

The Founding Insubordination

Brief History of the Construction of the Power of Nations

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CHAPTER 5

The Insubordination of the United States

The Beginnings of the First Successful Insubordination

Between 1775 and 1783, the thirteen colonies of North America played the main role in *the first successful insubordination produced in a place which, for that time, was “the periphery of the international system”*. It was evidently not the only insubordination produced in the periphery, but it was *the most successful of all* because it was able to create the first *industrial State-nation*, outside of the European continent, and the *first Republic of modern times*. The American Republic constituted a *true democratic revolution* that attracted to itself a true sea of immigrants that left old Europe in search of work, justice and freedom.

The struggle began in 1775, when with the mission to capture a colonial store of arms in Concord, Massachusetts, and to suppress the revolt in that colony British soldiers clashed with colonial militiamen, and it lasted until 1783, when

Paris Peace Treaties were signed, and by which the independence was declared of the new nation: the United States.

Nevertheless, the United States did not gain its national autonomy in a sole act but rather through a long process that began with the war of independence and ended, in reality, with the civil war. The *“founding insubordination”* was followed by a long and tortuous process of economic and ideological insubordination.

Immediately after formal independence was obtained, the confrontation began between the sector that wanted complement the political independence with the economic, meaning, *continuing with the process of insubordination*, and the sector that opposed going farther down the path that began in 1775, because its economic interests were tied specifically to Great Britain and, in general, to the hegemonic structure of world economic and political power that was in force at the time. That confrontation was finally decided on the Gettysburg battle field. Harold Underwood Faulkner correctly states in his work *American Economic History* that:

The revolution brought political independence, but in no way economic independence. The North American products that were exported to Europe during the colonial period continued having that continent as a market and at the same time continued importing manufactured items from there. The manufacturers that sprung up during the Revolution were smothered by cheaper merchandise that the English dumped into the North American market once peace was restored. [...] According to all the indications, North America had to fall once again into a situation of dependence, producing needed raw materials of Europe and acquiring, in turn, the manufactured articles that they provided. It seemed an impossible task to be able to compete with England in the production and sale of these merchandises. (Underwood Faulkner, 1956: 277)

A task all the more difficult if one has in mind, from the dominant ideology, that it was also thought that the fate of the newly independent thirteen colonies was to become a strictly agricultural country. In that sense, Adam Smith himself held that nature itself had destined North America exclusively for agriculture and counseled the North American leaders against any type of industrialization:

“The United States”, Smith wrote, “is, like Poland, destined for agriculture: (quoted by List, 1955: 97). Smith’s ideas were useful to English power to try to gain by persuasion –typical mechanism of cultural imperialism- what it had tried to hinder, by the force of law, during the colonial period.¹

The British Veto on Industrialization

It turns out to be significant to point out that England carried out an express policy in order to hinder the industrial development of the thirteen colonies because it understood, from early on, that industrialization of the colonies could lead them on to economic independence and that this arena would later lead them to demand political independence. Thus, aware of the economic and political consequences that could be generated by an industrialization process in the thirteen colonies, English policy tried to supervise and boycott their scarce manufacturing companies.²

To hinder colonial manufactured goods from competing with the industries of the metropolis, the colonial governors had precise instructions to “oppose all manufacturing and exact reports as to any indication of their existence” (Underwood Faulkner, 1956: 134). The governors were the ones truly in charge of carrying out a real “industrial infanticide”, planned in London by the British Parliament.³

The sagacious representatives of the Crown understood the English attitude perfectly, to whom they extended all their sympathy, as the words of Lord Corbury show, Governor of New York between 1702 and 1708, who wrote to the Board of Commerce: “I possess trustworthy reports that in Long Island and in Connecticut wool factories are being established, and I myself have personally seen serge material manufactured in Long Island and any man could use. If they begin making serge, then with time they will also make common cloth and later fine cloth; we have in this province fuller’s earth and terra alba as good as the best; judgements more authorized than mine resolve to what point this all might be in England’s service, but I express my opinion that all these

colonies [...] should be maintained in absolute subjection and subordination to England; and that will never be if they are allowed to establish the same manufacturers here as the people of England; for the consequences will be that when they see that they can clothe themselves without the help of England, not only with comfortable but also elegant clothes, even those that are not at the moment very inclined to submit to the government would immediately think about putting into execution projects which they have harbored a long while in their chest” (quoted by Underwood Faulkner, 1956: 134). Lord Cornbury perfectly describes the “essence” of “economic imperialism” in terms identical to those used by Hans Morgenthau.

