

MICHAEL D. CHAN

Aristotle and Hamilton

ON COMMERCE AND STATESMANSHIP

unanimous
We the People
insure domestic Tranquillity, provide for the common
and our Posterity, do ordain and establish this Const

Aristotle and Hamilton

ON COMMERCE AND STATESMANSHIP

Aristotle and Hamilton

ON COMMERCE AND STATESMANSHIP

MICHAEL D. CHAN

UNIVERSITY OF MISSOURI PRESS

COLUMBIA AND LONDON

Copyright © 2006 by
The Curators of the University of Missouri
University of Missouri Press, Columbia, Missouri 65201
Printed and bound in the United States of America
All rights reserved
5 4 3 2 1 10 09 08 07 06

Library of Congress Cataloging-in-Publication Data

Chan, Michael D., 1968–

Aristotle and Hamilton on commerce and statesmanship / Michael
D. Chan

p. cm.

Summary: "Examines Alexander Hamilton's political economy in relation to Aristotle's classical views of economics, as presented in his politics, and finds shared support of commerce in pursuit of a regime's or democracy's wider goals"—Provided by publisher.

Includes bibliographical references and index.

ISBN-13: 978-0-8262-1639-7 (hard cover : alk. paper)

ISBN-10: 0-8262-1639-0 (hard cover : alk. paper)

1. Hamilton, Alexander, 1757–1804. 2. Aristotle. 3. Economics—
Political aspects. I. Title.

HB74.P65C43 2006

330.15'12—dc22

2006010399

Ⓢ™ This paper meets the requirements of the
American National Standard for Permanence of Paper
for Printed Library Materials, Z39.48, 1984.

Designer: Jennifer Cropp

Typesetter: Crane Composition, Inc.

Printer and binder: Thomson-Shore, Inc.

Typefaces: Palatino, Caslon, Palette, and Rundfunk

To my parents

Contents

Acknowledgments ix

Introduction 1

Part I. Aristotle's Political Economy:

Two Cheers for Commerce 11

Chapter 1. Acquisition and Household Management 13

Chapter 2. Aristotle's Political Economy 37

Part II. Hamilton's Political Economy:

Neither Wholly Ancient nor Wholly Modern but a Compound of Both 55

Chapter 3. National Prosperity 65

Chapter 4. National Defense and Foreign Policy 80

Chapter 5. Cementing Union 122

Chapter 6. Commerce, Virtue, and the American Way of Life 140

Chapter 7. Liberality and National Greatness 185

Conclusion 213

Selected Bibliography 219

Index 233

Acknowledgments

I am most grateful to James H. Nichols, Jr., Mark N. Blitz, Charles R. Kesler, and Joseph M. Bessette for introducing me to the serious study of political philosophy and the American founding and for making helpful suggestions to improve this book. The two referees for the University of Missouri Press also deserve thanks for their advice. A portion of chapter 7 is adapted from “Alexander Hamilton on Slavery,” which appeared in the spring 2004 issue of the *Review of Politics*. It is used with permission. The Bradley Foundation and the Earhart Foundation provided generous financial support.

Aristotle and Hamilton

ON COMMERCE AND STATESMANSHIP

Introduction

Following the end of the Cold War and the consignment of Marxism to the ash heap of history's failed ideologies, Francis Fukuyama famously proclaimed the liberal commercial republic as history's final regime, as the one that is free from any "fundamental internal contradictions" and that satisfies humanity's "deepest and most fundamental longings" for liberty and equality.¹ A decade later, however, the September 11, 2001, terrorist attacks on America demonstrated that religious zealots were unwilling to see history end without a fight, or more precisely, a jihad. And it was no coincidence that the terrorists chose to strike the twin towers of the World Trade Center for they symbolized the economic power that underpins America's military might, influence, liberty, and glory in the world. In other words, their destruction was not merely an attack on the American economy, but on the whole way of life that flows from it.

While the means that the terrorists employed to express their hostility to the modern commercial republic were undeniably barbaric, the hostility itself is not without a certain amount of religious foundation. After all, the bulk of the world's great religions do not extol the unbri-dled pursuit of wealth and worldly goods—quite the contrary—and religion is not alone in having reservations against a life mainly devoted to producing and consuming. For example, environmentalists (especially of the "deep ecology" variety) worry about the long-term effects that industry and technology have on both the earth's ecosystem and

1. Francis Fukuyama, *The End of History and the Last Man*, xi–xii.

humanity. The antiglobalization movement also raises serious objections to the increasing integration of the world's economies brought about by the free market. Some bridle at the erosion of national sovereignty as governments transfer ever more authority to distant and largely unaccountable international economic bodies like the World Trade Organization and the World Bank. Others see the homogenizing and coarsening tendencies of global commerce (dominated by America) as a threat to the spiritually enriching diversity of cultures around the world.

Of course, many of these concerns were expressed in the nineteenth century by that keen observer of America, Alexis de Tocqueville. He noted that because the prevailing passion of citizens in democracies is the desire for comfortable self-preservation, "variety is disappearing from within the human species; the same manner of acting, thinking, and feeling is found in all the corners of the world." He likewise observed that in devoting one's life to getting and spending, "one loses sight of the more precious goods that make the glory and the greatness of the human species," resulting in a restless unhappiness. And he warned that the love of equality and material comfort might tempt citizens to yield their local autonomy to an administrative center, which, in its efforts to ensure greater material equality, could all too easily slide into a form of soft despotism.²

Yet even Tocqueville was a bit of a latecomer in America's debate over the good, the bad, and the ugly of the commercial republic, for such a debate was well under way during the nation's founding era. In fact, the debate during that period was in many respects richer and livelier than in the present age precisely because the nation was primarily agrarian and therefore industrial society was more an idea than a reality. Surprisingly, however, modern scholarship has only recently begun to try to recover the full contours of that debate. Charles Beard first broached the subject with his economic interpretation of early American politics, which (in a distorted reading of *Federalist* 10) reduced the great party conflicts of the period to a struggle between two economic interests: agriculture and commerce.³ Although it was overly two-dimensional, his interpretation nevertheless laid the groundwork for integrating these economic differences into more political approaches to the cleavage.

Carl Becker, Louis Hartz, and Martin Diamond pioneered the first of

2. Alexis de Tocqueville, *Democracy in America*, trans. Harvey C. Mansfield and Delba Winthrop, II, chap. 17, 588; II, chap. 11, 509; II, chap. 13, 512.

3. Charles A. Beard, *An Economic Interpretation of the Constitution of the United States*.

these approaches, arguing that America's devotion to property and commerce reflected a more general political philosophy of individual rights to life, liberty, and property—the liberalism of John Locke.⁴ According to Diamond, the American founders consciously embraced the “new political science” of Machiavelli, Bacon, Hobbes, Locke, Montesquieu, and Hume, which rejected the focus of ancient political thought and practice on cultivating public virtue. Instead, modern political science

substituted a lowered political end, namely, human comfort and security. This lowered end was more realistic . . . because it could be achieved by taking human character much as actually found everywhere, or by molding it on a less demanding model than that of the premodern understanding. . . . The hallmark of the traditional ethics-politics relationship had been those harsh and comprehensive laws by means of which the ancient philosophers had sought to “high-tone” human character. But now, because character formation was no longer the direct end of politics, the new science of politics could dispense with those laws and, for the achievement of its lowered ends, could rely largely instead upon shrewd institutional arrangements of the powerful human passions and interests. Not to instruct and to transcend these passions and interests, but rather to channel and to use them became the hallmark of modern politics.⁵

This new political science gave birth to a Declaration of Independence that proclaims mankind's rights to “life, liberty, property, and the private pursuit of happiness,” and to a Constitution that relies more on institutional arrangements than on civic virtue to secure those rights. In these institutional arrangements—representation, the separation of powers, and especially the extended sphere—Diamond believed he found the core of the American regime.

Following Beard, Diamond gave preeminence to *Federalist* 10 but rejected Beard's economic determinism in favor of a more subtle treatment of the role of economic interest in the American regime.⁶ Claiming

4. Carl Becker, *The Declaration of Independence: A Study in the History of Political Ideas*; Louis Hartz, *The Liberal Tradition in America*; Martin Diamond, *As Far as Republican Principles Will Admit: Essays by Martin Diamond*, ed. William A. Schambra.

5. Diamond, “Ethics and Politics: The American Way,” in *As Far as Republican Principles Will Admit*, 344–45.

6. Diamond's analysis is complemented by the work of Douglass Adair who also rejected the economic determinism of Beard but accepted the central importance of

that Madison's chief concern in *Federalist* 10 was majority faction, indeed "the" majority faction of the great mass of the little propertied and unpropertied, Diamond found Madison's solution to the primordial struggle between rich and poor in the extended sphere. Extending the sphere over a large territory to include a greater variety of economic interests reduces class struggle by making it in the interest of the poor to form a bond with the rich by virtue of being members of the same industry (agriculture, manufacturing, retail, etc.). And because there are now so many interests competing with one another, "you will make it less probable that a majority of the whole will have a common motive to invade the rights of other citizens."⁷ The genius of Madison's system is that this happy result relies on enlightened self-interest rather than on the much rarer qualities of affection or a sense of justice.

It must be emphasized that according to Diamond, Madison's solution of extending the sphere to diminish the pernicious effects of faction made an extensive commerce the sine qua non for its success: "*Only* the modern commercial spirit flourishing in a large, complex, modern economy can supply the faction-differentiating division of labor and the great economic diversity that directs the attention of all to the moderating private pursuit of individual economic happiness" (italics added). The corollary is that "commercial life must be made honorable and universally practiced." Unfortunately, Diamond argued, the liberation of acquisitiveness that is necessary for the success of the large commercial republic has its costs: "Put bluntly, this means that in order to defuse the dangerous factional force of opinion, passion, and class interest, Madison's policy deliberately risks magnifying and multiplying in American life the selfish, the interested, the narrow, the vulgar, and the crassly economic." As a result, the founders largely sacrificed as objects of government "the nurturing of a particular religion, education, military courage, civic-spiritedness, moderation, individual excellences in the virtues, etc.," instead consigning them to "civil society" for cultivation. But because of the tendency of the spirit of commerce and of the founders' having only "pallid versions" of these excellences in mind,

Federalist 10. See "The Tenth Federalist Revisited," 48–67. Adair's companion article traces the intellectual influence of David Hume on Madison's argument for extending the sphere. See "'That Politics May Be Reduced to a Science': David Hume, James Madison, and the Tenth Federalist," 343–60.

7. Diamond, "Democracy and *The Federalist*," in *As Far as Republican Principles Will Admit*, 31; Diamond, "Ethics and Politics: The American Way," 351; Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers*, ed. Clinton Rossiter, intro. Charles R. Kesler, No. 10, 51.

the best that American society can produce are the “bourgeois virtues” of “frugality, economy, moderation, labor, prudence, tranquility, order, and rule.” The American regime is “solid but low.”⁸ Reacting in horror and disgust to the instability of ancient politics, the founders opted for perdurable decency over ephemeral nobility.

To another group of scholars, however, the liberal interpretation of the American regime omits at least half of the story. Bernard Bailyn, Gordon Wood, J. G. A. Pocock, John Murrin, Lance Banning, and Drew McCoy, et al., have denied that Lockean liberalism was the main or only influence of the American founding.⁹ These authors contend that as heirs of the Renaissance, the founding generation was inspired by the republics of antiquity. Sifting through the pamphlet literature of the period, Bailyn discovered an “elaborate display of classical authors,” though “often the learning behind it was superficial.” Nevertheless, Americans found ancient sources useful in developing what would become an important theme of the Revolution: the struggle between virtue and corruption, liberty and power. Seeing mid-eighteenth-century America as a “truly neo-classical age,” Gordon Wood claims that Americans were serious about reviving the ancient notion of virtue, which consisted of courage, frugality, industry, temperance, independence, and most important, public-spiritedness—the devotion to the common good even at the expense of one’s own private good. And the common good was “not, as we might today think of it, simply the sum or consensus of the particular interests that made up the community,” but rather “an entity in itself prior to and distinct from the various private interests of groups and individuals.” In fact, “The sacrifice of individual interests to the greater good of the whole formed the essence of republicanism and comprehended for Americans the idealistic goal of the Revolution. From this goal flowed all of the Americans’ exhortatory literature and that made their ideology truly revolutionary.” In a more theoretical vein, J. G. A. Pocock has traced origins of the American regime to the thought of the English Commonwealthmen, who, in turn, grounded their own thought in the works of such “classical republican”

8. Diamond, “Ethics and Politics: The American Way,” in *As Far as Republican Principles Will Admit*, 351–52, 355, 360–61; Diamond, “The Federalist,” 57; Diamond, “Democracy and *The Federalist*,” 31.

9. Bernard Bailyn, *The Ideological Origins of the American Revolution*; Gordon S. Wood, *The Creation of the American Republic, 1776–1787*; J. G. A. Pocock, *The Machiavellian Moment: Florentine Thought and the Atlantic Republican Tradition*; John Murrin, “The Great Inversion, or Court Versus Country,” in *Three British Revolutions: 1641, 1688, 1776*, ed. J. G. A. Pocock, 368–453; Lance Banning, *The Jeffersonian Persuasion*; Drew McCoy, *The Elusive Republic: Political Economy in Jeffersonian America*.

theorists as Trenchard and Gordon, Montesquieu, Sydney, Harrington, Machiavelli, Polybius, Cicero, and Aristotle. According to “Country” ideology, man is a political animal whose nature is fulfilled by becoming an arms-bearing freeholder (which is necessary for personal independence) who is devoted to the public good and who actively participates in political life. In the minds of Country politicians, one of the great corrupters of the public-spirited citizen was commerce because it produced an effeminating luxury, a dependence on customers, a plethora of private interests hostile to the public good, and an excessive division of labor, and was epitomized in the “Court” politics of Sir Robert Walpole—large public debts, the Bank of England, monopolies, the factory system, placemen, patronage, executive aggrandizement, standing armies, and imperialism.¹⁰ According to Pocock, Murrin, and Banning, the Country-Court debate in Great Britain migrated to the United States with the American Revolutionaries initially subscribing to the Country view. Following the framing and ratification of the Constitution, however, both sides of the debate soon emerged with Jefferson and Madison’s Democratic-Republicans representing the agrarian man of independent virtue (the Country) and Hamilton’s Federalists representing the professional man of government and commerce (the Court).

The debate between the liberal and classical republican schools of interpretation eventually spawned what Rogers Smith has called a “multiple traditions approach” as each side has recognized the insights of the other school. Indeed, Isaac Kramnick has identified “a profusion and confusion of political tongues” among the founders, which included liberalism, classical republicanism, Puritanism, and nation-state builders—though Karl Walling thinks that such tongues “are best understood as dialects within a common political language.”¹¹ Still, as Alan Gibson explains, the attempt to integrate these differing tongues into a coherent whole has reproduced in muted form the original interpretational divide between liberalism and republicanism. On the one hand, the “Neo-

10. Bailyn, *The Ideological Origins of the American Revolution*, 23–26; Wood, *The Creation of the American Republic*, 49–53, 58; Pocock, *The Machiavellian Moment*, chaps. 12–15.

11. Rogers Smith, “Beyond Tocqueville, Myrdal, and Hartz: The Multiple Traditions in America,” 549–66; Isaac Kramnick, “The ‘Great National Discussion’: The Discourse of Politics in 1787,” 4, 12; Karl-Friedrich Walling, *Republican Empire: Alexander Hamilton on War and Free Government*, 6. See also James T. Kloppenberg, “The Virtues of Liberalism: Christianity, Republicanism, and Ethics in Early American Political Discourse,” 9–33; Robert E. Shalhope, “Republicanism, Liberalism, and Democracy: Political Culture in the Early Republic,” 37–90.

Lockean synthesis," which can be found in the writings of scholars such as Michael Zuckert, Nathan Tarcov, and J. David Greenstone, makes republicanism the means for achieving basically liberal ends, though those ends are "broader, deeper, and loftier" than the usual caricature of liberalism as a philosophy of "possessive individualism" suggests. On the other hand, "liberal republicanism" is a "pre-modern synthesis" of the two in which liberalism and republicanism—while distinguishable—are not contradictory. According to Lance Banning, the founders combined a modern liberal insistence on rights and limited government with views of virtue, civic participation, and commercialization that were influenced by civic humanism. Charles Kesler argues that the typical scholar's "disbelief at this heretical combination of ancients and moderns" among the founders stems from the scholar's understandable preference for studying "the 'elementary books of public right' from the theoretical rather than practical viewpoint." But the founders were primarily statesmen, not philosophic scholars and therefore tended to see "a reasonable, common-sense agreement among them [ancients and moderns] on certain points." This is how founders like Jefferson could harmonize such theoretically diverse thinkers as Aristotle, Cicero, Locke, and Sydney.¹² Viewed in this light, the Federalists, Anti-Federalists, and Democratic-Republicans were all, in their own different ways, attempting to reconcile republicanism with the demands of security, justice, and virtue in a world far removed from the ancient polis.

Although these schools of interpretation can be useful for analytic purposes, even Gordon Wood has admonished scholars "to remember that these boxlike traditions into which the historical participants must be fitted are essentially our inventions, and as such distortions of past reality."¹³ In fact, the distortions of past reality are far greater than Wood's admission would lead us to believe because these boxlike traditions rely on a questionable assumption. Almost all of these scholars agree that in the classical view, the commercial ethos poses a serious threat to the health of the citizen's soul and the regime. By contrast, the

12. Alan Gibson, "Ancients, Moderns, and Americans: The Republicanism-Liberalism Debate Revisited," 265–72; Lance Banning, "The Republican Interpretation: Retrospect and Prospect," in *The Republican Synthesis Revisited: Essays in Honor of George Athan Billias*, eds. Milton M. Klein, Richard D. Brown, and John B. Hench, 91–117; Charles R. Kesler, "The Founders and the Classics," in *The Revival of Constitutionalism*, ed. James W. Muller, 55; Kramnick, "The 'Great National Discussion': The Discourse of Politics in 1787," 4, 32.

13. Gordon S. Wood, "Ideology and the Origins of Liberal America," 634.

philosophy of liberalism essentially repudiated classical politics by eliminating its harsh strictures against the life devoted to acquisition. The rise of industrial capitalism in America (combined with the institutional approach to politics that emerges from *The Federalist*) is thus seen as heralding the final demise of classical republicanism (*zôon politikon*) and the triumph of liberalism (*homo economicus*). Yet many of the scholars who make these arguments—irrespective of their particular views—seem to have only a casual acquaintance with the texts of classical political science, and those that have a deeper knowledge tend to see American history through the lens of intellectual history without elucidating precisely how the founders incorporated the ideas of great thinkers into the American regime. Furthermore, most claim that the founders themselves believed that commerce is simply opposed to public virtue, arguing that some founders like Jefferson and Madison decried commerce in the name of virtue and tried to retard its development while others like Hamilton exalted commerce and cheerfully tossed classical politics into the dustbin of history.

This work seeks to challenge the virtue-commerce antinomy that figures so prominently in the reigning interpretations by closely examining the writings of Aristotle and Hamilton on economic matters.¹⁴ Its central argument is that the dominant views of Aristotle and Hamilton on commerce reflect misleading half-truths. On the one hand, the view of Aristotle as hostile to commerce neglects the significant concessions he makes to the development of the acquisitive arts in almost all actual regimes for the sake of supplying citizens with the “equipment of virtue.” This is most clearly evident in his stinging criticism of the most admired Greek republic, Sparta, which is followed by high praise of the commercial republic of Carthage. On the other hand, the view of Hamilton as an adherent of liberal (or mercantilist) economics neglects his disagreements with and modifications of key tenets of that emerging science. And far from repudiating classical political science and its concerns, Hamilton endeavored to harness commerce not only for the narrower ends of prosperity and national defense, but also for the wider—indeed classical—ends of forming the character of citizens, establishing harmony and justice, and pursuing national greatness. A recurring theme in Hamilton’s statesmanship that flows from these points is the need to complement the institutional approach to promot-

14. In many respects, this work complements Peter McNamara’s *Political Economy and Statesmanship: Smith, Hamilton, and the Foundation of the Commercial Republic*, which argues that Hamilton saw distinct limitations to Smith’s institutional or systematic approach to politics and economics.

ing the public good with a more classical approach that seeks to form public opinion directly.

In pairing Aristotle and Hamilton, I might give the impression that I am claiming that Hamilton was an Aristotelean. I am not, at least not in the strictest sense of the term. Rather, my aim is to incorporate into the study of Hamilton's political economy what Aristotle himself regarded as the statesman's characteristic virtue: prudence (*phronesis*), or deliberating well about what is the best that can be done under a particular set of circumstances in light of the just and the good. By adopting this approach, we may avoid the Scylla of reducing the actions of statesmen to necessity or interest and the Charybdis of making them prisoners of "linguistic paradigms."

Part 1

ARISTOTLE'S POLITICAL ECONOMY

TWO CHEERS FOR COMMERCE

Man, however, in his first origin, seems to be a defenceless, naked creature, slow in assisting himself, and standing in need of numerous things.

Francis Bacon, "Prometheus, or the State of Man"

Conventional opinion holds that Aristotle, like ancient philosophers generally, disparaged and largely ignored the subjects of commerce and economics in his works. Indeed, no less an authority than Montesquieu argued that Aristotle condemned *homo economicus* in favor of *zôon politikon*. According to Montesquieu, "all common commerce was disgraceful to the Greeks," and Aristotle reinforced this prejudice, for he too "did not want the citizens to work in commerce, agriculture or the [manual] arts." Not filthy lucre, but stern virtue—epitomized in Sparta—was the true coin of the realm in ancient Greece. Rousseau likewise claimed to invoke the spirit (if not the precise teaching) of ancient political thought and practice when he belittled modern politicians who "talk only of business and money," and warned his readers: "Do you inhabit extensive, convenient shores? Cover the sea with ships; cultivate commerce and navigation. You will have a brilliant

and brief existence.”¹ Or as Aristotle himself put it in his discussion of his best regime, “citizens should not live a vulgar or a merchant’s way of life, for this sort of life is ignoble and contrary to virtue.” Contemporary scholars ranging from Paul Rahe to J. G. A. Pocock have echoed this interpretation of Aristotle as essentially hostile to commerce because of the tension between the spirit of commerce and the practice of political and moral virtue.²

Although this interpretation is an eminently reasonable first-order approximation of Aristotle’s position, it nonetheless tends to distort our view of both Aristotle and modern commercial regimes in relation to classical political thought. For in truth, Aristotle’s treatment of commerce and economics is far more subtle and complex than the prevailing interpretation would lead us to believe. After all, the hallmark of Aristotle’s political science is prudence, and Aristotle had to admit that the practice of virtue requires equipment (especially when a city reaches its peak), and that furnishing the equipment of virtue constitutes one of the most necessary and difficult tasks of statesmanship. Certainly in the best regime, this task is eased considerably because it is “constituted on the basis of what one would pray for.”³ Unfortunately, few (if any) actual regimes are so blessed. And just as Aristotle relaxes his various strictures in providing advice for governing most actual regimes in books 4–6 of the *Politics*, so I shall argue that Aristotle moderates in a significant way his reservations against the acquisitive arts in books 1 and 2. In fact, my interpretation of Aristotle’s political economy yields the unconventional conclusion that Aristotle, while certainly not an enthusiastic supporter of commerce, nevertheless may be said to give commerce “two cheers” of praise.

1. Montesquieu, *The Spirit of the Laws*, eds. and trans. Anne Cohler, Basia Miller, and Harold Stone, bk. IV, chap. 8, p. 40, bk. 20, chap. 2, p. 339 (hereafter formatted as book.chapter: page number); Jean-Jacques Rousseau, *The First and Second Discourses*, trans. Roger D. and Judith R. Masters, I, part 2, p. 51; Rousseau, *On the Social Contract*, trans. Roger D. Masters, bk. II, chap. 11, p. 76.

2. Aristotle, *Politics*, trans. Carnes Lord, bk. 7, chap. 9, 1328b38–40, p. 210 (hereafter formatted as book.chapter.Bekker number: page number); Paul A. Rahe, *Republics Ancient and Modern: Classical Republicanism and the American Revolution*; J. G. A. Pocock, *The Machiavellian Moment*.

3. Aristotle, *Nicomachean Ethics*, bk. 1, chap. 8, 1099a30–1099b1, p. 21 (hereafter formatted as book.chapter.Bekker number: page number); Aristotle, *Politics*, 4.1.1288b40–1289a1: 119, 1.1.1259a30–35: 51, 7.4.1325b35–37: 203.

Chapter 1

ACQUISITION AND HOUSEHOLD MANAGEMENT

Aristotle broaches the subject of economics near the very beginning of book 1 of the *Politics*, where he distinguishes between the four kinds of rule: political, kingly, household (economic), and slave. He makes these distinctions because of his disagreement with Socrates, who collapses political rule into economic rule by claiming that the political community is merely an exceptionally large household, and because of his disagreement with the Sophists, who make all rule a form of mastery or slave rule (thus denying the naturalness of the city). In his discussion, household or economic rule comes to light as a way of disproving these alternate claims while providing justification and dignity to the distinctiveness of political rule and the city. As Abram Shulsky argues, Aristotle's main purpose is not so much to isolate economic rule as an independent area of inquiry like modern economics as it is a way "to defend the naturalness of the city's economic foundation (as part of his defense of the city's naturalness), and, at the same time, to point to the essentially political realm that lies beyond economics."¹ Still, since Aristotle must show how economic rule differs from other kinds of rule in order to prove his main contention, he does in fact make economics a distinct if subordinate area of inquiry which can be studied on its own terms.

1. Aristotle, *Politics*, 1.1.1252a5–15: 35–36; Abram N. Shulsky, "The 'Infrastructure' of Aristotle's *Politics*: Aristotle on Economics and Politics," 79.

Aristotle's initial discussion of household rule occurs in his account of the genesis of the city. He traces the origin of the household to the cohabitation of male and female for the sake for reproduction as well as to the acquisition of slaves where the "naturally" ruling and ruled elements come together for the sake of the preservation of both. Procreation and preservation are the hallmarks of households which are "constituted by nature for [the needs of] daily life." The village comes together from the collection of several households for the sake of "nondaily needs," though "the village seems to be above all an extension of the household."² The city, by contrast, is not simply an extension of the household but comes into existence from the union of several villages for the sake of living well rather than merely living. The city, then, is where man can fully develop his capacities for virtue and justice. Thus, in distinguishing between the various kinds of partnerships, we find that household management concerns itself primarily with the acquisition of the basic material necessities of life, that is, household management ministers mainly to the body rather than the soul of man.

Household management itself comprises three kinds of rule: slave, marital, and paternal.³ Curiously, Aristotle here focuses mainly on slave rule, presumably because his two major opponents see a relationship between slave rule and political rule. Socrates claims that slave rule is a science no different than political or kingly rule, while the Sophists claim that all rule is simply a form of a mastery, that is, all rule is purely conventional. In order to refute these points of view and to show how slave rule differs from political rule, Aristotle must first define a slave and explain its function.

POSSESSIONS, SLAVERY, AND TECHNOLOGY

As a prelude to his discussion of natural slavery, Aristotle investigates the nature and purpose of possessions more generally since slaves are by their nature possessions. Possessions are part of the household, and expertise in acquiring possessions is part of household management because the necessary things are required for both living and living well. Household management is similar to the specialized arts in that both require instruments if their work is to be performed well. Instruments are of two basic varieties: animate and inanimate. A pilot's

2. Aristotle, *Politics*, 1.2.1252b10–16: 36.

3. *Ibid.*, 1.3.1253b8–10: 38.

rudder is an inanimate one whereas a lookout on a ship is an animate one since a “subordinate is a kind of instrument for the arts.” A possession, then, “is an instrument for life and one’s possessions are the multitude of such instruments.” Similarly, a slave is an animate possession like a lookout on a ship. It is important to note, however, that Aristotle here does make the crucial distinction between a subordinate and a slave: a subordinate may be an instrument but his status need not be that of a slave.⁴

TECHNOLOGY

Before delving into the issue of slavery, Aristotle considers its major alternative—technology (i.e., enslaving nature instead of human beings). Aristotle says that if each instrument were able to perform its work by command as those of Daedalus and Hephaestus were alleged to have done so that “shuttles would weave themselves and picks play the lyre, master craftsmen would no longer have a need for subordinates, or masters for slaves.” Yet Aristotle does not pursue the possibility of improving the arts and sciences for the sake of the relief of man’s estate. Why he does not can be seen in his subsequent distinction between productive instruments and instruments of action. A productive instrument such as a shuttle creates something apart from its use while a possession such as a bed is an instrument of action because it can only be used. In broader terms, a possession is an instrument of action because a possession exists for use within the household for the sake of living and living well. Only if life were production would Aristotle seriously consider the possibility of unlimited technological advancement. Aristotle, however, holds that life is action, not production, or alternatively, that man is better understood as a political animal than a tool-making animal. As he explains more fully in the *Nicomachean Ethics*, production is an art which studies and uses nature to bring contrivances into being.⁵ Life, though, cannot be production because production always has an end other than itself. For example, one builds a house not simply for the sake of building a house but for the sake of shelter and beauty. Life could be production only if man had no natural end beyond self-preservation, or the satisfaction of desire, which by its

4. Ibid., 1.4.1253b23–32: 39; Shulsky, “The ‘Infrastructure’ of Aristotle’s *Politics*,” 90.

5. Aristotle, *Politics*, 1.4.1253b35–1254a7: 39; Aristotle, *Nicomachean Ethics*, 6.4.1140a1–20: 151–52.

nature is unlimited. As Aristotle states numerous times, man has an end beyond mere life, or the satisfaction of desire, which limits man's need for the accumulation of power. Man's true or natural end is action in accordance with virtue, and good action, unlike the restless desire for power after power, is an objective, limited, and final end.⁶ Accordingly, the need for possessions or other instruments is limited to an amount necessary to fulfill that end. Any amount of possessions or other instruments beyond that amount becomes a hindrance rather than a help to the practice of virtue. One may infer that from Aristotle's perspective, conceiving of man as a tool-making animal enslaved to his desires leads to a life of production and consumption in which every advance in the possibilities of production simply inflames man's limitless imagination and desires. The result is the paradoxical situation of man being dissatisfied amidst plenty, like the glutton who is voraciously hungry despite having a bloated belly.

Aristotle was also skeptical of technology because it tends to cause political instability. In his critique of Hippodamus' proposal to give a reward to anyone who produced some useful invention, Aristotle argues that such a law would inculcate in the citizenry a spirit of innovation that would not be confined to the realm of the arts, but would likely enter the realm of politics both directly and indirectly.⁷ Directly, the spirit of innovation would produce a constant desire among the citizenry to change or to improve the regime's laws and institutions. Although this may seem unobjectionable since better laws and institutions are ipso facto superior, it fails to understand that the political art is different from the other arts, such as medicine. To be sure, the political art, like the other arts, is capable of improvement, for the good is not identical to the ancestral. However, in contrast to the other arts, where improvements in knowledge can be applied without much reference to previous practice, the political art crafts laws and institutions which rely in no small degree on nonrational, even irrational, attachment and obedience for their effectiveness. This attachment is instilled chiefly through habituation and reverence, and this requires that laws and institutions remain unchanged for long periods of time; one cannot be habituated to, or revere ephemeral things. Frequent changes in the laws inspired by the spirit of innovation would likely produce a regime without any stable character, prone to tumult and revolution, and even if such instability is avoidable, that spirit would make it difficult to pro-

6. Admittedly, for Aristotle, contemplation is man's highest end, but providing the leisure necessary for this way of life is no easy task.

7. Aristotle, *Politics*, 2.8.1268b27–1269a25: 72–73.

duce a citizenry with a common way of life.⁸ Indirectly, the spirit of innovation will inevitably encroach on the political realm simply by the fruits of its own inventions even if these inventions are not directly aimed at reforming political life (e.g., television).

Put another way, politics, which for Aristotle is the realm of prudence, is higher in dignity than the arts because it is prudence that concerns itself with the whole rather than the partial human good. The art of medicine, for example, is only knowledge relating to health. Human beings, however, pursue any number of goods in addition to health such as wealth, beauty, and wisdom. The art of medicine cannot tell us which of these other goods is truly good, nor can it tell us to what extent each of these goods, even health, should be pursued. In fact, the artisan qua artisan is only interested in producing the work of his art. As such, he practices his art without regard to his own good considered in its broadest sense and without regard to the good of others since his art can just as easily be used to harm as to help. In other words, the arts cannot determine one's own good as a human being because the arts (save philosophy) are partial and "morally neutral."⁹ Only prudence, which concerns itself with the good and moral virtue, is able to guide human beings as human beings.

This does not mean, however, that Aristotle was simply hostile to the cultivation of the arts like Rousseau, who argued in his *First Discourse* that the arts corrupt courage, morality, and taste. On the contrary, Aristotle's brief genealogy of the arts in his *Metaphysics* shows that his position is closer to Bacon's than to Rousseau's. Aristotle begins his genealogy of the arts with the observation: "At first he who invented any art that went beyond the common perceptions of man was naturally admired by men, not only because there was something useful in the inventions, but because he was thought wise and superior to the rest." That is, men admire knowledge not only because it is useful, but also because knowledge is good in itself. Men possessing knowledge were thus honored as superior human beings. Later, the arts became more developed such that some arts were directed towards the necessities of life while others were directed towards recreation. As a result, the inventors of the pleasing arts were regarded as wiser than the inventors of the useful arts precisely because their branches of knowledge were not aimed at utility. Put differently, the second stage of the development

8. Ibid., 2.8.1268b32–37: 72, 2.8.1269a1–5: 73, 2.8.1269b18–25: 73 (compare Madison's discussion in *Federalist* 49), 2.8.1268b22–25: 72.

9. Aristotle implies that an artisan qua artisan requires less virtue than a slave (Ibid., 1.13.1259a33–40: 54).

of the arts was devoted to producing pleasing or beautiful rather than useful things. Aristotle does not say exactly why men rank the pleasing and the beautiful above the useful, but one may surmise that men generally do not experience much joy in contemplating or attending to their necessities. The final stage of the development of the arts produced the sciences such as mathematics and philosophy. Like Rousseau, Aristotle believed that the sciences are born in idleness or, more accurately, in leisure; Aristotle notes that in Egypt, the mathematical arts were founded by priests who were allowed to be at leisure. And as Aristotle points out in the *Nicomachean Ethics*, leisure in the proper sense of the term, or what we might call cultivated leisure, is the best or highest state of activity for man since intelligence is the highest part of man.¹⁰

Rousseau, by contrast, claimed that "all [the sciences], even moral philosophy, [were born] from human pride. Thus the sciences and the arts owe their birth to our vices; we would be less doubtful of their advantages if they owed it our virtues." For Rousseau, man's reason and pride are not truly natural in his sense of the word, which for him pertains to man's state prior to the development of civil society. Since Rousseau's natural man lacked *logos* (speech-reason) and *thumos* (spirit-edness), knowledge of the arts is an artificial addition to man's nature. Aristotle, by contrast, asserts that man naturally possesses not only *logos* and *thumos* but also wonder, which is the source of philosophy, as well as a faculty peculiar to the development of wonder, *nous* (intellect), which leads to the development of the theoretical sciences. Although *nous*, *logos*, and *thumos* require a certain level of economic and political development before they display themselves, Aristotle held that they are inherent characteristics of man no less natural to man than his more animal nature. To be sure, Aristotle admits that the development of the arts is not an unmixed good. From his criticism of political innovation to his identification of the rule of the best man over all with the relative absence of the arts, Aristotle, like Rousseau, does seem to indicate that the peak of the city precedes the peak of philosophy.¹¹ Unlike Rousseau, however, Aristotle does not throw out the baby with the bath water. For

10. Aristotle, *Metaphysics*, in *The Complete Works of Aristotle*, trans. W.D. Ross, vol. 2, 981b14–25, p. 1553. "Egypt became the mother of philosophy and the fine arts, and soon after, she was conquered by Cambyzes, then by the Greeks, the Romans, the Arabs, and finally the Turks" (Rousseau, *First and Second Discourses*, I, part 1, p. 40; see also Aristotle, *Nicomachean Ethics*, 10.7.1177a11–1178b5: 288–91).

11. Rousseau, *First and Second Discourses*, I, part 1, p. 48; Aristotle, *Politics*, 5.10.1313a4–5: 173; Aristotle, *Metaphysics*, in *The Complete Works of Aristotle*, vol. 2, 982b10–28, pp. 1554–55. See also Leo Strauss, "On Aristotle's *Politics*," in *The City and Man*, 37.

Aristotle, philosophy represents the peak of man as man, and the cultivation of philosophy can be justified on these grounds, whatever its attendant ill consequences to politics. Moreover, a certain amount of philosophy is necessary for truly noble politics. As we shall see, Aristotle was far more critical of Sparta than was Rousseau precisely because Sparta failed to cultivate the arts.

At the same time, this does not mean that Aristotle would have endorsed the arts as we now know them, for the arts as we now conceive of them have largely been shaped by the ideas of Francis Bacon. According to Bacon, Aristotle (and Greek philosophy more generally) represented but the “boyhood of knowledge” with the characteristic that they are “good at chattering, but immature and unable to generate.” Above all, Greek philosophy was “fruitful of controversies, and barren of works.” Bacon’s fateful redefinition of knowledge fundamentally changed the essence and goal of philosophy. Bacon argued that philosophy should largely abandon the quest to discover the nature of man and the cosmos, and instead try to “lay down firmer foundations for the *power* and *grandeur* of man, and extend their limits more widely.” With Bacon’s reorientation of philosophy, true knowledge is not discovered through barren dialectics seeking formal and final causes or “essences,” the discovery of which is but a “forlorn hope,” and which in any event matter little to the fortunes of mankind. Rather, true knowledge is discovered through “works” and “experiments,” which extract what Aristotle called “efficient causes” to produce effects. This view of knowledge led to Bacon’s famous aphorism: “Human knowledge and human power come to the same thing, for where the cause is not known the effect cannot be produced. We can only command Nature by obeying her, and what in contemplation represents the cause, in operation stands as a rule.” In other words, since the cosmos is fundamentally unknowable and hostile, man can only truly know (and become secure in this world by knowing) what he makes. This view of nature led to the great alliance between theoretical knowledge and the productive arts to produce what we now term technology. Under the more popular understanding which Bacon gave to his project, technology would be used for “helping and raising man’s estate.”¹² After the refinements of Bacon’s

12. Francis Bacon, preface to *The Great Instauration* in *Novum Organum with Other Parts of The Great Instauration*, trans. Peter Urbach and John Gibson, p. 8 (emphasis added); Bacon, *Novum Organum* in *Novum Organum with Other Parts of The Great Instauration*, bk. 1, aphorisms 116, 118; bk. 2, aphorism 2; book 1, aphorism 3. See also John B. Bury, *The Idea of Progress: An Inquiry into Its Origin and Growth*, 50–63; Robert K. Faulkner, *Francis Bacon and the Project of Progress*.

work by such philosophers as Locke, Montesquieu, Hume, and Smith, the driving force behind technological innovation would be commerce, which seeks ever-new ways to increase man's productive capacities for the sake of increased consumer consumption. And, as Hiram Caton argues, it is this peculiar combination of technology and commerce that most distinguishes modern republics from their ancient counterparts.¹³

From Aristotle's perspective, the devotion to innovation and commerce raises important moral and philosophical objections which I have already begun to limn and which others have done more extensively. But from a practical perspective, it is important to point out that Aristotle later relaxes some of his strictures against technological innovation because of certain economic, political, and moral considerations which no actual (and even the best) regime can ignore. Most obviously, military necessity is a driving force behind the development of technology. Aristotle was fully aware of ambitious cities that try to develop ever more advanced military technology for the sake of conquering their neighbors. In his discussion of the best regime, he criticizes those who consider it cowardly to build walls around the city to protect against "the inventions of the present connected with missiles and [siege] machines" for having "overly *old-fashioned* conceptions" of virtue. That is to say, technology can and does affect the conditions for the practice of virtue, which is among the reasons why all natural right is changeable. Indeed, Aristotle recommends that defensive innovations should not only be used, but also that "others should be sought out and investigated." Thus, even in the best of conditions, Aristotle gives his limited endorsement to technological (as distinct from political) innovation. When one further considers that the best conditions of the best regime are unlikely, that the distinction between offensive and defensive weapons is frequently blurry, and that in many cases "the best defense is a good offense," one cannot conclude that Aristotle was simply hostile to technological innovation just because he objected to political innovation. It is more accurate to say that Aristotle regarded technological innovation as much more of a mixed blessing, unlike Bacon, who tended to minimize or ignore its more unfortunate consequences on politics and the human soul.¹⁴

13. For a further discussion of Bacon and the technological origins of the modern commercial republic, see Hiram Caton, *The Politics of Progress: The Origins and Development of the Commercial Republic, 1600–1835*.

14. Aristotle, *Politics*, 7.11.1331a1–18: 215 (emphasis added); Aristotle, *Nicomachean Ethics*, 5.7.1134b27–33: 131. Bacon cites the inventions of the compass, the printing press, and gunpowder as great innovations. Whether gunpowder represents an unmixed improvement in human affairs is debatable.

We might also recall that the immediate context of Aristotle's discussion of technology is slavery. As we shall see, Aristotle had certain reservations about the justice of most actual slavery, which could lead a prudent statesman to see technology—with all its attendant evils—as a means for the ending the practice. This alternative will become salient in my subsequent discussion of Hamilton's efforts to end slavery in America.

NATURAL SLAVERY

Aristotle's discussion of natural slavery seems to have at least two main aims. First, he appears to defend the naturalness of the rule of slaves as a way to establish the naturalness of rule simply, and by extension the naturalness, and more important, the distinctiveness of household and political rule.¹⁵ Second, and more relevant for present purposes, he appears to defend the naturalness of slavery to demonstrate that nature has provided sufficiently for man such that man is not overwhelmed by his material needs and forced to devote himself to the life of production. Recall that at the beginning of book 1, Aristotle traces the development of the household to the need for masters and slaves for the sake of the preservation of both: "For that which can foresee with the mind is the naturally ruling and naturally mastering element, while that which can do these things with the body is the naturally ruled and slave; hence the same thing is advantageous for the master and slave."¹⁶

Aristotle initiates his discussion of slavery by investigating whether anyone is a slave by nature and, therefore, whether it is advantageous and just for anyone to be slave. The answer to the question appears to be "not difficult to discern" since it is readily apparent that ruling and being ruled is not simply necessary but also advantageous to both the ruler and the ruled. Immediately from birth one observes that things diverge, some toward ruling and others toward being ruled, like the rule of human beings over beasts. From this it is evident that the ruling

15. Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 79; Harry V. Jaffa, "What Is Politics?: An Interpretation of Aristotle's *Politics*," in *The Conditions of Freedom: Essays In Political Philosophy*, 19; Mary P. Nichols, *Citizens and Statesmen: A Study of Aristotle's Politics*, 15–19; Wayne H. Ambler, "Aristotle on Nature and Politics: The Case of Slavery," 392.

16. See Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 80, Ambler, "Aristotle on Nature and Politics," 406, Nichols, *Citizens and Statesmen*, 25; Aristotle, *Politics*, 1.2.1252a30–1252b1: 36.

element is better than the ruled element, for the work performed by the ruling element is better; for example, a human being knows better how to take care of his pet or his child than the pet or child does. And in general, one can observe in nature that whatever is constituted out of a number of things and becomes a single common thing always displays a ruling and a ruled element. Animate things show this tendency in nature because nature has imparted into animate things a ruling and ruled element in the form of a soul and a body. Yet despite Aristotle's claims, it is not so obvious how the soul should rule the body since nature does not provide the soul with an obvious guide as to how to rule the body; for human beings, the good rule of the soul over the body requires much learning. Moreover, among different human beings who join together, there is no guarantee that nature will provide natural ruler and ruled elements. As if anticipating these objections, Aristotle asserts: "one ought particularly to investigate what is by nature, not in things that are defective. Thus the human being to be studied is best both in body and in soul." The best man therefore represents a human being in its finest natural condition (in the sense of developed to its highest potential) whereas the natural slave represents a human being in its most deficient natural condition (either physically or morally). In fact, the very deficiency of the natural slave points to the best man, or, more accurately, the deficiency of the natural slave can only be viewed as such with reference to the standard of the best man since something deficient presupposes an idea of something complete by which it can be judged deficient.¹⁷

To buttress his argument, Aristotle furnishes four examples of the ruler-ruled principle that can be found throughout nature: soul over body, intellect over appetite, man over animal, and male over female.¹⁸ In all of these cases, he maintains that it is better for both elements that the former rule the latter because the former element is, by its nature, superior. Of these four, he only explicitly cites the rule of the soul over the body as an example of the rule characteristic of a master. Of course, the analogy of slave rule to the rule of the soul over the body only goes so far since what is true of an individual is not necessarily true for mul-

17. Aristotle, *Politics*, 1.5.1254a18–39: 40. See also Jaffa, "What is Politics?" 20–21; Ambler, "Aristotle on Nature and Politics," 390–407; Nichols, *Citizens and Statesmen*, 19–24. As Jaffa points out, the rule of the best men in the best regime "is the implicit subject of every book" of the *Politics* (p. 69), which is in stark contrast to Hobbes, who begins his study of nature with the radically defective state of nature.

18. Aristotle, *Politics*, 2.5.1254b4–15: 40–41. In the *Metaphysics* (982b30), Aristotle claims that men are enslaved in many ways.

multiple human beings. The body and the soul of an individual human being are biologically linked and dependent on each other; a body without a soul will die. Multiple human beings, by contrast, are discrete entities without any obvious physical links and do not need each other for their very existence.

