

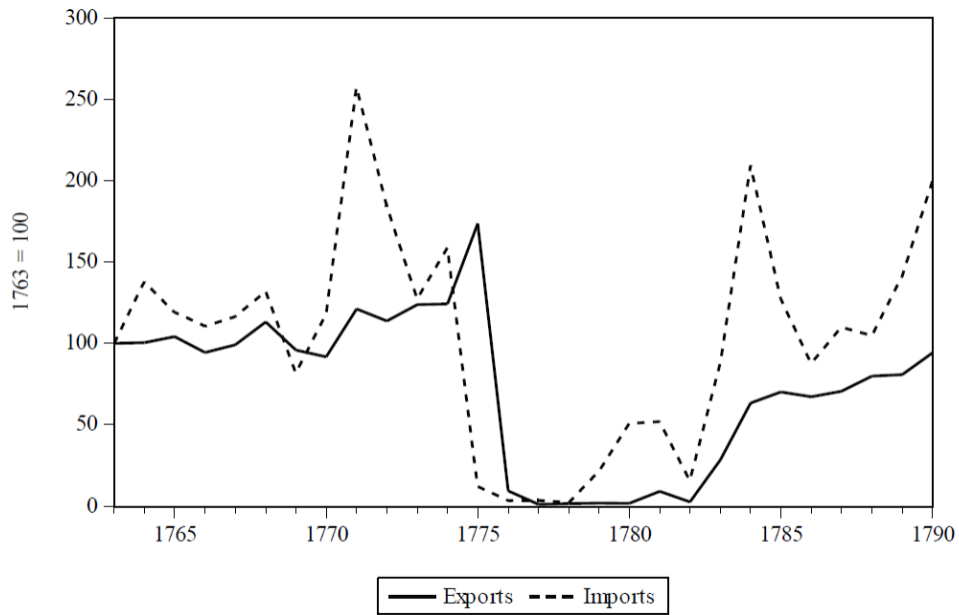
Trade Policies in the Early Republic

Jesús Fernández-Villaverde¹

September 14, 2023

¹University of Pennsylvania

- Trade policies are a key component of the political economy of the early republic.
- Central role in the formation of the first Party System:
 1. Different views on how economic life should be conducted.
 2. Different views on the foreign relations of the U.S.
- At the core of the first armed conflicts of the new independent U.S.:
 1. Quasi-War with France (1798-1800).
 2. First (1801-1805) and Second Barbary Wars (1815).
 3. War of 1812 (1812-1815).



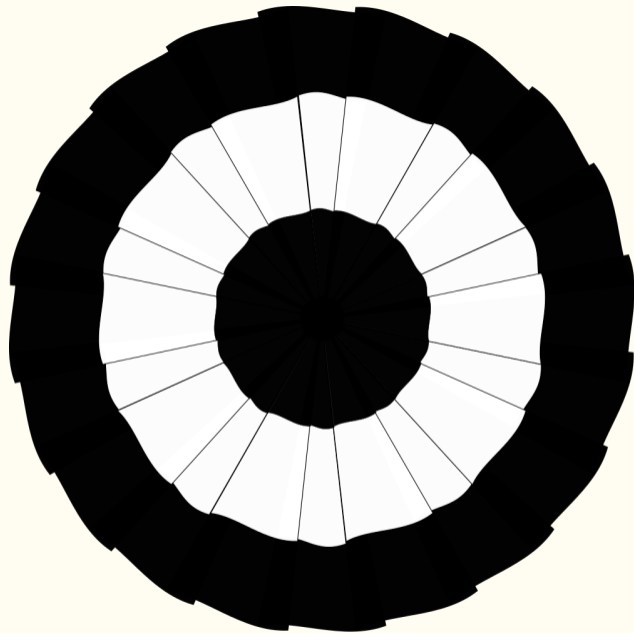
CLASHING OVER COMMERCE

★ A History of US Trade Policy ★

DOUGLAS A. IRWIN



The reciprocity debate



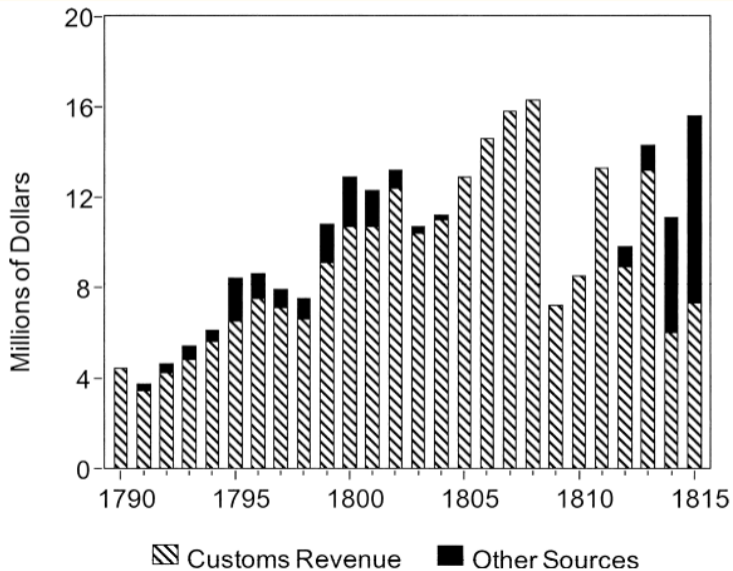
The Federalist side

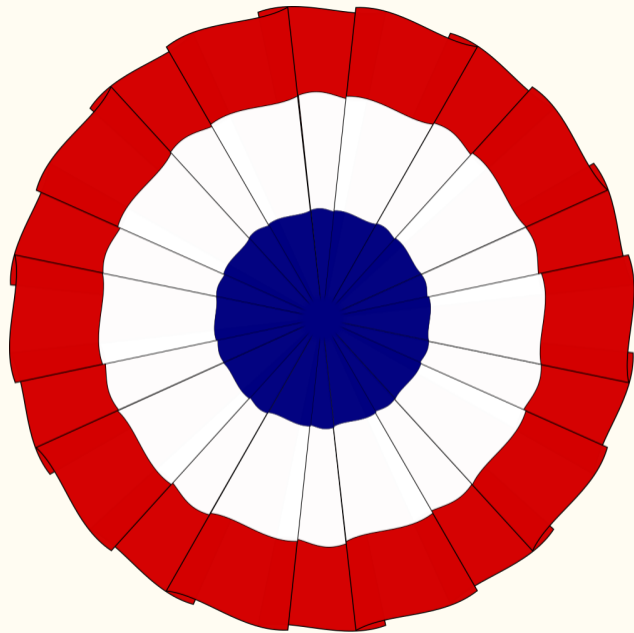
- Federalist political base is mainly commercial states (New England and mid-Atlantic).
- Federalist want friendly commercial relations with Great Britain, which provides the best foreign market, and avoid a trade war.
- Hamilton believes the U.S. is much weaker commercially and has more to lose from a war.
- Also, Hamilton is concerned with a steady stream of revenue to support paying debt and establishing creditworthiness.
- He wants to avoid loss of revenue from duties on imports and unexpected spending that would occur in a conflict.

