computed that 4/7 nearly are women and children; of whom the greatest proportion are children and many of them of a very tender age.

And thus it appears to be one of the attributes of manufactures, and one of no small consequence, to give occasion to the exertion of a greater quantity of Industry, even by the *same number* of persons, where they happen to prevail, than would exist, if there were no such establishments.

4. *As to the promoting of emigration from foreign Countries.*

Men reluctantly quit one course of occupation and livelihood for another, unless invited to it by very apparent and proximate advantages. Many, who would go from one country to another, if they had [291] a prospect of continuing with more benefit the callings, to which they have been educated, will often not be tempted to change their situation, by the hope of doing better, in some other way. Manufacturers, who listening to the powerful invitations of a better price for their fabrics, or their labour, of greater cheapness of provisions and raw materials, of an exemption from the chief part of the taxes burthens and restraints, which they endure in the old world, of greater personal independence and consequence, under the operation of a more equal government, and of what is far more precious than mere religious toleration -- a perfect equality of religious privileges; would probably flock from Europe to the United States to pursue their own trades or professions, if they were once made sensible of the advantages they would enjoy, and were inspired with an assurance of encouragement and employment, will, with difficulty, be induced to transplant themselves, with a view to becoming Cultivators of Land.

If it be true then, that it is the interest of the United States to open every possible avenue to (983) emigration from abroad, it affords a weighty argument for the encouragement of manufactures; {209} which for the reasons just assigned, will have the strongest tendency to multiply the inducements to it.

Here is perceived an important resource, not only for extending the population, and with it the useful and productive labour of the country, but likewise for the prosecution of manufactures, without deducting from the number of hands, which might otherwise be drawn to tillage; and even for the indemnification of Agriculture for such as might happen to be diverted from it. Many, whom Manufacturing views would induce to emigrate, would afterwards yield to the temptations, which the particular situation of this Country holds out to Agricultural pursuits. And while Agriculture would in other respects derive many signal and unmingled advantages, from the growth of manufactures, it is a problem whether it would gain or lose, as to the article of the number of persons employed in carrying it on.

5. As to the furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other.

This is a much more powerful mean of augmenting the fund of national Industry than may at first sight appear. It is a just observation, that minds of the strongest and most active powers for their proper objects fall below mediocrity and labour without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper element, and can call [292] into activity the whole vigour of his nature. And the community is benefitted by the services of its respective members, in the manner, in which each can serve it with most effect.

If there be anything in a remark often to be met with -- namely that there is, in the genius of the people of this country, a peculiar aptitude for mechanic improvements, it would operate as a forcible reason for giving opportunities to the exercise of that species of talent, by the propagation of manufactures. {210}

6. As to the affording a more ample and various field for enterprise.

This also is of greater consequence in the general scale of national exertion, than might perhaps on a superficial view be supposed, and has effects not altogether dissimilar from those of the circumstance last noticed. To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene, which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort.

The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded in proportion to the simplicity or variety of the occupations and productions, which are to be found in a Society. It must be less in a nation of mere cultivators, than in a nation of cultivators and merchants; less in a nation of cultivators and merchants, than in a nation of cultivators, artificers and merchants.

7. As to the creating, in some instances, a new, and securing in all a more certain and steady demand for the surplus produce of the soil.

This is among the most important of the circumstances which have been indicated. It is a principal mean, by which the establishment of manufactures contributes to an augmentation of the produce or revenue of a country, and has an immediate and direct relation to the prosperity of Agriculture.

It is evident, that the exertions of the husbandman will be steady or fluctuating, vigorous or feeble, in proportion to the steadiness or fluctuation, adequateness, or inadequateness of the markets on which he must depend, for the vent of the surplus, which may be produced by his labour; and that such surplus in the ordinary course of things will be greater or less in the same proportion. {211}

For the purpose of this vent, a domestic market is greatly to be [293] preferred to a foreign one; because it is in the nature of things, far more to be relied upon.

It is a primary object of the policy of nations, to be able to supply themselves with subsistence from their own soils; and manufacturing nations, as far as circumstances permit, endeavor to procure, from the same source, the raw materials necessary for their own fabrics. This disposition, urged by the spirit of monopoly, is sometimes even carried to an injudicious extreme. It seems not always to be recollected, that nations, who have neither mines nor manufactures, can only obtain the manufactured articles, of which they stand in need, by an exchange of the products of their soils; and that, if those who can best furnish them with such articles are unwilling to give a due course to this exchange, they must of necessity make every possible effort to manufacture for themselves, the effect of which is that the manufacturing nations abridge the natural advantages of their situation, through an unwillingness to permit the Agricultural countries to enjoy the advantages of theirs, and sacrifice the interests of a mutually beneficial intercourse to the vain project of *selling every thing and buying nothing*.

But it is also a consequence of the policy, which has been noted, that the foreign demand for the products of Agricultural Countries, is, in a great degree, rather casual and occasional, than certain or constant. To what extent injurious interruptions of the demand for some of the staple commodities of the United States, may have been experienced, from that cause, must be referred to the judgment of those who are engaged in carrying on the commerce of the country; but it may be safely assumed, that such interruptions are at times very inconveniently felt, and that cases not unfrequently occur, in which markets are so confined and restricted, as to render the demand very unequal to the supply.

Independently (985) likewise of the artificial impediments, which are created by the policy in question, there are natural causes tending to render the external demand for the surplus of Agricultural nations a precarious reliance. The differences of seasons, {212} in the countries, which are the consumers make immense differences in the produce of their own soils, in different years; and consequently in the degrees of their necessity for foreign supply. Plentiful harvests with them, especially if similar ones occur at the same time in the countries, which are the furnishers, occasion of course a glut in the markets of the latter.

Considering how fast and how much the progress of new settlements in the United States must increase the surplus produce of the soil, and weighing seriously the tendency of the system, which prevails [294] among most of the commercial nations of Europe; whatever dependence may be placed on the force of natural circumstances to counteract the effects of an artificial policy; there appear strong reasons to regard the foreign demand for that surplus as too uncertain a reliance, and to desire a substitute for it, in an extensive domestic market.

To secure such a market, there is no other expedient, than to promote manufacturing establishments. Manufacturers who constitute the most numerous class, after the Cultivators of land, are for that reason the principal consumers of the surplus of their labour.

This idea of an extensive domestic market for the surplus produce of the soil is of the first consequence. It is of all things, that which most effectually conduces to a flourishing state of Agriculture. If the effect of manufactories should be to detach a portion of the hands, which would otherwise be engaged in Tillage, it might possibly cause a smaller quantity of lands to be under cultivation but by their tendency to procure a more certain demand for the surplus produce of the soil, they would, at the same time, cause the lands which were in cultivation to be better improved and more productive. And while, by their influence, the condition of each individual farmer would be meliorated, the total mass of Agricultural production would probably be increased. For this must evidently depend as much, if not more, upon the degree of improvement; than upon the number of acres under culture.

It merits particular observation, that the multiplication of manufactories not only furnishes a Market for those articles, {213} which have been accustomed to be produced in abundance, in a country; but it likewise creates a demand for such as were either unknown or produced in inconsiderable quantities. The bowels as well as the surface of the earth are ransacked for articles which were before neglected. Animals, Plants and Minerals acquire an utility and value, which were before unexplored.

The foregoing considerations seem sufficient to establish, as general propositions, That it is the interest of nations to diversify the industrious pursuits of the individuals, who compose them -- That the establishment of manufactures is calculated not only to (986) increase the general stock of useful and productive labour; but even to improve the state of Agriculture in particular; certainly to advance the interests of those who are engaged in it. There are other views, that will be hereafter taken of the subject, which, it is conceived, will serve to confirm these inferences.

III Previously to a further discussion of the objections to the encouragement of manufactures which have been stated, it will be of use to [295] see what can be said, in reference to the particular situation of the United States, against the conclusions appearing to result from what has been already offered.

It may be observed, and the idea is of no inconsiderable weight, that however true it might be, that a State, which possessing large tracts of vacant and fertile territory, was at the same time secluded from foreign commerce, would find its interest and the interest of Agriculture, in diverting a part of its population from Tillage to Manufactures; yet it will not follow, that the same is true of a State, which having such vacant and fertile territory, has at the same time ample opportunity of procuring from abroad, on good terms, all the fabrics of which it stands in need, for the supply of its inhabitants. The power of doing this at least secures the great advantage of a division of labour; leaving the farmer free to pursue exclusively the culture of his land, and enabling him to procure with its products the manufactured supplies requisite either to his wants or to his enjoyments. And though it should be true, that in settled countries, the diversification of Industry is conducive to an increase {214} in the productive powers of labour, and to an augmentation of revenue and capital; yet it is scarcely conceivable that there can be any [thing] of so solid and permanent advantage to an uncultivated and unpeopled country as to convert its wastes into cultivated and inhabited districts. If the Revenue, in the mean time, should be less, the Capital, in the event, must be greater.

To these observations, the following appears to be a satisfactory answer --

1. If the system of perfect liberty to industry and commerce were the prevailing system of nations -- the arguments which dissuade a country in the predicament of the United States, from the zealous pursuits of manufactures would doubtless have great force. It will not be affirmed, that they might not be permitted, with few exceptions, to serve as a rule of national conduct. In such a state of things, each country would have the full benefit of its peculiar advantages to compensate for its deficiencies or disadvantages. If one nation were in condition to supply manufactured articles on better terms than another, that other might find an abundant indemnification in a superior capacity to furnish the produce of the soil. And a free exchange, mutually beneficial, of the commodities which each was able to supply, on the best terms, might be carried on between them, supporting in full vigour the industry of each. And though the circumstances which have been mentioned and others, which will be unfolded hereafter render it probable, that nations merely Agricultural would (987) not enjoy the same degree of opulence, in proportion to [296] their numbers, as those which united manufactures with agriculture; yet the progressive improvement of the lands of the former might, in the end, atone for an inferior degree of opulence in the mean time: and in a case in which opposite considerations are pretty equally balanced, the option ought perhaps always to be, in favour of leaving Industry to its own direction.

But the system which has been mentioned, is far from characterising the general policy of Nations. The prevalent one has been regulated by an opposite spirit.

The consequence of it is, {215} that the United States are to a certain extent in the situation of a country precluded from foreign Commerce. They can indeed, without difficulty obtain from abroad the manufactured supplies, of which they are in want; but they experience numerous and very injurious impediments to the emission and vent of their own commodities. Nor is this the case in reference to a single foreign nation only. The regulations of several countries, with which we have the most extensive intercourse, throw serious obstructions in the way of the principal staples of the United States.

In such a position of things, the United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system, which should induce them to confine their views to Agriculture and refrain from Manufactures. A constant and encreasing necessity, on their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorise them to aspire.

Remarks of this kind are not made in the spirit of complaint. 'Tis for the nations, whose regulations are alluded to, to judge for themselves, whether, by aiming at too much they do not lose more than they gain. 'Tis for the United States to consider by what means they can render themselves least dependent, on the combinations, right or wrong of foreign policy.

It is no small consolation, that already the measures which have embarrassed our Trade, have accelerated internal improvements, which upon the whole have bettered our affairs. To diversify and extend these improvements is the surest and safest method of indemnifying ourselves for any inconveniences, which those or similar measures have a tendency to beget. If Europe will not take from us the products of our soil, upon terms

consistent with our interest, the natural remedy is to contract as fast as possible our wants of her.