The most apt comparison of slave rule therefore appears to be the rule of man over animal. Like the rule of soul over body, the rule of man over the animals is an example of ruling and being ruled for the benefit of each since the preservation of both is better ensured. Natural slaves likewise resemble tame animals: "those who are as different [from other men] as . . . man from beast—and they are in this state if their work is the use of the body, and if this is the best that can come from them—are slaves by nature." Unfortunately, however, the comparison of rule over slaves with rule over animals likewise only goes so far because what it fails to recognize is the crucial difference between even the dumbest of men and the smartest of the animals. According to Aristotle, animals do not perceive reason, but simply obey their passions, whereas a natural slave actually perceives but does not possess reason. The question becomes whether the capacity to perceive reason entitles a person to be ruled in a manner better than a mere dog, particularly because Aristotle does not deny that natural slaves belong to the human species. And even if such individuals are closer to brutes than men, one wonders how useful individuals with such limited capacities would be since the most useful slaves are intelligent without being spirited, like the Asians.¹⁹

Aristotle concludes his discussion of natural slavery with the following claim: "Nature indeed wishes to make the bodies of free persons and slaves different as well [as their souls]—those of the latter strong with a view to necessary needs, those of the former straight and useless for such tasks . . . yet the opposite often results, some having the bodies of free persons while others have the souls . . . it is not as easy to see the beauty of the soul as it is that of the body." Oddly, Aristotle argues in this case that nature "often" fails in fulfilling its intended purpose. In fact, if nature succeeded in pairing free bodies with free souls and slavish bodies with slavish souls, the human species would split into two distinct species. Yet Aristotle infers that nature is purposeful precisely because nature normally succeeds and creates relatively few defective

19. Ibid., 1.5.1254b15–20: 41; Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 91; Aristotle, *Politics*, 1.5.1254b20–25: 41; 7.7.1227b25–30: 208. It is unclear in Aristotle's discussion whether the lack of spiritedness among Asians is the product of nature (in the sense of a physical predisposition or the result of climate) or tyrannical rule or some combination thereof.

offspring in the propagation of species. One could say that nature's alleged failure to fulfill its intention represents a peculiar exception to nature's general course, but this explanation suffers from two defects. First, Aristotle does not repeat this claim in his other works. Second, since it is the existence and regular production of a distinctive character in each species which discloses the intention of nature, he would be reading into—rather than discovering in—nature an intention.²⁰

What, then, is to be made of Aristotle's discussion of natural slavery? His reasoning is flawed for proving that there are slaves by nature. The argument is based on a general claim that one can observe in nature a principle of the rule of the superior over the inferior. As we have seen, however, this claim becomes ambiguous when applied to human beings. And even granting the general claim, it is quite another thing to extend it to say that a man ought to rule another man in the manner of a slave, or despotically. His definition of a natural slave as someone who only perceives reason and whose best potential is the use of his body does provide a tolerably clear practical standard of natural slavery, but such a definition renders inconsiderable the number of men who may be counted among natural slaves. Even in his best regime, Aristotle's suggestion that manumission be held out as a reward for slaves indicates that such slaves are not natural since natural slaves, by definition, are better off in bondage than in freedom.²¹

In other words, Aristotle fails to redeem his initial claim in book 1 that in most cases the master-slave relationship is mutually beneficial; his discussion of the actual or conventional practice of slavery—which deviates significantly from the natural standard—proves quite the contrary. As a result, he fails to prove that nature is generous enough to make the development of the acquisitive arts unnecessary. Not coincidentally, he concludes his discussion of slavery by making a distinction between the "arts" of teaching and using slaves, on the one hand, and

20. Aristotle, *Politics*, 1.5.1254b26–1255a1: 41; Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 94.

21. Aristotle, *Politics*, 7.10.1330a30–34: 213. By contrast, Jill Frank argues that Aristotle's account of slavery shows that "slave identity, like citizen identity, is determined by activity. If this is right, then there is no 'permanent and complete' difference between slave and non-slave." Although partially true, her argument neglects the four examples of natural—in the sense of permanent—rule that Aristotle uses to prove the existence of natural slaves. She also neglects Aristotle's definition of a natural slave as someone whose best work (i.e., in the best of conditions) is the work of his body. This implies that natural slavery is the product of natural differences in ability rather than a failure to engage in *prohairetic* activity. See Frank, "Citizens, Slaves, Foreigners: Aristotle on Human Nature," 94–97.

the “art” of acquiring slaves, on the other, which he compares to the “art” of war or hunting.²² This leads to his broader discussion of acquisition since he classifies the arts of hunting and business expertise as modes of acquisition.

ACQUISITION

Aristotle frames his discussion of acquisition by distinguishing between “natural” and “unnatural” modes of acquisition.²³ In this context, he identifies the “natural” with the primitive, which makes the most artful form of acquisition (i.e., business expertise) seem like an unnatural, and hence undesirable, form of acquisition. His apparent purpose is to show that man need not develop “unnatural” or artful forms of acquisition, but can rely mainly on the spontaneous products of nature. In other words, Aristotle makes the case for nature’s beneficence. As the argument proceeds, however, he undermines the identification of the natural with the primitive, casting doubt on nature’s beneficence. Before trying to discover why he might do this, it is first necessary to study closely his argument.

Aristotle begins his discussion of acquisition by distinguishing between household management and business expertise because the two are commonly confounded. Business expertise involves procuring possessions while household management involves using the possessions already acquired.²⁴ At the very outset, Aristotle seeks to impress on his reader the difference between the efficient and final causes of property.

At this point, he omits other obvious considerations about acquisition (e.g., which is the most productive form), and instead focuses on the connection between how one acquires and one’s way of life. For both men and animals, there are many different ways of acquiring sustenance and therefore many different ways of life. Aristotle then catalogs the three basic “natural” or “primitive” modes of acquisition. The first is the life of the nomad: “They derive their sustenance from tame animals without exertion and amid leisure, though as it is necessary for their herds to move about on account of their pastures, they are compelled to follow along with them, as if they were farming a living farm.” Next is the life of the hunter: “Others live from hunting, and different

22. Aristotle, *Politics*, 1.6.1255a5–1255b15: 41–43; 1.7.1255b20–40: 43–44.

23. *Ibid.*, 1.9.1257a4–5: 46.

24. *Ibid.*, 1.8.1256a1–20: 44.

sorts from different sorts of hunting. Some, for example, live from piracy; others from fishing . . . others from birds or wild beasts." Last is the life of farmer: "But the type of human being that is most numerous lives from the land and from cultivated crops." The characteristics that Aristotle selects for emphasis are number and idleness (i.e., few idle nomads, moderate number of moderately active hunters, and many laborious farmers).²⁵ What is striking about the list is that in the context of the supposition of nature's beneficence, piracy is listed among the "natural" forms of acquisition. Why, after all, would stealing be necessary if nature were truly beneficent? Equally striking is the inclusion of farming as a natural form of acquisition. This casts doubt not only on nature's beneficence (since farming is laborious), but also on the identification of the natural with the primitive since farming requires the cultivation of the arts (this laborious and artful mode of acquisition is also the most common mode).²⁶ Aristotle then observes how men combine these ways of life "to compensate for the shortcomings of one way of life, where it happens to be deficient with regard to being self-sufficient." But if nature is bountiful, why are men compelled to combine various modes of acquisition? Nonetheless, he comforts his reader by claiming that the spontaneous products of nature (plants and the lower animals) appear to be made for man's use (this, however, is true only by way of analogy). He uses the example of how animals provide milk to their offspring and then says: "It is clear in a similar way, therefore, that for grown things as well one must suppose both that plants exist for the sake of animals and that the other animals exist for the sake of human beings—the tame animals, both for use and sustenance, and most if not all of the wild animals, for sustenance and other assistance, in order that clothing and other instruments may be got from them." Notice how Aristotle merely supposes that plants exist for animals and that animals exist for human beings. This must be supposed if one is to believe that nature provides for human beings. This supposition, though, seems

25. Ibid., 1.8.1256a19–20: 44; 1.8.1256a20–40: 44–45. The three ways of life bear a striking resemblance to the philosopher (who lives in leisure but is compelled to follow his flock), the gentleman (who hunts or rules), and the vulgar (who work). Jaffa and Brown argue for the importance of the pirate in the development of justice and politics. Jaffa, "What is Politics?" 23; Warren R. Brown, "Aristotle's Art of Acquisition and the Conquest of Nature," 159–95.

26. On the naturalness of piracy, compare Montesquieu, *The Spirit of the Laws*, 20.2: 339. Rousseau observes that agriculture is an "art which demands so much labor and foresight, which depends on so many other arts" that it is "practicable only in a society that has at least been started" (*First and Second Discourses*, II, part I, p. 118). See also Brown, "Aristotle's Art of Acquisition," 175.

inadequate because it neglects the problem of piracy, which involves getting sustenance from other human beings rather than nature. He concludes by saying: "If, then, nature makes nothing that is incomplete or purposeless, nature must necessarily have made all of these [plants and animals] for the sake of human beings." Thus, it would appear that nature's bountifulness provides enough of the things necessary for life, and renders the primitive life adequate. Yet Aristotle hedges even this conclusion, for he merely says that *if* nature makes nothing incomplete, then nature must have made plants and animals for the sake of human beings; Aristotle does not simply say that nature makes nothing incomplete.²⁷ His argument for nature's beneficence remains doubtful.

In the next section, Aristotle compares the expertise needed for war and for acquisition. Aristotle maintains that war is "in some sense a natural form of acquisitive expertise; for one part of it is expertise in hunting which should be used with a view both to beasts and to those human beings who are naturally suited to be ruled but unwilling—this sort of war being by nature just." Hunting and war are equated with acquisition and both are related to rule in that both seek out things that are fit to be ruled. Aristotle does not, however, equate the art of rule with the art of war or acquisition. Capturing and subduing a beast or a man is not the same thing as political rule; the former is the necessary condition for the latter. The justice of depriving men of their natural freedom and forcing them to be ruled is questionable unless the analogy between hunting and war is accepted. Even then, the analogy seems strained because the justification for the hunter's rule over the animals is the hypothetical supposition that the animals exist for the sake of human beings. Only by extending this supposition to human beings can slavery be justified, which, as we have seen, is a dubious proposition. In any case, Aristotle draws an analogy between war and hunting not only because of their obvious similarities but also because the hunter lives in relative ease and limits his acquisition to things of sustenance and use (although he does so not because of his virtue, but because he lacks both the opportunity and inflamed desire). What Aristotle does not do is draw an analogy between war and piracy. In contrast to the hunter, the pirate does not rely on the spontaneous products of nature but rather on other men, and as a consequence, does not seem to have the same natural limits to acquisition as does the hunter.

27. Aristotle, *Politics*, 1.8.1256b2–5: 45; 1.8.1256b15–20: 45; 1.8.1256b20–22: 45. See also Brown, "Aristotle's Art of Acquisition," 165; Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 87.

Indeed, if the pirate's way of life were taken as the model, just war would include virtually limitless acquisition.²⁸ It would mean that the art of war or acquisition would take primacy over the art of rule or peace. This, of course, is precisely the teaching of thinkers like Machiavelli and Locke who go to great lengths to justify or at least excuse limitless acquisition. Aristotle must therefore make the case for the primacy of the art of peace or the art of rule properly speaking (i.e., domestic policy) in order to make the case for limited acquisition.

The difficulty in trying to limit war and acquisition becomes all the more acute in the next section, where he claims that the ultimate aim of household management is to provide a number of goods that are "*both* necessary for life and useful for partnership in a city or a household."²⁹ It would appear that one of the conditions for living well is now intimately connected with not only the household but also the city. More important is that he has just raised the limit on the amount of possessions that may be accumulated to an amount not only necessary for life but also *useful* to both the household and the *city*. Indeed, if we are now taking into account the amount of wealth that is useful for an entity the size of a city, is not Aristotle substantially increasing the limit to acquisition, thus rendering the "natural" modes of acquisition even more inadequate? How does "living well" become a "natural" end of man? And if the "natural" modes of acquisition are inadequate for living well, how bountiful is nature after all? Does not business or slavery (or even technology) become necessary?

We might begin to answer these questions with Aristotle's subsequent assertion that accumulating more than the (substantially increased) amount of wealth necessary for self-sufficiency is unnatural in the sense that "there is no *art* that has an instrument that is without limit either in number or in size, and wealth is the multitude of instruments belonging to expert household managers and political [rulers]. That there is a natural expertise in acquisition for household managers and political [rulers] then, and the cause of this, is clear."³⁰ Aristotle now conceives of household management as an art and seems to consider its cultivation to be perfectly natural for both the household managers and political rulers. As the argument proceeds, he increases the number of arts that may be denominated natural, yet he also argues that these arts have naturally imposed or discoverable limits to them. Natural is no longer simply being identified with primitive.

28. Ibid., 1.8.1256b22–26; 4; Brown, "Aristotle's Art of Acquisition," 177–81.

29. Aristotle, *Politics*, 1.8.1256b28–30: 46.

30. Ibid., 1.8.1256b33–37: 46.

Complicating matters is his contention that business expertise is unnatural precisely because it is an art:

But there is another type of acquisitive expertise that they particularly call—and justifiably so—expertise in business, on account of which there is held to be no limit to wealth and possessions. This is considered by many to be one and the same as the sort mentioned because of the resemblance between them; and while it is not the same as the one spoken of, it is not far from it either. *The one is by nature, while the other is not by nature but arises rather through a certain experience and art.*

Aristotle traces the development of this unnatural mode of acquisition by explaining how exchange comes into being. He first observes that an item can be used for both its intended use and exchange. Then he asserts it “is according to nature—the fact that human beings have either more or fewer things than what is adequate.”³¹ Adequate here means adequate for living, and not for living well. This argument is needed to justify having an amount of wealth above and beyond that which is necessary for life. But it is likewise according to nature to have fewer things than what is adequate. Although this does little to show the beneficence of nature (it does just the opposite), Aristotle perhaps is trying to inculcate a degree of moderation in the face of bad fortune. Fortune and nature should be accepted rather than conquered.

Barter among households and nations was the first development of exchange, arising “reasonably enough” from the need to exchange useful things. The most primitive ways of life had no need for exchange because things were held in common. The need for exchange occurred only after men separated into different households, some having more and some fewer things than is adequate for subsistence (and presumably after the development of private property) and are “partners in many things of others as well.” That it is natural to have more or less than is adequate seems to indicate that economic need may have had something to do with the formation of the first villages (contrary to the earlier statement of book 1).³² Barter as expertise in exchange is an art, but it is a “natural” art distinct from the art of business. Because barter is an art, its naturalness is derived more from the end it serves—natural self-sufficiency—than from its primitive character. In other words, Aristotle is conferring naturalness on those arts that serve “natural” ends rather than on those arts that are themselves primitive. (While

31. Ibid., 1.9.1256b40–1257a5–17: 46 (emphasis added).

32. Ibid., 1.9.1257a28–31: 47; 1.2.1252b15–16: 36.

barter is a relatively primitive form of exchange, it is not associated with the most primitive ways of life and therefore cannot be classified as simply primitive.) The end, however, remains relatively primitive since the object of trade is only to procure the "necessaries" of life—wine and grain. Natural self-sufficiency does not yet include those objects useful for the fully political life of a city. This only occurs later with the advent of money.

Aristotle argues that money was invented because those things necessary by nature are not easily portable, and money allows a certain flexibility in procuring such things. The invention of money led to two developments: it produced compacts among nations for the purpose of setting a standard for money; and it led to the development of an art peculiar to it, namely, commerce. The art of commerce began in a "simple fashion," and later "through experience it became more a matter of art—[the art of discerning] what and how to exchange in order to make the greatest profit." It is this art which provides the possibility of having a degree of wealth far above natural self-sufficiency. Money, though, is not the same thing as wealth because at times, "money seems to be something nonsensical and [to exist] altogether [by] law, and in no way by nature, because when changed by its users it is worth nothing and is not useful with a view to any of the necessary things. . . . Yet it would be absurd if wealth were something one could have in abundance and die of starvation—like Midas of the fable, when everything set before him turned into gold on account of the greediness of his prayer." Aristotle appears to be distinguishing between money's value in use and money's value in exchange. In terms of use, money's value is determined by the things necessary for sustenance. In terms of exchange, money's value is measured by how much money things can generate. To clarify this distinction, recall Adam Smith's example of the diamond-water paradox. Diamonds have little use value whereas water is essential for life. Nevertheless, because of their relative scarcity, diamonds have a much greater monetary or exchange value than water. In contrast to Smith, who emphasizes exchange value, Aristotle emphasizes use value, which is not surprising since his main purpose is to show the natural or correct ends of money. By focusing on money's natural use, Aristotle turns his reader away from money's conventional aspect, and by extension, away from conventional opinion (which overvalues wealth) toward a more natural or philosophic understanding of wealth. Yet this line of reasoning is confounded by his claim that money is not natural because it exists by law, for if law does not exist by nature, then how can the city—which has law as a defining feature—be considered

natural? An answer may be that Aristotle says only that money is at times (and not all of the time) something nonsensical. During these times, it is purely conventional because it is useless as in the fable of King Midas. That is to say, something is or becomes purely conventional and unnatural when it has no view to its natural ends. In Aristotle's view, art is not artifice. Art *completes* nature; it does not *overcome* nature. By a like analogy, law is not simply conventional. Rather, law can at times be conventional when it does not take into account its proper ends (i.e., life and the good life). Put differently, Aristotle argues (in opposition to Plato) that one almost never sees pure conventional right or pure natural right in any regime, but rather a mixture of the two.³³

The possibility of money becoming unnatural is elaborated more fully in the next section. The problem with business expertise is that "there is no limit with respect to the end." Yet Aristotle concedes that this is also true of the other arts. Medicine, for example, has no obvious limit with respect to the acquisition of knowledge for good health. Household management, by contrast, is an art with a limit, and this makes it a distinctive art. What leads to the unlimited pursuit of money is at first glance an understandable conflation of business expertise and household management. Both gather goods but one does so for the sake of accumulation, while the other does so for the sake of maintaining the household. However, frequently underlying the conflation of business expertise and household management is that those who pile up riches "are serious about living, but not about living well; and since that desire of theirs is without limit, they also desire what is productive of unlimited things." Because the acquisitive subscribe to an essentially materialist view of life, their desire for money is unlimited. Indeed, even those who aim at living well fall into the same error. This leads to the perversion of such things as courage, military strength, and medicine into "forms of expertise in business, as if this were the end and everything else had to march toward it." Commercialization thus extends into virtually every area of life because its motive force is limitless. Although this phenomenon is more pronounced in commercial regimes which openly honor wealth and business expertise, it is by no means confined

33. Ibid., 1.9.1257a30-b18: 47–48; Adam Smith, *An Inquiry Into the Nature and Causes of the Wealth of Nations*, ed. Edwin Cannan, bk. I, chap. IV, p. 28 (hereafter cited as *The Wealth Nations*, book.chapter: page number). For an argument on the insufficiency of Aristotle's account of the development of the city as proof of man's political nature, see Wayne H. Ambler, "Aristotle on Acquisition," 487–502; Ambler, "Aristotle's Understanding of the Naturalness of the City," 163–85.

to them. For example, Aristotle accuses noncommercial Sparta of making war for the sake of wealth and glory rather than for peace. Because just about any art can be perverted into a way of gaining wealth, Aristotle abandons judging the various modes of acquisition in terms of their inherent naturalness (understood as primitiveness) and instead judges the various ends of acquisition. In this light, business expertise (in the narrower sense of expertise in exchange) when combined with the desire to have unlimited things is not much more blameworthy than banditry combined with the same desire. Although the advent of money made possible the desire for unlimited things, the example of Sparta—which banned gold and silver as money—demonstrates how the desire for unlimited things is as much a cause, as it is an effect, of money. Household management, by contrast, is according to nature because it has a rule or a defining principle which subordinates and limits the art of acquisition.³⁴

Aristotle (once again) complicates matters with his assertion: “expertise in exchange is justly blamed since it is not according to nature but involves taking from others, usury is most reasonably hated because one’s possessions derive from money itself and not from that for which it was supplied.” But if business expertise is unnatural, why is not piracy since it likewise involves taking from (or being dependent on) others? The contradiction might be resolved by arguing that making money on money completely divorces money from its natural use. In Aristotle’s view, money comes into existence to make goods commensurable in exchange for the sake of self-sufficiency. By contrast, the practice of usury (which is the most extreme form of business expertise) largely ignores the origins of money and thus its *raison d’être*, permitting its unlimited acquisition. Usury, like modern fiat money, inhabits a realm of human artificiality where man’s contrivances have little obvious connection to nature, and it is this view of money and life, rather than usury *per se*, that Aristotle condemns. In addition, usury and the commercialization of life that it represents cause men to evaluate both men and things in economic terms. As Rousseau would later scoff, “[Modern politicians] evaluate men like herds of cattle. According to them a man is worth no more to the State than the value of his domestic consumption.” To oppose the focus on the purely exchange value of money, Aristotle looks to the origins of money to gain some grasp of its more natural purposes. To be sure, a thing’s origin does not determine its end (unlike early modern philosophy), but investigating its origin

34. Aristotle, *Politics*, 1.9.1257a2–1258a18: 48–49; 2.9.1269b2–25: 74.

does provide some insight into its nature and purpose. Finally, the apparent stricture against usury might only be relevant if certain conditions apply. Just before this statement, Aristotle says, "it befits the household manager to have what comes from those things in the state it should be in."³⁵ That he considers such a situation unlikely is soon revealed.

Toward the end of book 1, Aristotle lists the kinds of expertise that are "necessary" for the household manager. He divides the useful kinds of business activities into three. The first kind of business expertise is agriculture—livestock and farming. The second kind of business expertise is expertise in exchange and consists of three types: trade, money-lending, and wage labor. The final kind of business expertise partakes of the other two using natural but unfruitful things that grow from the earth and includes such activities as lumbering and mining. Although Aristotle appears to distinguish between natural and unnatural modes of business expertise with his claim that agriculture is "according to nature," he, in fact, imports the spirit of profiteering into his discussion of agriculture. Regarding livestock, he says that one should know "what sorts are *most profitable* in which places and under what conditions." In doing so, he turns agriculture into commercial agriculture. Moreover, he reintroduces that most "unnatural" form of acquisition, expertise in exchange, which includes money-lending. By adding modes of acquisition and transforming how they are viewed, Aristotle has jettisoned naturalness in the sense of primitiveness in judging the best kinds of acquisition. In other words, Aristotle tacitly concedes that nature is not as liberal as he first argued. He then introduces a new standard to judge the modes of acquisition based not on primitiveness, but on its opposite, art: "The most artful of these works are those which involve chance the least; the most vulgar, those in which the body is most damaged; the most slavish, those in which the body is most used; the most ignoble, those which are least in need of virtue." Since the best forms of acquisition involve art and are therefore teachable, he suggests that the various ways men have succeeded in farming and business ought to be collected and studied (Aristotle inspired the writing of the treatise, *Oeconomica*, which was spuriously attributed to him). In this vein, and to prove that philosophers could be rich if riches were their ruling principle, Aristotle recounts how Thales used his knowledge of astronomy to predict a good harvest of olives and so rented all the olive presses in

35. Ibid., 1.10.1258b1–4: 49; Rousseau, *First and Second Discourses*, I, part 2, p. 51; Aristotle, *Politics*, 1.10.1258a24–25: 49.

Miletus and Chios. When it was time for the harvest, the presses were of course in high demand, and he made a fortune renting them out to others. Aristotle also notes that cities create monopolies for themselves for the sake of raising funds. Compared to commodities speculation and creating monopolies, the “unnatural” practice of money-lending seems positively innocuous by comparison. Although claiming that such matters are vulgar, Aristotle nonetheless concludes by endorsing the discovery and use of such methods to the household manager and even to the political ruler: “It is useful for political [rulers] also to be familiar with these things. For *many* cities need business and revenue of this sort, just as households do, yet *more* so. Thus there are some even among those engaged in politics who are concerned only with these matters.”³⁶ Aristotle has in effect conceded that the “natural” forms of acquisition are inadequate for political life, and relaxes his strictures against commerce to the point of, if not abandoning them altogether, then at least sanctioning commerce to the extent it is necessary and useful for the public good.

Two additional considerations likewise contradict the notion that Aristotle sought to impose a natural economic standard on the political community. First, Aristotle’s natural economic standard appears only in the first book despite his subsequent discussion of oligarchy, the rule of the wealthy. Surely if Aristotle were determined to impose a natural economic standard on political life, he would at least mention such a standard when discussing oligarchy. He does not. This silence suggests that he did not believe that such a standard is appropriate for political life. Second, Aristotle praises Carthage, a commercial republic, as one of the three best actual regimes.³⁷ If commerce were that blameworthy, Aristotle should have withheld such praise.

NATURE, ACQUISITION, AND RHETORIC

So why did Aristotle bother to construct a natural economic standard and then abandon it? Indeed, Aristotle’s ultimate position on nature’s material providence is virtually indistinguishable from that of John

36. Aristotle, *Politics*, 1.11.1258b28–1259a35: 50–51 (emphasis added). This is a good example of the kind of alliance between philosophical inquiry and commerce which Bacon, Locke, Hume, Smith, et al. would later endorse. Aristotle endorses it only to the extent that it is useful to promoting the public good as he defines it. See following text.

37. *Ibid.*, 2.11.1273b24–26: 83.

Locke. What distinguishes the two philosophers, or the ancients and early moderns generally, are their differing views of nature as a whole. For Locke, nature as a whole is for all practical purposes indifferent to the fate of man. In the course of his political tract, Locke reveals the unpleasant truths that man's natural condition is "very unsafe, very unsecure" and that nature furnishes man with "only the almost worthless Materials, as in themselves." Nature likewise left virtue "unendowed," that is, without any effective, earthly rewards and punishments. To "subdue" this indifferent nature, man must rely on his own labor, which accounts for some "999/1000ths" of the value of the things we enjoy on earth. The development of commerce and the arts becomes, as it were, man's secular salvation in this world.³⁸ Aristotle, by contrast, while tacitly conceding nature's material stinginess, nonetheless maintains that nature compensates man in the form of excellences of soul that can be cultivated through philosophy and moral virtue. To be sure, not all, and not even most men, can participate in the excellences of the soul, at least to their fullest degree, but denying them altogether leads to an obsessive concern with material comforts that diminishes man as a rational being, and ultimately to a deep dissatisfaction with life, or "alienation" from nature.

Of course, this does not explain why Aristotle chose the kind of rhetoric he did. Contrary to Locke, who builds up to the point of revealing the unpleasant truth about nature's stinginess, Aristotle goes to great lengths to conceal this truth by trying to reassure his reader of nature's beneficence. Why not simply admit this truth and show nature's immaterial beneficence? To answer this question, one must remember that despite its appearance as a treatise, the *Politics* is a practical work aimed chiefly (though not solely) at political men to guide them toward good action. As such, the *Politics* lacks some of the theoretical rigor contained, for example, in the *Metaphysics*. This also means that certain of Aristotle's claims are more likely intended to edify than to educate. As we have seen, many of Aristotle's arguments rely on analogies and suppositions that are theoretically suspect. From the standpoint of promoting virtue, however, these half-truths are salutary. Aristotle's doctrine of natural acquisition is a prime example of this kind of rhetoric. By making it appear as though the primitive modes of acquisition are adequate to satisfy basic needs, Aristotle tries to inculcate in his reader a

38. John Locke, *Two Treatises of Government*, ed. Peter Laslett, II, par. 43; Locke, *The Reasonableness of Christianity*, ed. George W. Ewing, par. 245; Locke, *Two Treatises of Government*, II, pars. 35, 42, 43; I, par. 33, II, par. 42.

certain faith in nature's beneficence so as to restrain man's natural acquisitiveness. This faith makes it easier for a gentleman to have a more liberal attitude toward possessions, and thus be more concerned with living well than with merely living. And given the tendency even among aristocracies to be avaricious, Aristotle tries to dissuade political men from money-making altogether by promulgating a standard of natural acquisition which makes the activity seem intrinsically unseemly.³⁹

But instead of discouraging gentlemen from money-making, why did not Aristotle try to harness acquisitiveness for the sake of the common good as did Machiavelli, Locke, Mandeville, Montesquieu, Hume, Smith, etc.? One might say that since acquisitiveness is already a potent force in human nature, liberating it from moral and political restraints makes it exceedingly difficult to help men put the role of wealth in human affairs into proper perspective. As Shulsky argues:

One is tempted to conclude that Aristotle opposes business activity not because of its injustice but because of its justice. . . . Precisely what a modern thinker like Locke finds so attractive about money and business, that it allows each individual to pursue his economic self-interest without necessarily coming into conflict with his fellow citizens or with the city, is what to Aristotle appears to be its most insidious characteristic. His doctrine of natural economics opposes such an attempt at a reconciliation between individual self-aggrandizement and the city's interests, which would tend to bury the moral issue of the role of wealth in human life.⁴⁰

Nevertheless, as we turn to book 2, Aristotle will have to move even further away from his doctrine of natural economics as he considers more fully the distinct requirements of political life.

39. Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 105; Aristotle, *Politics*, 2.9.1271a16–7: 77, 5.7.1307a34–35: 161.

40. Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 109.

Chapter 2

ARISTOTLE'S POLITICAL ECONOMY

In book 2 of the *Politics*, the discussion ascends from the vantage point of the household to that of the city. Endeavoring to discover the best regime, Aristotle investigates regimes proposed by three philosophers (Socrates, Phaleas, and Hippodamus), three actual regimes (Sparta, Crete, and Carthage), and nine famous lawgivers. He frames his investigation in terms of whether citizens should be partners in everything or in some things but not others (being partners in nothing is impossible).¹ For present purposes, I shall examine Aristotle's criticisms of the economic aspects of the proposals of Socrates and Phaleas (having already discussed Hippodamus and technological innovation) and then turn to his discussion of Sparta and Carthage.

SOCRATES VERSUS ARISTOTLE, OR UNITY AND COMMUNISM VERSUS SELF-SUFFICIENCY AND PRIVATE PROPERTY

Aristotle begins his discussion of the extent to which citizens should be partners by considering Socrates' attempt in the *Republic* to unify the city as much as possible. Since property and women are the source of much discord, Socrates proposes that the family and private property

1. Aristotle, *Politics*, 2.1.1260a25–40: 55.

be abolished in favor of common ownership. Aristotle, however, argues that such a proposal is both wrong in its presupposition and harmful in its results. It is wrong in its presupposition because a city that becomes one "will no longer be a city;" it would become an individual, which is impossible. A city is a multitude made up of human beings who are not similar, but different in kind. The different attributes of various human beings contribute to the true end of the city, which is self-sufficiency, not unity. Farmers, artisans, merchants, warriors, and good rulers (who are themselves differentiated according to function) are all needed to make the city a self-sufficient whole. And if self-sufficiency is the goal of the city, then greater diversity and specialization (up to certain limits) is preferable to unity.²

To what extent should possessions be held in common? Contrary to Socrates, Aristotle argues that property "should be common in some sense, yet private generally speaking." Aristotle makes basically four arguments for private property, from the lower to the higher: political harmony, spur to industry, common use (sharing), and liberality (giving). Beginning with the material and efficient causes of property, he contends that if possessions were held in common, it would generate resentments because those who worked much and those who worked little would receive the same amount of property. The issue of distributive justice cannot be avoided simply by abolishing private property. Such disputes are coeval with man's political nature, and as Aristotle observes, it is difficult to be partners in any human matter, especially where property is concerned. And although Aristotle (contra Locke) largely ignores self-preservation as a justification for private property in this book, he also justifies private property on the grounds that it "will actually result in improvement, as each applies himself to his own."³

The highest moral and political justifications for private property (its final causes) are tied to virtue with a view to use: sharing and giving (i.e., liberality). By making it possible to share and to give possessions, private property encourages affection and virtue among citizens. Sharing possessions creates a bond of deliberate choice among the citizens, promoting political harmony. Indeed, part of the nobility of man consists in his freedom to sacrifice his private interests for the sake of a higher (common) good. If private property were abolished, one of man's crowning virtues would be lost.⁴ Furthermore, abolishing private

2. Ibid., 2.2.1261a14–1261b15: 56–57.

3. Ibid., 2.5.1263a7–1263a28: 60.

4. Socrates would no doubt agree about the loss of certain noble virtues, but in the *Republic*, philosophers, not gentlemen, rule. Accordingly, the true and the good take

property would not eliminate selfishness but merely the substantial pleasures associated with ownership and with being liberal to friends and fellow citizens. In other words, "it is impossible for [the city] to be happy as a whole unless most [people], or all or some of its parts, are happy."⁵

In general, the problem with making everything common is that it confuses the effect with the cause. Men do not sue each other, commit perjury, or envy (or flatter) the rich simply because of the existence of private property but because of moral depravity, the true source of which is unlimited desire. Only by educating or taming desire will men become virtuous. In fact, eliminating private property would only exacerbate the problem, "for it is precisely those who possess things in common and are partners whom we see most at odds."⁶ Thus, far from creating discord, private property actually promotes harmony and virtue among citizens.

ARISTOTLE, PHALEAS, AND THE LIMITATIONS OF ECONOMIC THINKING

Aristotle next takes up the proposal of Phaleas, who argues that the inequality of property is the source of all factional conflict; therefore, the legislator need only equalize property to produce harmony.⁷ Phaleas adopts the view of the economist who thinks that solving the economic problem will solve the political problem, that is, Phaleas fails to see politics as a distinct phenomenon. The problem with this view, according to Aristotle, is that the political partnership has certain features rooted in the human soul that cannot be adequately comprehended under economic motivation. Yet this does not mean that economics plays a trivial part of the political partnership; Aristotle fully understood that economics and politics are inextricably intertwined. If anything, Aristotle argues that because Phaleas has only a crude knowledge of economics and politics, Phaleas both overestimates and underestimates the role of economics in political life.

Aristotle begins his criticism of Phaleas with a look at the likely effects of equalizing property on the domestic political partnership. In the

take precedence over the noble or the beautiful. By contrast, gentlemen rule in Aristotle's best regime—thus his concern for preserving noble virtue.

5. William James Booth, *Households: On the Moral Architecture of the Economy*, 39; Aristotle, *Politics*, 2.5.1263b1–6: 61; 2.5.1264b17–20: 63.

6. Aristotle, *Politics*, 2.5.1263b14–24: 61.

7. *Ibid.*, 2.7.126a35–40: 67.

first instance, such a proposal overlooks the number of children in each family. If there are too many children, the law will be violated. More important, such a law will create subversives out of the wealthy who are made poor. Thus, while Phaleas correctly believes that property arrangements have a significant effect on the political partnership, he underestimates the potential political harm of implementing his proposal because he thinks in excessively economic terms. He also fails to see the unintended consequences of this sort of proposal. For example, in Leucas the law enjoined the preservation of original lots but was abrogated to promote equality. This, in turn, led to the reduction of property requirements for holding office, which caused the regime to become overly democratic. Aristotle further argues that it is not enough simply to equalize property since it is possible to have an equal amount of property which is either excessive (producing luxury) or insufficient (producing poverty). The legislator should aim at a mean between these extremes.⁸

Aristotle's more fundamental criticism is that Phaleas merely treats the effects of the problem rather than its root cause, which is excessive desire. One should sooner restrain desire than level property. Although Phaleas admits that citizens need an education in virtue and that it should be the same for all citizens, he begs the question as to the content of that education. It is quite possible to have an education where all equally pursue goods, or honor, or both. This defect in Phaleas's thinking can be traced to his approach, which combines mathematics and economics. Phaleas reduces the political problem (or human nature) to the desire for property and then treats it in purely arithmetic terms. It is a basically formal approach to politics which fails to see that the distinct qualities of things are ultimately more important than their quantities and that these qualities provide guidance for their proper quantities.⁹

The problem with Phaleas' approach is exemplified in his inability to see that men engage in factional conflict not only because of an inequality of wealth, but also because of an *equality* of honors. In the case of wealth, the many poor engage in factional conflict (with the few rich)

8. Ibid., 2.7.1266b5–28: 67–68.

9. Ibid., 2.7.1266b29–37: 68. The purely formal character of Phaleas's thinking is shown in his desire to equalize property without considering the proper amount of property, and to equalize education without considering the content of that education. Aristotle's criticism of Phaleas can also be seen as his response to public choice economics. To be sure, public choice economists are more sophisticated than Phaleas, but there is nonetheless a definite resemblance between the two approaches. Both Phaleas and public choice economists take a formal, reductionist, and institutional approach to politics.

because they believe the inequality of possessions to be unjust. In the case of honors, by contrast, the few engage in factional conflict among themselves because they believe an equality, not an inequality, of honors to be unjust. Because Phaleas, like the democrat, treats men and their desires homogeneously and uncritically, he fails to recognize these two distinct phenomena (wealth and honors) and cannot provide proper guidance for how they should be treated. Applying the democratic standard of arithmetic equality to honors would only exacerbate the problem of their distribution. Put differently, by seeing all factional conflict in terms of wealth and poverty, Phaleas recognizes only two kinds of regimes: democracy and oligarchy. According to Aristotle, however, factional conflict comes from a variety of sources (the most important being the conflict between virtue and vice) and therefore there is a wider variety of regimes than Phaleas recognizes.¹⁰

Aristotle next takes Phaleas to task for failing to see that men rarely commit injustice for the necessary things. Men are more likely to steal because of inflamed desire than because of hunger or cold. Men also commit injustice merely to enjoy pleasures unaccompanied by pains. The proper remedy for these disorders—want, excessive desire, and seeking pleasure without pain—is work, moderation, and philosophy. Phaleas misunderstands the nature of justice because he fails to recognize that the greatest injustices are committed out of excess rather than economic necessity. Men do not become tyrants because they need food and shelter but because they have immoderate desires, and these desires are both economic (avarice) and especially political (ambition). The proposal of Phaleas, then, is only useful with respect to petty crimes.¹¹

Finally, Phaleas forgets that the city does not exist in isolation and therefore needs a military whose strength is derived, in part, from wealth: “And similarly concerning possessions: they should be adequate not only for political uses but also for foreign dangers.” In this case, Phaleas actually underestimates the importance of economic considerations. Aristotle says that possessions should be neither so great that stronger cities will desire them and attack nor so little that they will be insufficient to sustain a war against equals. Taking a more general view of the matter, he concludes: “Perhaps the best defining principle is that [there should be just so much that] those who are superior will not gain if they go to war because of the excess, but [will go to war only under such circumstances] as they would even if their property were not so great.” As usual, Aristotle counsels the middle way—though his use of the

10. *Ibid.*, 2.7.1266b37–1267a1: 68. See also book 5, especially 5.3.1303b14–18.

11. *Ibid.*, 2.7.1267a2–15: 68–69.

qualifier “perhaps” renders his counsel tentative. To demonstrate that it is at least possible to maintain his principle (through the deft use of instrumental reason against an enemy), Aristotle recounts the story of Autophradates who was about to besiege Atarneus. Euboulus, ruler of Atarneus (and former moneychanger), bid Autophradates to calculate the cost of conquering Atarneus in terms of time, and upon consideration, Autophradates concluded that the cost was too high and relented.¹²

What is remarkable about the last portion of Aristotle's critique is that he has (once again) substantially increased the role of economic considerations in political life but in a manner entirely different from Phaleas. Possessions are now needed for more than the end of domestic self-sufficiency posited in book 1. Aristotle now admits that possessions, while not quite the sinews of war, are necessary in the conduct of war. Lest this be considered an anomalous remark, Aristotle reiterates this point on three separate occasions. Later in book 2, Aristotle criticizes Sparta for her primitive public finance practices, which he argues hindered Sparta's ability to wage war. In book 4 and even in book 7, where he discusses his best regime, he makes the “well-off” a part of the city whose purpose is to supply both domestic and military needs.¹³ The proper amount of possessions must therefore be derived from a political standard that balances domestic economic need, military need, and moral virtue. And by his own standard, Aristotle recognizes that foreign policy considerations may very well overwhelm domestic ones. The defining principle of the proper extent of possessions is thus a relative rather than an absolute standard. Should one's neighbors pursue riches so as to increase their military strength, a city may have no choice but to follow suit.

Although Aristotle does not mention it specifically, the example of Euboulus, who was a wealthy moneychanger before becoming ruler of Atarneus, also represents a second-best solution to the problem of acquisition—second best because of the difficulty in making the transition from acquisitive businessman to liberal gentleman. In the best case, a gentleman will be endowed with an inheritance or receive public support. An actual or potential gentleman, however, may not be so fortunate and may have no choice but to acquire an estate before devoting himself to politics and the liberal arts.¹⁴

12. *Ibid.*, 2.7.1267a17–35: 69.

13. *Ibid.*, 4.4.1291a32–33: 124; 7.8.1328b10–12: 210.

14. The example of Euboulus the moneychanger furnishes additional evidence that Aristotle was not rigidly attached to the idea that a man of virtue must derive his livelihood from agriculture.

AGRARIAN SPARTA VERSUS COMMERCIAL CARTHAGE

In the second part of book 2 of the *Politics*, Aristotle investigates what he considers to be the three best actual regimes: Sparta, Crete, and Carthage. That Aristotle lists three is noteworthy since many scholars tend to assume that Sparta came closest to his best regime. Crete was an older Greek city, and according to Aristotle, the pattern for Sparta. By contrast, Carthage was a city that was not only not Greek (and thus barbarian by Greek standards), but also commercial.¹⁵ In fact, Carthage was more commercial than the much-maligned commercial regime of Athens. Yet in their highly influential treatments of classical republicanism, J. G. A. Pocock omits any mention of Carthage while Paul Rahe only briefly discusses Carthage in the context of Cicero's assessment that the city's downfall was rooted in its "lust for trade and navigation."¹⁶ This neglect of the Carthaginian regime has led to a serious distortion of the classical republican thought of Aristotle, especially his view of commerce. To correct that distortion, we shall scrutinize his treatment of both Sparta and Carthage.

OVERRATED SPARTA

At first glance, the character of Aristotle's discussion of Sparta is surprisingly critical. Conventional opinion held Sparta to be among the finest regimes. Aristotle, by contrast, does not begin explicitly with conventional opinion; it is implied. Instead, he devotes almost his entire discussion to the ways in which Sparta's political arrangements are not finely handled, and remarkably, he manages to find virtually all of Sparta's arrangements in some way defective. Aristotle does eventually praise Sparta but waits until after his discussion of Carthage wherein he explicitly praises this non-Greek, commercial city. Even then, the praise of Sparta is merely general; the reader is forced to find the good in Sparta in light of the criticisms. It is almost as if Aristotle is responding to the harshness of the Spartan regime with the equally harsh speech of reproach and invidious comparison.¹⁷ At any rate, the comprehensive

15. Ibid., 2.10.1271b20–25: 78. Because of its close similarity to Sparta, Crete will be omitted from further discussion.

16. Rahe, *Republics Ancient and Modern*, 187. John Zvesper briefly mentions Aristotle's praise of Carthage, but does not elaborate in any detail (Zvesper, "The American Founders and Classical Political Thought," 708–9).

17. Aristotle says that Sparta produces children resembling beasts (*Politics*, 8.4.1338b10–15: 232, 2.9.1270b33: 76).

nature of the criticism suggests that Aristotle believed that conventional opinion substantially overrated Sparta's virtues. Aristotle's deflation of the conventional opinion of Sparta can therefore be seen as making Carthage a viable practical alternative to Sparta and, more important, making the discussion of the best regime indispensable.

Aristotle's critique of Sparta is divided into three sections, each corresponding to a kind of rule, from the lowest to the highest. The first section deals with the helots, or slave rule. The second section deals with women and property, or economic (household) rule. The final section deals with (in ascending order) the offices, legislation, and the legislator, which collectively compose political rule. The standards by which the regime is judged are two: whether a practice conforms to the best arrangement, and whether a practice conforms to the intention of the legislator. For present purposes, I shall confine the discussion primarily to economic matters.

Aristotle begins his discussion of slave rule in Sparta with the observation that while citizens require leisure to govern well, it is difficult to see how this leisure should be obtained. Slavery is certainly one of the earliest and most obvious ways of providing citizens with leisure. It is nonetheless a troublesome practice, as can be seen in Thessaly and Sparta. Both cities have problems controlling their slaves, and their enemies are able to exploit the situation by allying themselves with the slaves. These problems arise from the difficulty in understanding precisely how slaves should be supervised. Slaves treated leniently become arrogant and claim equal authority while those treated harshly become hateful and defy authority. According to Aristotle, the Spartans followed the latter policy, for the helots "are constantly awaiting their misfortunes as if in ambush." Sparta's problems with slavery, like those of other cities, resulted from not having discovered the mode of ruling that is best.¹⁸ Unfortunately, because the surviving version of the *Politics* is incomplete, we lack Aristotle's views on how slaves should be ruled. Presumably, it would include steering a course between the extremes of leniency and brutality as well as holding out to slaves the reward of eventual emancipation, which he suggests in the discussion of the best regime.

Household rule in Sparta likewise leaves much to be desired. The greatest defect of Sparta's economic arrangements was the legislator's neglect in providing for the education of Sparta's women, who, as a result, "live licentiously in every respect and in luxury." The legislator's

18. Ibid., 2.9.1269a32–1269b12: 73–74.

neglect also led Aristotle to suggest that Sparta's women indirectly rule the city since men, especially in a martial regime, are governed in no small degree by the opinions of women. Aristotle traces the dissoluteness of Sparta's women to the city's early wars, which understandably caused the legislator to focus exclusively on educating the men for the sake of war. When the legislator later tried to educate Sparta's women, he found them recalcitrant and yielded too easily because, focused on military virtue, he underestimated the importance of educating women. The legislator further increased the baleful influence of women with the laws concerning dowries, which provided a loophole for amassing large amounts of land. The unintended consequence was to concentrate too much property in the hands of women, thus hampering Sparta's ability to wage war since those who could not afford to contribute to the common messes were denied full citizenship.¹⁹ At the same time, the greed of Sparta's women spurred the men to conquer other cities to gain land, slaves, and lucre. Indeed, according to the testimony of Socrates: "There is not as much gold and silver held in all of Greece as there is privately in Lacedaemon; for it has been arriving there for many generations from all the other Greeks, and often from the barbarians as well, but never leaves to go elsewhere."

The legislator's poor handling of economic matters extended to Sparta's political arrangements as well. Since the overseers are drawn from the people, most are very poor and, not surprisingly, easily bribed. While not poor, Sparta's senators are also prone to bribery and favoritism because of their bad education, which makes them ambitious and greedy. Even the common messes are handled badly. They are not provided for out of the public treasury; instead, men are forced to contribute individually. This makes the regime oligarchic rather than democratic (as intended) and restricts the number of men who can become citizens and soldiers.²⁰

In the final portion of his discussion, Aristotle broadens his criticism of Sparta, objecting to the basic presupposition of Sparta's legislator. Sparta's legislator oriented the regime toward only one part of virtue, warlike virtue, and not for the sake of peace, but for the sake of domination. The consequence of the legislator's error was that Sparta could only preserve itself when engaged in war. Because it did not know how

19. Ibid., 2.9.1269b20–1270a15–25: 74–75; Plato, *Alcibiades I*, in *The Roots of Political Philosophy: Ten Forgotten Socratic Dialogues*, ed. Thomas L. Pangle, trans. Carnes Lord, 122d–123a, pp. 201–2. Aristotle says that women held two-fifths of the land.

20. Aristotle, *Politics*, 2.9.1270b7–10: 76; 2.9.1271a3–36: 77.

to be at leisure, Sparta came to ruin once it succeeded at creating an empire. The great error of Sparta's legislator, was, then, fundamentally intellectual. Sparta's legislator thought that courage and war are for the sake of wealth and domination, not for the sake of virtue itself and noble leisure (the arts). Curiously, Aristotle chooses to exemplify this lack of cultivation of the arts in Sparta's handling of the common funds. He says that Sparta's treasury is empty because Sparta is "*very backward* in paying [special war] taxes. For because most of the land belongs to the Spartiates, they do not scrutinize each other's payment of such taxes."²¹ What was needed was a more artful way to levy and to collect taxes that did not rely, in effect, on the voluntary compliance of Sparta's "greedy" citizens. And although he does not specifically mention it, Sparta's difficulty in raising taxes probably had something to do with Sparta's official ban on gold and silver, which Sparta's legislator naïvely believed would banish greed.

Aristotle thus ends his discussion of Sparta where he began, namely, with the difficult problem of furnishing the city with the necessary things. Stemming from the laws and customs of the Spartan regime, Sparta knew only one way of acquisition, indeed one of the most primitive ways—banditry.²² Aristotle offers a better solution to the problem of acquisition in his discussion of Carthage, a regime renowned for its business expertise.

UNDERRATED CARTHAGE

As I have noted, most scholars tend to neglect Aristotle's discussion of Carthage. For some, Aristotle's praise of a non-Greek city proves embarrassing to their belief that Aristotle represented the zenith of the "Greek Mind."²³ For others, and more relevant for present purposes, his praise of a commercial city undermines their argument that Aristotle regarded commerce as fundamentally incompatible with the practice of

21. Ibid., 2.9.1271a42–1271b18: 78 (emphasis added).

22. Banditry was an ingrained custom in Sparta. At the age of approximately twenty each boy underwent a test known as the *krupteia* in which the boy was withdrawn from the community and left to his own devices. Armed with but a dagger he was expected to survive by theft and to kill any helots violating curfew. See Rahe, *Republics Ancient and Modern*, 152.