Even though England created a specific legislation to halt all possible industrial development in the thirteen colonies, there were two industries that Great Britain watched over with particular zeal due to considering them strategic and vital for the British economy: textiles and steel. Two laws dictated after such a fashion turn out to be emblematic: the law of 1699, that banned barges of wool, wool thread, or fabric produced in North America from going to any other colony or country, and that of 1750, that banned the establishment, in any of the thirteen colonies, of laminating workshops or those for cutting metal in strips or steel foundries.

Commenting on the first of these emblematic anti-industrial laws, Underwood Faulkner states that:

England was already one of the main wool producing countries and half of its exports to the colonies consisted of articles made of that material. So hostile were the producers of the metropolis towards the competition that on the early date of 1699 a wool law was voted on, establishing that no woollen article could be exported from the colonies or sent from one colony to another. [...] As a consequence of this legislation, textile manufacturing to sell declined and English wool merchants prolonged their dominion of the North American market for a century. (Underwood Faulkner, 1956: 135)

Unlike the textile industry, iron production –which began in 1643 in the founding oven of John Winthrop, closet o Lynn- enjoyed for several years a certain

margin of freedom, and he reached considerable proportions around 1750. This situation is explained because "England was in need of iron, and until 1750 opposite interests had hindered legislation from being voted on that would be contrary to its production in the colonies. But in 1750 a law was agreed upon to stimulate the production of raw materials and hinder the manufacturing of iron objects, establishing that: 1) iron bars could be imported royalty free into the London harbor; and iron ingots in any port in England, and 2) that no workshop or iron laminating or strip cutting machine should be established in the colonies, nor any armor forges to work with bascule pile-drivers, nor any kiln to produce steel" (Underwood Faulkner, 1956: 135).

Beyond the laws created by the British Parliament intended to hinder the industrial development of its North American colonies, it is important to point out a significant political fact: the colonies were treated as "outsiders" of the British territories for customs purposes. They were not included in the limits of British customs and, as a consequence, their exports paid common import duties in English ports. Analyzing the English policy towards its colonies of North America, Dan Lacy affirms:

The purpose of the British policy was clear for not considering the colonies as overseas parts of a sole kingdom, whose economic wellbeing was esteemed as equal to that of the motherland. On the contrary, they considered them as inferior communities, whose economy whose economy should always be at the service of the interests of Great Britain. (Lacy, 1969: 49)

While the colonies were young and scarcely populate, the colonists could often outsmart the British laws that dampened the economic development of the colonial territory, but from 1763 on, when the colonial population grew to be the equivalent of one quarter of the English population, England was much more strict with the application of the laws that it had created to maintain them in a subordinated economic position. It is not difficult to agree with Louis Hacker (1935: 259-295) when he states that the British veto on North American industrialization was probably the most powerful of the factors that provoked outbreak of the American revolution.

The Fight for Industrialization

When the thirteen colonies achieved political independence, in order to maintain the economic subordination over them, England had no other choice than to try out the application of “cultural imperialism”. The British reasoning was, in a certain way, simple: if the leaders of the ex-thirteen colonies accepted the theory of the international division of labor and applied a policy of free trade, the ex-thirteen colonies would remain in a situation of “economic dependence”, rendering the political independence in a mere formal fact. The British policy dedicated itself to achieving that objective after the Paris Treaty of 1783 and obtained, of course, excellent results in the Southern states of the brand new republic.

It can be stated, without fear of exaggerating, that *the United States was able to become an industrial country through an arduous task of ideological-cultural insubordination on the battle fields of Gettysburg*. The ideological-cultural process of insubordination was manifest in the confrontation between *orthodox liberalism* and *national liberalism*. This means that amongst those that proposed clinging to the international division of work, adopting free trade, and those that proposed the adoption of economic protectionism and the rejection of the theory of free trade, for considering that that adoption would make the United States fall into a new economic subordination that would turn their newly gained independence into mere fiction.

Let us now analyze *the ideological-cultural process of insubordination* –of the English “cultural imperialism”- and of the internal political struggle that allowed the United States to “get out” of the periphery given that if the advocates of free trade and the international division of labor had triumphed, the situation of the United States on the international scene would probably not be very different today than the Federative Republic of Brazil. If the United States would have industrialized too lately, today it would be located in the *periphery of the international system*. This is the key to the interpretation of what the United States now, having become the “world champion” of free trade –after having profited from the benefits of economic protectionism for one-hundred years-,

through the exercise of what Morgenthau denominated “cultural imperialism” and that, more sophisticatedly, Joseph Nye designates “soft power”, has taken upon itself to hide.

The First State Impulse

It is in the course of the war against England when an incipient manufacturing industry is born in the environment of the thirteen colonies. Without a doubt, North American industry, in its first stage of expansion, is the “daughter” of the war of independence (East, 1938).

