

The Embargo of 1807

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For those living in America at the beginning of the 19th Century, the presence of war constantly loomed. Independence had just recently been won, and the British presence in America was still quite heavy. In order to combat the tensions America faced, Thomas Jefferson adopted a policy of neutrality in its most radical form – the Embargo of 1807. In this centralizing and interventionist act, Jefferson created a man-made boom in the American economy for a two year period while the embargo was effectively enacted. The boom, though short-lived through the embargo, created a temporary disruption of efficiency in the American business structure, and was a move that set a precedent for protectionist government policies in the future. However, despite these initial set-backs, Jefferson’s artificial stimulation for domestic goods through the enactment of the embargo, though it temporarily had negative effects on particular industries and the economy, led to the necessity of developing and expanding markets for American industry, which found its roots in the Western immigration.

Thomas Jefferson, as is commonly known, was one of the most influential men in the laying of the foundations for the America known today. As one of the founding fathers of the United States of America, as well as the writer of the American Declaration of Independence in 1776, his political ideology was influential in early America. In theory, Jefferson’s views sought to promote an America where democratic participation on behalf of the citizens was commonplace and the central power of government was limited. He sought to return America to an agrarian aristocratic way of life, where in the absence of a strong centralized government small “wards” would emerge as the dominant

infrastructure of society.¹ to be best understood as as the Greek word “polis,” would develop (Sheldon 1991, p. 67). These small wards would oversee the development and success of elementary education for children as well as “ ‘care for their poor, their roads, police, election, the nomination of jurors, administration of justice in small cases, elementary exercises of militia and all those concerns which, being under their eye, they would better manage than the larger republics of the county or state’ ” (Sheldon 1991, p. 68). Jefferson’s emphasis on citizen participation through a democratic form of government was a way in which he could ensure that the government would not succumb to the tyranny of power hungry men.

Obviously, Thomas Jefferson and his proposition to provide for a decentralized government conflicted with other majority opinions amongst the founders, such as the Federalists who sought to procure a centralized government through a liberal interpretation of the United States Constitution. On the contrary, Jefferson envisioned an America presidency whose role was “designed to minimize the government while democratizing it, and to lighten the burdens and enlarge the freedom of the citizenry” (Malone 1974a, p. 239). His goal for smaller government revealed itself in that Jefferson, upon his presidency in 1801, began to reduce the size of the army and therefore cut federal expenditures in order to reduce the national debt, one of Jefferson’s main goals while in office. He sought to do this by running continual budget surpluses. Surpluses would be primarily made through duties that the federal government would receive through tariffs on imported goods. Through such a policy as this, he was able to

¹ Wards should be best understood using the Greek word “polis” (Sheldon 1991, p. 67).

run budget surpluses, and from the years 1800 to 1811, drastically cut the national debt in half from around \$83,038,000 to \$45,210,000, even in light of the drastic cost of 15 million dollars of the Louisiana Purchase in 1804 (Gordon 1997, p. 206).

However, despite Jefferson's ideology of small democratic government in which the federal government was only to play a small role, two presidential acts on his behalf seemed to have contradicted this assertion for small government – the Louisiana Purchase of 1804 and the Embargo Act of 1807, the latter which will be the main concentration of this paper.

In the early 1800's, war raged between the British Empire and Napoleonic France, two of the world's greatest powers, in what are now known as the Napoleonic Wars. Though America was never directly involved in the war which lasted from 1793-1815, they were constantly involved peripherally, not by America's liking but because of British and French force. During Jefferson's two terms of Presidency, he advocated that America take a neutral stance concerning the Napoleonic wars. One of Jefferson's main reasons for such a political stance as this, besides the fact that Jefferson was attempting to cut government expenditures through a more limited government, was that he knew America was not equipped to engage itself in such a large scale war operation. America was indeed emerging as more of an international leader, yet its resources were still limited in amount and diversity, a limitation that would not permit the best performance in a war that would primarily be fought either on the seas or overseas in Europe.

