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Alexander Hamilton: Founding Father and Economic Genius

Scott Miller

Chaska High School
Chaska, Minnesota

In the wake of the Revolutionary War, American finances lay in shambles; revenue was a trickle, the public debt was enormous, and the paper money currency was worthless. Two leaders, Alexander Hamilton and Thomas Jefferson, arose to mend the disastrous financial situation and to construct an economic system to propel America through the centuries. However, it was Hamilton's economic system that won George Washington's and Congress' approval and thus laid down the foundation for American capitalism. Hamilton's capitalistic economics proved superior to Jefferson's agrarian idealism by sustaining America in its early years, ironically being the framework of Jefferson's presidential economics, and echoing in many policies in the future.

In the wake of American financial disaster, Hamilton took the helm of America's "new ship of state" (Kennedy 190) and initiated an economic reform upon the United States. Hamilton perceived that political sovereignty would be nullified without economic independence. Therefore, Hamilton devised a system based on several principles: assumption of state debts and funding at par of national debt, formation of custom duties and excise taxes, and the establishment of a national bank. The outstanding federal and state debts fused together into a national debt. This forged a "national blessing" (Kennedy 194). Hamilton's demonstration of American willingness to repay their debts attracted European investors; foreign capital began pouring into the new nation. To settle the debt, Congress passed America's first tariff law. Along with generating revenue, the tariff protected infant industries from foreign competition — another crucial link in Hamilton's scheme. Refuting Jefferson's idealist view of "a nation of farmers," Hamilton envisioned the future America as an industrial superpower (Mintz). Firmly maintaining that the government should encourage business and industry, Hamilton subsidized infant industries, erected high tariffs, and financed transportation improvements. These manufacturing improvements paved the way for the American industrial revolution of the 1800's, which would propel America into superpower status in the 1900's. The national bank was the capstone of Hamilton's financial system. After a tooth-and-nail debate with Jefferson, Hamilton's "necessary and proper" clause reigned triumphant and Congress chartered the National Bank of the United States in 1791 (U.S. Department of State).

Over the next several decades, the bank would secure federal Treasury surpluses, stimulate the economy, and maintain a sound and stable currency. Hamilton's economic system “touched the dead corpse of public credit,” buoying the new ship of state during its most turbulent years (Kennedy 194).

Ironically, Jefferson's presidency was Hamiltonian ideals triumphant. At the outset, Jefferson halted the expansion of Hamiltonian economics; he removed the excise tax, reduced the national debt, and balanced the national budget. However, Jefferson essentially left the “Hamiltonian framework intact” (Kennedy 218). The assumption and funding at par of debts, mild tariff, and national bank were left alone. In later years, Jefferson even embraced Federalism to such an extent that he re-chartered the National Bank and heightened the protective tariff. Over time, Jefferson began to compromise his Republican ideals; his strict constitutionalist interpretation of the Constitution before his presidency gave way to a more lenient view of federal powers during his presidency. Jefferson realized during his presidency that a stagnant agrarian republic stood no chance of resisting an ever-more industrialized world. His acquisition of the Louisiana Purchase in 1803, major buildup of the navy in the Barbary Wars, and his Embargo of 1807 all defied his basic principles, instead favoring Hamilton's capitalistic and loose-constructionist ideals. Essentially, Jefferson “out-Federalized the Federalists” (Yousuf).

Hamiltonian economics echo throughout American policies over the past two centuries. In 1824, Henry Clay proposed the American System, which supported a high tariff, subsidies for industry, internal improvements, and preservation of the National Bank — all Hamiltonian ideals. Even the American Industrial Revolution is indebted to Hamilton's capitalistic system; the explosion of manufacturing and industrialization would have floundered without the financial and economic foundation Hamilton provided. Furthermore, the Industrial Revolution paved America's path to greatness, turning the country into the mightiest industrial power on the globe. Franklin D. Roosevelt even “embraced Hamiltonian means to achieve Jeffersonian ends” (Whitney). Although F.D.R. despised Hamilton, he was forced to use Hamiltonian ideals of federal activism and central economic planning. Also, Hamilton's economic schemes were used

“[to end the] inflationary eras in post-World War II West Germany and Japan” (Riggs). Although Hamilton formulated his policies in the late 1700's to revive American public credit, they were so well diagrammed that Germany and Japan used it during the mid 1900's. In today's modern economic turmoil, Hamilton remains triumphant. According to the U.S. National Debt clock, America's debt is a staggering \$9.4 trillion. This echoes Hamilton's system, as he assumed the national and state debts as “the more creditors to whom the government owed money, the more people there would be with a personal stake in [America's] success” (Kennedy 194). Conversely, present-day globalization is outsourcing America's economic security; manufacturing is outsourced to industrializing nations as supposed “free trade” sucks America dry of jobs. Hamiltonian ideals would reverse this trend by protecting domestic jobs, regulating trade, and subsidizing American business. By supporting American domestic prowess, Hamiltonian ideals would cement America as a world power for years to come.

Hamilton's economic system sustained America during its early years, ironically became Jefferson's presidential policy, and echo in the last two centuries economic policies. America's status as an economic and political superpower was realized because of Hamilton's aptitude and foresight. By rising above Jefferson's idealism and founding the basis of America's financial future, Hamilton secured his place as a founding father and economic genius.

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