On one hand the very situation of war had interrupted the flow of merchandise from the metropolis, naturally leading to an incipient process of substitution of imports. On the other hand, the situation of *insubordination* had in fact put an end to the restrictions that the British Parliament had imposed in order to hinder industrial development and limit the colonies to the production of raw materials. Furthermore, all the governments of the thirteen colonies –now, in fact, new independent States- went ahead with a policy of State impulse, in an attempt to achieve industrial development. All of them made huge efforts –from the State- to stimulate the production of munitions, war equipment and products of basic needs, like wool fabric and linen that until then had been imported from England, in large quantities. In Connecticut, where small ammunition factories sprung up, the State in 1775 offered “a premium of one shilling, six pennies for each rifle key produced and five pennies for every complete set up to three thousand” (Underwood Faulkner, 1956: 162). In Rhode Island and Maine “premiums were granted for the manufacturing of steel”. Massachusetts “offered premiums for sulfate extracted from native beds and Rhode Island for gunpowder” (162). Likewise, in 1778, the Congress of the incipient United States “had workshops set up in Springfield where cannons were hollowed out” (162).

Nevertheless, the State impulse was not only fundamental for the production of war material but also in the manufacturing of materials of “basic needs”. To give

an example, it can be quoted that Connecticut lent “Nathaniel Niles, from Orwich, 300 pounds for a period of four years to produce carding tooth wire” and Massachusetts “granted a premium of 100 pounds for the first 1,000 pounds of good carding wire to sell, produced by any watermill situated within its territory, with iron from the North American states” (Underwood Faulkner, 1956: 162).

The State impulse, directed at promoting industrial development, was decidedly accompanied by a large part of the population that, already during the boycotts that followed the outburst of hostilities, had refused to buy English merchandise. During the course of the war, the majority of historians affirm that many people committed to not even eat sheep or lamb’s meat and to not buy from the butchers that sold them so that the wool could be used for making clothes. In the south the rich farmers employed their poorest white neighbors to weave or knit and they themselves set up weaving and knitting workshops and taught their slaves that new task. Even the richest men belonging to the agrarian aristocracy were dressed in homemade fabrics. Thus, the state of revolt and political independence prepared the structural foundations for the economic independence that England had tried to hinder through the dictation of anti-industrial laws and that would try to avoid, when independence was a consummated fact, through the preaching of the “international division of labor” so that the young republic would leave the privilege of producing manufactured goods for the “motherland”, which “nature” had supposedly “destined” her for. Due to this the orientation and economic reorganization that would follow the war consisted of key issues that would determine the position of the new State on the international stage.

The First Protectionist Laws

The end of hostilities between the Republic of the United State and Great Britain gave way to mass importation of European manufactured merchandise

cheaper, of course, than those produced locally, a situation that rapidly quickly left the incipient North American industry in ruins, which had been developed throughout the course of the war for political independence. In 1784 the commercial balance of the young republic already gave a disastrous result: imports totaled approximately 3,700,000 pounds and exports just 750,000 pounds. The new State was living a process of de-industrialization, indebtedness and monetary chaos. To further aggravate the situation of the thirteen colonies, the British Parliament voted in the Law of Navigation of 1783, under which “only ships built in England and with English crews could enter the Antilles ports, and heavy duties were placed on the tonnage of North American ships that touched in any English port” (Underwood Faulkner, 1956: 167). This measure of boycotting the infant naval industry of North America, that competed in quality and prices with that of Britain, was complemented by the Parliament of Great Britain with the law of 1786, “destined to hinder the fraudulent registration of North American vessels, and with yet another in 1787, that banned the importation of North American merchandise, through foreign islands” (167).

In the midst of this disastrous economic situation produced by the end of the war –and aggravated by a weak central government and by rivalry between the States of the Union- an *anti-hegemonic train of thought*, directed by Alexander Hamilton, pleaded for a means of economic development in which the federal government would shelter the new industry through open subsidies and protective tariffs. The luck of history made George Washington, due to the rejection of Robert Morris, the “financier of the Revolution”, offer the position of Secretary of Treasury to Alexander Hamilton. On July 4th 1789 the federal government approved the first tax law, with mildly protectionist characteristics.

That law contained eighty-one articles, and in more than thirty of them it established specific rights; the rest of them were subject to estimated assessments, according to value. Nevertheless, the most important aspect of the new law was that, following Hamilton’s line of thought, it imposed “different rights to favor the steel and paper factories of Pennsylvania, the distilleries of New York and Philadelphia, the glass manufacturers of Maryland, the iron and rum breweries of New England. Products from farms were also protected

through taxes on nails, boots and shoes, and ready-to-wear clothes” (Underwood Faulkner, 1956: 181).