2. The conversion of their waste into cultivated lands is certainly a point of great moment in the political calculations {216} of the United [297] States. But the degree in which this may possibly be retarded by the encouragement of manufactories does not appear to countervail the powerful inducements to affording that encouragement.

An observation made in another place is of a nature to have great influence upon this question. If it cannot be denied, that the interests even of (988) Agriculture may be advanced more by having such of the lands of a state as are occupied under good cultivation, than by having a greater quantity occupied under a much inferior cultivation, and if Manufactories, for the reasons assigned, must be admitted to have a tendency to promote a more steady and vigorous cultivation of the lands occupied than would happen without them -- it will follow, that they are capable of indemnifying a country for a diminution of the progress of new settlements; and may serve to increase both the capital [value] and the income of its lands, even though they should abridge the number of acres under Tillage.

But it does, by no means, follow, that the progress of new settlements would be retarded by the extension of Manufactures. The desire of being an independent proprietor of land is founded on such strong principles in the human breast, that where the opportunity of becoming so is as great as it is in the United States, the proportion will be small of those, whose situations would otherwise lead to it, who would be diverted from it towards Manufactures. And it is highly probable, as already intimated, that the accessions of foreigners, who originally drawn over by manufacturing views would afterwards abandon them for Agricultural, would be more than equivalent for those of our own Citizens, who might happen to be detached from them.

The remaining objections to a particular encouragement of manufactures in the United States now require to be examined.

One of these turns on the proposition, that Industry, if left to itself, will naturally find its way to the most useful and profitable employment: whence it is inferred, that manufactures without the aid of government will grow up as soon and as fast, as the natural state of things and the interest of the community may require. {217}

Against the solidity of this hypothesis, in the full latitude of the terms, very cogent reasons may be offered. These have relation to the strong influence of habit and the spirit of imitation -- the fear of want of success in untried enterprises -- the intrinsic difficulties incident to first essays towards a competition with those who have previously attained to perfection in the business to be attempted -- the bounties premiums and other artificial encouragements, with which foreign nations second the exertions of their own Citizens in the branches, in which they are to be rivalled. [298]

Experience teaches, that men are often so much governed by what they are accustomed to see and practice, that the simplest and most obvious improvements, in the [most] ordinary occupations, are adopted with hesitation, reluctance and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different ones, may be expected to be attended with proportionably greater difficulty. When former occupations ceased to yield a profit adequate to the subsistence of their followers, or when there was an absolute deficiency of employment in them, owing to the superabundance of hands, changes would ensue; but these changes would be likely (989) to be more tardy than might consist with the interest either of individuals or of the Society. In many cases they would not

happen, while a bare support could be ensured by an adherence to ancient courses; though a resort to a more profitable employment might be practicable. To produce the desirable changes, as early as may be expedient, may therefore require the incitement and patronage of government.

The apprehension of failing in new attempts is perhaps a more serious impediment. There are dispositions apt to be attracted by the mere novelty of an undertaking -- but these are not always those best calculated to give it success. To this, it is of importance that the confidence of cautious sagacious capitalists both citizens and foreigners, should be excited. And to inspire this description of persons with confidence, it is essential, that they should be made to see in any project, which is new, {218} and for that reason alone, if, for no other, precarious, the prospect of such a degree of countenance and support from government, as may be capable of overcoming the obstacles, inseparable from first experiments.

The superiority antecedently enjoyed by nations, who have preoccupied and perfected a branch of industry, constitutes a more formidable obstacle, than either of those, which have been mentioned, to the introduction of the same branch into a country, in which it did not before exist. To maintain between the recent establishments of one country and the long matured establishments of another country, 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.

But the greatest obstacle of all to the successful prosecution of a new branch of industry in a country, in which it was before unknown, consists, as far as the instances apply, in the bounties premiums and other aids which are granted, in a variety of cases, by the [299] nations, in which the establishments to be imitated are previously introduced. It is well known (and particular examples in the course of this report will be cited) that certain nations grant bounties on the exportation of particular commodities, to enable their own workmen to undersell and supplant all competitors, in the countries to which those commodities are sent. Hence the undertakers of a new manufacture have to contend not only with the natural disadvantages of a new undertaking, but with the gratuities and remunerations which other governments bestow. To be enabled to contend with success, it is evident, that the interference and aid of their own government are indispensable.

Combinations by those engaged in a particular branch of business in one country, to frustrate the first efforts to introduce it into another, by temporary sacrifices, recompensed perhaps by extraordinary indemnifications of the government of such country, are believed to have existed, and are not to be regarded as destitute of probability. (990) The existence or assurance of aid {219} from the government of the country, in which the business is to be introduced, may be essential to fortify adventurers against the dread of such combinations, to defeat their effects, if formed and to prevent their being formed, by demonstrating that they must in the end prove fruitless.

Whatever room there may be for an expectation that the industry of a people, under the direction of private interest, will upon equal terms find out the most beneficial employment for itself, there is none for a reliance, that it will struggle against the force of unequal terms, or will of itself surmount all the adventitious barriers to a successful competition, which may have been erected either by the advantages naturally acquired from practice and previous possession of the ground, or by those which may have sprung from positive regulations and an artificial

policy. This general reflection might alone suffice as an answer to the objection under examination; exclusively of the weighty considerations which have been particularly urged. {219}

The objections to the pursuit of manufactures in the United States, which next present themselves to discussion, represent an impracticability of success, arising from three causes -- scarcity of hand"earnness of labour -- want of capital.

The two first circumstances are to a certain extent real, and, within due limits, ought to be admitted as obstacles to the success of manufacturing enterprise in the United States. But there are various considerations, which lessen their force, and tend to afford an assurance that they are not sufficient to prevent the advantageous prosecution of many very useful and extensive manufactories.

With regard to scarcity of hands, the fact itself must be applied [300] with no small qualification to certain parts of the United States. There are large districts, which may be considered as pretty fully peopled; and which notwithstanding a continual drain for distant settlement, are thickly interspersed with flourishing and increasing towns. If these districts have not already reached the point, at which the complaint of scarcity of hands ceases, they are not remote from it, and are approaching fast towards it: And having perhaps fewer attractions to agriculture, {220} than some other parts of the Union, they exhibit a proportionably stronger tendency towards other kinds of industry. In these districts, may be discerned, no inconsiderable maturity for manufacturing establishments.

But there are circumstances, which have been already noticed with another view, that materially diminish every where the effect of a scarcity of hands. These circumstances are -- the great use which can be made of women and children; on which point a very pregnant and instructive fact has been mentioned -- the vast extension given by late improvements to the employment of Machines, which substituting the Agency of fire and water, has prodigiously lessened the necessity for manual labor -- the employment of persons ordinarily engaged in other occupations, during the seasons, or hours of leisure; which, besides giving occasion to the exertion of a greater quantity of (991) labour by the same number of persons, and thereby encreasing the general stock of labour, as has been elsewhere remarked, may also be taken into the calculation, as a resource for obviating the scarcity of hands -- lastly the attraction of foreign emigrants. Whoever inspects, with a careful eye, the composition of our towns will be made sensible to what an extent this resource may be relied upon. This exhibits a large proportion of ingenious and valuable workmen, in different arts and trades, who, by expatriating from Europe, have improved their own condition, and added to the industry and wealth of the United States. It is a natural inference from the experience, we have already had, that as soon as the United States shall present the countenance of a serious prosecution of Manufactures -- as soon as foreign artists shall be made sensible that the state of things here affords a moral certainty of employment and encouragement -- competent numbers of European workmen will transplant themselves, effectually to ensure the success of the design. How indeed can it otherwise happen considering the various and powerful inducements, which the situation of this country offers; addressing themselves to so many strong passions and feelings, to so many general and particular interests?

It may be affirmed therefore, in respect to hands for carrying {221} on manufactures, that we shall in a great measure trade upon a foreign Stock; reserving our own, for the cultivation of our lands and the [301] manning of our Ships; as far as character and circumstances [shall] incline. It is not unworthy of remark,

that the objection to the success of manufactures, deduced from the scarcity of hands, is alike applicable to Trade and Navigation; and yet these are perceived to flourish, without any sensible impediment from that cause.

As to the dearness of labour (another of the obstacles alledged) this has relation principally to two circumstances, one that which has been just discussed, or the scarcity of hands, the other, the greatness of profits.

As far as it is a consequence of the scarcity of hands, it is mitigated by all the considerations which have been adduced as lessening that deficiency.

It is certain too, that the disparity in this respect, between some of the most manufacturing parts of Europe and a large proportion of the United States, is not nearly so great as is commonly imagined. It is also much less in regard to Artificers and manufacturers than in regard to country labourers; and while a careful comparison shews, that there is, in this particular, much exaggeration; it is also evident that the effect of the degree of disparity, which does truly exist, is diminished in proportion to the use which can be made of machinery.

To illustrate this last idea -- Let it be supposed, that the difference of price, in two Countries, of a given quantity of manual labour requisite to the fabrication of a given article is as 10; and that some *mechanic power* is introduced into both countries, which performing half the necessary labour, leaves only half to be done by hand, it is evident, that the difference in the cost of the fabri- (992) cation of the article in question, in the two countries, as far as it is connected with the price of labour, will be reduced from 10. to 5, in consequence of the introduction of that *power*.

This circumstance is worthy of the most particular attention. It diminishes immensely one of the objections most strenuously urged, against the success of manufactures in the United States.

To procure all such machines as are known in any part of Europe, can only require a proper provision and due pains. The {222} knowledge of several of the most important of them is already possessed. The preparation of them here, is in most cases, practicable on nearly equal terms. As far as they depend on Water, some superiority of advantages may be claimed, from the uncommon variety and greater cheapness of situations adapted to Mill seats, with which different parts of the United States abound.

So far as the dearness of labour may be a consequence of the greatness of profits in any branch of business, it is no obstacle to its success. The Undertaker can afford to pay the price. [302]

There are grounds to conclude that undertakers of Manufactures in this Country can at this time afford to pay higher wages to the workmen they may employ than are paid to similar workmen in Europe. The prices of foreign fabrics, in the markets of the United States, which will for a long time regulate the prices of the domestic ones, may be considered as compounded of the following ingredients -- The first cost of materials, including the Taxes, if any, which are paid upon them where they are made: the expence of grounds, buildings machinery and tools: the wages of the persons employed in the manufactory: the profits on the capital or Stock employed: the commissions of Agents to purchase them where they are made; the expence of transportation to the United States [including insurance and other incidental charges;] the taxes or duties, if any [and fees of office] which are paid on their exportation: the taxes or duties [and fees of office] which are paid on their importation.

As to the first of these items, the cost of materials, the advantage upon the whole, is at present on the side of the United States, and the difference, in their favor, must increase, in

proportion as a certain and extensive domestic demand shall induce the proprietors of land to devote more of their attention to the production of those materials. It ought not to escape observation, in a comparison on this point, that some of the principal manufacturing Countries of Europe are much more dependent on foreign supply for the materials of their manufactures, than would be the United States, who are capable of supplying themselves, with a greater abundance, as well as a greater variety of the requisite materials. {223}

As to the second item, the expence of grounds buildings machinery and tools, an equality at least may be assumed; since advantages in some particulars will counterbalance temporary disadvantages in others.

