

dated hypotheses (universal physical principles, or their like) are allowed to define the determining parameters of action within the corresponding domain. In such a configuration, it is changes in the domain (e.g., change in Heraclitus and Plato's sense) which determine the characteristic form of action with a domain-in-transition, rather than a simply fixed domain.

The collision between Cusa's *Concordantia Catholica* and founding of modern experimental science, *De Docta Ignorantia*, on the one side, and the evil typified by the influence of Venice's Cusa-hating Venetian marriage counsellor to Henry VIII, Francesco Zorzi, typifies the determining axiomatic features of both the entirety of the Sixteenth-Century histories of Spain and the Netherlands (among others), and the specific characteristics of the role of Henry VIII in his society of that time.

In contrast, Professor Lacey Smith's book is an all too typical attempt, among modern so-called historians and political doctrinaires, to locate history as percussive interactions of individuals on a flatland surface, outside the real universe.

As Kepler's uniquely original discovery of universal gravitation illustrates the relevant methodological issue of science: who moves what, and how?

It is only actions which change the physical geometry of the interactions within society, which allow us to situate competently the meaning of the role of interactions among persons in shaping the course of history of and among nations. It is the titanic struggles for change within cultures, within our universe, and the role of the individual as an actor of relevance to those universal features of the struggles, which are the permissible points of reference for the attempt to understand any part of human history, such as the imperilled U.S.A. today.

Henry VIII was thoroughly mad, and essentially an evil person, a beast-man in the same sense of the leading founder of modern fascism, Count Joseph de Maistre adored the beast-man Torquemada. To understand the history of Sixteenth-Century England from the accession of Spain's Charles I, through the accession of William of Orange, the actors must be situated on a stage in which the great civilizing forces of the Fifteenth-Century, Platonic Renaissance, and the pro-ultramontane Aristotelian-empiricist forces of unrepentant imperialism, were either moving the players on the chessboard, or, like Shakespeare and Kepler, working to change the design of the great game,

Professor Lacey Smith's vicious error, of concealing the Venetian factor, is the most important systemic feature of his book, the systemic error which vitiates his efforts at reaching conclusions and related inferences.

Professor Smith's folly is not unique. I have had to combat the same mechanistic blundering even among some notable cases of my own associates, the fact which makes the Professor's blunder notable, more than thirty years later.

# Hamilton: Father of The 'American System'

by William Jones

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## Alexander Hamilton

by Ron Chernow

New York: The Penguin Press, 2004

818 pages, hardbound, \$35

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I know nothing in recent history that under the hand of a talented writer would attract such universal interest as this; for the French Revolution is, at least for the time being, still not ripe enough for an historical treatment.

—Friedrich Schiller on the American Revolution, Letter to Johan Wilhelm von Archenholtz, July 1795

The appearance of a new biography of Alexander Hamilton, one not only well-researched and well-written, but also utilizing sources largely hitherto untapped—including 50 previously undiscovered essays written by Hamilton, and articles written anonymously for the *Royal Danish American Gazette*, the paper of his hometown in St. Croix in the West Indies—should gladden the heart of all American patriots.

I must admit that I approached the new biography by Ron Chernow somewhat gingerly. Knowing only that Chernow had made his mark by authoring biographies of the world's most prominent financiers, John D. Rockefeller, the Morgans, and the Warburgs, I had a slight premonition he might approach the subject of Hamilton as another example of these financial "magnates," that is, as the pioneer of "free trade" and the stock market, or something similar. Hamilton, as Chernow recognizes, is one of the founding fathers who has received shortest shrift by historians—and thus he is easily subject to manipulation by some right-wing ideologues. It took only a few pages' reading to discover that Chernow seemed intent on getting at the true significance of this far-sighted genius, whose life and work, more than most of the other founding fathers, made a resounding success of this experiment of the American Republic.

It is all the more remarkable to read Chernow's account of Hamilton's role in the Revolution, his work during the debates on the Constitution, and the backdrop to those great economic papers aimed at securing the economic well-being of the young and fragile republic from enemies both within and without, because so many of his accomplishments have



Alexander Hamilton's statue stands outside the Treasury building in Washington, D.C., but his significance is often overlooked.

been either forgotten or relegated to a passing comment in the history books. The slander campaign to which Hamilton was subjected at the end of his life, has also unfortunately colored his reputation for subsequent generations.