The sectors that fought for economic independence did not tarry in discovering that the mild tariffs of 1789 did not provide true protection for the young industry and, after fiery disputes, they managed to have the tariffs raised in 1790, 1792 and 1794. But these increases also turned out to be insufficient due to the opposition of political sectors that, ideologically subordinated by Great Britain, hindered the adoption of higher tariffs because, to them, taxes should have the main objective of producing income and not protecting a newborn industry. In reality, the industry that benefited the most from the protection laws and in which the State impulse had a more decisive impact was shipping. Naval riggers and builders had thrown in with the most ardent defenders of independence and the laws that favored them did not meet great opposition in Congress.

The first law in favor of the naval industry was also passed on July 4th, 1789. By it a discount of 10 percent was obtained on import duties of merchandise that entered the United States in ships built in the United States and being property of American citizens. The second law did not only have as its objective the promotion of the naval industry but, furthermore, that naval trade stay exclusively in the hands of American citizens. The law sought to have ships that performed foreign trade or local trade be the property of American citizens and be built in their country.⁴ This second law was written on July 20th of 1789. By it an assessment of six cents per ton on ships of American construction and ownership that entered the ports of the country, but ships built in that country but of foreign ownership were charged thirty cents per ton, and fifty cents the ships of foreign bud and ownership. The law also informally established a monopoly of domestic trade for American ships. To this end the law established that the ships of that country that work in coastal trade would only pay duties once a year, but foreigners should pay them each time they touched an American port. In these two laws is the origin of the powerful American merchant navy. Good proof of this is that “tonnage registered for foreign trade increased from 123,893 in 1789 to 981,000 in 1810. Imports that were

transported in American barges increased in that same time period from 17.5 percent to 93 percent, and exports transported in ships of the same flag from 30 percent to 90 percent” (Underwood Faulkner, 1956: 253).

The War of 1812 & the Substitution of Imports

As we have already affirmed, only in the sector of naval constructions did the first laws of promotion and protection of national American industry have complete success. With regards to the other industrial sectors, they would only have their true leap forward during the war of 1812 when the United States lived an accelerated process of import substitution. The tariffs established in 1789 and increased in 1790, 1792 and 1794 had proven insufficient to guarantee sustained industrial development and the young industries barely survived. Nevertheless, the interruption of imports brought on by the war of 1812 acted as a real launch pad for the industrialization process of the country.⁵

Divergence of Interests & Ideological Subordination

The fear that once the war finalized an “invasion” of British manufactured products would be provoked –that were of even better quality and cheaper in price than those produced in the United States- caused a strong movement to come about in the northern states of the Union, in favor of establishing new taxes of a “protectionist” type. The center of that second movement in favor of protectionism was made up of the states of New York, New Jersey, Pennsylvania, Ohio and Kentucky.

On the other hand, the southern states longed to obtain cheap manufactured items and –given that their main market was England- they opposed any type of industrial protection. Since Eli Whitney invented the cotton gin in 1793, this

product originated the most important plants of commercial value of the south and the main product of exportation of the United States. From that date on, the production and exportation of cotton grew continually. The annual average of cotton production between 1811 and 1815 was 80,000,000 sterling pounds. In the period between 1821 and 1825 it jumped to 152,420,200 pounds. The more cotton exportation grew, the idea also grew in the citizens of the southern states that they could shape a more profitable association with distant England, and much safer one than their association with the “intruding” states of the north of the Union.

However, the position of the south was not just a simple matter of selfish interest. The great majority of the leading class and of the intellectual elite of the south –amongst whom deserve to be mentioned Thomas Cooper, of the University of South Carolina, and Thomas Dew and George Tucker, of the University of Virginia-, culturally subordinated by England, were convinced that the future of the United States depended on agriculture and that the development of industry would happen, at any rate, naturally, without the need for artificial stimulus. The southern elite were convinced that by exporting raw materials and importing cheap industrial products, instead of consuming expensive national industrial products, all Americans would be better off economically than during the war. In any event –the intellectuals of the south argued- free trade would help improve the “competitiveness” of the industries of the north.

In exchange, the men of national North American thought, like Henry Clay, Daniel Raymond, Hezekiah Niles or Mathew Carey, it seemed impossible to them that, on a mid-term basis, the products produced in the United States would be able to compete in price and quality with those produced in Great Britain and that is why they argued that they needed to elevate the tariffs so that imported products would become too expensive for Americans to want to buy them. They would then find themselves “obliged” to buy products that were internally manufactured, though they not be of such high quality. Therefore – Clay, Raymond, Hezekiah, Niles and Mathew argued-, given that the American factories would be inundated with orders they would prosper, expand, improve

the quality of their products and even more, that such an economic development would definitively free the United States from its economic dependency on Great Britain.

The fear of *dumping* of European merchandise put into circulation at the end of the war might crush the “young industries” of the United States made the balance in Congress lean in favor of the protectionists and they approved the imposed law of 1816, that “imposed burdens ranging between 7 and 30 percent, granting special protection to cotton, wool, iron and other manufactured items whose production had stimulated the recent war” (Underwood Faulkner, 1956: 193).