Alexander Hamilton, Fact No. I, September 11, 1792

“Nothing can more interest the National Credit and prosperity, than a constant and systematic attention...for extinguishing the present debt, and to avoid as much as possible, the incurring of any new debt.”

Federal government revenue





The Democratic-Republican side

- Political base in the south.
- Democratic-Republicans despise Great Britain for mercantilist policies, especially exclusion of U.S. ships from the British West Indies, which harmed southern exporters.
- Jefferson: “dependence begets subservience and venality, suffocates the germ of virtue...”
- Madison: “Britain has bound us in commercial manacles and very nearly defeated the object of our independence.”
- Democratic-Republicans want trade preferences for France to cultivate an alternative partner.
- Democratic-Republicans want tonnage duties a) lowest on U.S. ships (6 cent per ton), b) higher rate on foreign ships with commercial treaty with the U.S. (30 cents; e.g., France), c) highest for those countries that do not have a treaty (50 cents; e.g., Great Britain).
- Democratic-Republicans find unacceptable not to punish Great Britain who highly restricts wheat, fish, etc., with some products banned entirely.

The negotiation stand

- Madison and Jefferson confident that the U.S. has upper hand as it imports manufacturing trifles while Britain import essential foodstuffs.
- Thus, the U.S. must fight for reciprocal treatment.
- Jefferson forecasts that the small European states will actively engage in trade with the U.S. and replace some of the commerce lost with Great Britain.
- “Our commerce is so valuable to them, that they will be glad to purchase it when the only price we ask is to do us justice.” (i.e., open trading policies).
- House passes Madison’s plan in May 1789, but Senate rejects in favor of 50 cents on all foreign ships. Hamilton working behind the scenes.

The Revolutionary and Napoleonic Wars and the U.S.

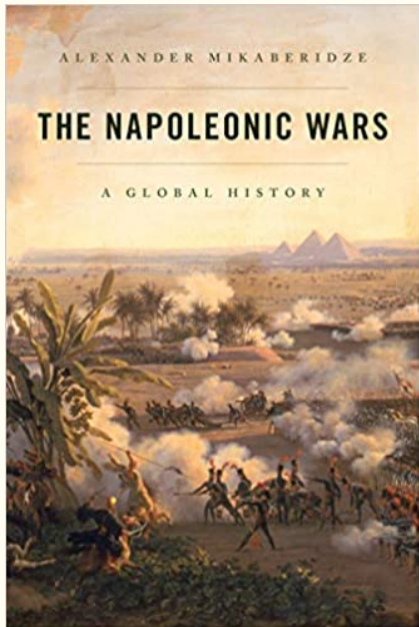
The Revolutionary and Napoleonic Wars

- French Revolution starts in 1789.
- Growing tensions between France and other monarchical powers.
- War of the First Coalition (1792-1797) opens when France declares war on Austria. Mix of ideological and traditional power concerns.
- War expands when France declares war on Great Britain and the Dutch Republic on February 1, 1793, and on Spain on March, 7, 1793.
- Century-long conflict between France and Great Britain is suddenly “turbocharged” by ideological considerations.
- Practically without interruption, France and Great Britain would be engaged in a global war until the Battle of Waterloo (June 18, 1815) ends the War of the Seventh Coalition and Napoleon is sent to Saint Helena.

