

“The Policy of the Future”- The Geopolitical Visions of the German Economist Friedrich List (1789-1846)

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Abstract: In the 18th and 19th century there were three great economists who created their own economic systems; the Scott Adam Smith (1723-1790) and the Germans Friedrich List (1789-1846) and Karl Marx (1818-1883). Smith was the protagonist of capitalism and free trade- policy, Friedrich List the pre-thinker or mentor of social market economy and temporary protectionism and Karl Marx the intellectual prophet of socialism and state economy.

It is impossible to explain List’s theory in some sentences and to point out its significance today. However, we can categorize his ideas according to five major topics: (1) Et la patrie, et l’humanité – homeland and humanity, (2) Through wealth to freedom, (3) Le monde marche – the changing world, (4) The policy of the future and (5) The union of the European continent.

List has criticized man’s greed when man comes to power, influence and wealth. Instead of such typical excesses of capitalism, he proposed a structure of prosperity that would provide satisfaction and wealth for all social classes. It would involve a healthy social balance between rich and poor and between nations. He states that no nation has ever achieved success as an industrial power without also enjoying a high degree of political freedom, the respect for human rights, an independent justice system and an effective infrastructure with a high levelled education system.

1. Introduction

In the 18th and 19th century there were three great economists who created their own economic systems: The Scot Adam Smith (1723-1790) and the two Germans: Friedrich List (1789-1846) and Karl Marx (1818-1883). Smith was the protagonist of capitalism and free trade-policy, Friedrich List the prophet and mentor of social market economy and temporary protectionism, and Karl Marx the intellectual prophet of socialism and state economy.

List had an extraordinary vita¹, lived and worked in several German territorial states and as emigrant in Switzerland, USA and France. His economic theories had a worldwide influene and reception, exeptional in

Latin America and Africa. His ideas are of high current significance and actual importance. List's basic theory is that of productive powers and the need to protect infant industries until they are mature enough to compete with international products on world markets. He was a liberal and a democrat who promoted an extended representative democracy, including respect for human rights and civil liberties to accompany industrial development.

The former President of the Federal Republic of Germany, Prof. Dr. Horst Köhler, estimated Friedrich List with the following words: „Friedrich List was one of the great statures of the German Vormärz, a pioneer also in the history of USA, a democratic avant-garde of the European spring of 1848 and a prophet and enunciator of the technological and economical “transition of the world” in the nineteenth century. We have all become heirs of these developments, the good as well as the bad. List rightly deserves his place in the history of economic theory and political economy. Futhermore, he contributed to establishing a progessive as well as competent journalism.”

“Friedrich List's name will always be associated with the history of the railway in Germay and Europe and with the effort to peaceably unify Germany. He clearly saw the revolutionary change of the means of transport and production in his age and wanted to combine the opportunities he recognized with social progress by using the economic boom to finance a social welfare state that would support the old, sick and weak members of society. He developed a theory of econmomic resources that prospected deeper than other theories of his time, and which were therefore often disputed by the left and right, by communists as well as concervative beneficiaries of the status quo. List, on the other hand, thought in terms of institutions and regulations that would today please all supporters of an ordoliberal social market economy. List's political and economic predictions were surprisingly exact. He foresaw the coming American age and the independance of British colonies. He was a critic of colonialism and urged the states of Europe to unite and work together peacefully for their common economic and political welfare.”

The English authors John Carter and Percy H. Muir, in their book “Printing and the mind of man” of 1967/1983, included the main-works of these three economists under the most famous 465 books in the 500 years of publishing history which have changed the world.

