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## Book Review

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# Why Patriots Today Must Master The Works of Alexander Hamilton

by Nancy Spannaus

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### Alexander Hamilton, Writings

edited by Joanne B. Freeman  
New York: The Library of America Literary Classics of the United States, Inc., 2001  
1,108 pages, hardbound, \$40

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The good news is that the basic economic writings of the United States' first Treasury Secretary Alexander Hamilton, one of the seminal developers of the most successful economic system in the world, the American System of Economics, are back in print. Once the subject of a mass-market paperback by Harper Torchbooks, Hamilton's four major reports have been virtually unfindable recently, except through the book *The Political Economy of the American Revolution*,<sup>1</sup> put out by the LaRouche political movement. The bad news is that the Library of America edition provides virtually no historical context to permit the contemporary reader to understand Hamilton's economic *principles*, the which are crucially important for righting economic policy today.

Hamilton's full collected works, which include a large portion of his personal, as well as public letters, have been produced by Columbia University, and comprise more than ten volumes, so there is no question but that Ms. Freeman had to pick and choose. She made one serious omission, a 1775 piece called "The Farmer Refuted." It is in this article/pamphlet, written to refute a Tory pamphleteer who was arguing the immediate interest of the farmers against the urban leaders of the Revolution, that Hamilton not only encapsulates his famous view of "natural rights," but also brilliantly develops the concept of a developing national economy. Hamilton's statement on "rights," which the ignorant argue that he later abandoned, but which actually defined his outlook throughout his career, went as follows: "The sacred rights of mankind

are not to be rummaged for among old parchments or musty records. They are written, as with a sunbeam, in the whole volume of human nature, by the Hand of the Divinity itself, and can never be erased or obscured by mortal power."<sup>2</sup>

More damaging is the fact that Freeman fails to adequately locate the political context for the documents she publishes.

This failing reaches almost the level of blatant dishonesty, when Freeman declines to even footnote the fact that Hamilton's argument against free trade and the U.S. remaining an agriculture-based economy in the *Report on the Subject of Manufactures*, is a direct counter to the work of British East India Company hired pen Adam Smith, and his *Wealth of Nations*. Thus, Freeman fails to provide the reader with the simple documentation he or she needs—and which has been pointed out by modern writers such as Forrest McDonald, as well as this author in *The Political Economy of the American Revolution*—to show that Hamilton opposed the British system of economics.<sup>3</sup>

Instead of noting the political context for at least the major writings, in introduction of each piece, Freeman instead includes two (minimally) explanatory sections at the end of her compilation, one, a chronology of Hamilton's life, and the second, a set of notes on the texts. Yet these notes are not even footnoted in the text itself, and thus could easily be missed. And they are grossly inadequate to providing the necessary understanding.

Perhaps the failing is due to the fact that this particular project of the Library of America, which was founded in 1979 and has brought out a wealth of primary-source works, including debates on the Constitution, and the works of Founding Fathers such as Washington, Franklin, and Madison, were published with the support of the John M. Olin Foundation, a leading treasonous "free-trade" think-tank of

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1. Nancy Spannaus and Christopher White, eds., *The Political Economy of the American Revolution* (Washington, D.C.: Executive Intelligence Review, 1996), *passim*.

2. Alexander Hamilton, "Farmer Refuted," *The Works of Alexander Hamilton*, ed. by Henry Cabot Lodge, second edition, vol. 1 (New York and London: G.P. Putnam's Sons, 1903), p. 113.

3. Forrest McDonald, *Alexander Hamilton, A Biography* (New York: W.W. Norton & Company, 1979), *Passim*.

the day.<sup>4</sup>

The publication of this volume has provoked a series of articles in the U.S. press, and has added to the mini-revival of interest in Revolutionary American history, which has been shown in the long-lasting bestseller status of books such as *The Founding Brothers* and *John Adams*. This revival is absolutely vital to the process of getting leaders throughout the world to adopt the necessary nationalist economic measures required to get out of the current depression. While the political and economic leadership of Lyndon LaRouche, today's pre-eminent spokesman for the American System of Economics and American Intellectual Tradition, is *the* crucial factor needed for getting out of the hell of a new global Dark Age, a basic knowledge of the principles of Hamiltonian economics, which was in fact the basis for the United States' rise to global industrial leadership at the end of the 19th Century, and the model which leading industrial nations such as Japan, Germany, and Russia used to build up their national economies, is indispensable.