While gathering dust on the library shelves of American universities, the tradition of Hamilton had, however, been revived in the political arena during the early 1970s by economist Lyndon LaRouche, who raised the banner of Hamilton in a war with the “free market” lunatics in academia and the think tanks, then totally hegemonic in dictating policies in Washington, policies which were already veering in the direction of fascist economics. While Adam Smith's and David Ricardo's theories of the “invisible hand” and market dynamics ruled the roost in the academic debates, LaRouche was taking the American System of Hamilton to the streets, culminating in the LaRouche presidential bid in 1976. In 1977, New Benjamin Franklin House published *The Political Economy of the American Revolution*, containing the more important economic works of Hamilton, Franklin, and other representatives of the American System, as well as the works of their predecessors in Elizabethan England and Colbert's France. Since that time, LaRouche has carried the tradition of Hamilton to the international arena in his ongoing battle against the free market lunacy of the International Monetary Fund and

international financial institutions, which are using Adam Smith's “invisible hand” to strangle entire nations by forcing down their throats massive austerity policies. In that sense, the revival of Hamilton in the political arena has long preceded his revival in the intellectual fora, but the recent publication of books dealing with various aspects of Hamilton's system, including Chernow's comprehensive biography, may indicate that a real barrier has been broken in that respect.

Although Chernow clearly does not understand Hamilton's place in the Cameralist/Colbertist economic tradition that created the American System of Political Economy, his book is an important contribution to showing how central Hamilton's vision was to the creation of our Republic.

## Humble Origins

Hamilton was born on the island of Nevis in the West Indies in 1755, in very constrained circumstances, Hamilton's mother, Rachel, having fled an unhappy marriage to a Danish fortune hunter on the island of St. Croix, fled to the island of St. Kitts where she took up a relationship with James Hamilton, a down-and-out member of the Scottish Hamilton clan. Since she had not been granted a divorce by her first husband, it is doubtful the new couple had been married when they had their second child, Alexander. When the young Alexander was 11, his father would desert his mother, and his mother would die a year later. Hamilton's presumed illegitimacy would follow him throughout his career, being wielded against him by his enemies especially during the final, tumultuous years of his life. Establishing himself on the island of St. Croix as a merchant's assistant, the largely self-educated Alexander finally succeeded in pulling together the necessary funds, largely from charitable contributions from friends on the island, to emigrate to the mainland to attend college.

He began his studies at King's College in New York (later Columbia University) in 1773 or early 1774, taking a Classical curriculum combined with math and science. An exceptionally bright student, progressing rapidly in his studies, Hamilton developed a keen interest in history and had a lifelong fascination with Plutarch, taking many of his numerous *noms de plume* from characters out of Plutarch's *Lives of the Noble Greeks and Romans*. Here he developed his first friendships which would serve as his entree into local New York, as well as national politics.

He was quickly swept up in the ferment sweeping the country over the many flagrant encroachments on the liberties of the colonists by the British Crown, leading to the Boston Tea Party, when the Massachusetts colonists dumped the heavily taxed British tea into the Boston harbor. Already Hamilton had entered the lists from his university perch as a pamphleteer supporting the colonists' cause.

When British troops landed in Boston to quell the rebellion on April 18, 1775, the first shots at Lexington rang out, the “shot heard around the world,” which would lead to the opening of hostilities between the colonists and the British Army. When the British sent an armada to Manhattan, Hamil-

ton, together with other volunteers from King's College, helped save some cannon from falling into British hands, succeeding in launching a volley or two at one of the British warships before they were forced to retire with the guns.

Hamilton first lent his services to the revolutionary cause as a publicist, and, although he always felt that his proper post was in the field at the command of troops, his pen would ultimately prove to be his most powerful weapon. Writing for the *New-York Journal*, Hamilton helped to mobilize support for the revolt in the heavily Tory New York City, dashing off an essay a week, under the caption of the "Monitor," while continuing his studies in law and attending drills in the St. Paul's churchyard each morning. The rapid onset of the American Revolution, however, left him little time to complete his studies, and he never formally graduated from King's College.

### Launching a Military Career

On March 14, 1776 Hamilton was appointed captain of a company of artillery by the Continental Congress. He whipped his company, volunteers whom he himself recruited, into shape, becoming one of the most impressive units of the period.

Hamilton served in the Continental Army in the futile attempt to defend New York City at the Battle of Brooklyn Heights, and at the Battle of White Plains. It was here that George Washington first came into contact with the young captain, then barely 21 years old, and quickly noted Hamilton's gifts as an officer. Hamilton would also serve with Washington at the battles of Trenton and Princeton, where American forces succeeded in catching British units by surprise and routing them. It was at this time that Hamilton was invited by Washington to serve as his *aide de camp*.

Hamilton would become a part of what effectively became Washington's "youth movement," which would include, beside the 21-year-old Hamilton, the 19-year-old French major general, Marquis Gilbert de Lafayette, and John Laurens, the son of Henry Laurens, a leading South Carolina planter, and close friend of Washington. The three very close friends were soon designated the "Knights of the Revolution." They would serve in key roles in Washington's conduct of what became a guerrilla war against the overpowering might of the British Army, a strategy which the young Hamilton had already propounded in a youthful essay while still at King's College.