23. What this points to is the distinction—granted in one form or another by virtually all rationalist political philosophers—between the good and one's own. Carthage represents but one political example of Aristotle indicating his transcendence from his own (the Greeks) in favor of the good.

virtue. Nevertheless, the stubborn fact remains that Aristotle calls Carthage one of the three best actual regimes. Before examining his discussion of Carthage, it would be useful to review certain basic historical facts about Carthage, facts which make his praise of this city all the more puzzling.²⁴

Carthage was founded in 814 B.C. on the northern coast of Africa by the Phoenicians as a colony of Tyre. After Tyre became subject to successive Middle Eastern powers, Carthage became fully independent and, with its formidable navy, built an empire encompassing the North African coast from the Atlantic Ocean to the western border of Egypt, the Balearic Islands, Malta, Sardinia, and Corsica as well as parts of Spain, Portugal, and Sicily. Following a serious defeat in Sicily at the hands of the Greeks in 480 B.C., Carthage underwent a revolution from a monarchy to an aristocratic republic. The new government (as depicted by Aristotle) would eventually consist of two *sufets* (which were like Roman consuls sans military powers), a powerful senate, and a popular assembly.²⁵ As a regime devoted to commerce and navigation, Carthage tended to assimilate foreign people and ways. The Carthaginians married their counterparts in conquered territories and adopted foreign gods (including Greek ones). Carthage's large navy was manned by its own citizens, unlike its army, which was made up of a few citizens in command of a wide variety of foreign mercenaries.

Carthage's mode of educating its citizens remains largely obscure. What modern scholarship suggests (culled to a large degree from ancient writers) is that Carthage neither provided its citizens with the kind of comprehensive education found in Sparta nor promoted an atmosphere especially conducive to the cultivation of the liberal arts (though the Phoenicians did introduce the alphabet to the Greeks). Rather, education in Carthage seems to have been left to the discretion of families and utilitarian in nature.²⁶

Although the Carthaginians were not known for great intellectual

24. I rely on the following sources for my discussion of Carthage: A.H.L. Heeren, *Historical Researches Into the Politics, Intercourse, and Trade of the Carthaginians, Ethiopians, and Egyptians*, vol. 1, 2–47; R. Bosworth Smith, *Carthage and the Carthaginians*, 21–25, 104–257; B.H. Warmington, *Carthage*.

25. Aristotle's study of the constitution of Carthage is lost.

26. Herodotus, *The History*, trans. David Grene, bk. 5, par. 58, p. 379. Whether this was a blessing or a curse depends on how important one regards classical liberal education, but one scholar astutely observes that modern admirers of Carthage hostile to the classical tradition admired Carthage precisely because Carthage was largely unaffected by Greek philosophy. See Gilbert and Colette Charles-Picard, *Daily Life in Carthage*, 152.

achievements, they were known far and wide for their commercial prowess. As far back as Homer, Phoenicians were portrayed as "well skilled in beguilements, a gnawer at others' goods," and always seeking to "take an immense price." Herodotus likewise detailed their "usual cunning."²⁷ Carthage possessed enormous mineral wealth derived from Spanish mines and dominated the east-west Mediterranean trade in goods and slaves. Oddly enough, however, Carthage was prone to technical ignorance and conservatism. In contrast to the Greeks, the Carthaginians did not pursue to any great extent knowledge of the natural sciences, nor did they go to great lengths to improve their technical expertise. As a result, Carthaginian manufactures were only mediocre, and merchants relied on the Greeks for the best manufactured goods. The Carthaginians also resisted converting gold into coinage, which deprived them of loans at interest, though later they invented fiat money.

Still, Carthage was innovative in its general treatment of commerce by pursuing what might be called a protomercantilist policy. Carthage employed its naval armada to secure a trading monopoly in the Mediterranean, created a colonial trading system which permitted its colonies to trade with only the mother city, limited foreign access to its markets by restricting the entry of foreign traders to Carthage itself, exacted customs duties on imports and exports, and formed commercial alliances. Not surprisingly, commercial considerations appear to have carried considerable weight in the conduct of Carthage's foreign policy. Before the rise of Rome, Carthage conducted few large-scale land conquests in Africa, and those that it did conduct were aimed at expanding its agriculture. Instead, Carthage expanded its empire by acquiring a string of islands and seaports mainly for the sake of security and trade (though Aristotle notes that Carthage encouraged a degree of imperialism with its practice of bestowing armlets on men for each campaign they went on).²⁸

With this basic picture of Carthage as a non-Greek, heterogeneous, polytheistic, seafaring, aristocratic, and commercial regime in mind, we turn to Aristotle's own discussion of Carthage. He begins with high praise of the regime: "Many of their arrangements are finely handled." Having withheld such praise from Sparta's arrangements, Aristotle suggests at the very outset that Carthage is superior to Sparta. The most important reason for his expression of approval is that "the people [of Carthage] voluntarily acquiesce in the arrangement of the regime" and

27. Homer, *The Odyssey*, bk. 14, lines 288–97; Herodotus, *The History*, bk. 7, par. 23, pp. 478–79.

28. See Aristotle, *Politics*, 3.9.1280a35–40: 98; 7.2.1324b12–14: 200.

"there has never been factional conflict worth mentioning, or a tyrant." This is a not-so-subtle contrast to Sparta, which treats its slaves poorly and suffers frequent slave revolts as a consequence. Aristotle says that Carthage manages to provide for its people while maintaining harmony by sending out a part of them to subject cities where they are able to become wealthy. This policy of furnishing the *demos* with material abundance while constricting their time to engage in politics prevents the rise of an urban mob (as in Athens) as well as affords the meritorious the opportunity of participating more fully in the city. In other words, Carthage, unlike Sparta, deals with the conflict between rich and poor through politics (and economics) rather than force. Although the policy prevents factional conflict "in the best way," Aristotle nonetheless criticizes it for being "the work of chance" because it is based not on virtue, but on the external good of property, which is hostage to fortune. Should Carthage suffer economic distress and "the multitude of the ruled revolt, there is no medicine that will restore quiet through the laws."²⁹

As for Carthage's other political arrangements, Aristotle notes their similarity to those of Sparta with Carthage having common messes, overseers, senators, and kings. In fact, he says that the offices are more finely handled in Carthage. The overseers of Carthage are elected on the basis of merit while Sparta's are drawn from average persons by lot. Similarly, the kings and senators of Carthage are selected on the basis of a combination of birth and virtue rather than merely on the basis of birth or age.³⁰

Aristotle did not examine Carthage's educational arrangements, either because he was unaware of them or because he thought that Carthage did not make any public arrangements for them. In any case, he argues the following in book 4:

For wherever they elect to offices not only on the basis of wealth but also on the basis of desert, the regime itself is different from both of these [oligarchy and polity] and is called aristocratic. *For, indeed, in [cities] that do not make virtue a common concern there are still certain persons who are of good reputation and held to be respectable.* Wherever, therefore, the regime looks both to wealth and to virtue as well as the people, as in Carthage, it is aristocratic.³¹

29. Ibid., 2.11.1272b29–32: 81; 2.11.1273b17–20: 82; 6.5.1320a35–1320b7: 190; Shulsky, "The 'Infrastructure' of Aristotle's *Politics*," 100; Aristotle, *Politics*, 2.11.1273b20–22: 82.

30. Aristotle, *Politics*, 2.11.1272b32–1273a1: 81.

31. Ibid., 4.7.1293b9–16: 129 (emphasis added).

Though he does not endorse the practice, Aristotle apparently believed that a regime can be aristocratic even if it leaves the cultivation of virtue to the private realm, or what we would term "society," so long as its rulers are elected primarily on the basis of merit—as was the case in Carthage.

After highlighting the best of Carthage's political arrangements, Aristotle points out the deviations of Carthage's regime from aristocracy, deviations which are common to all three actual aristocratic regimes (Carthage, Sparta, and Crete). All three regimes deviate from aristocracy because of arrangements that are too oligarchic, too democratic, or some combination thereof. Carthage inclines toward democracy because it allows the people too large a say in the process of submitting and approving proposals. It inclines toward oligarchy because its regime concentrates too much authority in the Committees of Five (select groups of the senate who wielded executive authority) and excessively prolongs that authority. It is properly aristocratic in that officials are unpaid and are not chosen by lot.³²

Not surprisingly, Aristotle says that Carthage tilts toward oligarchy and traces this tilt to an erroneous opinion held by both the few and the many in Carthage that rulers ought to be elected on the basis of wealth as well as merit because the poor lack the leisure necessary for ruling well. In other words, the Carthaginians confuse the equipment of virtue with virtue itself. The title to rule in Carthage is therefore a composite of virtue (aristocracy) and wealth (oligarchy), which Aristotle attributes to Carthage's legislator.³³

In book 5, Aristotle also briefly addresses Carthage's mixture of aristocratic and oligarchic features, but it contains a curious passage dealing with the issue of rulers and business. Revolution is the main topic of book 5 with Aristotle arguing that tyranny and oligarchy are the least durable regimes. After adducing some examples to prove his point, he then goes on to dispute Socrates' arguments in the *Republic* about the causes of revolution. Regarding oligarchies and revolution, Aristotle says:

It is also odd to suppose that there is a revolution in the direction of oligarchy because those holding the offices are greedy and involved in business, and not because those who are very preeminent by the fact of their property suppose it is not just for those possessing noth-

32. Ibid., 2.11.1273a2–20: 81.

33. Ibid., 2.11.1273a20–30: 81–82.

ing to have a share in the city equal to that of the possessors. In many oligarchies, to engage in business is not permitted, and there are laws preventing this; on the other hand, at Carthage they engage in business although it is run timocratically, and have not yet undergone a revolution.³⁴

What is remarkable is Aristotle's claim that allowing rulers to engage in business neither makes the regime an oligarchy nor by itself contributes to instability. The defining feature of a true oligarchy is not so much that rulers are greedy and engage in business (although that is blameworthy) but the *political opinion* that wealth ought to be the title to rule. This opinion causes rulers to restrict rule to owners of large amounts of property—an arrangement opposed to both justice and the public good. When rule is restricted to the wealthy, poor but capable men are deprived of the opportunity to rule. This arrangement is itself unjust and contributes to dissension by such men, which weakens the regime. Even if such dissension were avoidable, this arrangement still weakens the regime simply because the best men do not rule. Thus, from Aristotle's perspective, it is worse for a regime to hold the opinion that wealth ought to be the title to rule and to forbid rulers from engaging in business than for a regime to hold the opinion that virtue (merit) ought to be the primary title to rule and to permit rulers to engage in business. This is why Aristotle calls Carthage a timocratic regime despite its rulers' penchant for moneymaking.

Having criticized Carthage for failing to make virtue alone the title to rule, Aristotle proceeds to provide advice to any actual or potential legislator about the proper role of wealth in a city. He contends that it is "most necessary" for the legislator to arrange the city in a way that allows "the best persons" to be at leisure both while they are ruling and being ruled. (Aristotle appears less concerned that the middling and lower elements be at leisure presumably because they are to have little or no share in rule.) Recognizing that this may not be possible, Aristotle says that whatever arrangements must be made, the law should never make wealth more honored than virtue (e.g., allowing offices to be bought) because it will make "the city as a whole greedy. For whatever the authoritative element conceives to be honorable will necessarily be followed by the opinion of the other citizens. Where virtue is not honored above all, there cannot be a securely aristocratic regime." To do otherwise will invite what today is called "corruption"; politics will be seen

34. Ibid., 5.12.1316a39–1316b6: 180.

as just another way of making money. As Aristotle later argues, those oligarchies that seek spoils rather than honor are more aptly called small democracies. The legislator should therefore make the respectable well-off generally or, failing that, compensate them while they rule.³⁵ Unfortunately, while possessing considerable wealth, Carthage makes no attempt to provide leisure to its best (not merely its wealthy) citizens. The result is that political office is confined mainly to the rich, who can afford to hold political office without compensation.

Aristotle's remaining criticism of Carthage in book 2 concerns the Carthaginians' high regard for having the same person hold several offices simultaneously. He argues that the Carthaginians fail to appreciate that "one task is best accomplished by one person. The legislator should try to see that this happens, and not command the same person to play the flute and make shoes . . . [since] each of these things is accomplished more finely and more quickly."³⁶ That is, the Carthaginians lack an adequate division of labor among their officeholders, which is somewhat surprising in a commercial regime, though easily explained by the natural desire to concentrate both political and economic power. In broader terms, the argument suggests that Aristotle favored a fair degree of division of labor, particularly in a large city, when it is considered in light of his discussion of the various kinds of business expertise near the end of book 1.

We may sum up our investigation of Sparta and Carthage with Aristotle's observation that these regimes "are very close to one another in a sense, and at the same time very different from" each other. Sparta and Carthage are similar in the most important way: both are aristocratic polities. Yet for the most part, they represent polar opposites, which can be attributed to their different modes of acquisition.³⁷ At one extreme is Sparta: agrarian, rooted, homogeneous, prone to slave revolts, and warlike. At the other extreme is Carthage: commercial, seafaring, heterogeneous, harmonious, and less warlike. In creating a kind of continuum of modes of acquisition for cities, Aristotle seems to be expanding the options of statesmen so that they may choose the mode(s) of acquisition that best fits their particular circumstances (much like he does near the end of book 1)—though he warns them that their regime's mode of acquisition will be prone to characteristic excesses. In this way,

35. *Ibid.*, 2.11.1273a38–1273b1: 82; 6.7.1321a40–1321b1: 192; 2.11.1273b5–7: 82.

36. *Ibid.*, 2.11.1273b7–15: 82.

37. *Ibid.*, 2.11.1272b27–28: 80. Recall book 1 where Aristotle says that the various means of sustenance produce different ways of life (1.8.1256a1930: 44–45). Contrast David Lowenthal, "Montesquieu and the Classics," 272.

the best regime need not hinder statesmen from establishing good regimes.³⁸

ARISTOTLE ON ECONOMICS AND POLITICS

To gain some insight into Aristotle's overall approach to political economy, it would be helpful to review some of his lessons in economics. Aristotle gives his qualified endorsement to business expertise and commerce, recommends accumulating knowledge of what we today call public finance, promulgates a standard of natural slavery that questions the morality of most conventional slavery, shows the connection between a city's wealth and technology and its ability to wage war, traces the large role that economic arrangements play in determining the nature and goodness of a regime while exposing the limits of economic reductionism, explains why self-sufficiency rather than unity is the goal of the city, makes the provision of leisure for the ruling element one of the legislator's most important tasks, and establishes liberality as the highest moral goal of wealth. Such lessons are intended to provide statesmen with a general orientation as to how they should go about ordering the economic arrangements of their regimes, and Aristotle's ultimate aim in furnishing that orientation is to deflect narrow economic ends toward the more comprehensive and higher ends of harmony, justice, moral virtue, and cultivated leisure.

Aristotle's approach to political economy may usefully be distinguished from the approaches of Montesquieu and Rousseau, who in their different ways contract the moral and intellectual horizon. Montesquieu's contraction of the moral horizon of politics is most evident in his defining political liberty as "that tranquility of spirit which comes from the opinion each [citizen] has of his security." This comes close to saying that the city exists for preventing injustice and transacting business, or merely living. Aristotle clearly rejects this view. He contends that the city is a partnership for the sake of living well, which demands that the city give "careful attention to political virtue and vice." Symptomatic of the differences between Aristotle and Montesquieu are their differing grounds for praising Carthage. Whereas Aristotle praises Carthage for

38. Aristotle's best regime falls somewhere in between Sparta and Carthage on this continuum, having a share of both land and access to the sea, which shows that Aristotle was less hostile to commerce than Plato, who, in his *Laws*, locates his city further inland (80 stades or 9 miles from the sea) in order to avoid the corruptions associated with commerce. Aristotle, *Politics*, 7.6.1327a10–40: 206–7; Plato, *Laws*, trans. Thomas L. Pangle, 704d–705b, pp. 89–90.

being an aristocratic regime free of faction and tyranny, Montesquieu praises the senate of Carthage for contributing to the city's "prosperity," and goes on to say: "It [Carthage] increased its power by its wealth, and subsequently its wealth by its power." Wealth and power (security), not harmony and moral virtue, are Montesquieu's main criteria for judging the goodness of regimes. In fact, Montesquieu deliberately avoids considerations of moral virtue in his analysis of regimes.³⁹

Aristotle's disagreement with Rousseau can likewise be seen in their differing evaluations of Carthage. Unlike Aristotle, Rousseau does not praise Carthage because he is critical of the arts and sciences and the commerce that nourishes them. Indeed, the crux of the difference between Rousseau and Aristotle is tied to ultimate status of moral and intellectual virtue. Rousseau denies the naturalness of those ends, arguing that slavery, commerce, and the arts serve mainly to corrupt man. According to Rousseau, one must make a stark choice between political virtue (which is the "sublime science of simple souls") and civilization, and his preference for the former is best exemplified in his panegyric of Sparta.⁴⁰ In Rousseau's interpretation, Sparta, while a slave society, pursued political virtue and excluded both commerce and the arts. By contrast, Aristotle found Sparta defective precisely because it was "very backward" in public finance and, more generally, in the arts, which play a critical role in refining the statesman's notion of virtue.

To be sure, Aristotle admits that good politics is in some tension with the full flowering of commerce and the arts, but for him, this tension is a permanent part of the human condition, and since the arts (or at least philosophy) represent the highest of human ends, he is willing to tolerate the corruptions associated with their development. Aristotle thus maintains a middle ground between Rousseau, who would have noble politics at the expense of commerce and the arts, and Montesquieu, who would have commerce and the arts at the expense of noble politics. In other words, a city without the arts to inform its politics is apt to be harsh and benighted, while a city without noble politics to inform its commerce and arts is apt to be soft and crass. And as we move on to explore Hamilton's political economy, we shall see how Hamilton endeavored to use commerce to ennoble America's politics and his magnanimous politics to ennoble America's commerce.

39. Montesquieu, *The Spirit of the Laws*, 11.6: 157. Aristotle, *Politics*, 3.9.1280b29–32: 99; 3.9.1280b5–8: 98; Montesquieu, *The Spirit of the Laws*, 10.6: 143; 21.11: 374; 3.5: 25n9.

40. Rousseau, *First and Second Discourses*, I, pp. 48–51, 55–58, 64.

Part II

HAMILTON'S POLITICAL ECONOMY

NEITHER WHOLLY ANCIENT NOR WHOLLY MODERN BUT A COMPOUND OF BOTH

For economy, which in things inanimate is but moneymaking, when exercised over men becomes policy.

Plutarch, "Crassus"

As we turn from Aristotle to Hamilton, I will begin by examining several key similarities between their approaches to political economy and statesmanship which will inform my discussion of Hamilton. Admittedly, speaking of the similarities between the two flies in the face of conventional wisdom. If any American founder is generally regarded as having been deeply influenced by modern political philosophy, it is Hamilton. Machiavelli, Hobbes, Locke, Montesquieu, Hume, and Smith all figure prominently in most interpretations of Hamilton's views and statesmanship. While I do not dispute that these thinkers influenced Hamilton (and I will also document their influence), I do dispute that they were the most decisive influences on him. Equally influential was the prudence of classical statesmanship as Aristotle represents it. I say represents because I do not intend to show that Aristotle influenced Hamilton directly. Rather, I mean to show that Hamilton recognized a need for ancient as well as modern prudence in the practice of politics.

We may begin by briefly distinguishing ancient from modern prudence. Modern prudence "takes men as they are, not as they ought to be" and channels their opinions, passions, and interests through institutions so

as to make them serve the common good. By contrast, ancient prudence seeks to make men as they ought to be by directly educating and forming their opinions, passions, and interests. Aristotle defines prudence or practical wisdom as the quality of deliberating well about the best thing to be done under the circumstances in light of what is good and just for man. Prudence therefore is primarily concerned with particulars, not universals; it deals mainly with means, not ends. Prudence presupposes universals or ends in the form of moral virtue, but its main function is to deliberate on how best to promote virtue and the common good in a particular regime. As such, prudence is highly dependent on experience. It is for this reason that a young man may become a good mathematician but not a good statesman; the objects of mathematics are the result of abstraction and thus unchanging, whereas the objects of politics, human beings, can only be understood by observation over an extended period of time and can (and do) change. Yet despite being dependent on experience, ancient prudence is not coeval with experience—contra Hobbes.¹ According to Aristotle, two parts of the soul contain a rational element, and prudence is the virtue of that element which forms opinions. Accordingly, prudence is not a trained skill, but a cultivated faculty.

To what extent did ancient prudence actually influence Hamilton's statesmanship? One might point to Hamilton's study of classical texts, most notably Plutarch's *Lives*. Hamilton was particularly fond of this book—he copied large portions of it into his military pay book during the Revolutionary War—and it supplied him with many of the classical pseudonyms that he later would adopt in his writings. One might also point to Hamilton's classically inspired statement on how a legislator should regard his position:

The station of a member of C[ongress], is the most illustrious and important of any I am able to conceive. He is to be regarded not only as a legislator, but as a founder of an empire. A man of virtue and ability, dignified with so precious a trust, would rejoice that fortune had given him birth at a time, and placed him in circumstances, so favourable for promoting human happiness. He would esteem it not more the duty, than the privilege and ornament of his office, to do good to mankind; from this commanding eminence, he would look down with contempt upon every mean or interested pursuit.²

1. Aristotle, *Nicomachean Ethics*, 6.5.1140a25–35: 152–53, 6.9.1142a10–20: 160; Thomas Hobbes, *Leviathan*, ed. Michael Oakeshott, chap. 5, pp. 45–46.

2. Alexander Hamilton, "Publius Letter, III (1778)," in *The Papers of Alexander Hamilton*, ed. Harold C. Syrett, vol. 1, pp. 580–81 (hereafter cited as PAH, volume: page number).

But the best way to demonstrate that ancient prudence was part of Hamilton's statesmanship is to show that he took seriously its three major components: paying close attention to particulars, forming public opinion directly, and being guided by considerations of morality and virtue. Without delving too far into specifics at this point, I shall endeavor to establish that Hamilton did in fact incorporate all three components of ancient prudence into his statesmanship.

Although Hamilton believed that statesmen need a theory or political principles (especially to restrain great ambition), he was highly critical of statesmen who so rigidly adhered to a theory that they became doctrinaire—or to use his derogatory term, “visionary.” According to Hamilton, “Truth will most likely prevail, when the arguments which support it stop at a temperate mean, consistent with practical convenience. Excess is always error. There is hardly any theoretic hypothesis, which, carried to the extreme, does not become practically false.” The dangers of an excessive adherence to theory were exemplified in the most extreme form during the French Revolution, when “fanatics in political science” projected “theories of Government unsuited to the nature of man, miscalculating the force of his passions, [and] disregarding the lessons of experimental wisdom.” Unfortunately, the French were not the only ones prone to theoretical rigidity; Americans were guilty of it as well. For instance, during the debate over the ratification of the Constitution, Madison had to defend the Constitution against the charge that the “several departments of power are distributed and blended in such a manner as at once to destroy all symmetry and beauty of form.” Meanwhile, Hamilton had to refute the claim that the concurrent authority of the state and federal governments to tax was theoretically impossible. A decade later, Hamilton would still be complaining that “overdriven theory everywhere palsies the operations of our government, and renders all rational *practice* impossible.” Projectors in politics were not confined to the modern era. Aristotle criticized Hippodamus, who was eager to employ mathematics and art in designing a regime almost as visionary as Francis Bacon's New Atlantis. Aristotle, in fact, went out of his way to emphasize that “one should attend not merely to what is inferred by argument, but often attend more to the phenomena” in order to help insulate statesmen from intellectuals like Hippodamus. Hamilton and Aristotle were thus in agreement on the dangers of theoretic politicians who treat political things as if they were abstractions that can be as easily manipulated as a set of numbers. According to Hamilton, the true politician

takes human nature (and human society its aggregate) as he finds it, a compound of good and ill qualities of good and ill tendencies—

endued with powers and actuated by passions and propensities which blend enjoyment with suffering and make the causes of welfare the causes of misfortune. With this view of human nature he will not attempt to warp or distort it from its natural direction . . . [rather] he will favour all those institutions and plans which tend to make men happy according to their natural bent.

Hamilton's conviction that statesmen need "experimental wisdom" also explains his preference for Montesquieu's (and Hume's) approach to politics: "I hold with Montesquieu that a government must be fitted to a nation as much as a Coat to the Individual, and consequently that what may be good at Philadelphia may be bad at Paris and ridiculous at Petersburg."³ As we shall see in greater detail, Hamilton believed that much of the opposition to his policies stemmed from an infatuation with abstract theories that paid scant attention to the particular character and circumstances of the nation and to human nature more generally.

As already noted, modern prudence differs from classical prudence by inventing institutions which channel rather than educate opinions, passions, and interests. The most famous of these "inventions of prudence" are the extended sphere and the separation of powers which are designed to harness interests and passions for the public good. According to most interpretations, these institutions as such do not educate or form men's passions, interests, and opinions directly, although they may do so indirectly. To the extent that they occur, the refining and enlarging of public opinion are confined *within* these institutions. Martin Diamond claimed that in making liberal use of the institutional approach, the founders all but abandoned the task of directly forming public opinion. Diamond's claim rested on a distinction between founding politics, which creates political institutions, and normal politics, which maintains and updates those institutions:

3. Hamilton, Letter to James A. Bayard, January 16, 1801, *PAH*, 25: 321 (see also Peter McNamara, *Political Economy and Statesmanship*, 96–105); Hamilton, "The Examination, No. XVI," *PAH*, 25: 567; Hamilton, Letter to Marquis de Lafayette, January 6, 1799, *PAH*, 22: 404; Hamilton, "Views on the French Revolution," *PAH*, 26: 739; *The Federalist Papers*, No. 34, 174; Hamilton, Letter to William Smith, June 10, 1797, *PAH*, 21: 106; Aristotle, *Politics*, 2.8.1267b20–1269a25: 70–73; Aristotle, *Eudemian Ethics*, in *The Complete Works of Aristotle*, trans. J. Solomon, vol. 2, 1217a1–15, p. 1926; Hamilton, "The Defence of the Funding System," *PAH*, 19: 59–60; Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers*, ed. Clinton Rossiter, intro. Charles R. Kesler, No. 47, 267. "A work like Montesquieu's *Spirit of the Laws* is misunderstood if one disregards the fact that it is directed against the Thomistic view of natural right. Montesquieu tried to recover for statesmanship a latitude which had been considerably restricted by the Thomistic teaching" (Leo Strauss, *Natural Right and History*, 164).

There is, I think, in *The Federalist* a profound distinction made between the qualities necessary for founders and qualities necessary for the men who come after. . . . Founding requires "an exemption from the pestilential influence of party animosities"; but the subsequent governing of America will depend on precisely those party animosities, moderated in the way that I have described. Or again, founding requires that "reason" not the "passions," "sit in judgment." But, as I have argued, the society once founded will subsequently depend precisely upon the passions, only moderated in their consequences by having been guided into proper channels. The reason of the founders constructs the system within which the passions of the men who come after may be relied upon.

In essence, Diamond argued that in order to avoid the political instability of the ancient republics, the founders created a low but solid system of interest-group politics in which "there is not even the suggestion that the pursuit of interest should be an especially enlightened pursuit." In such a regime, the politician's prudence is confined mainly to sordid calculations of interest and hard bargaining. Colleen Sheehan, among others, has disputed this interpretation as it is applied to Madison. She contends that in his "Notes on Government" and *National Gazette* essays, Madison "presents a practical science of politics that includes the arrangement of institutions and the regulations of competing interests and that also allots an important role to statesmanship and civic education. While the Madisonian science of politics utilizes means different from the classical science, it is nonetheless directed to the classical republican task of improving the opinions and souls of citizens and developing among them a common republican character." I believe that much the same can be said of Hamilton's approach to politics.⁴ To substantiate my claim, I will examine several statements Hamilton made on the relationship between public opinion and governance.

Despite his initial forays in educating public opinion with essays such as *The Farmer Refuted* and *The Continentalist* series, Hamilton in the

4. Diamond, "Democracy and *The Federalist*," in *As Far as Republican Principles Will Admit*, 34–35; Colleen A. Sheehan, "The Politics of Public Opinion: James Madison's 'Notes on Government,'" 611 (see also Sheehan, "Madison's Party Press Essays," 355–77; Lance Banning, *The Sacred Fire of Liberty: James Madison and the Founding of the American Republic*; Charles R. Kesler, "Federalist 10 and American Republicanism," in *Saving the Revolution*). Sheehan, by contrast, argues that Hamilton had only a "thin version of the politics of public opinion" restricted to inspiring "confidence" in citizens. Although Hamilton's version of the politics of public opinion was less broadly participatory than Madison's, Sheehan's characterization goes a bit too far. See Sheehan, "Madison v. Hamilton: The Battle Over Republicanism and the Role of Public Opinion," 401–24.

early part of his political career was leery of "rectifying or fixing the public opinion by an appeal to the public" because "I have seen too much of the ridicule thrown upon such appeals from men in official stations, and of the ill effects they have had upon the national character." Over time, however, Hamilton recognized the necessity and utility of continuing his direct efforts to mold public opinion. For instance, in formulating his plan to fund the debt, Hamilton noted: "In nothing are appearances of greater moment, than in whatever regards credit. Opinion is the soul of it, and this is affected by appearances, as well as realities. By offering an option to the creditors, between a number of plans, the change meditated will be more likely to be accomplished. Different tempers will be governed by different views of the subject."⁵ Notice that "tempers" are governed by "views," that is, opinions affect the passions as much as the passions affect opinions. Moreover, opinion, which is the "soul" of credit, is affected by appearances as well as realities. In the standard economic model of man, it is above all else the realities—rational calculations of interest—that dictate views about credit. However, to the extent that men's opinions are governed by appearances as well as realities, and to the extent that those appearances can be dispelled or manipulated, statesmen have an opportunity to affect those opinions.

In yet another instance, Hamilton would express the same view about the importance of opinion in governance: "Men are governed by opinion; this opinion is as much influenced by appearances as by realities; if a Government appears to be confident of its own powers, it is the surest way to inspire the same confidence in others; if it is diffident, it may be certain, there will be a still greater diffidence in others, and that its authority will not only be distrusted, controverted, but contemned." Thus the countenance of the government is critical in determining people's general opinions about it. A government which puts on a public face of confidence—and even better, adopts good plans of administration to give some reality to its appearance—helps to maintain its own authority by inspiring confidence in others. In this way, the people's opinions and passions are affected, even educated. As Karl-Friedrich Walling explains, part of Hamilton's general strategy

was to create confidence inspiring illusions. . . . Governments lose the faith of their people not only when they break their trust, which is presumably what justified the revolution against England, but also

5. Hamilton, Letter to John Dickinson, September 25–30, 1783, *PAH*, 3: 438–39; Hamilton, "Report Relative to a Provision for the Support of Public Credit (1790)," *PAH*, 6: 97.

when they are so weak that they cannot inspire confidence. The latter concern animated Hamilton's call for a bank and a new constitution. When the people trust their government, they give it credit not merely by lending money but also by paying taxes, obeying laws, serving in the military, and accepting its currency.⁶

Yet Hamilton did not stop at merely trying to create confidence-inspiring illusions. He also believed that statesmen should try to inculcate confidence inspiring *truths* in citizens because, for better and for worse, public opinion in a republic is not merely one among many things that a statesman must consider, but the most important thing: "All governments, even the most despotic, depend, in a great degree, on opinion. In free republics, it is most peculiarly the case: In these, the will of the people makes the essential principle of the government; and the laws which control the community, receive their tone and spirit from the public wishes."⁷ Reiterating this view, Hamilton began his *Report on a National Bank* (1790) with the following remarks:

Previously to entering upon the detail of this plan, he entreats the indulgence of the House, towards some preliminary reflections naturally arising out of the subject, which he hopes will be deemed, neither useless nor out of place. *Public opinion being the ultimate arbiter of every measure of Government*, it can scarcely appear improper, in deference to that, to accompany the origination of any new proposition with explanations, which superior information of those, to whom it is immediately addressed, would render superfluous.

If public opinion is the ultimate arbiter of every measure of government, then it is not merely statesmen who must be enlightened. The people, or public opinion, must also be enlightened, and not only about matters of fundamental or constitutional opinion; to the extent possible, enlightenment must extend to matters of policy.⁸ As Hamilton makes clear, his preliminary remarks about the usefulness of banks are not

6. Hamilton, Letter to James Duane, September 3, 1780, *PAH*, 2: 417; Walling, *Republican Empire*, 55–56.

7. Hamilton, Remarks in the N.Y. Ratifying Convention, First Speech of June 21, 1788, *PAH*, 5: 37. "The first thing in all great operations of such a Government as ours is to secure the opinion of the people" (Letter to Theodore Sedgwick, February 2, 1799, *PAH*, 22: 452).

8. Hamilton, "Report on a National Bank," *PAH*, 7: 305–6 (emphasis added). That Hamilton tried to court public opinion before the rise of serious opposition to his program suggests that public opinion was an abiding rather than a temporary concern. Hamilton also understood there were limits to enlightening the opinions of common citizens. For example, he notes that the "effect of energy and system is to

addressed primarily to the members of the House, but instead to the general public. The need to educate public opinion also explains his voluminous output of public essays in defense of his measures as well as his founding of the *New York Evening Post*. The broader implication is that the auxiliary precautions of the Constitution (especially *Federalist* 10), while eminently useful, are ultimately insufficient. In other words, Hamilton recognized a need to supplement the institutional approach to politics with a more classical approach that attempts "to refine and enlarge the public views" more directly.

The final component of ancient prudence is the need for a statesman's deliberations to be guided by considerations of morality and virtue. These considerations did, in fact, guide Hamilton's statesmanship from beginning to end (though Hamilton's notions of morality and virtue were influenced by a combination of classical republicanism, modern natural law, and, to a lesser extent, Christianity). At the start of his career in politics, Hamilton argued that the guardians of the political community should adopt measures that were both "reconcilable to the strictest maxims of justice" and "agreeable to good policy." During his tenure as treasury secretary, Hamilton relentlessly pounded on the point that full funding of the debt was necessary as a matter not only of policy but also of morality: "A Government which does not rest on the basis of justice rests on that of force. There is no middle ground. Establish that a Government may decline a provision for its debts, though able to make it, and you overthrow all public morality, you unhinge all the principles that must preserve the limits of free constitutions—you have anarchy, despotism or, what you please, but you have no *just* or *regular* government." Even during the final days of his life, Hamilton subordinated his concern for his honor to the dictates of morality in his duel with Burr. Because "my religious and moral principles are strongly opposed to the practice of Duelling," Hamilton expressed an intention "to *reserve* and *throw away* my first fire, and I *have thoughts* even of *reserving* my second fire—and thus giving a double opportunity to Col. Burr to pause and to reflect."⁹

In recognizing the need to take into account the demands of justice

vulgar and feeble minds a kind of magic which they do not comprehend and thus they make false interpretation of the most obvious facts" ("Defence of the Funding System," *PAH*, 19: 36).

9. Hamilton, "A Full Vindication," *PAH*, 1: 48, 52; Hamilton, "Defence of the Funding System," *PAH*, 19: 59; Hamilton, "Statement on Impending Duel with Aaron Burr," June 28–July 10, 1804, *PAH*, 26: 278, 280.

and virtue when making decisions, Hamilton thereby also recognized a certain hierarchy of ends. As will be shown in greater detail, Hamilton chose not to follow the path of Machiavelli, who reduced the demands of justice and virtue to the demands of necessity. Hamilton made a clear distinction between the two, though he became painfully aware that they could be in tension with each other. In an attempt to minimize that tension, Hamilton turned to commerce, which he believed could minister to the demands of both. To be sure, Hamilton also recognized that commerce carries in its wake its own set of problems, but he saw no other realistic alternative to save the higher goals of politics—justice, liberty, and nobility—from being sacrificed to its lower goal—security. Accordingly, I have arranged Hamilton's justifications for commerce and his economic policies from the lower to the higher: prosperity, national defense, cementing Union, commercial virtue, and national greatness. As a cautionary note, these justifications are not as independent as my arrangement may imply. Indeed, it is a testament to Hamilton's perspicacity as a statesman that he was able to discern their mutual relations with such exceptional clarity.

Chapter 3

NATIONAL PROSPERITY

Hamilton's first and most obvious justification for encouraging commerce is that it produces individual and national prosperity. As he pronounced in *Federalist* 12:

The prosperity of commerce is now perceived and acknowledged by all enlightened statesmen to be the most useful as well as the most productive source of national wealth, and has accordingly become a primary object of their political cares. By multiplying the means of gratification, by promoting the introduction and circulation of the precious metals, those darling objects of human avarice and enterprise, it serves to vivify and invigorate all channels of industry and to make them flow with greater activity and copiousness. The assiduous merchant, the laborious husbandman, the active mechanic, and the industrious manufacturer—all orders of men look forward with eager expectation and growing alacrity to this pleasing reward of their toils.¹

Hamilton's pronouncement might seem unexceptional today—modern American politicians are judged in no small degree on their ability to promote prosperity—but during the founding era, it was still an open question as to whether the unbridled pursuit of wealth—avarice in the traditional moral lexicon—was all that salutary for the soul of the

1. *The Federalist Papers*, No. 12, 59.

individual or the nation. "All enlightened statesmen" might very well concur with Hamilton, but not all statesmen, much less the public, were similarly enlightened. Hamilton therefore had to justify the relaxation of the traditional moral strictures against the pursuit of wealth and commerce, which he would do on both principled and practical grounds.

To put Hamilton's views into context, we begin with a brief digest of the debate that developed in the seventeenth and eighteenth centuries when many Enlightenment philosophers began questioning the reigning moral orthodoxy against luxury. Traditional morality—both classical and biblical—took a comparatively dim view of avarice and commerce because, as Aristotle put it, people who pursue wealth are more concerned with living than with living well or nobly; such people honor the goods of the body (health and wealth) more highly than the goods of the soul (moral and intellectual virtue). Furthermore, the spirit of commerce and luxury undermines the courage and devotion to the common good needed for a healthy city by making men selfish, hedonistic, and soft. Sybaris was the classic example of luxurious decadence. Yet, as we have seen, Aristotle conceded that some pursuit of wealth and commerce is necessary to support both life and the good life in virtually all actual cities. Still, many Enlightenment philosophers criticized Aristotle's tacit toleration of commerce for being insufficiently realistic and directly challenged the moral principle that there is such a thing as unnatural acquisitiveness. Machiavelli, the political philosopher who initiated the modern quarrel with traditional notions of virtue, would inform us: "truly it is a very natural and ordinary thing to desire to acquire."² Machiavelli was, of course, referring mainly to political acquisition in the form of conquest, but it was not long before his intellectual descendants would appropriate and tame his ruthless teaching for use in the relatively peaceful arena of commerce and economics.

Bernard Mandeville, along with others such as Hobbes, Locke, Montesquieu, Hume, and Smith, began the transformation of Machiavellianism (acquisition by force and fraud) into economism (acquisition by labor and commerce) with his panegyric on luxury, *The Fable of the Bees*, in which he argued that private vices, if properly channeled, could be made to redound to the public good:

Thus every Part was full of Vice,
Yet the whole Mass a paradise;
Flatter'd in Peace, and fear'd in Wars,
They were th' Esteem of Foreigners,

2. Machiavelli, *The Prince*, trans. Harvey C. Mansfield, chaps. 3, 14.

And lavish of their Wealth and Lives,
 The Balance of all other Hives,
 Such were the Blessings of that State;
 Their Crimes conspir'd to make them Great:
 And Virtue, who from Politicks
 Had learn'd a Thousand Cunning Tricks,
 Was, by their happy Influence,
 Made Friends with Vice: And ever since,
 The worst of all the Multitude
 Did something for the Common Good.

According to Mandeville and other Enlightenment thinkers, virtue had to learn a thousand cunning tricks from politics because ancient and Medieval moralists and philosophers believed that virtue should be followed for its own sake, which left virtue bereft of “real Rewards as would satisfy all Persons for every individual Action,” that is, without earthly incentives such as wealth, power, and honors. Instead, the traditional moralists relied mainly on an imaginary reward, flattery, to induce virtuous action:

Making use of this bewitching Engine, they extoll'd the Excellency of our Nature above other Animals, and setting forth with unbounded Praises the Wonders of our Sagacity and Vastness of Understanding, bestow'd a thousand Encomiums on the Rationality of our Souls, by the Help of which we were capable of performing the most noble Atchievements . . . they laid before [men] how unbecoming it was the Dignity of such sublime Creatures to be solicitous about gratifying those Appetites, which they had in common with Brutes, and at the same time unmindful of those higher Qualities that gave them the pre-eminence over all visible Beings. They indeed confess'd, that those impulses of Nature were very pressing; that it was troublesome to resist, and very difficult wholly to subdue them. But this they only used as an argument to demonstrate, how glorious the Conquest of them was on the one hand, and how scandalous on the other not to attempt it.³

By and large, however, few men were bewitched enough to endure the rigors of virtue. Indeed, the very rigor of ancient virtue, which seemed

3. Bernard Mandeville, *The Fable of the Bees: or, Private Vices, Public Benefits*, ed. F.B. Kaye, vol. 1, 24, 42–43. Aristotle (*Nicomachean Ethics*, 10.9.1179b1–1180a25: 295–97) agreed that most men are not swayed by such exhortations, but believed that gentlemen could be if given a rigorous education. Mandeville and others of like mind denied the efficacy of such an approach, favoring instead an institutional approach that channels the passions.

to go so much against the (acquisitive) grain of human nature, raised doubts as to whether virtue so conceived was truly natural. David Hume would dismiss as utopian any attempt to emulate the virtue of the ancient Greeks and Romans because "ancient policy was violent, and contrary to the more natural and usual course of things. . . . Were the testimony of history less positive and circumstantial, such a government [as Sparta's] would appear a mere philosophical whim or fiction, and impossible ever to be reduced to practice." Moreover, the unnatural violence the ancient republics inflicted upon themselves led quite naturally to their inflicting violence on others with incessant and brutal wars of conquest. For the sake of mankind, it would be easier and more humane to govern men by passions other than fierce courage and self-renouncing public spiritedness and instead "animate them with a spirit of avarice and industry, art and luxury."⁴

Despite these arguments, some Anti-Federalists remained inspired by ancient virtue and classical republicanism, and retained a residual, if attenuated, skepticism of commerce and luxury.⁵ Following Montesquieu, they believed that a republic needed to remain relatively small and to have a homogenous citizenry composed mainly of sturdy yeoman farmers. Essentially, they charged that commerce and luxury would dilute what they believed were the key ingredients of a healthy republic: frugality, courage, public virtue, and rule by the middle class. Absent these ingredients, they feared that America would become afflicted by the "European disease," which was characterized by greed, voluptuousness, venality, and stark economic and political inequalities.

In most respects, Hamilton followed the arguments of Hume in rebutting these charges, and it must be acknowledged that here Hamilton is at his most modern. At the same time, we must also remember that Hamilton was not beginning with a tabula rasa. Unlike Socrates, who had the luxury of banishing everyone over the age of ten in his city of speech, Hamilton was faced with an actual nation whose material (the citizens) had already been formed by prior politics and history. Recall that several of the colonies were set up as commercial enterprises and that with the rise of mercantilism in England, the colonies were gov-

4. David Hume, "Of Commerce," in *Essays: Moral, Political, and Literary*, ed. Eugene F. Miller, 259, 262–63 (hereafter *EMPL*). Hume remarks in a footnote that the "ancient Romans lived in perpetual war with all their neighbours" and that the "ferocity of those people was so great as to make them regard all strangers as enemies, and call them by the same name."

5. For my discussion of Anti-Federalist thought, I rely on chapter 3 of Herbert J. Storing, *What the Anti-Federalists Were FOR*, 15–23.

erned largely as commercial dependencies. This obviously shaped the material that was the American people, and as a consequence, set definite limits on what could be done to re-form them. Even Gordon Wood admitted that republican ideology was “a vision so contrary to the previous century of American experience, that it alone was enough to make the Revolution one of the great utopian movements of American history.”⁶ With these considerations in mind, we turn to examine Hamilton’s apology for commerce and luxury.

The most obvious charge against luxury was that it undermined its virtuous opposite, frugality. Yet there was an immediate problem with this charge because the meanings of luxury and frugality were in a state of flux.⁷ Traditionally, luxury or superfluity designated something not absolutely necessary to life. However, economic development (which had accelerated from the snail’s pace of the Middle Ages) serves to elide this distinction because what is deemed a luxury at one stage of development can easily become a necessity, or at least a necessary convenience, in the next (e.g., electricity). Moreover, the pursuit of conveniences and luxuries came to be regarded as a useful incentive to promote labor or industry. This led authors such as Hume—and Hamilton—to adopt the concept of a “vicious luxury,” which was based not on distinguishing the nature of the object of desire (necessity or superfluity), but on the effect the object had on a person’s general character. According to Hume, “No gratification, however sensual, can of itself be esteemed vicious. A gratification is only vicious, when it engrosses all a man’s expence, and leaves no ability for such acts of duty and generosity as are required by his situation and fortune.” Or as Trenchard and Gordon’s *Cato* argued, luxury is not inherently pernicious but only becomes so when it replaces the “love of business” with “indolence.”⁸

The ambiguity surrounding frugality stemmed from a similar difference of views on commerce and luxury. In the traditional sense of the

6. Wood, *The Creation of the American Republic*, 53–54; McCoy, *The Elusive Republic*, 90–91.

7. Pocock (*The Machiavellian Moment*, 444–46) recognizes the changes in the meanings of these terms, but he and other proponents of the civic humanist/classical republican interpretation fail to address precisely how Americans used them and how this might affect their interpretative framework. Gordon Wood chronicles the rise of the commercial ethos—and its attendant transformation of such terms—in *The Radicalism of the American Revolution*, chap. 15.

8. Hume, “Of Refinement in the Arts,” *EMPL*, 279; Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 619; John Trenchard and Thomas Gordon, *Cato’s Letters, or, Essays on Liberty, Civil and Religious, and Other Important Subjects*, ed. Ronald Hamowy, vol. 1, No. 18, p. 130.

term, frugality meant a restraint on the desire for material possessions as such and was perhaps best exemplified by the Spartans, who were renowned for not using gold and silver as money, wearing plain clothes, and eating an unappetizing black gruel. Frugality was the virtue that made possible the practice of the other, more public virtues because "the less we can satisfy our particular passions, the more we can give ourselves up to passions for the general order." In the modern sense of the term, frugality means prudent financial management with an emphasis on saving. The "bourgeois philosopher," John Locke, captured the essence of the new meaning when he recommended that gentlemen learn merchants' accounts.⁹ Equally evocative of the new meaning were Benjamin Franklin's famous aphorisms such as "a penny saved is a penny earned" and "waste not, want not." In this way, frugality did not question the pursuit of material goods but ultimately served that pursuit by helping to maximize long-term wealth.

Although these distinctions were frequently blurred, certain Anti-Federalists were the only ones serious about adhering in some fashion to the traditional notions of luxury and frugality.¹⁰ Some of them, for example, went so far as to advocate reviving the ancient policy of sumptuary laws to discourage the pursuit of luxury. Hamilton countered that any attempt to enforce traditional notions of luxury and frugality was impractical given the character of the American people, detrimental to industriousness, and incompatible with the modern natural right to property. The impracticality of trying to impose classical austerity on Americans was made abundantly clear to Hamilton early in his career. Just two years into the Revolutionary War, Hamilton would inveigh against the conduct of people

who, taking advantage of the times, have carried the spirit of monopoly and extortion, to an excess, which scarcely admits of a parallel. Emboldened by the success of progressive impositions, it has extended to all the necessities of life. The exorbitant price of every article and the depreciation of our currency are evils, derived essentially

9. Montesquieu, *The Spirit of the Laws*, 5.2: 42–43; John Locke, *Some Thoughts Concerning Education*, in *Some Thoughts Concerning Education and Of the Conduct of the Understanding*, eds. Ruth W. Grant and Nathan Tarcov, par. 210. Even Aristotle thought Spartan frugality had been taken to an immoderate extreme (*Nicomachean Ethics*, 4.8.1127b25–30: 106).

10. This distinction is important for distinguishing between the more classically minded Anti-Federalists, and people like "Cato," Jefferson, and Madison who may have sounded classical in denouncing "luxury" and favoring "frugality" but either supported commerce (Cato) or were resigned to it (Jefferson and Madison).

from this source. When avarice takes the lead in a State, it is commonly the forerunner of its fall. How shocking is it to discover among ourselves, even at this early period, the strongest symptoms of this fatal disease.