Alexander Hamilton's work is part of the crucial history of the development of the sovereign nation-state, the institution which is uniquely appropriate to the advancement, moral and economic, for mankind, and has created the conditions for the dramatic improvement which has occurred since the 15th-Century Italian Renaissance. And if we're going to save the nation-state, today so viciously under attack, we had better understand how America developed, as a guide to reversing the decline which threatens human existence itself.

### The Hamiltonian Ideas Which Built the United States

While Founding Father Alexander Hamilton's genius did not rise to the level of that of universal scientist and statesman Benjamin Franklin, and his achievements have been subsequently surpassed, especially by economist LaRouche,<sup>5</sup> his contribution to establishing the Constitutional commitment of the United States to the general welfare, and developing the basic economic principles that had to accompany that commitment, was crucial to the survival, and flourishing, of the world's most successful sovereign republic. Contrary to much academic "wisdom," Hamilton did not try to transplant the British model, but rather shaped an economic policy approach coherent with the objectives of Gottfried Wilhelm Leibniz. Hamilton was *not*, as the conservatives today claim, a "money man," but a leader committed to using economic policy for developing national economy. This is evident through studying what Hamilton did, as well as what he wrote.

4. Lyndon H. LaRouche, Jr. and collaborators, *Zbigniew Brzezinski and September 11th* (Leesburg, Va.: LaRouche in 2004 Presidential campaign, 2002), p. 69.

5. See [www.larouchepub.com](http://www.larouchepub.com), the major website of Lyndon LaRouche's political association, for an in-depth review of LaRouche's works on economics, philosophy, and politics.



Contrary to much received "wisdom" today, Alexander Hamilton was not a "money man," in favor of the British system of political economy, but rather he shaped an economic policy approach coherent with the objectives of Gottfried Wilhelm Leibniz.

As Lyndon LaRouche wrote in "At the End of a Delusion," "the American System of political-economy, as, for example, described by Treasury Secretary Hamilton, is a typification of the 'voluntarist' conception of the economic and related role of the individual in history: the *agapic* devotion to the furtherance of the *common good*."<sup>6</sup>

It will be useful to view Hamilton's contribution in terms of the following crucial concepts:

**The productive powers of labor.** First, it is clear that Hamilton viewed economic progress as the result of developing the cognitive powers of the individual, which process would increase the productive powers of labor, through the development of *artificial labor*.

The best starting point for understanding this basic concept is the Treasury Secretary's final report, the *Report on the*

6. Lyndon H. LaRouche, "Economics: At the End of a Delusion," *EIR*, Feb. 22, 2002, pp. 4-69.

*Subject of Manufactures*, written and presented to the House of Representatives in December 1791, and never passed by the Congress. This report is the virtual Rosetta Stone of Hamilton's work, because it is here that Hamilton directly addresses his differences with British free-trade propagandist Adam Smith. While there are reports that Hamilton, a voluminous author and letter-writer, wrote a direct critique of Smith as well, no trace has been found.<sup>7</sup> (See *The Papers of Alexander Hamilton*, Vol. X, ed. by Harold C. Syrett and Jacob E. Cooke, p. 8. Since the reference occurs in the 1879 *Life of Alexander Hamilton, a History of the Republic of the United States of America, by one of his descendants, John C. Hamilton*, the report should be given some credence.)

The very topic Hamilton chose for his third report, of developing manufactures in the underpopulated, largely agriculture-based United States, tells you that Hamilton was going directly up against the prevailing, British economic diktat. Colonies like those in America were supposed to concentrate on their alleged forte, providing raw materials for the already developed industrial powers, such as Great Britain and France, and remaining dependent for vital manufactured goods on imports from those nations. The terms of trade were to be set by the most powerful, and the credit issued, or denied, at the will of the imperial powers. In other words, no *national sovereign control of credit* was to be permitted to such nations.