War has been, and always will continue to be a game in which parties who do not want involvement are often involved. America and her President Thomas Jefferson did

not want to be part of this war; yet do to British and French interference with American commerce and shipping, they were involved whether or not they liked it. The war tactics that the British and French were employing upon one another was in the form of naval blockades where the countries were shutting each other off from trading with other nations, limiting each other in supplies and resources necessary for battle. These limitations imposed on these dueling countries by each other spawned the need for each to interfere with American shipping and commerce.

The British, along with the French, practiced acts of force upon the Americans by frequently boarding American ships, taking belongings, and claiming the ships for their respective governments. In total, the British alone confiscated and claimed for themselves up to 1,500 American ships, 20,000 seamen, and an estimated \$60,000,000 worth of property (Sheldon 1991, p. 100). Nevertheless, leading up to the Embargo of 1807, the American trade via the seas was becoming increasingly more successful. “Despite the interference from British warships, French privateersmen, and Tripolitan pirates, the years up to 1807 were prosperous for American shipping and agriculture. Registered tonnage in foreign trade had mounted from 123,893 tons in 1789 to 810,163 in 1807; exports from \$19,012,041 in 1792 to \$108,343,150 in 1807, and imports from \$29,200,000 in 1792 to 246,843,150 in 1807.” (Faulkner 1924, p. 248). The shipping industry was therefore continuing to do quite well even amidst the war-like policies on the seas. The prosperity that the Americans were experiencing was actually due to the war, and the immediate need for supplies from both the British and the French. The war

created an artificial stimulation of foreign demand for goods, and a consequent build-up in American production structures to meet this growing demand.

The prosperous commerce in which Americans engaged helped to provide America with the ability to specialize in areas in which they were the most adept. The Northern states of the United States of America had particular advantages in industries dealing with natural resources such as timber, and consequently shipping and naval construction. The furthering of trade through shipping allowed the North to make profit through the distribution of Southern agricultural products, which had a worldwide comparative advantage in the South at the time – such as tobacco and cotton. Both North and South were benefiting by the increased trade, which increased the standards of living for both regions.

As President of the United States, Jefferson understood how the country was benefiting from the increased and successful trade in which the country engaged. However, the presence of war as well as the losses on the sea that the country was incurring was a concern; for Jefferson knew that the country could not sustain continual losses of men, ships, and property on the sea due to the presence of the Napoleonic war. Jefferson desired to remain committed to his belief that America should remain a neutral nation during the war.

The British continued to impress American soldiers and utilize force on the seas against the wishes of the federal government and the presidency of Thomas Jefferson. These instigating actions by the British came to a head on June 22 of 1807, when the

British ship, the *Leopard*, took aggressive actions and opened fired on the American frigate the *Chesapeake*.

The *Chesapeake* was outfitted in Norfolk for a voyage to the Mediterranean where help was still needed to tame the hostile Barbary pirates. The frigate was captained by the acclaimed Captain James Barron who had gained national respect for his success in past years in the Mediterranean.

The problem that presented itself on June 22 was that men were constantly deserting British ships and would then go enlist on American ships. Many of the deserters were actually Americans who had been captured on the seas and been subjects of British impressments. Other deserters were British who deserted their motherland's ships in order to gain freedom by working for American ships. The deserters from British ships, whether British or American in citizenry, would enlist in American ships in assumed names and would therefore go "unidentifiable" (Malone, 1974b, p. 419). British officers believed that there were men who had deserted who were now under the orders of the *Chesapeake* (419).