List's main work “The National System of Political Economy” of 1841 they characterised with the words: “List's book caused a great sensation when it was published, and it remained for seventy years the theoretical

gospel of the advocates of protectionist tariffs in Germany, Britain and the United States."²

In 1998 Michael Lind published an essay in the US journal "The Nation". His headline asked the question: "Marx, Smith – or List?"³ Lind reminds us "that List was a long-neglected figure in economics. But, in fact, List had more influence on industrialization in Europe and East Asia than either Marx or Smith. If the 19th century saw a debate among Smithians, Marxists and Listians, and the 20th century a debate between Smithians and Marxists, the 21st century should see a debate between Smithians and Listians – that is between those who favour laissez-faire global capitalism and those who envision a social market version of global capitalism as the remote and negotiated result of generations of differing national and regional paths to development." Smithians wanted to achieve a global market by the year 2000 or 2020 at the latest; Listians are willing to postpone the completely integrated global market much further and later. What's the hurry? asked Michael Lind: "Better to do things slowly, but do them right;" was his answer.

In an essay published in the *Frankfurter Allgemeine Zeitung* on 2nd January, 2012⁴, the American Professor Tony Corn, lecturer in Washington and adviser of the American government, asked: "Who is the most popular economist in China, today?" His answer was:

"Not the Anglo-Saxon Adam Smith, but the German Friedrich List; he was the most fundamental critic of the laissez-faire-liberalism and he was the intellectual founder of neomercantilism."

I would like to present my ideological background. I am an economist and historian. From 1972 till 2004 I was a professor for international marketing, consumer behaviour and communication at Reutlingen University in southern Germany. There I founded the "Friedrich-List-Institute for Historical and present-day Economic Studies" in 1992 and directed it till 2012. My follower is Prof. Dr. Stephan Seiter. I have been researching on List for nearly 50 years and published about 30 books and a lot of essays on List's economic theories. I might say I devote my life to research on List.

Increasing world-trade disproportionalities, the EU crises with the Brexit, the international debt-problems, global warming and other ecological problems have taught economists that laissez-faire-capitalism and global free-trade are not able to solve the fundamental problems at the beginning of the 21st century. For this reason we are witnessing a growing interest in and a renaissance of List's ideas.

2. The Historical Genesis of List's "National System of Political Economy"

Each literary work has a more or less long and interesting history. This is especially true to List's "National System". Even as a young professor at University of Tuebingen he devoted himself of Political Economy, State Finance and Cameroon. He did not operate as an abstract theorist, but his theoretical knowledge was always practice orientated. In his famous petition to the Federal Assembly for the abolition of internal tariffs in the 39 separate German territorial states of 1819, he outlined for the first time his economic vision: "Only then will the people of earth achieve the highest degree of physical wealth, if they have general, free and unlimited trade."

The finer contours received his economic world view but only during his exile in the United States between 1825 and 1832. There he got to know the negative effects of English free trade doctrine and policy. Through the mediation of Marquis de Lafayette, he became acquainted with the leading men of "The Pennsylvania Society for the Promotion of Manufacures and the Mechanic Arts", who encouraged him to set out his economic system in writing. The result was the "Outlines of American Political Economy" of 1827.

In USA also his visions about the importance of the new means of transport and communication, such as railways, steamships and telegraphy, grew up and took on concrete forms. For this aim he was able to gain a wide range of practical experiences during the construction of the Little-Schuylkill-Railroad in Pennsylvania and on his return to Europe with the planning and construction of the first long-distance railway in Germany, the Saxonian railway from Leipzig to Dresden between 1835-1837.

Since he was not allowed to build up a sufficient existence in his country, he emigrated again and settled in Paris. There he participated in two prize questions of the French Academy of Sciences. In the first question raised by the title "The Natural System of Political Economy" List developed an expanded version of his theory of economic, especially placing his theory of productive forces as opposed to the theory of values, at the center of his exposition.

His motto of the second prize question was "Le monde marche – The world moves", where he summarized his visions of transport, illustrating the many political, economic and social implications of the new means of communication and his visions of the future globalization of international trade.

After three years he returned in his homeland. In 1840/41 he completed his economic main work "The National System of Political Economy". With

this book, which should become the first German-language classic of Political Economy, he pursued following goals: The main aim was to point out the errors of the English free-trade doctrine of Adam Smith, which indisputably represents a revelation for the industrially upstressed countries, but also has great disadvantages for lagging countries. Therefore he propagated for such non developed countries a temporary protection system for key industries, to get their products ripe for international competition.