Hamilton took on these premises, from a conceptual, as well as a practical standpoint. He argued that the overall wealth and well-being of a nation would be increased by the joint development of agriculture and manufactures, especially through the development of artificial labor to increase man's power over nature. This judgment was clearly based on the concept of the "laborer" as a person with cognitive powers, not simply muscle power. The direct reference Hamilton makes to this fundamental assumption comes in his sixth argument in favor of developing manufactures. It reads:

VI. As to the affording a more ample and various field for enterprise.

This also is of greater consequence in the general scale of national exertion, than might perhaps on a superficial view be supposed, and has effects not altogether dissimilar from those of the circumstance last noticed ["furnishing greater scope for the diversity of talents and dispositions"]. To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients, by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene, which is opened

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7. Harold C. Syrett, ed., *The Papers of Alexander Hamilton*, vol. X (New York and London: Columbia University Press, 1966), p. 8.

to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort. . . .

It is from this concept of labor *quality* that we also find Hamilton's campaign to end slavery, and his promotion of an entrepreneurial society, based on the initiative of individuals, in contrast to state-controlled entities. But entrepreneurship is not to be confused with Smithian "free enterprise," in which every individual and firm is given the license to loot everyone else, however he can, in hopes that the "invisible hand" would sort everything out all right. Hamilton did *not* believe in that.

Without understanding Hamilton's concept of the productive powers of labor, starting in the individual human mind, there is no way to comprehend the American system of economics. Yet, to this very day, there are so-called educated Americans who consider the idea of productive labor to be a Marxist, socialist one! Yes, the requirement to provide a standard of living at the necessary (and improving) level for labor to enhance its cognitive powers, grates hard against the British (and Marxist) view of the "horny hand of labor." But that was the concept which the Renaissance cameralist school of economics, championed by Leibniz, and taken forward by Franklin and Hamilton, used as a foundation for their nation-building projects.

**The responsibility of sovereign government.** Another major underpinning of Hamilton's American System, also reflected in the *Report on Manufactures*, was the sovereign responsibility of the Federal government to intervene in favor of developing the economy of the nation. Again taking on Smith, who argues that "Industry, if left to itself, will naturally find its way to the most useful and profitable employment," Hamilton argues that government should intervene, "with bounties, premiums, and other artificial encouragements," in order to develop the industries the nation needs.

As opposed to the free traders of the time—or what we would call the "globalizers" today—Hamilton contended that: "Every nation . . . ought to possess within itself all the essentials of national supply. These comprise the means of *subsistence, habitation, clothing, and defence.*"

"The possession of these is necessary to the perfection of the body politic; to the safety as well as to the welfare of the society. . . . The extreme embarrassments of the United States during the late War, from an incapacity of supplying themselves, are still matters of keen recollection," Hamilton wrote, urging that this was the next great work to be accomplished, lest the United States again face the same situation in a future war. The whole conclusion of the *Report on Manufactures* reflects the fact that his department carried out a physical inventory of the nation's production from this standpoint, noting what would best be done to make that production adequate to the nation's needs.

Government responsibility for ordering the economy was

required, from the outset, to provide for the security of the nation. As Hamilton put it in the *Report on Manufactures*:

Not only the wealth; but the independence and security of a Country, appear to be materially connected with the prosperity of manufactures. Every nation, with a view to those great objects, ought to endeavour to possess within itself all the essentials of national supply. These comprise the means of *subsistence, habitation, clothing, and defence*. (p. 692)

Hamilton directly defines these responsibilities of government as being guarantors of the general welfare, which is included as a leading purpose of the United States government, in the Constitution which Hamilton, the author of most of the *Federalist Papers*, did more than virtually anyone else to get adopted.<sup>8</sup> In the section of the *Report on Manufactures* directed toward the powers of the government to encourage necessary industries, and necessary permanent improvements in infrastructure (especially transportation), Hamilton wrote:

The terms “general Welfare” were doubtless intended to signify more than was expressed or imported in those which Preceded; otherwise numerous exigencies incident to the affairs of a nation would have been left without a provision. The phrase is as comprehensive as any that could have been used; because it was not fit that the constitutional authority of the Union, to appropriate its revenues shou’d have been restricted within narrower limits than the “General Welfare” and because this necessarily embraces a vast variety of particulars, which are susceptible neither of specification nor of definition.

