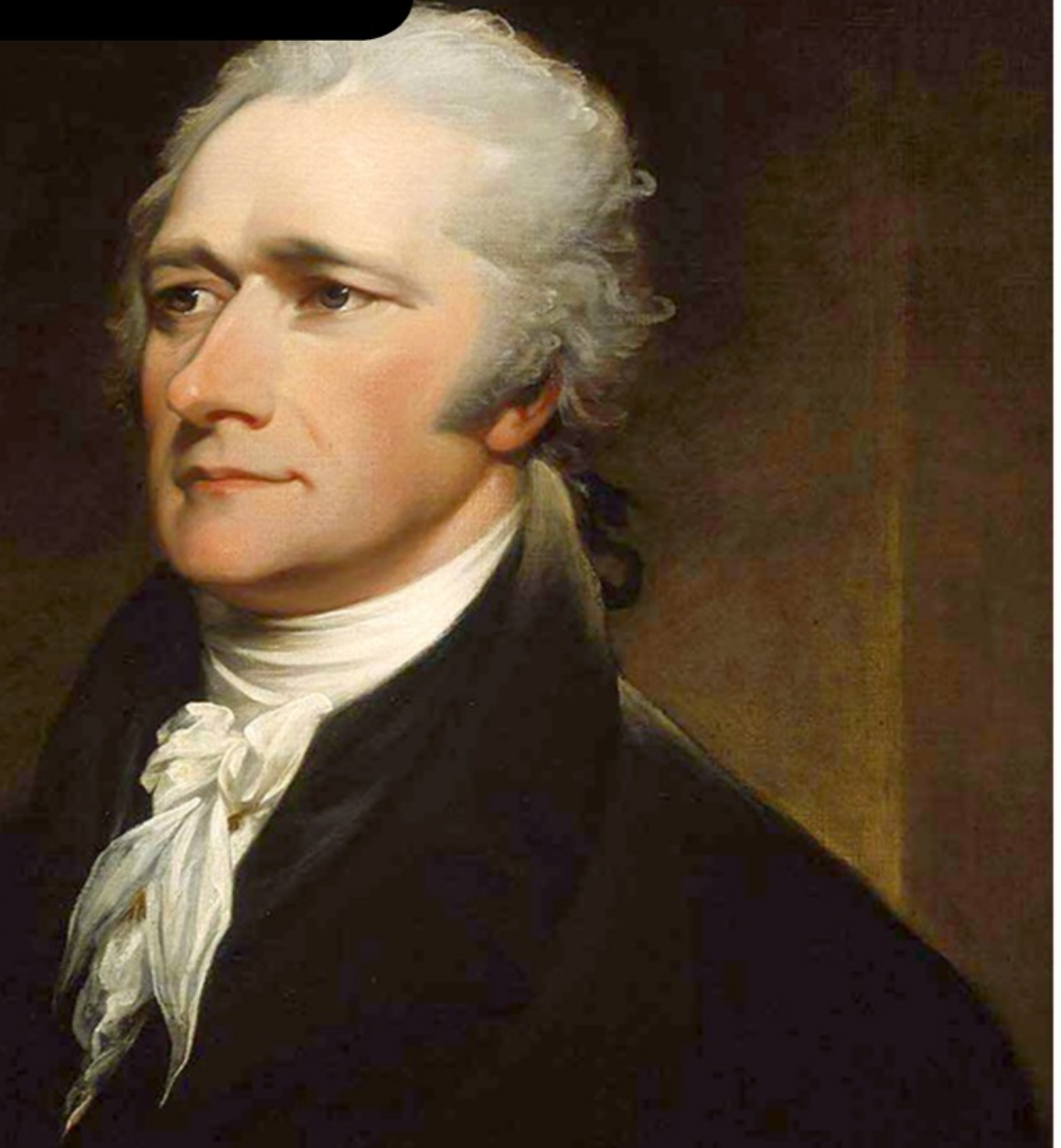
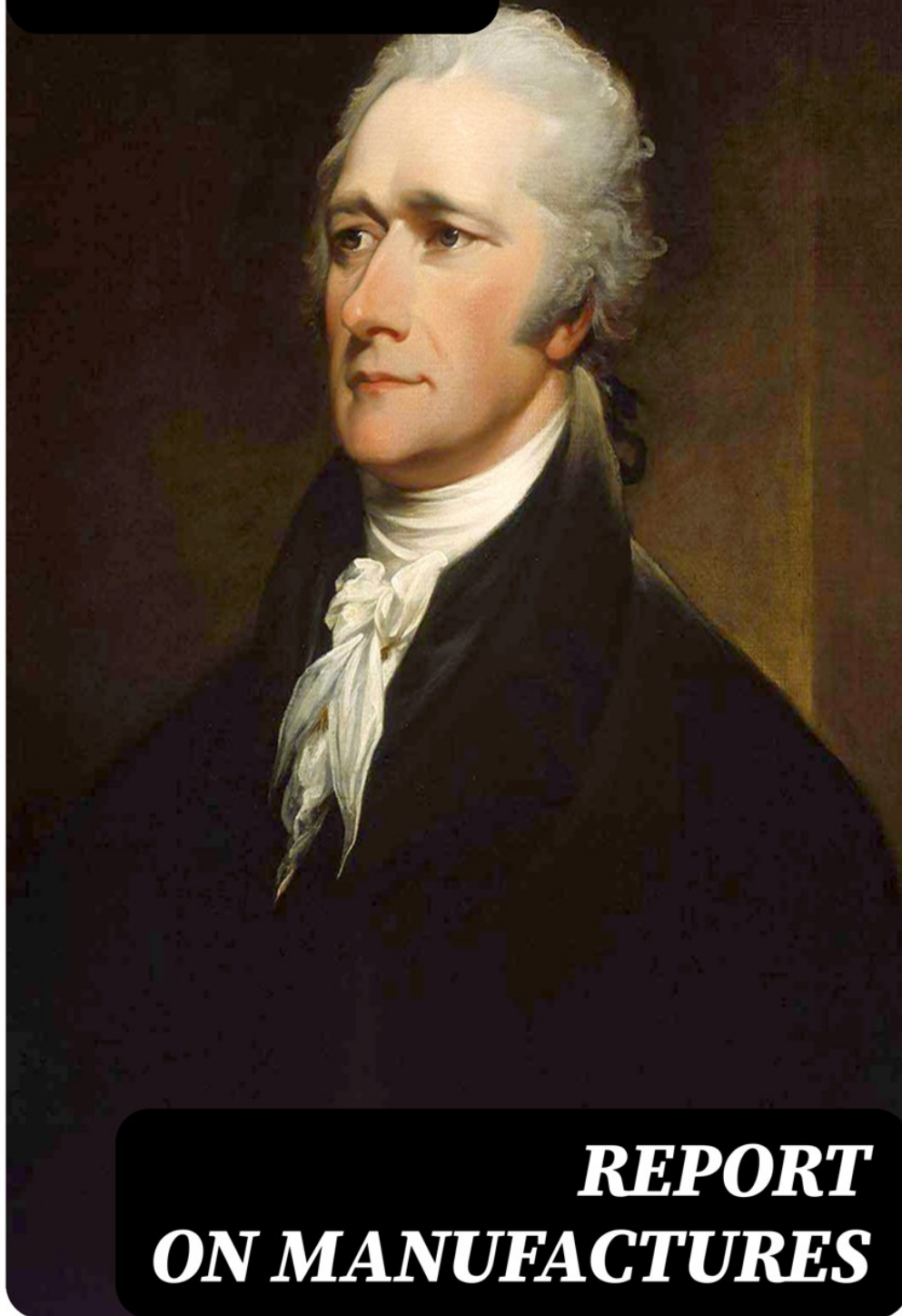


