

Boyden Sparkes and Samuel Taylor Moore, *The Witch of Wall Street: Hetty Green* (Garden City, N.Y.: Doubleday, 1948);

Peter Wyckoff, "Queen Midas: Hetty Robinson Green," *New England Quarterly*, 23 (June 1950): 147-171.

Alexander Hamilton

(January 11, 1755-July 12, 1804)

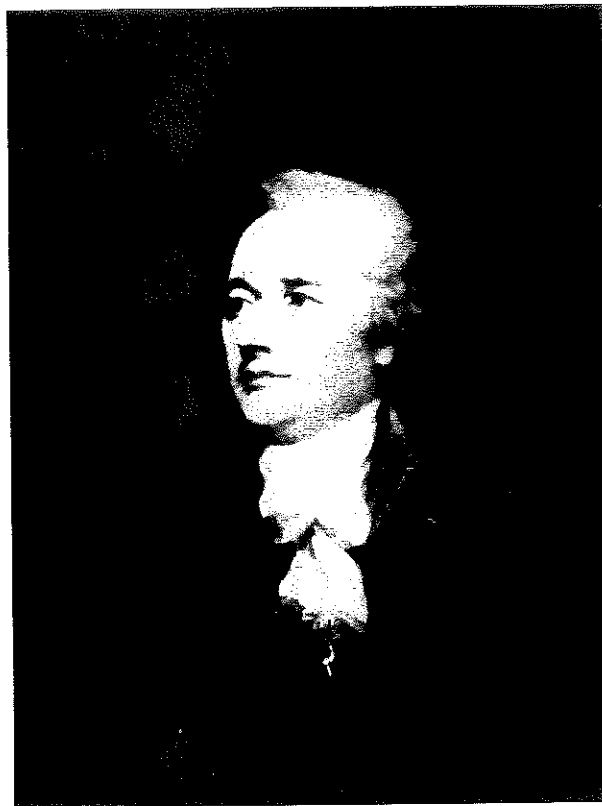
by Charles W. Calomiris

Northwestern University

CAREER: Captain, New York Militia (1776-1777); lieutenant colonel, Continental Army (1777-1781); receiver of continental taxes, state of New York (1782); delegate, Continental Congress, state of New York (1782-1783); lawyer, New York City (1783-1791, 1795-1804); director, Bank of New York (1784-?); delegate, Annapolis Convention (1786); delegate, Constitutional Convention (1787); U.S. secretary of the treasury (1791-1795).

Alexander Hamilton, recognized by contemporaries as the preeminent financier of his era, is best known to students of American history as one of the founding fathers—a distinction that embraces a wide range of accomplishments. As the first secretary of the treasury, or a close aide to General and President George Washington, or an influential supporter of the Constitution, Hamilton would have been assured a prominent place in American history. That he was all of these and more has made him an icon of American politics.

From the time American independence was assured, Hamilton's work focused on the goal of promoting a strong and stable government for the new country. He served briefly in the Continental Congress, from 1782 to 1783, but was frustrated by its inability to exert authority. He was selected to represent New York at the Annapolis Convention of 1786, which called for a constitutional convention the following year. While he attended the Constitutional Convention and eventually signed the Constitution, Hamilton's own views were more conservative than those of most other delegates, so he took little part in composing it. Once it was written, however, he was instrumental in gaining its ratification in New York. He is even better known, however, for his authorship (together with James Madison and John Jay) of *The Federalist*, a series of



Portrait of Hamilton by John Trumbull, 1792 (courtesy of the Yale University Art Gallery)

essays arguing for the adoption of the Constitution that has become a classic of political thought.

Hamilton's contribution to American history did not end with the ratification of the new form of government. He thought it his duty to ensure its inauguration on a sound basis, so he accepted Washington's appointment as the first secretary of the treasury. He used his position in the cabinet to influence the full scope of the administration's activities, engaging in a bitter battle with Secretary of State Thomas Jefferson in the process. Even after

leaving the government in 1795, Hamilton continued to advise Washington and his cabinet, and Washington asked him to draft parts of the outgoing president's farewell address, a work that gained lasting fame and influence.

Hamilton's most enduring contribution to American government came through his work in the Treasury Department. His influential reports to the Congress provided detailed arguments for a variety of programs. The recommendations that were enacted established a stable currency, a national bank, a program for the orderly retirement of revolutionary war debts, and a revenue system based on the collection of tariffs. His *Report on Manufactures*, while largely ignored, offered a farseeing plan for American industrial development, demonstrating Hamilton's vision for a prosperous nation.

