

**SOMEONE WROTE...**

**Customs Duties as a Chief Means of Establishing  
and Protecting the internal Manufacturing Power**

Professor at Tübingen, Friedrich List was one of the forefathers of the German Historical School. He was an enthusiastic supporter and one of the main architects of the German customs union (*Zollverein*). His best-known work, *The National System of Political Economy* (1841) is commonly recognized as written against the free-trade doctrines that permeated Classical economics. List argued it on the basis of his analysis of economics, which stressed political factors, that it was the government's responsibility to foster the "productive powers" of a nation and, once these were in place, *then* free trade could ensue, but not before. This is dramatically akin to the some modern arguments regarding the role of institutions, trade protection, and development among others.

The following essay was included in *The National System of Political Economy*, translated by Sampson S. Lloyd, 1885, Second Book, Chapter 26, *Customs Duties as a Chief Means of Establishing and Protecting the Internal Manufacturing Power*.

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[...] According to our system, prohibitions of, or duties on, exports can only be thought of as exceptional things; the imports of natural products must everywhere be subject to revenue duties only, and never to duties intended to protect native agricultural production. In manufacturing states, articles of luxury from warm climates are chiefly subject to duties for revenue, but not the common necessities of life, as e.g. corn or fat cattle; but the countries of warmer climate or countries of smaller population or limited territory, or countries not yet sufficiently populous, or such as are still far behind in civilisation and in their social and political institutions, are those which should only impose mere revenue duties on manufactured goods. Revenue duties of every kind, however, should everywhere be so moderate as not essentially to restrict importation and consumption; because, otherwise, not only would the internal productive power be weakened, but the object of raising revenue be defeated.

Measures of protection are justifiable only for the purpose of furthering and protecting the internal manufacturing power, and only in the case of nations which through an extensive and compact territory, large population, possession of natural resources, far advanced agriculture, a high degree of civilisation and political development, are qualified to maintain an equal rank with the principal agricultural manufacturing commercial nations, with the greatest naval and military powers. Protection can be afforded, either by the prohibition of certain manufactured articles, or by rates of duty which amount wholly, or at least partly, to prohibition, or by moderate import duties. None of these kinds of protection are invariably beneficial or invariably

objectionable; and it depends on the special circumstances of the nation and on the condition of its industry which of these is the right one to be applied to it. War exercises a great influence on the selection of the precise system of protection, inasmuch as it effects a compulsory prohibitive system. In time of war, exchange between the belligerent parties ceases, and every nation must endeavour, without regard to its economical conditions, to be sufficient to itself. Hence, on the one hand, in the less advanced manufacturing nations commercial industry, on the other hand, in the most advanced manufacturing nation agricultural production, becomes stimulated in an extraordinary manner, indeed to such a degree that it appears advisable to the less advanced manufacturing nation (especially if war has continued for several years) to allow the exclusion which war has occasioned of those manufactured articles in which it cannot yet freely compete with the most advanced manufacturing nation, to continue for some time during peace.

France and Germany were in this condition after the general peace. If in 1815 France had allowed English competition, as Germany, Russia, and North America did, she would also have experienced the same fate; the greatest part of her manufactories which had sprung up during the war would have come to grief; the progress which has since been made in all branches of manufacture, in improving the internal means of transport, in foreign commerce, in steam river and sea navigation, in the increase in the value of land (which, by the way, has doubled in value during this time in France), in the augmentation of population and of the State's revenues, could not have been hoped for. The manufactories of France at that time were still in their

childhood; the country possessed but few canals; the mines had been but little worked; political convulsions and wars had not yet permitted considerable capital to accumulate, sufficient technical cultivation to exist, a sufficient number of really qualified workmen or an industrial and enterprising spirit to have been called into existence; the mind of the nation was still turned more towards war than towards the arts of peace; the small capital which a state of war permitted to accumulate, still flowed principally into agriculture, which had declined very much indeed. Then, for the first time, could France perceive what progress England had made during the war; then, for the first time, was it possible for France to import from England machinery, artificers, workmen, capital, and the spirit of enterprise; then, to secure the home market exclusively for the benefit of home industry, demanded the exertion of her best powers, and the utilisation of all her natural resources. The effects of this protective policy are very evident; nothing but blind cosmopolitanism can ignore them, or maintain that France would have, under a policy of free competition with other nations, made greater progress. Does not the experience of Germany, the United States of America, and Russia, conclusively prove the contrary?

If we maintain that the prohibitive system has been useful to France since 1815, we do not by that contention wish to defend either her mistakes or her excess of protection, nor the utility or necessity of her continued maintenance of that excessive protective policy. It was an error for France to restrict the importation of raw materials and agricultural products (pig-iron, coal, wool, corn, cattle) by import duties; it would be a further error if France, after her

manufacturing power has become sufficiently strong and established, were not willing to revert gradually to a moderate system of protection, and by permitting a limited amount of competition incite her manufacturers to emulation. [...]