Certain British writers have called attention to a group of five deserters from the H.M. Sloop *Halifax* who were alleged to have enlisted on the *Chesapeake* and to have scoffed at their former officers on the streets of Norfolk...The name of one member of this group, Jenkin Ratford, alias John Wilson, an unquestionable Britisher who was said to have been particularly insulting to one of his former officers. (419)

The British who were stationed around Norfolk were given orders by high ranking British authorities to retrieve these deserters from American ships, even if it meant the

use of force. The orders fell upon the *Leopard*. On the 22nd of June, “in mid afternoon, some three leagues off Cape Henry, the *Chesapeake* was hailed by her (the *Leopard*); and Barron learning that her captain desired to send a messenger aboard, caused his ship to heave to. The officer presented to him Berkeley’s (Vice Admiral in the British Navy) letter ordering that the ship be searched for British deserters” (Malone 1974b, p. 421). Captain Barron of the *Chesapeake* replied to the British letter by saying that he knew of no such men on board his ship. Because of the American’s defiance in not allowing the British to search the ship for deserters, the *Leopard* opened fired upon the *Chesapeake*; whereupon the British officers boarded the ship and retrieved those who were deserters, including the five deserters from the H.M. Sloop *Halifax*. In the skirmish three Americans were killed, eight others were seriously wounded, as well as the slightly wounding of ten, including the Captain James Barron.

This act by the British was in open defiance of the American policy of neutrality on the waters, the aim of President Jefferson.

Although she was no match for the more powerful *Leopard*, it afterwards appeared that she was gravely unprepared. But regardless of the responsibility for her condition, and regardless of any provocation of the British by the reception of deserters, it was an incontestable fact that they had violated American sovereignty, fired on the flag, and destroyed American life and property. Wars have often been occasioned by lesser incidents. (Malone 1974b, p. 422)

Jefferson had to do something about this. Knowing that America could not go to war, though in some way having to take a stand for their liberty and freedom for which they

had won less than 25 years prior, he devised a diplomatic plan to neutrally fight the war going on overseas. The plan was Jefferson's embargo.

In 1807, Jefferson effectively pushed for the Embargo Act to be enacted by Congress, an act that seemed to contradict Jefferson's stance on limited federal government while maintaining his stance on the neutrality of the nation during war time. The embargo would restrict all commerce with foreign nations, whether imports or exports. Jefferson saw this as a grand experiment, a new means of practically fighting a war under neutral grounds. The embargo's goal in his mind was to accomplish two main goals. It was first and foremost an attempt to prevent the seizure of American ships, sailors, and property that came to a climax in the infamous meeting of the *Chesapeake* and *Leopard*. Secondly, the embargo was to be used as a diplomatic and economic tool to cut off revenues for Britain and France in an attempt to bring them to peaceful terms of treaty. Such a policy would continue indefinitely until it brought about the desired results – peace between the two dueling world powers.

Jefferson thought that the embargo was the best alternative to war. He could either have gone to war, risking many more men and property in what would likely risk the stability of the United States, or he could “stay at home and preserve our flag from the insults it was certain to meet on the high seas or in French ports. In the nature of a compromise measure, the embargo contained features common to both war and submission” (Sears 1966, p. 3).

The embargo, then, could be viewed in two different perspectives. Under the first perspective, the embargo can be viewed as a coercive and active measure to combat the

war, the idea that Jefferson stated. According to such a view, the neutrality founding the Embargo Act would put exceedingly great pressure on the European consumers in both France and England to realize how their respective governmental policies while at war were restricting the citizens' supply of goods. On the other hand, the embargo was the "twin brother of surrender, for it was idle to imagine that those rights were defended whose possessor dared not even assert them" (Sears 1966, p. 3). Though Jefferson wanted to maintain American liberty and freedom from the brutalizing tyranny of the British and the French on the seas, his resolve seemed submissive. Nevertheless, it seemed that the embargo was the only viable option rather than going to war.

The self-blockading of the American ports of the embargo restricted all trade of the states with foreign nations.

As has been previously mentioned, the embargo itself seemed contradictory to Jefferson's ideological claims for small government. The contradiction seemed to be further exacerbated by the actual terms of the embargo. The terms of the embargo, more than just simply closing off the ports for trade included "constitutionally questionable search and seizer practices toward suspected smugglers and federal dictates to states' governors over enforcement procedures" (Sheldon 1991, p. 100). Such procedures seemed as an explicit contradiction of Jefferson's political ideas and the constitution.

