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## REPORT ON MANUFACTURES.

(Continued.)

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 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 REDEMPTION 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 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 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 the level of the annuity drawn back. 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, and thence through the public creditor into some other channel of circulation. When the payments of interest are periodical and quick, and made by the 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 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 increase the contributory capital: This idea is not without importance in the general view of the subject.

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 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 purpose 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 speculation 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 equal 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 as capital has contributed to the effect in question. Among ourselves appearances thus far favor the same conclusion. Industry in general seems to have been reanimated. There are symptoms indicating an extension of out 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 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 operations of industry, it has within certain bounds a tendency to increase the real wealth of a community; in like manner a 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 its application a facility, 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 unmix'd.

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 interest upon it may become oppressive, and beyond the means which a government can employ, consistently with its tranquillity, 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 running 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.

To all the arguments which are brought to evince the impracticability of success in manufacturing establishments in the United States, it might have been a sufficient answer to have referred to the experience of what has been already done.—It is certain that several important branches have grown up and flourished with a rapidity which surprises; affording an encouraging assurance of success in future attempts; of these it may not be improper to enumerate the most considerable.

I. Of skins. Tanned and tawed leathers, dressed skins, shoes, boots and slippers, harness and saddlery of all kinds, portmanteaus and

trunks, leather breeches, gloves, muffs and tips, parchment and glue.

II. Of Iron. Bar and sheet iron, steel, nails, rods and nails, implements of husbandry, stoves, pots and other household utensils, the steel and iron work of carriages, and for ship building, anchors, scale beams and weights, and various tools of artificers, arms of different kinds; the manufacture of these last has of late diminished for want of demand.

III. Of Wood. Ships, cabinet wares, and joinery, wool and cotton cards, and other machinery for manufactures and husbandry, mathematical instruments, coopers wares of every kind.

IV. Of Flax and Hemp. Cables, sail cloth, cordage, twine and pack thread.

V. Bricks and coarse tiles, and potters wares.

VI. Ardent spirits, and malt liquors.

VII. Writing and printing paper, steathing wrapping paper, paste boards, fullers or pressers paper hangings.

VIII. Hats of fur and wool and of mixtures.

IX. Womens stuff and silk shoes.

X. Refined sugars.

XI. Oils of animals and feeds, soap, spermaceti, tallow candles.

XII. Copper and brass wares, particularly utensils for distillers, sugar refiners and brewers, and iron and other articles for household use—philosophical apparatus.

XIII. Tin wares for most purposes of ordinary use.

XIV. Carriages of all kinds.

XV. Snuff, chewing and smoking tobacco.

XVI. Starch and hair powder.

XVII. Lampblack and other painters colours.

XVIII. Gunpowder.

Besides manufactures of these articles which are carried on as regular trades, and have attained to a considerable degree of maturity, there is a vast scene of household manufacturing, which contributes more largely to the supply of the community, than could be imagined; without having made it an object of particular enquiry. This observation is the pleasing result of the investigation, to which the subject of this report has led, and it is applicable as well to the southern as to the middle and northern states; great quantities of coarse cloths, coatings, serges and flannels, woolseyes, hosiery of wool, cotton & thread, coarse fustians, jeans and mullins, checked and striped cotton and linen goods, bedticks, coverlets and counterpane, coarse shirtings, sheetings, toweling and table linen, and various mixtures of wool and cotton, and of cotton and flax, are made in the household way, and in many instances to an extent not only sufficient for the supply of the families in which they are made, but for sale, and even in some cases for exportation. It is computed in a number of districts that two-thirds, three-fourths, and even four-fifths of all the clothing of the inhabitants are made by themselves. The importance of so great a progress, as appears to have been made in family manufactures, within a few years, both in a moral and political view, renders the fact highly interesting.

Neither does the above enumeration comprehend all the articles that are manufactured as regular trades. Many others occur, which are equally well established, but which not being of equal importance have been omitted. And there are many attempts still in their infancy, which though attended with very favorable appearances, could not have been properly comprized in an enumeration of manufactures already established. There are other articles also of great importance, which, though strictly speaking, manufactures, are omitted, as being immediately connected with husbandry: such are flour, pot and pearl ash, pitch, tar, turpentine and the like.

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 expense 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 our own citizens, and who, it is alleged, 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 endeavor 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 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 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, has a direct and very important tendency to benefit agriculture. It enables the farmer, to procure with a smaller quantity of his labor, 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 considerable fluctuations and interruptions. The great inequalities, resulting from the 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, consists in the more numerous attractions, which a more diversified market offers to foreign customers, and in the 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 markets, where commodities, while equally abundant, are most various. Each difference of kind holds out 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 portion 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 merchants 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 manufactures founded on the basis of a thriving agriculture flourish, than in 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 are likely to possess more pecuniary wealth, or money than those of the latter.

(See last page.)