As to the third item, or the article of wages, the comparison certainly turns against the United (993) States, though as before observed not in so great a degree as is commonly supposed.

The fourth item is alike applicable to the foreign and to the domestic manufacture. It is indeed more properly a *result* than a particular, to be compared.

But with respect to all the remaining items, they are alone applicable to the foreign manufacture, and in the strictest sense extraordinaries; constituting a sum of extra charge on the foreign fabric, which cannot be estimated, at less than [from 15 to 301 19 Cent. on the cost of it at the manufactory.

This sum of extra charge may confidently be regarded as more than a Counterpoise for the real difference in the price of labour; and [303] is a satisfactory proof that manufactures may prosper in defiance of it in the United States. To the general allegation, connected with the circumstances of scarcity of hands and dearth of labour, that extensive manufactures can only grow out of a redundant or full population, it will be sufficient, to answer generally, that the fact has been otherwise -- That the situation alleged to be an essential condition of success, has not been that of several nations, at periods when they had already attained to maturity in a variety of manufactures.

The supposed want of Capital for the prosecution of manufactures in the United States is the most indefinite of the objections which are usually opposed to it.

It is very difficult to pronounce any thing precise concerning the real extent of the monied capital of a Country, and still more concerning the proportion which it bears to the objects that invite the employment of Capital. It is not less difficult to pronounce how far the *effect* of any given quantity of money, as capital, or in other words, as a medium for circulating the industry and property of a nation, may be increased by the very circumstance {224} of the additional motion, which is given to it by new objects of employment. That effect, like the momentum of descending bodies, may not improperly be represented, as in a compound ratio to *mass and velocity*. It seems pretty certain, that a given sum of money, in a situation, in which the quick impulses of commercial activity were little felt, would appear inadequate to the circulation of as great a quantity of industry and property, as in one, in which their full influence was experienced.

It is not obvious, why the same objection might not as well be made to external commerce as to manufactures; since it is manifest that our immense tracts of land occupied and unoccupied are capable of giving employment to more capital than is actually bestowed upon them. It is certain, that the United States offer a vast field for the advantageous employment of Capital; but it does not follow, that there will not be found, in one way or another, a sufficient fund for the successful prosecution of any species of industry which is likely to prove truly beneficial.

The following considerations are of a nature to remove all inquietude on the score of want of Capital.

The introduction of Banks, as has been shewn (994) on another occasion has a powerful tendency to extend the active Capital of a Country. Experience of the Utility of these Institutions is multiplying them in the United States. It is probable that they will be established wherever they can exist with advantage; and wherever, they can be supported, if administered with prudence, they will add new energies to all pecuniary operations. [304]

The aid of foreign Capital may safely, and, with considerable latitude be taken into calculation. Its instrumentality has been long experienced in our external commerce; and it has begun to be felt in various other modes. Not only our funds, but our Agriculture and other internal improvements have been animated by it. It has already in a few instances extended even to our manufactures.

It is a well known fact, that there are parts of Europe, which have more Capital, than profitable domestic objects of employment. Hence, among other proofs, the large loans continually furnished to foreign states. And it is equally certain that the {225} capital of other parts may find more profitable employment in the United States, than at home. And notwithstanding there are weighty inducements to prefer the employment of capital at home even at less profit, to an investment of it abroad, though with greater gain, yet these inducements are overruled either by a deficiency of employment or by a very material difference in profit. Both these Causes operate to produce a transfer of foreign capital to the United States. 'Tis certain, that various objects in this country hold out advantages, which are with difficulty to be equalled elsewhere; and under the increasingly favorable impressions, which are entertained of our government, the attractions will become more and More strong. These impressions will prove a rich mine of prosperity to the Country, if they are confirmed and strengthened by the progress of our affairs. And to secure this advantage, little more is now necessary, than to foster industry, and cultivate order and tranquility, at home and abroad.

It is not impossible, that there may be persons disposed to look with a jealous eye on the introduction of foreign Capital, as if it were an instrument to deprive our own citizens of the profits of our own industry: But perhaps there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be Considered as a most valuable auxiliary; conducing to put in Motion a greater Quantity of productive labour, and a greater portion of useful enterprise than could exist without it. It is at least evident, that in a Country situated like the United States, with an infinite fund of resources yet to be unfolded, every farthing of foreign capital, which is laid out in internal ameliorations, and in industrious establishments of a permanent nature, is a precious acquisition.

And whatever be the objects which originally attract foreign Capital, when once introduced, it may be directed towards any purpose of beneficial exertion, which is desired. And to detain it among us, there can be no expedient so effectual as to enlarge the sphere, within which it may be usefully employed: Though induced merely [305] with views to speculations in the funds, it may after- (995) wards be rendered subservient to the Interests of Agriculture, Commerce & Manufactures. {226}

But the attraction of foreign Capital for the direct purpose of Manufactures ought not to be deemed a chimerical expectation. There are already examples of it, as remarked in another place. And the examples, if the disposition be cultivated can hardly fail to multiply. There are also instances of another kind, which serve

to strengthen the expectation. Enterprises for improving the Public Communications, by cutting canals, opening the obstructions in Rivers and erecting bridges, have received very material aid from the same source.

When the Manufacturing Capitalist of Europe shall advert to the many important advantages, which have been intimated, in the Course of this report, he cannot but perceive very powerful inducements to a transfer of himself and his Capital to the United States. Among the reflections, which a most interesting peculiarity of situation is calculated to suggest, it cannot escape his observation, as a circumstance of Moment in the calculation, that the progressive population and improvement of the United States, insure a continually increasing domestic demand for the fabrics which he shall produce, not to be affected by any external casualties or vicissitudes.

But while there are Circumstances sufficiently strong to authorise a considerable degree of reliance on the aid of foreign Capital towards the attainment of the object in view, it is satisfactory to have good grounds of assurance, that there are domestic resources of themselves adequate to it. It happens, that there is a species of Capital actually existing within the United States, which relieves from all inquietude on the score of want of Capital -- This is the funded Debt.

The effect of a funded debt, as a species of Capital, has been Noticed upon a former Occasion; but a more particular elucidation of the point seems to be required by the stress which is here laid upon it. This shall accordingly be attempted.

Public Funds answer the purpose of Capital, from the estimation in which they are usually held by Monied men; and consequently from the Ease and dispatch with which they can be turned into money. This capacity of prompt convertibility into money causes a transfer of stock to be in a great number of {227} Cases equivalent to a payment in coin. And where it does not happen to suit the party who is to receive, to accept a transfer of Stock, the party who is to pay, is never at a loss to find elsewhere a purchaser of his Stock, who will furnish him in lieu of it, with the Coin of which he stands in need. Hence in a sound and settled state of the public funds, a man possessed [306] of a sum in them can embrace any scheme of business, which offers, with as much confidence as if he were possessed of an equal sum in Coin.

This operation of public funds as capital is too obvious to be denied; but it is objected to the Idea of their operating as an *augmentation* of the Capital of the community, that they serve to occasion the *destruction* of some other capital to an equal amount.

(996) The Capital which alone they can be supposed to destroy must consist of -- The annual revenue, which is applied to the payment of Interest on the debt, and to the gradual redemption of the principal The amount of the Coin, which is employed in circulating the funds, or, in other words, in effecting the different alienations which they undergo.

But the following appears to be the true and accurate view of this matter.

1st. As to the point of the Annual Revenue requisite for Payment of interest and redemption of principal.

As a determinate proportion will tend to perspicuity in the reasoning, let it be supposed that the annual revenue to be applied, corresponding with the modification of the 6 per Cent stock of the United States, is in the ratio of eight upon the hundred, that is in the first instance six on Account of interest, and two on account of Principal.

Thus far it is evident, that the Capital destroyed to the capital created, would bear no greater proportion, than 8 to 100. There

would be withdrawn from the total mass of other capitals a sum of eight dollars to be paid to the public creditor; while he would be possessed of a sum of One Hundred dollars, ready to be applied to any purpose, to be embarked in {228} any enterprise, which might appear to him eligible. Here then the *Augmentation* of Capital, or the excess of that which is produced, beyond that which is destroyed is equal to Ninety two dollars. To this conclusion, it may be objected, that the sum of Eight dollars is to be withdrawn annually, until the whole hundred is extinguished, and it may be inferred, that in process of time a capital will be destroyed equal to that which is at first created.

But it is nevertheless true, that during the whole of the interval, between the creation of the Capital of 100 dollars, and its reduction to a sum not greater than that of the annual revenue appropriated to its redemption -- there will be a greater active capital in existence than if no debt had been Contracted. The sum drawn from other Capitals in *any one year* will not exceed eight dollars; but there will be *at every instant of time* during the whole period, in question a sum corresponding *with so much of the principal*, as remains *unredeemed*, in the hands of [307] some person, or other, employed, or ready to be employed in some profitable undertaking. There will therefore constantly be more capital, in capacity to be employed, than capital taken from employment. The excess for the first year has been stated to be Ninety two dollars; it will diminish yearly, but there always will be an excess, until the principal of the debt is brought to a level with the *redeeming annuity*, that is, in the case which has been assumed by way of example, to *eight dollars*. The reality of this excess becomes palpable, if it be supposed, as often happens, that the citizen of a foreign Country imports into the United States 100 dollars for the purchase of an equal sum of public debt. Here is an absolute augmentation of the mass of Circulating Coin to the extent of (997) 100 dollars. At the end of a year the foreigner is presumed to draw back eight dollars on account of his Principal and Interest, but he still leaves, Ninety two of his original Deposit in circulation, as he in like manner leaves Eighty four at the end of the second year, drawing back then also the annuity of Eight Dollars: And thus the Matter proceeds; The capital left in circulation diminishing each year, and coming nearer to {229} the level of the annuity drawback. There are however some differences in the ultimate operation of the part of the debt, which is purchased by foreigners, and that which remains in the hands of citizens. But the general effect in each case, though in different degrees, is to add to the active capital of the Country.

Hitherto the reasoning has proceeded on a concession of the position, that there is a destruction of some other capital, to the extent of the annuity appropriated to the payment of the Interest and the redemption of the principal of the debt but in this, too much has been conceded. There is at most a temporary transfer of some other capital, to the amount of the Annuity, from those who pay to the Creditor who receives; which he again restores to the circulation to resume the offices of a capital. This he does either immediately by employing the money in some branch of Industry, or mediately by lending it to some other person, who does so employ it or by spending it on his own maintenance. In either supposition there is no destruction of capital, there is nothing more than a suspension of its motion for a time; that is, while it is passing from the hands of those who pay into the Public coffers, & thence through the public Creditor into some other Channel of circulation. When the payments of interest are periodical and quick and made by instrumentality of Banks the diversion or suspension of capital may almost be denominated

momentary. Hence the deduction on this Account is far less, than it at first sight appears to be.