Hamilton understood that his actions as secretary of the treasury established precedents for the operation of the new government. He used the office to implement his own views on the proper role of the central government in the new federal system—views that earlier he had muted to strengthen the government and facilitate agreement during and immediately after the Constitutional Convention. He acted to strengthen the Treasury Department and the position of treasury secretary so that the department and his successors would be able to resist congressional pressures and implement the consistent financial policies he felt were essential. His efforts to repay the revolutionary war debts manifested his belief in the sanctity of contracts and were an important step in establishing that principle as the foundation of American commercial society. In the fight for the Bank of the United States, he established the principle of implied constitutional powers, on which much of the subsequent activity of the federal government has been based. Hamilton also established the principle of equal treatment for all nations in his tariff policies, further helping to ensure a predictable environment for American business.

Alexander Hamilton was born on the island of Nevis, in the British West Indies, on January 11, 1755, the second son of Rachel Faucette Lavien and James Hamilton, a merchant and the son of a landed family with ancient roots in Scotland. Hamilton and Lavien lived together from 1752 to 1765. Lavien's divorce from John Michael Lavien, a failed Danish or German planter from whom she had separated in 1750, was not granted until 1759. Danish

law (which prevailed in St. Croix, where they then lived) prohibited her remarriage. That Hamilton was an illegitimate child from a noble line may have contributed to his concern with reputation, evident throughout his life.

In 1765 James Hamilton left Lavien and the children. Three years later Lavien died. Hamilton, then thirteen, and his brother received some minor assistance from the family of his mother's half-sister, Ann Lytton; otherwise, they were penniless—the entirety of their mother's small estate went to her legitimate son by John Lavien. Little is known about Hamilton's early education, but he had apparently received an education at home and was literate in French as well as English.

About the time of his mother's death in 1768 Hamilton went to work for Nicholas Kruger, a local merchant. He remained in Kruger's employ for four years. Toward the end of that time Kruger left St. Croix for several months and put Hamilton in charge of the business. By that time Hamilton was writing more than business correspondence. He contributed a piece to the island newspaper entitled "Rules for Statesmen," which admired the British form of government—a view that he repeated to the Constitutional Convention in 1787. (Hamilton's publications can be found in the definitive collection of his published and unpublished work, *Papers of Alexander Hamilton*, 1961-1979).

In the summer of 1772 a severe hurricane hit St. Croix. Hamilton's account of the hurricane much impressed his friend and teacher, Rev. Hugh Knox, who had come to the island from Princeton, New Jersey, not long before. Knox had Hamilton's report published in the local paper and used the account in discussions with friends to raise money to send him to New York for formal education. Knox found several contributors and arranged that Hamilton attend preparatory school and college. In October 1772 Hamilton arrived in America. It had been almost five years since Hamilton wrote the first of his letters that has been preserved, in which he admitted, "my ambition is prevalent, so that I condemn the grovelling condition of a clerk or the like, to which my fortune, etc., condemns me, and would willingly risk my life, though not my character, to exalt my station."

After a year in the academy at Elizabethtown, New Jersey, studying Latin, Greek, and mathematics with great diligence, Hamilton enrolled at King's College in New York (later Columbia Col-

lege). After a short time he changed his course of study from medicine to political economy and law. During his two years at King's Hamilton began his political career. In July 1774 he attracted attention with a fiery speech at a rally organized by New York patriots following the Boston Tea Party. The following winter he published several widely read tracts in favor of independence—*A Full Vindication of the Measures of the Congress, from the Calumnies of their Enemies; Remarks on the Quebec Bill; and The Farmer Refuted*—and contributed articles to the *New York Journal*.

Hamilton's political activity won him influential friends, and when in the spring of 1776 the New York legislature decided to raise an artillery company, he obtained a captain's commission. He was efficient, effective, and disciplined in his command and received praise for the actions in which he participated. He came to the attention of General Nathanael Greene, who befriended him. That connection brought him to the attention of General Washington, and within a year of his commission, Hamilton had transferred to an appointment as Washington's aide-de-camp with the rank of lieutenant colonel.

As Washington's aide Hamilton's duties included managing the general's correspondence and serving as his personal representative in conferences and missions. His knowledge of French made him an important liaison with the allied army in the later stages of the war. Most important, Hamilton found himself in a position to see firsthand all of the problems facing the Continental Army: finance, supply, organization, and the degree to which these problems were compounded by jealousies and dissension—in Congress, among local field commanders, and from state legislatures and governors. The experience impressed Hamilton with the benefits of centralized decision-making to achieve national goals, a common theme in his thinking in the years following the war.

