

HAMILTON AND THE HISTORIANS:
THE ECONOMIC PROGRAM IN
RETROSPECT

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Of all the founders of the American nation, Alexander Hamilton remains the most enigmatic. The Hamilton name still stirs up deeply rooted emotions and lends itself to highly partisan controversies. Much of the disagreement revolves around an interpretation of Hamilton's economic program, which occasions as much dispute today as it did 175 years ago. By "economic program," I mean specifically the major reports Hamilton submitted to Congress as the Secretary of the Treasury. The most important provisions of these included the funding of the national debt, the assumption of state debts by the Federal government, the employment of excise taxes, the establishment of a national bank, the creation of a mint and a system of currency and, finally, the encouragement of diversification in the national economy through the use of subsidies, protective tariffs and bounties. Though there have been conflicting theories as to the net effect of these policies, there can be no doubt that they had an enormous impact on the social, political and economic framework of the new nation.

Basically, the historical interpretations of these policies have taken three major directions, and tend to contradict each other at various points. The first -- which we can call the "aristocratic" view -- sees Hamilton's program as designed to protect and further the interests of the moneyed class at the expense of the larger democratic masses. Hamilton is pictured as an eighteenth century "wheeler-dealer" manipulating the finances of the early Republic to favor a select, privileged class. This position is most succinctly stated by Joseph Charles:

From the point of view of the interest of the country as a whole, the axioms upon which Hamilton's program rested may be false, the reasoning by which it was supported, defective or strained; but from the point of view of the creation and strengthening of a moneyed interest, his whole plan was flawless both in conception and execution.¹

The second evaluation of Hamilton's program can be conveniently called the "mercantilist" view and stresses the anachronistic nature of his ideas. His fiscal plan is seen as designed to keep alive a dying and outmoded economic system. A leading spokesman for this view is Russell Kirk who writes:

Indeed Hamilton was contemplating not so much the creation of a new industrialism as the reproduction of European economic systems which the spirit of the age already was erasing [He] was a straggler behind his age rather than the prophet of a new day.²

The third view of Hamilton is in direct conflict with both of these positions and heralds the first Secretary of the Treasury as the voice of the new American nation, rising above the petty, factional and regional jealousies of his contemporaries. Here Hamilton is pictured not as the spokesman for a limited class interest, nor as the defender of an imperial policy, but rather as an apostle of unity and solidarity, who shaped with enormous foresight the economic foundations of the new nation. We might call this the "American" or "nationalist" view which Louis Hacker articulates in Alexander Hamilton in the American Tradition:

Hamilton concerned himself with banking for the same reasons that he endlessly devoted himself to the matter of public credit: both would make his country secure and prosperous. He was constantly weaving together in an intricate and seamless fabric public policy and private striving, the good of the whole community and the benefits accruing from enterprise.³

Each of these evaluations centers around the importance of Hamilton's motives in formulating and promoting his economic policies. They are seen as economic power and self interest, imperial ambitions and national strength and security respectively, and Hamilton's historical reputation rises and falls accordingly. A closer look at each of these positions will clearly delineate the points of conflict and perhaps enable us to get a closer look at the "real" Alexander Hamilton.

The aristocratic view of Hamilton emerges from the work of Claude Bowers, Henry Bamford Parkes and Joseph Charles. The idea gained great impetus from the work of Charles A. Beard who, in his Economic Origins of Jeffersonian Democracy, emphasizes the personal financial interests that motivated Hamilton's supporters. Beard analyzes the congressional division on Hamilton's funding plan in terms of "agrarian" versus "capitalistic" interests.⁴ Bowers develops this point further (though certainly not as analytically as Beard) and concludes since most of Hamilton's circle engaged in speculation and reaped major benefits from the plan, its purpose must have been to protect and enrich the moneyed group. Not only did it benefit the few, says Bowers, it also exploited the many:

The common soldier had not profited by these policies. The farmer and the mechanic could see no benefit to themselves, but among speculators, some of them members of Congress, they observed evidence of new-found wealth. These men were building better houses, riding in

coaches where they had previously walked and there was an ominous rumbling and grumbling beneath the surface, to which the Hamiltonians were oblivious or indifferent. After all, this was merely the whining of the ne'er do wells of the taverns and the illiterates of the farms.⁵

The passage captures something of the tone of Bowers' volume which is hardly noted for its historical objectivity.