Hamilton quickly transformed his position as Washington's *aide de camp* into that of a veritable chief of staff. He maintained a liaison with the New York Committee of Correspondence, and kept regular contact with important New York political figures, briefing them on the progress of the campaign. He would ride with Washington in combat, go off on diplomatic missions, deal with recalcitrant generals, sort through intelligence, interrogate deserters, and negotiate prisoner exchanges. Hamilton would pen most of Washington's orders, and handle much of his correspondence during the

war, developing such an intellectual rapport with the General that he could often figure out on his own what Washington would want done in any particular situation, and, if necessary, often issue the orders himself, confident in Washington's backing for the measures he recommended.

At Valley Forge, Hamilton suffered all the rigors undergone by the remnants of the Continental Army encamped there. It was here that the young man began to investigate what would become the real study of his life, examining the economic conditions of the colonies, noting the difficulty they had in acquiring clothing or ammunition because of their total reliance on England for these goods. There's nothing like war conditions to sharpen the sense of economic necessity.

The Winter encampment in 1779 at Morristown, New Jersey, was in many ways a more difficult Winter than at Valley Forge, and it was then that Hamilton began to seriously develop his own ideas on forging an economic system for the nation.

In a letter to an old college classmate, James Duane, Hamilton outlined a 12-point program for instituting a stable financial system, a program which contained a ruthless criticism of conditions under the Articles of Confederation. Hamilton called for the creation of a national bank, owned half by the government, and half by private individuals, which could issue money and make public and private loans. He argued for taking foreign loans in order to augment the funds garnered by taxes and domestic loans in order to fully finance the war. He also favored granting Congress supreme power in war, peace, trade, finance, and foreign affairs. In order to accomplish this, he urged that a convention be called to revise the Articles of Confederation.

This was a precursor of his later career in government, but young Hamilton still had his eye on military glory. When General Washington refused to release him to a field command, Hamilton got testy, and ultimately resigned from Washington's staff, and almost from the army entirely. His chance came when the second French fleet, under Comte de Grasse, moved up the Chesapeake Bay in 1781, providing the opportunity for the Continental Army to strike a mortal blow at British General Cornwallis. Washington yielded to Hamilton's demands, and appointed him commander of three battalions, to take Cornwallis' redoubt. In a daring nighttime attack on Oct. 14, 1781, two columns, the left one being led personally by Hamilton, stormed the British redoubts in a bayonet charge. Yelling wildly and cheering, the men took the redoubt. Hamilton had achieved his military glory!

### The Battle for the Constitution

Then Hamilton's real battle began, the battle for consolidating, and creating, a nation.

Leaving military service with the disbandment of the Continental Army, Hamilton set about finishing his law studies, and having a family. He was still engaged in his pamphleteering for a new convention to revise the Articles of Confederation, and was appointed a member of the New York delegation

to the Continental Congress. Here he first came into contact with James Madison from Virginia, with whom he would collaborate in winning popular support for a new Constitution. Later Madison would renege on the very principles that he, together with Hamilton, had elaborated to weave the fabric of the new nation.

But now the two were working as a team. They introduced a measure to levy a 5% duty on all imports in order to give the Confederate Congress autonomy in money matters. They issued a joint statement, in Hamilton's hand, reiterating the importance of public credit to national honor.

When ex-officers of the Continental Army started to demonstrate in Philadelphia demanding back-pay, Hamilton used the occasion to renew his call for a convention to revise the Articles. In this he went against the calls of many who were for moving away from a central government. Thomas Jefferson proposed that the "constant session of Congress" be replaced by a simple committee!

The events leading to the convocation of a Constitutional Convention began with the Annapolis convention, which had been called to resolve a boundary dispute between Virginia and Maryland regarding navigation on the Potomac River. New York appointed a delegation of six commissioners, only two of whom, Alexander Hamilton, and his friend Egbert Benson, actually attended the gathering in September 1786. The overall turnout was not large either, consisting of only 12 delegates from 5 states, but the convention was pregnant with significance for the future of the young republic. Also attending on behalf of Virginia was James Madison. Madison had requested of Thomas Jefferson, who was now a minister to France, books on politics and history in order to learn precedents about republics and confederations.

The discussion soon turned to fundamental flaws in the Articles of Confederation. The delegates came to the conclusion that they would urge the states to send delegates to a convention in Philadelphia the following May, in order to amend the Articles. Hamilton drafted the appeal.

When the Philadelphia convention was held the following Spring, Hamilton was again one of the delegates from New York. Their mandate was simply to revise the Articles of Confederation, not to create an entirely new system of government. But by that time Hamilton had combined with Madison to bring about a necessary shift which would lead to the establishment of a new nation.

While Hamilton participated in the convention, and did make some strategic interventions, he did not play a public role in shaping the outcome. The two other New York delegates rarely voted with Hamilton. Since a state could cast its vote only if two of the delegates agreed, Hamilton often became a non-voting member of the convention. The abolitionist Hamilton was unhappy about the compromises made over slavery in the final draft, but, realizing the impossibility of changing it at that point, he became the primary advocate of the final draft. After almost four months of heated debate, the Constitution was signed by 39 delegates from 12 states.