Washington, speaking of his aides-de-camp, said, "I give in to no kind of amusement myself, and consequently those about me can have none, but are confined from morning till eve, hearing and answering the applications and letters." Hamilton was noted for his diligence and his ability to work without respite, but during winter lulls he also read widely, broadening his knowledge of political economy in particular.

While serving with Washington, Hamilton met and courted Elizabeth Schuyler, daughter of General Philip Schuyler, one of the wealthiest and most influential men in New York. While Hamilton's correspondence contains convincing evidence that this was a love match, Schuyler also became an important political ally, and the match greatly improved Hamilton's position in New York society.

Immediately following the war Hamilton was admitted to the New York bar. During the same period he wrote a series of essays arguing the merits of a strong central government entitled "The Continentalist" for the *New York Packet*. In July 1782 he was appointed receiver of continental taxes for the state of New York by Robert Morris, the superintendent of finance for the Continental government, with whom he had corresponded for some time over means to improve the country's finances. As receiver Hamilton directed his efforts toward reforming the tax system in New York and lobbying the New York legislature to provide funds for the army and for payment of the war debt. He found this an arduous and frustrating task. In his efforts to raise national funds from New York he met with the telling argument that there was no point in putting up money so long as other states did not. This form of jockeying, repeated in virtually all the states, proved one of the greatest defects of the Confederation.

While he failed to extract revenue, Hamilton impressed the legislature sufficiently to obtain a seat in New York's delegation to the Continental Congress, which he held from November 1782 until July 1783. That position also proved frustrating. Congress occupied itself with trying to raise money to pay the still-active army and the war debt, an endeavor in which it met with little success. Peace had removed the wartime sense of urgency and made it difficult to convince the states to contribute funds or levy common taxes for the support of the central government. Congress itself often failed to achieve a quorum.

Frustrated with the inability of Congress to raise funds to pay the army, Hamilton proposed to Washington that the general lead his army against Congress to apply pressure for settlement of military pay claims. Washington refused. Shortly thereafter an uprising motivated by the pay shortage arose within Washington's army, and only the general's personal efforts quashed it. Ironically, Hamilton acted as the congressional intermediary when a

band of unpaid soldiers invaded Philadelphia, threatened the state government, and demanded their pay. Congress took flight to New Jersey until disciplined troops brought from West Point quelled the disturbance.

In November 1783 Hamilton left government service to open a law office on Wall Street. He often represented defendants being prosecuted under the antiloyalist statutes of the Continental government, arguing that the laws violated due process and that individuals could not be prosecuted *ex post facto* for complying with British laws while New York was under British rule. While engaged in his legal practice Hamilton continued to be active in civic affairs. He published his opinions in the newspapers, maintained an active correspondence with political leaders throughout the country, became a founding member of the New York Society for Promoting the Manumission of Slaves, and helped to found the Bank of New York in 1784.

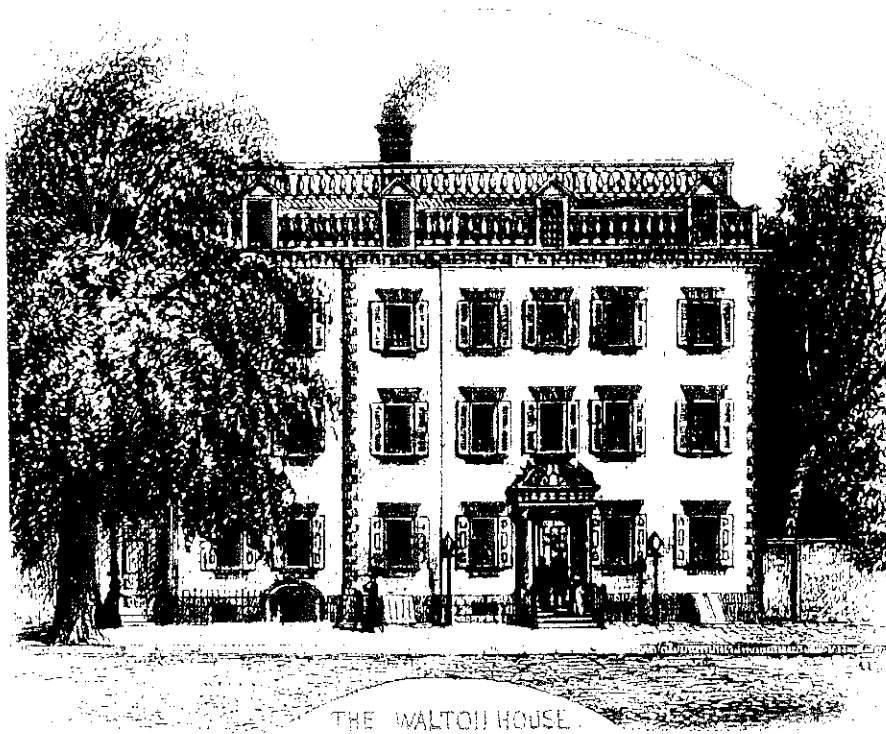
The proposal for the Bank of New York emerged in part from a desire on the part of certain New York merchants for banking services like those provided by the Bank of North America, founded in Philadelphia three years before. It was also a way of circumventing a proposal by Robert R. Livingston for a land bank in New York. Hamilton and others feared that a bank capitalized predominantly on the basis of pledges on land would have dangerous weaknesses. The Bank of New York opened in June 1784 under a constitution drafted by Hamilton and with Hamilton as one of the directors. The bank took deposits, issued notes, and discounted notes and bills at 6 percent, repayable in bank notes or specie. The bank failed to secure a charter until 1791, however, due to public suspicion of banking. The public blamed the bank for a shortage of specie during the late 1780s that was actually the result of an unfavorable balance of payments with Britain. The bank's charter generally followed Hamilton's recommendations but limited the bank's capital-asset ratio to 25 percent and barred the bank from buying or selling stock—limitations that set precedents for future American banking regulation.