Similarly, George Washington would complain that Americans were so greedy that “each individual neither gives his house nor his field [to the American army] to incamp in without being paid for it.” Although Hamilton revised his opinion about the fatality of avarice to a state, Americans were undeniably a people “absorbed in the pursuits of gain and devoted to the improvements of agriculture and commerce.” And if Americans were unwilling to suppress their acquisitiveness during the struggle for their own freedom, it was sheer fantasy to think that they would adopt anything remotely resembling classical frugality after the Revolution:

The virtuous declaimer will neither persuade himself nor any other person to be content with a double mess of porridge instead of a reasonable stipend for his services. We might as soon reconcile ourselves to the Spartan community of goods and wives, to their iron coin, their long beards, or their black broth. There is a *total* dissimulation in the circumstances, as well as the manners, of society among us; and it is as ridiculous to seek for models in the simple ages of Greece and Rome, as it would be to go in quest of them among the Hottentots and Laplanders.

Moreover, even if by some miracle it could be imposed, traditional frugality would have the unintended side effect of encouraging the deadly sin of sloth because it would curtail the incentive to work. As Hamilton rightly understood, it is “multiplying the means of gratification,” not reducing them, that “serves to vivify and invigorate all the channels of industry and to make them flow with greater activity and copiousness.” Lastly, traditional frugality contradicts the modern right of property, which is a prepolitical right derived from each individual’s right to self-preservation and which entitles each individual to the fruits of his labor. Although property may certainly be regulated in civil society, its status as a prepolitical right means that its exercise cannot be subject to the kind of intrusive supervision and limitation that is possible in a classical polity where there are no prepolitical individual rights because classical republicanism holds the city to be prior to the individual, the exact opposite of modern natural right. As Paul Rahe points out, “in antiquity, no one supposed that a man had a natural or god-given right to the

fruits of his own labor; if a given individual possessed property, he held it as a privilege and as a public trust." As a devotee of modern natural right, Hamilton understood that the protection of the unequal faculties of acquiring property necessarily leads to opulence and inequalities of wealth. This meant that ancient frugality and modern liberty were ultimately mutually exclusive. One simply had to choose between them: "True liberty by protecting the exertions of talents and industry and securing to them their justly acquired fruits, tends more powerfully than any other cause to augment the mass of national wealth and to produce the mischiefs of opulence. Shall we therefore on this account proscribe Liberty also?"¹¹ Unless the Anti-Federalists were willing to forsake the very liberty for which they fought and bled, they had no choice but to abandon the idea of reviving ancient restraints on acquisitiveness.

The second charge against luxury was that it enervated the battlefield courage necessary to defend liberty by making life too easy and comfortable. While he in no way disparaged the need for courage, Hamilton did disparage ancient courage because it was unnecessarily ferocious, and it was ferocious precisely because the ancient republics, particularly Sparta and Rome, eschewed commerce: "The history of Rome proves that War and Conquest were the great business of that People & that for the most part Commerce was little cultivated. Hence it was natural that the rights of War should be carried to an extreme, unmitigated by the softening and humanizing influence of Commerce." What is more, Hamilton believed that America's much-vaunted state militias fell so far short of their ancient forebears in ferocity and skill as to render them all but useless.¹² As will be explained in greater detail in the next chapter, Hamilton thought that the defense of liberty required much more in the way of art than ancient courage. What was needed was a paid, well-equipped, well-trained standing army whose "artifi-

11. Storing, *What the Anti-Federalists Were FOR*, 85n38; Hamilton, "Publius Letter, I (1778)," *PAH*, 1: 562–63; George Washington, "Conference at Hartford: George Washington's Answer to Queries by the Comte de Rochambeau and the Chevalier de Ternay," trans. Alexander Hamilton, *PAH*, 2: 436; *The Federalist Papers*, No. 8, 37; Hamilton, "The Continentalist, No. VI," *PAH*, 3: 103 (emphasis added); *The Federalist Papers*, No. 12, 59; Locke, *Two Treatises of Government*, II, chap. 5, pars. 25–51; Aristotle, *Politics*, 1.2.1253a1–30: 37; Hamilton, "Publius Letter, I (1778)," *PAH*, 1: 562–63; Rahe, *Republics Ancient and Modern*, 71; Hamilton, "Defense of the Funding System," *PAH*, 19: 52 (compare *Federalist* 10). Even Jefferson (*Notes on the State of Virginia*, Query XVII) lamented the tendency of the American people to "forget themselves, but in the sole faculty of making money."

12. Hamilton, "The Defence, No. XX," *PAH*, 19: 332; Colonel Otho H. Williams, Letter to Hamilton, August 30, 1780, *PAH*, 2: 385.

cial courage," weapons, and knowledge of the art of war would be more than a match for even the most ferocious of ancient legions.

The third charge against luxury was that it sapped public virtue, or the willingness of citizens to devote themselves to the common good even at the expense of their own private interests. As in the discussion of frugality and courage, the actual conduct of Americans led Hamilton to question whether there was much left in the way of public virtue that luxury could sap. The profiteering during the Revolution, the venality of public officials, the failure of the states to pay their requisitions, the setting aside of debts, and the lawlessness of Shays's Rebellion all betrayed an unwillingness on the part of individuals and the states to sacrifice their own private or partial interests to the common good. Hamilton admitted that this kind of behavior was perfectly natural, for "it is the temper of societies as well as of individuals to be impatient of constraint, and to prefer partial to general interest." The problem lay in what to do about this unavoidable aspect of human nature. In Hamilton's view, the Anti-Federalists were like the ancient moralists whose solution was to do little more than lecture about public virtue. Unfortunately, "We may preach till we are tired of the theme, the necessity of disinterestedness in republics, without making a single proselyte."¹³ Instead, Hamilton argued, politicians should take mankind as they are, "and what are they governed by? Their passions. There may be in every government a few choice spirits, who may act from more worthy motives. One great error is that we suppose mankind more honest than they are. Our prevailing passions are ambition and interest; and it will ever be the duty of a wise government to avail itself of those passions, in order to make them subservient to the public good—for these ever induce us to action." What was needed were some of Mandeville's "thousand cunning tricks" to come to the aid of virtue. Yet in endorsing a more institutional approach to promoting the common good, Hamilton was not dispensing with the need for a modicum of public virtue. Rather, it was the inordinate "reliance on pure patriotism [that] had been the source of many of our errors." Man is, after all, "a compound of selfish and virtuous passions."¹⁴ What was needed was the political equivalent of a flying buttress to redirect the ineradicable force of the

13. Hamilton, "The Continentalist, No. II," *PAH*, 2: 655; Hamilton, "The Continentalist, No. VI," *PAH*, 3: 103. See also Shalhope, "Republicanism, Liberalism, and Democracy: Political Culture in the Early Republic," 57.

14. Hamilton, June 22 Speech, *The Records of the Federal Convention of 1787*, ed. Max Farrand, vol. 1, 381; 376; Hamilton, Draft of Washington's Eighth Annual Address to Congress, November 10, 1796, *PAH*, 20: 386.

selfish passions so they would help prop up, rather than cause the collapse of the building that was the common good. The political flying buttress included, among other things, the extended sphere, the Constitution, and Hamilton's financial program, all of which were designed to interest the full panoply of men's selfish passions in serving the common good.

A related issue was the problem of actually discovering the common good. Public virtue presupposes that citizens can discern what the common good requires. In general, the Anti-Federalists either assumed that the common good was relatively easy to discern or identified the common good with the good of the majority (farmers). This approach might have been tolerably adequate in the small republics of the ancient world (though Hamilton denied its adequacy even in those republics), but even in the smallest American states, it was a recipe for majority faction, parochialism, and the sacrifice of long-term to short-term interests. What makes discovering the common good so difficult in the modern world is the greater variety of interests that ineluctably accompany the development of civilization. As Madison explained in *Federalist* 10, "a landed interest, a manufacturing interest, a mercantile interest, a moneyed interest, with many lesser interests, *grow up of necessity in civilized nations*, and divide them into different classes, actuated by different sentiments and views." These interests grow up of necessity because civilized nations promote progress in commerce and the arts. Coping with the complexity brought about by commerce and civilized life is what distinguishes the task of modern from ancient legislation—not the ends of government as such—and it is this complexity that makes the common good and public virtue more problematic. But does not the full flowering of commerce and the arts simply accelerate the trend toward complexity, making it that much harder to discern the common good? Absolutely. But just as the states were already too large to try to emulate the ancient republics, so they were already too far along the path of civilization. This was one of those crucial circumstances that made the American situation different from the "*simple* ages of Greece and Rome."¹⁵ And unless they wished to return to the "gloomy ages" before the discovery of the rights of mankind, the Anti-Federalists would simply have to accept a more complex society governed by more talented and

15. Brutus, Essay I, in *The Complete Anti-Federalist*, ed. Herbert J. Storing, vol. 2, 368–72; *The Federalist Papers*, No. 10, 47; No. 9, 41–42 (emphasis added); Hamilton, "The Continentalist, No. VI," *PAH*, 3: 103 (emphasis added). What most clearly distinguishes modern from ancient ends of government is the idea of the natural rights of mankind.

educated officials and a less active citizenry. More precisely, instead of directly *deliberating* about the public good, the people would be charged with *judging* the character, measures, and performance of their public officials (who would do the bulk of the deliberating), and instead of trying in vain to subordinate their private interests to the common good, the people would be expected to adhere strictly to the rule of law.

The final and most potent charge against commerce and luxury (and one that the successors to the Anti-Federalists, the Democratic-Republicans, would use to great effect) was that the economic inequalities that followed in their wake would lead to political inequality (oligarchy or monarchy). Echoing (however faintly) Aristotle's description of a tolerably healthy democracy (though Aristotle still classified it as a deviant regime), the Anti-Federalists argued that farmers of middling fortunes were the best citizens and governors of a republic.¹⁶ In his debate with Hamilton in the New York Ratifying Convention, Melancton Smith made the case for the middling element:

Those in middling circumstances, have less temptation—they are inclined by habit and the company with whom they associate, to set bounds to their passions and appetites—if this is not sufficient, the want of means to gratify them will be a restraint—they are obliged to employ their time in their respective callings—hence the substantial yeomanry of the country are more temperate, of better morals, and less ambitious than the great . . . When . . . this class in society pursue their own interest, they promote that of the public, for it is involved in it.

Hamilton, on the other hand, traced the very existence of a viable middle class in Europe (and America) to the development of commerce and luxury: "As commerce enlarged, and as wealth and civilization increased: They [the people] grew tired of their oppressions; united their strength with that of the prince; and threw off the yoke of aristocracy." But what of the superior virtues of the middling element? Hamilton demurred:

Experience has by no means justified us in the supposition, that there is more virtue in one class of men than in another. Look through the

16. Compare Aristotle, *Politics*, 6.4.1318b7–1319a20: 186–87. See Douglas Adair, "The Intellectual Origins of Jeffersonian Democracy," chaps. 3, 7. The belief that the middling element should actually govern (hold office) was what distinguished the Anti-Federalists from their Democratic-Republican successors, who agreed that farmers made the best citizens, but not necessarily the best governors.

rich and the poor of the community; the learned and the ignorant. Where does virtue predominate? The difference indeed consists, not in the quantity but kinds of vices, which are incident to the various classes; and here the advantage belongs to the wealthy. Their vices are probably more favorable to the prosperity of the state, than those of the indigent; and partake less of moral depravity.

Moreover, as a matter of natural and political right, the protection of the unequal faculties of acquiring property necessarily leads to an unequal distribution of wealth, but that economic inequality will be rendered less dangerous to political equality by the abolition of entail and primogeniture: "The present law of inheritance making an equal division among the children, of the parents property, will soon melt down those great estates, which if they continued, might favour the power of the *few*." A popularly elected House of Representatives drawn from larger election districts would also serve as a check on the machinations of the rich since it was in the small districts that the Anti-Federalists favored where "wealth will have a more complete influence; because the people in the vicinity of a great man, are more immediately his dependents, and because this influence has fewer objects to act upon."¹⁷

Hamilton nevertheless conceded that as America became richer, it would be more difficult for poor men of merit to rise from obscurity and wield the reins of government:

While property continues to be pretty equally divided, and a considerable share of information pervades the community; the tendency of the people's suffrages, will be to elevate merit even from obscurity. As riches increase and accumulate in few hands; as luxury prevails in society; virtue will be in a greater degree considered as only a graceful appendage of wealth, and the tendency of things will be to depart from the republican standard. This is the real disposition of human nature: It is what, neither the honorable member nor myself can correct. It is a common misfortune, that awaits our state constitution as well as all others.

Though inevitable, this misfortune would be mitigated by the Constitution's structure, which is designed to filter talented individuals who

17. Storing, *What the Anti-Federalists Were FOR*, 18; Hamilton, New York Ratifying Convention, Remarks on June 27, 1788, *PAH*, 5: 101; Hamilton, New York Ratifying Convention, First Speech of June 21, 1788, *PAH*, 5: 43; Hamilton, "Second Letter from Phocion," *PAH*, 3: 553; Hamilton, New York Ratifying Convention, First Speech of June 21, 1788, *PAH*, 5: 42.

will be better able “to refine and enlarge public views.” Hamilton also attempted to alleviate the problem in a modest but not insignificant way by providing public officials with decent salaries. Although the Anti-Federalists generally opposed this idea because it would, as Benjamin Franklin put it, unite avarice with ambition, Hamilton believed that with pay, more meritorious citizens of limited means could afford to serve in public office. Salaries would also serve as a prophylactic against corruption. As Hamilton pointed out, without adequate rewards for public officials, “the affairs of the nation are likely to get sooner or later into incompetent or unfaithful hands.” He even went so far as to claim that “the character and success of republican government appear absolutely to depend on this policy” because it was the only way in a commercial republic “to command the services of its most able and most virtuous citizens of every class.” Such a policy, by the way, was perfectly consistent with Aristotle’s suggestion that rulers be compensated while they rule.¹⁸ In fact, not compensating public officials while they serve in office without the assurance that they have both wealth and virtue would tend to make the regime oligarchic since only the rich could afford to rule.

Despite Hamilton’s numerous arguments and reassurances, the Anti-Federalists remained surprisingly relentless in their attacks on luxury, the rich, and the danger they posed to political equality. An exasperated Hamilton detected a taint of envy in his opponents:

Sir, we hear constantly a great deal, which is rather calculated to awake our passions, and create prejudices, than to conduct us to truth, and teach us our real interests. I do not suppose this to be the design of the gentlemen. Why then are we told so often of an aristocracy? For my part, I hardly know the meaning of this word as it is applied. . . . But who are the aristocracy among us? Where do we find men elevated to a perpetual rank above their fellow citizens; and possessing powers entirely independent of them? The arguments of the

18. Hamilton, New York Ratifying Convention, First Speech of June 21, 1788, *PAH*, 5: 42; Benjamin Franklin, Speech of June 2, *The Records of the Federal Convention*, vol. 1, 82; Hamilton, Letter to Washington (Draft of Washington’s Eighth Annual Address to Congress), November 10, 1796, 20: 386–87. Gordon Wood’s comments on this subject are only half true. It is true that Aristotle (and the classical republican tradition generally) viewed office-holding as a form of *noblesse oblige*, but he was not opposed to paying salaries to public officials as a second-best policy. Moreover, Ben Franklin’s opposition to paying public officials was more libertarian or Country Whig than classical republican in nature. See Wood’s afterword in *The Republican Synthesis Revisited*, 150–51.

gentlemen only go to prove that there are men who are rich, men who are poor, some who are wise, and others who are not—That indeed every distinguished man is an aristocrat.

In point of fact, it was not the rich who posed the greatest threat to republicanism (though Hamilton acknowledged that the rich were no less prone to factious behavior), but Melancton Smith's middling element, which dominated the state governments. Looking through their history, Hamilton asked: "What factions have arisen from the most trifling causes? What intrigues have been practiced for the most illiberal purposes? Is not the state of Rhode Island, at this moment, struggling under difficulties and distresses, for having been led blindly by the spirit of the multitude? What is her legislature but the picture of a mob?"¹⁹ That mob was practicing the politics of class warfare with their paper money laws and the setting aside of debts. This was creating political instability, and if it continued, one could easily foresee another revolution and the institution of a true oligarchy to ensure that the just (and unjust) demands of the rich were met.

For all of his arguments in defense of commerce and luxury, Hamilton, unlike Mandeville, did not regard the accumulation of great wealth as an unmixed good. Hamilton confessed that opulence could lead to moral and political decay rather than improvement:

Great power, commerce and riches, or in other words great national prosperity, may in like manner be denominated evils; for they lead to insolence, an inordinate ambition, a vicious luxury, licentiousness of morals, and all those vices which corrupt government, enslave the people and precipitate the ruin of a nation. But no wise statesman will reject the good from an apprehension of the ill. The truth is in human affairs, there is no good, pure and unmixed; every advantage has two sides, and wisdom consists in availing ourselves of the good, and guarding as much as possible against the bad.

On its face, Hamilton's confession of the mixed nature of the good and his judicious counsel to statesmen to guard against the bad as much as

19. Hamilton, New York Ratifying Convention, First Speech of June 21, 1788, *PAH*, 5: 41; Hamilton, New York Ratifying Convention, First Speech of June 25, 1788, *PAH*, 5: 82. Hamilton's view was best expressed in his famous speech at the Constitutional Convention: "In every community where industry is encouraged, there will be a division of it into the few & the many. Hence separate interests will arise. There will be debtors & creditors &c. Give all power to the many, they will oppress the few. Give all power to the few, they will oppress the many. Both therefore ought to have the power, that each may defend itself agst. the other" (*The Records of the Federal Convention*, Speech on June 18, vol. 1, 288).

possible might appear close to the spirit of ancient prudence. Yet, in his apparent denial of the existence of any unmixed good, Hamilton seems to follow Machiavelli, who made a similar denial to suggest that good effects do not come from simply good causes, but only from the best causes, which implies that there is nothing good in itself—not wisdom, and especially, not virtue. That Hamilton ultimately sided with classical prudence over Machiavellian virtù can be seen in his later restatement of the issue: “Tis the portion of man assigned to him by the eternal allotment of Providence that every good he enjoys, shall be alloyed with ills, that every source of his bliss shall be a source of his affliction—except Virtue alone, the only unmixed good which is permitted to his temporal Condition.”²⁰ Siding with classical prudence, however, proved to be an even greater challenge in the modern world because a form of Machiavellian virtù would increase the role of commerce in the conduct of defense and foreign policy to such an extent that it would overshadow the domestic debate over commerce and luxury.

20. Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 617–18; Aristotle, *Nicomachean Ethics*, 1.3.1094b15–20: 5; Machiavelli, *Discourses on Livy*, trans. Harvey C. Mansfield and Nathan Tarcov, bk. I, chaps. 5–6, pp. 17–23; Harvey C. Mansfield, “Burke and Machiavelli on Principles in Politics,” in *Machiavelli’s Virtue*, 86; Hamilton, “Defence of the Funding System,” *PAH*, 19: 52. To give Machiavelli his due, he would likely cite the existence of unjust slavery in Aristotle’s best regime and in America as evidence of the dependence of virtue or justice on injustice.

Chapter 4

NATIONAL DEFENSE AND FOREIGN POLICY

In the heady days leading up to the Revolutionary War, Hamilton, like many a revolutionary, allowed his enthusiasm to get the better of his judgment when he argued that greater numbers and patriotic devotion could overcome an enemy army endowed with superior resources, technology, training, and tactics. At that time, Hamilton believed that America could rely on citizen militias instead of a standing army for its defense, that America could do without trade with Britain, that resources could be shifted easily to manufacturing to make up for any loss of trade with Britain, and that luxury and public debts were more a curse than a blessing.¹ The experiences of the war, however, would disabuse Hamilton of most of these notions and induce him to favor the creation of a standing army, domestic manufactures, and a modern system of public finance (including a national bank). In other words, America would have to emulate much of British military and industrial policy if it was to remain free and secure.

Other Americans such as Thomas Jefferson and James Madison would not be so easily convinced of the necessity of adopting Britain's great innovations because those innovations were generally associated with monarchy, imperialism, and corruption.² Steeped in Country Whig

1. Hamilton, "A Full Vindication," *PAH*, 1: 55–58.

2. See Trenchard and Gordon, *Cato's Letters*, vols. 1–2, nos. 10, 94–95, 107, 129; Brutus, Essays VIII, X, in *The Complete Anti-Federalist*, vol. 2, 405–8, 413–17.

doctrine, the Virginians argued that virtue and citizen militias, not public credit and a standing army, should be the cornerstones of the nation's defense. Perhaps the most eloquent and ardent critic of modern commercial nations was Jean-Jacques Rousseau, who had scoffed at their supposed puissance: "Ancient politicians incessantly talk about morals and virtue, those of our time talk only of business and money . . . They evaluate men like herds of cattle. According to them a man is worth no more to the State than the value of his domestic consumption. Thus one Sybarite would have been worth at least thirty Lacedaemonians. Guess, then, which of these two republics, Sparta or Sybaris, was subjugated by a handful of peasants and which made Asia tremble?" Rousseau was equally unimpressed with what might be termed the "artificial courage" of modern standing armies created by drills, military tactics, and technology: "Let no one raise as an objection the renowned valor of all those modern warriors who are so scientifically disciplined. I hear their bravery on a single day of battle highly praised, but I am not told how they bear overwork, how they endure the rigor of the seasons and the bad weather. Only a little sun or snow, or the lack of a few superfluities is necessary to dissolve and destroy the best of our armies in a few days." Rousseau attributed the apparent weakness of modern commercial nations to the arts and manufacturing, which soften men by making life too easy and comfortable: "While living conveniences multiply, arts are perfected and luxury spreads, true courage is enervated, military virtues disappear, and this too is the work of the sciences and all those arts which are exercised in the shade of study." Jefferson concurred with much of Rousseau's analysis, for he too believed that "corruption" was the "natural progress and consequence of the arts." Underlying Jefferson's beliefs about the progress of the arts was a commonplace notion of the era: the cycle of a regime. In the version of Francis Bacon (who, along with Newton and Locke, constituted Jefferson's secular trinity), the cycle contains three elements—arms, learning, and commerce—with the predominant element corresponding to the age of the regime: "In the youth of a state, arms do flourish; in the middle age of a state, learning; and then both of them together for a time; in the declining age of a state, mechanical arts and merchandise." Arms are associated with the youth of a state, while commerce is associated with the decline and seemingly inevitable fall of a state. If a nation wishes to avoid becoming easy prey, it should endeavor to delay or to mitigate extensive commercial development. As Drew McCoy argues, this was the basis for the policy of Jefferson and Madison to keep the bulk of the nation's citizens devoted to agriculture as long as possible

through the acquisition of western lands. It was a policy of "expanding through space in a race against time" in an attempt to postpone the cyclical decline of the regime caused by the progression of commerce and the arts.³

But what Jefferson did not grasp and what Hamilton did grasp was the possibility that the cycle of regimes might be broken, or at least fundamentally altered, by the very thing that appears to usher in the decline of a regime: the arts. Citing the inventions of the printing press, gunpowder, and the compass, Bacon pronounced: "[T]hese three things have changed the whole face and condition of things throughout the world, in literature, in warfare, and in navigation. From them innumerable changes followed, so much so, that no empire, no sect, no star has been seen to exert more power and influence over the affairs of men than have these mechanical discoveries." In arguing that "no empire, no sect, no star" has been more influential in human affairs than the arts, Bacon was not so subtly denigrating the role of politics, religion, and even Nature herself in human affairs. And if the arts are, in fact, so influential, then technological virtù (if properly cultivated), not classical virtue, will eventually dictate the cycle of regimes. By the late eighteenth century, Adam Smith (who had earlier sided with Rousseau) found Bacon's insight too compelling to deny:

In modern war the great expence of fire-arms gives an evident advantage to the nation which can best afford that expence; and consequently to an opulent and civilized, over a poor and barbarian nation. In ancient times the opulent and civilized found it difficult to defend themselves against the poor and barbarous nations. In modern times the poor and barbarous find it difficult to defend themselves against the opulent and civilized. The invention of fire-arms, an invention which at first sight appears to be so pernicious, is certainly favourable both to the permanency and to the extension of civilization.

Hamilton likewise came to believe that modern innovation had occasioned a revolution in the system of war no less momentous than America's revolution in politics: "The means of revenue, which have been so greatly multiplied by the increase of gold and silver and of *the*

3. Rousseau, *First and Second Discourses*, I, pp. 51, 54–5; Thomas Jefferson, *Notes on Virginia*, Query XIX, in *The Writings of Thomas Jefferson*, ed. Andrew A. Lipscomb, vol. 2, 229 (hereafter cited as *WTJ*, volume: page number); Francis Bacon, "Of Vicissitude of Things," in *The Works of Francis Bacon*, eds. James Spensing, Robert Ellis, and Douglas Heath, vol. 6, 516–17; McCoy, *The Elusive Republic*, 9, 15, 121–24. See also J. G. A. Pocock, *The Machiavellian Moment*, 533–41.

arts of industry, and the science of finance, which is the offspring of modern times, concurring with the habits of nations, have produced an entire revolution in the system of war, and have rendered disciplined armies, distinct from the body of citizens, the inseparable companion of frequent hostility."⁴ A standing army, public credit, and manufactures are all products of art or science, and in endorsing them, Hamilton in effect recognized the superiority of art over virtue in modern warfare. This is not to say, of course, that Hamilton believed that art would replace virtue in modern warfare, only that art provides a decisive advantage such that "old" nations like Great Britain with extensive development of the arts and commerce are on balance stronger, not weaker, than their "young," less developed rivals like America. It is against this backdrop of an art-induced necessity to industrialize that we turn to examine Hamilton's case for a standing army, public credit, and domestic manufactures.

CITIZEN MILITIAS VERSUS A STANDING ARMY

Among the first of Hamilton's notions to undergo change was his belief that citizen militias could match an experienced standing army on the battlefield. Before the start of the Revolutionary War, he had hoped that superior numbers and patriotism could compensate for the lack of training and discipline of citizen militias:

But, what reason have we to believe, the arms of Britain would prevail? It will be replied, because she can send against us some of the best troops in the world, either with respect to valour, or discipline; and because we have only a raw, unexperienced militia to oppose them with. Discipline and military skill are certainly matters of great importance, and give those, to whom they belong, a vast superiority; but they do not render them invincible. Superior numbers, joined to natural intrepidity, and that animation, which is inspired by a desire of freedom, and a love of one's country, may very well overbalance those advantages.

4. Francis Bacon, *Novum Organum*, bk. 1, aphorisms 129, 131 (see also Robert K. Faulkner, *Francis Bacon and the Project of Progress*, 133–41); Smith, *The Wealth of Nations*, 5.1: 669; Smith, *Lectures on Jurisprudence*, eds. R.L. Meek, D.D. Raphael, and G. Stein, 231–40 (see also McNamara, *Political Economy and Statesmanship*, 51); *The Federalist Papers*, No. 8, 37 (emphasis added). Machiavelli was the first to suggest that the cycle of regimes might be broken by a frequent recurrence to first principles (Machiavelli, *Discourses on Livy*, bk. III, chap. 1). See also Mansfield, "Machiavelli and the Idea of Progress," in *Machiavelli's Virtue*, 109–36.

Hamilton's experiences while serving as General Washington's chief aide during the war quickly proved otherwise. The militias suffered from the great defect that their terms of service were too short to field a considerable force with any consistency. As a result, the army was plagued by the threat that any given militia would "grow impatient of service and leave our affairs in a very miserable situation." An even greater defect of militias was their "mimicry of soldiership," which was nicely captured in a fellow officer's account of the defeat of General Gates's army at Suttons near Campden in the summer of 1780:

We were truly unfortunate and completely routed. The infamous Cowardice of the Militia of Virginia and North Carolina gave the Enemy every advantage over our few Regular troops whose firm opposition and Gallant behaviour have gain'd them the applause as well of our successful Foes as of our runaway Friends. . . . Our retreat was the most mortifying that could have happen'd. Those who escaped the Dangers of the Field knew not where to find protection. The Wounded found no relief from the Inhabitants who were immediately in arms against us, and many of our Fugitive Officers and men were disarm'd by those faithless Villains who had flatter'd us with promises of joining us against the Enemy. . . . The greatest part of our Baggage was plunder'd by those who first left the Field. The Enemy took a part and much of what escaped them has been pillaged by the Inhabitants of the Retreat.⁵

The scene demonstrated that citizen militias lacked not only discipline (as was to be expected), but also patriotic courage, one of the few purported advantages of militias. Especially noteworthy was the singling out of the militias of Virginia and North Carolina—supposed exemplars of virtuous republics—as having gained a reputation for cowardice. It was clear to Hamilton that the states were no Christian Spartas, and there was little prospect of their becoming so anytime soon. The Continental Army, by contrast, had begun showing the virtues of professional troops.⁶

5. Hamilton, "The Farmer Refuted," *PAH*, 1: 157; Hamilton, Letter to John Jay, March 14, 1779, *PAH*, 2: 18; Hamilton, "Eulogy on Nathanael Greene," July 4, 1789, *PAH*, 5: 350; Colonel Otho H. Williams, Letter to Hamilton, August 30, 1780, *PAH*, 2: 385–86.

6. Walling, *Republican Empire*, 67; Smith, *The Wealth of Nations*, 5.1: 662–63. Pocock misreads Machiavelli on this point. Machiavelli criticized mercenary armies, not standing armies, which became "necessary" once Rome expanded. See Machiavelli, *Discourses on Livy*, bk. I, chap. 51, p. 103; John Lamberton Harper, *American Machiavelli: Alexander Hamilton and the Origins of U.S. Foreign Policy*, 214–15.

Moreover, even if Americans became serious about emulating the citizen militias of the ancient republics in order to avoid creating a standing army, Hamilton's own principles would exclude the possibility because of the "peculiar institution" that made the ancient militias possible, namely, slavery. What the devotees of citizen militias sometimes forgot was that the ancient republics relied on slaves to provide their citizens with enough leisure to train and to fight. For America to have had true citizen militias rather than the pallid versions found in the states, slavery would have had to become more pervasive. Not coincidentally, the strongest proponents of citizen militias in America—Jefferson, Madison, Patrick Henry, John Taylor, etc.—generally came from the slaveholding South.⁷ Slavery, however, was morally repugnant to Hamilton. He also believed that America's slaves, like the helots in ancient Sparta, constituted an Achilles heel. During the Revolutionary War, he accurately predicted that Great Britain would exploit America's vulnerable southern flank by issuing proclamations that promised freedom to American slaves who escaped and joined the Loyalist side, and he singled out Virginia for being "incumbered by a numerous body of slaves bound by all the laws of injured humanity to hate their Masters." Hamilton would express similar concerns during the Quasi-War with France.⁸ Thus, to the extent that effective citizen militias required a substantial slave population, prudence and justice precluded relying on them for the nation's defense.

Although the experiences of the Revolutionary War caused most observers to recognize the fecklessness of the state militias, many like Jefferson and Madison (neither of whom ever served on the battlefield) nonetheless wished to retain citizen militias for times of "peace and for the first moments of war," leaving the later moments of war to a standing army. Yet Hamilton rejected even this more limited role for state militias on the grounds that they were too weak and impractical. To oppose "the first torrent . . . with mere militia, would involve incalculable dangers and calamities" as the modestly trained and equipped militias

7. In principle, many of these southerners were opposed to slavery. What they failed to appreciate, however, was just how dependent on slavery they were for many of their cherished notions, such as citizen militias. They also had a different approach to foreign policy that they believed would make a standing army or a Sparta type citizen militia unnecessary for the defense of the country. I shall deal with Hamilton's response to that approach at the end of this section.

8. Hamilton, Letter to John Jay, March 14, 1779, *PAH*, 2: 18; Hamilton, "Eulogy on Nathanael Greene," July 4, 1789, *PAH*, 5: 351; Hamilton, Letter to William Loughton Smith, April 10, 1797, *PAH*, 21: 33, 39. Lord Dunmore in 1776 and Sir Henry Clinton in 1779 issued such proclamations. France would ban slavery in its territories in 1794.

would confront professional armies that would likely overwhelm them before the national government could raise one of its own. As a matter of practice:

The militia would not long, if at all, submit to be dragged from their occupations and families to perform that most disagreeable duty in times of profound peace. And if they could be prevailed upon or compelled to do it, the increased expense of a frequent rotation of service, and the loss of labor and disconcertion of the industrious pursuits of individuals, would form conclusive objections to the scheme. It would be as burdensome and injurious to the public as ruinous to private citizens.

The reluctance of Americans to perform "that most disagreeable duty" of military service might be attributed to a dearth of public-spiritedness, which in some sense it was. Hamilton, though, could not afford to wait for the unlikely prospect of the states regenerating the kind of public-spiritedness that would induce in citizens a willingness to serve in outposts far from their families for years (or even one year) at a time. And even if the states managed to browbeat or to coerce enough citizens to serve, militias would be too onerous a burden for the government and the citizens. Because of the militias' short terms of service, the government would face the costly task of constantly training new soldiers. Individual citizens would suffer as most could ill afford to be away from their occupations for very long, and this problem would only become more acute as the nation became more commercial. And as Adam Smith explained, this problem would likewise affect farmers: "Those improvements in husbandry too, which the progress of arts and manufactures necessarily introduces, leave the husbandman as little leisure as the artificer. Military exercises come to be as much neglected by the inhabitants of the country as by those of the town."⁹ In sum, when Hamilton considered the military requirements of defending the nation and the costs of citizen militias, he concluded that citizen militias could have no serious role in keeping the nation secure.

America therefore had no other choice but to create a standing army, but what was it about standing armies that made them so clearly superior to militias in the modern world? According to Smith, militias are inherently inferior to standing armies because standing armies make military exercises their primary occupation while militias make mili-

9. Jefferson, "First Inaugural Address," March 4, 1801, *WTJ*, 3: 322 (see also Madison's First Inaugural Address); Hamilton, Letter to Timothy Pickering, May 11, 1797, *PAH*, 21: 83 (see also *The Federalist Papers*, No. 25, 134); *The Federalist Papers*, No. 24, 129; Smith, *The Wealth of Nations*, 5.1: 659.

tary exercises a secondary occupation. An obvious advantage accrues to standing armies from specialization, and this specialization makes the transfer of men from civilian to military occupations difficult and costly. Smith further argued that a great historical development in military force came about with the invention of firearms (military technology), which fundamentally changed the nature of battle and did so in a manner that gave an even greater advantage to standing armies: "Regularity, order, and prompt obedience to command, are qualities which, in modern times, are of more consequence towards determining the fate of battles, than dexterity and skill of the soldier in their use of their arms." Although firearms reduce somewhat the skill needed to be a soldier (compare the skill needed to wield a sword and shield versus that to fire a musket), they increase the need for having a "habit of ready and instant obedience." Militias do not cultivate such habits because "the soldiers, who are bound to obey their officer only once a week or once a month, and who are at all other times at liberty to manage their own affairs their own way, without being in any respect accountable to him, can never be under the same awe in his presence, can never have the same disposition to ready obedience." And the suspicion of authority—vigilance—that Whig belief fostered only aggravated the problem. But what of the Whig view that a standing army was dangerous to liberty? Smith replied:

It certainly is so, wherever the interest of the general and that of the principal officers are not necessarily connected with the support of the constitution of the state. The standing army of Caesar destroyed the Roman republic. The standing army of Cromwell turned the long parliament out of doors. But where the sovereign himself is the general, and the principal nobility and gentry of the country are the chief officers of the army; where the military force is placed under command of those who have the greatest interest in the support of the civil authority, because they have themselves the greatest share of that authority, a standing army can never be dangerous to liberty. On the contrary, it may in some cases be favorable to liberty.

This is fortunate given Smith's belief that standing armies are so superior to militias in the modern world that once one civilized nation created a standing army, "it became necessary that all its neighbors should follow the example."¹⁰

Hamilton would do his best to follow the example of civilized nations

10. Smith, *The Wealth of Nations*, 5.1: 661–62, 666–67. Compare Francis Bacon, *Novum Organum*, bk. 1, aphorism 129.

soon after the Revolutionary War when he chaired a congressional committee that asked for plans from Washington and his staff for the defense of the country compatible with "the principles of our governments." The great difficulty was to reconcile the Whig belief that citizen militias were the best defense against both domestic and foreign tyranny with the proven superiority of standing armies on the battlefield. Washington's final proposal balanced the two by calling for what amounted to a small standing army (consisting of a war department, a military academy, and a professional force of 2,631 professional officers and men) that would nonetheless remain largely state-controlled. Hamilton, in turn, proposed Washington's plan to Congress with the modification that "the elite units would consist of volunteers paid, armed, supplied, and directed by the national government. Washington and his advisers were thinking in terms of a state-controlled national guard, but Hamilton was advocating the functional equivalent of a national army reserve as an expandable adjunct to his country's first line of defense—a highly trained though small professional army." Hamilton argued that in addition to being more effective on the battlefield, a standing army would be cheaper, distribute more equitably the burden among the states, make possible truly national plans of deployment and defense, and help to prevent one state (or group of states) from placing its own security ahead of the security of the nation as a whole (something that occurred all too often during the Revolutionary War). A standing army would not threaten the liberties of the people because it would be small during peacetime, funded by a popular legislature (with appropriations limited to two years), and would fill its ranks with citizens (rather than foreigners), educate its officers at a national military academy, and be commanded by a civilian president (thus tying and subordinating the military to the constitution). Hamilton could even cite a counterexample from ancient history to buttress his case: "The want of an army lost the liberty of Athens. Vide Demosthenes."¹¹

In addition to an army, the country would also need a navy. In fact, despite his attempt to create a large standing army to defend against a possible French invasion during the Quasi-War with France, Hamilton expected America to be mainly a maritime power, much like Great Britain or the Netherlands. And like them, America would need a navy

11. Walling, *Republican Empire*, 66–67; Hamilton, "Continental Congress Report on a Military Peace Establishment," *PAH*, 3: 381–82, 383n4; *The Federalist Papers*, Nos. 24, 25, 69. The Continental Committee believed that military academies were too expensive, but left them as "an object of future consideration." Madison was also on the committee.

to defend its commerce: "If we mean to be a commercial people, or even to be secure on our Atlantic side, we must endeavor, as soon as possible, to have a navy." On this point, there was little disagreement between Hamilton and his agrarian-minded opponents if only because a "commercial" nation did not necessarily imply an industrial nation; it could simply mean a trading nation. Since those who favored a predominantly agrarian society expected America to be, as it were, the breadbasket to the world, they agreed, at least in principle, that America needed a navy to protect its shipping just as much as if the nation were fully industrial. Hamilton also believed that with a small but "respectable" modern navy (along with continued Union and a prudent foreign policy), America, like Great Britain, would "seldom [be] exposed by its situation to internal invasions." This would reduce the necessary size of a standing army and the risk that the people might be "broken to military subordination." Unfortunately for Hamilton's grand designs, the Democratic-Republicans, frugal and deeply suspicious of any peacetime military establishment, resisted efforts to create a substantial navy until the Quasi-War, when they acquiesced to the creation of the Department of the Navy under Hamilton's superintendence.¹²

The charges of his opponents notwithstanding, the size of the military force Hamilton contemplated for the nation during peacetime can only be characterized as modest: three thousand soldiers divided between the eastern seaboard and western frontier plus a half dozen modern warships (and some older ships and privateers) hardly constituted a grave threat to the liberties of the people. Yet Hamilton's opponents were not altogether wrong in ascribing to him a desire to have a larger military force (especially a larger navy) because he was more apprehensive about potential threats to the nation's security, and less confident about what such a limited force could do to secure the nation against those threats. Besides political opposition, a lack of resources also frustrated Hamilton's desire to create a more substantial military force. As already intimated, one of the distinctive features of the modern system of war is its basis in economic power. John Locke's argument that a "Prince who shall be so wise and godlike as by established laws of liberty to secure protection and encouragement to the honest industry of mankind against the oppression of power and narrowness of Party will quickly be too hard for his neighbors" had proven itself to be largely true, especially with the rise of the mercantile empire of Great

12. *The Federalist Papers*, No. 24, 130; No. 11, 54–55; No. 8, 37–38; William Sterne Randall, *Alexander Hamilton: A Life*, 421.

Britain.¹³ Only a nation with a manufacturing base and an advanced system of public finance could possibly marshal the resources necessary to fight modern wars characterized by mass mobilizations of men and technology. Money (public revenue) and a manufacturing base were, however, virtually nonexistent as the new government under the Constitution got under way. As treasury secretary, Hamilton considered it his responsibility to try to create both. His plans for accomplishing these great tasks were, of course, contained in his famous reports on public credit and manufactures, and it is to those reports that we now turn.

PUBLIC CREDIT

As became abundantly clear during the course of the Revolutionary War, the national government was simply incapable of raising the kind of money needed to win a war against another civilized nation, particularly one like Great Britain with the most advanced system of public finance in the world. The lack of money might not have posed such a serious problem in premodern war, but America's financial situation became so desperate during the Revolution that Hamilton would go so far as to reverse the traditional priority of arms over money as the sinews of war: "Tis by introducing order into our finances—by restoring public credit—not by gaining battles, that we are finally to gain our object." Political experience had led Hamilton to conclude with Hobbes that money is indeed the blood of a commonwealth: "Money is, with propriety, considered as the vital principle of the body politic; as that which sustains its life and motion and enables it to perform its most essential functions." Though not its highest end, national security is the most essential end of government because it is the *sine qua non* of all other ends, and it is to this end that the origins of Hamilton's funding system can be traced. This point is sometimes slighted by scholars who prefer to dwell on the more purely economic purposes of Hamilton's funding system. More often slighted is Hamilton's belief that the funding system needed to do more than raise enough money for the nation's defense. No less important was whether the money was raised justly, for Hamilton considered "the maxims of public credit as of the essence of good government, as intimately connected, by analogy and sympathy of principles, with the security of property in general, and as form-

13. Locke, *Two Treatises of Government*, II, par. 42.

ing an inseparable portion of the great system of political order."¹⁴ If Hamilton were a Machiavellian prince, as some have suggested, he would have been indifferent to this consideration because for Machiavelli, justice is merely a formality with which a prince must frequently dispense when confronted by necessity, especially military necessity. As we turn to examine Hamilton's funding system in the light of the requirements of national defense, our main focus shall be on how Hamilton sought to balance the distinctly modern necessity of a plentiful supply of revenue with the dictates of justice.

Before proceeding to that discussion, a brief history of public finance in America prior to Hamilton's funding system is in order. The public finance system of the colonial governments was primitive by British standards. Import and excise taxes, occasionally supplemented by direct taxes on property, generally provided enough revenue to fund the small budgets of the colonial governments. Yet despite the low level of taxation, revenue could not be freely expanded because "heavy duties on imports drove off trade or caused smuggling, and direct taxes, if levied in specie [which was scarce], struck the citizens with undisguised force and often took a long time collect." Revenue from taxation was also constrained because the generally modest needs of the colonial governments made the people "so little accustomed to taxes" that any attempts at large tax hikes sparked popular resistance. As a supplement to taxation, government borrowing was nearly impossible; there were no banks to borrow from, and few Americans were in a position to lend money to the government since almost all wealth was tied up in illiquid land or commodities. The only real means the colonial governments had to fund extraordinary expenses such as war was to emit paper money, which the colonial governments would eventually redeem via taxation. Since even the extraordinary expenses of the colonial governments were fairly modest, paper money emissions did not become excessive.¹⁵ Such was the system of public finance in the colonies at the outbreak of the Revolutionary War, and the inability of that system to bear the burdens of modern war would soon become evident in the first national government under the Articles of Confederation.

Under the Articles of Confederation, the national government basically had four regular ways to raise revenue: emitting paper money,

14. Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 606; Hobbes, *Leviathan*, chap. 24, 188–89; *The Federalist Papers*, No. 30, 156; Hamilton, "Defence of the Funding System," *PAH*, 19: 5.

15. E. James Ferguson, *The Power of the Purse*, 7; Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 610; Ferguson, *The Power of the Purse*, 8–9.

requisitioning the states, issuing its own bonds, and obtaining foreign loans. At first, the Continental Congress followed the historical practice of the colonial governments and relied primarily on paper money emissions to fund the Revolutionary War, but the printing presses could not be run fast enough to keep up with the enormous costs. During the first five years of the Revolution, the national government managed to print a prodigious \$226 million (face value) of Continental currency before massive depreciation—caused by the failure of the states to redeem the currency emissions via taxation—led to the currency's effective collapse in late 1780 (hence the phrase “not worth a Continental”). As the paper money emissions of the national government became less productive, the Continental Congress tried to boost its dwindling revenue with requisitions and loans, but these methods were likewise insufficient. Requisitioning the states (whereby the states were supposed to tax their own citizens and forward the funds to the national treasury) proved to be what Hamilton would call “*ignis fatuus* in finance” because the national government had no effective means of coercing the full payment of assessments from delinquent states. Loans provided relief, but their terms were onerous. Given the substantial default risk, the Continental Congress had to raise the interest it paid on its domestic securities from 4 to 6 percent as early as February 1777 in order to entice investors; by the end of the war, nearly one-third of the \$42 million in domestic debt represented accumulated interest. Foreign loans, which were viewed with ambivalence because they might provoke armed intervention by creditor nations in the event of default, came mainly from France and Holland, and totaled \$12 million by war's end. Actually servicing these debts was another task altogether, and the woefully inadequate system of requisitions motivated the Continental Congress to try to amend the Articles of Confederation to permit a 5 percent tax on imports, but the determined opposition of Rhode Island defeated the impost. The Continental Congress was more successful in chartering the Bank of North America, the first commercial bank in the United States. Since its capital was too small for making large, long-term loans, the bank's main purpose was to furnish the national government with short-term loans to conduct daily operations.¹⁶

16. Ferguson, *The Power of the Purse*, 30–32, 44; *The Federalist Papers*, No. 30, 157; Ferguson, *The Power of the Purse*, 35; Hamilton, “Report on Public Credit,” *PAH*, 6: 86; Ferguson, *The Power of the Purse*, 116–17, 136–38, 152–54. The states also emitted their own paper money which generally shared the same fate as Continental currency (Edwin J. Perkins, *American Public Finance and Financial Services, 1700–1815*, 98–99).

With its treasury all but empty, the national government became overwhelmed by paying the costs of the war and servicing its mounting debts, and it eventually found itself in the precarious position of being unable to pay or to supply the army. The desperate shortage of money and supplies for the army led inevitably to the widespread use of an irregular mode of raising revenue: impressment. Although military impressment (plunder) had been common practice in the past, Americans followed Locke in holding the right to private property to be so inviolable that not even “the General, that can condemn [a soldier] to Death for deserting his Post, or for not obeying the most desperate Orders, can yet with all his absolute Power of Life and Death, dispose of one Farthing of that Soldiers Estate, or seize one jot of his Goods.” General Washington would, in fact, exercise such a power, but only with the express authorization of the Continental Congress (which was given as early as December 1776) and with the expectation that it would be employed sparingly. That expectation was not met because the fatally flawed revenue system of the national government conspired to make impressment the primary means of sustaining the army during the latter stages of the war with Hamilton himself taking part in this disagreeable task: “[The states] were subjected a great part of the time to the military coercion of our own army as well as to the depredations of the enemy. What in other cases had been an extraordinary and momentary expedient was there an ordinary resource—the principal means for a considerable time of carrying on the war. They were literally consumed by the War. The whole moveable property of the States was taken by the enemy or thrown into the public lap.” As impressment became common practice, Continental officers issued certificates to individuals whose goods and services were impressed, and the total value of certificates issued (in nominal dollars) over the course of the war approximated the total emissions of Continental currency. Certificates issued before 1780, like the Continental currency, were almost a total loss to their holders.¹⁷ This meant that the national government financed roughly one-quarter to one-third of its portion of the Revolution by expropriation, and more than one-half if its paper currency emissions are counted as expropriation.