The battle for ratification by the states would now begin in earnest.

## The Pamphleteer

It is no exaggeration to say that, if it had not been for Hamilton's work, the Constitution would never have been ratified.

The publication of the Constitution came to many as a shock. Thanks to Hamilton's foresight, the proceedings of the convention had been kept secret. When the results were published, many were surprised that the old union of the Articles of Confederation had been replaced by a far bolder concept.

Now Hamilton, conferring with his New York colleague John Jay, invited Madison and William Duer, an old friend of Hamilton's, to publish a series of pamphlets, explaining and defending the new Constitution. The initial aim of the pamphlets, later published as the *Federalist Papers*, was to affect the selection of delegates to the Ratifying Convention in Hamilton's home state of New York, where he knew that it would be a tough battle. The topics were divided among the three of them, with Madison writing on the history of republics and confederations, Jay on foreign relations, and Hamilton on the Executive and the Judiciary, and some sections on the Senate. Duer provided only two of the papers. With an eye to future developments, Hamilton also dealt with military matters, and taxation. The majority of essays came from Hamilton's pen, and he also served as the chief editor.

The *Federalist Papers* were to have a much more profound effect than originally envisioned. They were to be critical to the outcome not only in New York, but also in Virginia, the two states indispensable to the new union's long-term existence. Nine states had to ratify the Constitution before it would come into effect. Elected as a delegate to the New York Ratifying Convention in Poughkeepsie, Hamilton became its primary defender. The opposition to ratification led by New York Gov. George Clinton included Hamilton's fellow delegates to Philadelphia, Robert Yates, and John Lansing. When word came to Poughkeepsie that a ninth state, New Hampshire, had ratified the Constitution, reaching the quota needed to make it the law of the new union, Hamilton warned that New York's refusal would condemn it to isolation and decay as the new union was formed. When Virginia shortly afterwards also ratified the Constitution, the only hold-outs, aside from New York, were North Carolina and Rhode Island. But the Clintonites were still adamant, willing to provoke civil war rather than ratify. Finally on July 26, 1787, one delegate, Melancthon Smith, spurred on by Hamilton's warnings that New York City would secede from New York State if it remained outside the new union, changed his vote, and urged ratification.

## Again at Washington's Side

The successful ratification was, however, only the first step in forging the nation. If it were to survive in its new



*The First National Bank of the United States, which Hamilton fought to establish as a means of providing credit for industrial development, was located in Philadelphia, and still stands today.*

form, there would have to be chosen an Executive who could effectively bring the country together. It was generally understood that there was only one person who had the capability of doing that—and that was George Washington. Hamilton convinced the reluctant General, who had retired to his estate in Mount Vernon, to accept the new historic task.

In choosing his Cabinet, Washington first turned to Robert Morris as his choice for Secretary of Treasury. Morris had been the chief financier of the Revolution, and was well-versed in financial matters. Morris declined, and recommended Hamilton, much to Washington's amazement, who knew little of his former *aide de camp's* financial acumen. Washington appointed Hamilton, and the new Treasury Secretary immediately jumped into his new post with great zeal.

Within a short time, Hamilton was supervising the biggest department of the government, with 39 employees. He immediately set up a customs service by which he hoped to help finance the expenses of the new government. In one of his earliest forays into the field of economics, Hamilton had pointed to the successful models of trade developed under England's Queen Elizabeth and France's Colbert. Hamilton was especially interested in the experience of other countries with regard to their use of excise taxes, and the public debt in financing economic expansion. Shortly after his appointment, Hamilton began to produce the first of his famous reports that would lay the basis for what would become the American System of political economy, *The Report on the Public Debt*.

Contrary to those who wanted to completely pay off the debt of the United States, or even repudiate it, Hamilton saw it as the irreplaceable means for providing the funds needed to transform the United States from an agricultural into a manufacturing nation. In particular, Hamilton wanted to increase the debt of the new Federal government by taking upon itself the debt of the individual states, a move which, more than any other measure, would bind the states into one sovereign body. Instead of paying off the debt, and thereby bankrupting the country, Hamilton proposed a sinking fund, which would permit the retirement of the debt at the rate of 5% per year.

The report created a furor, and not only from those "deficit hawks" for whom the idea of a public debt was anathema. Much of the government debt had been held by Revolutionary War soldiers. In dire straits, many of them had sold their debt to speculators far below the nominal price. With Hamilton's new scheme, the present holders of the debt would make a killing, many thought at the expense of the veterans who had been forced to sell. Hamilton was concerned that not honoring the debt to the present holders would undermine the integrity of the contract freely entered into, albeit under the pressure of financial necessity. If other nations did not see such contracts being honored, they would not be willing to give loans, and Hamilton's whole scheme would be undermined. While sympathetic to the veterans who would be the losers, Hamilton realized that there were bigger stakes involved. Among the opponents to the measure was Hamilton's old colleague, James Madison. The friendship would go downhill from this point on.

