

# 2007–2008 Student Essay Contest

## Hamilton vs. Jefferson:

### Whose economic vision was better?

This spring the Minneapolis Fed held its 20th Annual Student Essay Contest, which is open to high school juniors and seniors in the Ninth Federal Reserve District. Over 150 essays were received from schools throughout the district. Submissions were divided into two categories: standard and advanced economics classes. The essay selected as the best over both categories is published here. Other top essays can be found online at [minneapolisfed.org](http://minneapolisfed.org). Go to “Community and Education.”

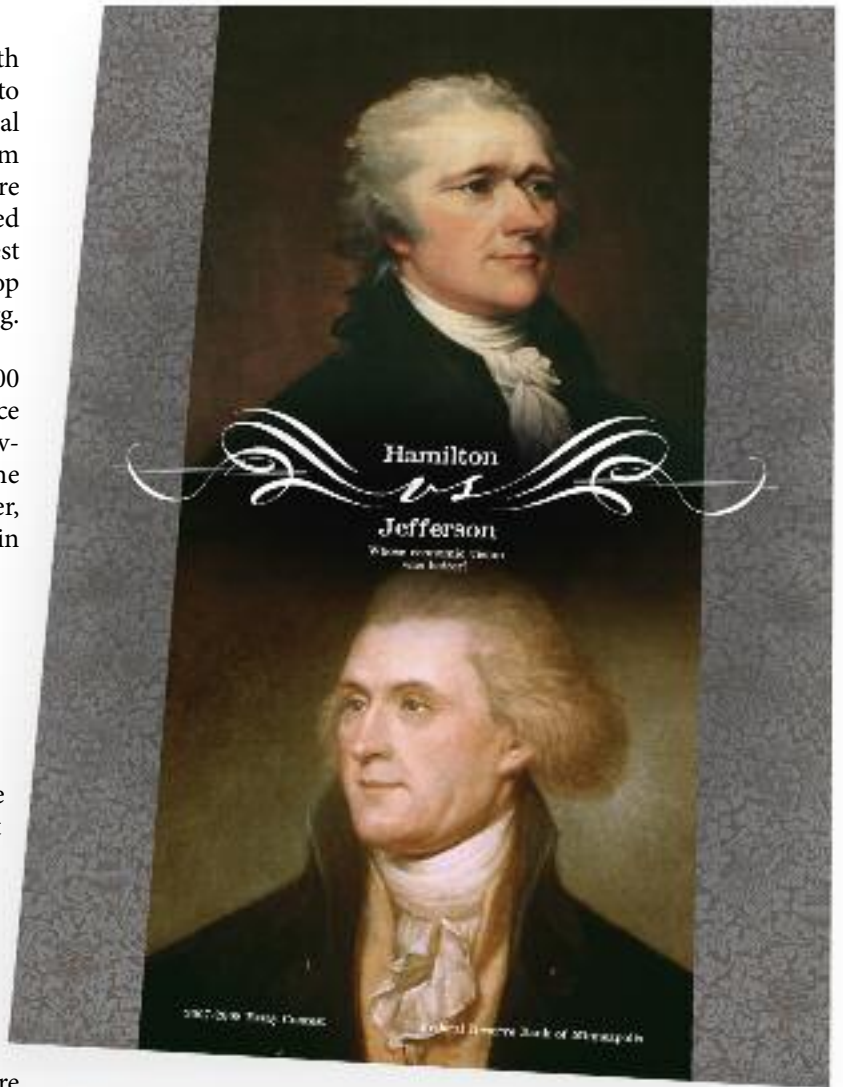
Fifteen finalists in each division received a \$100 U.S. savings bond. In addition, first- and second-place winners from both divisions received additional savings bonds. A paid summer internship at the Minneapolis Fed was offered to the overall winner, Madeline Christensen of Edina High School in Edina, Minn.

#### Essay Question

#### Hamilton vs. Jefferson: Whose economic vision was better?

When students learn about the early history of the United States, the issues considered important then might seem largely irrelevant now. Sure, the framers of the Constitution debated the fundamental purpose and scope of government, but they agreed upon a framework that’s been used ever since. Are their concerns over matters of economics relevant in a modern, technological society?

They certainly are. Hamilton and Jefferson were famous rivals, disagreeing publicly on many issues, from the power of the federal government to the limits of democratic rule. Some of their biggest and best-known differences were over economic matters. When politicians today say that agricultural subsidies should be tailored to support small family farmers, there are echoes of Jefferson in their voices.



When others argue for unified national goals in education, rather than a variety of state goals, Hamilton’s ghost lurks in the background.

Students were asked to choose a side: Hamilton’s or Jefferson’s. Essays were judged, in part, on students’ ability to show how Hamilton’s and Jefferson’s perspectives are relevant today.