***ALEXANDER
HAMILTON***



***REPORT
ON MANUFACTURES***

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Alexander Hamilton

Report on Manufactures

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DECEMBER 5, 1791

FROM

ALEXANDER HAMILTON

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SECRETARY OF THE TREASURY

ON THE SUBJECT OF MANUFACTURES

PRESENTED BY MR. SMOOT

AUGUST 30, 1913.—Ordered to be printed

WASHINGTON

1913

REPORT ON MANUFACTURES, COMMUNICATED TO THE HOUSE OF REPRESENTATIVES, DECEMBER 5, 1791.

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[No. 31. Second Congress, first session.]

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 of 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, 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 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, favorable 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 advantageous an employment for capital and labor 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 interests, will, if left to itself, infallibly find its own way to the most profitable employment; and it is by 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 that will 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 the artisan can be exchanged for the more independent condition of the 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 characterize 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 to those of particular classes. Besides the misdirection of labor, 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 expense 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."

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 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 judgment 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 favor 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 a 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 favorable 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 preeminence over every other kind of industry.

But that it has a title to anything like 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 any 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 shown 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 respect, 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 subtle and paradoxical than solid or convincing.

Those which maintain its exclusive productiveness are to this effect:

Labor bestowed upon the cultivation of land produces enough not only to replace all the necessary expenses 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 net surplus or rent for the proprietor or landlord 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 the stock. It yields nothing equivalent to the rent of land' neither does it add anything to the total value of the whole annual produce of the land and labor of the country. The additional value given to those parts of the produce of land, which are wrought into manufactures is counterbalanced 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 labor, 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 labor 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 labor 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 labor. 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 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 labor, 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 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 labor of a country can only be increased in two ways—by some improvement in the productive powers of the useful labor which actually exists within it, or by some increase in the quantity of such labor. That, with regard to the first, the labor of artificers being capable of greater subdivision and simplicity of operation than that of cultivators, it is susceptible, in a proportionately 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 labor 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 labor, 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 whim is at any time employed,