

Carey Affirms 'free trade' the Cause

When the Civil War began, Henry C. Carey was the nation's most widely known political economist. He had published a major three-volume work entitled *Principles of Political Economy* which had first established him as a serious thinker on the subject. His subsequent volume, *The Harmony of Interests*, set out a justification for protective tariffs, based mostly on speculative savings on transportation costs in foreign commerce. That work earned him the adulation of the men who wanted protective tariffs.

Carey believed the southern desire for free trade was the cause that had "broken up the Union." He reminded Abraham Lincoln that southerners seceded from the Union to avoid the tariff. "British free trade," as he expressed it, was the cause of southern secession and of the resulting war. "British free trade is the policy of sectionalism," he wrote. "It has broken up the Union."

His letters to Lincoln in 1861 leave little doubt of his strongly pro-tariff advocacy. The following three letters Carey wrote to Lincoln in 1861 reveal Carey's views on the tariff and on the means of political power to maintain it.

At a young age, Carey joined his father, Mathew Carey, in his Philadelphia book publishing firm, the largest in the nation. The firm made an excellent business of publishing foreign works for which they did not have to pay authors' royalties. United States laws did not extend copyright protection to foreign authors.

In the 1830s, he retired from his active business as the principal partner in the nation's largest book publishing firm to write books on political economy. By 1840, he had completed his "great work," the three volumes of *Principles of Political Economy*. By 1850, he had completed his *Harmony of Interests*, a work in which he explained the necessity for tariff protection of domestic industry.

Carey and other family members invested heavily in the anthracite coal fields northwest of Philadelphia. As an owner of coal lands, he had a

large economic interest in the growth of the domestic iron industry that consumed great amounts of coal.

After the tariff reduction of 1846 threatened the domestic iron business and, consequently, his coal profits, he developed an economic theory of "concentrations" of manufacturing and agriculture in which "the loom and the anvil" would take their place beside the "plough and the harrow."

In other words, manufacturing centers should be located close to agricultural production. Geographic proximity would minimize the costs of exchanging goods. Free trade with foreign nations, he believed, inhibited the concentrations of domestic industry that were his economic ideal. Tariff protection, he thought, was therefore necessary to force the development of domestic manufacturing into the domestic "concentrations."

His letters to Abraham Lincoln emphasized the central importance of protective tariffs to the party's long-term success. Although others in the party favored the Pacific Railroad bill and the Homestead bill, Carey opposed them because both tended to disperse the population away from the "concentrations" in the East that were the ideal economic communities of his theory of political economy.

He warned Lincoln that the administration must promptly "repudiate the free trade system" and pass a tariff bill without delay. That done, he promised, a "rising wave of prosperity" and a full treasury would strengthen the party. Otherwise, he predicted, there would be suffering and dissatisfaction that would undermine the party at midterm elections.

Failure to promptly pass their economic legislation, he explained, had been the downfall of an earlier administration. Congress must enact his economic legislation quickly to give the economy adequate time to return to prosperity by the time of the midterm elections.

He explained to Lincoln that the key to political mastery over the South would be to enact tariff protection so that the southern mineral region would develop mines, furnaces and mills there, enabling the

manufacturing sector to gain political control over the planting one. Had that been done by an earlier administration, the central region of the South would have controlled. "[T]he slave owners of the swamps & river bottoms would be so utterly powerless that you might do with them what you pleased."

Carey's solution for the country's difficulties was consistent with his economic theory of "concentrations"-bring the loom and the anvil to close proximity with the plough and the harrow. "That we may become once again, & permanently, the United States, it is indispensable that we pursue that course of policy which looks to the development of the mineral resources of the country, North & South, and to the creation on the land of a market for all the products of the farm."

Looking back, we now know that Carey failed to appreciate that the large number of individuals operating in the free market were more capable of judging for themselves whether the costs of transportation outweighed the value of the products. They were especially better qualified than an observer who was distant from the transaction and was not spending his own money in their affairs. Ever faster and larger trains and steamships were steadily diminishing transportation costs.

Carey did not recognize the enormous losses imposed on southern agriculture by the trade restrictions of the protective tariff he favored. He failed to appreciate that protective tariffs were an interference with the trade of others for his own financial benefit. They are a basic moral violation of the Golden Rule-"Do unto others as you would have them do unto you." As southerners knew would happen, Republican protective tariffs interfered with southern trade of agricultural commodities for the products of its largest market-Britain.

Republican tariffs doomed the South to poverty for the better part of a century.