Nevertheless, since the new law was the result of a commitment between the representatives of the northern states and those of the south, despite being opportune and necessary, they turned out to be insufficient in protecting American industry from the competition of the efficient English industry. Thus the law did not put an end to the disagreement between protectionists and free-trade advocates. It was quickly proven that the protective tariffs of 1816 did not shelter North American industries enough. The products manufactured in England still competed harshly and left the American companies at a disadvantage.⁶ Those of national thought were then able to achieve that in 1818 the tariff levels be raised on certain merchandises, reaching the establishment of greater protection for the production of iron and that the duty of 25 percent on cotton and wool fabric stay current until 1826.

From 1816 until 1833 the movement in favor of protectionism continued gaining consciences and the north-eastern industrial states constantly pressured the federal government to put new tariff increases into effect. But the southern states, that continued being mainly agricultural, were increasingly against such increases since, without a clear concept of the value of economic independence, they preferred the cheaper and better quality British manufactured goods to the more expensive and lesser quality goods of the northeast. The representatives of the south argued that protectionist tariffs increased the prosperity of the industrial northeast at the expense of the rural west and south. To them it was clear that agricultural production from the south

was financing the industrial development of the north and, strongly sold on the theory of the international division of labor, they considered it absurd to “promote” the industrial development of the United States for they believed, as they had read in the writings of Adam Smith, that nature had destined the country for agriculture. The political and economic elite of the south sincerely believed that the destiny of the United States was to be an exclusively agricultural-cattle raising country and that all state aid to industrial development would lead the country to economic ruin. It is necessary to point out that the southern elite, having rejected protective tariffs, not only defended their material interests, tied to exportable agriculture, but also really believed in the theory of international division of labor that England had so profusely taken upon itself to spread. That theory was the dominant ideology and the only one that really appeared to be “scientific” to the eyes of the majority of the southern intellectuals. In order to fully comprehend the southern position, it is necessary to not underestimate the enormous clout that the “cultural superstructure” exercised over the southern states. Two power blocks emerged as a consequence, increasingly crossed: one fought for industrialization and democratization, while the other understood that the United States should continue being an essentially agricultural and slavery-based country. As a curious but not irrelevant fact it is convenient to remember that in 1827 in the debate between free trade advocates and protectionists a young exiled German economist intervened in the United States: Friedrich List. This fact is significant as it was in the United States that List –trained in the school of Adam Smith– discovered the weak points of the theory of the international division of labor and the advantages of the application of economic protectionism.⁷ Back in Europe, List preached in Germany the economic doctrine he had learned in the United States and, in large measure, it was his ideas, adopted after his death, that allowed Germany to become an industrial country.

But the fact of List’s intervention in the debate between protectionists and advocates of free trade is also relevant because the arguments of the German thinker were met with considerable acceptance and strengthened the position of

the protectionist sectors that, from then on, had the outline of a theory to defend their ideas in the environment of the United States itself.⁸

The South Wins the Ideological Battle

In 1828 – fruit of the intellectual debate between advocates of free trade and protectionists, of the agitation of the interests of wool, of chance and of a political miscalculation of the Jacksonians- the Congress of the United States approved a new taxation law that elevated tariffs in general to the highest level ever before the Civil War. The southern states hastily baptized the new law as the “law of abominations” and they prepared for its non-compliance. The stand-off was settled temporarily in 1833 with a taxation law of “compromise”. Nevertheless, it can essentially be affirmed that the south won the battle of the taxation laws because from that date on, and until the Civil War, rates showed a consistent tendency to fall. The immense commercial expansion that took place between 1846 and 1857 –cotton exports to England went from 691,517,200 pounds in 1845 to 990,368,600 in 1851- seemed to admit the correctness of all those advocates of free trade that held that the future of the United States was in agriculture and allowed the south in 1857 to achieve a reduction so significant that the United States almost became a regime of free trade. In the northern states the impression that it was about to definitively lose the political battle for protectionism led them to be convinced that the dispute had to be settled by other means. The fight against slavery was the tool that allowed the north to continue its political struggle for economic independence by other means.

The Economic Significance of the Civil War

During the Civil War, the north fought for industrialization and democratization, and its most lucid men understood that through that struggle the true political

independence of the United States would be resolved. From that point of view, for the political elite of the northern United States they were fighting a “second war of independence”. The men from the north were aware that a “reconciliation”, in the terms proposed by the south, implied condemning the United States to the “exclusive” production of raw materials and, by consequent logic, to the economic subordination of the metropolis. To evaluate the true nature of the American Civil War it is necessary to have in mind that the south was “incorporated” into the British “informal empire” and that, therefore, the war was ultimately a war against Great Britain. On May 13th of 1861 Great Britain declared itself neutral. This declaration showed the world that the British took sides with the Confederation given that, from a legal point of view, the declaration of neutrality implied that Great Britain took the crisis as an issue of a war between two nations and not as the “suffocation of an insurrection” by the legitimate government of a nation. Upon considering the war as a war between two States, England could continue doing business with both sides and the south, as a result, could continue providing cotton for British industry.