These problems in public finance, in part, prompted the Constitutional Convention and led Hamilton to create his funding system once

17. Locke, *Two Treatises of Government*, II, par. 139 (this idea was incorporated into the 5th Amendment of the Constitution); Ferguson, *The Power of the Purse*, 58; Hamilton, “Defence of the Funding System,” *PAH*, 19: 13–14; Ferguson, *The Power of the Purse*, 63, 67–68. On Hamilton’s active role in impressment, see, for example, George Washington, Letter to Hamilton, September 21, 1777, *PAH*, 1: 330–31.

he was installed as the nation's first treasury secretary. The major features of Hamilton's funding system included abandoning the system of requisitions in favor of an unlimited power to tax individuals, an unlimited power to borrow, full funding of the accumulated debt at par (but at a reduced interest rate) with no discrimination between the debt's original and subsequent holders, assumption of \$18.27 million worth of remaining state debts, the incorporation of a new and better capitalized national bank, and the creation of a modest sinking fund to help retire the debt. With respect to the requirements of national defense, Hamilton believed that the most important characteristic of his funding system (or any funding system for that matter) was that it maximized the potential resources of the government: "A complete power, therefore, to procure a regular and adequate supply of revenue, as far as the resources of the community will permit, may be regarded as an indispensable ingredient in every constitution." Obviously, the unlimited power to tax and borrow, and the creation of a bank would help accomplish that end. Funding the debt at par with no discrimination and assumption would keep the national government in the good graces of current creditors and potential future lenders. A sinking fund would create the public impression that the debt was being reduced (thereby stabilizing its value), though it would do little to retire the debt in the near term. Hamilton warned that a failure to observe any of the "maxims of public credit" would guarantee that future loans "would be made upon the same principles that usurers commonly lend to bankrupt and fraudulent debtors—with a sparing hand and at enormous premiums."¹⁸

Hamilton's plans for liberally endowing the national government with the means to fight future wars did not, however, sit well among many Americans who clung to the views of Country Whigs and liberal (libertarian) writers such as Cato and Adam Smith. They were deeply suspicious of granting the government any unlimited or complete power for fear of its being abused. In particular, many worried that the extensive power to raise revenue created by Hamilton's system would simply encourage the executive to embark on wars of ambition and conquest. Adam Smith, for example, went so far as to suggest that in great empires, public borrowing can turn wars of ambition into a kind of entertainment for people remote from the scene because it allows the government to raise money for a war without burdening its citizens with the full cost of the war; it need only raises taxes enough to service

18. *The Federalist Papers*, No. 30, 156, 160.

(rather than extinguish) the debt. Feeling little inconvenience, the people will “enjoy, at their ease, the amusement of reading in the newspapers the exploits of their own fleets and armies” and become “dissatisfied with the return of peace” as it “puts an end to their amusement, and to a thousand visionary hopes of conquest and national glory.” To prevent unnecessary wars, Smith advocated that the expense of war be defrayed by taxes raised within a year (i.e., a pay-as-you-go system of funding wars). Smith asserted that with such institutional limits:

Wars would in general be more speedily concluded, and less wantonly undertaken. The people feeling, during the continuance of the war, the complete burden of it, would soon grow weary of it, and government, in order to humour them, would not be under the necessity of carrying it on longer than was necessary to do so. The foresight of the heavy and unavoidable burdens of war would hinder the people from wantonly calling for it when there was no real or solid interest to fight for.

Jefferson and Madison took a similar position. While conceding that it might be impossible to pay for a war out of current revenues, Jefferson wanted the public debt accumulated during the Revolutionary War to be extinguished in less than twenty years, or one generation, on the belief that “no generation can contract debts greater than may be paid during the course of its own existence.”¹⁹

Hamilton, by contrast, expressed an “aversion to every project that is calculated to disarm the government of a single weapon, which in any possible contingency might be usefully employed for the general defense and security,” particularly because “*in the usual progress of things, the necessities of a nation, in every stage of its existence, will be found at least equal to its resources*” (italics in original). Since war is one of those necessities that involves “a provision for casualties and dangers to which no possible limits can be assigned, the power of making that provision ought to know no other bounds than the exigencies of the nation and the resources of the community.” In fact, the very existence of public debts and public banks could be traced to the unlimited nature of war;

19. Smith, *The Wealth of Nations*, 5.3: 872, 878; Jefferson, Letter to James Madison, September 6, 1789, *WTJ*, 7: 456; Jefferson, Letter to John W. Eppes, June 24, 1813, *WTJ*, 13: 269–73. See also Madison, “Universal Peace,” January 31, 1792, in *The Papers of James Madison*, ed. William T. Hutchinson, vol. 14, 207–8 (hereafter cited as *PJM*, volume: page number). Hamilton rejected Jefferson’s argument (Letter to Edward Carrington, 26 May 1792, *PAH*, 11: 436–37).

Great Britain invented its modern public finance system to fund its many wars. Trying to set arbitrary limits on the power to raise revenue was therefore tantamount to unilateral disarmament: "If it were even admitted that the system of anticipation by Credit is in the abstract a bad one, it will not follow that it can be renounced by any one nation, while nations in general continue to use it. It is so immense a power in the affairs of war that a nation without credit would be in great danger of falling a victim in the first war with a power possessing a vigorous and flourishing credit." Not being armed with a funding system would be particularly debilitating for America because "in the modern system of war, nations the most wealthy are obliged to have recourse to large loans. A country so little opulent as ours must feel this necessity in a much stronger degree." Having such a system was all the more necessary given that America's main rivals—Great Britain, France, and Spain—were wealthier than it. This was the clear lesson of the Revolutionary War. Those who nonetheless stubbornly adhered to political doctrine or believed that America was somehow exempt from the peculiar necessities of modern war were simply engaged in dangerous wishful thinking:

Reflections of this kind may have trifling weight with men who hope to see realized in America the halcyon scenes of the poetic or fabulous age; but to those who believe we are likely to experience a common portion of the vicissitudes and calamities which have fallen to the lot of other nations, they must appear entitled to serious attention. Such men must behold the actual situation of the country with painful solicitude, and deprecate the evil which ambition or revenge might, with too much facility, inflict upon it.²⁰

If Americans did not behold the necessity of Hamilton's funding system even after the Revolutionary War, subsequent wars would force them to do so.

Hamilton conceded that a funding system could be abused, but he added that this was true of virtually all good things. Wealth, power, liberty, and learning can lead to extravagance, pride, ambition, dissipation, effeminacy, etc. Yet, "Shall we on this account forego every advantage which we are fitted to enjoy?" A nation armed with a funding system might be tempted to wage unnecessary or unjust war, but having one was necessary to wage just war and useful to deter other nations from initiating war in the first place. A funding system would also contribute

20. *The Federalist Papers*, No. 36, 191; No. 30, 158; No. 31, 162–63; Hamilton, Letter to James Duane, September 3, 1780, *PAH*, 2: 414; Hamilton, "Defence of the Funding System," *PAH*, 19: 57; *The Federalist Papers*, No. 30, 160–61.

to the advancement of the nation's interests such as when Jefferson purchased the Louisiana Territory from France (which removed a direct threat to American security); without Hamilton's "corrupt" funding system, opportunities like these might have been lost or made needlessly burdensome.²¹ After weighing such considerations, Hamilton simply concluded that the benefits of a funding system greatly outweighed its potential evils.

Furthermore, the opponents of the funding system confused the effects of war with its true causes, which are man's domineering passions: "[T]he truth is not that funding systems produce wars, expenses and debts, but that the ambition, avarice, revenge and injustice of man produce them. The seeds of war are sown thickly in the human breast. It is astonishing, after the experience of its having deluged the world with calamities for so many ages with how much precipitancy and levity nations still rush to arms against each other." If funding systems rather than man's domineering passions were truly the cause of wars, then we would expect to see nations with the most advanced funding systems going to war more frequently than nations with the least developed funding systems. Experience, however, proved otherwise. Hamilton noted that nations with less advanced funding systems such as France, Spain, Austria, Russia, and Prussia were "as frequently at War as Great Britain, and as often of their own choice." He also compared the history of Europe before and after the introduction of funding systems to see if funding systems increased the incidence of war and found that before the introduction of funding systems, wars were, in fact, "more frequent and more destructive, though perhaps not of as long duration."²² Since funding systems are not a significant cause of war, the cause of peace would be better served by taming or channeling man's domineering passions, not by abolishing funding systems.

Following his general dictum that in most human affairs something is neither good nor bad save the alternatives that make it so, Hamilton pondered the realistic alternatives to his funding system and concluded

21. Hamilton, "Defence of the Funding System," *PAH*, 19: 51–53. Commenting on Jefferson's handling of the fiscal aspects of the Louisiana Purchase, Hamilton sneered: "[T]he first and only measure of the [Jefferson] administration that has really been of any material service to the country (for they have hitherto gone on the strength of the provisions made by their predecessors) is really *an extraordinary event*," and calls for more money than they have got . . . *But how is the money to be had? Not by taxing luxury and wealth and whisky, but by increasing the taxes on the necessities of life. Let this be remembered.*" Douglas Adair, "Hamilton on the Louisiana Purchase: A Newly Identified Editorial from the *New-York Evening Post*," in *Fame and the Founding Fathers: Essays by Douglass Adair*, ed. Trevor Colbourn, 380.

22. Hamilton, "Defence of the Funding System," *PAH*, 19: 55–57.

there was only one other: plunder. Unless the opponents of his funding system could devise an alternative mode of raising revenue that would satisfy the requirements of modern war (which they were never able to do), there remained

but two options—Credit or the devastation of private property. Tis impossible merely with that portion of the income of the community which can be spared from the wants, conveniences, and industrious pursuits of individuals to force the expences of a serious War during its progress. There must be anticipation by credit, or there must be a violent usurpation of private property. The State must trench upon the Capital instead of the Revenue of the People and thus every war would involve temporary ruin.

As we have seen, impressment and unchecked paper money emissions financed the bulk of the Revolutionary War, which resulted in the temporary ruin of many Americans. However necessary it may have been, the national government's resort to plunder bred bitter resentment among citizens against the national government, thus eroding its *moral* authority. And without proper provision for public credit, the national government's moral authority would eventually erode altogether, one way or the other: "From a deficiency in this particular, one of two evils must ensue: either the people must be subjected to continual plunder, as a substitute for a more eligible mode of supplying public wants, or the government must sink into fatal atrophy, and in a short course of time, perish." In other words, the government will be viewed as despotic if it continually plunders its own citizens or as contemptible if it cannot raise enough resources to defend itself and the nation. In either case, it will lead inevitably and justifiably to the dissolution of government, and to all the ills and uncertainties that such an extraordinary event entails. That such considerations were not idle speculation was confirmed by the example of the French Revolution, the cause of which Hamilton traced to the French government's inability to service its debts: "The Debt of France brought about her Revolution. Financial embarrassments led to those steps which led to the overthrow of the Government and to all the terrible scenes which have followed." In America, a similar scene occurred near the end of the Revolution at Newburgh when a group of unpaid soldiers threatened to stage a mutiny to demand back pay. Hamilton believed that the lack of provisions for the army produced soldiers not only without clothing and supplies, but also "without morals, without discipline." Reduced to such a forlorn condition, the army had lost its virtue and become a "mob." Unless

Americans wanted to continue undermining their virtue and “subverting the foundations of social order,” they had no choice but to accept a (well-managed) funding system.²³

If a funding system had the negative merit of avoiding plunder (injustice), it also had the positive merit of allowing the government to raise revenue for war without “destroying industry and interfering unreasonably with individual enjoyments. The citizens retain their Capital to carry on their several businesses and a due proportion of its produce for obtaining their usual comforts. Agriculture, Commerce & manufactures may receive some Check but they receive no serious wound. Their stamina remain, and, on peace returning, they quickly resume their wonted elasticity.” By monetizing the debt, Hamilton’s funding system would also create a medium of exchange that would make the payment of taxes less onerous. Given the agrarian character of the economy and the scarcity of specie, which made it difficult for people “to pay their taxes for want of money with ample means otherwise,” this was a substantial benefit. Hamilton even held out the tantalizing prospect of one day emulating the policy of Great Britain, “which has uniformly cultivated an enlightened and exact plan of national credit . . . [that] will in the end tax her adversary in exchange for the products of her industry with a large proportion of the expences of the actual War” (i.e., making one’s enemy bear a portion of one’s own war expenses via trade). As the result of such an enlightened policy, war “becomes less a scourge [and] loses a great portion of its calamity.” In short, a funding system enables government to conduct war in a more liberal or humane manner. A pay-as-you-go system of funding war (or something close to it) as advocated by Jefferson and Madison could hardly be called liberal since it entails “crushing the people beneath the weight of intolerable taxes.” It might be noted in this regard that in Jefferson’s beloved Virginia, an attempt at rapidly extinguishing the state debt left over from the Revolution by levying large assessments on property and persons met with such stiff popular resistance that the assessments were suspended repeatedly.²⁴

With his funding system, Hamilton managed to sever the Gordian

23. Ibid., 52–53; *The Federalist Papers*, No. 30, 156; Hamilton, “Defence of the Funding System,” *PAH*, 19: 56; Hamilton, Letter to Major William Jackson, June 19, 1783, *PAH*, 3: 397–98 (for a complete account of this incident, see Forrest McDonald, *Alexander Hamilton: A Biography*, 44–48, Walling, *Republican Empire*, 60–65); Hamilton, Letter to James Duane, September 3, 1780, *PAH*, 2: 406; Hamilton, “Defence of the Funding System,” *PAH*, 19: 53.

24. Hamilton, “Defence of the Funding System,” *PAH*, 19: 53; Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 611 (see also *The Federalist Papers*, No. 12, 60–61); Hamilton, “Defence of the Funding System,” *PAH*, 19: 53, 58; Perkins, *American Public Finance*, 167–68.

knot that had made injustice (plunder) a seemingly inseparable part of paying for war, especially modern war, which consumes resources so voraciously. To invoke the language of *Federalist* 10, Hamilton believed that his funding system secured the permanent and aggregate interests of the community (national security) without sacrificing the rights of individuals. This was part of Hamilton's broader endeavor to unite public strength with individual security, which, as Karl-Friedrich Walling explains, was a responsibility that Hamilton undertook "because of his liberal principles, not in spite of them."²⁵

MANUFACTURING

Hamilton's final and most controversial economic report was his *Report on Manufactures* (1791). Frequently overlooked was the report's main purpose, which was to seek the means "to render the United States independent [of] foreign nations for military and other essential supplies." Hamilton admitted that until the Revolution, the "expediency of encouraging manufactures in the United States" had been "deemed very questionable," but "the extreme embarrassments of the United States during the late War, from an incapacity of supplying themselves" forced a reconsideration of the matter. Manufacturing was no longer solely (or even primarily) an issue of domestic policy about the relative merits of those employed in manufacturing versus agriculture; it had become a critical issue of national defense and foreign policy. That is to say, manufacturing (like public credit and a standing army) was no longer an issue of domestic *choice*, but one of military *necessity*. But if domestic manufactures were truly a military necessity, how did America manage to win its independence without them? Hamilton's answer was essentially that *chance*, or luck, had played in America's favor, mainly in the form of "essential succor" from France, which saw American independence as a way to weaken its enemy, Great Britain. In the future, however, it would be folly to rely on chance or foreign aid for the nation's security: "We are weak and sensible of our weakness. . . . It is a miracle we are now here exercising our tranquil and free deliberations on the subject [of revising the Articles of Confederation]. It would be madness to trust to future miracles. A thousand causes must obstruct a reproduction of them." America would have to rely on its own arms, and so it would have to create the capacity to manufacture them: "A fu-

25. Walling, *Republican Empire*, 194.

ture war might be expected again to exemplify the mischiefs and dangers of a situation, to which that incapacity [a lack of domestic manufactures] is still in too great a degree applicable, unless changed by timely and vigorous exertion."²⁶ Just as military necessity had demanded a change in the nation's political system, so it also demanded a change in the nation's economic system.

Although the need for domestic manufactures had been "pretty generally admitted" after the Revolution, Hamilton worried that his efforts to accelerate the pace of industrial development would be hindered by the deep-seated prejudice against manufactures and by the unfortunate tendency of Americans to "have all the folly of the ass and all the passiveness of the sheep" in their conduct of defense and foreign policy. A prime example of such prejudice and passivity was Madison, who declared: "The difficulties we experienced a few years ago, of obtaining military supplies, ought not to furnish too much in favor of an establishment which would be difficult and expensive . . . there is good reason to believe that when it becomes necessary, we may obtain supplies from abroad as readily as any other nation whatsoever." In stark contrast, Hamilton insisted that a leisurely or gradual policy of promoting manufactures simply would not do: "all the Zeal of our Public Councils" was needed to develop a "vigorous" policy.²⁷ Absent an actual or impending war to focus people's minds, however, the prejudice against manufactures would probably inhibit such vigor. Thus Hamilton had to challenge directly the views underlying that prejudice. This, in part, explains why Hamilton devoted most of his report to rebutting the domestic arguments against manufactures inasmuch as most of the hostility to manufacturing stemmed from domestic considerations. To be sure, Hamilton also wanted to promote manufactures on purely domestic grounds and those grounds will be covered in due course. Nonetheless, it must be emphasized that the main context of Hamilton's *Report on Manufactures* is military necessity, and that the domestic arguments

26. Hamilton, "Report on Manufactures," *PAH*, 10: 230, 291; Hamilton, Letter to Washington, September 15, 1790, *PAH*, 7: 43–44; Hamilton, Remarks of June 29, 1787, *The Records of the Federal Convention*, vol. 1, 467; Hamilton, "Report on Manufactures," *PAH*, 10: 291. Hamilton became (in)famous for his opposition to relying on "foreign aid" or God during the Constitutional Convention when he objected to a proposal by Ben Franklin (of "the Society of the Free and Easy") to hire a chaplain to conduct a prayer at the beginning of each day's session (*The Records of the Federal Convention*, vol. 3, app. A, CCCLV, p. 472; see also Walling, *Republican Empire*, 231).

27. Hamilton, "Report on Manufactures," *PAH*, 10: 230; Hamilton, Letter to John Laurens, June 30, 1780, *PAH*, 2: 347; Madison, Speech on Import and Tonnage Duties, April 9, 1789, *PJM*, 12: 73; Hamilton, "Report on Manufactures," *PAH*, 10: 230.

Hamilton made in favor of manufactures also served his conviction that America needed a bold plan to promote manufactures if it was to have its own ready supply of arms and provisions to fight future wars.

The major features of Hamilton's plan for promoting manufactures included moderate protective tariffs, bounties (subsidies) for limited terms, direct aid for the creation and the use of inventions, internal improvements (infrastructure), encouraging the influx of foreign capital and skilled labor, a national currency (in the form of the public debt), and boards for promoting arts, agriculture, manufactures and commerce. Hamilton would also become involved in founding the ill-fated Society for the Establishment of Useful Manufactures (SEUM). Although he sought to promote manufacturing in general, the preponderance of military considerations in his thinking is reflected in his selection of industries for attention and encouragement. As "the essentials of national supply" for the nation's defense comprise "the means of Subsistence, habitation, clothing and defence," Hamilton focused his attention primarily on materials useful for such purposes: iron, steel, copper, lead, coal, wood, skins, grain, flax, hemp, cotton, wool, silk, glass, and gunpowder. Singling out military weapons for special consideration, he suggested that the government make regular purchases of arms from domestic manufacturers to insure the existence of a domestic supply in case of war. In fact, he was so anxious to avoid "leaving these essential instruments of national defence to the casual speculations of individual adventure" that he urged Congress to consider having the government own and operate weapons factories. Hamilton admitted that as a rule, government should not own businesses, but "this seems to be one of the few exceptions which that rule admits" and is "agreeable to the usual practice of nations."²⁸

In making exceptions to general economic rules for military reasons, Hamilton joined Adam Smith, who agreed that however inefficient government protection or ownership may be, national defense "is of much more importance than opulence."²⁹ Despite agreement on this principle, he parted with Smith over the extent to which general economic rules must be violated for the sake of national defense. Hamilton took a more expansive view of what government can and must do for the sake of national defense. In part, the need for greater government intervention in the economy was due to the particular economic circumstances of the country. America's economy was then overwhelm-

28. Walling, *Republican Empire*, 203; Hamilton, "Report on Manufactures," *PAH*, 10: 230, 291, 317.

29. Smith, *The Wealth of Nations*, 4.2: 431.

ingly agricultural, which meant that Hamilton would have to create a manufacturing base almost from scratch to supply the country with basic military necessities. In addition, he argued that an industrial economy had two further advantages that made it superior to an agrarian one from the standpoint of national defense and foreign policy: greater self-sufficiency and superior productivity.

With respect to America's agricultural surpluses, Hamilton averred, "a domestic market is greatly to be preferred to a foreign one; because it is in the nature of things, far more to be relied upon." How so? In the first instance, the foreign demand for America's staple commodities would fluctuate with the fluctuations in foreign crop yields caused by weather. More important, the very fact that these commodities are regarded as necessities induces a "general effort of nations to procure from their own soils, the articles of prime necessity requisite to their own consumption and use." Protectionism of some sort is generally part of that effort, which limits foreign demand. In the second draft of his report, Hamilton also mentioned that European nations relaxed their trade restrictions "in those emergencies which the interests and passions of its various subdivisions will not fail to reiterate" such as war, but those relaxations were likewise unreliable. The effect of all of this is to render the demand for American agricultural products "in a great degree occasional and contingent." Conversely, agricultural nations have no choice but to import manufactures, and thus the demand for foreign manufactured goods is "constant and regular." This asymmetry in demand means that an agricultural nation will frequently find itself with a surplus of agricultural goods which it must essentially dump on the market at cheaper prices to be able to afford foreign manufactured articles "which are *Numerous* and *urgent*." The economic result is that an agricultural nation will be poorer and more apt to run a trade deficit than will a manufacturing nation. The implications of this for national defense and the conduct of foreign policy were twofold. First, an agricultural nation would find it more difficult to raise public funds to pay for national defense and to earn sufficient hard currency (gold and silver at the time) to import defense-related items. Second, an agricultural nation would be relatively more vulnerable to disruptions in its foreign trade (e.g., a naval blockade) because an agricultural nation has to import almost all of its manufactures whereas a manufacturing nation would likely have a fair amount of agricultural production which it supplements (rather than completely supplies) with imports. In addition, since a manufacturing nation is wealthier in aggregate than an agricultural one, it would be better able to afford the increased costs of purchasing substitute goods from other nations. Hamilton therefore

recommended detaching a "portion of the hands, which would otherwise be engaged in Tillage" and have them serve in manufacturing.³⁰ In his estimation, the increased costs that government tariffs and subsidies might impose on farmers would be offset in part by a more certain demand for their goods, lower shipping costs for both the export of food and the import of manufactured goods (since more trade would be domestic), and a reduction in the size (and hence the cost) of a navy needed to protect American shipping.

Jefferson and Madison, on the other hand, believed that because manufactured goods tended to be luxuries, the demand for them was much more liable to fluctuations than staple commodities. Accordingly, the Virginians preferred to pursue a policy of free trade: America would remain an agricultural nation and export its surpluses in exchange for manufactured goods from Europe. Hamilton retorted that this would make America too dependent on the "projects and vicissitudes of foreign Politics." Instead of being dependent on the caprice of the market for luxuries, America would become dependent on the caprice of Europe's agricultural policies, fluctuating crop yields, and wars. Admittedly, the Virginians wanted to diversify America's trade by shifting a portion of it to France, but even in the unlikely event that they were successful, it would still leave America vulnerable to foreign politics. It was yet another instance of a foreign policy based on chance. This does not mean, however, that Hamilton opposed free trade in principle, for he agreed that if free trade "had governed the conduct of nations, more generally than it has done, there is room to suppose, that it might have carried them faster to prosperity and greatness, than they have attained, by the pursuit of maxims too widely opposite." Unfortunately, most nations did not practice free trade, and at least in his view, adopting the practice unilaterally would make the nation worse off economically. As will be explained in the next section, Hamilton was equally skeptical of the idea that the universal practice of commerce and free trade would prevent wars. This led him to consider whether it would be better in the long run for America to remain "the granary of Europe" in a world of aggressive, industrializing nation-states.³¹ The longer Amer-

30. Hamilton, "Report on Manufactures," *PAH*, 10: 61, 260, 287, 289. These considerations would become highly salient in the debate over commercial discrimination, which will be discussed in the following section.

31. Hamilton, "Second Draft of the Report on Manufactures," *PAH*, 10: 61; Hamilton, "Report on Manufactures," *PAH*, 10: 235, 262–63. See also Walling, *Republican Empire*, 202–3. Walling does not develop the implications of the difference between Hamilton and Smith on the comparative productiveness of agriculture and manu-

ica lagged behind in the agricultural stage exploiting its (partially artificial) comparative advantage, the more vulnerable it would become. This was one of the reasons why Hamilton was so leery of westward expansion, as it would further extend the agricultural stage. Development across time, not space, was the key to ensuring America's security.

The importance of this strategic consideration in Hamilton's thinking can be demonstrated by examining the other great advantage of manufacturing—its superior productivity. One of the lessons Hamilton drew from the Revolutionary War was, "we did not consider how difficult it must be to exhaust the resources of a nation circumstanced like that of Great Britain," the great manufacturing nation of the era. He also observed that since the Revolution, "the States in which manufactures have most increased, have recovered fastest from the injuries of the late War, and abound most in pecuniary resources." The greater wealth, especially monetary wealth, of a manufacturing nation would make it much easier for the government to raise adequate funds (from taxes and loans) and to purchase foreign supplies for waging war. It must be emphasized that Hamilton went beyond simply asserting that a manufacturing nation would be wealthier in aggregate than an agricultural one; virtually everyone agreed with that proposition. More controversial was his claim that manufacturing was at least as productive, if not more so, than agriculture. This contradicted the view of the Physiocrats, Adam Smith, and Jefferson and Madison, who, while admitting the superior aggregate wealth of manufacturing nations, nevertheless insisted on the superior productivity of agriculture to manufacturing. For instance, Smith argued:

No equal capital puts into motion a greater quantity of productive labor than that of the farmer. Not only his labouring servants, but his labouring cattle, are productive labourers. In agriculture too nature labours along with man; and though her labour costs no expence, its produce has its value, as well as that of the most expensive workmen. . . . No equal quantity of productive labor employed in manufactures can ever occasion so great a reproduction. In them nature does nothing; man does all; and the reproduction must always be in proportion to the strength of the agents that occasion it. The capital employed in agriculture, therefore, not only puts into motion a greater quantity of

facturing. If Hamilton was correct to believe that manufacturing was more productive than agriculture, then the nation would not necessarily maximize its wealth by fully developing its agricultural sector first (as Smith's view clearly implied). See following text.

productive labour than any equal capital employed in manufactures, but in proportion too to the quantity of productive labor which it employs, it adds a much greater value to the annual produce of the land and labour of the country, to the real wealth and revenue of its inhabitants. Of all the ways in which a capital can be employed, it is by far the most advantageous to the society.

In a similar vein, Jefferson wrote, "to the labor of the husbandman a vast addition is made by the spontaneous energies of the earth on which it is employed: for one grain of wheat committed to the earth, she renders twenty, thirty, and even fifty fold, whereas to the labor of manufacturing nothing is added."³² If true, America would maximize its national wealth by encouraging its citizens to settle and till the vast amount of vacant lands that America possessed (and would continue to acquire); only after all land was under cultivation would extensive manufacturing become advantageous.

Hamilton rejected their view in large part because he believed that the "spontaneous energies of the earth" need not remain so spontaneous. He thought it possible and desirable to harness the "Agency of fire and water" for human use with the "invention and application of machinery" or technology. To be sure, most Americans were aware of and supported technological innovation as evidenced by the consensus at the Constitutional Convention for granting the government the power to promote "the Progress of Science and useful Arts" with copyrights and patents (even the agrarian-minded Jefferson was a tinkerer and inventor). But what many did not fully appreciate was the possibility that technology could generate *exponential* rather than *proportional* increases in productivity, particularly in manufacturing, which Hamilton believed is especially suited to the invention and use of machines. He pointed out that machines like the cotton mill had a "prodigious effect" on production, and contributed to an "immense" and "sudden" progress of manufacturing in England. In another instance, he supposed the introduction of some "mechanic power" could perform "half the necessary labour" of making a manufactured good. Hamilton was attributing to machines exponential productive powers comparable to Nature herself. And since "manufacturing pursuits are susceptible in a greater degree to the application of machinery, than those of Agriculture," it is not the farmer, but "those occupations, which give the greatest scope to the use

32. Hamilton, "The Continentalist, No. III," *PAH*, 2: 663; Hamilton, "Report on Manufactures," *PAH*, 10: 246, 290; Smith, *The Wealth of Nations*, 2.5: 344–45; Jefferson, Letter to Benjamin Austin, January 9, 1816, *WTJ*, 14: 390.

of this auxiliary, [that] contribute most to the general Stock of industrious effort, and in consequence, to the general product of industry."³³

Another reason for the superior productiveness of the artificer is that the farmer, "from the peculiar fertility of his land, or some other favorable circumstance, may frequently obtain a livelihood, even with a considerable degree of carelessness in the mode of cultivation." The artificer, by contrast, does not have that luxury. In broader terms, Hamilton recognized the paradox that natural abundance tends to produce relative economic stagnation: "A fertile soil . . . not unfrequently begets indolence and effeminacy." Modern economists have only begun to appreciate this paradox, but its full significance was long ago understood by Machiavelli and by Hume. Since America possessed an abundance of fairly fertile land, relative stagnation was a real danger. In an earlier draft of his report, Hamilton warned that absent the division of labor that manufacturing occasions, "the inducements to render land more productive would be circumscribed within the narrowest limits." He also noted that the "parts of a country in the vicinity of manufacturing towns are much better cultivated and more thriving than those remote from them." In other words, *domestic* manufacturing is a spur for greater productivity in agriculture, and thus an antidote to the danger of stagnation.³⁴

If, then, manufacturing is at least as productive as agriculture as well as the spur to greater agricultural productiveness, the case for prolonging the agricultural stage became much less compelling; rather, it favored imposing "artificially" the harsh laws of industrialization. Admittedly, America lagged far behind Europe in that process, but Hamilton believed that much of the distance could be closed with robust government action. He, for example, suggested that the federal government make proper provision "to procure all such machines as are known in any part of Europe." He likewise advised luring European artisans to America by offering them asylum from "the disturbed state of Europe."

33. Hamilton, "Report on Manufactures," *PAH*, 10: 242, 250–52, 270, 272. In this regard Hamilton was more Baconian than Jefferson. See also Caton, *The Politics of Progress*, 473–78.

34. Hamilton, "Report on Manufactures," *PAH*, 10: 241–42; Hamilton, "Report on a Plan for the Further Support of Public Credit (1795)," *PAH*, 18: 128; Machiavelli, *Discourses on Livy*, bk. I, chap. 1, pp. 8–9, Hume, "Of Commerce," *EMPL*, 266–67, Montesquieu, *The Spirit of the Laws*, 18.4: 287; Hamilton, "Third Draft of the Report on Manufactures," *PAH*, 10: 80; Hamilton, "Second Draft of the Report on Manufactures," *PAH*, 10: 55. This suggests that Hamilton did not think that international trade would as effective as domestic manufacturing in spurring farmers to improve their mode of cultivation.

With technology, skilled labor, and an adequate supply of capital in hand, Hamilton thought he could jump-start America's manufacturing sector.³⁵

In addition to being the most productive source of national wealth, manufacturing and technology have a more direct effect on a nation's ability to wage war. Having served as captain of the Provincial Company of Artillery of New York during the first year of the Revolution, Hamilton understood that military armaments are as susceptible to improvement as more mundane manufacturing (artillery being one of the major technological advances of modern warfare), and that as a result, government has a keen interest in the (costly) development and use of military technology. For example, he observed, "no small progress has been of late made in the manufacture" of gunpowder and that its "high importance renders its further extension very desirable." He also seems to have understood that military and commercial technological development tend to have a reciprocal influence on each other when he noted that gunpowder is also used for finishing the bottoms of ships.³⁶ And without the powerful stimulus to technological development that a substantial manufacturing base provides, the nation would never be able to compete effectively in a technological "arms race" with the industrial powers of Europe.

In all of this, of course, are the seeds for the necessity of creating a "military-industrial complex." This necessity, for instance, would prompt Colbert to undertake a "Projet Vaste de Réforme" to wrench France into the industrial age so it could better compete with Great Britain.³⁷ Hamilton likewise believed that America would have to follow Britain's lead—and sooner rather than later—if it was to defend its independence and strategic interests against the ambitions of Europe's major powers.

COMMERCE AND FOREIGN POLICY: THE LIMITATIONS OF ECONOMISM

In his efforts to develop an economic system that would enable America to vigorously defend itself, Hamilton had to overcome opposi-

35. Hamilton, "Report on Manufactures," *PAH*, 10: 272, 296. As Elkins and McKittrick point out, the missing element in Hamilton's plan was good management. It was also harder than anticipated to acquire skilled artisans. See Stanley Elkins and Eric McKittrick, *The Age of Federalism*, 279–80.

36. Randall, *Alexander Hamilton*, chaps. 7–11; Hamilton, "Report on Manufactures," *PAH*, 10: 334.

37. Caton, *The Politics of Progress*, 87.

tion to his policies from two related viewpoints that were themselves the offspring of modern thinking about commerce and economics. The first source of opposition came during the debate over ratification of the Constitution. Hamilton believed that a stronger federal government was indispensable if America was to avoid splitting into several hostile nations. Opposition to granting the federal government new powers came from those who subscribed to the view promulgated by Montesquieu and others that commercial republics are, by their nature, pacific. If true, there was no compelling reason to invigorate the federal government's powers. The other source of opposition to Hamilton's system came from Jefferson and Madison, who believed that America should remain largely agrarian and that America could defend its interests via commercial warfare, or "peaceable coercion." Both of these viewpoints were essentially predicated on "economism," which asserts the primacy of economic interests in the conduct of human beings and nations. Although Hamilton was an avid consumer of modern economic thinking and agreed with much of it, Hamilton thought that "economism" had serious limitations, especially in the realm of foreign affairs where he believed that political passions (which cannot be subject to the kind of control possible in the domestic realm) were as strong if not stronger than economic interests.

THE NONPACIFIC NATURE OF COMMERCIAL REPUBLICS

As any reader of *The Federalist Papers* is aware, Hamilton went to great lengths to dispel the notion that commercial republics are by nature pacific. The immediate context of the argument was whether the Union should be maintained and strengthened by vesting the federal government with new powers (especially over commerce) in order to prevent any conflicts that might arise between the states from escalating into war. The Anti-Federalists were reluctant to invigorate the federal government's powers out of a fear that it might abuse those powers. Some of them argued that strengthening the federal government was unnecessary because commercial republics are unlikely to go to war with each other: "The genius of republics (say they) is pacific; the spirit of commerce has a tendency to soften the manners of men, and to extinguish those inflammable humors which have so often kindled wars. Commercial republics, like ours, will never be disposed to waste themselves in ruinous contentions with each other. They will be governed by mutual interest, and will cultivate a spirit of amity and concord." This

was essentially a summary of the arguments of Montesquieu, who asserted, "the natural effect of commerce is to lead to peace." According to the gentle French philosopher, commerce produces three major effects that help to promote peace: creating mutual economic interests, softening the characters of men, and cultivating cosmopolitan tolerance. First, commercial nations engaged in trade with each other have much to lose by going to war against each other; at a minimum, mutual economic interest will make commercial nations think twice before going to war. Second, commerce softens the character of men because people pursuing wealth tend not to develop the austere habits and harsh customs of soldiers: "[I]t is an almost general rule that everywhere there are gentle mores, there is commerce and that everywhere there is commerce, there are gentle mores . . . Commerce corrupts pure mores . . . [but] it polishes and softens barbarous mores." Third, commerce encourages a certain degree of cosmopolitan tolerance of other peoples because "the history of commerce is that of communication among peoples" and communication "cures destructive prejudices." That is, nations that trade with one another become familiar with the various ways of life of other nations and thereby feel less threatened by those differences. Montesquieu's complete argument, however, was not that commercial nations are peaceful, but that commercial *republics* are: "The spirit of monarchy is war and expansion; the spirit of republics is peace and moderation." Republics are more peaceful and moderate because they are ruled by men of "middling talents and fortunes" whose middling nature contributes to "sober" governance.³⁸ The people are generally more modest in their desires and would rather be left alone than risk their own lives, liberties, and fortunes in pursuit of glory and conquest. Although Montesquieu did not mention it specifically, modern republics, unlike ancient republics, are based on the principle of the equal rights of mankind, not merely the equality of citizens. To the extent that this principle inculcates a respect for the rights of other nations, war will become less common.

Hamilton objected to these arguments on the grounds that "the causes of hostility among nations are innumerable" and largely ineradicable. To help distinguish among the various causes of hostility among nations, he divided them into three classes, from the most to the least general. The most general causes of war are those that have an "almost constant operation upon the collective bodies of society. Of this descrip-

38. *The Federalist Papers*, No. 6, 24; Montesquieu, *The Spirit of the Laws*, 20.2: 338; 20.1: 338, 20.5: 357; 9.2: 132; 5.3: 44.

tion are the love of power or the desire of pre-eminence and dominion—the jealousy of power, or the desire for equality and safety.” These causes of war can never be eradicated because they are part of an unchanging human nature. As applied to nations, the love of power would almost certainly lead nations, particularly the more powerful nations, to try to dominate others by war, or by merely threatening war. In response, the jealousy of power would motivate nations that felt threatened to try to balance any actual or aspiring hegemon. “In turn, the mutual efforts of states to seek and balance power would produce ‘security dilemmas’ that would eventually lead to war.” Moreover, the jealousy of power induces a desire for not only security but also equality. Envy of the superior power of another nation—even if that superior nation exhibits no hostile intent—could just as easily issue in war simply “to take them down a notch or two.” As Hobbes pointed out, men make war “for trifles, as a word, a smile, a different opinion, and *any other sign of undervalue*, either direct in their persons, or by reflection in . . . their nation.”³⁹

The second class of causes of war “have a more circumscribed though an equally operative influence within their spheres.” These causes of war provide particular objects to which the more general passions are directed, and these objects can and do change over time. One such object is commerce, the pursuit of which leads to “the rivalships and competitions of commerce between commercial nations.” Hamilton believed that the struggle for commercial domination and advantage occurs because merely changing the object of the passions does not change the domineering nature of the passions themselves:

Has commerce hitherto done any thing more than change the objects of war? Is not the love of wealth as domineering and enterprising a passion as that of power or glory? Have there not been as many wars founded upon commercial motives since that has become the prevailing system of nations, as were before occasioned by the cupidity of territory or domination? Has not the spirit of commerce, in many instances, administered new incentives to the appetite, both for the one and for the other?

To prove his point, Hamilton adduced examples from both ancient and modern history. In ancient history, Athens and Carthage were both commercial polities, yet they were “as often engaged in wars, offensive

39. *The Federalist Papers*, No. 6, 22; Walling, *Republican Empire*, 179; Hobbes, *Leviathan*, part 1, chap. 13, pp. 99–100 (emphasis added).

and defensive, as the neighboring monarchies of the same time." In modern history, the commercial nations of Venice, Holland, and England were no less prone to wars of ambition or commercial advantage. The love of power and the jealousy of power among commercial nations simply become "the desire of supplanting and the fear of being supplanted, either in particular branches of traffic or in the general advantages of trade and navigation, and sometimes even the more culpable desire of sharing in the commerce of other nations without their consent."⁴⁰

There was one additional object of commerce which would cause discord among nations that Hamilton did not specifically cite in *The Federalist* but did note in his *Report on Manufactures*, and that is commercial technology (copyrights and patents):

It is customary with manufacturing nations to prohibit, under severe penalties, the exportation of implements and machines, which they have either invented or improved. There are already objects for a similar regulation in the United States; and others may be expected to occur from time to time. . . . Greater liberality, in such respects, might better comport with the general spirit of the country; but a selfish and exclusive policy in other quarters will not always permit the free indulgence of a spirit, which would place us upon an unequal footing.

Nations, including America—with Hamilton's blessing—were already engaging in industrial espionage against their rivals, and as industrial development accelerated, commercial technology would become an even greater source of strife among nations.⁴¹ And if commercial technology was destined to become a potent source of conflict among nations then, a fortiori, so would military technology (as indeed it has).

If commerce is not a sufficient condition for peace among nations, neither is republicanism. A further reading of history revealed that there have been "almost as many popular as royal wars." Among ancient republics, Sparta and Rome were "never sated of carnage and conquest." Even in monarchies, the people have "dragged their monarchs to war, or continued them in it, contrary to their inclinations."⁴²

Nor was it the case that nations that combined commerce and repub-

40. *The Federalist Papers*, No. 6, 22, 25–26.

41. Hamilton, "Report on Manufactures," *PAH*, 10: 308–9; Doron Ben-Atar, "Alexander Hamilton's Alternative: Technological Piracy and the Report on Manufactures," in *Federalists Reconsidered*, eds. Doron Ben-Atar and Barbara B. Oberg, 41–60.

42. *The Federalist Papers*, No. 6, 25–26.

licanism were any less prone to war. Athens, Carthage, Venice, and England could all (loosely) be denominated commercial republics, yet they were no less eager to waste themselves in ruinous conflicts. It was therefore naïve to think that an America divided into several commercial confederacies would be exempt from similar kinds of disputes and rivalries, particularly because America possessed a surfeit of sources of potential conflict. Fishing rights, the navigation of the Mississippi, the division of the Western territory, the apportionment of the public debt left over from the Revolution, trade with the West Indies, the violation of contracts, etc. would provide abundant sources of contention and hostility. Each separate confederacy would no doubt "pursue a system of commercial policy peculiar to itself. This would occasion distinctions, preferences, and exclusions which would beget discontent." The separate confederacies would become mercantilist powers, but far from promoting peaceful intercourse, their former union would, in fact, increase the chances of conflict because being accustomed to equal privileges, any deviations from equality would beget a much stronger enmity than if the privileges were originally unequal. Add to this the ambitious "spirit of enterprise which characterizes the commercial part of America," and "it is not at all probable that this unbridled spirit would pay much respect to those regulations of trade by which particular States might endeavor to secure exclusive benefits to their own citizens. The infractions of these regulations, on one side, the efforts to prevent and repel them, on the other, would naturally lead to outrages, and these to reprisals and wars."⁴³ If trade wars lead to shooting wars, the best way to prevent them while permitting the creation of a free trade zone among the states would be to adopt the Hobbesian solution of instituting a single sovereign vested with full power to regulate trade between the states. Similarly, promoting reciprocal free trade between America and the rest of world would also help to promote peace, but the effects of such a policy were likely to be much more modest.

The final class of causes of war are those "which take their origin entirely in the private passions, in the attachments, enmities, interests, hopes, and fears of leading individuals in the communities of which they are members." These causes of war are present in both republics and monarchies, and occur when a leading individual assumes "the pretext of some public motive" in order to satisfy some personal gratification at the expense of national tranquility. Hamilton cited the example of Pericles, whose personal vision for a greater Athens made him

43. Walling, *Republican Empire*, 180; *The Federalist Papers*, No. 7, 30–31.

"the primitive author" of the Peloponnesian War. Other examples included Cardinal Wolsey's ambition to become pope, Madame de Maintenon's religious bigotry against the Protestant Huguenots, and Daniel Shays's indebtedness, all of which produced unnecessary conflicts.⁴⁴ Although commercial republics might be better able to control such individuals to the extent that they have adopted the improved science of politics, no system is foolproof, and however elaborate and ingenious, no system of institutional checks and balances can restrain men of "the family of the lion or the tribe of the eagle" like Pericles, Caesar, or Napoleon.

Despite Hamilton's remonstrance against "economism" in *The Federalist*, Karl-Friedrich Walling and Paul Rahe have contended that Hamilton deliberately overstated his case: "Hamilton's critique must be interpreted politically, given the necessity of defending a union at least as energetic as the one proposed by the [Constitutional] Convention. To the extent that a popular prejudice, mixing truth with error, might have prevented ratification of the Constitution, he apparently felt obliged to undermine that prejudice in a manner that not only showed the limits of the theory but also seemed to dismiss it as simply utopian." Citing Hamilton's revision of his assessment of the ancient commercial republics as not being truly commercial in *Federalist* 8, the unwillingness of Americans to serve in the military because of their preference for family and work in *Federalist* 24, and Hamilton's later claim about the "softening and humanizing influence of Commerce," Walling and Rahe contend that Hamilton's true position was much closer to Montesquieu's. Although Hamilton may have deliberately overstated his case, I believe that Walling and Rahe likewise overstate the case for their interpretation for several reasons. First, during the period culminating in the Jay Treaty, Hamilton reiterated the same view he had expressed in *The Federalist* when he was no longer under the same rhetorical necessity: "The violent passions which have agitated the apostles of perpetual peace and which were so near forcing our political ship upon the rock of war which at this moment still impel her to the same ruinous point are the mirrors in which they may read the refutation of their silly predictions." As a commercial republic, America was a prime test case to prove that commercial republics are by nature pacific, and it failed that test (because commerce does not alter human nature). Second, the context of Hamilton's claim about the softening and humanizing influence of commerce was his investigation of the extent of the rights of

44. *The Federalist Papers*, No. 6, 22–23.

war. Hamilton believed that Roman jurisprudence should be rejected as a guide in such matters because it justified the utter enslavement of conquered enemies. This, however, does not necessarily mean that commerce will make war rare, only that commerce will make war more humane. If war were to become rare as well, nations would have to adopt the Hobbesian solution of creating a single sovereign, or, more likely, wait for its effectual equivalent, the rise of a hegemonic power that could enforce peace and free trade among nations à la Pax Romana. Third, even if Americans were averse to war because of commerce, the defense of their interests may not permit them to avoid it: "Our experience has already belied the reveries of those Dreamers or Imposters" who promised "to this country a perpetual exemption from war . . . our frontiers have exhibited a state of desolating and expensive hostility. How narrowly have we thus far escaped war with a great European power?" Of course, not long after that America waged war against both France and Britain in defense of its commercial interests. Finally, America during the nineteenth century did, in fact, engage in essentially offensive wars when it fused two potent causes of war that Hamilton identified—territory and commerce—in the policy of westward expansion. The agrarian commerce that underpinned westward expansion led quite naturally to aggression against all of America's territorial neighbors—the Indian Nations, Canada, and Mexico. These land grabs were also popular among the citizens; generals got elected president on this basis. And had the American Pericles, Stephen Douglas, been able to pursue his mixture of popular sovereignty and imperialism (which was a more aggressive form of westward expansion and the Monroe Doctrine), America might very well have embarked on its own series of Sicilian expeditions in an effort to conquer all of the Americas.⁴⁵

PEACEABLE COERCION: NEITHER PEACEABLE NOR COERCIVE

Hamilton led a second campaign against "economism" in foreign affairs when Jefferson and Madison championed a policy of "peaceable coercion," or economic sanctions, against Great Britain. Specifically, they proposed enacting discriminatory tariffs against British imports in

45. Walling, *Republican Empire*, 182; Rahe, *Republics Ancient and Modern*, 642; Hamilton, "The Defence, No. XX," *PAH*, 19: 332; Hamilton, "Defence of the Funding System," *PAH*, 19: 24; Hamilton, "The Defence, No. XX," *PAH*, 19: 332; Hamilton, "Defence of the Funding System," *PAH*, 19: 24; *The Federalist Papers*, No. 8, 28; Harry V. Jaffa, *Crisis of the House Divided*, 63–103.

order to exact trade concessions from Britain, which, unlike France, had no commercial treaty with the United States (prior to the Jay Treaty).⁴⁶ Topping their agenda were restoring access to the lucrative shipping trade in the British West Indies and easing the restrictions on direct trade with England. While nominally intended to gain trade reciprocity from Britain, Madison's policy had the more ambitious goal of breaking the chains of commercial dependence created by the British mercantile system because the Virginians believed that America's political independence would come to naught if America failed to secure economic independence from Great Britain: "The policy manifested by that nation [Great Britain] toward us since the revolution must evince to every thinking mind, the necessity of extending our commerce to other channels, and no longer suffer her to regulate us in this particular: The policy of her parliament has been on the watch to seize every advantage which our weak and unguarded situation exposes; she has bound us in commercial manacles, and very nearly defeated the object of our independence." With a more aggressive commercial policy, nations like Britain "might be taught to pay us that respect which they have neglected on account of our former imbecility." That imbecility was the result of the particular structure of the Articles of Confederation, which allowed the states to enact their own commercial regulations and trade tariffs, and curing that imbecility was one of the principal reasons why Madison sought to revise the Articles: "Out of this experience, grew the measures which terminated in the establishment of a government competent to the regulation of our commercial interests, and the vindication of our commercial rights." Of course, the great paradox of Madison's position was that in the unlikely event that Britain met his terms for a commercial treaty, America would be linked even more closely to Britain than under Hamilton's system.⁴⁷

At any rate, imposing discriminatory tariffs on British goods would more likely provoke commercial retaliation rather than a willingness to negotiate a mutually beneficial trade treaty. Yet Madison did not fret

46. Madison proposed commercial discrimination against Great Britain in the first revenue bill, but the bill was blocked by the Senate. Jefferson's "Report on the Privileges and Restrictions on the Commerce of the United States in Foreign Countries" (December 16, 1793) provided the basis for Madison's 1794 bill on commercial discrimination during the run-up to the Jay Treaty, which likewise frustrated their efforts.