In 1786 Hamilton was appointed to represent New York at a meeting in Annapolis, Maryland, that had been called by Virginia "for the purpose of framing such regulations of trade as may be judged necessary to promote the general interest." The representatives of only five states appeared.

Lacking a quorum, the delegates decided to call for a broader conference in Philadelphia the following spring. The convention report, drafted by Hamilton, called attention to the inability of the central government to raise revenue without the consent of the individual states, the jealousy with which each state guarded its rights and defended its own view of the "fair" allocation of the fiscal burden of the national government, and the many impediments to national commerce both between states and with foreign nations. Also, competitive tariff policies of state governments weakened the national economy and worsened political quarrels among the states. It was in this environment that the delegates in Annapolis recommended that the Philadelphia assemblage "devise such further provisions as shall appear to [the delegates] necessary to render the constitution of the Federal Government adequate to the exigencies of the Union." Hamilton appeared before the New York legislature the following year and worked to persuade his colleagues that the state should send a delegation to the convention. He succeeded and with his father-in-law's assistance was appointed to that delegation.

Most of Hamilton's contributions to the Constitution devised in Philadelphia occurred before and after the convention. Serving on a delegation with two men who opposed the strengthening of the federal government and who eventually withdrew from the convention, Hamilton was often unable to influence decisions. Moreover, his distrust of congressional politics led him to advocate an essentially monarchical model of government. He outlined that extreme position in a five-hour speech early in the debates. His extremism may have helped pave the way for discussion of the milder but still radical proposals the convention adopted. Hamilton was absent from the convention for much of the summer, when the basic framework of the document was forged. He did serve on the Committee on Style, which prepared the final text, but the committee had little influence over content. In the end Hamilton signed the Constitution, viewing it as the best solution available to the country's problems.

Following the signing of the Constitution, Hamilton returned to New York and worked, with the collaboration of James Madison and John Jay, on the series of eighty-five essays for which he is best known today. *The Federalist*, as these essays became known, explained the mechanisms and ratio-



The Walton House, first headquarters of the Bank of New York. Hamilton served as a director of the bank from the time it was chartered in 1784.

nales for the various provisions of the new Constitution and had a great influence on contemporaries. The work has since become a standard reference for Constitutional interpretation. Among the more than 50 essays written by Hamilton were numbers 6 through 9, on the costs of disunity and the political benefits of a stronger union; numbers 11 through 13, on the economic benefits of union; numbers 21 through 36, on the need for greater powers for the central government, with six of these on the common defense and seven on federal taxation; and numbers 62 and 63 and 65 through 82, advocating the importance of the powers of the Senate, the president, and the federal courts.

The first 46 essays of *The Federalist* are devoted to establishing the need for a stronger central government. Hamilton's contributions are concentrated among those essays. In view of his later role as the first secretary of the treasury, his essays on taxation are of particular interest. In number 11 he suggests that the federal form of government would increase commerce considerably, and that a government relying on indirect taxation would derive great fiscal benefits. In numbers 30 through 36 he discusses taxation at length, introducing his discussion with the remark that "money is . . . considered

as the vital principle of the body politic," a view that accords well with his later efforts to influence the role of government from the Treasury Department.