ALEXANDER MIKABERIDZE

THE NAPOLEONIC WARS

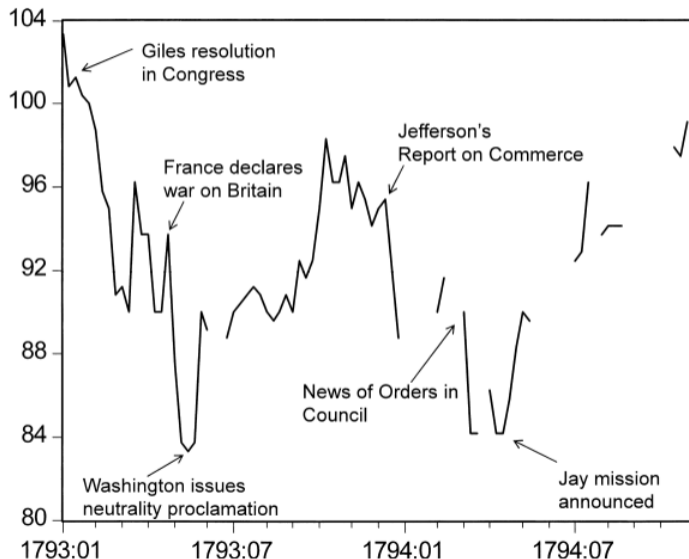
A GLOBAL HISTORY

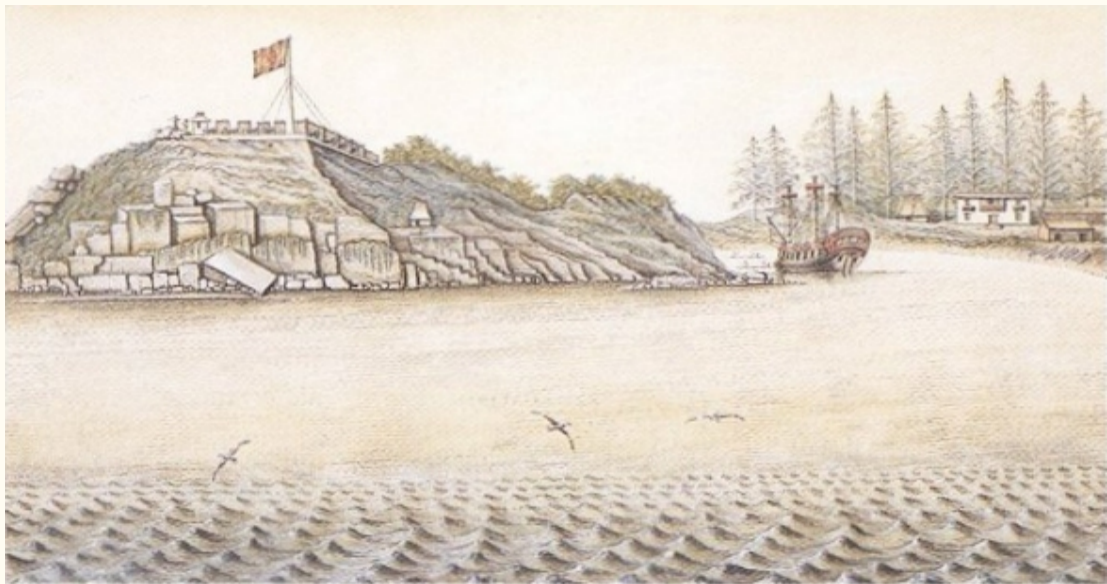


The U.S. in the middle

- The U.S. has a precarious position between France and its allies and the Coalition powers. What if Britain asks for permission to cross the U.S. to attack Spanish America?
- Tiny army and no navy (“republican” suspicions against standing armies).
- Nonetheless, the international scenario opens a unique geostrategic opportunity for the U.S. to consolidate as a North American power, as the other three North American powers (France, Spain, and Great Britain) are otherwise occupied.
- It solved, for instance, the Nootka Crisis in favor of the U.S. (Third Nootka Convention on January 11, 1794).
- It also allows for Russian penetration in Alaska.
- Also, Haitian Revolution (1791-1804). Washington administration supports planters.

Securities prices in New York







Ново-Архангельскъ.



The impact on trade

- Economically, the U.S. receives a tremendous export boost as many Great Britain and French merchant vessels are deployed by their navies.
- U.S. reexports soar and exceed domestic exports, which pushes up shipping rates.
- Shipping earnings surge and, by mid 1790's, U.S. ships are carrying 90% of U.S. foreign commerce.
- But higher shipping rates hurt southern exporters.
- Furthermore, exporters from Virginia and South Carolina are doubly injured as reexports crowded out domestic exports.
- However, nearly from the start, the U.S. trade generates tricky international law questions.

International law and freedom of navigation

- Can U.S. hulls transport British or French goods (or goods destined to these countries)?
- Two positions:
 1. Consolato rule: *Consolat de Mar* of the Crown of Aragon. Enemy goods carried in neutral hulls can be captured.
 2. “Free ships make free goods”: Hugo Grotius (1583-1645) argues that goods carried in neutral hulls (except contraband) are protected.
- Large powers (e.g., Great Britain) support Consolato rule and small powers (e.g., U.S.) “Free ships make free goods.”
 1. Great Britain goes even further and enacts *Rule of 1756*: if a neutral nation is prohibited from a type of trade during peacetime, then it is also prohibited from the same trade during wartime.
 2. U.S. insists on “Free ships make free goods” in its 1778 treaty with France.





Britain's early moves and Jefferson's proposal

- In June 1793, Orders in Council enacted by Great Britain to inhibit trade with France and exports of foodstuffs to any port controlled by France are subject to seizure (free ships do not mean free goods).
- Britain seizes 300 ships in West Indies trade and jail or impress crews.
- Jefferson urges for reciprocity against British trade using high duties and prohibitions.
- Two-part tariff schedule, one for goods from preferred countries and a higher set non-preferred countries (Great Britain).
- Jefferson argues it will promote domestic manufacturing (a change of view for Jefferson).
- But importantly, Jefferson is never in favor of large scale manufacturing, but small scale manufacturing of goods. "We consider a sheep for every person in the family as sufficient to clothe it ..."

Hamilton's opposition

- Hamilton argues this proposal will not change British practice and hurt the U.S. more than Great Britain.
- Trade with Great Britain, even with British restrictions, is more valuable to us than to them.
- Britain sends 20% of its exports to U.S., while only 6% of imports come from U.S., whereas U.S. sends 90% of its exports to Great Britain and imports 25% of goods from Great Britain.
- Some Federalists even defend the Consolato Rule: “Free ships make free goods” will benefit France and make U.S. lose trade revenue.
- Because of ideological reasons, Jefferson and Madison want to support France and honor 1778 alliance, Hamilton wants to avoid any conflict.
- Washington issues Proclamation of Neutrality on April 22, 1793 (drafted by Attorney General Randolph).
- French envoy Edmond-Charles Genêt tries to push the U.S. toward France.

By Authority.

By THE PRESIDENT of the UNITED STATES OF AMERICA,
A PROCLAMATION.



WHEREAS it appears, that a state of War exists between Austria, Prussia, Sardinia, Great-Britain, and the United Netherlands, of the one part, and France on the other, and the duty and interest of the United States require, that they should with sincerity and good faith adopt and pursue a conduct friendly and impartial towards the belligerent powers :

I have therefore thought fit by these presents to declare the disposition of the United States to observe the conduct aforesaid towards those powers respectively ; and to exhort and warn the citizens of the United States, carefully to avoid all acts and proceedings whatsoever, which may in any manner tend to contravene such disposition.

And I do hereby also make known, that whosoever of the citizens of the United States shall render himself liable to punishment or forfeiture under the law of nations, by committing, aiding or abetting hostilities against any of the said powers, or by carrying to any of them those articles, which are deemed contraband by the *modern* usage of nations, will not receive the protection of the United States against such punishment or forfeiture ; and further, that I have given instructions to those officers, to whom it belongs, to cause prosecutions to be instituted against all persons, who shall, within the cognizance of the Courts of the United States, violate the law of nations, with respect to the powers at War, or any of them.

In Testimony whereof, I have caused the seal of the United States of America to be affixed to these Presents, and signed the same with my hand. Done at the City of Philadelphia the twenty second day of April one thousand seven hundred and ninety three, and of the Independence of the United States of America the seventeenth.

G. Washington.

By the PRESIDENT,
TH: JEFFERSON.



A first trade embargo

- In March 1794, Great Britain blockades the entire French West Indies.
- Wave of anti-British sentiment.
- House passes 30-day embargo on all shipping to foreign ports, but defeated in the Senate (John Adams breaks a tied vote).
- France retaliates and starts seizing U.S. cargo.
- Hamilton: embargo will lead to “derangement of our revenue and credit.”