Jefferson seemed less concerned about his compact theory of federalism when he pressured the Mass. Governor to reduce imports of food, dispatched gunboats off the coast of New England to capture smugglers and offered stern advice to the governor of Vermont in dealing with Canadian smugglers: 'I think it so important in example to crush these audacious proceedings, and to make the offenders feel

the consequences of individuals daring to oppose a law by force, that no effort should be spared to compass the object” (101).

Jefferson referred to the gains that these “audacious proceedings” were generating as the “unlawful profits of the most worthless part of society” and hence adopted quite interventionist policies to deal with these smuggling insurgents (Malone 1974b, p. 591). National Security and independence justified the embargo and the implementation of these centralizing powers and the suspension of economic freedom in America. Due to the intervention and the extent of enforcement, Federalist critics of Jefferson began to call him “Thomas the First” (486).

Obviously, many people seemed hesitant to accept the Jeffersonian policies imbedded in the embargo and the justification for its implementation (national security and independence), yet they simultaneously knew that it was “the only practicable alternative to war or national humiliation” (Sheldon 1991, p. 101). Moreover, there were many politicians who did not agree with Jefferson’s policy on the war. However, the absence of oppression by the British on American shipping silenced many of the critics of the embargo. Even John Quincy Adams, an adamant opponent of Jefferson’s who endorsed government regulation of individual property, stated that “[It is] an experiment to see how far the Government might calculate upon the support of the people for the maintenance of their own rights” (Malone 1974b, p. 584).

Unfortunately, though the oppression of American ships and sailors ceased, the embargo hurt America more than the two countries engaged in the Napoleonic war, upon whom the embargo was supposed to put pressure. The industry that was effected most

immediately and the harshest by the embargo was the shipping industry. This venture was the main line of business upon which the Northerners placed great importance.

Furthermore, the welfare and status of the North's shipping business was the basis upon which the South was able to distribute their vast array of agricultural products.

Therefore, "New England shipowners, who had been making fat profits in spite of the risk of seizer, because of war trade at high rates, suffered much more from the embargo than the belligerents" (Soule 1952, p. 15). War was a profitable business which spurred production in the United States, but now was completely halted by the embargo:

"America had prospered by the Napoleonic War, our tonnage of shipping having mounted from six hundred thousand to one million two hundred thousand, so as to carry a foreign trade worth one hundred million yearly, all or which would be sacrificed by the embargo, at a cost of twenty-five dollars per capita" (Sears 1966, p. 149).

Despite the spur of growth in American industries due to the Napoleonic War, America was dependent on foreign trade in order to meet its consumer supply for such products as textile cotton and iron, and was not in a favorable position to independently sustain itself with the current production capacities it had at the start of the embargo. Due to the terms of the embargo, exports fell from 108 million in 1807 to 22 million in 1808, a drastic drop (Heilbroneer 1977, p. 25) while imports fell an estimated 139 million in 1807 to 57 million in 1808 (Faulkner 1924, p. 250).

The effects of the embargo were quite visible to those Americans around port cities, having drastically affected the amount of trade and necessity for shipping. A British traveler commented that New York

‘was full of shipping, but they were dismantled and laid up. Their decks were cleared, their hatches fastened down, and scarcely a sailor was to be found on board. Not a box, bale, cask, barrel, or package, was to be seen upon the wharves. Many of the counting houses were shut up or advertised to be let; and the few solitary merchants, clerks, porters, and laborers that were to be seen, were walking about with their hands in their pockets...the coffee-houses were almost empty;...The streets near the waterside were almost deserted; the grass had begun to grow upon the wharves...’ (250).