His other main concern was, that the independant German territorial states merge economically and politically and that the resulting German empire unlock itself industrially in face of advancing Great Britain, France and Belgium, thereby creating prosperity, power and peace. In the deep sense in this book are collected the fundamental essentials of the later Social Market Economy, so that Friedrich List can be ranged between Adam Smith and Karl Marx, as one of the three classics who have founded an own economic system.

3. The importance of List's theories in light of the current economic policy and the global problems of world-trade

It's impossible to explain List's theory in a few sentences and to point out its significance today⁵. However, we can categorize his ideas according to five major topics.

- (1) Et la patrie, et l'humanité ! »
Homeland and Humanity
- (2) "Through wealth to freedom!"
- (3) "Le monde marche!"
The changing world
- (4) "The policy of the future!"
- (5) "The union of the European continent!"

List criticized that Adam Smith only considered the private economy and the cosmopolitan or world economy, but overlooked the national economy. Each country has its own character, its own raw materials, its own productive powers, its own culture and so on. Therefore it would be wrong to preach "free trade" for all countries now. He believed in individual economic policies, and for the less developed countries he suggested temporary protectionism. This would allow infant industries to be able to develop key technologies until the national products can compete with foreign producers on international markets. We know that this model has been successfully pursued by Japan, South-Korea and China and during

the industrialization in nearly all European country. Naturally customs duties are only one instrument for economic development, which has to be combined with a lot of other instruments.

Keith Rankin, an economist from New Zealand, believes that it's necessary to expand the notion of protectionism to include the solving of current ecological and climatic problems. Rankin also stated that List was much more the prophet of globalization than Smith!

List considered the social aspects of economic policy to be equally important. For example, the humane application of human capital, that is: fair salaries, participation of workers in company profit and decision-making processes, social security and so on.

In his second topic: "Trough wealth to Freedom", List has criticized man's greed when man comes to power, influence and wealth. Instead of such typical excesses of capitalism, he proposed a structure of prosperity that would provide satisfaction and wealth for all social classes. It would involve a healthy social balance between rich and poor, and between nations. Respect for human rights and democratic institutions play a big role for List. He states that no nation has ever achieved success as an industrial power without also enjoying a high degree of political freedom, democratic institutions, respect for human rights, an independent justice system, an effective infrastructure and a high levelled education system. In a well understanding sense this motto could be regarded as a world formula for a better world after the corona crises.

When Lists speaks of "the changing world", he of course refers to the technological development of the first industrial revolution, in steam engines, steam ships, railways and the telegraphy, whose global effects he foresaw even before Morses` invention. List expected that international trade will expand to global world-trade. And in the present industrial revolution we are witnesses of the continuation of this process, newly termed "globalisation".

4. List's "Policy of the Future" and some aspects of his geopolitical and economic visions until the present times

Friedrich List thought in geopolitical categories. His political and economic visions were part of his "policy of the future"⁶. In his lifetime he could only publish the first volume of his economic system under the title: "The National System of Political Economy". The second one was supposed to be published under the title of "Policy of the future". I discovered so many unknown essays of List's pencil an a lot of new details, so that it was possible

to reconstruct List's visions in a book which is published in German language. Like Friedrich Engels who published vol. II and III of "The Capital" after Marx's death, I have published vol. II of List's "National System" under the title of "Policy of the Future".⁷

List considered the three most important factors or forces acting on world economy to be the following:

- (1) growth of population,
- (2) increase of capital in the world and
- (3) promotion of the "productive powers".

In List's terminology "the theory of the productive powers" in combination with his "theory of values" is paramount and absolutely different from the terminology used by Smith and Marx. List's "productive powers" are the intellectual and creative potential of a nation, based on an excellent school and infrastructure system, whereas Smith thought that hand working alone is productive and Marx derived from hard work his value-added theory.