It is therefore of necessity left to the discretion of the National Legislature, to pronounce, upon the objects, which concern the general Welfare, and for which under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt that whatever concerns the general Interests of *learning of Agriculture of Manufactures* and of *Commerce* are within the sphere of the national Council as far as regards an application of Money. (p. 702)

It is within the same section of the *Report on Manufactures* that Hamilton also puts forward the policy of tariffs, in order to protect infant industries in the United States. There is no such thing as free trade, Hamilton argues, because already the nations of Europe have imposed regulations that render the United States “the victim of a system, which should induce them to confine their views to Agriculture and refrain from manufactures. A constant and encreasing necessity, on

their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorise them to aspire.”

Thus government must protect U.S. manufactures, even if it means an immediate increase in price for U.S. consumers. Eventually, due to the improvements made technologically in the production, the price of U.S. products will actually be reduced.

**A National Bank.** A leading feature of sovereign control over one’s nation and its future is the control of one’s currency. Here, too, Hamilton took the lead with his proposal for a National Bank of the United States, as an indispensable tool for establishing and maintaining the sovereign credit of the United States. While Hamilton’s bank had private directors, it was directly responsible to the U.S. government, received a subscription of 20% of its capital from the U.S., and was devised as an instrument to encourage creditors of the government, to invest *long-term* in the United States, by buying stock in the bank, which would be investing in wealth-producing ventures.

An examination of this report to Congress, issued in December 1790, demonstrates that Hamilton is not at all thinking like a “banker,” as the populist opponents of the National Bank, and national banking, then and now, accuse him of doing. He is attempting to free both the U.S. government, and the people of the United States, from bondage to usurers and other financiers, in the interest of improving the conditions of the country and its population.

To understand this, you don’t have to look at the mechanics of the bank, but at what the mechanics were devised to accomplish. Hamilton outlines three advantages for the public bank:

First, “the augmentation of the active or productive capital of a country” (p. 576). What this means is freeing the country from the domination of those who controlled gold or silver, and creating a source of *credit* which could become circulating capital. In sum, Hamilton says, “it is one of the properties of Banks to increase the active capital of a country. . . . And thus by contributing to enlarge the mass of industrious and commercial enterprise, banks become nurseries of national wealth: a consequence, as satisfactorily verified by experience, as it is clearly deducible in theory.”

Second, the existence of a public bank will give “greater facility to the Government in obtaining pecuniary aids, especially in sudden emergencies.”

Third, the existence of the National Bank will facilitate the payment of taxes.

Hamilton then takes on the detractors, summarizing their arguments against the Bank, and destroying them. His first adversary is the assertion that public banks serve to increase usury, in response to which he argues that the increase in

8. Edward Spinaus, “What is the General Welfare?: From Benjamin Franklin to Franklin D. Roosevelt,” *EIR*, May 4, 2001, pp. 34-47.

the quantity and circulation of money which the bank will accomplish, will actually *reduce* usury. Upon reflection, and comparison with the British bankers, the likes of whom Hamilton is always compared with, this argument is extremely significant. Hamilton is by no means interested in increasing interest rates, for huge banker profits, or even for leaving the rates to the “free market,” as the infamous Jeremy Bentham was. His bank will in fact be intervening in the “marketplace” in order to curb the gouging of a population which needs to borrow funds. And, in fact, he argues that the National Bank will tend to lower the rate of interest overall, by providing ample credit, safely.

Another telling argument for the Bank, which Hamilton makes against its opponents, is to refute the idea that it will drive gold and silver out of the country, by the issuance of paper money. Here Hamilton, like the cameralists before him, shows that he is no monetarist, believing that such commodities, or even natural resources, determine the wealth of a nation. In sum, “the state of its [a country’s] agriculture and manufactures, the quantity and quality of its labor and industry must, in the main, influence and determine the increase or decrease of its gold and silver.” And since banks increase productive activity, they will aid the situation of the country.