Madison had participated actively in the convention and had taken detailed notes on the proceedings. He was thus in a somewhat better position than Hamilton to comment on the political mechanisms of the Constitution. Nevertheless, Hamilton reserved for himself the essays on the Senate, president, and courts. Those essays reflect the core of Hamilton's political philosophy, a central feature of which is a pessimistic view of human nature. In number 6 he writes, "Men are ambitious, vindictive, and rapacious." He goes on to ask, "Are not popular assemblies frequently subject to the impulses of rage, resentment, jealousy, avarice, and of other irregular and violent propensities?" But Hamilton is optimistic that proper governmental institutions can counter such impulses: the Senate, the president, and the independent courts can check the passions of the people and the excesses of legislators. In number 62 he writes, "The necessity of a senate is . . . indicated by the propensity of all single and numerous assemblies to yield to the impulse of sudden and violent passions. . . . A body which is

to correct this infirmity ought itself to be free from it, and consequently ought . . . to possess great firmness, and consequently ought to hold its authority by a tenure of considerable duration." In number 70 he explains the role of the president in restraining the mob influence of which he is so distrustful: "When occasions present themselves, in which the interests of the people are at variance with their inclinations, it is the duty of the persons whom they have appointed to be the guardians of those interests, to withstand the temporary delusion, in order to give them time and opportunity for more cool and sedate reflection." As for the courts, number 78 is unambiguous in assigning them a crucial role in protecting the right of the minority—and the Constitution itself—against the democratic majority: "The courts of justice are to be considered as the bulwarks of a limited Constitution against legislative encroachments."

Hamilton, among others, coaxed George Washington out of retirement to assume the presidency in the new government. Searching for the best possible assistance, Washington asked the former superintendent of finance, Robert Morris, for advice on how to deal with the country's heavy debt. Morris's reported reply was, "There is but one man who can tell you; that is, Alexander Hamilton." On September 11, 1791, Hamilton was appointed the first U.S. secretary of the treasury; the Senate confirmed his appointment the same day.

For five years, until early 1795, Hamilton worked to establish the Department of the Treasury as an institution fully capable of meeting the financial needs of the federal government. The new Constitution was most systematically put to the test in the formulation of Treasury policy. In the area of taxation, enforcement had previously been lax, and federal taxation had raised the greatest concern in the ratification fight. The competitive resistance to providing funds for the central government that characterized the behavior of the states under the Articles of Confederation came to an end, and with it, the inability to repay government obligations. Hamilton had to set up the new system of taxation, commission and build coastal cutters to enforce the customs, and respond to the requests of Congress for information and proposals. Furthermore, he had to devise a means for consolidating the outstanding war debts of the government, which involved determining the proper disposition of state war debts and a credible schedule for debt retirement.

Hamilton's reports to Congress highlighted his tenure as secretary of the treasury. The *Report on Public Credit* (1790) is the best known of the reports and was one of the most controversial among contemporaries. There Hamilton laid out his arguments in favor of the funding of the revolutionary war debts and the assumption by the federal government of the war debts of the states. In part Hamilton based his argument for funding and assumption on the idea that the federal government was morally obligated to honor the debt, noting that "the debt of the United States . . . was the price of liberty." He argued at length, however, for the practical benefits arising from securing the revenue to service the debt.

The first of those benefits was the reduced fiscal cost of borrowing as the result of the government's improved creditworthiness. A second advantage was the potential liquidity of government paper. Hamilton argued that bonds, the instruments of public debt, given a stable and credible value, would be useful for transacting business, and might mitigate the problem of deflation that had plagued the 1780s and thereby reduce the market interest rate. He also argued that a public debt of uncertain value stood as a handicap to the country's financial system. Third, making the wealthy classes of the country (who were government creditors) reliant on the federal government for redemption of the debts they held would generate greater future support for federal taxation and centralization of financial policy. Fourth, Hamilton believed in the sanctity of the contract. This belief is often couched in terms of the government's obligation to uphold the public credit, but there is a broader consideration as well. Hamilton believed that agreements between private parties, made freely and lawfully, should not be altered by political action. The uncertainty in commercial relations generated by the abandonment of that principle would be injurious to the nation's commerce. The Constitution itself comprised a form of voluntary contract—a significant innovation in the practice of government—and the legitimacy and stability of the union rested on the principle of its enforceability. A final consideration was that, absent federal assumption, the state taxes necessary to service the debts of the states would unfairly disadvantage the producers of the taxed articles. He wrote, "A state must always be checked in the imposition of taxes on articles of consumption, from the want of power to extend the same regula-

tion to the other states, and from the tendency of partial duties to injure its industry and commerce.”