Most adamant was Madison's opposition to the assumption of state debts. His state, Virginia, had paid off most of the debt accumulated during the Revolutionary War, as had most of the southern states except South Carolina. Madison saw no advantage for Virginia in letting the national government assume this dwindling burden. In fact, the greatest financial gain would be had by the northern states. Much of the war had been fought in the North, and these states had therefore accumulated significant debts, which they had not yet paid. The South generally saw little benefit in Hamilton's plan.

Ultimately, Madison was won over to the Assumption Plan by a compromise on the location of the national Capital, a compromise brokered by Thomas Jefferson.

Hamilton then plunged into implementing his program. He established a fleet of revenue cutters to patrol offshore waters and intercept contraband—the beginning of the Coast Guard. He also encouraged the public to use homegrown cloth for sails rather than foreign fabrics, previewing his later call for promoting domestic industries. Three quarters of the revenues gathered by the Treasury Department came from commerce with Great Britain. A trade treaty with Great Britain was therefore seen by Hamilton as necessary to the prosperity of the United States.

It was also at this time that he began work on the second major stage in his economic development program, the creation of a national bank.

A bill to charter the Bank of the United States for 20 years passed the Senate with little opposition on Jan. 20, 1791. As the bill entered the House, however, the opposition of Madison caused a brawl. Madison viewed the bank with the jaundiced eye of the Southern planter, considering banks the nefarious tools of the urban merchant class. Hamilton denied any bias, insisting that where banks had been established, they had "given a new spring to agriculture, manufactures, and commerce."

The most serious argument of Madison, reversing a posi-

tion he had held while writing the *Federalist Papers*, was that such a bank was not specifically authorized by the Constitution, thus exhibiting the features of what would later be characterized as a “strict constructionist” view of the Constitution. He was joined by Jefferson, who also railed against the “mercantile power.” Washington, concerned by the vociferous opposition to the bank, grew wary. Hamilton wrote a defense of the bank on Constitutional grounds, even citing from Madison’s portions of the *Federalist Papers* in its defense. Chernow points out the ironies of the situation: Jefferson and Madison, the agrarian slave-holders, portraying themselves as the defenders of the “common man,” while attacking the abolitionist Hamilton as the lackey of the “moneyed classes.”

Hamilton was the first to express the notion of the “implied powers” of the Constitution. In Hamilton’s words, “It is not denied that there are *implied* as well as *express* powers, and that the former are effectually delegated as the latter.” Furthermore, he argued that “every power vested in a government is in its nature *sovereign*, and includes by *force* of the *term* a right to employ all the *means* requisite and fairly *applicable* to the attainment of the *ends* of such power” [emphasis in original]. Jefferson’s and Madison’s strict constructionist views, argued Hamilton “would furnish the spectacle” of a “people governed without government.” The Bank of the United States, Hamilton argued, would enable the government to make good on four powers cited explicitly in the Constitution: the rights to collect taxes, borrow money, regu-

late trade among states, and support fleets and armies. Convinced by Hamilton’s cogent arguments, Washington signed the bank bill into law. Hamilton’s views would often be cited in many landmark decisions by the Supreme Court.

Hamilton’s bank proposal had a bit more success than he bargained for, as speculators, counting on its passage, moved to buy shares in it, thereby driving up the price to a very dangerous level. Hamilton, with the precedent of a South Sea Bubble ever-present in his mind, had to take action, through his friends at the Bank of New York, to stop the speculation. So much for the fraud that Hamilton was “pro-speculation.”

### To Provide for the General Welfare

The ultimate purpose of banks and finance for Hamilton was to transform the United States into a manufacturing power. His explicit program for doing this was the subject of his next report to Congress, the 1791 *Report on Manufactures*. Prior to writing this report, Hamilton did an intensive study of the state of manufacturing by quizzing manufacturers, and his revenue collectors, about prices and quality, the volume of goods, the spurs and checks to production provided by state governments. He even gathered samples of American production, wool from Connecticut, carpets from Massachusetts, laying these out in the committee room of the House of Representatives, to explain to the legislators his concept.

In the *Report on Manufactures*, Hamilton attacked the French Physiocrats, who, similar to the Southern agrarians around Jefferson, believed that all value came from agricultural production. He also argued against the claim of the Southerners that manufacturing would harm agriculture, pointing out rather that it would create a new market for surplus crops, and provide tools for increasing agricultural productivity. Hamilton also pointed to the fact that the United States was primarily an agricultural nation, not because of its natural geography, but rather because of the desire of Great Britain, the prime supplier of U.S. manufactured goods, to maintain its monopoly. It was precisely those trade practices, encapsulated in Adam Smith’s *Wealth of Nations*, which Hamilton had studied in depth, that he wished to undermine.