Jay Treaty

- The Treaty of Amity, Commerce, and Navigation or Jay Treaty signed in late 1794.
- Negotiated by John Jay (1745-1829), who was at the time the Chief Justice (but SCOTUS only decided 4 cases in 6 years!).
- Main points:
 1. Britain evacuates North American frontier posts, pays damages caused by Orders in Council, and open British West Indies to small U.S. ships.
 2. The U.S. gives up “free ships make free goods” doctrine and accept Britain’s right to seize goods bound to its enemies from neutral ships and *Rule of 1756* and fails to stop impressment.
 3. Also, both nations give each other most favored nation’s status and non-discrimination in terms of duties.



Reactions I: With the U.S.

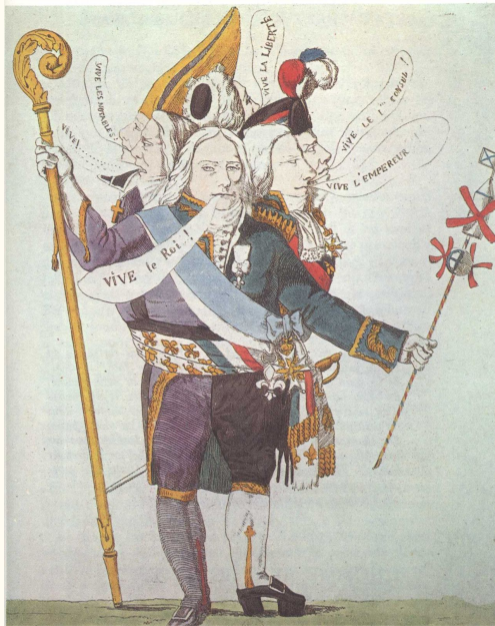
- Terms are so embarrassing that Washington delays forwarding to Senate and keep it secret for as long as possible.
- When leaked it causes an uproar: Jefferson thought it “execrable” and Madison “a ruinous bargain.”
- On the other hand, Hamilton writes a 53-page analysis of the treaty urging Washington to sign the treaty and pens a series of essays under the name “Camillus” defending it in public.
- Thus, a key cleavage between Democratic-Republicans and Federalists: major reason for the formation of the First Party System.
- Approved 20-10 in June 1795 (minimum majority).
- Edmund Randolph is asked by Washington to resign as Secretary of State due to his opposition to the treaty and his correspondence with France about it.

Reactions I: With the U.S.

- While, in the short-run, the treaty was one-sided toward Great Britain, in the long-run it was a deeply shrewd bet by the U.S.:
 1. It shows that Jay and Federalist understood Britain would eventually prevail against the French.
 2. It establishes a modus vivendi with Britain and the Royal Navy in the Americas.
 3. It helps in the negotiations with Spain: Pinckney's Treaty, 1795.
- Also, the first assertion of executive privilege when George Washington refuses to comply with a request by the House of Representatives (initiated by Edward Livingston) for documents related to the negotiation of the treaty. Again, Hamilton provides Washington with legal support for this position.

Reactions II: Quasi-War with France (1798-1800)

- France retaliates against U.S. shipping:
 1. It closes ports to neutral ships and confiscates any neutral vessels that visited a British ports or carried British goods.
 2. Over the next six years, France seizes 2,000 U.S. ships and confiscates \$20 million worth of goods.
- Congress responded by suspending repayment of French loans.
- In June 1798, after the XYZ Affair, Congress bans all commerce with France and its colonies and, on July, authorizes the use of force.
- Washington takes notional command of the army.
- Tensions within Federalist Party between John Adams and Alexander Hamilton regarding how should be in effective control of the army.
- Also, Hamilton wants to preemptively attack Spanish Florida and Louisiana.



Reactions II: Quasi-War with France (1798-1800)

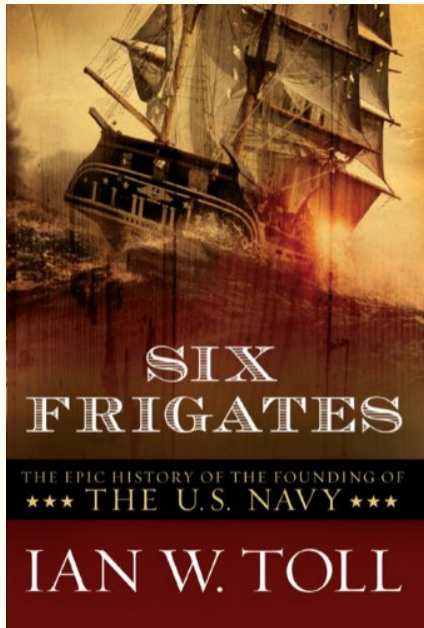
- Naval actions in U.S. coastal waters and the Caribbean. U.S. Navy does well.
- Convention on September 1800: the U.S and France reach an agreement wherein the U.S. drops claims for shipping losses in exchange for an end to hostilities. End of 1778 alliance.
- John Adams considers that the Convention with France was his highest achievement.
- Factor in the 1803 Louisiana Purchase. Napoleon finds Haiti is lost and wants to disengage from the Americas (he had just re-acquired the Louisiana from Spain in 1801).

The Quasi-War

THE POLITICS AND DIPLOMACY OF THE
UNDECLARED WAR WITH FRANCE, 1797-1801



by Alexander DeConde



SIX
FRIGATES

THE EPIC HISTORY OF THE FOUNDING OF
★★★ THE U.S. NAVY ★★★

IAN W. TOLL

Jefferson's trade embargo

A new administration

- After the contested election of 1800, Jefferson administration inherits commercial peace with Great Britain and France.
- Trade becomes even less of an urgent issue after the temporary truce between Great Britain and France in 1801 (end of the War of the Second Coalition, 1798-1802).
- Jefferson gets rid of internal excise taxes, so Government entirely dependent on import duties for revenue.
- But, in 1803, war in Europe resumes (War of the Third Coalition, 1803-1806).
- With Napoleon in power in France, Britain is even more adamant than ever before to defeat the French.
- Attempt by both belligerents to strangle each others trade.