There is evidently, as far as regards the annuity no destruction [308] nor transfer of any other Capital, than that portion of the income of each individual, which goes to make up the Annuity. The land which furnishes the Farmer with the sum which he is to contribute remains the same; and the like may be observed of other Capitals. Indeed as far as the Tax, which is the object of contribution (as frequently happens, when it does) not oppress, by its weight may have been a Motive to *greater exertion* in any occupation; it may even serve to encrease the contributory Capital: This idea is not without importance in the general view of the subject. {230}

It remains to see, what further deduction ought to be made from the capital which is created, by the existence of the Debt; on account of the coin, which is employed in its circulation. This is susceptible of much less precise calculation, than the Article which has been just discussed. It is impossible to say what proportion of coin is necessary to carry on the alienations which any species of property usually undergoes. The quantity indeed varies according to circumstances. But it (998) may still without hesitation be pronounced, from the quickness of the rotation, or rather of the transitions, that the *medium* of circulation always bears but a small proportion to the amount of the *property* circulated. And it is thence satisfactorily deducible, that the coin employed in the Negotiations of the funds and which serves to give them activity, as capital, is incomparably less than the sum of the debt negotiated for the purposes of business.

It ought not, however, to be omitted, that the negotiation of the funds becomes itself a distinct business; which employs, and by employing diverts a portion of the circulating coin from other pursuits. But making due allowance for this circumstance there is no reason to conclude, that the effect of the diversion of coin in the whole operation bears any considerable proportion to the amount of the Capital to which it gives activity. The sum of the debt in circulation is continually at the Command, of any useful enterprise -- the coin itself which circulates it, is never more than momentarily suspended from its ordinary functions. It experiences an incessant and rapid flux and reflux to and from the Channels of industry to those of speculations in the funds.

There are strong circumstances in confirmation of this Theory. The force of Monied Capital which has been displayed in Great Britain, and the height to which every species of industry has grown up under it, defy a solution from the quantity of coin which that kingdom has ever possessed. Accordingly it has been Coeval with its funding system, the prevailing opinion of the men of business, and of the generality of the most sagacious theorists of that country, that the operation of the public funds {231} as capital has contributed to the effect in [309] question. Among ourselves appearances thus far favour the same Conclusion. Industry in general seems to have been reanimated. There are symptoms indicating an extention of our Commerce. Our navigation has certainly of late had a Considerable spring, and there appears to be in many parts of the Union a command of capital, which till lately, since the revolution at least, was unknown. But it is at the same time to be acknowledged, that other circumstances have concurred, (and in a great degree) in producing the present state of things, and that the appearances are not yet sufficiently decisive, to be intirely relied upon.

In the question under discussion, it is important to distinguish between an *absolute increase of Capital, or an accession of real wealth, and an artificial increase of Capital*, as an engine of business, or as an instrument of industry and Commerce. In the first sense, a funded debt has no pretensions to being deemed an

increase of Capital; in the last, it has pretensions which are not easy to be controverted. Of a similar nature is bank credit and in an inferior degree, every species of private credit.

But though a funded debt is not in the first instance, an absolute increase of Capital, or an augmentation of real wealth; yet by serving as a New power in the operation of industry, it has within (999) certain bounds a tendency to increase the real wealth of a Community, in like manner as money borrowed by a thrifty farmer, to be laid out in the improvement of his farm may, in the end, add to his Stock of real riches.

There are respectable individuals, who from a just aversion to an accumulation of Public debt, are unwilling to concede to it any kind of utility, who can discern no good to alleviate the ill with which they suppose it pregnant; who cannot be persuaded that it ought in any sense to be viewed as an increase of capital lest it should be inferred, that the more debt the more capital, the greater the burthens the greater the blessings of the community.

But it interests the public Councils to estimate every object as it truly is; to appreciate how far the good in any measure is compensated by the ill; or the ill by the good, Either of them is seldom unmixed. {232}

Neither will it follow, that an accumulation of debt is desirable, because a certain degree of it operates as capital. There may be a plethora in the political, as in the Natural body; There may be a state of things in which any such artificial capital is unnecessary. The debt too may be swelled to such a size, as that the greatest part of it may cease to be useful as a Capital, serving only to pamper the dissipation of idle and dissolute individuals: as that the sums required to pay the [310] Interest upon it may become oppressive, and beyond the means, which a government can employ, consistently with its tranquility, to raise them, as that the resources of taxation, to face the debt, may have been strained too far to admit of extensions adequate to exigencies, which regard the public safety.

Where this critical point is, cannot be pronounced, but it is impossible to believe, that there is not such a point.

And as the vicissitudes of Nations beget a perpetual tendency to the accumulation of debt, there ought to be in every government a perpetual, anxious and unceasing effort to reduce that, which at any time exists, as fast as shall be practicable consistently with integrity and good faith.

Reasonings on a subject comprehending ideas so abstract and complex, so little reducible to precise calculation as those which enter into the question just discussed, are always attended with a danger of runing into fallacies. Due allowance ought therefore to be made for this possibility. But as far as the Nature of the subject admits of it, there appears to be satisfactory ground for a belief, that the public funds operate as a resource of capital to the Citizens of the United States, and, if they are a resource at all, it is an extensive one.... {233 omitted; 234}

There remains to be noticed an objection to the encouragement of manufactures, of a nature different from those which question the probability of success. This is derived from its supposed tendency to give a monopoly of advantages to particular classes at the expence of the rest of the community, who, it is affirmed, would be able to procure the requisite supplies of manufactured articles on better terms from foreigners, than from {235} our own Citizens, and who it is alledged, are reduced to a necessity of paying an enhanced price for whatever they want, by every measure, which obstructs the free competition of foreign commodities.

It is not an unreasonable supposition, that measures, which serve to abridge the free competition of foreign Articles, have a tendency to occasion an enhancement of prices and it is not to be

denied that such is the effect in a number of Cases; but the fact does not uniformly correspond with the theory. A reduction of prices has in several instances immediately succeeded the establishment of a domestic manufacture. Whether it be that foreign Manufacturers endeavour to supplant by underselling our own, or whatever else be the cause, the effect has been such as is stated, and the reverse of what might have been expected.

But though it were true, that the immediate and certain effect of regulations controuling the competition of foreign with domestic fabrics was an increase of price, it is universally true, that the contrary [311] is the ultimate effect with every successful manufacture. When a domestic manufacture has attained to perfection, and has engaged in the prosecution of it a competent number of Persons, it invariably becomes cheaper. Being free from the heavy charges, which attend the importation of foreign commodities, it can be afforded, and accordingly seldom or never fails to be sold Cheaper, in process of time, than was the foreign Article for which it is a substitute. The internal competition, which takes place, soon does away every thing like Monopoly, and by degrees reduces the price of the Article to the *minimum* of a reasonable profit on the Capital employed. This accords with (1002) the reason of the thing and with experience.

Whence it follows, that it is the interest of a community with a view to eventual and permanent economy, to encourage the growth of manufactures. In a national view, a temporary enhancement of price must always be well compensated by a permanent reduction of it.

It is a reflection, which may with propriety be indulged here, that this eventual diminution of the prices of manufactured Articles; which is the result of internal manufacturing establishments, {236} has a direct and very important tendency to benefit agriculture. It enables the farmer, to procure with a smaller quantity of his labour, the manufactured produce of which he stands in need, and consequently increases the value of his income and property.

The objections which are commonly made to the expediency of encouraging, and to the probability of succeeding in manufacturing pursuits, in the United states, having now been discussed; the Considerations which have appeared in the Course of the discussion, recommending that species of industry to the patronage of the Government, will be materially strengthened by a few general and some particular topics, which have been naturally reserved for subsequent Notice.

I There seems to be a moral certainty, that the trade of a country which is both manufacturing and Agricultural will be more lucrative and prosperous, than that of a Country, which is, merely Agricultural.

One reason for this is found in that general effort of nations (which has been already mentioned) to procure from their own soils, the articles of prime necessity requisite to their own consumption and use; and which serves to render their demand for a foreign supply of such articles in a great degree occasional and contingent. Hence, while the necessities of nations exclusively devoted to Agriculture, for the fabrics of manufacturing states are constant and regular, the wants of the latter for the products of the former, are liable to very [312] considerable fluctuations and interruptions. The great inequalities resulting from difference of seasons, have been elsewhere remarked: This uniformity of demand on one side, and unsteadiness of it, on the other, must necessarily have a tendency to cause the general course of the exchange of commodities between the parties to turn to the disadvantage of the merely agricultural States. Peculiarity of situation, a climate and soil adapted to the production of peculiar commodities, may,

sometimes, contradict the rule; but there is every reason to believe that it will be found in the Main, a just one.

Another circumstance which gives a superiority of commercial advantages to states, that manufacture as well as cultivate, {237} consists in the more numerous attractions, which a more diversified market offers to foreign Customers, and greater scope, which it affords to mercantile enterprise. It is a position of indisputable truth in Commerce, depending too on very obvious reasons, that the greatest resort will ever be to those marts where commodities, while equally abundant, are most various. Each difference of kind holds out (1003) an additional inducement. And it is a position not less clear, that the field of enterprise must be enlarged to the Merchants of a Country, in proportion to the variety as well as the abundance of commodities which they find at home for exportation to foreign Markets.

A third circumstance, perhaps not inferior to either of the other two, conferring the superiority which has been stated has relation to the stagnations of demand for certain commodities which at some time or other interfere more or less with the sale of all. The Nation which can bring to Market, but few articles is likely to be more quickly and sensibly affected by such stagnations, than one, which is always possessed of a great variety of commodities. The former frequently finds too great a proportion of its stock of materials, for sale or exchange, lying on hand -- or is obliged to make injurious sacrifices to supply its wants of foreign articles, which are *Numerous* and *urgent*, in proportion to the smallness of the number of its own. The latter commonly finds itself indemnified, by the high prices of some articles, for the low prices of others -- and the Prompt and advantageous sale of those articles which are in demand enables its merchant the better to wait for a favorable change, in respect to those which are not. There is ground to believe, that a difference of situation, in this particular, has immensely different effects upon the wealth and prosperity of Nations.

From these circumstances collectively, two important inferences are to be drawn, one, that there is always a higher probability of a favorable balance of Trade, in regard to countries in which (1004) manufactures founded on the basis of a thriving Agriculture flourish, than in [313] regard to those, which are confined wholly or almost wholly to Agriculture; the other (which is also a consequence of the first) that countries of the former description {238} are likely to possess more pecuniary wealth, or money, than those of the latter.

Facts appear to correspond with this conclusion. The importations of manufactured supplies seem invariably to drain the merely Agricultural people of their wealth. Let the situation of the manufaturing [sic] countries of Europe be compared in this particular, with that of Countries which only cultivate, and the disparity will be striking. Other causes, it is true, help to Account for this disparity between some of them; and among these causes, the relative state of Agriculture; but between others of them, the most prominent circumstance of dissimilitude arises from the Comparative state of Manufactures. In corroboration of the same idea, it ought not to escape remark, that the West India Islands, the soils of which are the most fertile, and the Nation, which in the greatest degree supplies the rest of the world, with the precious metals, exchange to a loss with almost every other Country.

As far as experience at home may guide, it will lead to the same conclusion. Previous to the revolution, the quantity of coin, possessed by the colonies, which now compose the United States, appeared, to be inadequate to their circulation; and their debt to GreatBritain was progressive. Since the Revolution, the States, in which manufactures have most increased, have recovered fastest

from the injuries of the late War, and abound most in pecuniary resources.