Winfield Scott, Chief General of the Army of the United States, understood that the Confederation needed to be economically “asphyxiated” through the “blockade of its ports” and president Abraham Lincoln –who rapidly saw the virtues of General Scott’s plan- ordered a desperate program of naval constructions that collaterally meant an important State impulse towards the development of the shipping industry. The blockade also carried the objective of “smiting” the “distant enemy”. After the clear confederate victory in the second battle of Bull Run on September 2nd of 1862, Great Britain not only offered itself in mediating the conflict but was also on the verge of openly declaring itself in favor of the independence of the Confederation and thought about using its armada to break through the Union’s blockade. The south then understood that it needed to do something to give the last push towards England’s direct and active participation in the war and it tried a “fulminant defense” that ended in the battle of Antietam on September 18th of 1862. Great Britain considered that the tie produced in Antietam was, in reality and strategically considered, a “victory” for the Union and it therefore abandoned the project of directly intervening in the

war through breaking down the blockade. Nevertheless, Great Britain continued intervening indirectly in favor of the confederates allowing, for example, the Confederation the construction of ships in England. The most famous of those ships was the *Alabama* that destroyed the Union's trade and that, together with other corsair ships built by the English, practically paralyzed the Union's merchant marina. In reality, only the fear of losing Canada inhibited Great Britain from participating directly in the American Civil War.

Analyzing the true meaning of the American Civil War, George Cole states that: The fight between the north and south, that in the end exploded into the Civil War, was in an effect a struggle not only between the slave owners and the employers of free labor but also between the advocates of free trade policy, interested mainly in exports, and the advocates of protectionism that had their interests mainly in the national market. (Cole, 1985: 95)

It turns out to be evident, as Hobsbawm affirms, that "whatever its political origins might have been, the North American Civil War was the triumph of the industrialized north over the agrarian south, almost –we could even say- the shifting of the south from the informal empire of Great Britain (on whose cotton industry it depended economically) to the new and greater industrial economy of the United States" (Hobsbawm, 2006a: 89).

The Triumph of Economic Protectionism

The final result of the Civil War was that protectionism predominated in the United States as a whole. The victory of the north in the Civil War assured that the economic policy of the United States, from then on, would never again be dictated by the farming aristocrats of the south –that had held fast to the international division of labor and to the theory of free trade- but rather by the industrials and politicians of the north than understood that industrial development would, in the future, be the true foundation of national power of the United States and the tool of its greatness.

Once the war was over, a new era of protectionism commenced:

Emergency taxes that had been applied during the Civil War did not disappear, and in 1864 the average level of tariffs was three times higher than it had been under the law in 1857. From then on, a highly protectionist system that affected an ever wider range of products became the firm foundation of the fiscal policy [of the United States]. (Cole, 1985: 96)

Starting at the end of the Civil War and definite triumph of the advocates of economic protectionism, the United States underwent an accelerated process of industrialization. No other economy progressed faster in that period:

Maybe the clearest sign of the rapid industrialization of the United States was the increase in coal production. In 1860, the total production of coal was less than 15 million tons. That number doubled the next decade, doubling again in the next, and once again in the next, reaching close to 160 million tons in 1890. In 1910 it was more than 500 million tons, and in 1920 it reached more than 600 million tons. Meanwhile the production of iron ingots tripled between 1850 and 1870, and quintupled between 1870 and 1900. At the turn of the century it surpassed English production, and in 1913 it was almost as big as three times the production of England and two times bigger than that of Germany. (Cole, 1985: 99)

The Great Lesson of American History

From 1775 to 1860 the United States took center stage in the *most successful process of political, economic and ideological insubordination ever produced in the periphery*. It is difficult –or rather almost impossible- today to think that *the United States was a peripheral country* that had to conquer its “place in the world” through an “arduous process of insubordination”. That, however, is the historic reality.