Rule, Britannia! rule the waves

- Great Britain gains control of the seas after the Battle of Trafalgar (October 21, 1805).
- Perhaps the most decisive naval victory of all times: 22 ships of the line destroyed or captured.
- At the same time, Napoleon wins his most decisive victory at the Battle of Austerlitz (December 2, 1805), making him the hegemon in the continent.
- Royal Navy blockades the entire coast of Europe in 1806.
- Britain patrols just off the U.S. coast and interdicts (and often seizes) shipping.
- Also, impressment of U.S. sailors suspected to be British subjects resumes: as many as 10,000 U.S. seamen.
- France responds with the Continental System: Berlin Decree of 1806.



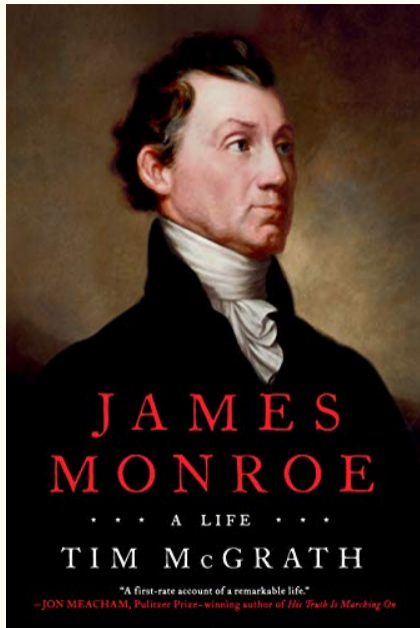


The Essex decision

- *Essex* is captured while carrying cargo from the French West Indies to France.
- High Court of Admiralty makes a decision in May 22, 1805 applying the *Rule of 1756*.
- The Lords Commissioners of Appeal in Prize Causes decide that a brief stop at an U.S. port (“broken voyage”) does not protect an enemy cargo when the intended final destination is an enemy port.
- In 1806, Congress passes a Non-Importation Act, on select British manufacturing goods (postponed enactment until conclusion of negotiations).
- Examples: All articles of which leather, silk, hemp, flax, tin (except in sheets), or brass was the material of chief value; all woolen clothes whose invoice prices shall exceed 5/- sterling per square yard; paper; nails; hats; beer, ale, and porter.
- Albert Gallatin complains the act is badly worded and lack specificity.

The Monroe-Pinkney treaty

- James Monroe and William Pinkney negotiate with the British a formal commitment to end impressment, allowing for re-export of goods if a small transit duty is paid, and a restrictive interpretation of contraband.
- In exchange, U.S. agrees not to impose retaliatory trade legislation for a decade.
- Despite being quite a favorable treaty for the U.S., Jefferson refuses to submit it to the US Senate for ratification.
- Jefferson rejects the deal because no formal commitment on impressment.
- Big missed opportunity as it leaves only bad options: acquiesce, trade sanctions, or war.





Orders in Council, 1807

- Privy Council of Great Britain issues Orders in Council (1807) as a response to the Berlin Decree of 1806:
 1. French trade with Great Britain, its allies, or neutrals is forbidden.
 2. Royal Navy will blockade French and allied ports.
 3. All shipment to Europe must stop in British ports to be checked for military supplies that could have aided France. Ships that do not stop are liable to British seizure.
- Milan Decree by Napoleon: no country in Europe is to trade with the United Kingdom. The Milan Decree will be a central factor in Napoleon's invasion of Russia in 1812 and his eventual defeat.
- Other countries also object: Copenhagenization against Denmark-Norway in 1807.

Carte Figurative des pertes successives en hommes de l'Armée Française dans la campagne de Russie 1812-1813.

Dessinée par M. Minard, Inspecteur Général des Ponts et Chaussées en retraite. Paris, le 20 Novembre 1869.

Les nombres d'hommes présents sont représentés par les largeurs des zones colorées à raison d'un millimètre pour dix mille hommes; ils sont de plus écrits en travers des zones. Le rouge désigne les hommes qui ont été en Russie; le noir ceux qui en sont restés. Les renseignements qui ont servi à dresser la carte ont été puisés dans les ouvrages de M. M. Thiers, de Ségur, de Fezensac, de Chambray et le journal inédit de Jacob, pharmacien de l'Armée depuis le 28 Octobre.

Pour mieux faire juger à l'œil la diminution de l'armée, j'ai supposé que les corps du Prince Néoumé et du Maréchal Davout qui avaient été détachés sur Minsk et Mohilow et qui rejoignirent Oescha et Witebsk, avaient toujours marché avec l'armée.

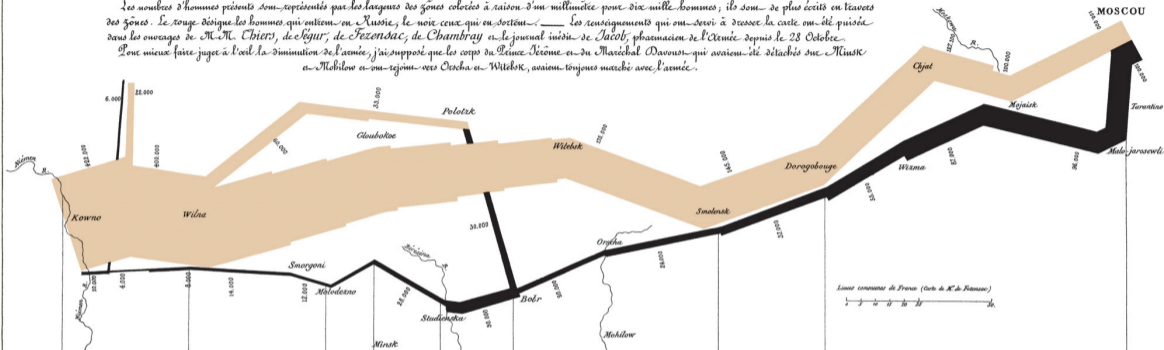
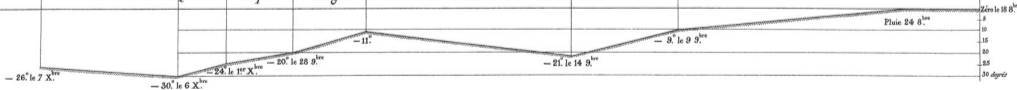


TABLEAU GRAPHIQUE de la température en degrés du thermomètre de Réaumur au dessous de zéro.



Auq. par Reyrier, R. Par. 3^o Maria. 5^o G^o à Paris.

Imp. Lit. Reyrier et Desdats.