While Hamilton's preference was to promise the holders of state debts the full amount due plus back interest at the agreed rate, he was conscious of the limited revenues that could be raised in that manner. Once more his sense of pragmatism came into play: “Every breach of the public engagements, whether from choice or necessity, is in different degrees hurtful to public credit. When such a necessity does truly exist, the evils of it are only to be palliated by a scrupulous attention, on the part of the government, to carry the violation no farther than the necessity absolutely requires, and to manifest, if the nature of the case admits of it, a sincere disposition to make reparation, whenever circumstances shall permit. . . . Those who are most commonly creditors of a nation . . . will understand their true interest too well to refuse their concurrence in such modifications of their claims, as any real necessity may demand.” Hamilton's plan was to offer creditors a menu of choices. They could retain their debt and hope for the best, or trade it in for debt funded through a sinking fund at a lower rate of return. The original debt was placed at 6 percent, while the funded-debt options of the various plans offered roughly a 4 percent yield. He justified the reduction on the grounds that, if Congress adopted his plan, government default risk would decline, and the market interest rate on government debt would fall to 4 percent. The credibility of the Federal commitment would derive from the employment of the sinking fund as well as the taxes to back it, and the establishment of a definite repayment schedule.

The main effect of the sinking fund provision in practice was to subordinate old debt (assumed state debt) to funded debt rather than raise the credibility of the federal debt commitment. There would have been no incentive for creditors to accept the lower-yield funded debt voluntarily had the estimated default rates been the same. Thus, while Hamilton cast it in the best possible light, the sinking fund was his way of reducing the real value of creditors' claims, putting less pressure on government coffers. To ensure fairness the loss would be spread among all creditors, and the creditors could choose from several financing options to best accommodate their needs.

The final plan adopted by Congress closely resembled Hamilton's proposal, shorn of the array of

options Hamilton wanted to offer creditors. Arrears were funded at 3 percent while principal was funded at an average initial rate of 4 percent, rising after ten years, with a call provision allowing the government to redeem principal in limited amounts each year.

The second of Hamilton's congressional reports, the *Report on a National Bank*, was issued toward the end of 1790. It revealed another important element of Hamilton's strategy for managing the nation's finances. The bank proposed in the report was to act as the agent of the Treasury in the marketplace and as a source of low-interest credit to the government. It also would contribute to the expansion of liquidity, through the issue of notes.

The bank proposal attracted a great deal of opposition, partly because banks were largely unknown in the country and people were suspicious of them. A more important source of opposition was that the Constitution nowhere explicitly gave Congress the power to charter corporations. Hamilton's reply to the conservative legal opinions of Secretary of State Jefferson and Attorney General Edmund Randolph invoked his novel conception of constitutional “implied powers.” Hamilton held that the “necessary and proper” clause of the Constitution justified the assumption of implied powers to carry out the expressed powers. He declared it was unrealistic to expect that the Constitution could enumerate all the powers necessary to run the government (“the power to lay a duty on a gallon of *rum* is only a particular *implied* in the general power to lay and collect taxes”). Hamilton's defense of the constitutionality of a national bank, which Congress accepted in authorizing the charter for the Bank of the United States (BUS) in 1791, had far-reaching consequences. In prohibiting the states from imposing taxes on the BUS in the case of *McCulloch v. Maryland* (1819), Chief Justice John Marshall defined the chartering of the bank as a power implied from the expressed federal power over national fiscal policy.

The *Report on the Establishment of a Mint* was issued shortly after the bank report, in early 1791. Congress adopted it with few changes and little controversy. Hamilton embraced Jefferson's proposal for a decimal currency but suggested establishing the new American currency at parity with the Spanish milled dollar, which was then the most widely used form of specie in circulation. Hamilton proposed a bimetallic standard in order to provide