It ought to be admitted, however in this as in the preceding case, that causes irrelative to the state of manufactures account, in a degree, for the Phenomena remarked. The continual progress of new settlements has a natural tendency to occasion an unfavorable balance of Trade; though it indemnifies for the inconvenience, by that increase of the national capital which flows from the conversion of waste into improved lands: And the different degrees of external commerce, which are carried on by the different States, may make material differences in the comparative state of their wealth. The first circumstance has reference to the deficiency of coin and the increase of debt previous to the revolution; the last to the advantages which the most manufacturing states appear to have enjoyed, over the others, since the termination of the late War. {239}

But the uniform appearance of an abundance of specie, as the concomitant of a flourishing state of manufactures and of the reverse, where they do not prevail, afford a strong presumption of their favourable operation upon the wealth of a Country.

Not only the wealth; but the independence and security of a [314] Country, appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavour to possess within itself all the essentials of national supply. These comprise the means of *Subsistence habitation clothing and defence*.

The possession of these is necessary to the perfection of the body politic, to the safety as well as to the welfare of the society; the want of either, is the want of an important organ of political life and Motion; and in the various crises which await a state, it must severely feel the effects of any such deficiency. The extreme embarrassments of the United States during the late War, from an incapacity of supplying themselves, are still matter of keen recollection: A future war might be expected again to exemplify the mischiefs and dangers of a situation, to which that incapacity is still in too great a degree applicable, unless changed by timely and vigorous exertion. To effect this change as fast as shall be prudent, merits all the attention and all the Zeal of our Public Councils; 'tis the next great work to be accomplished.

The want of a Navy to protect our external commerce, as long as it shall Continue, must render it a peculiarly precarious reliance, for the supply of essential articles, and must serve to strengthen prodigiously the arguments in favour of manufactures.

To these general Considerations are added some of a more particular nature. {234}

Our distance from Europe, the great fountain of manufactured supply, subjects us in the existing state of things, to inconvenience and loss in two Ways.

The bulkiness of those commodities which are the chief productions of the soil, necessarily imposes very heavy charges on their transportation, to distant markets. These charges, in the Cases, in which the nations, to whom our products are sent, maintain a Competition in the supply of their own markets, (1005) principally {240} fall upon us, and form material deductions from primitive value of the articles furnished. The charges on manufactured supplies, brought from Europe are greatly enhanced by the same circumstance of distance. These charges, again, in the cases in which our own industry maintains no competition, in our own markets, also principally fall upon us; and are an additional cause of extraordinary deduction from the primitive value of our own products; these being the materials of exchange for the foreign fabrics, which we consume.

The equality and moderation of individual property and the growing settlements of new districts, occasion in this country an

unusual demand for coarse manufactures; The charges of which being [315] greater in proportion to their greater bulk augment the disadvantage, which has been just described.

As in most countries domestic supplies maintain a very considerable competition with such foreign productions of the soil, as are imported for sale; if the extensive establishment of Manufactories in the United states does not create a similar competition in respect to manufactured articles, it appears to be clearly deducible, from the Considerations which have been mentioned, that they must sustain a double loss in their exchanges with foreign Nations; strongly conducive to an unfavorable balance of Trade, and very prejudicial to their Interests.

These disadvantages press with no small weight, on the landed interest of the Country. In seasons of peace, they cause a serious deduction from the intrinsic value of the products of the soil. In the time of a War, which shou'd either involve ourselves, or another nation, possessing a Considerable share of our carrying trade, the charges on the transportation of our commodities, bulky as most of them are, could hardly fail to prove a grievous burthen to the farmer; while obliged to depend in so great degree as he now does, upon foreign markets for the vent of the surplus of his labour.

As far as the prosperity of the Fisheries of the United states is impeded by the want of an adequate market, there arises another special reason for desiring the extension of manufactures. Besides the fish, which in many places, would be likely to make, {241} a part of the subsistence of the persons employed; it is known that the oils, bones and skins of marine animals, are of extensive use in various manufactures. Hence the prospect of an additional demand for the produce of the Fisheries.

One more point of view only remains in which to Consider the expediency of encouraging manufactures in the United states.

It is not uncommon to meet with an opinion that though the promoting of manufactures may be the interest of a part of the Union, it is contrary to that of another part. The Northern & southern regions are sometimes represented as having adverse interests in this respect. Those are called Manufacturing, these Agricultural states; and a species of opposition is imagined to subsist between the Manufacturing and Agricultural interests.

This idea of an opposition between those two interests is the com- (1006) mon error of the early periods of every country, but experience gradually dissipates it. Indeed they are perceived so often to succour and to befriend each other, that they come at length to be considered as one: a supposition which has been frequently abused and is not universally true. Particular encouragements of particular manufactures [316] may be of a Nature to sacrifice the interests of landholders to those of manufacturers; But it is nevertheless a maxim well established by experience, and generally acknowledged, where there has been sufficient experience, that the *aggregate* prosperity of manufactures, and the *aggregate* prosperity of Agriculture are intimately connected. In the Course of the discussion which has had place, various weighty considerations have been adduced operating in support of that maxim. Perhaps the superior steadiness of the demand of a domestic market for the surplus produce of the soil, is alone a convincing argument of its truth.

Ideas of a contrariety of interests between the Northern and southern regions of the Union, are in the Main as unfounded as they are mischievous. The diversity of Circumstances on which such contrariety is usually predicated, authorises a directly contrary conclusion. Mutual wants constitute one of the strongest links of political connection, and the extent of these bears {242}

a natural proportion to the diversity in the means of mutual supply.

Suggestions of an opposite complexion are ever to be deplored, as unfriendly to the steady pursuit of one great common cause, and to the perfect harmony of all the parts.

In proportion as the mind is accustomed to trace the intimate connexion of interest, which subsists between all the parts of a Society united under the same government -- the infinite variety of channels which serve to Circulate the prosperity of each to and through the rest -- in that proportion will it be little apt to be disturbed by solitudes and Apprehensions which originate in local discriminations. It is a truth as important as it is agreeable, and one to which it is not easy to imagine exceptions, that every thing tending to establish *substantial and permanent order*, in the affairs of a Country, to increase the total mass of industry and opulence, is ultimately beneficial to every part of it. On the Credit of this great truth, an acquiescence may safely be accorded, from every quarter, to all institutions & arrangements, which promise a confirmation of public order, and an augmentation of National Resource.

But there are more particular considerations which serve to fortify the idea, that the encouragement of manufactures is the interest of all parts of the Union. If the Northern and middle states should be the principal scenes of such establishments, they would immediately benefit the more southern, by creating a demand for productions; some of which they have in common with the other states, and others of which are either peculiar to them, or more abundant, or of better quality, than elsewhere. These productions, principally are Timber, [317] flax, Hemp, Cotton, Wool, raw silk, Indigo, iron, lead, furs, hides, skins and coals. Of these articles Cotton & Indigo are peculiar to (1007) the southern states; as are hitherto *Lead & Coal*. Flax and Hemp are or may be raised in greater abundance there, than in the More Northern states; and the Wool of Virginia is said to be of better quality than that of any other state: a Circumstance rendered the more probable by the reflection that Virginia embraces the {243} same latitudes with the finest Wool Countries of Europe. The Climate of the south is also better adapted to the production of silk.

The extensive cultivation of Cotton can perhaps hardly be expected, but from the previous establishment of domestic Manufactories of the Article; and the surest encouragement and vent, for the others, would result from similar establishments in respect to them.

If then, it satisfactorily appears, that it is the Interest of the United states, generally, to encourage manufactures, it merits particular attention, that there are circumstances, which Render the present a critical moment for entering with Zeal upon the important business. The effort cannot fail to be materially seconded by a considerable and encreasing influx of money, in consequence of foreign speculations in the funds -- and by the disorders, which exist in different parts of Europe.

The first circumstance not only facilitates the execution of manufacturing enterprises; but it indicates them as a necessary mean to turn the thing itself to advantage, and to prevent its being eventually an evil. If useful employment be not found for the Money of foreigners brought to the country to be invested in purchasers of the public debt, it will quickly be reexported to defray the expence of an extraordinary consumption of foreign luxuries; and distressing drains of our specie may hereafter be experienced to pay the interest and redeem the principal of the purchased debt.

This useful employment too ought to be of a Nature to produce solid and permanent improvements. If the money merely

serves to give a temporary spring to foreign commerce; as it cannot procure new and lasting outlets for the products of the Country; there will be no real or durable advantage gained. As far as it shall find its way in Agricultural ameliorations, in opening canals, and in similar improvements, it will be productive of substantial utility. But there is reason to doubt, whether in such channels it is likely to find sufficient employment, and still more whether many of those who possess it, would be as readily attracted to objects of this nature, as to manufacturing pursuits; {244} which bear greater analogy to those to which they are accustomed, and to the spirit generated by them.

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To open the one field, as well as the other, will at least secure a better prospect of useful employment, for whatever accession of money, there has been or may be.

There is at the present juncture a certain fermentation of mind, a certain activity of speculation and enterprise which if properly directed may be made subservient to useful purposes; but which if left entirely to itself, may be attended with pernicious effects.

The disturbed state of Europe, inclining its citizens to emigration, the requisite workmen, will be more easily acquired, than at another time; and (1008) the effect of multiplying the opportunities of employment to those who emigrate, may be an increase of the number and extent of valuable acquisitions to the population arts and industry of the Country. To find pleasure in the calamities of other nations, would be criminal; but to benefit ourselves, by opening an asylum to those who suffer, in consequence of them, is as justifiable as it is politic. ...

[Here begins a discussion of the seven different methods of protection; p. 1008 in the Annals of Congress.] {Page numbering changes to *Works of Hamilton*}

A full view having now been taken of the inducements to the promotion of manufactures in the United States, accompanied with an examination of the principal objections which are commonly urged in opposition, it is proper, in the next place, to consider the means by which it may be effected, as introductory to a specification of the objects, which, in the present state of things, appear the most fit to be encouraged, and of the particular measures which it may be advisable to adopt, in respect to each.

In order to a better judgment of the means proper to be resorted to by the United States, it will be of use to advert to those which have been employed with success in other countries. The principal of these are:

1. Protecting duties -- or duties on those foreign articles which are the rivals of the domestic ones intended to be encouraged.

Duties of this nature evidently amount to a virtual bounty {245}

on the domestic fabrics; since, by enhancing the charges on foreign articles, they enable the, national manufacturers to undersell ;all their foreign competitors. The propriety of this species of encouragement need not be dwelt upon, as it is not only a clear result from tile numerous topics which have been suggested, but is sanctioned by the laws of the United States, in a variety of instances; it his the additional recommendation of being a resource of revenue. Indeed, all tile duties imposed on imported articles, though with an exclusive view to revenue, have the effect, in contemplation, and, except where they fill on raw materials, wear a beneficent aspect towards the manufacturers of the country.

2. Prohibitions of rival articles, or duties equivalent to prohibitions.

This is another and an efficacious mean of encouraging national manufactures; but, in general, it is only fit to be employed when a manufacture has made such progress, and is in so many hands, as to insure a due competition, and an adequate supply on reasonable terms. Of duties equivalent to prohibitions, there are examples in the laws of the United States; and there are other cases, to which the principle may be advantageously extended, but they are not numerous.