The embargo decision

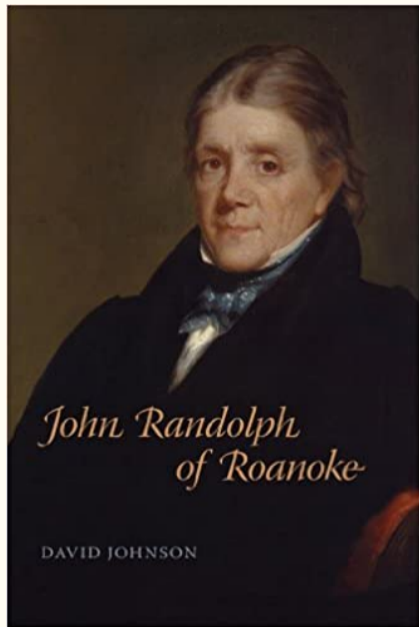
- The *Chesapeake-Leopard Affair* (1807) and the Orders in Council (1807) induce Jefferson to choose a trade embargo.
- A trade embargo is seen as an alternative to outright war, but Jeffersonians start considering war as a dangerous but necessary step to furthering the revolutionary vision of free trade.
- It leads to the Embargo Act of 1807, effective December 22, 1807.
- Democratic-Republicans support embargo 82-19 and Federalists oppose 26-0.
- Embargo will last until March 1, 1809.

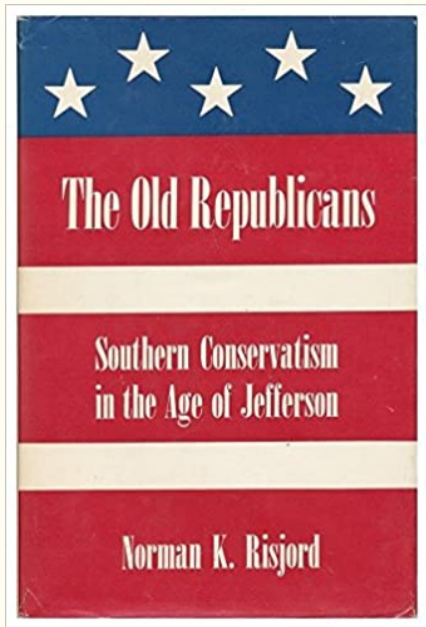
Jefferson's arguments

- Jefferson believes the cost of the embargo will be much more damaging on Britain than the U.S.
- U.S. could feed itself and Britain could not.
- The embargo would promote domestic manufacturing of necessities and rejuvenate U.S.'s political economy.
- But not large scale manufacturing, a system that has debased a majority of people in Europe.
- To promote the manufactures of individual citizens: “a loom in every house.”
- Paradoxical view, since non-importation and non-exportation agreements during imperial crisis had limited effect on Great Britain.

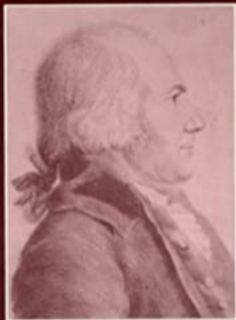
Opposition to the embargo

- There are those in the Democratic-Republican party that doubt the wisdom of this policy.
- Dissident factions within the Democratic-Republican party:
 1. Old Republicans: Southern agrarians led by John Randolph of Roanoke (1773-1833). Worried Jefferson has embraced too many Federalist policies.
 2. Clintonians: George (1739-1812; the uncle) and De Witt Clinton (1769-1828; the nephew) of New York. Close to the Federalist in economic policies.
 3. The “invisibles”: Samuel Smith of Maryland (1752-1839) and William Branch Giles of Virginia (1762-1830).
- Divisions are deep: George Clinton will run against James Madison in 1808 after he does not get the “official” nomination of the party (recall: Clinton was the Vice President in Jefferson’s second mandate).





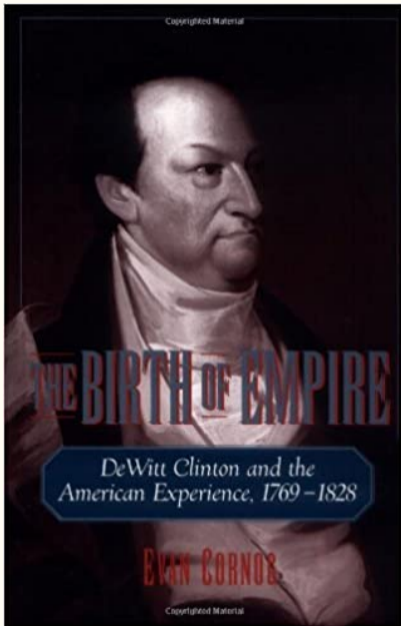
George Clinton



*Yeoman Politician
of the New Republic*

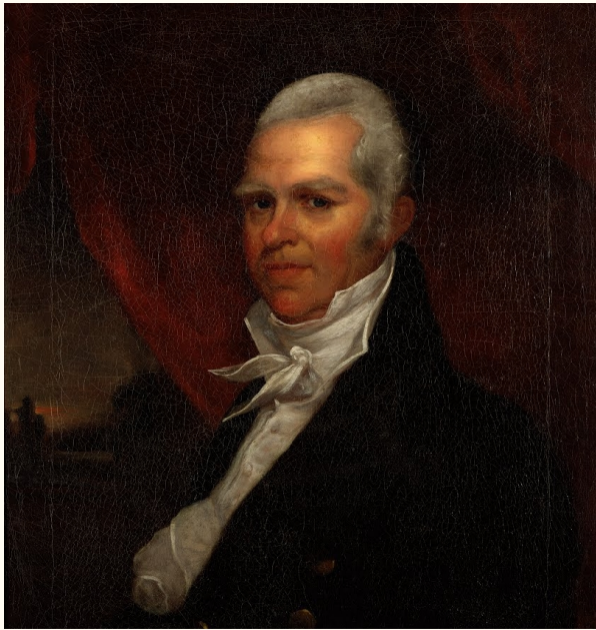
JOHN P. KAMINSKI

Copyrighted Material



Copyrighted Material





Old Republicans' arguments

- John Randolph comments that the British are only attacking the carry trade of the enemy such as coffee, sugar, and other West Indian goods to France.
- He believes normal trade relations will return once the war in Europe is over.
- Thus, the U.S. should not enact an unnatural policy in response to temporary difficulties. An embargo is "to cure corns by cutting off the toes."
- Federal government should ignore the clamor of merchants in re-export trade for it was unnecessary commerce.
- But merchants argue that carry trade is linked with domestic exports and cannot be easily separated.