Parkes emphatically agrees with Bowers' judgment and frankly states that Hamilton's economic program meant "the use of political power to give economic privileges to the moneyed classes."⁶ However, Parkes is less suspicious of Hamilton's motives and suggests that he was simply a misguided economic theorist who honestly believed that by strengthening the upper-class interest in government, "he was making America into an orderly, disciplined, hard working, and wealthy nation."⁷

Joseph Charles' indictment is much more severe and needs to be examined in more detail. Charles raises the question: Was Hamilton's economic program intended to "further or subvert" the new constitutional government?⁸ Noting that Hamilton's funding plan shattered the feeling of harmony and unity that had previously existed, Charles contradicts the idea of Hamilton as a staunch devotee of union and nationalism. Further, Hamilton's funding and assumption plans increased the national debt and thereby created a greater opportunity for the moneyed class to engage in active speculation. Seen in this light, Charles feels their actual intent becomes apparent: they were the most ideal measures conceivable to concentrate the nation's wealth in the hands of the capitalist class.⁹ Charles explains Hamilton's personal financial disinterestedness by suggesting that his real motivation was to gain power and wield influence. For this he needed the backing of wealthy men and wisely kept his hands clean to avoid arousing suspicions of personal gain. Charles presents the most formidable argument of the aristocratic position, and the above summation can hardly capture its force, but many of his points seem to me seriously weakened by overstatement. For example, his portrait of Washington as a pathetic, aging statesman, the dupe of Hamilton's shrewdness and scheming, seems to me a grave exaggeration of certain carefully selected details, which are calculated to convince by insinuation rather than logic. But we will look at Charles' argument more closely after examining the essential points of the other views of Hamilton.

The "mercantilist" position is less complex and is proposed by such unlikely bed-fellows as Vernon Parrington and Russell Kirk. Parrington, a decidedly "liberal" historian, inveighs against Hamilton's anti-democratic views and sees him as a cold and practical imperialist, with little or no concern for the social consequences of his policies. Hamilton's desire for national solidarity and his capitalistic economics are explained as tendencies "congenial to his imperialistic mind."¹⁰ Parrington's Hamilton is a

Machiavellian prince, awed by the concept of the leviathan state and willing to employ any measures to achieve it. He is a shrewd calculator who "contemplated with satisfaction the increase in wealth that would accrue from buying toll in the weak and helpless."¹¹ The British system was congenial to him, because he saw in it the prospects for building an American empire.

Russell Kirk seems intent upon writing Hamilton out of the conservative tradition. For him, Hamilton was a political and economic blunderer, far behind the tenor of his age. Kirk feels that Hamilton thought in terms of the seventeenth century and based his ideas about economics on the mercantilistic "balance of trade" system.¹²

Though neither Kirk nor Parrington devotes much attention to a close examination of Hamilton's economic program, both agree that the policies of British imperialism shaped his thinking and directed his financial plans. Thus ironically disinherited by major liberal and conservative historians, Hamilton emerges from the mercantilist position as a man without a country, drifting in a limbo of historical posterity.

Joseph Dorfman's evaluation of Hamilton's program fits somewhere between the mercantilist and nationalist views. Dorfman calls Hamilton a "traditionalist" who favored an "aristocracy of wealth and learning and had a great respect for the accumulation of money, both by the individual and the nation, as the source of power and prosperity."¹³ Mutual interaction between government and business emerges for Dorfman as the key to Hamiltonian economic policy. The plan was "grand and imperial in scope."¹⁴ But Dorfman's verdict is more favorable than Kirk's or Parrington's. With R. G. Tugwell he specifically refutes the aristocratic position and calls Hamilton a "nation-maker," whose loyalty to his country "was genuinely national and not a class loyalty. He was looking for strength for his nation and he took it where he could find it."¹⁵

The "nationalist" view is the most difficult to present in summary fashion. It seems the most widely held opinion of Hamilton's program and is presented in great detail by most of his biographers. Among its adherents, though they differ on various points, are Louis Hacker, John C. Miller, Clinton Rossiter, and the author of the most recent definitive biography of Hamilton, Broadus Mitchell. An extreme statement of this view is offered by Henry Cabot Lodge in his now dated biography of Hamilton:

Hamilton was striving for a vigorous national life, and his chief object was to impart to the central government the greatest possible strength. He armed the government with credit and with a productive revenue; he won for it a potent ally in the national bank; by the funding system and the bank he drew out and welded together with the strong influence of pecuniary interest, a powerful class, which knew no state lines; and by his protective policy and internal improvements he aimed to create yet another

vigorous body of supporters, and give the government still more strength and popularity. It was a great policy, the work of a master mind looking far into the future. It was the foundation of a great party, and the cornerstone from which the federal government was built.¹⁶

Although most of the other nationalists sound less like the Republican party platform, they would agree with Lodge's central points.