The mix of private and public controls of the Bank should not confuse anyone in terms of the intention. As Hamilton

puts it directly, “public utility is more truly the object of public Banks, than private profit.” And indeed, Hamilton himself—despite much effort to slander him to the contrary—not only stayed clear of speculation himself, but took regular action to penalize speculators, and throw them out of sensitive positions. Additionally, while foreigners could be stockholders in the bank, only citizens were eligible to be directors (p. 599), and no non-resident foreigners could vote for the directors. In other words, Hamilton had devised a plan by which “such a Bank is not a mere matter of private property, but a political machine of the greatest importance to the State.”

### What Hamilton’s Ideas Wrought

Hamilton’s successful promotion of, and advocacy for, the U.S. Constitution, and the establishment of a sound basis for credit, based on the assumption of the war debt, and the creation of the National Bank, were indispensable to the survival of the young United States. But for reasons related to the defeat of the *Report on Manufactures*—primarily the filthy alliance between New England traders (including in opium) and the Southern plantation owners, in the context of the international isolation caused by the French Revolution gone mad—Hamilton’s program was not accomplished. The industry, infrastructure, and naval buildup which Hamilton understood was required in order to provide security for the nation, did not happen, and the nation was set up for near-destruction in the War of 1812.

Indeed, the final straw right before that war, was the failure to recharter the Bank of the United States, the national bank. This left the United States without a source of reliable credit, right before embarking on a battle for its life.

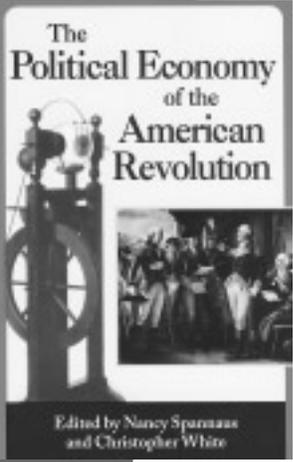
Equally importantly, the failure to follow through on Hamilton’s industrializing vision had given a new lease on life to slavery, which many of the Founding Fathers had expected to be on its way out of existence within 20 years after the new government was established. The slavocracy, in fact supported by the New England and British financiers, was to be a powerful block to all nation-building efforts, up until its defeat by Abraham Lincoln in the Civil War.

By the mid-teens, the political, as well as the military, situation was desperate. Hamilton’s Federalists had become secessionist traitors, and Jefferson’s Democratic-Republicans continued to balk at the necessary measures to create a strong central government, as demonstrated by the fact that the British were able to burn down the White House. The time had arrived for a new formation, built out of those disillusioned with both parties, around a perspective for reviving the principles of the Founding Fathers.

The leading actor in this movement was Mathew Carey, an Irish revolutionary who had been brought over to the United States by Benjamin Franklin in 1784, and had established himself as a printer and political operative in Philadelphia. Carey, a Democrat, could see how disastrous the economic policies of the Democratic Presidents—Jefferson and

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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Madison—had been, as well as the treason of the Federalists. He was also aware that there were leading individuals from both parties—John Quincy Adams from the Federalists, and Henry Clay and his associates from the Democrats, to name a couple—who would respond to a call to abandon “party politics,” in the interest of saving the nation. Thus, in 1814, Carey wrote a mass pamphlet entitled *The Olive Branch*, subtitled “Faults on Both Sides, Federal and Democratic. A serious Appeal on the Necessity of Mutual Forgiveness and Harmony to Save our Common Country from Ruin.”