The Jefferson and Madison's rebuttal

- Jefferson and Madison agree that re-export trade must be defended:
 1. They view it as economically important.
 2. And that the Government was obligated to protect the rights of all U.S. citizens.
- Debate over carry-trade loses importance once Britain in 1807 places restrictions on all exports to the enemy except under license granted by the British: all trade with the continent would have to pass through Great Britain.
- More is now at stake than the carry trade: U.S.'s right to export its own products is under siege.

Federalists' arguments

- Hamilton in 1794 foresees failures of such measures.

Alexander Hamilton

“The consequences of so great and so sudden a disturbance of our Trade which must affect our exports as well as our imports are not to be calculated. An excessive rise in the price of foreign commodities – a proportional decrease of price and demand for our own commodities – the derangement of our revenue and credit – these circumstances united may occasion the most dangerous dissatisfaction & disorders in the community and may drive the government to a disgraceful retreat – independent of foreign causes.”

- Even Gallatin agrees: “entirely groundless” to hope trade sanctions would force Great Britain to make concessions. “In every point of view, privations, sufferings, revenue, effect on the enemy, politics at home, I prefer war to a permanent embargo ...”
- Tench Coxe (1755-1824; a key assistant for Hamilton in his Report of Manufactures) argues that manufacturing could enrich the nation.

TENCH COXE AND THE
EARLY REPUBLIC

.....
JACOB E. COOKE



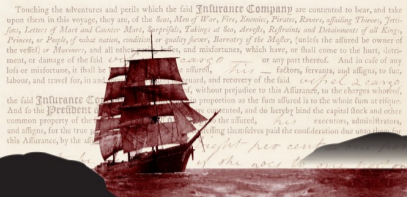
TENCH COXE

A STUDY IN AMERICAN ECONOMIC
DEVELOPMENT



HAROLD HUTCHESON

- Export merchants and marine underwriters are powerful economic interest groups.
- By 1810, an American merchants purchase around 95% of their marine insurance at home (largely thanks to Alexander Hamilton's financial plan!).
- Same considerations will resurface in 1812.



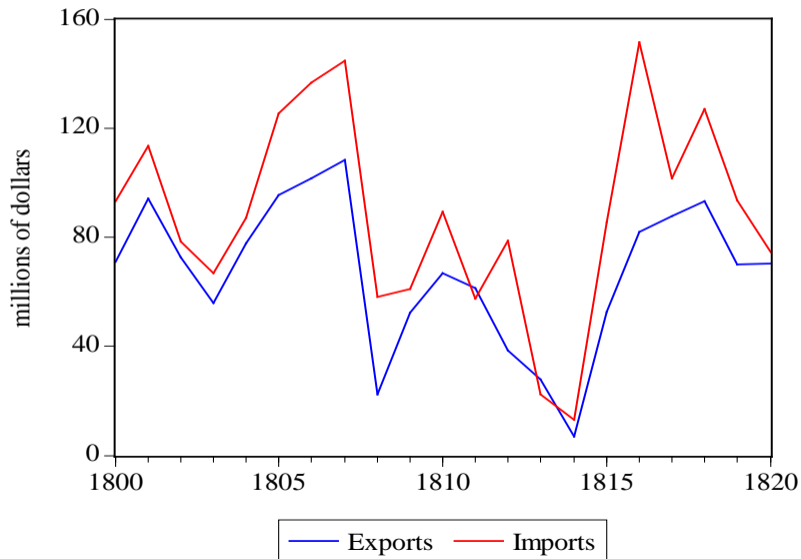
UNDERWRITERS
OF THE
UNITED STATES

*How Insurance Shaped
the American Founding*

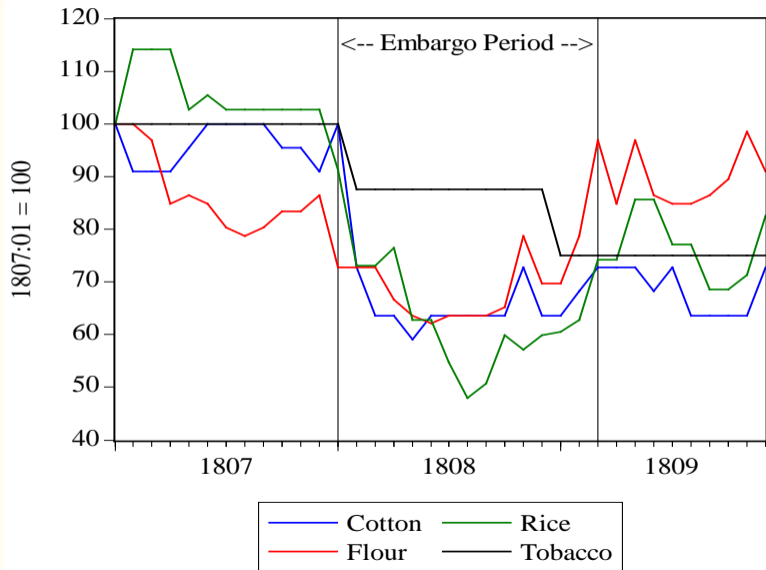
HANNAH FARBER

Outcomes

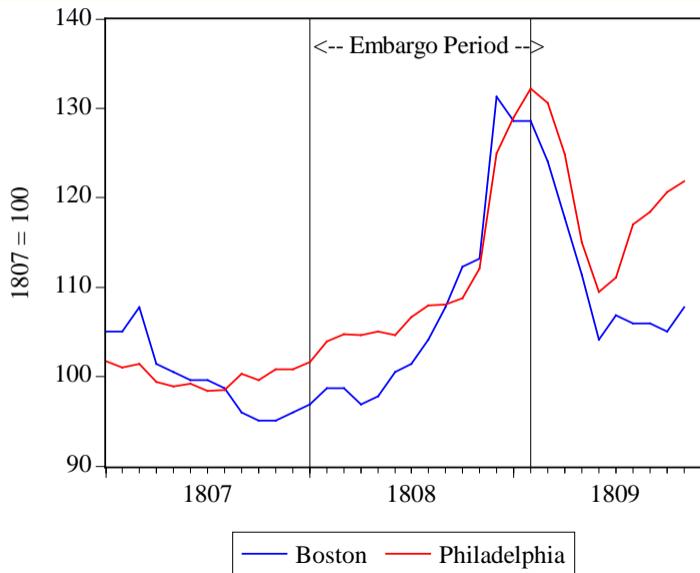
- Embargo was the most drastic self-imposed shock to U.S. trade in history.
- Prevented all U.S. ships from sailing to foreign ports and all foreign ships from taking on cargo in U.S.
- Thus, foreign ships would have to return empty and the cost of exporting to the U.S. became prohibitive.
- Exports fall by more than 80% as do re-exports (the data which are for the fiscal year include the last 3 months of 1807, in which the embargo was not in force).
- Imports decline by 50% as U.S. ships already in foreign ports were allowed to bring in their cargo.
- Price of exportables fall and the price of imports rise: dramatic relative price effect (export weighted price index fell 27% in 1808).
- Prices of imports in Boston and Philadelphia rise by 33%.
- Leads to budget deficit as revenues from trade fall by 50%. Fortunately, U.S. had built up a surplus.