Until 1860 the United States possessed all the characteristics of a peripheral country. Its commercial balance was generally unfavorable. In the decade of 1850 it exported merchandises valued at 172,510,000 million dollars. In the

decade of 1860, exports added up to 333,576,000 million dollars and imports reached 353,616,000 million dollars.⁹ 50 percent of its imports consisted of manufactured goods ready for use. The same as any Latin American country, England supplied most of its imports and absorbed almost half its exports. European purchases were almost entirely limited to raw materials. The United States was fundamentally a country of unprocessed raw material exports and an importer of industrial products. It was an exporting agricultural country, almost “mono-exporting”. In today’s terms, a “cotton-dependent” country. After the invention of the cotton gin, cotton became the main item of export and, around 1860, it constituted 60 percent of exports. At the end of 1850 manufactured exports only rose by approximately 12 percent of the total exported by the United States and it was mainly sent to underdeveloped regions like Mexico, the Antilles, South America, Canada and China. This goes to say that primary products made up 82 percent of the products exported by the United States. That 82 percent was made up of cotton, rice, tobacco, sugar, wood, iron and gold from California, which had been snatched from Mexico in 1848.¹⁰

We can clearly see from mere analysis of the content of the exportations made by the United States from 1783 to 1860 that it exported the “typical” products that today so called “underdeveloped countries” export.

Around mid-1850 the political and ideological elite of the southern states –that with almost eight million inhabitants, produced three quarters of the exports of the United States–, tired of “financing” the deficit of industrial development, not competitive in international terms, of the northern states, was on the verge of making the United States definitively adhere to the regime of “free trade”, something that would have meant a mortal wound to the process of American industrialization. If the political elite of the northern states would not have forced the Civil War as a way of settling the ideological dispute between free trade and protectionism –a squabble that the north had already lost politically–, very probably the United States would have brought into effect its industrialization much alter and, despite possessing and immense territory, its power and

position in the international system would not be very different from those who today make up the great peripheral States like Mexico and Brazil.

It is necessary to always keep in mind that when the Americans achieved their independence “they showed stark signs of denial towards adopting crux of Adam Smith’s program: universal free trade and that the conversion of the United States to liberalism did not happen until they themselves had become the number one industrial producer in the world and were on their way to likewise become the main exporter at the expense of the British” (Lichtheim, 1972: 62).

Imports & Exports by Decade

Year	Total Exports (\$)	Total Imports (\$)
1790	20,200,000	23,000,000
1800	70,972,000	91,253,000
1810	66,758,000	85,400,000
1820	69,692,000	74,450,000
1830	71,671,000	62,721,000
1840	123,609,000	98,259,000
1850	144,376,000	172,510,000
1860	333,576,000	353,616,000

In that aspect, the American elite did nothing more than repeat the development process followed by Great Britain. When General Ulises Grant –here of the war of secession- attended the Manchester conference in 1897, after leaving the presidency of the United States, he expressed in his speech that his country followed the English “example” and not the English “preaching”: During centuries England has used protectionism, has taken it to its extremes and it has given satisfactory results. There is no doubt that to that system they owe their current power. After those two centuries England has thought it

convenient to adopt free trade by considering that protection can no longer give her anything. Well then, gentlemen, the knowledge of my country makes me believe that within two-hundred years, when North America has achieved from the protecting regimen what it can offer her, it will adopt, freely, free trade. (Quoted by Jauretche, 1984: 205)

In contrast with the process of Hispanic American “rebellion”, the process of Independence of the thirteen colonies not only results in “unity” of the revolted colonies but also that the new State expanded its borders to the Pacific Ocean. Thus it constituted a State that, due to its enormous surface area, qualifies as a continental State.

The process of territorial expansion, that began in 1803 with the purchase of Louisiana and continued in 1848 with the Guadalupe Hidalgo Treaty¹¹, by which Mexico found itself forced to give up the wide patch of territory that stretched from Texas to California, made the surface area of the United States become almost four times greater than the territory that it had when it obtained formal independence. After the Guadalupe Hidalgo Treaty the span of the United States reached seven and a half million square kilometers. The United States was a gigantic nation, almost the same in surface area as all of Europe: it was a continental State.

A continental State that, with the victory of the protectionist north over the free trade south, quickly became an industrial powerhouse, meaning it became the first “industrial continental State-nation” in history, and thus raising –just as England had done at one point-, the threshold of power once again. One of the intellectuals that had earlier warned that the United States would drastically raise the threshold of power was the German economist List, who, in 1832, states that:

Within a few years, [the United States] will have reached the first degree of naval and commercial power. The same causes that have taken Great Britain to its elevated state of current power will most likely take, throughout the duration of next century, the whole of America to a degree of riches, of power and of industrial development that will surpass that in which England today finds itself, in the same proportion in which it finds itself in comparison to little Holland now.

(List,

1955:

74)

Therefore, from the full-fledged industrial revolution of the United States on, it began to become clear that the other political units of the international system would only be able to maintain its full autonomic capacity if they were able to become industrial State-nations – of equal surface area and population as the United States, meaning, continental surface areas-. The future of the first years of the 20th century and particularly the outcome of the World War I would leave it clear that List's analysis had become a tangible reality on the new international stage at a level beyond what the other actors of the system had presumed.