Considering a monopoly of the domestic market to its own manufacturers as the reigning policy of manufacturing nations, a similar policy, on the part of the United States, in every proper instance, is dictated, it might almost be said, by the principles of distributive justice; certainly, by the duty of endeavoring to secure to their own citizens a reciprocity of advantages.

3. Prohibitions of the exportation of the Materials of Manufactures.

The desire of securing a cheap and plentiful supply for the national work- (1009) men, and where the article is either peculiar to tile country, or of peculiar quality there, the jealousy of enabling foreign workmen to rival those of the nation with its own materials, are the leading motives to this species of regulation. It {246} ought not to be affirmed, that it is in no instance proper; but is, certainly, one which ought to be adopted with great circumspection, and only in very plain cases. It is seen at once, that its immediate operation is to abridge the demand, and keep down the price of the produce of some other branch of industry -generally speaking, of agriculture-to the prejudice of those who carry it on; and though, if it be really essential to the prosperity of any very important national manufacture, it may happen that those who are injured, in the first instance, may, be, eventually, indemnified by the superior steadiness of an extensive domestic market, depending on that prosperity; yet, in a matter in which there is so much room for nice and difficult combinations, in which, such opposite considerations combat each other, prudence seems to dictate that the expedient in question ought to be indulged with a sparing hand.

4. Pecuniary bounties.

This has been found one of the most efficacious means of encouraging manufactures, and is, in some views, the best. Though it has not yet been practised upon by the Government of the United States (unless the allowance on the expiration of dried and pickled fish and salted meat could be considered as a bounty), and though it is less favored by public opinion than some other modes, its advantages are these:

1. It is a species of encouragement more positive and direct than any other, and, for that very reason, has a more immediate tendency to stimulate and uphold new enterprises, increasing the chances of profit, and diminishing the risks of loss, in the first attempts.

2. It avoids the inconvenience of a temporary augmentation of price, which is incident to some other modes; or it produces it, to a less degree, either by making no addition to the charges on the rival foreign article, as in the case of protecting duties, or by making a smaller addition. The first happens when the fund for the bounty is derived from a different object (which may or may not increase the price of some other article, according {247}

to the nature of that object), the second, when the fund is derived from the same, or a similar object, of foreign manufacture. One per cent. duty on the foreign article, converted

into a bounty on the domestic, will have an equal effect with a duty of two per cent., exclusive of such bounty; and the price of the foreign commodity is liable to be raised, in the one case, in the proportion of one per cent.; in the other in that of two per cent. Indeed the bounty, when drawn from another source, is calculated to promote a reduction of price; because, without laying any new charge on the foreign article, it serves to introduce a competition with it, and to increase the total quantity of the article in the market.

3. Bounties have not, like high protecting duties, a tendency to produce scarcity. An in- (1010) crease of price is not always the immediate, though, where the progress of a domestic manufacture does not counteract a rise, it is, commonly, the ultimate effect of an additional duty. In the interval between the laying of the duty and the proportional increase of price, it may discourage importation, by interfering with the profits to be expected from the sale of the article.

4. Bounties are, sometimes, not only the best, but the only proper expedient for uniting the encouragement of a new object of agriculture with that of a new object of manufacture. It is the interest of the farmer to have the production of the raw material promoted by counteracting the interference of the foreign material of the same kind. It is the interest of the manufacturer to have the material abundant and cheap. If, prior to the domestic production of the material, in sufficient quantity to supply the manufacturer on good terms, a duty be paid upon the importation of it from abroad, with a view to promote the raising of it at home, the interest both of the farmer and manufacturer will be disserved. By either destroying the requisite supply, or raising the price of the article beyond what can be afforded to be given for it by the conductor of an infant manufacture, it is abandoned or fails, and there being no domestic manufactories to create a demand for the raw material, which is raised by the farmer, it is in vain that the competition of the like foreign article may have been destroyed. {248}

It cannot escape notice, that a duty upon the importation of an article can no otherwise aid the domestic production of it, than by giving the latter greater advantages in the home market. It can have no influence upon the advantageous sale of the article produced in foreign markets -- no tendency, therefore, to promote its exportation.

The true way to conciliate these two interests is to lay a duty on foreign manufactures of the material, the growth of which is desired to be encouraged, and to apply the produce of that duty, by way of bounty, either upon the production of the material itself, or upon its manufacture at home, or upon both. In this disposition of the thing, the manufacturer commences his enterprise under every advantage which is attainable, as to quantity or price of the raw material; and the farmer, if the bounty be immediately to him, is enabled by it to enter into a successful competition with the foreign material. If the bounty be to the manufacturer, on so much of the domestic material as he consumes, the operation is nearly the same; he has a motive of interest to prefer the domestic commodity, if of equal quality, even at a higher price than the foreign, so long as the difference of price is any thing short of the bounty which is allowed upon the article.

Except the simple and ordinary kinds of household manufacture, or those for which there are very commanding local advantages, pecuniary bounties are, in most cases, indispensable to the introduction of a new branch. A stimulus and a support, not less powerful and direct, is, generally speaking, essential to the overcoming of the obstacles which arise from the competitions of superior- (1011) and maturity elsewhere.

Bounties are especially essential in regard to articles upon which those foreigners, who have been accustomed to supply a country, are in the practice of granting them.

The continuance of bounties on manufactures long established, must almost always be of questionable policy: because a presumption would arise, in every such case, that there were natural and inherent impediments to success. But, in new undertakings, they are as justifiable as they are oftentimes necessary. {249}

There is a degree of prejudice against bounties, from an appearance of giving away the public money without all immediate consideration, and from a supposition that they serve to enrich particular classes, at the expense of the community.

But neither of these sources of dislike will bear a serious examination. There is no purpose to which public money can be more beneficially applied, than to the acquisition of a new and useful branch of industry; no consideration more valuable, than a permanent addition to the general stock of productive labor.

As to the second source of objections it equally lies against other modes of encouragement, which are admitted to be eligible. As often as a duty upon a foreign article makes an addition to its price, it causes an extra expense to the community, for the benefit of the domestic manufacturer. A bounty does no more. But it is the interest of the society, in each case, to submit to the temporary expense-which is more than compensated by all increase of industry and wealth; by an augmentation of resources and independence; and by the circumstance of eventual cheapness, which has been noticed in another place.

It would deserve attention, however, in the employment of this species of encouragement in the United States, as a reason for moderating the degree of it in the instances in which it might be deemed eligible, that the great distance of this country- from Europe imposes very heavy charges on all the fabrics which are brought from thence, amounting to from fifteen to thirty per cent. of their value, according to their bulk.

A question has been made concerning the constitutional right of the Government of the United States to apply this species of encouragement; but there is certainly no good foundation for such a question. The National Legislature has express authority "to lay and collect taxes, duties, imposts, and excises, to pay the debts, and provide for the common defence (1012) and general welfare," with no other qualifications than that "all duties, imposts and excises, shall be uniform throughout the United States; and that no capitation or other direct tax shall be laid, unless in proportion to numbers, ascertained by a census or enumeration, {250} taken on the principles prescribed in the constitution," and that "no tax or duty shall be laid on articles exported from any State."

These three qualifications excepted, the power to raise money is plenary and indefinite, and the objects to which it may be appropriated, are no less comprehensive than the payment of the public debts, and the providing for the common defence and general welfare. The terms "general welfare" were doubtless intended to signify more than was expressed or imported in those which preceded; otherwise, numerous exigencies incident to the affairs of a nation would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union to appropriate its revenues should have been restricted within narrower limits than the "general welfare;" and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition.

It is, therefore, of necessity, left to the discretion of the National Legislature to pronounce upon the objects which

concern the general welfare, and for which, under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt, that whatever concerns the general interests of learning, of agriculture, of manufactures, and of commerce, are within the sphere of the national councils, as far as regards an application of money.

The only qualification of the generality of the phrase in question, which seems to be admissible, is this: That the object, to which an appropriation of money is to be made, be general, and not local; its operation extending, in fact, or by possibility, throughout the Union, and not being confined to a particular spot.

No objection ought to arise to this construction, from a supposition that it would imply a power to do whatever else should appear to Congress conducive to the general welfare. A power to appropriate money with this latitude, which is granted, too, in express terms, would not carry a power to do any other thing {251} not authorized in the constitution, either expressly or by fair implication.

5. Premiums

These are of a nature allied to bounties, though distinguishable from them in some important features.

Bounties are applicable to the whole quantity of an article produced, or manufactured, or exported, and involve a correspondent expense. Premiums serve to reward some particular excellence or superiority, some extraordinary exertion or skill, and are dispensed only in a small number of cases. But their effect is to stimulate general effort; contrived so as to be both honorary and lucrative, they address themselves to different passions – touching the chords, as well of emulation as of interest. They are, accordingly, a very economical mean of exciting the enterprise of a whole community.

There are various societies, in different countries, whose object is the dispensation of premiums for the encouragement of agriculture, arts, manufactures, and commerce; and though they are, for the most part, voluntary associations, with comparatively slender funds, their utility has been immense. Much has been done, by this mean, in Great Britain. Scotland, in particular, owes, materially to it, a prodigious amelioration of condition. From a similar establishment in the United States, supplied and supported by the Government of the Union, vast benefits might, reasonably, be expected. (1013) Some further ideas, on this head, shall, accordingly, be submitted, in the conclusion of this report.

6. The exemption of the materials of manufactures from duty.

The policy of that exemption, as a general rule, particularly in reference to new establishments, is obvious. It can hardly ever be advisable to add the obstructions of fiscal burthens to the difficulties which naturally embarrass a new manufacture; and where it is matured, and in condition to become an object of revenue, it is, generally speaking, better that the fabric, than the material, should be the subject of taxation. Ideas of proportion {252} between the quantum of the tax and the value of the article, can be more easily adjusted in the former than in the latter case. An argument for exemptions of this kind, in the United States, is to be derived from the practice, as far as their necessities have permitted, of those nations whom we are to meet as competitors in our own and in foreign markets.

There are, however, exceptions to it, of which some examples will be given under the next head.

The laws of the Union afford instances of the observance of the policy here recommended, but it will probably be found advisable to extend it to some other cases. Of a nature, hearing

some affinity to that policy, is the regulation which exempts from duty the tools and implements, as well as the books, clothes, and household furniture, of foreign artists, who come to reside in the United States—an advantage already secured to them by the laws of the Union, and which it is, in every view, proper to continue.

7. Drawbacks of the duties which are imposed on the materials of manufactures.

It has already been observed, as a general rule, that duties on those materials ought, with certain exceptions, to be forborne. Of these exceptions, three cases occur, which may serve as examples. One, where the material is itself an object of general or extensive consumption, and a fit and productive source of revenue. Another, where a manufacture of a simpler kind, the competition of which, with a like domestic article, is desired to be restrained, partakes of the nature of a raw material, from being capable, by a farther process, to be converted into a manufacture of a different kind, the introduction or growth of which is desired to be encouraged. A third, where the material itself is a production of the country, and in sufficient abundance to furnish a cheap and plentiful supply to the national manufacturers.

Under the first description comes the article of molasses. It is not only a fair object of revenue, but, being a sweet, it is just {253} that the consumers of it should pay a duty as well as the consumers of sugar.