I just described List's "policy of the future" and discussed his foresight regarding the unification of the European countries. But I must also realize that List wouldn't have approved of the current situation of the European Union. He suggested the voluntary unification of countries on the same stage of development. This condition was unfortunately overlooked or ignored when the Euro was introduced. List would certainly state that our current problems of Europe stem from the fact that the member states have differing degrees of economic development and different social cultures. I believe that presently the distances between the development levels for example of Greece, Portugal, Cyprus and Bulgaria in comparison to Germany and France are much lower than the development distances in his 19th century between England, France and Germany. We must remember in List's lifetime Germany was an underdeveloped country and "Britannia ruled the waves" and made all revolutionary technical inventions, for example like the "Spinning Jenny" or the railroad.

The political union of the independent states of Germany and more recently, European integration and unification prove the relevance of List's foresight. For Europe he has seen two dangers. The first one was his conviction that Russia, this huge colossus – would try to extend its influence to Western Europe and East-Asia and would bring central and western Europe under its rule. Therefore List gave the advice: "If the western European countries were not willing to give up their national egotism and would not cooperate economically and politically, they will fall under the

military power and control of Russia.” Especially he was thinking of a close cooperation between France, a united Germany, the Benelux-States, Denmark and Switzerland.

As early as 1818 List developed his vision for Europe: “One day, the whole of Europe will celebrate the implementation of a new trading-system. Europe will organize a trading-congress that will gradually loosen the ropes and chains that prevented a free trade. Europe, split into many small fragments and interests will be unified to become a unique and growing power. In such a unified and liberalized common economic market, without protectionism and trade-barriers, Germany will become a great commercial link between East and West, and between northern and southern Europe. Under the umbrella of external and internal peace, it will achieve wealth and prosperity.”

The other danger for Europe, according to List, was the underdevelopment of the African continent. If it wouldn't be possible to control the population growth and to develop the African states politically and economically into a better social situation, List worried about the European continent and feared at long sight an immigration wave over Gibraltar. He criticized the European governments that they were destroying the traditional cultures in their African colonies!

List regarded the USA, Great Britain and France as the most advanced countries of his time, followed by Germany, which was not yet unified politically, and followed by Russia and Spain. List expected the US-American population to grow from 18 million people between 180 and 300 million by the end of the 20th century. This prediction was absolutely correct. Further he predicted the westward expansion of the USA and believed that America would dominate Mexico which would assume the role of a protectorate. He expected that the USA in the course of the 20th century shall become the Giant power in the West and he foresaw that Great-Britain would compete with the political and economic development of the USA, especially by extending her colonial power in Asia, Africa and Australia. England would create a trading-route to China and build trading-bases along this route. (Gibraltar, Malta, Cyprus, Aden, India, Singapore and Hong-Kong became examples of such bases).

List believed that the trading-route would be realized in the course of the 19th century. But he also was sure that the British Empire could not exist forever. The English colonies would fight for their independence. Parallel to the US ascent to a super-power status in the West, China would experience this same development in the East. At the end of the 20th century China would become the second giant power in the East with a larger

population than in the US and would at least reach the same economic level and wealth as the USA.

The most important goals in List's thinking are the economic and political unification of the 38 independent German territorial states. He was convinced that both aims couldn't be realized in one step. Therefore his first priority was the economic union, which was nearly a reality in 1834 by the German tariff-union. Afterwards, until his death in 1846, he fought for the political union, which was realised by the German Chancellor Otto von Bismarck in 1871.

List was the first German economist⁸ who discussed the economic and social situation in old China in the first half of the 19th century. He regarded China as an undeveloped colossus with high potential to furnish the whole of Europe with tea, sugar, silk and other textiles, valuable raw materials and precious stones. China's population, which is trained in strong discipline, obedience and hard work should be in a position to supply the whole Asiatic and European market with their products. But List also criticized old China's desolate government, its political instability and social misery, which he partly explained by the devastating effects of the British free trade policy. He wrote: "We believe it to be more likely that the Celestial throne and with it the entire mandarin empire, will collapse, than that millions of Chinese shall watch and suffer silently while the English destroy Chinese business and trade. How can the English believe that a people who have always produced textiles continue to survive and feed themselves, while British producers are flooding the Chinese market with cheap European products?"