1. Adam Smith publishes his famous *The Wealth of Nations* the same year as the Declaration of Independence of the United States.

2. Let us remember that during the reign of the Stuarts the emigration of qualified workers to the colonies of America was banned and “in 1765 the Parliament once again applied in an even stricter way the old prohibition of the Stuarts on qualified worker emigration. In 1774 it took a longer step upon banning the exportation of mechanic models and blueprints and the machines themselves. After the Revolution, these measures became more extent and they were enforced with greater rigor” (Miller, 1961: 165). For more on the British veto on the industrialization of the thirteen colonies and the established policies for hindering industrial development, see especially the works of Charles M. Andrews (1924), George L. Beer (1912), Hugh E. Egerton (1924), John W. Horrocks (1924), Gustav Schmoller (1931).

3. The colonial farm was the cradle of American industry. In the left over free time they had during the hard North American winter months, farming families made nails, tillage tools, barrel staves, oak casks and tobacco containers, rum, molasses and fish. Many of these items were easily exported to the Antilles. One of the very important domestic industries was the making of drinks –rum, beer and cider- that were produced in New England, where molasses from the Antilles was distilled to which rum was later exported. Few were the homes in which there could not be found a spinning wheel and a hand loom. In 1640 the first relatively important foundries of Massachusetts. For more see Rolla M. Tryon (1917).

4. These two laws approved by the Congress of the Young republic were inspired by the Navigation Laws voted in by the British Parliament in 1651 and in the “law for stimulating and increasing voyages and navigation” that in 1660 reinforced the Law of Navigation of 1651. The law of 1660 stipulated that any product being taken to or from England should not only be transported in ships

manned by the English but also should be built in England or in the English colonies.

5. For more see Victor S. Clark (1916) and Harry J. Carman (1930). Anna Clauder (1932) is also of interest.

6. The English industry was not only much more efficient than the young American industry but also Great Britain carried out a true *dumping* campaign to cut short American industrial development and to safeguard that market. As soon as peace was restored in 1815, the English industrials –backed by their government- sold their products at a loss in the American market solely to eliminate the competition of that industry. With the end of the war at the beginning of 1815, the Americans hurried to stockpile their mixture of English merchandise and trinkets. The imported items that were sold by the English at rock bottom prices reached 110 million dollars in 1815 and 150 million dollars in 1816. In New England this generated a widespread bankruptcy and ruin of the small factories that could not compete with the subsidized English products. “It was well worth it (expressed Henry Brougham in 1816 in the British Parliament) to sustain a loss in the first exportation with the objective of, having inundated the market, suffocate in the cradle the newborn manufacturers of the United States that the war had forced them to establish” (Miller, 1961: 153).

7. “My destiny led me to the United States, I left all my books here; it would have served for nothing else than to lose my way. The best book on economic policy that can be read in this modern country is life itself. [...] Only there did I find a clear idea of gradual development of the economy of the peoples. [...] I have read this book avidly and with assiduity, and I have tried to coordinate the consequences that I have obtained from him with the result of my studies, experiences and previous reflections” (Kist, 1955: XXVI).

8. “Finding myself in relation with the most prominent of the men of the State of the union [...] it was known that I had previously worked in political economy.

Then [1827], and due to having been astutely attacked with respects to the tariff, the North American manufacturers and the defenders of national industry by the advocates of free trade, mister Ingersoll invited me to expose my opinions on this matter. I did, and with some success. [...] The twelve letters in which I exposed my system have not only been published in the *National Gazette*, from Philadelphia but also have been reproduced by more than fifty provincial newspapers, edited into a flyer by the Manufacturing Promotional Society, with the title of *Outlines of a New System of Political Economy*, and divulged in thousands of copies. I received congratulations from the most prestigious men of the country, as are the venerable James Madison, Henry Clay, Edouard Livingston” (List, 1966: XXVI).

9. In the period between 1815 and 1860, except 1840, imports were always higher than exports. The accounts payable balances itself out due to the benefits given by the merchant marina and to European capital investments. During this whole period the United States was a heavily indebted country. It is thought that in 1860 the values of held foreign federal, foreign, railway and other titles were valued at 400 million dollars (Underwood Faulkner, 1956).

10. After 1849, thanks to the discovery of gold in California –that had belonged to Mexico until 1848-, the United States became the number one producer of gold in the world. Thanks to Californian gold it was able to finance additional imports of machinery and materials used for developing a large scale railway system that became the foundation of its future industrialization.

11. By the Guadalupe Hidalgo Treaty the United States obtains all of California minus the Peninsula of the same name, all the territory of the current states of New Mexico, Texas, Arizona and part of the territory that today makes up the states of Utah, Colorado, Oklahoma and Kansas, or rather, around two million square kilometers.

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