The Report also urged a policy of encouraging immigration to the United States in order to win for the new republic people with the skills that would help to transform the United States into an industrial nation. Among Hamilton’s list of the advantages of manufacture were: “Additional employment to classes of the community not ordinarily engaged in the business. The promoting of emigration from foreign countries. The furnishing of greater scope for the diversity of talents and dispositions which discriminate men from each other. The affording of a more ample and various field for enterprise.”

It was the purpose of government, Hamilton felt, to use its power to promote this development. “Infant industries needed the extraordinary aid and protection of government,” Hamilton wrote. Such measures as premiums, bounties, and import

## DO YOU KNOW

- that the American Revolution was fought *against* British “free trade” economics?
- that Washington and Franklin championed Big Government?
- that the Founding Fathers promoted partnership between private industry and central government?



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duties to protect these infant industries, a reasonable tariff policy to prevent “dumping” of cheaper foreign goods, expanded patent protection to inventors, were among those proposed.

In addition, Hamilton called for government promotion of “internal improvements,” building roads and canals, and the infrastructure needed for manufacturing to function. In order to justify this role for government, Hamilton made the first significant use of the General Welfare clause of the Constitution, which gives Congress authority “to provide for the common defense and general welfare.” This would set an important precedent for Franklin D. Roosevelt’s policies a century and a half later.

When he issued his report, Hamilton had already become involved in a practical effort to promote manufactures, being one of the founding members of the Society for Establishing Useful Manufactures,” considered by one historian to be “the most ambitious industrial experiment in early American history.” The SEUM set up the first experimental industrial city in Paterson, New Jersey, remnants of which can still be seen today.

The British tried to maintain tight control over their industrial monopoly, forbidding export of any tools that might assist in the manufacture of cotton, linen, wool, and silk, and imposing secrecy on people employed in those industries. British manufacturers had also impeded American efforts to make hats, nails, steel, and gunpowder. Hamilton, and a collaborator on the *Report on Manufacturers*, the industrialist Tench Coxe, arranged to entice over workers from the British textile industry, in order to get them to reveal some of the “secrets of the trade.” In this way they were able to set up a textile mill in the United States based on the British Arkwright mill, which had until then held a virtual monopoly on textile production. Today this would no doubt be characterized as “industrial espionage.”

Hamilton’s *Report on Manufactures*, unlike his earlier reports, was never acted upon, but rather shelved by the House of Representatives. The long-term effect of the Report, however, would be to transform the United States into the greatest industrial power in the world.

## The Growth of Faction

The years that followed the publication of the three famous reports would be the most turbulent in Hamilton’s career. Washington was re-elected in 1792. The onset of the French Revolution in 1789, which, under the hand of the remarkable Lafayette and Jean-Sylvain Bailly, might have become a replica of the American Revolution on European soil, was subverted by British insurgency operations, and transformed into the bloodbath which led to the destruction of the intellectual and political elites of France. Lafayette himself escaped the guillotine, but ended up in an Austrian jail. Another observer of these frightful political events, the German poet Friedrich Schiller, four years younger than the U.S. Treasury Secretary, would characterize it as a “great

moment that found a little people.” Hamilton also was appalled at the course this “revolution” had taken, calling it “a state of things the most cruel, sanguinary, and violent that ever stained the annals of mankind.” He was also furious over the way the events were being defended by Jefferson, still serving as Washington’s Secretary of State, and Madison, the head of a pro-Jacobin faction in the United States.

Hamilton was concerned by this development on more than moral grounds. In April 1793, revolutionary France had declared war on Great Britain. If this faction could successfully bring the United States into alliance with the new regime in France, it could mean war with England. And Hamilton’s whole plan for the successful development of the industrial power of the United States was based on maintaining the needed trade with Great Britain, the taxes on which were financing his program. He detailed John Jay as an envoy to Great Britain in order to quickly negotiate a trade agreement with the former adversary.

The acceptance of an envoy from the new revolutionary French government also caused a major domestic crisis. The envoy, Edmond Charles Genet, known more popularly by his revolutionary epithet, Citizen Genet, was intent on bringing America into their conflict with Great Britain. Genet was provided with “letters of marque” issued by the French government, which allowed him to convert private U.S. vessels into privateers which were then to maraud British merchant ships. When Genet was reprimanded for his actions, he threatened to appeal to “the people of the United States.” This brazen interference in the internal affairs of the United States was too much for Washington. At the request of the Administration, Citizen Genet was recalled. But by a fluke of history, developments in France had gone against Genet’s affiliates in Paris, and any return would probably have led him to the guillotine. Understanding this, Hamilton urged Washington to let Genet remain in the United States, but as a private citizen.

At this point, the knives were out. By the end of the year, Jefferson had left Washington’s Cabinet. Jefferson and Madison were now fully intent on destroying Alexander Hamilton, and his system.