For the time that the embargo lasted, those areas of productivity in which America had been efficient and held a comparative advantage were of no use, at least for the time being. There was still a comparative advantage in such industries as timber and shipping in the North and in the production of agricultural goods in the South, yet the markets were now limited in size and extent due to the embargo. Therefore, though “the embargo ruined the export trade, it brought sudden profits to anyone who could make the articles that were no longer available from abroad” (Heilbroner 1977, p. 25). Productivity was then spawned by the new-found need to produce internally in the areas of cotton and woolen mills, the production activities of making glass, iron, pottery, and hardware.

One of the main goods that America imported that was no longer available from Great Britain was finished cotton goods. The Southern colonies great production of cotton was continually shipped overseas to be finished in British cotton mills. However, when the embargo went into effect in 1807, this overseas market was no longer available to Southern growers. Simultaneously, there was much unmet demand in the American consumer population for these finished cotton goods which went primarily towards the

construction of clothing. In order to meet the demand by consumers and the growing supply of raw, unused cotton in the South, capital and investments which were once used primarily for the shipping industry were now diverted towards manufacturing finished cotton goods. “As a result, whereas only fifteen cotton mills had been built prior to 1808, eighty-seven mills were erected in 1809, and the textile industry continued its expansion, albeit at a slower pace, until 1812” (Heilbronner 1977, p. 25).

Jefferson had always been opposed to movement that advocated manufacturing, a production process which contradicted his beliefs of an aristocratic and agriculturalist society (Heilbronner 1977, p.25). However, in a letter to Benjamin Astin he wrote, “We have experienced what we did not then believe...: that to be independent for the comforts of life we must fabricate them ourselves. We must now place the manufacturer by the side of the agriculturalist” (25). In order for America to be independent from the tyranny of the British and French, meant that the United States had to on its own strength build up its capital production structure to produce these sought after consumer goods. The pressure of the embargo that forced investments to move from shipping to cotton generated great growth. As mentioned, the number of mills increased to eighty-seven in 1809, a number which continued to increase when in 1815 there was a total of 213 mills in operation (Nettles 1962, p. 203). In sum, the total amount of raw cotton consumed from 1800 to 1815 rose from 8,000,000 pounds to 31, 500,000 (203-204).

The only problem that presented itself to the American manufacturers was that this birth of manufacturing was only due to the presence of the embargo and the war. The newfound success was soon to face foreign competition from the British when the

Embargo Act was repealed in 1809. English “stood ready to dump large quantities of goods in this country at low prices in order to regain the American trade. They hoped, as Henry Brougham admitted in Parliament, ‘to stifle in the cradle those rising manufactures in the United States which the war has forced into existence’ (Johnson and Kroos 1953, p. 112). Hence, when the embargo was finally repealed and the stimulation for production due to the War of 1812 ended, the English began to export to the United States large quantities of finished cotton products, as well as other finished goods, at prices lower than their American counterparts. “The return of peace (early in 1815) and the revival of foreign commerce and the next three years brought an era of prosperity to nearly everyone, except to the owners of the textile mills and iron manufactories along the eastern coast, most of which were compelled to shut down on account of a deluge of importations from England” (Johnson 1915, p. 213).

In such times of peace, the only remedy to procure hope for American manufacturers was to create a market domestically for them. Manufacturers knew that in order for such a market to be created, protectionist measures had to be adopted by the federal government. “The consequent rise of a considerable class of manufacturers, whose success depended largely on the continuance of protection, formed the basis of a strong movement for more decided limitation of foreign competition” (Taussig 1964, p. 17).