47. Elkins and McKittrick, *The Age of Federalism*, 67–70; Madison, House Speech on May 4, 1789, *PJM*, 12: 126; Madison, House Speech on April 25, 1789, *PJM*, 12: 11; Madison, House Speech on January 14, 1794, *PJM*, 15: 184; Elkins and McKittrick, *The Age of Federalism*, 377.

about the possibility of retaliation because he believed that despite Britain's greater wealth and more advanced economy, America occupied the economic high ground: "For my part, I am not afraid of suffering in the contest; her interests can be wounded almost mortally, while ours are invulnerable." In fact, Britain would suffer more from disruptions in its trade precisely because it had a more advanced economy. Madison came to this counterintuitive conclusion in the following way. America produced and exported necessities (food and raw materials), and imported manufactured superfluities, whereas just the opposite was the case with Britain. If commercial warfare resulted in a disruption of trade between the two countries, America could easily survive without superfluities, but Britain could not so easily survive without food and raw materials:

We are their customers, said [Madison], for those imports as much as a farmer is the customer of the shop-keeper, or as the consumer is to the seller; and the profit is always on the part of the seller, not the consumer. But the country can subsist without the town, better than the town can subsist without the country; and the farmer can live better without the shop-keeper, than the shop-keeper without the farmer: thus the importations from England, being in a great degree luxuries, we could do without them, better than England could do without us.

Madison was confident that any loss of truly necessary manufactures could be made up by American manufactures (which he believed had made rapid progress and would be spurred to make more progress by the tariff), and by America's other trading partners, especially France. In the event that commercial reprisals escalated to armed reprisals, Madison was equally confident that "America could defend herself."⁴⁸

Hamilton, on the other hand, was markedly less confident about America's bargaining position. He was therefore adamantly "opposed to those discriminating Clauses" in Madison's bill. This represented a reversal of the position he had taken in *Federalist* 11, where he echoed Madison: "Suppose, for instance, we had a government in America capable of excluding Great Britain (with whom we have at present no treaty of commerce) from all our ports; what would be the probable operation of this step upon her politics? Would it not enable us to negotiate, with the fairest prospect of success, for commercial privileges of the

48. Madison, House Speech on May 4, 1789, *PJM*, 12: 127; Madison, House Speech on May 13, 1790, *PJM*, 13: 213; Madison, House Speech on May 4, 1789, *PJM*, 12: 127. See also Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 272.

most valuable and extensive kind in the dominions of that kingdom?"⁴⁹ In the span of just two short years, a policy that had "the fairest prospect of success" was now deemed by Hamilton to have virtually no prospect of success. Hamilton did not explain his change of opinion, but his stated objections to that policy provide some clues.

Hamilton opposed imposing discriminatory tariffs on British imports for five main reasons, which I have arranged in increasing order of importance. First, Hamilton was not so sure that the people would be willing to forego their luxuries from Britain for very long: "Although France has been indulgent to us, in certain points, yet what she can furnish is by no means so Essential or so suited to us as Your [British] productions. . . . The Government of a Country Cannot altogether change Either the taste or the disposition of a people, but its influence may check or cherish it." Second, high tariffs or prohibitions would cause an "excessive rise in the price of foreign commodities," and a "proportional decrease of price and demand for our own commodities." (To the damage that his policy might cause to American exporters, Madison candidly replied: "I do not say how we could sustain our wounds.") The devastating impact that commercial discrimination would have on American trade was the result of the brute fact that three-fourths of American trade was with Britain. Britain, by contrast, would not be similarly devastated because only one-sixth of its trade was with the United States. Third, because commercial discrimination was a measure designed for retaliation rather than the protection of infant industries, Hamilton was concerned that tariffs (or prohibitions) might be set too high on goods "for which no substitute can be found elsewhere, a supply necessary to us in peace, and more necessary to us if we are to go to war." As we have seen, securing the means of national defense was utmost in Hamilton's mind when he composed his *Report on Manufactures*. Since Congress in its wisdom did virtually nothing to implement the recommendations of his report, the nation was nowhere near being independent of foreign supplies of military and other essential items. As a result, the nation would find it difficult to wage a protracted war. Fourth, Hamilton was even more concerned that commercial discrimination would give "a sudden and violent blow to our revenue which cannot easily if at all be repaired from other sources." Since most imports to America were coming from Britain, and tariffs accounted for the lion's share of the federal government's revenue, even a minor dis-

49. Hamilton, Conversation with George Beckwith, October 1789, *PAH*, 5: 488; *The Federalist Papers*, No. 11, 53–54.

ruption in trade with Britain would wreak havoc with the nation's finances, particularly because Hamilton's funding system left virtually no margin for error. Due to the popular resistance to taxation, Hamilton raised just enough revenue to service the debt and fund the current expenses of a no-frills government. Tariff revenue from increased trade with other nations might make up some of the lost revenue caused by commercial discrimination, but to make up the remainder, internal taxes (excise, property, and head) would have to be raised. Hamilton, though, doubted whether the people would tolerate much of an increase in internal taxation unless the stakes were higher. Finally, Hamilton believed that commercial discrimination would likely provoke war with Britain: "A proper estimate of the operation of the human passions must satisfy us that she [Britain] would be less disposed to receive the law from us than from any other nation—a people recently become a nation, not long since one of her dependencies. . . . It will be wonderful if the immediate effect of either of these measures be not either War or the seizure of our vessels wherever they are found." To think that Britain would allow itself to be intimidated by an upstart former colony seriously underestimated the role of pride in the conduct of nations. Montesquieu and Madison may have thought that Britain's economic interests always dictated its political interests, but Hamilton clearly did not.⁵⁰ Rather than acceding to American demands, Britain would more likely put America in its place.

Having said all of this, Hamilton did not oppose commercial discrimination in principle. His point was that for the policy to succeed, America would have to be stronger both economically and militarily so that it could carry out any threats that it might make and endure any reprisals that it might suffer. As he cautioned in *Federalist* 11: "The rights of neutrality will only be respected when they are defended by an adequate power." Given its small agrarian economy, precarious finances, and feeble military, America was simply in no condition to pick another fight with the mighty British Empire, particularly because this time around, there was little prospect of France (then in the throes of its own

50. Hamilton, Conversation with George Beckwith, October 1789, *PAH*, 5: 483; Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 275; Madison, House Speech on May 4, 1789, *PJM*, 12: 127; Walling, *Republican Empire*, 201; Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 275; Elkins and McKittrick, *The Age of Federalism*, 124, 380–84; Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 272, 274; Montesquieu, *The Spirit of the Laws*, 20.7: 343. Montesquieu was probably idealizing British policy because Britain was his practical model, which he hoped other nations would emulate.

revolution) rendering vital succor as it did during the Revolution: "Tis as great an error for a nation to overrate as to underrate itself. Pre-sumption is as great a fault as timidity. Tis our error to overrate ourselves and to underrate Great Britain. We forget how little we can annoy [and] how much we may be annoyed."⁵¹

Beneath the pretext of the public motive of vindicating America's commercial rights, Hamilton espied a darker motive in the policies of Jefferson and Madison—an immoderate hatred of all things British similar to Madame de Maintenon's religious bigotry against the Huguenots:

In respect to our foreign policies the views of these Gentlemen are in my judgment equally unsound & dangerous. *They have a womanish attachment to France and a womanish resentment against Great Britain.* They would draw us into the closest embrace of the former & involve us in all the consequences of her politics, & they would risk the peace of the country in their endeavors to keep us at the greatest possible distance from the latter. . . . Various circumstances prove to me that if these Gentlemen were left to pursue their own course there would be in less than six months *an open War between the U[nited] States & Great Britain.*⁵²

With their organization of a political party, Jefferson and Madison were eventually able to overcome the checks and balances of the Constitution, which had been designed to contain the kind of political passions that drove their relentless pursuit of commercial warfare with Great Britain. Although he did not live to see the implementation of their policy of "peaceable coercion," Hamilton was ultimately vindicated, as events unfolded pretty much as he had predicted. The Non-Importation Act of 1806 did virtually nothing to alter British policy. When non-importation was escalated to complete nonintercourse with the Embargo Act of 1807, the policy would stir talk of secession in New England and end in a near-disastrous war with Great Britain (War of 1812).

CONCLUSION

After the experience of the War of 1812, Jefferson and Madison were forced to acknowledge the limitations and dangers of economic warfare

51. *The Federalist Papers*, No. 11, 55; Hamilton, Letter to Washington, September 15, 1790, *PAH*, 7: 49–50; Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 276.

52. Hamilton, Letter to Edward Carrington, May 26, 1792, *PAH*, 11: 439.

and to accept much of Hamilton's economic program for the sake of national defense. As Jefferson put it, "there exist both profligacy and power enough to exclude us from the field of interchange with other nations," and as a result, "manufactures are now as necessary to our independence as our comfort."⁵³ Still, the Virginians regarded Hamilton's commercial republic as a necessary evil rather than a positive good because of what they believed were its domestic costs to republicanism and human happiness. Hamilton took virtually the exact opposite view, seeing the great potential of commerce to help forge a nation whose splendor would rival that of Athens and Rome. That dispute will be discussed in full in chapter 6, but before that discussion, we will examine Hamilton's efforts to harness commercial motives in a way that would promote domestic tranquility instead of discord.

53. Jefferson, Letter to Benjamin Austin, January 9, 1816, *WTJ*, 10: 10.

Chapter 5

CEMENTING UNION

Hamilton's emphasis on conflict and rivalry in human affairs did not stop at the water's edge; it likewise affected his approach to the problem of domestic factions. Indeed, his greatest fear was that a Hobbesian war of all against all would break out between the states, ending in the violent death of the Union. At the Constitutional Convention, Hamilton certainly toyed with the idea of abolishing the states altogether, but because this would "shock the public opinion" too much, his own plan for a new national government settled for a clear subordination of the states to the national government.¹ His plan would, of course, sink like a lead balloon, and in his eyes, the Constitution that eventually emerged still left the states with too much power and influence. Hamilton would have to figure out alternative ways to cement union and to create a distinctly American identity that would overcome the people's loyalties to their respective states.

As Clinton Rossiter pointed out, the novelty and the difficulty in forging a creature known simply as an "American" is sometimes forgotten. During the founding era, the people's loyalties were directed al-

1. Gerald Stourzh, *Alexander Hamilton and the Idea of Republican Government*, 109–25; *The Federalist Papers*, No. 6, 82; Hamilton, Speech on June 18, 1787, *The Records of the Federal Convention*, vol. 1, 287, 291, 293. The subordination of the states to the national government would be achieved by vesting the national government with plenary "power to pass all laws whatsoever," a veto over state laws, the power to appoint state governors, and complete control over the state militias.

most exclusively to their states, which were long established and close, unlike the national government, which was new and remote. Even among such founders as Washington, Adams, Madison, and Jefferson, loyalty to their respective home states competed with their loyalty to the national government. As an emigrant from the British West Indies, Hamilton had not grown up developing the kind of loyalty to his state that a typical colonist had, and even when he did plant some roots in New York, it was clear that they were not planted very deeply. As Rossiter put it, Hamilton "was second only to Franklin in time [and] second to no one in zeal in shedding all vestiges of provincialism and in thinking entirely in terms of the nation." In drafting Washington's Farewell Address, Hamilton included the following line to exhort his fellow countrymen to follow his lead in thinking in "continental" terms: "The name of American must always gratify and exalt the just pride of patriotism more than any denomination which can be derived from local discrimination."²

As useful as such exhortations are, Hamilton understood their limited ability to move men. Patriotic devotion to the Union would need to be supplemented by the powerful motive of economic interest. In particular, he turned to commerce and the assumption of the state debts as important means for cementing union and creating a national identity. It must be emphasized that he did not think this process was automatic. Hamilton was convinced that commercial motives needed to be properly channeled and educated lest they tear the Union apart rather than bind it together more tightly.

COMMERCE, MUTUAL INTEREST, AND THE ASSIMILATION OF MORES

As we have seen, Montesquieu argued that commerce creates mutual economic interests and fosters communication among peoples, the gradual effect of which is to promote peace and produce a general assimilation of mores and laws among nations. Although Hamilton agreed that commerce has such a tendency, he believed that because commerce also generates animosities, the tendency would not be sufficient to bind the various states together. For commerce to have its full harmonizing effects, it needed the aid of energetic statesmanship, which Hamilton was more than eager to supply.

2. Clinton Rossiter, *Alexander Hamilton and the Constitution*, 13–15; Hamilton, Letter to Washington, July 30, 1796, *PAH*, 20: 270.

Like Montesquieu, Hamilton believed that "mutual wants constitute one of the strongest links of political connection." Yet Hamilton qualified that belief because he also believed that the strength of mutual interest in tying people together varies considerably according to the views people hold of their interests. For mutual interest to tie people together, they must have an enlightened sense of their interests. This requires them to "trace the intimate connection of interest which subsists between all the parts of a Society," and to have sufficient control of their impulses to act in accordance with that knowledge. In other words, it requires an ability to distinguish between short-term and long-term interests, and the self-command to prefer the long-term. Although Hamilton saw the mercantile and professional classes as generally possessing "superior acquirements," he believed that citizens who understood their long-term interests were in the distinct minority. Instead, he saw an unfortunate tendency among individuals and the states to yield "to the persuasive voice of immediate interest or convenience" at the expense of their permanent and aggregate interest. Furthermore, "a spirit of ill-informed jealousy, or of too great abstraction and refinement" can easily "lead men astray from the plainest paths of reason and conviction."³ That is to say, political passions and theoretic opinions also cause men to neglect or to misunderstand their true (enlightened) interests.

The two great economic interests that Hamilton wanted to tie together were agriculture and commerce or manufacturing. In *Federalist* 12, Hamilton was rather optimistic about the prospects for an enlightened view to prevail on the intimate link between agriculture and commerce: "The often-agitated question between agriculture and commerce has from indubitable experience received a decision which has silenced the rivalry that once subsisted between them, and has proved, to the entire satisfaction of their friends, that their interests are intimately blended and interwoven. . . . It is astonishing that so simple a truth should ever have had an adversary."⁴ Soon after the ratification of the Constitution, however, Hamilton discovered that far too many citizens and politicians retained a strong willingness to prefer their immediate interests, a spirit of ill-informed jealousy, and a number of abstract notions that led them to question the desirability of encouraging commerce and manufacturing. Jealousy between agricultural states and manufacturing states could easily disturb the harmony of the Union. Although

3. Hamilton, "Report on Manufactures," *PAH*, 10: 293; *The Federalist Papers*, No. 35, 182; No. 15, 77, 80; No. 12, 60.

4. *The Federalist Papers*, No. 12, 59–60.

Hamilton could have relied on the extended sphere and the Constitution to "refine and enlarge the public views," he considered those means inadequate. Public opinion would have to be enlarged more directly, something he aimed to accomplish in his *Report on Manufactures*.

Hamilton opened that report acknowledging that there were "respectable patrons of opinions, unfriendly to the encouragement of manufactures." He then discussed at length why those opinions were wrong. For present purposes, I wish to underscore Hamilton's recognition of the need to educate public opinion about the usefulness of manufactures and to focus on Hamilton's attempt to instill an opinion that the interests of agriculture and manufacturing "are intimately blended and interwoven." Hamilton began this section of his report by observing: "It is not uncommon to meet with an opinion that though the promoting of manufactures may be the interest of a part of the Union, it is contrary to that of another part. The Northern & southern regions are sometimes represented as having adverse interests in this respect. Those are called Manufacturing, these Agricultural states; and a species of opposition is imagined to subsist between the Manufacturing and Agricultural interests." What Hamilton was confronting was a narrow view of interest that only looks as far as the immediate effects of a policy. In his earlier essay, "The Continentalist, No. V," Hamilton had deplored this general defect of the American character: "We seem not to reflect, that in human society, there is scarcely any plan, however salutary to the whole and to every part, by the share, each has in the common prosperity, but in one way, or another, and under particular circumstances, will operate more to the benefit of some parts, than of others. Unless we can overcome this narrow disposition and learn to estimate measures, by their general tendency, we shall never be a great or a happy people, if we remain a people at all." To be sure, "experience gradually dissipates" "this idea of an opposition between those two interests [agriculture and manufacturing]," but because the process of education by experience is only gradual, Hamilton had to intervene and show what experience teaches before those interests conflicted in a more serious way. Hamilton's intervention was all the more necessary because he conceded that government encouragement of manufactures would impose short-term costs on farmers: "Particular encouragements of particular manufactures may be of a Nature to sacrifice the interests of landholders to those of manufacturers." Nonetheless, citizens must become willing to sacrifice their short-term interests to their long-term interests and to the long-term interests of the whole because experience had established "that the *aggregate* prosperity of manufactures, and the

aggregate prosperity of Agriculture are intimately connected." Yet the problem was as much a matter of people's *ideas* as their *interests*: "Ideas of a contrariety of interests between the Northern and southern regions of the Union, are in the Main as unfounded as they are mischievous. . . . [Such] suggestions are ever to be deplored, as unfriendly to the steady pursuit of one great common cause, and to the perfect harmony of all the parts." That is to say, the *idea* of a conflict between agriculture and manufacturing not only disturbs harmony among the various regions but also prevents citizens from thinking they are part of a whole with a common aim. In fact, viewing oneself as participating in a common cause is the means by which harmony is promoted. Citizens must therefore be given the *same* opinion or idea of the complementary nature of agricultural and commercial interests, and giving citizens the same opinion requires that they be *habituated* into thinking that their interests are intimately blended and connected: "In proportion as the mind is *accustomed* to trace the intimate connexion of interest, which subsists between all the parts of a Society united under the *same* government—the infinite variety of channels which serve to Circulate the prosperity of each to and through the rest—in that proportion will it be little apt to be disturbed by solitudes and Apprehensions which originate in local discriminations."⁵ Experience helps to accustom or to habituate citizens into thinking of their interests in continental terms, but because citizens are easily seduced by immediate interest, jealous passion, and false ideas, enlightened statesmen are needed at the helm to help citizens refine and enlarge their views.

Hamilton's argument in favor of manufacturing had an additional implication for promoting harmony, or at least for avoiding faction. In *Federalist* 10, Madison argued that extending the sphere would create a diversity of property that would help to prevent any one economic interest from predominating, and the kind of industrial development that Hamilton advocated would certainly create an even greater diversity of property. But Hamilton also believed that despite increasing economic inequalities, the development of manufacturing would eventually decrease the proportion of poor citizens, which contradicted Madison's position. During the Constitutional Convention, Madison made the fol-

5. Hamilton, "Report on Manufactures," *PAH*, 10: 293; Hamilton, "The Continentalist, No. V," April 18, 1782, *PAH*, 3: 82; Hamilton, "Report on Manufactures," *PAH*, 10: 293–94 (boldface added). This seriously challenges the usual reading of *Federalist* 10, which understands Publius as merely seeking to neutralize various conflicting interests, while making the common interest the product of bargaining between those interests.

lowing prediction: "In future times a great majority of the people will not only be without landed, but any other sort of, property. These will either combine under the influence of their common situation; in which case, the rights of property & the public liberty, <will not be secure in their hands:> or which is more probable, they will become the tools of opulence & ambition, in which case there will be equal danger on another side." The basis for Madison's gloomy prediction was his belief that as a society becomes more populous and recurs to manufacturing, it inevitably creates a large class of poor laborers. In a letter to Jefferson, Madison explained more fully this great economic dilemma of mature nations:

No problem in political Oeconomy has appeared to me more puzzling than that which relates to the most proper distribution of the inhabitants of a Country fully peopled. Let the lands be shared among them ever so wisely, and let them be supplied with labourers ever so plentifully; as there must be a great surplus of subsistence, there will also remain a great surplus of inhabitants, a greater by far than will be employed in cloathing both themselves and those who feed them, and in administering both, every other necessary and even comfort of life. What is to be done with the surplus? Hitherto we have seen them distributed into manufacturers of superfluities, idle proprietors of productive funds, domestics, soldiers, merchants, mariners, and a few other less numerous classes. All these classes notwithstanding have been found insufficient to absorb the redundant members of a populous society.

Madison's view was shared by the sublimely dismal Hobbes and Malthus, but even the sunnier Adam Smith endorsed it: "In a country fully peopled in proportion to what its territory could maintain or its stock employ, the competition for employment would necessarily be so great as to reduce the wages of labour to what was barely sufficient to keep up the number of labourers, and, the country being already fully peopled, that number could never be augmented." Unlike Smith, however, Madison thought that several nations in Europe (most notably, Britain) had already reached such a stage based on the large flow of emigration from that continent. America would likewise have to confront the same dilemma sooner or later because its supply of land, while great, was not infinite: "We see in the populous Countries in Europe now, what we shall be hereafter."⁶ When the nation reached that stage,

6. Madison, Remarks on August 7, 1787, *The Records of the Federal Convention*, vol. 2, 203-4; Madison, Letter to Jefferson, June 19, 1786, *PJM*, 9: 76-77; Smith, *The Wealth*

the division between rich and poor—that most durable source of faction—would become so great as to threaten America's republican form of government.

As in other economic matters, Hamilton parted company with Madison and Smith, for Hamilton believed that America had "an infinite fund of resources yet to be unfolded." America certainly possessed an abundance of natural resources, but nations like Holland managed to prosper without them. Such prosperity was attributable to what was mentioned in the previous chapter, namely, the immense productive powers of manufacturing, which are derived from "an accession of Skill, or from the application of ingenious machinery." And unlike the acquisition and cultivation of land, the development of human capital and technology had no obvious limit, particularly because Hamilton denied that agriculture was inherently more productive than manufacturing. It was no coincidence that Smith, who posited agriculture's superior productiveness, set the upper limit on a nation's riches based on "the nature of its *soil* and *climate*, and its situation with respect to other countries." By contrast, Hamilton emphasized the potentially boundless nature of human productivity in *Federalist* 11 (and in his *Report on Manufactures*), where he claimed that the "unequaled spirit of enterprise" of American merchants and navigators "is *in itself an inexhaustible mine of national wealth*." In concrete economic terms, he thought that the development of manufacturing leads to increasing rather than subsistence wages for workers: "higher wages are given to workmen in most manufactures, than to labourers employed in Tillage . . . which are indications of superior productiveness." Hence the danger of a large mass of poor citizens came not from industrialization, but from its absence, because without it, the incentive to become more productive would be "limited to the maintenance of each family in the simplest manner."⁷ One of Hamilton's cures to the perennial struggle between

of Nations, 1.9: 94–95; Madison, "Population and Emigration," November 19, 1791, *PJM*, 19: 117–22; Madison, Remarks on July 26, 1787, *The Records of the Federal Convention*, vol. 2, 124. See also McCoy, *The Elusive Republic*, 126–31; Richard K. Mathews, *If Men Were Angels: James Madison and the Heartless Empire of Reason*, 39–47.

7. Hamilton, "Report on Manufactures," *PAH*, 10: 276; Hamilton, "The Continentalist, No. V," *PAH*, 3: 78 (cf. Trenchard and Gordon, *Cato's Letters*, vol. 2, no. 86, p. 631; Hamilton, "Report on Manufactures," *PAH*, 10: 239; Smith, *The Wealth of Nations*, 1.9: 94 (emphasis added); *The Federalist Papers*, No. 11, 56 (emphasis added); Hamilton, "Second Draft of the Report on Manufactures," *PAH*, 10: 53. In the near term, Hamilton was more intent on lowering the wages of laborers because of their scarcity, but in the longer term, their wages would presumably begin to rise with their increasing productivity.

rich and poor was, then, an ever-expanding industrial economy, which, to use a modern phrase, would create a rising tide that would lift all boats.

Although its effects would be more gradual and less pronounced, commercial development would also tend to “promote a gradual assimilation of temper and sentiments” among the citizens in the various states. Hamilton was especially anxious to assimilate the northern and southern regions because he understood that the great fault line in American politics lay between them. More precisely, he wished to have southerners assimilate their tempers and sentiments to northern ones because he thought that the prevalence of slavery corrupted southern mores, and the spread of the spirit of northern commerce to the South would help to regenerate them. Complete assimilation was not likely, however, because Hamilton saw the assimilating tendency of commerce as having distinct limits that were particularly applicable to the South: “there are causes, as well physical as moral, which may, in a greater or less degree, permanently nourish different propensities and inclinations in this particular.” In speaking of physical as well as moral causes which affect the mores of citizens, one is reminded of Montesquieu’s own discussion of the matter. The physical or natural cause to which Montesquieu attached greatest importance was climate. He argued that people in cold northern climates tend to be vigorous and industrious, whereas people in hot southern climates tend to be timid and lazy. Because a hot climate disposes men to avoid labor, especially the labor needed to cultivate land, slavery is more common in hot regions. In America, slavery was concentrated in the southern states, where the climate is hotter and the soil particularly suited to crops that used slave labor. This physical cause would probably hinder commercialization in the South, although Hamilton seems to have regarded climate as less important than Montesquieu.⁸ Another physical cause that limited intercourse between the regions was the lack of a real communications and transportation infrastructure to link the various regions of the nation. Until one was created, assimilation would likewise be circumscribed.

More important than physical causes are what Montesquieu termed moral or man-made causes, which stem above all else from the legislator. On this point, Montesquieu and Hamilton agreed. Montesquieu, however, held the view that commerce is a moral cause that mimics

8. *The Federalist Papers*, No. 60, 335; No. 13, 66; No. 60, 335–36; Montesquieu, *The Spirit of the Laws*, 14.1–2: 231–34; 14.6: 236, 15.7: 251; *The Federalist Papers*, No. 11, 58–59.

physical causes in that commerce has its own "laws" and "spirit." As we have seen in the discussion of commerce and foreign policy as well as the discussion of mutual interest, Hamilton was not convinced that these laws of commerce were as potent and uniform in their operation as Montesquieu believed them to be. Accordingly, statesmen have a greater opportunity (or burden) to shape the sentiments and views of the citizens. This disagreement also explains why Hamilton believed that the states needed to be under the same government with the power to regulate trade among the states; otherwise, their differing interests and views would harden and produce quarrels and contentions. Moreover, specific government policies would have an important effect on the extent of intercourse and assimilation among the regions. Encouraging manufactures would increase intercourse between the regions as they looked to each other rather than foreign nations to supply their mutual wants. A postal system and public works (roads, bridges, and canals) would also "tend to secure the connection, by facilitating the communication between distant portions of the Union." On the other hand, certain government policies would produce the opposite effect. Extending the geographical limits of the nation and encouraging settlement of the frontier (which Jefferson and Madison favored) would tend to weaken the links between the regions.⁹ And so long as the nation tolerated slavery, commerce's assimilating effects would likewise be limited.

ASSUMPTION, HARMONY, AND JUSTICE

In *Federalist* 7, Hamilton warned that without continued Union, the public debt would become a source of conflict and animosity between the states as they dealt with its apportionment and payment. Unfortunately, neither continued Union nor the Constitution resolved the issue because the Constitution contained no specific provision for discharging the state debts left over from the Revolutionary War (which would total about \$18.27 million).¹⁰ In Hamilton's view, having the federal government assume the remaining state debts was the best way to

9. Montesquieu, *The Spirit of the Laws*, 14.3–5: 235–36; 20.1–2; 338–39; Hamilton, "Defence of the Funding System," *PAH*, 19: 40.

10. *The Federalist Papers*, No. 7, 32–33; Ferguson, *The Power of the Purse*, 330, Perkins, *American Public Finance*, 215. The funding act that eventually passed authorized the federal treasury to assume up to \$21.5 million in state debts, but the actual amount ultimately assumed totaled \$18.27 million.

ensure a full and fair provision for the public debt. Without assumption, Hamilton predicted that America's tranquility would be imperiled in much the same way were the Union to split into rival confederacies.

As a prelude to examining the connection between assumption and domestic tranquility, I would like to point out a statement Hamilton made about the general issue of funding the debt that will bear on the issue of assumption. Hamilton observed that there were some Americans "who from a horrible sentiment of injustice or the maniasm [*sic*] of false opinions" contemplated a repudiation of the public debt, and warned that such a move could very well produce a dissolution of government: "The real failure to do right which often sinks the Governments, as well as individuals into merited contempt alienating many of its ablest friends while it would diminish its support would at the same time increase in a tenfold ratio the mass of unfavorable opinion toward it. And from the combination of these causes it would have been likely to have degenerated into a despicable impotence and after a lingering atrophy to have perished." This is not to say, of course, that Hamilton expected perfect justice from government. Like any prudent statesman, he sought to balance a plan's "intrinsic goodness" with "a reasonable probability of success"; that is, he would not sacrifice "the prospect of accomplishing what was substantially good to the impracticable attainment of what was deemed theoretically perfect."¹¹

Assumption provided the national government with the means to accomplish what was substantially good by satisfying the claims of justice of two major groups: public creditors and the citizens of various states. Assumption was preferable for public creditors because the alternative—leaving the states to pay off their remaining debts on their own—was far less likely to see the debts paid in full. The reasons for this were twofold. First, Hamilton believed that Massachusetts, Rhode Island, Connecticut, South Carolina, and Georgia were simply incapable of making adequate provision for their large debts by themselves. Second, given the history of "relaxed conduct of the State Governments in regard to property and credit," some states might be tempted "to further tampering with faith, credit, and property" regardless of their ability to pay. In theory, tampering with credit was precluded by article 1, section 10 of the Constitution, which prohibits the states from making anything other than gold and silver a tender for the payment of debts and from impairing the obligation of contracts, but one suspects that Hamilton doubted whether the newly constituted federal judiciary would be willing

11. Hamilton, "Defence of the Funding System," *PAH*, 19: 3, 5–6.

or able to enforce these prohibitions rigorously. Instead, Hamilton thought it would be safer to unite the interests of creditors in support of a measure to make the federal government solely responsible for full funding of the debt: "The assumption by uniting the interests of public Creditors of all descriptions . . . brought into the field an auxiliary to fortify the public opinion in opposition to the efforts of faction and of the *antiproprietary* spirit, in favour of a just and reasonable provision for the debt and for the support of credit." In other words, assumption was intended to serve as an additional, if artificial, remedy against majority faction in the states. If, however, the government failed to do justice to creditors, Hamilton worried that the holders of state debts might very well decide to rebel: "Their disappointment and disgust quickened by the sensibility of private interest could but have been extreme." If a desperate debtor like Daniel Shays could stir up rebellion, so could a desperate public creditor, probably with greater success since public creditors tended to be men of superior talent and ability. Furthermore, it was not just desperate public creditors who might cause trouble if the debt were not fully funded:

There was another class of men and a very weighty one who had had [a] great share in the establishment of the constitution who though not personally interested in the debt, considered the maxims of public credit as of the essence of good government. . . . These men from sentiment would have regarded their labors in supporting the constitution as in a great measure lost—they would have seen the disappointment of their hopes in the unwillingness of the government to do what they esteemed justice and to pursue what they called an honorable policy, and they would have regarded this failure as an augury of the continuance of the fatal system which had for some time prostrated the national honor, interest, and happiness.

These "very weighty" men concerned about justice and honor (like Hamilton) could pose a threat to the stability of the government if they either became indifferent to the fate of the government or decided to risk their lives, fortunes, and sacred honor in order to establish a more just government.¹²

This brings us to assumption's great utility in obtaining justice for citizens in general: equalizing the tax burden. Hamilton argued that "the most simple and satisfactory notion of Justice was to secure that indi-

12. *Ibid.*, 5–6, 31–32. Hamilton held a trifling \$800 worth of public securities (see Hamilton, Letter to William Heth, June 26, 1792, *PAH*, 11: 572–73).

viduals of the same Nation who had contended in the same cause for the same object[,] their common liberty[,] should at the end of the contest find themselves on an equal footing as to burthens arising from the contest." Here, Hamilton employed the most elementary definition of distributive justice: equal things should be treated equally. This was an especially powerful argument in a regime devoted to equality; Hamilton deftly contrasted his notion of justice with "the aristocracy of state pretensions." Thus, if the burden of paying off the debt should be made as equal as possible, then assumption was the best available means to do so because only the federal government could divide the tax burden in a tolerably equal fashion among all of the citizens. An additional effect of Hamilton's notion of justice was to teach the citizens of the various states to think of themselves as a single people of a single nation, and making all citizens bear the burden of paying off the debt would reinforce the idea. After all, shared sacrifice is one of the great means of fostering political solidarity, and in a commercial republic, paying taxes is considered a great sacrifice (which is why Hamilton expected the measure to breed temporary resentment).¹³

Suppose, however, assumption had been defeated. The financial effect would have been an increase in the interest rate that the federal government had to pay on its loans because "it was not easy for foreigners to distinguish accurately between infractions of credit by the State Governments & by the general." Far worse, however, would have been the reaction of the citizens in the various states:

It is impossible to imagine any thing more calculated to breed discontent, and between the citizens of the UStates mutual jealousy & animosity than the inequality of condition which without the assumption would have existed.

When the citizens of Massachusetts or Connecticut bordering on New York felt themselves burthened with heavy taxes while their neighbours of New York paid scarcely any[,] what must have been their sensations? How must they have been stung by the sense of so unjust an inequality? How must their envy and dissatisfaction have been excited? How much must this have tended to beget in them discontent with the Government under which they lived and from discontent to lead them to revolt?

13. Hamilton, "Defence of the Funding System," *PAH*, 19: 9, 20, 36, 41. Donald Swanson makes a similar point: "the united effort to pay off the debt over an extended period of time would help cement the union of the separate states." Swanson, *The Origins of Hamilton's Fiscal Policies*, 80.

Hamilton pointed to Shays's Rebellion as having been motivated in part by a comparison of the heavy taxes levied in Massachusetts to the lighter tax burdens of the surrounding states. Had assumption been defeated, Hamilton saw another likely reaction to the unequal state tax burdens that was almost as bad as rebellion: the people would have voted with their feet by moving away from high-tax states to low-tax states and the territories. This would have increased the burden on the remaining citizens in the high-tax states (making default more likely), slowed industrial development (since it requires a relatively dense population), and dispersed "too widely and too sparsely the elements of resource and strength." Hamilton was especially worried about a dispersion of the population because it would "weaken government by enlarging too rapidly the sphere of its action and weakening by stretching out the links of connection between the different parts."¹⁴ Unlike Jefferson and Madison, Hamilton was not eager to extend the geographic sphere of the nation, and he therefore opposed any "artificial" inducement to new settlements.

Despite these arguments, assumption was not strictly necessary to equalize the tax burden among the states because the settlement of accounts after the war was specifically designed to do just that. The settlement of accounts involved adding the amounts that each state expended on behalf of the war and then apportioning the total among the states according to some equitable ratio. States that had made disproportionately high expenditures were to be reimbursed by states that had made disproportionately low expenditures. In this way, the tax burden would be equalized. In theory, assumption would neither help nor hurt a state because it was tied to the settlement of accounts. Any debts that the federal government assumed from a state would simply be debited in the final settlement. In practice, however, assumption and the settlement of accounts were directly linked. The states of Massachusetts and South Carolina, groaning under the weight of large debts and taxes caused by their great expenditures on behalf of the war, demanded immediate assumption out of a fear that the settlement of accounts would never take place. The process of settlement, which had been under way for eight years, was being bogged down by issues of what constituted adequate proof for expenditures (southern states were generally less fastidious in their record keeping than northern states) and what the rule of apportionment should be (population, land values, etc.). With little prospect of reaching a final settlement anytime soon, several delegates from

14. *Ibid.*, 32–33, 36–40.

those two states went so far as to threaten to dissolve the Union if their demands for immediate assumption were not met. In other words, events had unfolded exactly as Hamilton had predicted they would in *Federalist* 7. In that paper, he warned that the apportionment and extinguishment of the public debt would be “productive of ill humor and animosity,” that disputes over the rule of apportionment would cause “procrastinations,” and that agreement on rule of apportionment would not prevent “delinquencies in payment.” Put succinctly, “it is an observation, as true as it is trite, that there is nothing men differ so readily about as the payment of money.” According to Hamilton, assumption facilitated a final settlement because by providing immediate relief to heavily indebted states, it “rendered the issue & consequently the principles of the settlement less important. It allowed greater latitude to the Commissioners to deviate from rule to consult expediency to shape the result by a spirit of accommodation, and concession to circumstances. Hence a settlement bec[a]me more practicable in proportion as it was less important.” In other words, by making a final settlement of accounts possible, assumption contributed to establishing “harmony” among the states.¹⁵

But before assumption was enacted in exchange for locating the permanent seat of the federal government on the Potomac, it faced opposition from Madison, who raised the objection that Hamilton’s plan for assumption would shortchange states like Virginia in the event that the final settlement of accounts did not occur because it had already paid off the greater portion of the debt it had contracted during the war. In that event, states that had been less diligent in discharging their debts would end up shifting a good portion of their debts to the more diligent states. To insure against such an outcome, the Virginian made the proposal (which was defeated) that assumption also include all debts that the states had discharged since the end of the war (with states receiving public securities from the federal government similar to those issued to public creditors). Madison argued that only in this way could assumption be made equitable. Although Hamilton did not comment on the proposal directly, he did refute the underlying belief that assuming the debts “in this unequal State” was unfair to the states that had been more diligent in retiring their debts. According to Hamilton, the “true rule for conducting the expences of the Revolution” was that the burden should be “individually equal among the citizens of all the states

15. Ferguson, *The Power of the Purse*, 308; *The Federalist Papers*, No. 7, 32–33; Hamilton, “Defence of the Funding System,” *PAH*, 19: 37–38.

according to individual property and ability." Of course, the ability of citizens in each of the states to bear the cost of the war varied considerably. In those states where the war was actually fought, individual private property was devastated. By contrast, other states possessed "auxiliary resources" such as "waste land & confiscated property" that made it easier for them to retire their debts. Not coincidentally, the greatly indebted states that were having trouble discharging their debts were precisely those states that had suffered most during the war and lacked auxiliary resources. In short, "State provisions produced inequality from the inequality of their debts from the inequality of adventitious resources from the inequality of permanent abilities." Because of these various artificial circumstances, Hamilton believed that "the states which had absorbed less of their debt had not the less equitable Title to relief." Madison may have believed that assumption entailed an "injustice to a majority of the states," but Hamilton believed that with assumption "Justice among Individuals was better promoted."¹⁶ As one might expect, Hamilton's undiluted nationalism shaped his view of distributive justice in this matter.

Assumption had two additional advantages from the standpoint of cementing union not immediately connected to issues of justice. The first concerned the concurrent authority of the state governments and the federal government to tax. Hamilton considered this provision of the Constitution to have been the product of expediency because granting the federal government priority in matters of taxation would have prevented ratification. Nonetheless, the concurrent authority to tax presented such "inherent and great difficulties" that Hamilton called it "the Gordian Knot of our political situation" because it created the distinct possibility of "collisions" between the state and federal governments as they competed for limited tax revenues. On the one hand, if the federal government deferred to the state governments in its tax policy, it would be difficult for the federal government to marshal enough resources for war or other national emergencies. On the other hand, if the federal government chose to tax as it saw fit and left the states with the remaining crumbs of tax revenue, "who could calculate the consequences of . . . so violent an expedient"? Representative Theodore Sedgwick, who hailed from the heart of Shays country, warned that the addition of federal taxes to the state's already onerous tax burden would produce yet

16. Ferguson, *The Power of the Purse*, 314–16; Hamilton, "Defence of the Funding System," *PAH*, 19: 8, 10, 13–19, 21; Madison, House Speech on April 22, 1790, *PJM*, 13: 169.

more violence. Whichever path the federal government chose, it would end in feeble measures and dissatisfaction in the community, much like the situation that had existed under the Articles of Confederation. In fact, Hamilton considered it quite possible that this “paralytic state of things” would force the federal government in practice to return to the disastrous system of requisitions. To him, “there appeared but one way of untying or severing [this Gordian knot], which was in practice to leave the states under as little necessity as possible of exercising the power of taxation.” Assumption untied that knot and was likely to do so for some time since the largest expenditures of the states had been for war. Having been relieved of that responsibility under the Constitution, their budgets and hence their need to compete with the federal government for tax revenue would diminish accordingly, which, in fact, occurred, as “taxes at the state level plummeted everywhere in the 1790s.”¹⁷

Assumption’s final advantage was that it would “strengthen our infant Government by increasing the number of ligaments between the Government and the interests of Individuals,” that is, it would unite the interests of public creditors and tie them to the federal government. Given his great fear that the centrifugal force of the states would overwhelm the centripetal force of the federal government and cause the Union to fly apart, Hamilton welcomed any measure “which consistently with the Constitution” would add to the centripetal force of the federal government. Opponents of his financial policies would eventually point to assumption as part of a grand scheme to create a “praetorian band” loyal to the treasury department, culminating in “consolidation” and monarchy. Madison had, in fact, opposed assumption partly because it would result in too large a flow of revenues “from the distant states to the center of Union” (though Madison’s objection must be taken with a grain of salt since his proposal to assume the debts that the states had already discharged would have swelled the federal debt by a third, which as Ferguson points out, would have made the states “pensioners of the Union”). Hamilton, however, flatly denied that this advantage was the most important reason for advocating the measure, saying, “had this then been the weightiest motive to the measure, it never would have received my patronage.” He claimed that the public debt was only intended to serve a temporary prop for the federal government while it “acquired the confirmations of habits and age.” As the debt was

17. Hamilton, “Defence of the Funding System,” *PAH*, 19: 22–23, 26; Ferguson, *The Power of the Purse*, 318; Hamilton, “Defence of the Funding System,” *PAH*, 19: 23, 27–28; Perkins, *American Public Finance*, 231.

paid off over a term of thirty years, its influence would wane, particularly because Hamilton expected ownership of the debt to become divided between foreign holders and a decreasing number of domestic holders, and the division which "would rapidly enough lessen the number of ligaments [and] diminish the influence upon individuals." And according to Ferguson's estimate, "there were probably at most no more than 15,000 to 20,000 holders of public securities in the nation" in 1790. With the public debt confined to so few people, its influence would be far less in America where approximately 85 percent of free men could vote than in Britain (whose financial policies Hamilton supposedly imitated) where only about one-sixth of free men were eligible to vote for the House of Commons.¹⁸ Moreover, Hamilton expected that much of this advantage would be offset by the need to impose unpopular forms of taxation (such taxes would trigger the Whiskey Rebellion). It therefore seems unlikely that in losing such a modest net advantage in favor of the federal government when assumption initially failed to pass, Hamilton would have become as dejected as Jefferson reported. A more likely explanation is that Hamilton was being forthright when claimed that his strongest motives for assumption were ensuring full funding of the debt and avoiding collisions between the state and federal governments over taxation.

CONCLUSION

While Hamilton believed that mutual economic interest and economic differentiation could be used to help tie the various parts of the Union together, he also believed that enlightened statesmen were needed at the helm to instruct people's opinions about their interests and to manage their various and interfering interests lest they become "more disposed to vex and oppress each other than to co-operate for their common good."¹⁹ This was all the more necessary during the na-

18. Hamilton, "Defence of the Funding System," *PAH*, 19: 40–41; Madison, Letter to Jefferson, August 8, 1791, *PJM*, 14: 69; Ferguson, *The Power of the Purse*, 316; Hamilton, "Defence of the Funding System," *PAH*, 19: 41; Hamilton, "Report on a Plan for the Further Support of Public Credit (1795)," *PAH*, 18: 84; Hamilton, "Defence of the Funding System," *PAH*, 19: 41; Ferguson, *The Power of the Purse*, 285; Thomas G. West, *Vindicating the Founders: Race, Sex, Class and Justice in the Origins of America*, 114–15. Jefferson (*Notes on Virginia*, Query XIV) notes that only 1 in 10 men could vote for members of the British Parliament and that a wide suffrage would be better at preventing the legislature from being corrupted.

19. *The Federalist Papers*, No. 10, 47.

tion's infancy, when clashing economic interests could provoke threats of secession—as in the case of assumption. Similarly, Hamilton denied that the invisible hand of economic interest was strong enough to instill in Americans the commercial virtue necessary for a prosperous, orderly, and just nation. Instilling that virtue would likewise require Hamilton's guiding hand.

Chapter 6

COMMERCE, VIRTUE, AND THE AMERICAN WAY OF LIFE

In his youth, Hamilton considered the station of a member of the Continental Congress to be “the most important of any I am able to conceive. He is to be regarded not only as a legislator, but as the founder of an empire.” Yet after the ratification of the Constitution, Hamilton declined the opportunity to run for a seat in the new Congress and instead chose the post of treasury secretary. In the intervening years, Hamilton had learned that in the modern world, “most of the important measures of every government are connected with the treasury.”¹ Necker, Walpole, and Colbert had made marks on their respective nations no less indelible than those made by the greatest of the ancient statesmen. Hamilton hoped to follow the example of these finance minister-founders by employing economic policy to forge Americans into a frugal, industrious, temperate, orderly, prudent, liberal, and law-abiding people.

According to Forrest McDonald, the greatest general obstacle Hamilton had to overcome in forging the character of the American people was “inertia: the American people, who tended to think of themselves as God’s chosen, had no urge to be remade in Alexander Hamilton’s image.”² To the ever-energetic Hamilton, inertia was a sign of

1. Hamilton, “Publius Letter, III (1778),” *PAH*, 1: 580; Hamilton, Letter to Edward Carrington, May 26, 1792, *PAH*, 11: 442.

2. McDonald, *Alexander Hamilton*, 117.

stagnation and corruption, and like Moses, he would have to reform the corrupt habits of the American people lest they lose their title to the Promised Land. Reinforcing this general obstacle to Hamilton's plans was an even more potent specific obstacle: the agrarian-oriented political economy of Jefferson and Madison. Hamilton's desire to create an industrial commercial republic (loosely) modeled on Great Britain was anathema to them because they believed that the American Revolution had been fought precisely to prevent America from becoming a corrupt, old, oligarchic nation like Great Britain. Since Jefferson and Madison furnished the strongest theoretical and practical opposition to Hamilton's economic program, we shall begin by examining their economic views in greater detail.