During the latter part of the Washington Administration, Hamilton did get his treaty with Great Britain, the Jay Treaty, which then fueled accusations that Hamilton and the Federalists were in the pocket of the British monarchy. Ironically, aside from its economic advantages, the successful negotiation of the Jay Treaty propelled the Spanish, who were considering an alliance with France, and feared an invasion by the British, to drop their objections to American demands for free navigation for Americans on the Mississippi, and sign a treaty which assured that right. The new treaty with Spain, the Pinckney Treaty, also put on hold the Spanish intrigues to annex parts of the Kentucky and Tennessee territory. More importantly, the Jay Treaty removed the final British troops from the posts in the American northwest, thus securing the territorial integrity of the United States.

## A Scurrilous Campaign To Defame Hamilton

By the end of 1794 Hamilton also tendered his resignation, and left under a cloud. Hamilton had had, while Treasury Secretary, an affair with a woman of a rather dubious reputation, Maria Reynolds, who came to him seeking aid. Was Maria Reynolds an attempt to set up the Treasury Secretary for a scandal, or did Hamilton simply fall for the wiles of a very disturbed young lady and her scheming husband, which was then used by his enemies, to blackmail and ultimately destroy his reputation? The whole episode brings to mind the Monica Lewinsky scandal, whose real origins are still shrouded in some mystery. Whatever the case may be, the Maria Reynolds affair, when it was first brought to the attention of Jefferson and his Republican cohorts, was used by them to get at Hamilton.

The scandal initially did not concern sexual misconduct. The knowledge that Hamilton had paid money to the husband of Maria Reynolds in order to prevent the affair from being made public was initially portrayed as a “sweetheart deal” by a dishonest Treasury Secretary eager to enrich a friend. The Reynolds affair also hung over Hamilton’s head as a sword of Damocles were he to have any ideas about running for the Presidency. The rumor campaign ultimately forced Hamilton himself to publicly expose the affair, in order to clarify the true background of the payments he had made from his personal funds in order to keep James Reynolds quiet.

When Washington decided not to run for a third term in 1796, John Adams, Washington’s Vice President, was chosen as the Federalist candidate, and was elected President. Jefferson, now having formed his own Democratic-Republican Party, was elected Vice President. Hamilton’s final statement on the direction of the country was eloquently formulated in Washington’s famous Farewell Address, a document which Hamilton, unbeknownst to most people, had largely authored. Its call to avoid “entangling foreign alliances,” was a reiteration of his warnings with regard to the ongoing moves to pull the United States into the French camp—and war with Great Britain. Hamilton, whose relationship with Adams up to that time had been difficult at best, did not hold office during the Adams Presidency, but remained the effective head of the Federalist Party, and most of the members of the Adams Cabinet were close to Hamilton, a fact which Adams did not appreciate. The growing animosity between the two would ultimately spell the doom of the Federalist Party.

By 1798, France was confiscating U.S. merchant vessels, leading to the Quasi-War between the United States and France. A trade embargo was imposed on France, and U.S. naval vessels were empowered to attack any French vessels that were threatening American shipping. Many expected a French invasion, and an army was being mobilized. While Hamilton expected to be named the commander of the force, Adams balked, appointing the aging Washington instead as commander, and naming Hamilton inspector general. This slight caused even more bad blood between the two.



*Traitor Aaron Burr, then Vice-President of the United States, picked a duel with Hamilton, and shot him dead in the Summer of 1804.*

As the elections of 1800 approached, the enmity between Hamilton and President Adams came to a boil. An outraged Hamilton began to move to prevent the re-election of Adams, organizing support instead for South Carolina Federalist Charles Pinckney. The infighting ensured that neither Pinckney nor Adams would get elected. That left the victory to the Democratic-Republicans.

Vice President Jefferson was now running for President, while Aaron Burr was running for Vice President. Both received 73 electoral votes. Hamilton had tangled with Burr, who had long been active on the New York political scene, and recognized him as a dangerous intriguer. Burr had set up a firm in New York, the Manhattan Company, ostensibly to provide clean water to New York City. The whole operation was, however, being run by an Anglo-Dutch company, the Holland Company, as a financial scam against Hamilton’s Bank of New York.

At a certain point, the treacherous Burr had donned the garb of a Federalist supporter in order to curry favor among some of New York’s financial circles. Prior to the 1800 elections, Burr returned to the Republican camp, and won a spot on the ticket with Jefferson because of his ability to garner Republican votes in New York state.

Hamilton abhorred Burr as a mortal threat to the nation, and when rumors reached him that some Federalists would prefer Burr to Jefferson, Hamilton was furious. In a contest between these two men, Hamilton was prepared to accept Jefferson as the lesser of two evils. “There is no circumstance which has occurred in the course of our political affairs that has given me so much pain as the idea that Mr. Burr might be elevated to the Presidency by the means of the Federalists,” Hamilton told Oliver Wolcott, his successor at the Treasury



post. Jefferson, he said, “is by far not so dangerous a man and he has pretensions to character.”

