

Federal Reserve Bank of Minneapolis
2007-2008 Essay Contest
Second Place Advanced Economics

Jefferson vs. Hamilton: The Extremes that Shaped the Nation

Zachary Kagan

St. Paul Central High School
St. Paul, Minnesota

“Put down all banks, admit none but a metallic circulation that will take its proper level with the like circulation in other countries, and then our manufacturers may work in fair competition with those of other countries, and the import duties which the government may lay for the purposes of revenue will so far place them above equal competition.”

—Thomas Jefferson, Letter to Charles Pinckney, 1820.

“In framing a government which is to be administered by men over men the great difficulty lies in this: You must first enable the government to control the governed, and in the next place, oblige it to control itself.”

—Alexander Hamilton, The Federalist Papers

The United States of America was created during a time of uncertainty, chaos and discovery (McCullough, 20). During this time a select group of American patriots, politicians and thinkers, who we now call the founding fathers, were debating over the nature of the new nation. In the midst of the debates ideas of two very influential men clashed. These two men were Alexander Hamilton and Thomas Jefferson and although they both worked to create the best possible nation, their ideas of the U.S. economy were radically different (Dalkoff, "Hamilton vs. Jefferson."). Hamilton's economic goals were to create a prosperous, industrial economy with a strong rate of growth that could compete with the economies of other nations and he was more than willing to sacrifice civil liberties to do so. Jefferson was an idealist and his economic goals were to create an ideal agricultural economy that promoted development and wage equality, at the price of a wealthy and influential nation (Dalkoff, "Hamilton vs. Jefferson."). It is a gross oversimplification to state that one's economic ideas were "better" for the nation or economy than the other's. However by compromising the ideas of these two influential men the founding fathers were able to create an economy that promotes and attempts to balance strong economic growth with development and equality.

Hamilton saw future and growth in industrialism and advocated for it forcefully (Alexander Hamilton, PBS). He felt that by supporting industrialization the nation was supporting economic growth and thus helping it compete with the rest of the world. (Dalkoff, Hamilton vs. Jefferson.) Hamilton had seen how industry functioned first hand. He was the lowly, illegitimate son of a Caribbean merchant who built up his own wealth and reputation by serving in the Revolutionary War and by hard work in New York (Alexander Hamilton, PBS). From his experiences in New York he surmised that in order to achieve his economic goal of a high rate of growth the country should encourage industry and the economic activities of cities and achieve a mixed (industrial and agricultural) economy (Alexander Hamilton, PBS). Jefferson had a quite different view. He detested cities and the greed and corruption that they symbolized to him. He was born to a well to do family and raised in the agriculturally minded colony of Virginia (Thomas Jefferson, PBS). He was deeply influenced by French philosophy and associated pure

values and morals to farmers and other agriculturalists and felt that an agrarian economy would mean greater equality of wealth than in a cutthroat industrial economy that Hamilton suggested (Thomas Jefferson, PBS). It has been clear that the economy has shifted much more toward Hamilton's idea of a mixed economy that encourages industry rather than Jefferson's idea of an ideal agriculture society; however the need for equality and rights for workers would not be suppressed.

Hamilton and Jefferson had very different opinions how the rights of men should play into the nation's economic policies. As a self learned man Hamilton believed that the general populace, who haven't worked their way into high standing, didn't need an education, all they needed was to be skilled in their work (Alexander Hamilton, PBS). Unlike Hamilton, Jefferson believed that all individuals should have the right of education because then the populace could be trusted to make more intelligent decisions and most talented could easily rise to high positions (Brulatour). While Hamilton felt that only the rich and powerful needed education to rule over the lower classes, Jefferson saw that increasing the opportunities of the common citizen was beneficial not only for the populace but for the nation as well. It's this attitude that drove him to fully support the Louisiana Purchase during his presidential term as it would open up unrivaled opportunities for thousands of Americans (Nash, 389). Ultimately Jefferson's ideas of the right to an education and the emphasis of economic class mobility were accepted.

Hamilton and Jefferson disagreed on the role of the federal government in the economy. While Jefferson felt that the economy should be maintained through state and local governments Hamilton believed (being a federalist) that the federal government should have a large role in the economy (Alexander Hamilton, PBS). Hamilton's main idea for dealing with the massive national debt from the revolution was to have the federal government assume the debt and pay it back by selling bonds (Nash, 442). Jefferson was wary about having the federal government deal with the economy (being an anti-federalist) as he saw it as another step closer to a tyrannical central government. Ultimately Hamilton's bond idea was adopted on the condition that the capital was moved to Virginia.

Jefferson and Hamilton also argued over the constitutionality of a central bank. Hamilton saw the bank as a way to promote economic growth by providing loans to the populace while Jefferson (who was morally against banking) saw it as a beacon of corruption and greed that would be used to swindle the American people out of their hard earned savings (Thomas Jefferson, PBS). Hamilton founded the First Bank of the United States which opened on December 12, 1791 and despite early enthusiasm over the bank it was forced to close in just 20 years (Phil Davies). The First Bank may have failed but it paved the road for the Federal Reserve System that we have today. Today it is clear that central institutions like the Fed and the federal government play large roles in the affairs of the economy but many economists dispute that this has benefits for the economy. The issue of the role of centralized institutions is as big of a debate topic for economists now as it was for Jefferson and Hamilton back in the 18th century.

Thomas Jefferson and Alexander Hamilton were two opposite extremes. Hamilton wanted to create a strong and influential economy by encouraging industry and promoting central institutions that controlled the economy at the expense of some citizen liberties. Jefferson was on the diametrically opposite side of the argument; he debated for an ideal agrarian economy and the need for equality of wealth and opportunities for the American people even at the price of economic growth. It is clear that our current economy and nation as a whole has drawn influences from the ideas of both influential men. It seems clear that Hamilton's ideas are more prevalent today (successes of his ideas for a central bank, an industry based economy and a strong centralized federal government) however Jefferson's views on equality, economical opportunity, and public education have turned this country from the tyrannical and unjust economic power it could have become and into the land of freedom and opportunity that we call the United States of America.

Works Cited

“Alexander Hamilton.” American Experience, PBS. 18 Dec. 2007
<http://www.pbs.org/wgbh/amex/hamilton/>.

Brulatour, Meg. History Dept. Vcu. 19 Dec. 2007
<http://www.vcu.edu/engweb/transcendentalism/ideas/edhistory.html>.

Dalkoff, Jeremy. “Hamilton Vs. Jefferson.” Open Notes. 19 Dec. 2007
<http://www.newtrier.k12.il.us/academics/social/opennotes/art4.htm>.

Davis, Phil. Minneapolis Fed. 17 Dec. 2007
<http://www.minneapolisfed.org/pubs/region/07-09/hamilton.cfm>.

McCullough, David. 1776. New York: Simon & Schuster, 2005.

Nash, Gary B. The Unknown American Revolution. New York: Penguin Group, 2005.
“Thomas Jefferson.” PBS. 18 Dec. 2007 <http://www.pbs.org/jefferson/>.

Works Referenced

Cherin, Ethan. Personal interview. 18 Dec. 2007.

Kagan PhD, Samuel H. Telephone interview. 19 Dec. 2007.