JEFFERSON, MADISON, AND AGRARIANISM

Thomas Jefferson encapsulated his views on political economy in the following famous passage from his *Notes on the State of Virginia*:

Those who labour in the earth are the chosen people of God, if ever he had a chosen people, whose breasts he has made his peculiar deposit for substantial and genuine virtue. It is the focus in which he keeps alive that sacred fire, which otherwise might escape from the face of the earth. Corruption of morals in the mass of cultivators is a phenomenon of which no age nor nation has furnished an example. It is the mark set on those, who not looking up to heaven, to their own soil and industry, as does the husbandman, for their subsistence, depend for it on the casualties and caprice of customers. Dependence begets subservience and venality, suffocates the germ of virtue, and prepares fit tools for the designs of ambition. This, the natural progress and consequence of the arts, has sometimes perhaps been retarded by accidental circumstances: but, generally speaking, the proportion which the aggregate of the other classes of citizens bears in any state to that of its husbandmen, is the proportion of its unsound to its healthy parts, and is a good-enough barometer whereby to measure its degree of corruption. While we have land to labour then, let us never wish to see our citizens occupied at a work-bench, or twirling a distaff . . .

In his study of Jeffersonian political economy, Drew McCoy explains that underlying Jefferson's fulsome encomium of agriculture and animadversions on finance and manufacturing was "a more sophisticated perception of how societies normally changed through time as well as

an acute understanding of the moral and political implications of a social process that he assumed was inevitable."³ As mentioned previously, Jefferson's view of how societies changed was informed by the notion of the cycle of a regime. This notion (which draws an analogy between the human body and the body politic) holds that the rise of the arts and commerce coincides with the moral and political decline, or old age, of a regime.

Transforming the idea of the *cycle* of a regime into the idea of the *progress* of a regime, political economists of the eighteenth century theorized that societies evolved over time, going through discrete stages of economic development, from rude simplicity to civilized complexity. In Adam Smith's version, nations pass through four stages: hunting, pasturage, agriculture, and commerce. The agricultural stage is dominated by "husbandmen who have little foreign commerce, [and] no other manufactures but those coarse and household ones which almost every private family prepares for its own use." Smith conceded that the agricultural stage carries with it great moral and political advantages. Since the farmer's way of life involves manual labor and exposure to the elements, he tends to be physically hardy, which renders him a good soldier in time of war. The farmer's way of life also renders him spiritually hardy or independent because at this stage of economic development, households are largely self-sufficient (hence no dependence on markets and customers) and the division of labor is not extensive. Furthermore, because agriculture supposes "some sort of fixed habitation which cannot be abandoned without a great loss," the farmer is a more dependable citizen than the merchant, who may move himself and his money easily. The final stage of economic development is characterized by finance, manufacturing, international trade, an advanced division of labor, luxury, densely populated cities, and refined manners and habits. While Smith endorsed commercial society, even he expressed reservations against it, especially the effects that an advanced division of labor has on workers:

The man whose whole life is spent in performing a few simple operations, of which the effects too are, perhaps, always the same, or very nearly the same, has no occasion to exert his understanding, or to exercise his invention in finding out expedients for removing difficulties which never occur. He naturally loses, therefore, the habit of such ex-

3. Jefferson, *Notes on Virginia*, Query XIX, WTJ, 2: 229–30; McCoy, *The Elusive Republic*, 13–14.

ertion, and generally becomes as stupid and ignorant as it is possible for a human creature to become. . . . Of the great and extensive interests of his country he is altogether incapable of judging; and unless very particular pains have been taken to render him otherwise, he is equally incapable of defending his country in war. The uniformity of his stationary life naturally corrupts the courage of his mind, and makes him regard with abhorrence the irregular, uncertain, and adventurous life of a soldier. . . . His dexterity at his own particular trade seems, in this manner, to be acquired at the expence of his intellectual, social, and martial virtues.⁴

Jefferson and Madison echoed and extended these criticisms of commercial society, which they viewed as unfavorable to both republicanism and human happiness.

In his essay for the *National Gazette*, "Republican Distribution of Citizens," Madison argued that the life of the husbandman is the most favorable to "health, virtue, intelligence and competence." Residing in the country, the farmer avoids "the extremes both of want and of waste" as well as the "distresses and vices of overgrown cities." This class of citizens "who provide at once their own food and raiment, may be viewed as truly independent and happy. They are more: they are the best basis of public liberty, and the strongest bulwark of public safety." By contrast, "the regular branches of manufacturing and mechanical industry" are generally "least favorable to vigor of body, to the faculties of the mind, [and] to the virtues or utilities of life." Consequently, entry into these occupations should not be "forced or fostered by public authority" as "long as occupations more friendly to human happiness, lie vacant." While concurring with Smith on the dehumanizing effects of an advanced division of labor, Jefferson and Madison were apparently not as sanguine as Smith that education could serve as an effective palliative.⁵ Instead, they preferred a policy of delaying full commercial development as long as possible.

Madison continued his fusillade against manufacturing in his essay on "Fashion" where he related the plight of people employed in buckle manufacturing who were thrown out of work when shoestrings and slippers became the prevailing fashion. In an effort to gain some relief, buckle manufacturers petitioned the Crown to give some direction to

4. McCoy, *The Elusive Republic*, 18–19; Smith, *The Wealth of Nations*, 3.1: 358, 5.1: 653–57, 734–35.

5. Madison, "Republican Distribution of Citizens," March 3, 1792, *PJM*, 14: 244, 246; Smith, *The Wealth of Nations*, 5.1: 734–35.

public taste in favor of buckles. Reflecting on the situation, Madison remarked:

Of all occupations those are the least desirable in a free state, which produce the most servile dependence of one class of citizens on another class. This dependence must increase as the mutability of wants is diminished. Where the wants on the one side are the absolute necessities; and on the other are neither absolute necessities, nor result from the habitual economy of life, but are the mere caprices of fancy, the evil is in its extreme. . . . Can any despotism be more cruel than a situation, in which the existence of thousands depends on one will, and that will on the most slight and fickle of all motives, a mere whim of the imagination.

By contrast, the farmer, the shopkeeper, and the tradesman are "occupied in supplying wants founded in solid utility" and "produce a reciprocity of dependence, at once ensuring subsistence, and inspiring a dignified sense of social rights." In Jefferson and Madison's view, the servile dependence associated with manufacturing might be appropriate for the subjects of a monarchy, but it was incompatible with republican citizenship. For citizens to cultivate a true spirit of independence, they needed a reasonably secure means of subsistence; as Publius observed, "*a power over a man's subsistence amounts to a power over his will.*"⁶ The Virginians fretted that the laboring poor would be tempted either to sell their political liberty to the rich and powerful for bread and circuses or to use their political liberty to expropriate the wealth of the few.

The Virginians also objected to the concentration of people in cities which accompanies the development of commerce and large-scale manufacturing. They viewed city life as detrimental to the health (disease spread rapidly in cities during this period) and the morals of citizens. Madison noted that "a great proportion of the vices which distinguish crowded from thin settlements, are known to have their rise in the facility of illicit intercourse between the sexes, on the one hand, and the difficulty of maintaining a family, on the other." Vice in general is also more prevalent in cities because the great number of people precludes a rigorous superintendence of morals (it is easy to get lost in the crowd). This, in turn, gives rise to mobs of dissolute individuals who beget political instability. As Jefferson put it: "The mobs of great cities add just so much to the support of pure government, as sores do to the strength of the human body. It is the manners and spirit of a nation which pre-

6. Madison, "Fashion," March 20, 1792, *PJM*, 14: 257–58; *The Federalist Papers*, No. 79, 440.

serve a republic in vigour. A degeneracy in these is a canker which soon eats to the heart of its laws and constitution."⁷

With these views of commerce and manufacturing, it was virtually inevitable that the Virginians would find themselves gainsaying much of Hamilton's economic program. What they found particularly troubling was Hamilton's attempt to use the government to artificially "force or foster" commercial development. This smacked of the mercantilist policies of Europe which loaded people with taxes and granted manufacturers a plethora of exclusive privileges for the sake of fabricating useless superfluities consumed by a rich and decadent few. As they saw the situation in Europe, "large numbers of people were steadily drawn away from the countryside, off the land, into less productive occupations in crowded urban areas. The ultimate result of this rural depopulation was the widespread poverty, moral decadence, and shameful squandering of resources—both natural and human—that characterized a stagnant socioeconomic order where depressed laboring classes were systematically manipulated to support the extravagantly corrupt life-style of a politically privileged minority." Jefferson and Madison thus joined with the Physiocrats and Smith in decrying mercantilist policies and sought to prevent the introduction of them in America. Unlike the Physiocrats and Smith, however, Jefferson and Madison were not content to leave economic development to progress "naturally." Their policy of "extending through space in a race against time" (i.e., westward expansion) in order to stave off the moral and political decline associated with commercial development was just as much an "artificial" interference in the natural course of economic progress as were Hamilton's economic policies.⁸

The Virginians hoped to keep America in the agricultural stage of development by pursuing a policy of westward expansion combined with free trade. In making America the breadbasket to the world, farmers would have an incentive to remain industrious. Finer manufactures would be left to the workshops of Europe, while coarser manufactures would be fabricated by households. In this way, an advanced division of labor could be avoided. In addition, they supported the creation of a system of public infrastructure so that farmers could get their surplus produce to market for export. As part of this system, control of the Mississippi River to its mouth was critical (which was one of the main reasons why Jefferson and Madison were so eager to acquire

7. Madison, "Population and Emigration," November 19, 1791, *PJM*, 14: 121; Jefferson, *Notes on Virginia*, Query XIX, *WTJ*, 2: 230.

8. McCoy, *The Elusive Republic*, 45, 121–22, 131.

Louisiana). In short, agrarian commerce seemed to offer a way to inoculate America against the ills of an advanced industrial society—"the European disease"—for at least several generations.⁹

DISPELLING THE AGRARIAN MYTH

In defending his program for commercial development, Hamilton was faced with the daunting task of dispelling the "agrarian myth," which had a long and distinguished list of adherents that included not only Jefferson and Madison but also many great philosophers and statesmen throughout history. The traditional myth held up the yeoman farmer as a paragon of virtue and self-sufficiency whose honest toil was largely devoid of commercial motives.¹⁰ It should be emphasized that the absence of commercial motives in traditional farming was one of the more important reasons why moralists held farmers in such high regard. Farmers look to satisfying real human needs which are by their nature limited. This allegedly made farmers less prone to greed or acquisitiveness. Fortunately for Hamilton, Jefferson and Madison (unlike some of the Anti-Federalists) eased his task by making no serious attempt to promulgate this part of the traditional agrarian myth. Their devotion to scientific farming and to the export of American agricultural surpluses showed that theirs was a commercial agrarianism. As a result, Jefferson and Madison allowed Hamilton to frame the debate at the theoretical level as one of comparing the relative productiveness of agriculture versus manufacturing. At the practical level, Hamilton saw the less-than-flattering reality of the lives of many American farmers who failed to live up to their virtuous reputation.

Hamilton, in fact, opened his *Report on Manufactures* with a refutation of the notion that agriculture is more productive than manufacturing. Paying due obeisance to "respectable patrons of opinions" predisposed in favor of agriculture, Hamilton began by conceding: "[T]he cultivation of the earth—as the primary and most certain source of national supply—as the immediate and chief source of subsistence to man—as the principle source of those materials which constitute the nutriments of other kinds of labor—as including a state most favourable to the free-

9. Banning, *The Sacred Fire of Liberty*, 58–72; McCoy, *The Elusive Republic* 121–32. According to Banning, gaining control of the Mississippi was one of the principal reasons Madison cited for invigorating the powers of the national government.

10. Paul H. Johnstone, "In Praise of Husbandry," 80–95; Joyce Appleby, "Commercial Farming and the 'Agrarian Myth' in the Early Republic," 833–35.

dom and independence of mind . . . has *intrinsically a strong claim to pre-eminence over every other kind of industry.*" Having made this concession, Hamilton immediately proceeded to undermine it by challenging the basis for bestowing such preeminence on agriculture. He first turned to the Physiocratic doctrine that only agriculture is productive. The problem with this doctrine, like French doctrines generally, is that it has "not been verified by any accurate detail of facts and calculations; and the general arguments, which are adduced to prove it, are rather subtil and paradoxical, than solid or convincing." To prove his point, Hamilton employed the arguments of Adam Smith, the most important being that the division of labor substantially increases the productive power of labor in manufacturing. Similarly, Hamilton found the claim that agriculture is more productive than manufacturing because the "labour employed in manufactures yields nothing equivalent to the rent of land" to be based on a distinction that is "rather *verbal* than *substantial*." The equivalent to the rent of land in manufactures is simply the rent of capital. And as we have seen, Hamilton contended that technological innovation in manufacturing could match the productive powers of unassisted nature in agriculture. Finally, the notion that farmers are an inherently industrious lot is belied by the "long intermissions" between sowing and reaping. Not coincidentally, Hamilton believed that "we labour less now than any civilized nation of Europe." Civilized nations labor more because they engage in extensive manufacturing.¹¹

Hamilton likewise contested Jefferson's bold claim that farmers are incorruptible. Even if we allow for a certain amount of hyperbole on Jefferson's part, it was clear to Hamilton that the stark reality of the behavior of many American farmers proved otherwise: witness their all too successful agitation for setting aside debts and printing paper money in the states. If farmers were truly incorruptible, they would not have formed "those high-handed combinations" which interrupted "the ordinary course of justice in the states." In simple terms, American farmers were no less prone to avarice than merchants and manufacturers. And given Hamilton's belief that farmers had too much idle time on their hands by virtue of their occupation, we may also infer that their excess of leisure contributed to the violations of justice in the states (since spending and politicking require leisure).¹²

11. Hamilton, "Report on Manufactures," *PAH*, 10: 236–43; Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 635.

12. Jefferson, *Notes on Virginia*, Query XIX, *WTJ*, 2: 229; *The Federalist Papers*, No. 70, 391. Some might attribute the "levity" with which contracts were treated to the not yet fully commercial character of the American people, but even Aristotle rec-

What is more, the two regions of America that Jefferson and Madison championed—the South and the West—were the most corrupt despite being the most agrarian. The South's corruption was rooted in its dependence on slavery, and it must have struck Hamilton as hypocritical for the Virginians to inveigh against manufacturing for its alleged dehumanizing effects while presiding over a far more dehumanizing and corrupting economic institution in their own backyard. Indeed, according to the more cynical interpretation of Hiram Catton, the attacks on Federalist commercial and financial policies were calculated in part to distract "attention from the terrible accusation against slavery implied by the equality doctrine."¹³

The situation on the frontier West was little better than that in the South. If nothing else, the Whiskey Rebellion shattered the myth (at least in Hamilton's mind) that the people in the region were rugged yeoman farmers struggling to carve a living out of the wilderness. On the contrary, the rebellion demonstrated that all too many of them were lazy, lawless drunkards. Hamilton charged the inhabitants of frontier regions of Pennsylvania, the Carolinas, and Virginia with a "persevering and contemptuous resistance" to the laws, which amounted to "treason against society, against liberty, against every thing that ought to be dear to a free, enlightened, and prudent people." As Forrest McDonald points out, "far from being oppressed by government," the farmers on the frontier "ignored it; they rarely paid taxes or paid for the land they inhabited; any official who attempted to enforce the law among them did so at his mortal peril. And, contrary to another myth, they distilled little if any whiskey as a 'cash crop' to be sold in the east. Rather, they distilled it in prodigious quantities and drank almost all of it themselves." In short, the actual character of frontier farmers was as the peripatetic Anglican minister Charles Woodmason had described it: "abandon'd Morals and profligate Principles—Rude—Ignorant—Void of Manners, Education or Good breeding."¹⁴

ognized that "lending [money] at interest" was a voluntary transaction that raised the issue of justice as rectification when a debtor failed to pay his debt (*Nicomachean Ethics*, 5.2.1131a1–5: 117).

13. Catton, *The Politics of Progress*, 490.

14. Hamilton, Letter to Tench Coxe, September 1, 1792, *PAH*, 12: 310; Hamilton, Letters to Washington, September 8–9, 1792, 12: 341, 344–46; Hamilton, "Tully, No. III," *PAH*, 17: 160; McDonald, *Alexander Hamilton*, 297; Wood, *The Radicalism of the American Revolution*, 131–33, 310–11. Despite his brutally candid assessment of American farmers, Hamilton was not simply hostile to them. In his report on vacant lands owned by the federal government, he lowered the selling price from one dollar to thirty cents per acre and reduced the minimum purchase requirement from

THE CASE FOR MANUFACTURES

Dispelling the agrarian myth was only the first step in refining and enlarging those prejudices and opinions which stymied Hamilton's efforts to turn America into a fully commercial nation. Hamilton also had to make a sales pitch for manufacturing itself so that citizens and politicians would deem it a desirable occupation that deserved government patronage. To that end, he set forth the seven "principal circumstances" associated with manufactures which he believed have "a considerable influence upon the total mass of industrious effort in a community. Together, they add to it a degree of energy and effect, which are not easily conceived."¹⁵ Because these circumstances or advantages were recent discoveries and sometimes difficult to comprehend, it was incumbent on Hamilton to explain them more fully. The advantages of manufacturing that I will examine include the following: the division of labor, additional employment to classes of community not ordinarily engaged in business, and the furnishing of a greater scope for the diversity of talents and dispositions among individuals.

The first advantage of manufactures is that it occasions a division of labor between the farmer and the artificer which augments the productive power of labor by permitting each form of labor to specialize. As we have seen, Jefferson and Madison expressed strong reservations against an extensive division of labor because of what they believed were its dehumanizing effects. Hamilton, by contrast, stressed the stimulating effect that it had on men's faculties: "a man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination in devising methods to facilitate and abridge labour, than if he were perplexed by a variety of independent and similar operations." In other words, the division of labor simplifies each stage of production so that even an individual of more modest abilities can figure out ways to improve the production process. And since the division of labor occurs to a much greater degree in manufacturing than in agriculture, it is the artificer who is "more ingenious." Hamilton noted that Americans were particularly suited for such occupations, as they already possessed "a peculiar aptitude for mechanic improvements." This, as it were, was Hamilton's reply to the charge that manu-

640 to 100 acres ("Report on Vacant Lands (1790)," *PAH*, 6: 504). He would also propose creating society which would aid improvements in agriculture (Letter to Jonathan Dayton, October-November 1799, *PAH*, 23: 601-4).

15. Hamilton, "Report on Manufactures," *PAH*, 10: 249.

facturing would turn American laborers into mindless automatons. It is also reasonable to suppose that Hamilton expected at least the more ambitious and talented to move up the economic ladder to more demanding occupations. Whether Hamilton agreed with Smith that education could mitigate whatever ill effects an extensive division produces is unclear, but it is noteworthy that in New York, Hamilton stoutly defended the "large appropriations for the benefit of *common schools*, roads, and bridges" made during John Jay's tenure as governor. Furthermore, in the second draft of his report, Hamilton equated the absence of an extensive division of labor with poverty and brutishness: "The want of a proper division of labour would prevent improvement and skill in every thing—Husbandry would be in a rude state and the arts in a still ruder. The inducements to make the land productive would be circumscribed to the necessary subsistence of each family." Consequently, the farmer's land—and presumably his acquisitive faculties—would be "wretchedly cultivated."¹⁶

In addition to being more ingenious, the work of the artificer is also "more constant and regular" than that of the farmer.¹⁷ This makes the artificer more industrious than the farmer, and to the extent that one's occupation has a more general effect on one's character, it may be inferred that artificers would be more orderly and sober in their political activities as well. Without saying so explicitly, Hamilton planted the seeds of doubt as to whether the brutish existence of a farmer on the frontier, or even the life of a more typical American farmer, was really all that superior to the industrious, orderly, and ingenious life of the artificer.

The second principal advantage of manufacturing is that it provides people with additional employment opportunities. For farmers, this holds out the prospect of affording "extra employment to industrious

16. *Ibid.*, 242, 249–51, 256; Hamilton, "Address to the Electors of the State of New York," March 21, 1801, *PAH*, 25: 368–69 (emphasis added); Hamilton, "Second Draft of the Report on Manufactures," *PAH*, 10: 54; Hamilton, "Third Draft of the Report on Manufactures," *PAH*, 10: 80 (see also McCoy, *The Elusive Republic*, 149). The modern view of manufacturing in the 18th and 19th centuries is colored by the views of Smith, Jefferson, Tories, Marx, etc. As Hiram Catton points out, the views of high-brow reporters and intellectuals did not really comport with the views of the workers themselves: "the workingman's notion of his condition had little in common with what intellectuals attributed to him. Not only did they not quail in terror at the factory door, they often sought out factory employment in preference to other forms of employment, particularly domestic service. Their complaints were very particular and were innocent of metaphysical distress and ideas of political apocalypse" (*The Politics of Progress*, 520–21).

17. Hamilton, "Report on Manufactures," *PAH*, 10: 241–42.

individuals and families, who are willing to devote the leisure from the intermissions of their ordinary pursuits to collateral labours, as a resource of multiplying their acquisitions or [their] enjoyments." By giving farmers the opportunity to take on a second job, manufacturing helps farmers scale the ladder of economic opportunity, especially the more prudent ones, who can use their extra pay to increase their acquisitions of land (or even capital). Manufacturing also provides employment to "persons who would otherwise be idle (and in many cases a burthen on the community), either from the bypass of temper, habit, infirmity of body, or some other cause, indisposing, or disqualifying them for the toils of the Country." Hamilton likewise saw women, children, and especially foreign immigrants as potential artificers. With the additional labor of such individuals, total industry is increased beyond what it would otherwise be, and those who would otherwise be idle are given the opportunity to become productive members of society. Thus, far from being largely indifferent to the welfare of the least advantaged, Hamilton's policy of promoting manufacturing was designed to help give such people "a hand up" rather than a "handout." Indeed, as the "bastard brat of a Scotch pedlar," Hamilton was himself a paragon of the self-made man who began his career as a teenager working as a factotum for a small merchant house in the Caribbean and reached the august heights that he did through a combination of industry, temperance, ambition, and a liberal share of innate talent. As Hiram Catton details, this was essentially the creed that the managers of the factory system would adopt:

Management attitudes toward the work force during the 1785–1830 period were predicated on two beliefs. One was that workers would tend to dissipate their earnings on leisure and drink unless prevented by factory discipline and Methodist preaching in Sunday schools. The second was that factory labor gave the poor their first opportunity ever to accumulate, or even to step up the social ladder by achievement in the work place. These two beliefs combined in the preaching that sobriety and hard work were the means to escape misery. . . . Its popular expression was the "philosophy of self-help," an industrial variety of Ben Franklin's "way to wealth."

This creed would help every American take advantage of his right to an equal opportunity to improve his lot in life: "There are strong minds in every walk of life that will rise superior to the disadvantages of situation and will command the tribute due to their merit, not only from the

classes to which they particularly belong, but from society in general. The door ought to be equally open to all."¹⁸ When compared to the stratified and ossified system of the plantation South, manufacturing represented one of the best means of promoting equal opportunity for all.

This brings us to the most cited advantage of manufacturing: "furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other." The diverse talents of individuals were unlikely to shine if "confined to uncongenial pursuits." Hence, it is to be "inferred that the results of human exertion may be immediately increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper element, and can call into activity the whole vigour of his nature." Indeed, "even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion." David Hume, on whom Hamilton probably relied, argued much the same thing: "In times when industry and the arts flourish, men are kept in perpetual occupation, and enjoy, as their reward, the occupation itself, as well as those pleasures which are the fruit of their labour. The mind acquires new vigour; enlarges its powers and faculties; and by an assiduity in honest industry, both satisfies its natural appetites, and prevents the growth of unnatural ones, which commonly spring up, when nourished by ease and idleness." In making this argument, Hume and Hamilton went beyond Locke, who held that "the chief if not only spur to humane Industry and Action is uneasiness." To Locke's negative pole of the pangs of want, Hamilton added the positive pole of the freedom to choose a congenial occupation. With this freedom, work, while involving toil, need not be pure toil; it increases the chances of not just having a job, but actually enjoying it and doing it well. That is, the greater variety of occupations associated with manufacturing serves the ends of both virtue (industry) and liberty (choice). Hamilton also noted that the spirit of enterprise "must necessarily be contracted or expanded in proportion to the *simplicity* or variety of the occupations and productions, which are to be found in a Society." A more complex economy offers individuals of superior talent and ambition greater opportunities to pursue their own "extensive and arduous enterprises." Hamilton was himself involved in founding the Society for the Establishment of Useful Manufactures, which attempted to create a manufacturing enterprise on a scale never before seen in the United States. Although the

18. Ibid., 253–55; McDonald, *Alexander Hamilton*, 7; Caton, *The Politics of Progress*, 538; *The Federalist Papers*, No. 36, 185. Child labor was common on farms as well.

enterprise failed, it was in many ways the prototype for the industrial empires that would eventually be built by acquisitive and ambitious "captains of industry." Encouraging individuals of superior talent and ambition was especially important given Hamilton's belief that the nation's economic progress (like its political progress) was disproportionately dependent on their efforts. Absent a wider field of endeavor and proper encouragement, however, they would likely languish from boredom, or worse, become quarrelsome and contentious: "There is at the present juncture a certain fermentation of mind, a certain activity of speculation and enterprise which if properly directed may be made subservient to useful purposes; but which if left entirely to itself, may be attended with pernicious effects." Thus, a more diversified economy (along with the whip of competition) would spur both the few and the many to strive and to excel in a manner consistent with political stability.¹⁹

Hamilton's promotion of manufacturing was, then, one of the many ways that he refined the teaching of *Federalist* 10, which declared that the protection of the diverse "faculties of men" is "the first object of government."²⁰ A final object of the federal government should be the encouragement of individuals to cultivate their acquisitive faculties (which, of course, do not exhaust all of their faculties). Ever mindful of human nature, Hamilton appealed to the various parts of the soul in this endeavor. Lucre and luxury appealed to human avarice and vanity. The greater opportunities associated with manufacturing appealed to human spiritedness, which had already combined with acquisitiveness to produce an "unequaled spirit of enterprise" among Americans.²¹ The greater ingenuity involved in manufacturing appealed to human rationality (if in a limited way). This, of course, was the blueprint for what would become some of the most prominent features of the American character.

19. Hamilton, "Report on Manufactures," *PAH*, 10: 254–56; Hume, "Of Refinement in the Arts," *EMPL*, 270; John Locke, *An Essay Concerning Human Understanding*, ed. Peter H. Nidditch, bk. II, chap. XX, par. 6, p. 230; Hamilton, "Report on Manufactures," *PAH*, 10: 256 (emphasis added); *The Federalist Papers*, No. 72, 405; Elkins and McKittrick, *The Age of Federalism*, 259–61, 279–81; Hamilton, "Report on Manufactures," *PAH*, 10: 296. See also Fukuyama, *The End of History*, 315–17.

20. *The Federalist Papers*, No. 10, 46. Notice that the government must protect men's diverse faculties, not merely their bodies à la Locke, and that protecting them is government's first, not final, object. Locke stressed that all men have the "same faculties" to prove the equality of man, and underplayed the inequality of men's faculties in his account of labor and property. See also David F. Epstein, *The Political Theory of The Federalist*, 74, 79–80.

21. *The Federalist Papers*, No. 11, 53, 55–56; No. 12, 59.

Hamilton's efforts to diversify the pursuits of individuals should not, however, be interpreted as suggestions that Hamilton subscribed to a relativistic notion of happiness. Rather, Hamilton was simply making a prudential concession to the reality of human nature and political life: not all men are fitted by nature or by circumstance to become philosophers or statesmen. Hamilton himself recognized early in his life that "I'm no Philosopher" and chose to direct his great talent and ambition toward political rather than eternal matters. With these considerations in mind, Hamilton held that the "true politician" will "favour all those institutions and plans which tend to make men happy according to their natural bent, which multiply the sources of individual enjoyment and increase those of national resource and strength." To be sure, manufacturing is not an unmixed blessing, and so a prudent politician must take care "to infuse in each case all the ingredients which can be devised as preventives or correctives of the evil which is the eternal concomitant of temporal blessing."²²

HAMILTON'S CRITIQUE OF LAISSEZ-FAIRE ECONOMICS

Besides objections rooted in agrarianism, Hamilton's plan to promote manufacturing faced objections rooted in the economic doctrines of the Physiocrats and Adam Smith which hold that commerce will produce the best economic outcome when left to its "natural course." If that were true, commerce would best be served by as little government interference as possible (i.e., laissez-faire, or leaving matters to the invisible hand). Hamilton summed up their doctrine as follows: "Industry, if left to itself, will naturally find its way to the most useful and profitable employment: whence it is inferred, that manufactures without the aid of government will grow up as soon and as fast, as the natural state of things and the interest of the community may require." Hamilton demurred because he believed that most general theories "admit of numerous exceptions, and there are few, if any, of the political kind, which do not blend a considerable portion of error, with the truths they inculcate." He then offered four specific exceptions to their doctrine to demonstrate its limitations: the strong influence of habit and the spirit of imitation, the fear of want of success in untried enterprises, the intrinsic difficulties incident to competing with established enterprises, and the

22. Hamilton, Letter to Edward Stevens, November 11, 1769, *PAH*, 1: 4; Hamilton, "Defence of the Funding System," *PAH*, 19: 59–60.

artificial encouragement and protection given by foreign nations to their own industries.²³ The first two exceptions were the product of human nature while the last two were man-made.

According to Adam Smith, government patronage of industry is generally unnecessary and usually harmful because the desire to better one's condition is a natural and constant desire which, if left to itself, is sufficient to induce individuals to seek the most profitable mode of employment:

the desire of bettering our condition, a desire which, though generally calm and dispassionate, comes with us from the womb, and never leaves us till we go into the grave. . . . The uniform, constant, and uninterrupted effort of every man to better his condition, the principle from which public and national, as well as private opulence is originally derived, is frequently powerful enough to maintain the natural progress of things toward improvement, in spite both of the extravagance of government, and of the greatest errors of administration.

Particularly remarkable is Smith's belief that the desire to improve our condition is so strong that "the greatest errors of administration" usually only retard the natural improvement of society. Because the desire to improve one's condition is uniform and constant, it functioned in Smith's "system of natural liberty" much like the law of gravity in Newtonian physics: a politician can certainly create a countervailing force to defy gravity temporarily, but what goes up must eventually come down. In this way, Smith made economics ultimately more fundamental than politics and religion. Although Hamilton admitted that trade has "its fundamental laws, agreeable to which its general operations must be directed; and that any violent attempts in opposition to these would commonly miscarry," he recognized other fundamental laws of human nature, as well as moral causes derived from politics, which affect the operation of economic laws. Foremost among them is man's habitual nature: "Experience teaches, that men are often so much governed by what they are accustomed to see and practice, that the simplest and most obvious improvements, in the [most] ordinary occupations, are adopted with hesitation, reluctance and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different ones, may be expected to be attended with proportionably greater difficulty." Thus man's habitual nature creates a strong

23. Hamilton, "Report on Manufactures," *PAH*, 10: 235, 266.

countervailing force to man's desire to improve his condition, that is, *habit* frequently interferes with the pursuit of *interest*. And the force of habit was reinforced by the *opinion* that farming was a better occupation than manufacturing. When an inefficient habit becomes too costly, interest will usually induce an individual to change it, but this process may take too long from the point of view of the individual and of society at large. Since "it is an axiom that governments form manners," government patronage of manufacturing would help to change people's habits (and their opinions) in a more timely and beneficial manner.²⁴

The other major natural impediment to the pursuit of economic interest is man's innate fear or "apprehension of failing in new attempts." To assuage this fear, Hamilton endeavored to inspire "confidence" in individuals, or in more classical terms, to fortify the *thumotic*, or spirited, part of the soul which overcomes fear. In *Federalist* 11, Hamilton spoke of "that adventurous spirit, which distinguishes the commercial character of America." While present among navigators and certain merchants, the adventurous spirit was apparently faint among the capitalists who were to serve as Hamilton's vanguard of American industrial development: "There are dispositions apt to be attracted by the mere novelty of an undertaking—but these are not always those best calculated to give it success. To this, it is of importance that the confidence of cautious sagacious capitalists both citizens and foreigners should be excited." Because their nature and their experience of the poor financial administration of the federal and state governments tended to make them cautious, it was incumbent upon the government "to inspire this description of persons with confidence" by lending its "countenance and support" to their enterprises in a manner similar to the granting of copyrights and patents. Clearly, financial support would give capitalists an economic incentive to take greater risks, but Hamilton believed that such support would engage (and form) the other parts of their souls as well. In advocating premiums to reward some extraordinary exertion or skill, Hamilton noted that their effect "is to stimulate general effort. Contrived so as to be both honorary and lucrative, they address themselves to different passions; touching the chords as well of emulation as of Interest. They are accordingly a very economical means of exciting the enterprise of a Whole Community." The lure of premiums piques not only men's interests, but also their *thumotic* desire for

24. Smith, *The Wealth of Nations*, 2.3: 324, 326; McNamara, *Political Economy and Statesmanship*, 58–61; Hamilton, "Continentalist, No. V," *PAH*, 3: 76; Hamilton, "Report on Manufactures," *PAH*, 10: 266–67 (see also *The Federalist Papers*, No. 27, 144); Hamilton, "Second Letter from Phocion," *PAH*, 3: 553.

honor or distinction. In this way, entrepreneurs (who combine the traits of risk taking and inventiveness) receive not only the support but also the “countenance,” or the uniquely powerful imprimatur, of government. Since man is also an imitative creature, the gradual effect of such a policy is to inculcate an entrepreneurial spirit among capitalists and citizens in general. As Aristotle put it, “whatever the authoritative element conceives to be honorable will necessarily be followed by the opinion of the other citizens.”²⁵

Hamilton likewise cited man-made causes as contributing to a lack of confidence among entrepreneurs. Competing with foreign businesses that have already perfected a particular branch of industry would be daunting, and the subsidies, tariffs, and regulations of foreign governments (i.e., mercantilist industrial policy) made it more so. Thus, “it is evident that the interference and aid of governments are indispensable” to help compensate for these advantages.²⁶ (Such interference was particularly necessary in defense-related industries.)

To prove his case, Hamilton consulted his favorite oracle, experience (not abstract theory), which, in his view, revealed that the policies pursued in England, France, and the Netherlands allowed these nations “to extend their traffic to a degree so much beyond their natural and comparative advantages.” This was possible because the economy and government were more interdependent than Smith believed. Whereas Smith believed that human institutions usually only “disturbed the natural course of things,” Hamilton believed that the human institutions which form men’s passions, interests, manners, and opinions were part and parcel of the natural course of things: “The nature of a government, its spirit, maxims and laws, with respect to trade, are among those constant moral causes, which influence its general results.” In emphasizing the importance of moral causes, Hamilton’s approach to economics was much closer to the political or “sociological” approach of Hume and Montesquieu. Indeed, the language Hamilton used is reminiscent of Montesquieu, who detailed the various ways that the form and nature of government, laws, customs, manners, religion, geography, climate, etc. affect the progress of commerce. To use metaphorical language, Hamilton believed that the economy functioned like a ship—rather than a clock—that required enlightened statesmen at the helm to direct its motion.²⁷

25. Hamilton, “Report on Manufactures,” PAH, 10: 267 (cf. Fukuyama, *The End of History*, 223–34, 315–17); *The Federalist Papers*, No. 11, 53, 56; Hamilton, “Report on Manufactures,” PAH, 10: 267, 304; Aristotle, *Politics*, 2.11.1273a37–40: 82.

26. Hamilton, “Report on Manufactures,” PAH, 10: 268.

27. Hamilton, “The Continentalist, No. V,” PAH, 3: 77–78; Elkins and McKittrick, *The Age of Federalism*, 107–8; McNamara, *Political Economy and Statesmanship*, 100–4.

MONEY AND CAPITAL

Money and capital (which is essentially money used to make more money) were undoubtedly the lifeblood of Hamilton's economic system. Money forms the critical link between rationality and industry because men will only labor beyond satisfying their current necessities if they can look forward to a more durable reward. With its widespread circulation, men are roused from their natural state of lethargic indolence and become industrious.²⁸ As a consequence, men also become more forward-looking, or to use Hamilton's term, "sagacious." To be sure, money also makes men more avaricious, but this only goes to show that money is a mixed blessing.

Unfortunately, Americans were not as industrious and sagacious as they might have been because money and capital were fairly scarce. Hamilton's great task as treasury secretary was to remedy the situation, which he believed could be accomplished through a combination of the national mint, foreign capital, the national bank, and the national debt. As will become apparent, what might appear as a narrowly economic problem included a series of thorny political issues that involved public opinion, harmony, virtue, and justice. Particularly vexing was the ignorance of the public and many politicians about matters of high finance. As Hamilton remarked in the defense of his funding system: "The effect of energy and system is to vulgar and feeble minds a kind of magic which they do not comprehend and thus they make false interpretation of the most obvious facts."²⁹ Even to the refined minds of men like Jefferson and Madison, the workings of the capital market seemed inscrutable, devious, and predatory. It was therefore incumbent on Hamilton to at least begin the process of educating his fellow citizens about capitalist economics.

THE NATIONAL MINT

Though it is almost entirely a technical work and hence largely ignored by historians and political scientists, Hamilton's *Report on the Mint* addressed a matter which he considered to be of major importance: "The general state of Debtor and Creditor; all the relations and consequences of price; the essential interests of trade and industry; the value

28. *The Federalist Papers*, No. 12, 59 (cf. Locke, *Two Treatises of Government*, II, pars. 45, 47).

29. Hamilton, "Defence of the Funding System," *PAH*, 19: 36.

of all property; the whole income both of the State and of individuals are liable to be sensibly influenced, beneficially, or otherwise, by the judicious, or injudicious regulation of this interesting subject."³⁰ Hamilton's chief recommendations (which closely followed those of Gouverneur Morris and Thomas Jefferson) were to make the dollar the nation's money unit, allow (nearly) free coinage of gold and silver, fix the exchange rate between gold and silver, set strict proportions for the use of alloys, make the dollar divisible into one hundred cents, and eliminate the use of foreign coins. Although these recommendations obviously served narrow economic purposes, they also served three broader political purposes that I will discuss briefly.

Hamilton's chief innovation in the coinage was to suggest the creation of small denominations (the half-cent, cent, and dime) for widespread circulation. Since most Americans at that time rarely used money (its use being largely restricted to merchants, who preferred larger denominations), small denominations would accustom the poor and middling elements to handling it, inducing them to become ever-more industrious and sagacious. In addition, small denominations would enable "the poorer classes to procure necessities" more cheaply and "to labor for less; the advantages of which need no comment."³¹ This would be a boon both to the poor and especially to manufacturers since labor at that time was relatively expensive.

Replacing the other currencies in circulation with dollars and cents would also serve the wider goal of fostering American nationalism. As a matter of political independence, it was obvious "that a Nation ought not to suffer the value of the property of its Citizens to fluctuate with the fluctuations of a foreign Mint, and to change with the changes in the regulations of a foreign sovereign." At the same time, America was also creating a single currency. The consolidating effect this would have was readily apparent, and the widespread circulation of small denominations would enhance it. Coins were also a convenient means to raise the profile of the federal government in a more meaningful way: "The devices of Coins are far from being matters of indifference, as they may be made the vehicles of useful impressions. They ought therefore to be emblematical, but without losing sight of simplicity."³² Although Hamilton did

30. Hamilton, "Report on the Establishment of a Mint (1791)," *PAH*, 7: 570.

31. McDonald, *Alexander Hamilton*, 198; Hamilton, "Report on the Mint," *PAH*, 7: 601.

32. Hamilton, "Report on the Mint," *PAH*, 7: 571, 603–4. A single currency is widely acknowledged as an important step to greater economic and political integration (e.g., the European Union).

not specify in his report what the emblems should be, it is reasonable to suppose that he favored ones decidedly national in character (Federalists in Congress would create a stir when they emulated monarchical practice with their proposal to place the head of the president on the coinage). The emblems on the currency may not seem as significant today, but it must be remembered that the federal government at that time was virtually invisible in the daily lives of Americans. As in the Roman Empire, coins would enable the central government to insert itself into citizens' hearts and minds in addition to their pocketbooks.

Finally, the mint had the potential to be a tool for the strict enforcement of financial orthodoxy. Hamilton declared: "There is scarcely any point, in the economy of national affairs of greater moment, than the uniform preservation of the intrinsic value of the money unit. On this the security and steady value of property essentially depend." Debasing the currency was an ancient, if unoriginal, sin, and Hamilton was eager to purge it from American practice. The Constitution's express provisions prohibiting the states from coining their own money or emitting fiat currency dealt with the problem in that quarter. The federal government, on the other hand, labored under no such restrictions: it could debase the currency at will. It was therefore crucial for the federal government to begin by setting a good precedent. To that end, Hamilton resisted every suggestion to reduce the purity of the coins save a small reduction (one-half of 1 percent) to help defray the costs of minting them. He even opposed "the *apparent* debasement of the coin" (italics in original) by adding extra alloy to the coins (while not subtracting any pure metal) to make them more durable. He also taught an economics lesson on the ultimate futility of debasing the currency to discourage politicians from acting on any momentary impulse to do so. Such a move would be "defeated by a rise of prices, proportioned to the diminution of the intrinsic value of the coins. This might be looked for in every enlightened commercial Country; but perhaps in none with greater certainty than in this; because, in none, are men less liable to be the dupes of sounds—in none has authority so little resource for substituting names for things."³³ Unlike credit, where opinion holds substantial sway (which allows politicians to dupe men with their sounds to some extent in that arena), currency quickly finds its real rather than its nominal or legal value. Since the benefits of debasing the coin are so small and ephemeral and the costs so large and enduring, public officials serve their long-term interests better by shunning the practice. The lesson was hardly proof against temptation, but it would at

33. Ibid., 587–88, 596, 598.

least make public officials, particularly those who were—or who made pretenses of being—enlightened, think twice before committing this great sin.

FOREIGN CAPITAL

Although most countries today eagerly solicit foreign investment, Hamilton could not take for granted a hospitable climate for it. He had to create one, which entailed educating public opinion about the utility and inviolability of foreign capital.

As an enlightened statesman, Hamilton understood that an “excessive jealousy”—though not a prudent jealousy—over foreign trade stifled commercial development and provoked unnecessary wars. Because neither all statesmen nor public opinion were similarly enlightened, Hamilton made it a point to counter such jealousy. In his *Report on Manufactures*, he remarked that such jealousy led to the mercantilist folly, which undertook the “vain project of *selling everything* and *buying nothing*.” He was equally concerned “that there may be persons disposed to look with a jealous eye on the introduction of foreign Capital, as if it were an instrument to deprive our own citizens of the profits of our own industry.” This jealousy is rooted in man’s natural preference for his own. All too often, the common good and one’s own do not coincide. To unite them, Hamilton had to change people’s perceptions of foreign investment: “But perhaps there never could be a more unreasonable jealousy. Instead of being viewed as a rival, it ought to be Considered as a most valuable auxiliary; conducing to put in Motion a greater Quantity of productive labour, and a greater portion of useful enterprise than could exist without it.” In modern economic language, foreign trade and investment is not a zero-sum game. Far from depriving citizens of the profits of their industry, foreign capital makes it possible for them to increase their profits to such a degree that “every farthing of foreign capital, which is laid out in internal ameliorations, and in industrious establishments of a permanent nature, is”—and ought to be regarded as—“a precious acquisition.” Foreign capital was an especially precious acquisition to a nation with such great potential, and Hamilton emphasized that its benefits would extend to virtually all areas of the economy: agriculture, commerce, manufactures, and even public works projects “have received very material aid” from it.³⁴ In

34. Hamilton, “The Continentalist, No. V,” *PAH*, 3: 77; Hamilton, “Report on Manufactures,” *PAH*, 10: 257–58, 276.

other words, Hamilton appealed to the people's sense of their interests while attempting to refine and enlarge it in the hopes of removing or at least tempering a cause (not merely an effect) of faction.

Of course, if foreigners were to invest in America, their investments needed to be secure, particularly from domestic interference or expropriation; otherwise, they would either refuse to invest or demand much higher rates of return. Here, too, Hamilton was at the forefront of liberalizing American investment policy. Hamilton began laboring on behalf of such liberalization early in his legal career when he took cases (the most famous being *Rutgers v. Waddington*) defending Loyalists and British subjects against the confiscation of their property and the sequestration (and repudiation) of debts owed to them. After he became treasury secretary, the issue was revisited in the events culminating with the Jay Treaty when Rep. Jonathan Dayton proposed two resolutions providing for the sequestration of the public debt and private debts owed to British citizens during time of war. In Hamilton's view, the last thing the credit-starved nation needed was a repeat of the capital flight that had occurred at the close of the Revolutionary War when the fear of a "popular phrenzy" drove many Tory merchants to flee with their money back to Britain. Accordingly, he went out of his way in his final *Report on Public Credit* (1795) to denounce the proposal as bad policy and unjust. It was bad policy because if the government had the right to sequester the public debt, lenders "would exact enormous premiums" to compensate for the increased risk associated with the possible exercise of that right. It was unjust because it was "effectually a breach of contract. . . . It is to annihilate the promise under the sanction of which the foreigner became a proprietor." He then posed the obvious objection to his position: "But does not the general right of War to seize & confiscate enemy-property extend the property of the Citizens of one nation in the funds of another; the two Nations being at war with each other?" Characterizing such thinking as the product of "the ferocious maxims of the times when war was the chief occupation of man," he resorted to first principles to answer the question definitively in the negative:

The right to seize & confiscate individual property in National Wars excludes all those cases where the individual derives his title from the enemy sovereign or nation: For the right to property always implies the right to be protected & secured in the enjoyment of that property. . . .

When the Government enters into a contract with the Citizen of a foreign country it considers him *as an individual in a state of Nature, and*

Contracts with him as such. It does not contract with him as *the member of another society*.

The contracts therefore with him cannot be affected by his political relations to that society. War, whatever right it may give over his other property, can give none over that which he derives from those contracts.

As for sequestration in particular, Hamilton turned to Vattel: “a State at War ‘does not *so much as touch* the sums which it owes to the Enemy. *Every where* in case of a war funds credited to the Public are *exempt* from confiscation and SEIZURE.’ These expressions clearly exclude sequestration as well as confiscation” (italics in original). Not content to defend the inviolability of the public debt irrespective of the holder’s status as citizen or foreigner, Hamilton went on to argue that such inviolability extended to all forms of property: “And a nation by the very act of permitting the Citizen of a foreign country to acquire property in its territory, whether to Lands, funds or to any other thing, tacitly engages to give protection and security to that property and to allow him as full enjoyment of it as any other proprietor; an engagement which no state of things between the two nations can justly or reasonably affect.” The treasury secretary then explained that the adverse impact that Dayton’s proposal would have on foreign investment in America would not be confined to merchants but would extend to farmers and mechanics as well. Although the proposal would die in a House committee partly as a result of his vigorous opposition, Hamilton for good measure ensured that the Jay Treaty included a provision prohibiting any governmental interference with private debts owed to British citizens so that America would become—and be perceived around the world as—a safe haven for foreign investment.³⁵

It should be added that in welcoming foreign trade, investment, and labor, Hamilton was not as strict an economic nationalist or mercantilist as he is sometimes portrayed.³⁶ In fact, when compared to mercantil-

35. McDonald, *Alexander Hamilton*, 64–69; Hamilton, “Report on a Plan for the Further Support of Public Credit (1795),” *PAH*, 18: 115; Hamilton, Letter to Robert Livingston, August 13, 1783, *PAH*, 3: 431; Hamilton, “Report on the Further Support of Public Credit,” *PAH*, 18: 121–28 (cf. Locke, *Two Treatises of Government*, II, pars. 180–183); Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 272–73; Hamilton, Letter to John Jay, May 6, 1794, *PAH*, 16: 383. Because sequestration constituted “one of the highest species of Reprisal,” it might also provoke war with Britain, something Hamilton was eager to avoid. See also Gilbert L. Lycan, *Alexander Hamilton and American Foreign Policy*, 212, 239, 243–44; Walling, *Republican Empire*, 218.