Cottons and linens, in their white state, fall under the second description. A duty upon such as are imported is proper, to promote the domestic manufacture of similar articles, in the same state. A drawback of that duty is proper, to encourage the printing and staining, at home, of those which are brought from abroad. When the first of these (1014) manufactures has attained sufficient maturity in a country to furnish a full supply for the second, the utility of the drawback ceases.

The article of hemp either now does, or may be expected soon to, exemplify the third case in the United States.

Where duties on the materials of manufactures are not laid for the purpose of preventing a competition with some domestic production, the same reasons which recommend, as a general rule, the exemption of those materials from duties, would recommend, as a like general rule, the allowance of drawbacks in favor of the manufacturer. Accordingly, such drawbacks are familiar in countries which systematically pursue the business of manufactures; which furnishes an argument for the observance of a similar policy in the United States; and the idea has been adopted by the laws of the Union, in the instances of salt and molasses. It is believed that it will be found advantageous to extend it to some other articles.

8. The encouragement of new intentions and discoveries at home, and of the introduction into the United States of such as may have been made in other countries; particularly, those which relate to machinery.

This is among the most useful and unexceptionable of the aids which can be given to manufactures. The usual means of that encouragement are pecuniary rewards, and, for a time, exclusive privileges. The first must be employed, according to the occasion, and the utility of the invention or discovery. For the last, so far as respects "authors and inventors," provision has been made by law. But it is desirable, in regard to improvements, {254} and secrets of extraordinary value, to be able to extend the same benefit to introducers, as well as authors and inventors; a policy which has been practised with advantage in other countries. Here, however, as in some other cases, there is cause to regret, that the competency of the authority of the National Government to the

good which might be done, is not without a question. Many aids might be given to industry, many internal improvements of primary magnitude might be promoted, by an authority operating throughout the Union, which cannot be effected as well, if at all, by an authority confirmed within the limits of a single State.

But, if the Legislature of the Union cannot do all the good that might be wished, it is, at least, desirable that all may be done which is practicable. Means for promoting the introduction of foreign improvements, though less efficaciously they might be accomplished with more adequate authority, will form a part of the plan intended to be submitted in the close of this report.

It is customary with manufacturing nations to prohibit, under severe penalties, the exportation of implements and machines, which they have either invented or improved. There are already objects for a similar regulation in the United States; and others may be expected to occur, from time to time. The adoption of it seems to be dictated by the principle of reciprocity. Greater liberality, in such respects, might better comport with the general (1015) spirit of the country; but a selfish and exclusive policy, in other quarters, will not always permit the free indulgence of a spirit which would place us upon an unequal footing. As far as prohibitions tend to prevent foreign competitors from deriving the benefit of the improvements made at home, they tend to increase the advantages of those by whom they may have been introduced, and operate as an encouragement to exertion.

9. Judicious regulations for the inspection of manufactured commodities.

This is not among the least important of the means by which the prosperity of manufactures may be promoted. It is, indeed, {255} in many cases, one of the most essential. Contributing to prevent frauds upon consumers at home, and exporters to foreign countries; to improve the quality, and preserve the character of the national manufactures; it cannot fail to aid the expeditious and advantageous sale of them, and to serve as a guard against successful competition from other quarters. The reputation of the flour and lumber of some States, and of the potash of others, has been established by an attention to this point. And the like good name might be procured for those articles, wheresoever produced, by a judicious and uniform system of inspection, throughout the ports of the United States. A like system might also be extended with advantage to other commodities.

10. The facilitating of pecuniary remittances from place to place --

Is a point of considerable moment to trade in general, and to manufactures in particular, by rendering more easy the purchase of raw materials and provisions, and the payment for manufactured supplies. A general circulation of bank paper, which is to be expected from the institution lately established, will be a most valuable mean to this end. But much good would also accrue from some additional provisions respecting inland bills of exchange. If those drawn in one State, payable in another, were made negotiable every where, and interest and damages allowed in case of protest, it would greatly promote negotiations between the citizens of different States, by rendering them more secure, and with it the convenience and advantage of the merchants and manufacturers of each.

11. The facilitating of the transportation of commodities.

Improvements favoring this object intimately concern all the domestic interests of a community; but they may, without impropriety, be mentioned as having, an important relation to manufactures. There is, perhaps, scarcely any thin" which has

been better calculated to assist the manufacturers of Great Britain, than the melioration of the public roads of that kingdom, {256} and the great progress which has been of late made in opening canals. Of the former, the United States stand much in need; for the latter, they present uncommon facilities.

The symptoms of attention to the improvement of inland navigation which have lately appeared in some quarters, must fill with pleasure every breast, warmed with a true zeal for the prosperity of the country. These examples, it is to be hoped, (1016) will stimulate the exertions of the Government and citizens of every State. There can certainly be no object more worthy of the cares of the local administrations; and it were to be wished that there was no doubt of the power of the National Government to lend its direct aid on a comprehensive plan. This is one of those improvements which could be prosecuted with more efficacy by the whole, than by any part or parts of the Union. There are cases in which the general interest will be in danger to be sacrificed to the collision of some supposed local interests. Jealousies, in matters of this kind, are as apt to exist, as they are apt to be erroneous.

The following remarks are sufficiently judicious and pertinent to deserve a literal quotation:

"Good roads, canals, and navigable rivers, by diminishing the expense of carriage, put the remote parts of a country more nearly upon a level with those in the neighborhood of the town. They are, upon that account, the greatest of all improvements. They encourage the cultivation of the remote, which must always be the most extensive circle of the country. They are advantageous to the town, by breaking down the monopoly of the country in its neighborhood. They are advantageous, even to that part of the country. Though they introduce some rival commodities into the old market, they open many Dow markets to its produce. Monopoly, besides, is a great enemy to good management, which can never be universally established, but in consequence of that free and universal competition, which forces every body to have recourse to it for the sake of self-defence. It is not more than fifty years ago that some of the counties in the neighborhood of London petitioned the parliament against the extension of the turnpike roads into the remoter counties. Those {257} remoter counties, they pretended, from the cheapness of labor, would be able to sell their grass and corn cheaper in the London market than themselves, and they would thereby reduce their rents, and ruin their cultivation. Their rents, however, have risen, and their cultivation has been improved since that time."

Specimens of a spirit similar to that which governed the counties here spoken of, present themselves too frequently to the eye of an impartial observer, and render it a wish of patriotism, that the body in this country, in whose councils a local or partial spirit is it least likely to predominate, were at liberty, to pursue and promote the general interest, in those instances in which there might be danger of the interference of such a spirit.

The foregoing are the principal of the means by which the growth of manufactures is ordinarily promoted. It is, however, not merely necessary that the measures of government, which have a direct view to manufactures, should be circulated to assist and protect them, but that those which only collaterally affect them in the general course of the administration, should be guarded from any peculiar tendency to injure them.

There are certain species of taxes, which are apt to be oppressive to different parts of the community, and, among other ill effects, have a very unfriendly aspect towards manufactures. All poll or capitation taxes are of this nature. They either proceed according to a fixed rate, which operates unequally and injuriously to the industrious poor, (1017) or they vest a

discretion, in certain officers, to make estimates and assessments, which are necessarily vague, conjectural, and liable to abuse. They ought, therefore, to be abstained from in all but cases of distressing emergency.

All such taxes (including all taxes on occupations) which proceed according to the amount of capital supposed to be employed in a business, or of profits supposed to be made in it, are, unavoidably hurtful to industry. It is in vain that the evil may be endeavored to be mitigated, by leaving it, in the first instance, in the option of the party to be taxed, to declare the amount of his capital or profits.

Men engaged in any trade or business, have commonly {258} weighty reasons to avoid disclosures, which would expose, with any thing like accuracy, the real state of their affairs. They most frequently find it better to risk oppression, than to avail themselves of so inconvenient a refuge, and the consequence is, that they often suffer oppression.

When the disclosure, too, if made, is not definitive, but controllable by the discretion, or, in other words, by the passions and prejudices of the revenue officers, it is not only an ineffectual protection, but the possibility of its being so, is an additional reason for not resorting to it.

Allowing to the public officers the most equitable dispositions, yet, where they are to exercise a discretion without certain data, they cannot fail to be often misled by appearances. The quantity of business which seems to be going on, is, in a vast number of cases, a very deceitful criterion of the profits which are made; yet it is, perhaps, the best they can have, and it is the one on which they will most naturally rely. A business, therefore, which may rather require aid from the Government, than be in a capacity to be contributory to it, may find itself crushed by the mistaken conjectures of the assessors of taxes.

Arbitrary taxes, under which denomination are comprised those that leave the quantum of the tax to be raised on each person to the discretion of certain officers, are as contrary to the genius of liberty as to the maxims of industry. In this light they have been viewed by the most judicious observers on Government, who have bestowed upon them the severest epithets of reprobation, as constituting one of the worst features usually to be met with in the practice of despotic governments.

It is certain, at least, that such taxes are particularly inimical to the success of manufacturing industry, and ought carefully to be avoided by a government which desires to promote it.

The great copiousness of the subject of this report has insensibly led to a more lengthy preliminary discussion than was originally contemplated or intended. It appeared proper to investigate principles, to consider objections, and to endeavor to establish the utility of the thing proposed to be encouraged, previous to a specification of the objects which might occur, as {259} meriting, or requiring encouragement, and of the measures which might be proper in respect to each. The first purpose having been fulfilled, it remains to pursue the second.

(1018) In the selection of objects, five circumstances seem entitled to particular attention. The capacity of the country to furnish the raw material; the degree in which the nature of the manufacture admits of a substitute for manual labor in machinery; the facility of execution; the extensiveness of the uses to which the article can be applied; its subserviency to other interests, particularly the great one of national defence. There are, however, objects to which these circumstances are little applicable, which, for some special reasons, may have a claim to encouragement.

A designation of the principal raw material of which each manufacture is composed, will serve to introduce the remarks upon it; as, in the first place,

IRON.

The manufactures of this article are entitled to pre-eminent rank. None are more essential in their kinds, nor so extensive in their uses. They constitute, in whole, or in part, the implements or the materials, or both, of almost every useful occupation. Their instrumentality is every, where conspicuous.

It is fortunate for the United States that they have peculiar advantages for deriving the full benefit of this most valuable material, and they have every motive to improve it with systematic care. It is to be found in various parts of the United States, in great abundance, and of almost every quality; and fuel, the chief instrument in manufacturing it, is both cheap and plenty. This particularly applies to charcoal; but there are productive coal mines already in operation, and strong indications that the material is to be found in abundance, in a variety of other places.

The inquiries to which the subject of this report has led, have been answered with proofs that manufactories of iron, though generally understood to be extensive, are far more so than is commonly supposed. The kinds in which the greatest {260} progress has been made, have been mentioned in another place, and need not be repeated; but there is little doubt that every other kind, with due cultivation, will rapidly succeed. It is worthy of remark, that several of the particular trades of which it is the basis, are capable of being carried on without the aid of large capitals.

Iron-works have greatly increased in the United States, and are prosecuted with much more advantage than formerly. The average price, before the Revolution, was about sixty-four dollars per ton; at present, it is about eighty-a rise which is chiefly to be attributed to the increase of manufactures of the material.

The still further extension and multiplication of such manufactures will have the double effect of promoting the extraction of the metal itself, and of converting it to a greater number of profitable purposes.

Those manufactures, too, unite, in a greater degree than almost any others, the several requisites which have been mentioned as proper to be consulted in the selection of objects.