Louis Hacker takes specific issue with those who suggest Hamilton's policies were designed to further the interests of one class, and those who see his program as backward rather than forward looking. The former cannot accept the fact that "a secure government and a progressive economy are linked at a hundred and one different places by fiscal policy."¹⁷ The latter emphasize a very small aspect of Hamilton's economic ideas and one that was congenial to his earlier years, and not a part of his mature policies. Hacker notes that the "mercantilist" group often point to his words in The Continentalist¹⁸ rather than to his opinions in the later reports. Quoting the later Hamilton, Hacker suggests that

He is no mercantilist with an erroneous understanding of the roles of gold and silver; in fact he talks in straight-forward Smithian terms: ". . . the intrinsic wealth of a nation is to be measured not by the abundance of the precious metals contained in it, but by the quantity of the productions of its labor and industry . . ."¹⁹

Hacker suggests that Hamilton turned to protectionism in his Report on Manufactures only as a last resort, so that the United States would be able to compete on equal terms in the world market. The essential Hamilton, he notes, was a libertarian and favored a mutually beneficial intercourse between nations, rather than one devoted to the "vain project of selling everything and buying nothing."²⁰

In both The Federalist Era and Alexander Hamilton: Portrait in Paradox, John C. Miller depicts Hamilton as a vigorous, creative statesman whose economic policies enabled America to achieve national union and economic security within a decade of the framing of the Constitution. By 1792 the Hamiltonian program had accomplished eight major objectives. Miller sees these as: (1) machinery had been established to begin liquidation of the national debt; (2) the fluctuating price of government securities had been normalized and made more secure; (3) dead and hoarded capital was re-invested in government; (4) a national system of currency was created; (5) a system for the handling of future debts had been inaugurated; (6) the supremacy of the federal government had been established; (7) United States government credit had been demonstrated in international circles, and foreign investments were made secure; (8) the "embryo" of a modern industrial society had been formulated.²¹ Miller argues that Hamilton used the national debt as "a sword with which to vanquish the states"²² and

assert the dominant authority of the central government. It was a bold, imaginative plan of a master statesman.

Broadus Mitchell takes a similar position in Heritage from Hamilton and Alexander Hamilton: The National Adventure. Addressing the mercantilist position, Mitchell calls Hamilton's favorable attitude toward Britain "inevitable" for there was little to be gained by continuing the animosity between the two nations. England was a model of "material success," and the new Republic would benefit much more from friendly relations.²³ A close analysis of Mitchell's detailed account of Hamilton's economic program is beyond the scope of this paper, but particularly relevant is his repudiation of the issues raised by Joseph Charles. With Charles specifically in mind, Mitchell writes:

A recent writer . . . queries "whether . . . the measures of his economic program . . . were intended to further or subvert the type of government which most well informed men thought they were supporting when they voted to accept the Constitution." . . . where is the mystery? Hamilton's proposals presented to Congress, most conspicuously those in 1790-1791, were necessarily both political and fiscal, for the enactments he recommended would determine the character, because the condition [sic], of the nation at the outset. It is difficult to know what most well informed men thought they were supporting in the Constitution, but on the face of it they wanted a replacement for the Confederation with its lack of cohesion and incapacity to command ways and means to conduct a government. The first session of Congress, except for an emergency import measure, virtually turned to the Secretary of the Treasury for instruments to make the Constitution a reality.²⁴

Mitchell also argues that Hamilton is not to be rebuked because he had a "ready-made majority in Congress."²⁵ He was concerned with restoring the public credit, and this his plan accomplished. Mitchell's Hamilton is a careful administrator who emphasized administration in an age when theory and abstraction were in vogue. Hamilton dealt practically with real financial problems, and was the first national planner in our history; he thought of the economy in terms of the public good, and not in the interest of any particular faction.