Export prices



Import prices



- Embargo mostly obeyed in 1808 (although many loopholes from day 1).
- Then, it is increasingly disregarded despite supplementary acts.
- Embargo substituted in March, 1809, by the Non-Intercourse Act, and in 1810, by the Macon's Bill Number 2.
- Devastating economic effect, with output dropping by around 5%.



Mr Jefferson

Boston
2 Feb 1808

Sir —
You are a friend to the disturber
of the peace & greatest enemy of the whole
world. Your Secretary Madison, is
with you. When Britain has been so
generous & condescending as to send
an Envoy extraordinary to settle the
case of the Chesapeake if you will go to war
with Britain, you will be denounced,
as the greatest traitor that history has
exhibited. We who live in the seaports
shall be ruined. Six or Seven ships
will destroy our whole coast, left
defenseless by Mr Jefferson —
Awake — awake! France
Philosophers will not do for us Re-

Republicans. We are for liberty; but we will
not be destroyed. We are waiting. Take
care of the Republic: Take care of yourself.
You are in a critical state. Traitors
abound in our country. You defend one
class, but oppose another. A friend to his
country, would oppose all traitors.
Be not the Traitor yourself: Be not
the philosophic fool. You are on
the ~~very~~ brink of ruin. Oh that our
country may soon experience the
fall the day when if the ruin of the
Country, or of Mr Jefferson may come
into competition (as it seems now to be)
Mr Jefferson may sink into the
conspicuous contempt. May Mr
Jefferson live, by saving his
country. So says
A true Republican —
W. H. Burdett

The political fallout, I

- The embargo generated heated opposition in commercial states and southern exporting states.
- Politicians in New England believes that Jefferson is trying to destroy the shipping industry.
- They also insist Jefferson's policies are directed toward creating an isolated, barbarous, and crudely self-sufficient U.S.
- Grumbles of secession in Massachusetts "Our ships all in motion, once whiten's the ocean; They sail'd and return'd with a Cargo; Now doom'd to decay, they are all fallen prey, To Jefferrson, worms and EMBARGO."
- Support in Kentucky and Tennessee who blame falling export prices on loss of markets in West Indies.
- Philadelphia region is perhaps only area that did not suffer as scarcity of manufacturing goods gives rise to domestic production such as ironworks.

The political fallout, II

- Because of deleterious effect on New England shipping, southern planters, and government revenue, political pressures succeed in ending the embargo.
- By late summer, increasing evasion of the embargo.
- Jefferson puzzled why Americans would violate the law.
- Imposed when Great Britain economy is strong and, therefore, did not cause much disruption (recall the Colonial non-importation experience, was successful only when Great Britain was in recession).
- Madison favors prohibiting imports, permanent duties to encourage manufacturing, a permanent navigation act, and non-intercourse with France.

The political fallout, III

- Political resistance is rising and smuggling is occurring. Embargo is being openly violated.
- Gallatin informs Jefferson that even more restrictive measures would be needed and that the embargo is having little effect on Great Britain.
- Embargo has been imposed on a healthy British economy and Britain easily withstands the loss of U.S. trade.
- Gallatin is puzzled by Jefferson's detachment.
- Army regulars called out to enforce the embargo.

The political fallout, IV

- Gallatin informs Jefferson that only Virginia, South Carolina, and Georgia would likely support Democratic-Republicans in the next elections.
- But, Federalist party is pretty-well spent and Madison and Republicans fair well in the election.
- Congress reconvenes in November, 1808 with Jefferson in favor of maintaining embargo, but giving no advice to Madison allowing the new administration to decide future policy.
- Absent any action the embargo would remain in effect until the fall of 1809.
- Madison favored an “invigoration” of the embargo, prohibiting all imports and permanent duties to encourage manufacturing.

The political fallout, V

- In January 1809, Congress requires merchants to post large bonds for domestic shipping and this shipping required prior clearance.
- Also, authorizes the seizure of cargo of ships suspected of violating the embargo, and even seize goods being taken to port until a bond had been posted to guarantee the goods would not leave the country.
- Violates search and seizure provisions of the 4th amendment, which prohibits unreasonable search and seizures and no warrants being issued without probable cause.
- New England opposes, even its Democratic-Republicans.

The political fallout, VI

- Date for the embargo termination is set for March 4 on the day of Madison's inauguration, but non-importation measures against Great Britain and France are maintained.
- Massachusetts and Connecticut implicitly threatening non-enforcement.
- Ordon Cook, a Massachusetts Democratic-Republican argues: "The genius of Republican government is to make laws to suit the people, and not attempt to make the people suit the laws."
- Madison comes to see the "privations" inflicted to the northern states who are dependent on trade.
- Democratic-Republican stand on the embargo collapses and it is terminated on March 4. Signed by Jefferson.

The aftermath

- Although signing the repeal, Jefferson is quite angry, stating: “Thus we were driven by treason among ourselves from the high & wise ground we had taken, and which, had it been held, would have restored us our free trade, or have established manufactures among us.”
- Embargo a huge failure. It imposed large economic costs and attained none of its objectives. Although it saved ships from being confiscated by Great Britain and France and saved sailors from impressment.
- Although embargo is repealed, trade remains depressed over the next 6 years.
- New measures contained in various non-importation and non-intercourse acts restricts British and French imports, and British navy adept at blockading the continent.
- However, trade does jump immediately after repeal, but not to pre-embargo levels because of non-intercourse with Great Britain and France.
- Then, the War of 1812 results in a British blockade of U.S. ports.