The only further encouragement of manufactories of this article, the propriety of which may be considered as unquestionable, seems to be an (1019) increase of the duties on foreign rival commodities.

Steel is a branch which has already made a considerable progress, and it is ascertained that some now enterprises, on a more extensive scale, have been lately set on foot. The facility of carrying it to all extent which will supply all internal demands, and furnish a considerable surplus for exportation, cannot be doubted. The duty upon the importation of this article, which is, at present, seventy-five cents per cwt. may, it is conceived, be safely and advantageously extended to one hundred cents. It is desirable, by decisive arrangements, to second the efforts which are making in so very valuable a branch.

The United States already, in a great measure, supply themselves with nails and spikes. They are able, and ought certainly to do it, entirely. The first and most laborious operation, in this manufacture, is performed by water-mills; and of the persons afterwards employed, a great proportion are boys, whose early {261} habits of industry are of importance to the community, to the present support of their families, and to their

own future comfort. It is not less curious than true, that, in certain parts of the country, the making of nails is an occasional family manufacture.

The expediency of an additional duty on these articles, is indicated by an important fact. About 1,800,000 pounds of them were imported into the United States, in the course of a year, ending the 30th of September, 1790. A duty of two cents per pound would, it is presumable, speedily put an end to so considerable an importation. And it is, in every view, proper that an end should be put to it.

The manufacture of these articles, like that of some others, suffers from the carelessness and dishonesty of a part of those who carry it on. An inspection in certain cases might tend to correct the evil. It will deserve consideration whether a regulation of this sort cannot be applied, without inconvenience, to the exportation of the articles, either to foreign countries, or from one State to another.

The implements of husbandry are made in several States in great abundance. In many places, it is done by the common blacksmiths. And there is no doubt that an ample supply for the whole country can, with great ease, be procured among ourselves.

Various kinds of edged tools for the use of mechanics are also made; and a considerable quantity of hollow wares, though the business of castings has not yet attained the perfection which might be wished. It is, however, improving, and as there are respectable capitals, in good hands, embarked in the prosecution of those branches of iron manufactories, which are yet in their infancy, they may all be contemplated as objects not difficult to be acquired.

To insure the end, it seems equally safe and prudent, to extend the duty, ad valorem, upon all manufactures of iron, or of which iron is the article of chief value, to ten per cent.

Fire-arms and other military weapons may, it is (1020) conceived, be placed, without inconvenience, in the class of articles rated at {262} fifteen per cent. There are, already, manufactories of these articles, which only require the stimulus of a certain demand to render them adequate to the supply of the United States.

It would, also, be a material aid to manufactures of this nature, as well as a mean of public security, if provision should be made for an annual purchase of military weapons, of home manufacture, to a certain determinate extent, in order to the formation of arsenals; and to replace, from time to time, such as should be drawn for use, so as always to have in store the quantity of each kind which should be deemed a competent supply.

But it may, hereafter, deserve legislative consideration, whether manufactories of all the necessary weapons of war ought not to be established, on account of the government itself. Such establishments are agreeable to the usual practice of nations, and that practice seems founded on sufficient reason.

There appears to be an improvidence in leaving these essential instruments of national defence to the casual speculations of individual adventures resource which can less be relied upon, in this case, than in most others; the articles in question not being objects of ordinary and indispensable private consumption or use. As a general rule, manufactories on the immediate account of government are to be avoided; but this seems to be one of the few exceptions which that rule admits, depending on very special reasons.

Manufactures of steel, generally, or of which steel is the article of chief value, may, with advantage, be placed in the class of goods rated at seven and a half per cent. As manufactures of this kind have not yet made any considerable progress, it is a

reason for not rating them as high as those of iron: but, as this material is the basis of them, and as their extension is not less practicable than important, it is desirable to promote it by a somewhat higher duty than the present.

A question arises, how far it might be expedient to permit the importation of iron, in pigs and bars, free from duty. It would certainly be favorable to manufactures of the article; but the doubt is, whether it might not interfere with its production.

Two circumstances, however, abate, if they do not remove {263} apprehension, on this score; one is, the considerable increase of price which has been already remarked, and which renders it probable that the free admission of foreign iron would not be inconsistent with an adequate profit to the proprietors of ironworks; the other is the augmentation of demand which would be likely to attend the increase of manufactures of the article in consequence of the additional encouragements proposed to be given. But caution nevertheless, in a matter of this kind, is most advisable. The measure suggested ought, perhaps, rather to be contemplated subject to the lights of further experience, than immediately adopted.

...
[omitted sections cover other specific commodities:
COPPER; LEAD; FOSSIL COAL; WOOD; SKINS; GRAIN;
FLAX AND HEMP; COTTON; WOOL; SILK; GLASS;
GUNPOWDER; PAPER; PRINTED BOOKS]

...
{280}

REFINED SUGARS AND CHOCOLATE

Are among the number of extensive and prosperous domestic manufactures.

Drawbacks of the duties upon the materials of which they are respectively made, in cases of exportation, would have a beneficial influence upon the manufacture, and would conform to a precedent which has been already furnished in the instance of molasses, on the exportation of distilled spirits.

Cocoa, the raw material, now pays a duty of one cent per pound, while chocolate, which is a prevailing and very simple manufacture, is comprised in the mass of articles rated at no more than five per cent.

There would appear to be a propriety in encouraging the manufacture by a somewhat higher duty on its foreign rival, than is paid on the raw material. Two cents per pound on imported chocolate, would, it is presumed, be without inconvenience.

(1032) The foregoing heads comprise the most important of the several kinds of manufactures which have occurred as requiring, and, at the same time, as most proper for public encouragement; and such measures for affording it as have appeared best calculated to answer the end, have been suggested.

The observations which have accompanied this delineation of objects, supersede the necessity of many supplementary remarks. One or two, however, may not be altogether superfluous.

Bounties are, in various instances, proposed, as one species of encouragement.

It is a familiar objection to them, that they are difficult to be managed, and liable to frauds. But neither that difficulty nor this danger seems sufficiently great to countervail the advantages of which they are productive, when rightly applied. And it is presumed to have been shown, that they are, in some cases particularly in the infancy of new enterprises, indispensable.

It will, however, be necessary to guard, with extraordinary {281} circumspection, the manner of dispensing them. The requisite precautions have been thought of, but to enter into the

detail, would swell this report, already voluminous, to a size too inconvenient.

If the principle shall not be deemed inadmissible, the means of avoiding an abuse of it will not be likely to present insurmountable obstacles. There are useful guides from practice in other quarters.

It shall, therefore, only be remarked here, in relation to this point, that any bounty which may be applied to the manufacture of an article, cannot, with safety, extend beyond those manufactories at which the making of the article is a regular trade. It would be impossible to annex adequate precautions to a benefit of that nature, if extended to every private family in which the manufacture was incidentally carried on; and its being a merely incidental occupation, which engages a portion of time that would otherwise be lost, it can be advantageously carried on without so special an aid.

The possibility of a diminution of the revenue may also present itself as an objection to the arrangements which have been submitted.

But there is no truth which may be more firmly relied upon, than that the interests of the revenue are promoted by whatever promotes an increase of national industry and wealth.

In proportion to the degree of these, is the capacity of every country to contribute to the public treasury; and where the capacity to ply is increased, or even is not decreased, the only consequence of measures which diminish any particular resource, is a change of the object. If, by encouraging the manufacture of an article at home, the revenue which has been wont to accrue from its importation should be lessened, an indemnification can easily be found, either out of the manufacture itself, or from some other object which may be deemed more convenient. The measures, however, which have been submitted, taken aggregately, will, for a long time to come, rather augment than decrease the public revenue.

There is little room to hope, that the progress of manufactures {282} will so equally keep pace with the progress of population, as to prevent even a **(1033)** gradual augmentation of the product of the duties on imported articles.

As, nevertheless, an abolition in some instances, and a reduction in others, of duties which have been pledged for the public debt, is proposed, it is essential that it should be accompanied with a competent substitute. In order to this, it is requisite that all the additional duties which shall be laid, be appropriated, in the first instance, to replace all defalcations which may proceed from any such abolition or diminution. It is evident, at first glance, that they will not only be adequate to this, but will yield a considerable surplus. This surplus will serve --

First. To constitute a fund for paying the bounties which shall have been decreed.

Secondly. To constitute a fund for the operations of a board to be established, for promoting arts, agriculture, manufactures, and commerce. Of this institution, different intimations have been given in the course of this report. An outline of a plan for it shall now be submitted.

Let a certain annual sum be set apart, and placed under the management of commissioners, not less than three, to consist of certain officers of the Government and their successors in office.

Let these commissioners be empowered to apply the fund confided to them, to defray the expenses of the emigration of artists, and manufacturers in particular branches of extraordinary importance; to induce the prosecution and introduction of useful discoveries, inventions, and improvements, by proportionate rewards, judiciously held out and applied; to encourage by premiums, both honorable and lucrative, the exertions of

individuals and of classes, in relation to the several objects they are charged with promoting; and to afford such other aids to those objects as may be generally designated by law.

The commissioners to render to the Legislature an annual account of their transactions and disbursements; and all such sums as shall not have been applied to the purposes of their trust, at the end of every three years, to revert to the treasury.. It may, also, be enjoined upon them not to draw out the money, but for the purpose of some specific disbursement. {283}

It may, moreover, be of use to authorize them to receive voluntary contributions, making it their duty to apply them to the particular objects for which they may have been made, if any shall have been designated by the donors.

There is reason to believe that the progress of particular manufactures has been much retarded by the want of skilful workmen. And it often happens, that the capitals employed are not equal to the purposes of bringing from abroad workmen of a superior kind. Here, in cases worthy of it, the auxiliary agency of Government would, in all probability, be useful. There are also valuable workmen in every branch, who are prevented from emigrating, solely, by the want of means. Occasional aids to such persons, properly administered, might be a source of valuable acquisitions to the country.

The propriety of stimulating by rewards the invention and introduction of useful improvements, is admitted without difficulty. But the success of attempts in this way, must evidently depend much on the manner of conducting them. **(1034)** It is probable that the placing of the dispensation of those rewards under some proper discretionary direction, where they may be accompanied by collateral expedients, will serve to give them the surest efficacy. It seems impracticable to apportion, by general rules, specific compensations for discoveries of unknown and disproportionate utility.

The great use which may be made of a fund of this nature, to procure and import foreign improvements, is particularly obvious. Among these, the article of machines would form a most important item.

The operation and utility of premiums have been adverted to, together with the advantages which have resulted from their dispensation, under the direction of certain public and private societies. Of this, some experience has been had, in the instance of the Pennsylvania Society for the promotion of manufactories and useful arts; but the funds of that association have been too contracted to produce more than a very small portion of the good to which the principles of it would have led. It may confidently be affirmed, that there is scarcely any thing which has {284}

been devised, better calculated to excite a general spirit of improvement, than the institutions of this nature. They are truly invaluable.

In countries where there is great private wealth, much may be effected by the voluntary contributions of patriotic individuals; but in a community situated like that of the United States, the public purse must supply the deficiency of private resource. In what can it be so useful, as in prompting and improving the efforts of industry?

All which is humbly submitted.

ALEXANDER HAMILTON,

Secretary of the Treasury.