Though Clinton Rossiter's work on Hamilton is a study of his importance in forming the Constitution, it stresses the importance of the economic program even in this area. Several elements of the program reflected a constitutional argument between Hamilton and his opposition, and in each instance, says Rossiter, history has supported Hamilton's idea of broad interpretation. His proposal that the federal government assume

the states' debts "struck almost casually a stout blow for the broad, nationalistic, consolidating view of the Constitution."²⁶ The bank report led directly to his formulation of the "implied powers" doctrine of constitutional interpretation, which received judicial sanction from Justice Marshall in the celebrated *McCullough vs. Maryland* decision. And in the Report on Manufactures, Hamilton assumed the national government's power to stimulate industrial development through the use of bounties, protective tariffs and subsidies. His constitutional ground was the "general welfare" clause and this eventually broadened even further the powers of Congress to legislate in areas not specifically provided for in the Constitution.

Nathan Schachner and F. S. Oliver also present Hamilton as a nationalist. They see national strength and unity as the key to his policies. Oliver particularly feels that Hamilton was dissatisfied with the solidarity of the union as it existed under the Constitution, and attempted to eliminate certain deficiencies by his financial measures.²⁷ Ironically, in a negative way, this would seem to support somewhat the contentions of Joseph Charles.

One unorthodox view of Hamilton is worth mentioning. Curtis Nettels in The Emergence of a National Economy presents Hamilton as merely the executor of Washington's policies and suggests that the Hamiltonian economic program would be better called the Federalist program.²⁸ This devaluation of Hamilton's role is difficult to understand in light of some very basic facts. When Washington queried the members of his cabinet regarding the constitutionality of a national bank, it was Hamilton's position which was accepted and only later became the Federalist position. It was Hamilton's activities that worked out the details of the famous "assumption" compromise, trading the location of the national capital for the assumption of state debts. And The Report on Manufactures is clearly a Hamiltonian document, hardly inspired or promoted by Washington at all. I might also mention that Nettels is squarely at odds with Charles on this point, but it seems hardly fair to refute one argument with another that I have taken issue with. I would suggest that neither Charles nor Nettels offers enough evidence to support their radical departure from traditional positions. It seems likely that Hamilton was neither Washington's master nor his puppet, but rather that both worked toward shaping the direction of the "Federalist Era."

Faced with these conflicting views, the student of Hamilton's program must ask which comes closest to capturing the tenor of his thought? Which has best estimated the true intent and effect of his economic program? Have the "aristocratic" historians truly demonstrated that Hamilton was the protector of a limited class interest? Have the "mercantilists" shown that his policies were an attempt to revive the British system on American soil? Or have the "nationalists" succeeded in proving that he was a national statesman, the guardian of the public good?

The main problem with the "aristocratic" position is that it develops its points by insinuation rather than logic, and raises what seem to me artificial questions concerning Hamilton's program. When Joseph Charles, for example, asks whether it was intended to "further or subvert" the new government, his words seem calculated to hint at sinister motives. May we not ask instead whether the program meant to "strengthen or weaken" the federal government, in which case the answer becomes more apparent. Further, I fail to see how the assumption of state debts, which is the point Hamilton argued most intensely for, furthered the interest of the moneyed class. The whole point of assumption was not to increase the amount owed to state creditors, but rather to transfer the source of their income from the states to the federal government, thereby enforcing the supremacy of the latter. Charles also makes much of Hamilton's insistence that the domestic debt be paid to current holders rather than discriminating between current and original holders as Madison suggested. Discrimination was a tenable plan according to Charles, because some of the states, Pennsylvania for example, "knew that it was not impossible to work out an equitable plan of discrimination between original and present holders, because they had done so with their own state debt."²⁹ Charles does not take into account an essential difference between the state and national debts. Discrimination might be possible within an individual state because of the generally uniform nature of the certificates issued; on a national level, however, the diverse kinds of bonds, stocks, certificates and other paper holdings made a plan based on discrimination quite unrealistic. Further, Charles ignores the very basic fact that the original holders were as much engaged in speculation as the current holders. As Jacob Cooke puts it:

The charge continues to be made . . . that Hamilton's report allowed speculators to reap large and unfair profits on the securities they had bought up from poor soldiers and Southern backwoodsmen. Its repetition is curious in view of the obvious fact that those who parted with their securities . . . were also speculators.³⁰

Why should we think of the bears as less self-interested and more virtuous than the bulls as Charles suggests?