## Student Essay Contest Winner

# Cement to Our Union: Hamilton's Economic Vision

### Madeline Christensen

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Alexander Hamilton and Thomas Jefferson have both been hailed as “founding fathers” to the United States, but through the centuries, many history books have judged their parenting tactics quite differently. Thomas Jefferson was the kind of pure, principled father that the nation could be proud of. Alexander Hamilton, on the other hand, was the nation’s deadbeat dad, a stubborn addict to all that was monarchic and undemocratic. Yet for such a supposed blight to democracy, Hamilton’s life was an inspiring embodiment of the American Dream. Orphaned by the age of 13, Hamilton worked his way up from a trading house in the Caribbean to become one of the nation’s foremost leaders and an architect of the new country’s economy (Chernow). Hamilton’s masterful handling of the young nation’s unwieldy debt and his encouragement of a mixed and centralized economy not only saved the budding nation’s childhood from potential economic despair, but it also painted an intricately linked economic vision built on sound ideas that might continue to benefit the nation today.

Hamilton’s economic philosophies not only helped the new nation manage its enormous debt, but they also presented insight into many issues of resource management. The war left the newborn country \$50 million in debt, a staggering figure that cowed foreign investors, crippling American industry. Confidence in the feeble federal government was so low that many of the original patriots who had invested in liberty’s cause had sold their bonds at much dwindled values (Finseth). Hamilton’s solution was to have the federal government assume the debt. The debt, Hamilton said, was the “price of liberty” inherited after the Revolution, and was thus the government’s responsibility to repay

(Chernow). Yet he also believed that a national debt could have practical benefits. A national debt, explained Hamilton, “attaches many citizens to the government who, by their numbers, wealth, and influence, contribute more perhaps to its preservation than a body of soldiers” (Finseth). “A national debt,” Hamilton concluded, “will be to us a national blessing ... powerful cement to our union” (Allen). By funding the debt by selling it as credit to the nation’s wealthy investors, Hamilton intended to create a sense of ownership of the government among the financially powerful.

Jefferson, who dreamed of an agrarian, decentralized America, saw Hamilton’s solution as a huge step backward from everything the Revolutionary War had been fought for, a near re-creation of British-style oligarchy and classism (Allen). Hamilton’s plan seemed to put a few well-off people in charge over the vast number of agrarian laborers, not only by centralizing the government (along with Hamilton’s hated Bank of the United States), but also by putting the government in the hands of a few rich and powerful people (Finseth). As Hamilton’s ideas rose in popularity, Jefferson fumed about how “a preference of kingly over republican government was evidently the favorite sentiment” of the day (Chernow). Yet Hamilton’s move illustrates the basic economic concept that people tend to take care of things that they own. A similar solution could be offered to help reduce carbon emissions in the United States. Governments could distribute “rights” to pollute to industries. These industries would buy and sell these pollution rights among themselves. It would become financially beneficial for industries to be environmentally friendly (McConnell and Brue). Self-interest can be managed toward a good scenario.

Hamilton also understood the importance of an economy that mixed industry and agriculture, a policy that spelled death to Jefferson’s visions of a

nation of virtuous farmers. Jefferson believed that farmers were keepers of purity and morality, even insisting, as he wrote, that “[t]hose who labour in the earth are the chosen people of God ... whose breasts he has made his peculiar deposit for substantial and genuine virtue” (Fritz). To Jefferson, the workbench robbed its occupants of their independence, reducing them to “fit tools for the designs of ambition” (Fritz). But Jefferson’s idyllic views of farmers weren’t quite the case in reality. The vast majority of Jefferson’s “farmers” did not virtuously till away at their personal plots, but drove slaves through their expansive tobacco plantations, driven just as much by the tides of the economy as any factory owner (Fritz). As historian Stephen Knott explains, “Hamilton helped to create the conditions that made it possible for people to move upward in society, while Jefferson and other members of the southern ‘squirearchy’ were ... defenders of a stable, aristocratic world” (Tolson). Rather than locking the country into dependence, Hamilton’s visions of a mixed economy in fact spread economic freedom by creating opportunities for the common person.

Hamilton’s mixed economy also liberated the country from its dependence on Europe. Here, Hamilton acted from experience. The islands where he’d lived manufactured nothing and had to import all of their supplies. During the Revolution, the country had needed to import all of its manufactured supplies from the French or the Dutch. In order for the country to be economically independent, Hamilton knew, it would have to develop its own industry (Scanlan). Hamilton’s ideas about the importance of economic independence still hold relevance today. In 2004, nearly \$2 trillion of the national debt was owed to foreigners. Over half of new debt is now purchased by other nations. Should these foreigners decide to stop lending to the United States, the result could be a decrease in the value of the dollar and a rise in U.S. interest rates (Archibald

and Feldman), which would leech the United States’ economic strength. As Hamilton realized, the United States’ economic independence is vital to ensure its future economic stability.

In many ways, Hamilton and Jefferson shared the same vision of an economy built on integrity and independence. But Hamilton’s ideas provided for the surest way to reach this goal. By managing the debt and creating a centralized, mixed economy, Hamilton’s innovations freed the nation economically and built the framework upon which it would continue to thrive. Jefferson gave the nation its ideals, but Hamilton knew how to keep the family together. **R**

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