As the tied election then went to the House of Representatives, Hamilton was prepared to lobby against Burr. He wanted assurances from Jefferson, however, that, when elected, he would maintain the present system as regards public credit, a navy, and neutrality. Although Jefferson always denied that he had ever made a deal on the issue, evidence does indicate that he conceded on those points, later to renege on some of them. In his Inaugural Address, Jefferson agreed to honor the funding system, the national debt, and the Jay Treaty.

## The Last Battle

Aaron Burr soon tired of his role as Vice President. Jefferson, aware of Burr’s double-dealing, kept him at arm’s length. The ambitious Burr, who attributed his failure to win the Presidency to Hamilton, was already looking for more profitable pursuits.

When Jefferson successfully negotiated the Louisiana Purchase in 1803, the territory of the United States was effectively doubled. Many Federalists were, however, upset by this sudden growth of U.S. territory. There was a conspiracy among some Federalists in New England, spurred on by the British, that they ought to secede from the Union, and form a northern confederation. Seeing the danger, Hamilton then exerted all his efforts into thwarting any such attempt.

Burr decided to use the treasonous faction in New England to his own advantage. He began to moot among his old Federalist friends in New York, the possibility of his running for Governor of New York. As soon as he got wind of this, Hamilton swung into action, writing pamphlets and articles against a Burr candidacy. When Burr did throw his hat in the ring, Hamilton swung his support to another old foe, Chief Justice Morgan Lewis, an ally of the New York Livingston clan, and long-time opponent of Hamilton, just in order to prevent the Burr election.

This sent Burr into a rage. Burr challenged Hamilton to a duel. Hamilton, who abhorred dueling (he had lost one son recently in a duel) nevertheless felt compelled, as a man of honor, to fight. When the duel was held in Weehawken, New Jersey, on July 11, 1804, Hamilton raised his pistol, but purposely fired too high. Ordinarily, in such circumstances, the opponent would do likewise or, at most, try to lightly wound his opponent, and the appropriate apologies would follow. But Burr was out for blood. He had been training for days with a pistol. Whether because he was in a rage or whether he was operating on the behalf of more sinister forces, Burr shot and fatally wounded Hamilton. Hamilton died several days later, and was buried at Trinity Church in Lower Manhattan. Burr would escape justice for the murder, protected by his New York friends, and would go on to more nefarious plots to destroy the United States. Later, Burr would stand trial for

treason, but would succeed in getting away with treason as well as murder.

## Achievements Lived On

While his political career was thus cut short by an assassin’s bullet, Hamilton’s achievements had already become such an integral part of the political fabric of the nation that they lived on long after him. When Jefferson appointed Albert Gallatin Treasury Secretary, he ordered him to look for papers at the Department, which would “uncover the blunders and frauds of Hamilton.” The Swiss-born Gallatin, a collaborator of Burr, who had long been a strong opponent of Hamilton since he had helped foment the the Whiskey Rebellion against Hamilton’s policies in Pennsylvania, had to admit that he could find no wrong-doing. “I have found the most perfect system ever formed,” he told a disappointed Jefferson. “Any change that should be made in it would injure it. Hamilton made no blunders, committed no frauds. He did nothing wrong.” While Gallatin’s policies helped reverse much of what Hamilton had accomplished, when the First Bank of the United States came up for renewal of its charter, Gallatin recommended that it be renewed as it had “been wisely and skillfully managed.” Even its opponents recognized the usefulness of the Hamiltonian system.

“Little Jemmy” Madison, as he was called by his detractors, would allow the charter of the Bank to run out, thus preventing any financing of a suitable military force. When the British, during the War of 1812, landed in Maryland, they therefore met little resistance. Madison was forced to flee on horseback through the Virginia countryside to avoid the British troops who had just set fire to his home. At the conclusion of the War of 1812, a somewhat chastened Madison would recant, and establish the Second Bank of the United States. John Marshall, appointed by Adams as the Chief Justice of the United States, would use the principles laid out by Hamilton to provide the government with the powers needed to maintain American prosperity and stability. In his review of Washington’s papers while preparing to write a biography of the first President, Marshall declared Hamilton “the greatest (or one of the greatest men) that had ever appeared in the United States.”

It is a tribute to Chernow’s *Alexander Hamilton* that this much-maligned man will now be made more widely available to a new generation of readers. As the nation and the world descend into the most dangerous financial crisis in our history, we must learn to grasp the policies of Hamilton, not as a simple understanding of important events in the past, but as a powerful political tool in the present by which we may shape the destiny of nations. The LaRouche Platform for the Democratic Party, combined with his call for a New Bretton Woods system in the international arena, would provide us with the means, as did Hamilton’s famous reports, to bring our nation back on the road of real economic progress.