To call the "mercantilist" position into question, all we need do is read closely the Report on Manufactures. We are so used to thinking of it as a bible of protectionism that we miss its central point which is diversification of the national economy. Protectionism, for Hamilton, is a means to achieve this and not an end. The Report on Manufactures is neither a tract against agriculture nor a polemic for manufacturing. Rather it is a document which looks forward to an America of varied economic interests. When Vernon Parrington accuses Hamilton of "buying toll in the weak and helpless," he is probably referring to the section of the report which promotes child labor. What Parrington and others fail to realize is that child

labor in the eighteenth century was not looked upon with the same disfavor that we look upon it today. It was considered a normal, in fact, useful way of keeping children occupied. To accuse Hamilton of inhumanity on these grounds is to be guilty of historical presentism. In almost every other way the Report on Manufactures is a document far ahead of its time, and how anyone can accuse Hamilton of "backwardness" in light of this report is difficult to understand.

In all, the "nationalist" view seems the most satisfactory interpretation of Hamilton's program. It is interesting to note that all the book length studies of Hamilton's career take the nationalist position.³¹ This may reflect biographical prejudice, but it may also suggest that the more one examines the effects of Hamilton's program the more he realizes how far-reaching that program was. Perhaps some of the nationalists overstate their case, and perhaps Hamilton was not quite as saintly as they would have him appear. Nonetheless, they have succeeded in showing that Hamilton's interests were much broader than those suggested by the "aristocrats" and "mercantilists." They have examined Hamilton's program in terms of results and found those results to be favorable to the nation as a whole. They have reminded us that repeated cliches casting suspicions on Hamilton's motives are products of a one-sided view of Hamilton that has come down to us from Jefferson through John Taylor of Caroline to Claude Bowers and Joseph Charles. The results of Hamilton's economic program were complex and widespread, and cannot be summed up in neat little phrases. As Broadus Mitchell tells us:

Estimate of these results, serviceable and less so, may not be meaningfully given in a sentence, but must emerge in the lively history which is the business of this volume.³²

The nationalists ask us to approach Hamilton with an open mind, which indeed, is the first law of historical investigation.

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Footnotes:

¹ Joseph Charles, The Origins of the American Party System (New York, 1961), 30.

² Russell Kirk, The Conservative Mind (Chicago, 1953), 69-70.

³ Louis M. Hacker, Alexander Hamilton in the American Tradition (New York, 1957), 148.

⁴ Charles A. Beard, Economic Origins of Jeffersonian Democracy (New York, 1915), 164.

⁵ Claude G. Bowers, Jefferson and Hamilton (Boston, 1925), 69-70.

- ⁶ Henry Bamford Parkes, The American Experience (New York, 1959), 145.
- ⁷ Ibid.
- ⁸ Charles, 11.
- ⁹ Ibid., 30.
- ¹⁰ Vernon L. Parrington, Main Currents in American Thought, Vol. I: The Colonial Mind (New York, 1954), 299.
- ¹¹ Ibid., 311.
- ¹² Kirk, 69-70.
- ¹³ Joseph Dorfman, The Economic Mind in American Civilization 1606-1865 (New York, 1946), I, 404.
- ¹⁴ Ibid., 412.
- ¹⁵ Joseph Dorfman and R. G. Tugwell, Early American Policy: Six Columbia Contributors (New York, 1960), 24.
- ¹⁶ Henry Cabot Lodge, Alexander Hamilton (Boston, 1896), 115-116.
- ¹⁷ Hacker, 162.
- ¹⁸ "To preserve the balance of trade in the favor of a nation ought to be a leading aim of its policy." Quoted in Hacker, 167.
- ¹⁹ Ibid., 152.
- ²⁰ Ibid., 167 (Hamilton's quote).
- ²¹ John C. Miller, The Federalist Era, 1789-1801 (New York, 1963), 68-69.
- ²² John C. Miller, Alexander Hamilton: Portrait in Paradox (New York, 1959), 231.
- ²³ Broadus Mitchell, Alexander Hamilton: The National Adventure, 1789-1801 (New York, 1962), 41.
- ²⁴ Ibid., 107.
- ²⁵ Ibid., 108.
- ²⁶ Clinton Rossiter, Alexander Hamilton and the Constitution (New York, 1964), 77.
- ²⁷ F. S. Oliver, Alexander Hamilton (London, 1921), 224.
- ²⁸ Curtis Nettels, The Emergence of a National Economy, 1775-1815 (New York, 1962), 105.
- ²⁹ Charles, 17.
- ³⁰ Jacob E. Cooke (ed.), The Reports of Alexander Hamilton (New York, 1964), xii.
- ³¹ The only exception to this is Claude Bowers, Jefferson and Hamilton, which is not really a book length study of Hamilton, but rather the second volume in a three volume study of Jefferson.
- ³² Mitchell, 54.