List was convinced that most probably over a short or a long term, millions of unemployed farmers and workers would rebel and fight against the red-haired barbarians; the Chinese workers were forced to defend themselves against the invasion of English products. List expected that the English free-trade-experiment would explode in China like a steam boiler and end with a bloodbath. Furthermore, he believed that trade between China and England would be interrupted for a long time. We also can say that Friedrich List foresaw the opium wars in the middle of the 19th century and the Boxer Rebellion of 1900. These historical events were indeed social revolutions.

5. The current meaning of List's main work; "The National System of Political Economy"

In 1998 List's main work was reissued in France by internationally renowned political scientist Emmanuel Todd, who wrote the bestseller: „World Power

USA – An Obituary”. Todd looks at List’s work from the perspective of the negative consequences of globalization. Instead of global general prosperity and worldwide harmonious development as Adam Smith predicted, increasing enormous imbalances were created with the consequence of national and regional economic crises. Therefore it is no longer a question of intensively thinking about alternatives. List’s work is of central importance here. So far, no effort has been made to thoroughly study his “National System of Political Economy”, and to illuminate the depth and theoretical power of this book.

As a pragmatic citizen of the world, List revealed the disadvantages of classical economic liberalism, while demonstrating realism and intellectual strength. John Maynard Keynes was the logical continuation of List, because List’s theory from the early phase of industrialization was intensively Keynesian. List and Keynes were the two great theoreticians who have propagated a moderate or restrained capitalism, for they both combine the existential needs of the individual with the advantages of free competition, but reject economic philosophy in which the economic agents consider themselves as purely rational actors, as the homo oeconomicus theory makes believe.

Under the title “Sistema Nacional de Economía política con el anexo: ‘Ezbozos de economía política americana’, a new edition of List’s main work and the first Spanish translation of his “Outlines of American Political Economy” of 1927, was published in 1997 in Mexico. In the preface, the internationally renowned professor of economics at the Universidad de Mexico, Francisco Suárez Dávila, notes that the ideas of this classic of political economy are still valid, at least in parts of the world, even it has often been forgotten. In the current discussion about the fundamentals of economic development and the international discrepancies.

These ideas are still helpful; the timeless validity of List’s life and work reflects a fascinating biography that is fundamental to understanding his economic theories.

Dávila also recognized List’s charisma in the 19th and 20th centuries. He cited the reception of his ideas by the Russian Statesman Sergeji Juliewitsch Witte and their transfer to economic policy thinking in Japan and Korea as an example. In this context, Dávila also refers to the current debate on List’s theories in the United States. List’s historical merit was, that he was a critical economist who had uncovered and opposed the errors of the free-trade doctrine. Above all, his theory of productive powers in contrast to the theory of value, of a harmonious development of the three economic sectors: agriculture, industry and commerce, his protective tariff

theory and his theory of the subordination of production to consumption are of central importance. List's recognition of the state's key role in economic policy and the outstanding importance of education, training and science, as well as the infrastructure, especially railroad, steamship and telegraphy for building and developing an economy, are of general interest and timeless validity.

In 2006 Eduardo de Sousa Ferreira and Karin Paul Ferreira translated the "National System" in Portuguese language and published it with a short foreword. There are also newly translated editions in Chinese and Japanese languages.

Given the current debate triggered by the US President Donald Trump, the issue of "protectionism" has become very topical. But it would be a gross mistake, if one would bring this in connection to List. In the spirit of the infant-industry theory, List advocated a temporary education duty for the economically and industrially backward countries in certain industrial sectors in order to make their products internationally competitive. This is a completely different approach than Trump's protectionism, which aims to revive US rusty industries and other lagging production sectors.

Notes

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