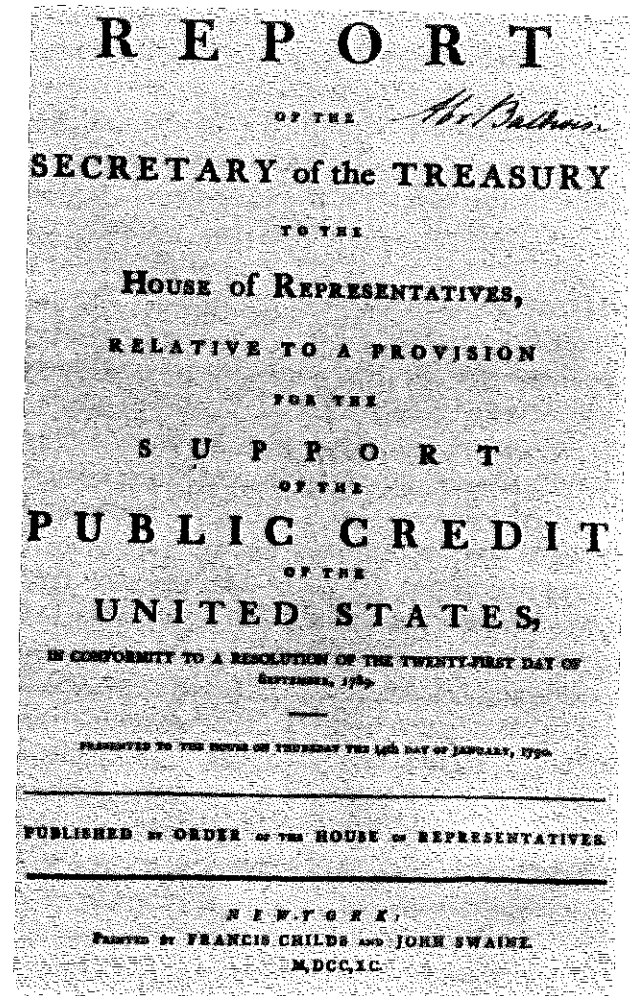
a flexible means to increase the money supply, but by settling on a coinage ratio of 15 to 1 he undervalued gold, and very little of that metal came to the mint until the 1834 rise in the mint ratio to 16 to 1 changed the de facto standard from silver to gold.

The *Report on Manufactures* (1791) took two years to produce, as Hamilton carefully gathered information from across the country. In it he set out his views on the course the country's economic development should take. Hamilton's central goal was to encourage the growth of domestic industry as the route to future prosperity. He drew on contemporary writers in political economy, among them Adam Smith. While he accepted the benefits of the division of labor and certain others of Smith's ideas, he rejected the invisible hand of laissez-faire economics. He preferred a more activist policy of protection and subsidy to promote domestic industry. This advocacy was politically premature in an overwhelmingly agricultural country, and Congress failed to act on the recommendations of the report.

Hamilton issued another report on the public credit in 1795, shortly before his resignation as treasury secretary. The report consisted of a series of recommendations to enable the government to retire the last of its debts without raising additional taxes. More significantly, it included procedural measures designed to maintain the public credit following Hamilton's departure. Chief among those was a recommendation that no loan be raised without a simultaneous provision for its retirement. Additions to the government sinking funds were also recommended, so that the government's debts would be retired in the order they were due. Congress passed the recommendations with only a few amendments.

Hamilton's reports to Congress reveal a unified conception of the role of the federal government and the means to carry out that role. His position as secretary of the treasury, and his definition of the duties that position entailed, allowed him to achieve most of his aims. By playing a critical role in the process of institution building in the nascent government, he strengthened the Treasury Department and extended its influence in economic planning. He broadly strengthened the executive branch by establishing the precedent that it, rather than Congress, should set the agenda for financial policy, and by championing policies that limited the potential for congressional discretion in the future.

Strengthening the executive at the expense of the legislature clearly was Hamilton's intent. He con-



Title page for the first published version of Hamilton's Report on Public Credit (Rare Book Division, Library of Congress)

sidered Congress the greatest threat to the country's political stability and prosperity. Thus, he schemed to bypass Congress to the greatest extent possible, and, where not, to place Congress in a reactive role to proposals from the executive branch. If he could control the agenda and create mechanisms that were unlikely to be undermined by the acts of a diffuse opposition, he could insulate the country's financial engagements from congressional marauding.

It is instructive to examine Hamilton's reports in this light. The *Report on Public Credit* relies on a sinking fund, rather than annual appropriations, to ensure the servicing of the public debt. The establishment of a national bank allowed the country to gain the advantages of paper currency issue, without giving those powers to Congress, which had used them to excess in the financing of the Confederation government. His advocacy of the Bank of the

United States gave him the opportunity to promote the doctrine of implied powers (which Madison had propounded in *The Federalist* but later backed away from, preferring the strict constructionist position with Jefferson). The minting proposals relied on the Spanish milled dollar as the currency standard, thus depriving Congress of the power to debase specie money. Finally, the use of call provisions attached to debt encouraged timely taxation policy by allowing the government to benefit from tax-induced reductions in the market's valuation of default risk.