One of the major points that Carey stressed was the need to revive Hamilton’s economic policy, beginning with the creation of a new National Bank, and continuing with the promotion of industry and infrastructure, through, among other measures, the use of the tariff. Carey was blunt about the fact that he disapproved of much of the Federalists’ political outlook (although his magazine, *The American Museum*, had republished Hamilton’s economic works from the early 1790s on), but he insisted that the nation-building policy, expressed in Hamilton’s famous reports, was absolutely essential to be taken up and implemented, if the United States were going to survive.<sup>9</sup>

Thus, in 1816, the Second Bank of the United States was chartered, and eventually, under President Nicholas Biddle and the Presidency of John Quincy Adams, became a major tool for putting the United States on the right road. A policy of protective tariffs, and for internal improvements, also was put into place. But there was no possibility of smooth sailing as long as the slavocracy held the Southern states. Lincoln’s statement of years later was *not* rhetoric: The nation could *not* endure, half slave and half free.

At the same time, the Carey faction expanded its work. It brought in Friedrich List, from Germany, who took up the cause, and then returned to Germany to apply the Hamiltonian approach. It encouraged the publication of polemical writings against free trade, especially its propagandist Adam Smith, and for national banking and what were then called “internal improvements.” The movement was struck a serious setback when President Andrew Jackson, who had pretended to support the Bank in the 1828 elections, abruptly pulled out Federal funds, and destroyed it in 1832.

The Hamiltonian perspective—without the National Bank, but with a Federally directed credit policy—was not to return to power until the election of Abraham Lincoln in 1860.

## An International Model

The decades from 1860 to 1901 saw an explosive international spread of the American System model.<sup>10</sup> In many cases,

the groundwork had been spread by informal contacts between the United States and other nations, including the circulation of the works of the American System economists, including Hamilton.

The *Report on Manufactures*, for example, had already been published in Russian by 1807. The work of Hamilton was studied by German economist Friedrich List in the United States in the 1820s, and then taken back to Germany, where he became founder of the customs union and a whole railway system. Henry Carey, the leading economic successor to Hamilton, and the brilliant adviser to President Abraham Lincoln and his followers, was the main transmission belt for Hamiltonian economics in the post-1860 period. His work was picked up by the Japanese, forming the basis for the Meiji Restoration; by the Brazilians, Mexicans, Argentines, Colombians, Chileans, and Peruvians; and eventually, by the Chinese republican movement around Sun Yat-Sen.

The upsurge of the drive toward sovereign national republics, in many cases collaborating with each other and the United States for a new kind of international economic development climate, put the fear of death into the British Empire. “American System” economics, which had inspired the world, came under severe attack, especially through the fostering of geopolitical rivalries, and assassinations. With the murder of President William McKinley in 1901, for example, the tradition of Hamiltonian economics in the U.S. was mortally wounded.

It remained for Franklin Delano Roosevelt, himself the great-grandson of a collaborator of Hamilton’s, Isaac Roosevelt, to bring the spirit of Hamilton’s American System of Economics back to life, by reorienting Federal economic policy toward the principles of the general welfare once again. Roosevelt was quite familiar with, and committed to, Hamilton’s tradition, despite his “official” Jeffersonianism. And it is only due to the application of Roosevelt’s American System methods that the United States, and then the world through the Bretton Woods System, came out of the global depression, and the devastation of World War II.<sup>11</sup>

Today, the threat of disintegration of the world economy, and entire nations, is even greater: even greater than it was in the period before Hamilton’s American System went into effect with our Constitution. The leading financial gurus, and the international financial authorities, insist that the days of the nation-state are over, and there’s no way to “go back” to those principles. That’s a lie which you believe at your peril. Either leading patriots from all nations begin to master the American System of Economics, starting with LaRouche and including Hamilton, or there is no alternative to a New Dark Age.

9. W. Allen Salisbury, *The Civil War and the American System, America’s Battle with Britain, 1860-1876* (Washington, D.C.: Executive Intelligence Review, 1992), pp. 413-416.

10. For a review of Hamilton’s influence internationally, see “200 Years since Hamilton’s Report on Manufactures,” *EIR*, Jan. 3, 1992.

11. See Richard Freeman, “The Franklin D. Roosevelt Method of Economic Recovery,” *New Federalist*, vol. 16, no. 6. A much more extensive report by the same author is in preparation for inclusion in a LaRouche in 2004 Special Report, scheduled for release this Spring.