

Senator Clay Defends the 'American System' (Excerpts)

Kentucky Senator Henry Clay (R) was a prominent 19th century politician most notable for his role in establishing the American System, an economic policy dominant in the decade following the War of 1812. The American System sought to strengthen the national economy and make it less dependent on foreign markets, primarily through high tariffs, internal transportation improvements and a centralized banking system. During the presidency of Andrew Jackson (D, 1829-37), the American System came under constant attack. In a long and impassioned speech that spanned February 2, 3 and 6, 1832, Clay defended the American System before the Senate. Following are excerpts from Clay's address:

Eight years ago, it was my painful duty to present to the other house of Congress an unexaggerated picture of the general distress pervading the whole land. We must all yet remember some of its frightful features. We all know that the people were then oppressed and borne down by an enormous load of debt; that the value of property was at the lowest point of depression; that ruinous sales and sacrifices were everywhere made of real estate; that stop laws and relief laws and paper money were adopted to save the people from impending destruction; that a deficit in the public revenue existed, which compelled government to seize upon, and divert from its legitimate object, the appropriation to the sinking fund, to redeem the national debt; and that our commerce and navigation were threatened with a complete paralysis. In short, sir, if I were to select any term of seven years since the adoption of the present Constitution, which exhibited a scene of the most widespread dismay and desolation, it would be exactly that term of seven years which immediately preceded the establishment of the tariff of 1824.

"EXISTING STATE OF UNPARALLELED PROSPERITY"

I have now to perform the more pleasing task of exhibiting an imperfect sketch of the existing state of the unparalleled prosperity of the country. In a general survey, we behold cultivation extended, the arts flourishing, the face of the country improved, our people fully and profitably employed, and the public countenance exhibiting tranquility, contentment, and happiness. And if we descend into particulars, we have the agreeable contemplation of a people out of debt; land rising slowly in value, but in a secure and salutary degree; a ready, though not extravagant market for all the surplus productions of our industry; innumerable flocks and herds browsing and gamboling on ten thousand hills and plains, covered with rich and verdant grasses; our cities expanded, and whole villages springing up, as it were, by enchantment; our exports and imports increased and increasing.... If the term of seven years were to be selected of the greatest prosperity which this people have enjoyed since the establishment of their present Constitution, it would be exactly that period of seven years which immediately followed the passage of the tariff of 1824.

FREE TRADE

When gentlemen have succeeded in their design of an immediate or gradual destruction of the American System, what is their substitute? Free trade! Free trade! The call for free trade, is as unavailing as the cry of a spoiled child, in its nurse's arms, for the moon or the stars that glitter in the firmament of heaven. It never has existed; it never will exist. Trade implies at least two parties. To be free, it should be fair, equal, and reciprocal. But if we throw our ports wide open to the admission of foreign productions, free of all duty, what ports, of any other foreign nation, shall we find open to the free admission of our surplus produce? We may break down all barriers to free trade on our part, but the work will not be complete until foreign powers shall have removed theirs. There would be freedom on one side, and restrictions, prohibitions, and exclusions, on the other. The bolts, and the bars, and the chains, of all other nations will remain undisturbed. It is, indeed, possible that our industry and commerce would accommodate themselves to this unequal and unjust state of things: for such is the flexibility of our nature, that it bends itself to all circumstances. The wretched prisoner, incarcerated in a jail, after a long time, becomes reconciled to his solitude, and regularly notches down the passing days of his confinement....

"CHEAPER AND BETTER" ITEMS

I pass...to two general propositions which cover the entire ground of debate. The first is, that, under the operation of the American System, the objects which it protects and fosters are brought to the consumer at cheaper prices than they commanded prior to its introduction, or than they would command if it did not exist. If that be true, ought not the country to be contented and satisfied with the system, unless the second proposition, which I mean presently also to consider, is unfounded? And that is, that the tendency of the system is to sustain, and that it has upheld the prices of all our agricultural and other produce, including cotton.

And is the fact not indisputable, that all essential objects of consumption, affected by the tariff, are cheaper and better, since the act of 1824, than they were for several years prior to that law? I appeal, for its truth, to common observation and to all practical men. I appeal to the farmer of the country, whether he does not purchase, on better terms, his iron, salt, brown sugar, cotton goods, and woollens, for his laboring people. And I ask the cotton planter if he has not been better and more cheaply supplied with his cotton bagging....

The great law of price is determined by supply and demand. Whatever affects either, affects the price. If the supply is increased, the demand remaining the same, the price declines; if the demand is increased, the supply remaining the same, the price advances; if both supply and demand are undiminished, the price is stationary and the price is influenced exactly in proportion to the degree of disturbance to the demand or supply. It is therefore a great error to suppose that an existing or new duty necessarily becomes a component element, to its exact amount, of price. If the proportions of demand and

supply are varied by the duty, either in augmenting the supply, or diminishing the demand, or vice versa, price is affected, to the extent of that variation. But the duty never becomes an integral part of the price, except in the instances where the demand and the supply remain, after the duty is imposed, precisely what they were before, or the demand is increased, and the supply remains stationary.

Competition, therefore, wherever existing, whether at home or abroad, is the parent cause of cheapness. If a high duty excites production at home, and the quantity of the domestic article exceeds the amount which had been previously imported, the price will fall....

RULE BY MAJORITY

Sir, it is impossible to conceal from our view the facts that there is great excitement in South Carolina; that the protective system is openly and violently denounced in popular meetings; and that the legislature itself has declared its purpose of resorting to counteracting measures—a suspension of which has only been submitted to, for the purpose of allowing Congress time to retrace its steps. With respect to this Union, Mr. President, the truth cannot be too generally proclaimed, nor too strongly inculcated, that it is necessary to the whole and to all the parts—necessary to those parts, indeed, in different degrees, but vitally necessary to each; and that treats to disturb or dissolve it, coming from any of the parts, would be quite as indiscreet and improper, as would be threats from the residue to exclude those parts from the pale of its benefits. The great principle, which lies at the foundation of all free government, is, that the majority must govern; from which there is or can be no appeal but to the sword. That majority ought to govern wisely, equitably, moderately, and constitutionally, but govern it must, subject only to that terrible appeal. If ever one, or several states, being a minority, can, by menacing a dissolution of the Union, succeed in forming an abandonment of great measures deemed essential to the interests and prosperity of the whole, the Union, from that moment, is practically gone. It may linger on, in form and name, but its vital spirit has fled forever!....

And need I remind you, sir, that this dereliction of the duty of protecting our domestic industry, and abandonment of it to the fate of foreign legislation, would be directly at war with leading considerations which prompted the adoption of the present constitution? The states, respectively, surrendered to the general government the whole power of laying imposts on foreign goods. They stripped themselves of all power to protect their own manufactures, by the most efficacious means of encouragement—the imposition of duties on rival foreign fabrics. Did they create that great trust? Did they voluntarily subject themselves to this self-restriction, that the power should remain in the federal government, inactive, unexecuted, and lifeless?