In setting the congressional agenda and acting as the initiator of financial proposals, Hamilton set an important precedent other treasury secretaries emulated. Until the founding of the Federal Reserve System, the treasury secretary played a unique role as formulator and coordinator of financial policy. Indeed, one could argue that a disadvantage of the current system is the division of powers among the various federal financial authorities (the Federal Reserve, Treasury, FDIC, FSLIC, FHLBB), and the intrusion of Congress as the overseer of Federal Reserve policy. This decentralization of power prevents any one entity from assuming a role of unchallenged leadership. Congressional paralysis in the 1980s, in reducing the federal deficit, or in reforming the deposit insurance systems, may be among the most convincing evidences for the wisdom of the Hamiltonian principle of centralizing financial leadership and placing it outside of Congressional control.

While at the Treasury, Hamilton had an influential voice within the cabinet. He stood against Secretary of State Jefferson's commitment to the alliance with France in favor of establishing friendly relations with Britain. He even advised British diplomats to bypass Jefferson and deal directly with the president. He opposed giving France preferential tariff treatment, arguing for the equal treatment of all foreign nations. As often occurred, Washington agreed with Hamilton, and Hamilton obtained non-discriminatory tariffs along with regulations discriminating in favor of American vessels in international and coastal trade.

Hamilton usually convinced Washington to adopt what became the Federalist position. Animosity between Hamilton and Jefferson grew intense, with each trying to drive the other out of the cabinet. At the end of 1793 Jefferson resigned. In early 1795 Hamilton also left the cabinet to return to his

law practice in New York, but he maintained his influence on the government, continuing to advise Washington and the new treasury secretary, Oliver Wolcott.

Hamilton's most important task as an outside advisor was composing Washington's *Farewell Address*. He received material Madison had prepared for a farewell speech at the end of Washington's first term and built around this an address that presented a clear statement of the foreign policy he had engineered with Washington.

Washington's departure meant John Adams's inauguration. While Adams and Hamilton had similar views, they disliked each other personally. So long as Adams retained Washington's cabinet, Hamilton continued to have influence in the government, but the feud between the two men eventually led Adams to purge the officials associated with Hamilton.

Hamilton continued to write for the New York newspapers as well as to practice law. In 1800 he published a vitriolic attack on Adams, the repercussions of which contributed to a split within the Federalists that allowed Jefferson to become president the next year. In 1804 remarks made by Hamilton about Aaron Burr, candidate for governor of New York, led Burr to challenge Hamilton to a duel. Hamilton accepted the challenge reluctantly, impelled by a concern over the consequences of refusing, and lost his life in the duel at Weehawken, New Jersey, on July 12, 1804.

Alexander Hamilton's great achievements as the first secretary of the treasury involved much more than the arrangement of the country's finances. They marked the continuation of his broader efforts to strengthen and redefine the federal union. In the process of advocating and creating a strong central government he laid the foundations for the emergence of the modern American economy. Appropriately, Hamilton is buried in the graveyard of Trinity Church, at the foot of Wall Street.

Selected Publications:

A Full Vindication of the Measures of the Congress, from the Calumnies of their Enemies, as A Friend to America (New York: J. Rivington, 1774);

The Farmer Refuted: or, A More Impartial and Comprehensive View of the Dispute between Great-Britain and the Colonies, as A Sincere Friend to America (New York: James Rivington, 1775);

The Federalist: a collection of essays, written in favour of the new Constitution, as agreed upon by the Federal

- convention, September 17, 1787, by Hamilton, James Madison, and John Jay (New York: J. & A. M'Lean, 1787);
- [*Report on Public Credit.*] *Report of the Secretary of the Treasury to the House of Representatives, Relative to a Provision for the Support of the Public Credit of the United States* (New York: Francis Childs & John Swaine, 1790);
- [*Report on a National Bank.*] *Report of the secretary of the Treasury, December 13, 1790. In obedience to the order of the House of Representatives, on the ninth day of April last, requiring the secretary to prepare and report, on this day, such further provisions as may in his opinion be necessary for establishing the public credit* (New York: F. Childs & J. Swaine, 1790);
- [*Report on the Establishment of a Mint.*] *The secretary of the Treasury, having attentively considered the subject referred to him by the order of the House of representatives on the fifteenth day of April last, relatively to the establishment of a mint, most respectfully submits the result of his inquiries and reflections* (Philadelphia: Francis Childs & John Swaine, 1791);
- Report of the Secretary of the Treasury of the United States, on the Subject of Manufactures* (Philadelphia: Childs & Swaine, 1791);
- Report of the secretary of the Treasury, for the improvement and better management of the revenues of the United States* (Philadelphia: Francis Childs, 1795);
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