

List's attack on British 'shopkeeper' trade system

Friedrich List (1789-1846) was a leading German-born economist who lived in the United States for several years, working with Henry and Mathew Carey, Henry Clay, and John Quincy Adams to fight for protective tariffs for industry. In 1841, he wrote a bitter attack on the British free trade system, titled The National System of Political Economy, which we quote here:

Adam Smith's doctrine is, in respect to national and international conditions merely a continuation of the physiocratic system. Like the latter it ignores the very nature of nationalities, seeks almost entirely to exclude politics and the power of the state, presupposes the existence of a state of perpetual peace and of universal union, underrates the value of a national manufacturing power, and the means of obtaining it, and demands *absolute freedom of trade* . . .

The mistake has been simply, that this system at bottom is nothing else than a system of the *private economy of all the individual persons in a country or of the individuals of the whole human race as that economy would shape itself under a state of things in which there were no distinct nations, nationalities or national interests*, no distinctive political constitutions or degrees of civilization, no wars or national animosities; that it is nothing more than a theory of values; a mere shopkeeper's or individual merchant's theory—not a scientific doctrine showing how the productive powers of an entire nation can be called into existence, created, maintained, and preserved. . . . [Smith's] system regards everything from the shopkeeper's point of view. . . . The establishment of powers of production it leaves to chance, to nature, to the providence of God . . . only the state must have nothing at all to do with it. . . . It is resolved to buy where ever it can find the cheapest articles—that the home manufacturers are ruined by their importation matters not to it. . . . What may become of entire nations in the future is to it a matter of indifference, so long as private individuals can gain wealth.

nate these barriers.

The initial impact of this shift of industrial jobs away from Europe can be graphically demonstrated by the collapse of investment in capital equipment over the past two or more years throughout the European Community. During June 1993, the European Commission in Brussels, headed by Jacques Delors, admitted that Europe was in the middle of its worst "recession" in 40 years, and, as one Brussels official put it, with the French and German economies in such a crisis, it would take a "miracle growth" to keep the goals of the Maastricht Treaty for European Union on schedule. EC Commissioner for Economics and Finance Henning Christophersen noted at that time, "EC employment is forecast to fall by 1.75% in 1993, the worst performance in the history of the EC."

Policy paralysis

Indicative of the policy paralysis and utter lack of comprehension of the nature of the globalization crisis was the announcement in October 1993 by the German government of Chancellor Helmut Kohl that he is leading a strategic offensive to assist German industry. The "offensive" will promote greater involvement in China and the emerging Asian economies. As part of this Asia strategy, the Kohl cabinet reaffirmed its call for an immediate successful conclusion of the GATT Uruguay Round!

The large German industries applaud as the government unwittingly assists Germany's own economic deindustrialization. Like the blind man who grabs the elephant's tail,

thinking he has caught a snake, the governments of Europe follow the demands of the multinationals. Already beginning 1991-92, German industry's direct investment abroad, typically in new production facilities in cheap-labor regions, grew to the significant level of DM 65 billion annually, three times the level of 1981.

EC Commissioner Christophersen estimates that by January 1994 there could be 20 million jobless in the 12 nations of the European Community, up from some 17 million in the spring of 1993. But when pressed about the loss of jobs from Europe to the cheap-labor regions of East Asia and Ibero-America, Christophersen defends the effects of the globalization which has created this unemployment crisis in Europe, saying, "We do not want to do anything to prevent others from being richer, and I don't think we should do anything."

EC government heads of state and ministers who met at the end of June 1993 in Copenhagen, to discuss a possible DM 82 billion coordinated emergency action to revive European-wide infrastructure and employment, did nothing. Due to the resistance especially of Britain's Prime Minister John Major, they rejected any proposals for European infrastructure investment. Foolishly, Germany sided with Major in opposing any action to reverse the crisis.

A recent study by the New York-based consulting firm Drake, Beam and Morin, found that at least 52% of the 400 largest European industrial companies have plans to significantly "down-size" over the next 18 months. Three-quarters of all German industrial companies surveyed have such plans. The head of the consulting firm conducting the survey