As the Napoleonic wars came to a close in 1815, the English again stood ready to dump excess supplies on foreign markets, including America’s own market. Calls for protective measures were taken up in Congress, when the tariff act of 1816 was put into

place. The weight of the tariff of 1816 would fall upon those areas of industry where production had increased due to the embargo and the War of 1812 – namely the manufacturing industry of textile fabrics. Duties under the act were raised to around 20% on such imports. The higher duties were supported in Congress and politicians for their protective nature as well as a means of helping to pay off the debt from war expenditures generated during the War of 1812. In general, “the attempt made to relieve the distressed manufacturers by the passage of the tariff of 1816 was apparently ineffectual” (Johnson 1915, p. 213). Such a result led to the fact that “some time after the close of the war and the enactment of the tariff of 1816, there was no pressure for a more vigorous application of protective principles. The general expectation was, that the country would fall back into much the same state of things as that which had existed before 1808 that agriculture and commerce would again be as profitable as during the precious period, and would be as exclusively the occupations of the people” (Taussig 1964, p. 19). The Americans who held such a view were mistaken, as the

long pent-up stream of English merchandise may be said to have flooded the world at the close of the Napoleonic wars. In this country, as in other, imports were carried beyond the capacity for consumption, and prices fell much below the normal rate. The strain of this over-supply and fall of prices bore hard on the domestic manufacturers, especially on those who had begun and carried on operations during the restrictive period; and many of them were compelled to cease production and to abandon their works. (20)

Thus, the American markets and manufacturers felt a two-fold pressure on their successes, the end of two major wars – the War of 1812 and the Napoleonic War - which brought about trouble for many of the manufacturers who had gained success. These

failures and other economic problems in the money supply resulted in the Panic of 1819, which was the basis for continuing the call and the implementation of future protectionist policies, policies which are still in effect today.

Though the American experience of manufacturers was somewhat bleak at this time, the innovations of transportation technology – such as roads, turnpikes, and steamboats – began to open up the American landscape for an increased range of markets, as well as new opportunities for endeavoring Americans and immigrants. People then were moving westward with a “new vigor,” that had not been seen in the past (Johnson 1915, p. 213). The costs of transporting people and goods was decreasing as the means were becoming more wide spread. At this same time, the country was experiencing an increase in population from the influx of numerous immigrants (222). Such an increase in immigrants, mainly in the East Coast, gave the labor supply a welcome stimulus for the struggling manufacturing firms of the region. These two occurrences – westward movement due to technological innovations and the growth of immigration into the United States – greatly influenced the expansion of markets demanding domestically produced goods. The East Coast manufacturers struggling to compete with the lower costs of English goods, then, turned to the west as a new and untouched market, made available through cheaper transaction costs. “The advent of the steamboat and increase of population and capital in the West made it unnecessary for the farmers to act as their own merchants and transporting agents” (214). Rather than produce the necessities themselves and attempt to be self-sufficient, the only option endeavoring pioneers would have in the absence of the new-found technology, these

farmers could rely on Eastern manufacturing to supply their need. “New England, New York, and Pennsylvania were manufacturing the clothing and iron utensils for the West and South, and the rising tide of foreign immigration was swelling the population of the eastern manufacturing centers” (222). Essentially, markets were continuing to increase, providing for the manufacturers, who were birthed during the embargo and war years, to continue further production.

The territorial division of labor already begun could have but one result – a tremendous expansion of domestic trade. That this expansion had already commenced was amply evident from the fact that notwithstanding the large growth in wealth and population from 1820 to 1830, the imports of the United States had increased but slightly. (222)

What effectively took place in the country during this time period was a systematic increase in the specialization of production throughout the country. Through increasing specialization, and also in conjunction increasing the division of labor, the overall extent of the market was growing – incorporating within it more consumers, more suppliers, and a wider array of specialty goods. As the extent of the market increases through the expansion of the division of labor, Murray Rothbard states that accordingly, standards of living and wealth will too grow. Such a theoretical conclusion was then seen in the United States at this time.

In conclusion, the Jeffersonian push for the adoption of the Embargo Act in 1807 and its consequent Congressional approval, paved the way for America’s initial steps into the field of manufacturing, a production process once solely rendered for the British Empire. Such advantages to the British led to the lasting ideology of protectionism or

American manufacturers. However, though the American manufacturing process faced hindrances towards its progress, such as the ending of the War of 1812 and the Napoleonic War, the ever increasing market of new pioneering consumers in the West gave manufacturing its first true start.

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