36. Hamilton backtracked a bit on the issue of foreign immigration during the Quasi-War with France when Congress increased the residency requirement for nat-

ism, Hamilton's economic policies would create a remarkably open economy. And to the extent that economics has a more general effect on a nation's way of life, an open economy would lead to a largely open or urbane society as well.

THE NATIONAL BANK

As useful as foreign investment would be, a domestic source of capital was also needed if the nation was to fulfill its great economic potential. In the early 1790s, America possessed little of its own capital because its financial system was still in its infancy. America then had only three banks, and most loans were directed toward short- and medium-term financing for merchants, farmers, and land speculators. The system was hardly adequate to finance the plethora of new industrial enterprises that Hamilton hoped to see created. To help fill this gap, he proposed the creation of a new national bank with a capitalization of \$10 million, or three times the combined capitalization of the extant banks in the country.³⁷

In deference to public opinion, which is the "ultimate arbiter of every measure of Government," and which was (and remains) backward when it came to matters of finance, the treasury secretary began the case for his bank with some preliminary reflections about the usefulness of banks: "Public banks have found admission and patronage among the principal and most enlightened commercial nations," including Italy, Germany, Holland, England, France, and America. The "experience of centuries" established beyond a doubt their usefulness, and both "theorists and men of business unite in acknowledgment of it." With this evidence, one might expect "a perfect union of opinions" in favor of banks. "Yet doubts have been entertained," and "jealousies and prejudices have circulated" which prevented such a concurrence of opinions. To allay those doubts and to combat those prejudices, Hamilton laid out the principal advantages of banks.³⁸ Since their advantages to the gov-

uralization to fourteen years, which he regarded as a temporary measure. After the war, he advocated a more restrictive but still liberal naturalization requirement of five years residence "to enable aliens to get rid of foreign and acquire American attachments." Hamilton, "The Examination, No. VIII," *PAH*, 25: 497.

37. Perkins, *American Public Finance*, 126, 235; Hamilton, "Report on a National Bank," *PAH*, 7: 334, 337.

38. Hamilton, "Report on a National Bank," *PAH*, 7: 305–6, 309.

ernment have already been discussed under the rubric of funding systems, I shall focus on their main private advantage of augmenting capital.

The first way that banks increase capital is by freeing up specie for other purposes when they issue their own paper currency (which serves as a substitute for gold and silver). Consequently, merchants do not have to keep specie on hand, and they gain access to credit from the discount window of a bank for a short term. This was no small advantage in a country that was chronically short of specie, and Hamilton castigated as “visionary” those who wished to abolish paper currency altogether and rely exclusively on specie. Eliminating paper money would cause people to resort to barter as they had during the Revolutionary War when much of the paper currency in circulation “was in a great measure destroyed, by being discredited, and the same events had destroyed a large portion of the monied and mercantile capital of the country.” The end result was economic stagnation. The problem was further aggravated by the progressive settlement of vacant lands, which tended to drain what little specie the country possessed, as “settlers not only furnish no surplus for exportation, but they consume a part of that which is produced by the labour of others.”³⁹ A well-capitalized national bank would help put back into circulation the large sums of money needed to oil the wheels of commerce.

At the same time, Hamilton recognized the potential dangers of paper money. After all, the prodigious emissions of paper money during the Revolutionary War had brought the national government to the brink of financial ruin. Even worse, the financial and moral rot produced by that hyperinflation had spread to society at large: “the continual multiplication of a depreciating currency” “unsettles all the established habits of a people, and inflames the appetite for extravagance, by the illusions of an ideal wealth.” The “dissipated habits” which many Americans had contracted during the Revolution, in turn, caused them to spend beyond their means after the war and led to the states passing “injudicious laws” regarding private debts. Because of this great danger to the morals of society and because emitting paper money is “so much easier than the laying of taxes” and therefore “so liable to abuse,” Hamilton believed that the federal government, like the states, ought not emit paper money.⁴⁰ Instead, the bank would be left to do so since its emis-

39. *Ibid.*, 306–7; Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 619; Hamilton, “Fact No. I,” September 11, 1792, *PAH*, 12: 362; Hamilton, “Report on a National Bank,” *PAH*, 7: 318, 321 (see also Curtis Nettels, *The Emergence of a National Economy, 1775–1815*, 60–64, 76).

40. Hamilton, “Report on a National Bank,” *PAH*, 7: 318–19, 321–22.

sions had to be backed by specie. The bank's emissions would also be limited by the profit motive, but in order for that to be an effective check, politicians could not run the bank, which is among the reasons why Hamilton put private bankers in charge of it. Although Hamilton's analysis was perfectly sound (virtually every industrialized nation today insulates central bankers from political control), putting much of the nation's monetary policy in the hands of private bankers would draw the ire of Jefferson's farmers, who, for more than a century afterward, agitated for a policy of easy money.

The other way that the bank would increase the "active capital" of the nation was by serving as a financial intermediary:

The money of one individual, while he is waiting for an opportunity to employ it, by being either deposited in the Bank for safe keeping, or invested in its Stock, is in a condition to administer to the wants of others, without being put out of his own reach, when occasion presents. This yields an extra profit, arising from what is paid for the use of his money by others, when he could not himself make the use of it; and keeps the money itself in a state of incessant activity.

This benefit is in addition to that of freeing up specie. In general economic terms, banks lower the rate of interest, but for the interest rate to be reduced appreciably, "their capitals must be completely equal to all the demands of business," which is one reason why Hamilton sought to create a bank with such a large capitalization.⁴¹

Banks also have an advantage that is not immediately monetary in nature. Hamilton noted "a general habit of punctuality among traders is the natural consequence of the necessity of observing it with the Bank." Banks also "succour the wary and industrious" and "discredit the rash and unthrifty." In other words, banks encourage the commercial virtues of punctuality, thrift, industry, responsibility in fulfilling contracts, and prudent financial management. To be sure, banks do not intend to become "attentive to the situation and conduct of those, with whom they deal," but "the *interest* [of a Bank] will make it the *policy* of a Bank" to do so.⁴² And as these temples of commercial virtue spread across the country, they would extend their salutary influence to countless more citizens.

In short, Hamilton saw the national bank as a powerful mechanism to extend and to vivify America's fledgling capital market, which was the key to the nation's future economic growth. Admittedly, wealthy busi-

42. *Ibid.*, 311–12.

nessmen would reap greater rewards from the bank because of their greater credit worthiness, but Hamilton claimed that it would also “enable honest and industrious men, of small or perhaps of no capital to undertake and prosecute business, with advantage to themselves and to the community.” Even so, Hamilton’s opponents leveled the charges of “monopoly” and “corruption” against the bank (most Americans regarded monopolies as commercial titles of nobility). Certainly the bank’s large size, its comparatively narrow ownership by the “monied interest,” and Hamilton’s opposition to creating branches in each of the states gave the charges a veneer of plausibility. Yet Hamilton set forth solid economic reasons for its particular structure. The bank’s large size was justified by its main purpose—“public utility” (providing loans to the federal government, facilitating tax collection, monetizing the debt, etc.), which, at that time, was tightly interwoven with its private purpose (profit). To the charge of monopoly, Hamilton replied that the bill establishing the bank in no way prohibited the states or individuals from creating as many banks as they pleased. It was therefore not a monopoly since “a monopoly implies a *legal impediment* to the carrying on of the trade by others than those to whom it is granted.” Hamilton’s opposition to the creation of branches stemmed mainly from his concern that the scarcity of management expertise would result in poorly run branches that would endanger the financial stability of the bank as a whole. He also admonished Americans once again for their proclivity to object to a proposal simply because its benefits would not be shared equally. As for the charge of corruption, it was in the eye of the beholder: state factions versus nationalists like Hamilton who believed that the federal government needed “additional props.” And although management of the bank was placed in private hands, Hamilton favored the democratic principle of rotation among the bank’s directors because even he was concerned that having “a small and select class of men” run the bank would make them prone to adopt a “partial or pernicious system” of administration that would “excite distrust and discontent” among the people. He likewise favored the democratic principles of transparency and accountability in requiring that the bank provide the treasury secretary with weekly financial reports as well as more extensive audits. Even Albert Gallatin, Hamilton’s Democratic-Republican successor as treasury secretary and a foe of the bank, later had to admit that it had “been wisely and skillfully managed.”⁴³

43. Ibid., 315–16 (cf. Trenchard and Gordon, *Cato’s Letters*, vol. 2, nos. 90–91); Hamilton, “Report on a National Bank,” *PAH*, 7: 325; Hamilton, “Opinion on the

PUBLIC CREDIT

The keystone of Hamilton's financial program was the establishment of public credit. Without it, America risked economic stagnation, political instability, and international ignominy, or to use a modern term, "third-world" status. In his words, "the individual and aggregate prosperity of the citizens of the United States; their relief from the embarrassments they now experience; their character as a People; the cause of good government" were all dependent on a "due observance" of the "maxims that uphold public credit." Much to Hamilton's chagrin, the neglect of those maxims during the Revolutionary War had left the nation's public credit in tatters. To restore it, Hamilton devised a plan which called for funding the domestic (\$42 million) and foreign (\$12 million) debt at par, but with a reduction in the interest rate on the domestic debt from six to four percent, and with no discrimination between original and current holders of the debt. In the near term, tax revenue would only be sufficient to service the interest on the debt. To begin retiring the principal, a small sinking fund would be created and funded with profits from the post office.⁴⁴ Hamilton defended full funding of the debt on grounds of policy *and* justice.

Besides making it possible to borrow money in the future for the nation's defense and keeping those future borrowing costs reasonable, the most important policy reason for fully funding the debt was that it would operate in much the same manner as banks, serving as both money and capital: "It is a well known fact, that in countries in which the national debt is properly funded, and an object of established confidence, it answers most of the purposes of money." According to Adam Smith, however, a public debt does not increase the capital of a nation but merely diverts capital from the productive private sector to the unproductive public sector:

The public funds of the different indebted nations of Europe, particularly those of England, have by one author been represented as the accumulation of a great capital superadded to the other capital of the

Constitutionality of an Act to Establish a Bank," *PAH*, 8: 110; Hamilton, Letter to Nicholas Law, December 21, 1791, *PAH*, 10: 399, Letter to William Seton, November 25, 1791, *PAH*, 9: 538–39 (see also Perkins, *American Public Finance*, 242–44); Hamilton, Letter to Washington, March 27, 1791, *PAH*, 8: 222–23; Hamilton, "Report on a National Bank," *PAH*, 7: 327–28; 337; Ron Chernow, *Alexander Hamilton*, 647.

44. Hamilton, "Report on Public Credit," *PAH*, 6: 67–68, 85–91, 106–7.

country, by means of which its trade is extended, its manufactures multiplied, and its lands cultivated and improved much beyond what they could have been by means of that other capital only. He does not consider that the capital which the first creditors of the public advanced to government, was, from the moment in which they advanced it, a certain portion of the annual produce turned away from serving in the function of a capital, to serve in that of a revenue; from maintaining productive labourers to maintain unproductive ones, and to be spent and wasted, generally in the course of the year, without even the hope of any future reproduction.

Such thinking would serve as a basis for Jefferson's charge that Hamilton's funding system "nourishes in our citizens vice & idleness instead of industry & morality." Hamilton conceded this might be true to a certain extent for those engaged in speculation in the public debt, but "if the proposition be true, that Stock operates as Capital, the effect upon the Citizens at large is different. . . . Though this effect of a funded debt has been called in question in England by some theorists yet most theorists & all practical men allow its existence. And there is no doubt, as already intimated, that if we look into those scenes among ourselves where the largest portions of the Debt are accumulated we shall perceive that a new spring has been given to Industry in various branches." Hamilton invoked actual experience to refute Whig doctrine as well as economic theory, which he insisted contained certain exceptions to its general rules.⁴⁵

Hamilton understood that in order for the debt to serve as money and capital, it needed to be fully funded; otherwise it would fluctuate too much in value to be of much use. Fully funding the debt was likewise Hamilton's remedy for excessive speculation in the debt, which many believed fostered "a spirit of gambling" and diverted people from more productive pursuits. Speculation in the debt rose to a feverish pitch after ratification of the Constitution and Hamilton's appointment as treasury secretary with speculators flocking to the states to purchase government notes at bargain prices from citizens who were unaware or failed to appreciate that those two acts increased the probability that the debt would be fully funded. It was a classic case of

45. *Ibid.*, 70; Smith, *The Wealth of Nations*, 5.3: 877 (see also Montesquieu, *The Spirit of the Laws*, 22.17: 418–19); Washington, Letter to Hamilton, July 29, 1792, *PAH*, 12: 131; Hamilton, Letter to Washington, August 18, 1792, *PAH*, 12: 247–48. Hamilton's belief was correct because Smith's argument about "crowding out" only holds true in an highly efficient capital market, something America clearly lacked at the time.

what Madison lamented was the advantage that public instability gives to "the sagacious, the enterprising, and the moneyed few over the industrious and uninformed mass of people." Yet as unseemly as such speculation might appear, Hamilton pointed out that the public debt as such did not *cause* the frenzy of speculation; rather, it was the *effect* of the failure to fund the debt. When the government funded the debt and drove its value to near par: "The funds in this state would become as they ought to be[,] an object of ordinary and temperate speculation like any other article[,] whether of commerce manufactures or agriculture, while on the opposite plan they would be as long as they existed a mere game of chance & a subject of the most gambling speculation." Hamilton's argument turned the tables on the opponents of his funding system. If they were serious about reducing excessive speculation, they should support full funding of the debt because it would minimize fluctuations in the market value of the debt (and thus the opportunity to make a profit from such fluctuations). The only other way to end speculation was to abolish the debt altogether, which Hamilton believed "would have been an act of suicide in the Government at the very commencement of its existence." Moreover, as Ferguson and McDonald have documented, there was a group of "land-jobbers" who had an interested reason for opposing Hamilton's funding system: public securities were accepted at face value (rather than the market value) for the purchase of state and federal lands. As a result, land speculators were able to buy land at a substantial discount simply by paying for it with public securities bought at their depreciated value in the open market. Funding the debt would put an end to this little speculative bonanza by driving up the market price of public securities to par. Soon after the enactment of Hamilton's funding program, the public debt did indeed begin to trade at—and even above—par, and later Hamilton boasted, "it is now a considerable time since the public Stock has reached the desirable point & put an end to the excessive spirit of speculation."⁴⁶

Public creditors also figured prominently in the two issues of the public debt involving considerations of justice. The first issue con-

46. Hamilton, "Report on Public Credit," *PAH*, 6: 71; Hamilton, Letter to Washington, August 18, 1792, *PAH*, 12: 247; *The Federalist Papers*, No. 62, 349; Hamilton, "Defence of the Funding System," *PAH*, 19: 62; Hamilton, Letter to Washington, August 18, 1792, *PAH*, 12: 247; Hamilton, "Defence of the Funding System," *PAH*, 19: 50; Ferguson, *The Power of the Purse*, 253 (see also McDonald, *Alexander Hamilton*, 174); Ferguson, *The Power of the Purse*, 330; Hamilton, "Defence of the Funding System," *PAH*, 19: 62.

cerned Hamilton's plan to lower the interest rate paid on the domestic debt from 6 to 4 percent. The treasury secretary thought it possible for the government to fund the interest at 6 percent, but because it would require a crushing tax burden, it was not in the "true interest" of the creditors. He further cautioned public creditors that if an emergency like war arose while the resources of the government were being "exhausted or even *strained* to provide for the public debt, there could be less reliance on the sacredness of the provision." While in effect admitting the necessity of reducing the interest rate, he stressed that he had not lost sight "of those fundamental principles of good faith, which dictate, that every practicable exertion ought to be made, scrupulously to fulfil the engagements of the government; that no change in the rights of its creditors ought to be attempted without their voluntary consent; and that this consent ought to be voluntary, in fact, as well as in name. Consequently, that every proposal of a change ought to be in the shape of an appeal to their reason and to their interest; not to their necessities." Unlike a Machiavellian prince who frequently appeals to men's low necessities and violates principles of good faith, Hamilton appealed to the middle ground of men's souls, where reason meets interest, because he took seriously the obligations of good faith. He also believed that lowering the interest rate was justified because he predicted that the government's rate for borrowing would fall to 5 percent "in a very short time," and to 4 percent within twenty years. Since the debt was structured essentially as an annuity that was "redeemable at the pleasure of the government," the government was perfectly within its rights to refinance the debt whenever it could take advantage of a lower interest rate. To compensate creditors for the losses they would incur before the government's borrowing rate actually declined, Hamilton proposed six different plans which held out various advantages. The key difference of the plans was that the debt would be redeemable at specified times rather than at will. As Peter McNamara explains,

The plan as a whole would improve the public credit by creating an appearance of an improvement. The more quickly the government could rearrange its finances so that it could meet its interest commitments, the more quickly its credit would be restored, because then the embarrassment of heaping up arrears of interest would be removed. Because this effect would be achieved by a reduction in the payment of interest, not by an improvement in the financial situation of the country, it would exist more in the mind than in the realities of the situation.

Hamilton's plan for a sinking fund would function in a similar manner. The value of the debt would be sustained by open-market operations which would make it appear as if the debt were being paid off even though the reality was that the fund was insufficiently endowed to make major reductions in the debt.⁴⁷

Public creditors would be presented with one more plan which both they and Hamilton denounced as unjust: discrimination. Much to Hamilton's surprise, it was his collaborator as *Publius*, James Madison, who proposed discriminating between original and current holders of the debt. Madison's plan was to give current holders of the debt new securities worth the highest price of the debt which had prevailed in the market and to give original holders of the debt who had sold their securities new ones worth the difference between the debt's face value and its highest price in the market. Madison conceded that his proposal represented a reversal of the position he had taken in 1783 but justified it as follows: "At that period, the certificates to the army, and citizens at large, had not been issued. The transfers were confined to loan-office certificates, were not numerous, and had been in great part made with little loss to the original creditor. At present the transfers extend to a vast proportion of the whole debt, and the loss to the original holders has been immense. The injustice which has taken place has been enormous and flagrant, and makes redress a great national object." As we have seen, the certificates issued to the army and citizens were forced upon them "at the point of the bayonet" and rapidly depreciated to a fraction of their face value. Many of the original holders either could not afford to wait for the federal government to fund the debt or considered funding an unlikely prospect, and they sold their certificates at a substantial loss. Madison viewed the losses suffered by the original holders as a great injustice, and he was particularly appalled by the windfall that would accrue to speculators without discrimination: "There must be something wrong, radically and morally and politically wrong, in a system which transfers the reward from those who paid the most valuable of all considerations to those who scarcely paid any consideration at all." At the same time, he believed that "no logic, no magic" could justify a failure to pay the debt in full. Madison therefore devised a plan which he thought would reconcile these two conflicting claims of distributive justice in the most equitable way.⁴⁸

47. Hamilton, "Report on Public Credit," *PAH*, 6: 87-95; McNamara, *Political Economy and Statesmanship*, 124; Swanson, *The Origins of Hamilton's Fiscal Policies*, 60-61.

48. Madison, House Speech on February 11, 1790, *PJM*, 13: 37; Madison, House Speech on February 18, 1790, *PJM*, 13: 48-50; Madison, Letter to Edward Carrington,

Hamilton vehemently objected to discrimination on the grounds that it was impracticable because it would be too difficult to discover the original holders of the debt; bad policy because it would force the federal government to pay enormous risk premiums (higher interest rates) in the future and because it would ruin his plan to monetize the debt; unconstitutional because it violated article 6 (reaffirming the public debt); and unjust because it was a breach of contract in violation of the rights of a fair purchaser.⁴⁹

The justice of full funding of the debt without discrimination is worthy of particular attention since it was a point that Hamilton returned to time and time again in virtually every document and statement he made on the subject. For Hamilton, funding the debt was a matter of first principles:

Governments like individuals have burthens which ought to be deemed sacred, else they become mere engines of violence, oppression, extortion, and misery. Adieu to the security of property[,] adieu to the security of liberty. Nothing is then safe—all our favorite notions of national & constitutional rights vanish. Every thing is brought to a question of power; right is anathematized, excommunicated, and banished.

In the code of moral and political obligations that of paying debts holds a prominent place. Tried by the test of utility there is perhaps none of greater force or extent. Without it, no borrowing nor lending; no selling or purchasing upon time—no credit private or public; consequently a more cramped and less prosperous agriculture, fewer and more imperfect mechanic & other industrial arts[,] less and more embarrassed commerce, an immense contraction of national resource and strength. A most active power in the whole scheme of national happiness would be destroyed. A vast void would be created. Everything would languish and wither.

Given this view, it was hardly surprising that Hamilton referred to advocates of discrimination as “heretics” who intended to perpetrate a “fraud” on the current holders of the debt “according to certain abstract

ton, March 14, 1790, *PJM*, 13: 104; Madison, House Speech on February 11, 1790, *PJM*, 13: 35. Original holders of the debt who had not sold and intermediate holders of the debt would be unaffected by the plan. Original holders who had not sold would receive full face value for their certificates. For a sympathetic portrayal of Madison's apostasy, see Banning, *The Sacred Fire of Liberty*, 312–16; Mathews, *If Men Were Angels*, 109–115.

49. Hamilton, “Report on Public Credit,” *PAH*, 6: 73–77.

notions of Equity & right." Although Hamilton felt sympathy for those who were forced to sell their certificates, he believed it was impossible to ascertain precisely which of the original holders sold from necessity. Some probably sold to undertake more profitable ventures while others sold to make a profit at the expense of speculators in the event that the debt was not funded. Moreover, Hamilton argued that if redress were to be made to the original holders, it was the government's responsibility to do so, not the current holders, since it was the government that had failed to meet its obligations.⁵⁰ In essence, discrimination was a policy of robbing Peter to pay Paul, and once the government started down the path of altering contracts according to abstract notions of right (promulgated by ambitious intellectuals and politicians), there would be no end to it.

Two additional arguments Hamilton made against discrimination are noteworthy given their importance in creating a fully commercial society. One argument concerned the merits of speculators in the public debt, who were regarded as vultures by many. Hamilton, however, denied that speculators had done anything unseemly in purchasing the debt. On the contrary, they had undertaken a large risk in doing so: "[The purchaser] is not even chargeable with having taken an undue advantage. He paid what the commodity was worth in the market, and took the risks of reimbursement upon himself. He of course gave a fair equivalent, and ought to reap the benefit of his hazard; a hazard which was far from inconsiderable, and which, perhaps, turned on little less than a revolution in government." Proponents of discrimination seemed to think that speculators had made a sure bet, but this was far from being the case. It was quite possible that the federal government could have repudiated the debt outright or settled it on far less generous terms. Even in the period just prior to the presentation of Hamilton's report, "many informed congressional leaders, including persons drawn from across the political spectrum, believed that the secretary might recommend a partial repudiation of the accumulated past-due interest." Speculators therefore deserved to reap the rewards for the genuine risks they took. In broader terms, Hamilton's vindication of the activities of speculators and "stock-jobbers" was part of his effort to create a robust capital market. After all, capitalism cannot exist without capitalists, and there will be few capitalists if their profits are expropriated and

50. Hamilton, "Defence of the Funding System," *PAH*, 19: 47, 72-73; Hamilton, "Report on Public Credit," *PAH*, 6: 74-75.

their activity is stigmatized. Even so, Stanley Elkins and Eric McKittrick claim that "something more than country-party fundamentalism was involved in the Jeffersonian-Madisonian rage at 'gambling scoundrels' . . . Hamilton may have seen farther ahead than they, but something was to be said for their wild fears that the forces he set loose were corrupting the morals of the people and making forever unattainable the vision *they* had of the future Good Republic." Yet Elkins and McKittrick have overlooked the blind spot of the Jeffersonian tradition, which Hamilton exposed: "many of the noisy Patriots who were not in [a] condition to be stock-jobbers, are land-jobbers, and have a becoming tenderness for this species of extravagance." Land speculation was a far more popular national pastime that had generated its own set of troubles, and Jefferson and Madison's policy of acquiring western lands would only compound this species of extravagance (which they themselves indulged in). Moreover, Hamilton was genuinely concerned about the perils of "irrational exuberance" in the financial markets. When scrip in the national bank skyrocketed to more than ten times its initial offering price, Hamilton "thought it advisable to speak out, for a bubble connected with my operations is, of all the enemies I have to fear, in my judgment the most formidable . . . I thought it therefore expedient to risk something in contributing to dissolve the charm." He also opposed proposals to create three new banks in New York City in a single month: "These extravagant sallies of speculation do injury to the Government and to the whole system of public Credit, by disgusting all sober Citizens and giving a wild air to every thing. It is impossible but that three great banks in one City must raise such a mass of artificial Credit, as must endanger every one of them & do harm in every view."⁵¹ Instead of simply decrying the spirit of speculation that is "inseparable from the spirit and freedom of commerce," Hamilton was laying the foundations for an institutional and (national) regulatory framework to channel that spirit into productive outlets and to enable the government to prick any speculative bubbles that might arise.

Hamilton's other argument against discrimination that would promote commercialization involved the provision of the public debt that

51. Hamilton, "Report on Public Credit," *PAH*, 6: 74; Perkins, *American Public Finance*, 218; Elkins and McKittrick, *The Age of Federalism*, 280–82; Hamilton, "Defence of the Funding System," *PAH*, 19: 62; McDonald, *Alexander Hamilton*, 154; Wood, *The Radicalism of the American Revolution*, 128; Ferguson, *The Power of the Purse*, 7; Hamilton, Letter to Rufus King, August 17, 1791, *PAH*, 9: 75–76; Hamilton, Letter to William Seton, January 18, 1792, *PAH*, 10: 525.

made it assignable or transferable. He argued that this provision placed current holders of the debt on the same footing as original holders and therefore left no legal or moral basis for discrimination:

The *intent*, in making the security assignable, is, that the proprietor may be able to make use of his property, by selling it for as much as it *may be worth in the market*, and that the buyer may be *safe* in the purchase. Every buyer therefore stands exactly in the place of the seller, has the same right with him to the identical sum expressed in the security, and having acquired that right, by fair purchase, and in conformity to the original *agreement* and *intention* of the government, his claim cannot be disputed, without manifest injustice.

Discrimination amounted in effect to a return to the feudal practices of setting a "just price" and placing arbitrary and onerous restrictions on property and contracts. But a truly commercial economy requires that restrictions on exchange be kept to a minimum, and that the market determine the value of property. As McDonald has detailed, Hamilton led the way in modernizing American contract law: "Hamilton's earlier career as a lawyer, his later conduct as secretary of the treasury, his reasoning in his great reports, and his avid participation in a movement to modernize the law of contractual relationships all accord with an inference that he would have advocated the enshrining in fundamental law of a broad, modern conception of contracts."⁵²

As useful as enshrining modern contract law in the Constitution would be in constructing a modern commercial economy, Hamilton believed that by themselves, the precepts and parchment barriers contained in the Constitution were inadequate. Precepts and parchment barriers certainly had done precious little to restrain the state legislatures from frequent meddling with contracts. What the federal government really needed to do was set a good example: "The *example* of the national government in a matter of this kind may be expect'd to have a far more powerful influence, than the *precepts* of its Constitution" (italics in original). Hamilton was especially worried that any failure on the part of the federal government to meet its obligations would "diminish the respect of the state legislatures" for the Constitution's provisions prohibiting the states from impairing the obligation of contracts. The

52. Hamilton, "Report on Public Credit," PAH, 6: 74; Forrest McDonald, *Novus Ordo Seclorum: The Intellectual Origins of the Constitution*, 273. It is on this basis that McDonald speculates that Hamilton was the source of the contract clause of the Constitution.

federal government should therefore set an early precedent by fulfilling its own obligations without “intermeddlings” like discrimination so that it might serve as a powerful example to the states as well as the citizens.⁵³

TAXATION

Fully funding the debt left Hamilton with no choice but to raise additional taxes (Congress had already laid duties on imports and tonnage). He did, however, have a choice in deciding precisely which taxes to increase. Although he could have opted to raise them in the most economically efficient or least politically unpopular manner (or some combination thereof), such an approach to tax policy was too narrow. Instead, he calibrated his tax measure to achieve the wider ends of encouraging industry, discouraging vicious luxury, making the tax system more equitable, insinuating the federal government into the daily lives of citizens, and maximizing the potential revenue of the federal government. Hamilton’s tax proposal included higher tariffs on imported alcohol, tea, and coffee, and most controversially, an excise duty on domestically distilled spirits.

Though it may sound odd to contemporary ears, Hamilton claimed that one of the blessings of a national debt was that it would “create a necessity for keeping up taxation to a degree which without being oppressive, will be a spur to industry.” The claim must be taken in the context of the modest level of taxation in America at the time and mercantilist economic notions. Edwin Perkins has estimated that the \$5 million in taxes Hamilton expected to raise “represented only about 2 percent of GNP in 1792, an extremely low tax burden for a central government in comparison with contemporary European standards.” Given this relatively light tax burden as well as his belief that Americans did not work enough, Hamilton expected that a tax increase would induce people to work more to compensate for the loss in disposable income.⁵⁴

53. Hamilton, Letter to Washington, May 28, 1790, *PAH*, 6: 436–37.

54. Hamilton, Letter to Robert Morris, April 30, 1781, *PAH*, 2: 635; Perkins, *American Public Finance*, 232. Modern economic theory refers to this as the “income effect.” A tax increase also has a “substitution effect” which causes a decrease in work (since goods become more expensive and leisure less so). Given the low tax burden, Hamilton was probably correct that the income effect would tend to dominate.

At the same time, the treasury secretary was determined "to manifest a spirit of moderation and justice" in levying taxes. He therefore deliberately avoided increasing taxes on "the necessities of life" and instead chose to increase taxes on alcohol, tea, and coffee because he regarded them as "luxuries—the greatest part of them foreign luxuries; some of them in the excess in which they are used, pernicious luxuries." Particularly when compared to other forms of taxation, taxing luxuries was a far more effective way to make the wealthy pay their fair share. As he observed of the attempt in New York during the Revolution to levy taxes based on the ability of each citizen to pay: "This chimerical attempt at perfect equality has resulted in total inequality. . . . The exterior figure a man makes, the decency or meanness of his manner of living, the personal friendships, or dislikes of the assessors have much more share in determining what individuals shall pay, than the proportion of property." Increasing taxes on luxuries was also a useful way to rein in their excessive consumption, which had become "a source of national extravagance and impoverishment." As largely foreign luxuries, they caused impoverishment because they had to be paid for in scarce specie. Stemming this drain on the nation's precious hard-currency reserves would be welcome for both economic and national defense reasons. Hamilton was particularly eager to increase taxes on alcohol because its cheap price had contributed to its excessive consumption, "which is truly to be regretted, as well in regard to the health and the morals, as to the economy of the community." Hamilton was not merely being officious with his little jeremiad against the intemperance of Americans. As Gordon Wood has chronicled, "nearly all Americans drank—men, women, children, and sometimes even babies—everywhere and anywhere, all day long. Washington, who himself had a distillery, thought as early as 1789 that distilled spirits were 'the ruin of half the workmen in the Country.'"⁵⁵ Although Hamilton did not seek a rigorous suppression of this vice as the temperance societies later would, he did try to discourage it through means most befitting a commercial nation: taxation.

Issues of equity and virtue were likewise involved in the collection of taxes. As Hamilton recounted in *Federalist* 12, collecting taxes had proven to be an especially intractable problem: "Tax laws have in vain

55. Hamilton, "Report on Public Credit," *PAH*, 6: 99, 105; Hamilton, Letter to Robert Morris, August 13, 1782, *PAH*, 3: 135; Hamilton, "Report on Public Credit," *PAH*, 99 (see also *The Federalist Papers*, No. 12, 63–64); Wood, *The Radicalism of the American Revolution*, 306.

been multiplied; new methods to enforce collection have in vain been tried; the public expectation has been uniformly disappointed, and the treasuries of the States have remained empty." The treasury secretary went to the root of the problem when he laid out the two major alternatives for collecting taxes: relying on either the "vigilance" of public officers or the "integrity" of merchants (who were supposed to collect and forward the taxes and certify their accuracy under oath). Hamilton favored the former approach, but previous practice favored the latter. The idea of dispersing vigilant tax collectors across the nation no doubt conjured up memories of the abuses that Americans had suffered under British rule, but Hamilton was confident that proper safeguards, such as explicitly protecting the right to trial by jury and limiting the tax collectors' power of arbitrary search, would prevent such abuses. What is more, the abuses under the old system were far worse. Experience had demonstrated that relying almost exclusively on the oaths of the dealers was unproductive, unjust, and corrupting (much like the system of requisitions under the Articles of Confederation). Such a system was unproductive because interest would all too frequently be "an overmatch for the sense of obligation." It was unjust because the taxes collected under it "cannot fail to be unequal, as long as men continue to be discriminated, by unequal portions of rectitude. The most conscientious will pay the most; the least conscientious, least." Its injustice was aggravated by the need to raise additional taxes on the most conscientious to make up for the shortfall caused by the least conscientious. It was corrupting because it put the honest merchant at a competitive disadvantage by affording "profit and advantage to perjury and fraud." It was also "a very serious evil" because "it leads to frequent and familiar violations of oaths; which, by loosening one of the strongest bands of society, and weakening one of the principal securities to life and property, offends not less against the maxims of good government and sound policy, than against those of religion and morality." This last statement reveals that although Hamilton did not believe that oaths are useless and therefore did not suppose men to be utter knaves, he did believe that an almost exclusive reliance on oaths, particularly when it involved the disagreeable duty of paying taxes, was doomed to failure because it "does not sufficiently accord with the bias of human nature." It violated the maxim that "the best security for the fidelity of mankind is to make their interest coincide with their duty" by driving a sharp wedge between the two. Hamilton presupposed a modicum of public virtue among Americans, but like a good supply-side economist, he understood that it should not be overtaxed lest the government end up with neither

public virtue nor revenue. Much better would be to rely on the vigilance of tax collectors to keep taxpayers honest.⁵⁶

Tax collection was also a convenient means for “pervading and uniting the States,” but some taxes were better suited to accomplish this aim than others. Although import duties were the best means for raising revenue, their operation tended to be largely invisible to most citizens because they were collected by a relatively small number of merchants concentrated along the coast. The excise on distilled spirits, by contrast, would be felt far and wide given the large number of farmers and distillers. In other words, the excise would permit the federal government to extend its reach to an *internal* object of people’s lives. This was part of Hamilton’s general strategy of attaching the people to the federal government by involving government in objects of everyday concern:

[T]he more the operations of the national authority are intermingled in the ordinary exercise of government, the more the citizens are accustomed to meet with it in the common occurrences of their political life, the more it is familiarized to their sight and to their feelings, the further it enters into those objects which touch the most sensible cords and put in motion the most active springs of the human heart, the greater will be the probability that it will conciliate the respect and attachment of the community.

Admittedly, an excise tax was an especially odious way for the federal government to insert itself into the daily lives of citizens—most citizens viewed excises as the favorite tax of tyrants—but Hamilton was banking on the popularity of Washington and the disarray among “state-factions” after the Constitution’s ratification to overcome popular resistance.⁵⁷

Levying the excise was still more important in helping to maximize the potential revenue of the federal government. As we have seen,

56. *The Federalist Papers*, No. 12, 60–61; Hamilton, “First Report on the Further Provision Necessary for Establishing Public Credit,” December 13, 1790, *PAH*, 7: 228–30 (see Brutus, Essays V and VI, in *The Complete Anti-Federalist*, vol. 2, 390, 394–97); *The Federalist Papers*, No. 72, 405. Hamilton would do his best to assuage the fear of similar abuses under his system by creating rules and regulations for his tax collectors that would become a model of efficiency, probity, and liberality. See Donald R. Stabile, *The Origins of American Public Finance*, 113–14. On the theme of vigilance and responsibility, see Walling, *Republican Empire*, 9–10, 279–89.

57. Hamilton, Remarks in the Continental Congress, January 28, 1783, *PAH*, 3: 246 (see also “The Continentalist, No. VI,” *PAH*, 3: 105–6); *The Federalist Papers*, No. 27, 144, No. 12, 61; McDonald, *Alexander Hamilton*, 298; Hamilton, Letter to Washington, August 18, 1792, *PAH*, 12: 237.

Hamilton believed that a nation's necessities are likely to be equal to its resources at every stage of its existence. If so, confining the federal government to a single species of taxation (import duties) would be imprudent, not to mention unjust, since it would place "an undue proportion of the public burthen on the merchant and the landholder." The federal government should therefore exercise its power of internal taxation "lest a total non-exercise of it should beget an impression that it was never to be exercised & next that it ought not to be exercised." By setting an early precedent, Hamilton would accustom citizens to believe that the exercise of the federal government's powers of internal taxation was perfectly legitimate. As with full funding of the debt, setting an example through action was just as important as the formal precept contained in the Constitution. Of course, had Hamilton wanted to tap the greatest internal source of potential revenue, he would have taxed property. Exercising that option, however, would have been widely unpopular, and so he prudently reserved it "for objects and occasions, which will more immediately interest the sensibility of the whole community, and more directly affect the public safety" such as war or rebellion. Making a higher necessity out of a lower one, he added that levying property taxes might give "the appearance of exhausted resources," which could "invite both insult and injury" by foreign nations. And as Forrest McDonald suggests, servicing the debt without resorting to property taxes—which every other major European nation levied—would make a good impression on foreign creditors.⁵⁸

Despite Hamilton's offer of "every admissible accommodation" to recalcitrant distillers, the collection of the excise ignited the Whiskey Rebellion, which forced him to set yet another example by calling forth the militia to suppress it, thereby confirming the worst fears of Anti-Federalists, who had predicted that the federal government would use its powers in precisely this manner. For Hamilton, the rebellion involved more than the federal government's ability to exercise its powers of internal taxation. It went to the core of the distinction between freedom and tyranny:

Government is frequently and aptly classified under two descriptions, a government of FORCE and a government of LAWS; the first is

58. *The Federalist Papers*, No. 30, 158; Hamilton, "Report on the Difficulties of Laying Duties on Distilled Spirits," March 6, 1792, *PAH*, 11: 79; Hamilton, Letter to Washington, August 18, 1792, *PAH*, 12: 237; Hamilton, "Report on the Further Provision for Public Credit," *PAH*, 7: 231; McDonald, *Alexander Hamilton*, 197.

the definition of despotism—the last, of liberty. But how can a government of laws exist where the laws are disrespected and disobeyed? Government supposes controul. It is the POWER by which individuals in society are kept from doing injury to each other and are bro't to co-operate to a common end. The instruments by which it must act are either the AUTHORITY of the LAWS or FORCE. If the first be destroyed, the last must be substituted; and where this becomes the ordinary instrument of government there is an end to liberty.

Accordingly, the most important responsibility of a citizen is to obey the law: “If it were to be asked, What is the most *sacred duty* and the greatest source of security in a Republic? the answer would be, An inviolable respect for the Constitution and Laws—the first growing out of the last.” In other words, obeying the law must be regarded as more than a matter of self-interest, however enlightened. The spirit of commerce may tend to promote law-abidingness, but it is insufficient because men’s passions and especially their *thumotic* naysaying (which the Revolution unleashed) make them resistant to the rule of law. Hence if citizens are to obey the law as a matter of course, they must regard obedience to the law as a sacred duty. Hamilton’s proposal for a Christian Constitutional Society was a logical, if partisan, outgrowth of this belief. This puts Hamilton’s position much closer to traditional natural-law theorists like Grotius and Pufendorf (and Lincoln) than to modern natural-law theorists like Hobbes and Locke, who all but ignore duty in favor of fear, interest, and habit. As Pufendorf put it, “citizens ought to obey the civil laws . . . not as if by fear of punishment alone, but by an internal obligation which is established by natural law itself, since its precepts include the behest to obey legitimate rulers.” In deploying an overwhelming number of troops to meet the rebels, with Washington himself taking command until the militias were fully assembled, Hamilton sought not merely to enforce the law, but to display the majesty of the federal government so as to awe the rebels into compliance with their duty. An awe-inspiring display was also useful to educate citizens generally. Such a display might be seen as Machiavellian, but unlike the cruel tactics employed by a Machiavellian prince like Cesare Borgia, this deployment of overwhelming force was designed to minimize bloodshed, and by pardoning the two rebels ultimately convicted of treason, Washington showed his administration to be magnanimous rather than ferocious.⁵⁹

59. Hamilton, Letter to William Bradford, August 8, 1794, *PAH*, 17: 76–77 (see Centinel, Letter I, in *The Complete Anti-Federalist*, vol. 2, 140); Hamilton, “Tully, No.

CONCLUSION

I would like to conclude this chapter with two broader points. The first concerns the tenor of Hamilton's various economic reports. In the Constitutional Convention, Hamilton had urged the delegates "to tone their government as high as possible." Although the Constitution was not toned high enough for him, Hamilton did think it possible to achieve that end in part by setting rigorous precedents in economic administration. "Bad precedents," he warned, "influence as well as good. They are greedily looked up to and cited by men of loose principles who make them instruments of instilling doctrines and feelings hostile to morals, property, and credit." Because the first motions of the infant government would be "of such fundamental consequence" to the character of the government and the people, it was essential that the federal government abjure "the relaxed conduct of the State Governments" in favor of "an inflexible adherence to the principles contended for" even if it caused "particular hardships."⁶⁰ From his support of the stern laws of industrialization to his defense of the inviolability of capital to his resistance to debasing the currency to his plan for full funding of the debt to his firm enforcement of the rule of law, Hamilton endeavored to tone America's commercial virtue as high as possible. In this way, the confidence of the American people in their government (and in themselves) would be grounded in the respectability of a government which adhered to both sound policy and "the strictest maxims of justice."

My other point concerns the American way of life. As George Will rightly points out, Hamilton's various economic reports were "an exercise in statecraft as soulcraft. He aimed at nothing less than a change in the American character. Like Jefferson, he took seriously the social ecology of virtue. He wanted a different society because he had a different idea of virtue for individuals and the nation." Hamilton's America was industrious, entrepreneurial, innovative, temperate, sagacious, energetic, diverse, urbane, mobile, refined, and lawful. Jefferson and Madison's

III," *PAH*, 17: 159–160; Hamilton, Letter to James Bayard, April 16–21, 1802, *PAH*, 25: 605–10 (emphasis added); Samuel Pufendorf, *On the Duty of Man and Citizen*, ed. James Tully, bk. II, chap. 12, par. 8, p. 156 (see also McNamara, *Political Economy and Statesmanship*, 120); Machiavelli, *The Prince*, chap. 7, 26–30; McDonald, *Alexander Hamilton*, 300–2.

60. Hamilton, Remarks on June 26, *The Records of the Federal Convention*, vol. 1, 424; Hamilton, "Defence of the Funding System," *PAH*, 19: 32; Hamilton, Letter to Washington, May 28, 1790, *PAH*, 6: 438 (see also McNamara, *Political Economy and Statesmanship*, 114).

America, on the other hand, was industrious, agrarian, simpler (though still inventive), homogeneous, rooted (though expanding across the frontier), and vigilant. Which of these two ways of life is better for the human soul and human happiness is, of course, debatable. Hamilton himself conceded that industrial society is a mixed blessing, but on balance, he believed that it offered each citizen the best opportunity for "beatifying his existence" or doing something splendid with his life.⁶¹ In Hamilton's commercial republic, such splendor would not be confined to the private individual. As we shall see in the following chapter, Hamilton saw commerce as an important means for creating public splendor as well.

61. George F. Will, *Restoration: Congress, Term Limits and the Recovery of Deliberative Democracy*, 159; Hamilton, "The Farmer Refuted," *PAH*, 1: 87 (see also Walling, *Republican Empire*, 205).

Chapter 7

LIBERALITY AND NATIONAL GREATNESS

As a member of the tribe of the eagle, Hamilton soared as high as any of the great statesmen of the ancient world, but did his political economy clip America's wings? By making commerce rather than "stern virtue" "a primary object" of care for statesmen, Hamilton appears to have lowered the moral horizon of American politics to little more than the ceaseless pursuit of security and prosperity. As Montesquieu conceded, commerce does tend to flatten men's souls: "The spirit of commerce produces in men a certain feeling for exact justice, opposed on the one hand to banditry, and on the other to those moral virtues that make it so that one does not always discuss one's own interests alone and that one can neglect them for those of others." Picking up on this theme, Martin Diamond argued that "it is reasonable to infer that what the founders made no provision for they did not rank highly among the legitimate objects of government. Other political theories ranked highly, as objects of government, the nurturing of a particular religion, education, military courage, civic-spiritedness, moderation, individual excellence in the virtues, etc. On all of these *The Federalist* is either silent, or has in mind only pallid versions of the originals, or even seems to speak with contempt." As the founder most devoted to commerce and the "new" science of politics, Hamilton would seem especially responsible for creating a regime that neglects the cultivation of public virtue. Yet such a view underestimates the extent to which Hamilton saw

commerce itself as an indispensable means to promote at least one public virtue, namely, liberality, which would replace the excessive devotion to courage and military glory (imperialism) of the ancient republics as part of his vision of national greatness.¹

CAN AND SHOULD THE GOVERNMENT PRACTICE LIBERALITY?

To help us understand precisely what Hamilton meant by liberality, we begin with a brief survey of the opposing views of Aristotle and Machiavelli. As Aristotle defines it, liberality is the moral virtue that involves giving wealth and represents a mean between the extremes of extravagance and stinginess. The extravagant spend too much while the stingy either spend too little or take too much from the wrong sources (e.g., pimps and usurers). But "those who take the wrong things from the wrong source on a large scale, such as tyrants who sack cities and plunder temples, are not called 'stingy' or 'mean' but 'wicked,' 'impious,' and 'unjust.'" Aristotle stresses that liberality is the *giving* of material goods rather than merely abstaining from taking what is another's because excellence consists in "performing noble actions rather than having good done to one, and in performing noble actions rather than in not performing base ones." One who merely abstains from taking is honest and just, not noble. And although Aristotle speaks of liberality primarily in the context of the individual excellence of the soul, it has a political counterpart in such things as common messes, beautiful public works, religious sacrifices, and rewarding slaves (public and private) with their freedom.²

The link between liberality and politics looms even larger as one reflects on the necessary conditions for practicing such virtue. Aristotle admits but does not emphasize that virtue requires "equipment" if it is to be performed, none more obviously than liberality. Yet if "one cannot

1. *The Federalist Papers*, No. 73, 409, No. 12, 59; Montesquieu, *The Spirit of the Laws*, 20.2: 339; Diamond, "Democracy and *The Federalist*," in *As Far as Republican Principles Will Admit*, 31. As Gilbert Lycan points out, "liberal" was the term Hamilton favored when referring to the virtuous passions (*Alexander Hamilton and Foreign Policy*, 9). See also Michael J. Rosano, "Liberty, Nobility, Philanthropy, and Power in Alexander Hamilton's Concept of Human Nature," 61–74. Based on Rosano's analysis, one may say that Hamilton's noble sense of liberality was reinforced by Christian philanthropy.

2. Aristotle, *Nicomachean Ethics*, 4.1.1122a10–15: 89; 4.1.1120a10–15: 84; Aristotle, *Politics*, 7.10.1330a2–10: 213, 7.10.1330a25–32: 213, 7.11.1330b1–1331a15: 214–15, 8.1–3.1337a10–1338b10: 229–32.

have material goods or anything else without devoting care to getting them," then how can one afford to be liberal without committing injustice (i.e., theft or slavery) or devoting oneself to the base exploits of commerce?³ As we have seen, Aristotle tacitly acknowledges that because nature does not readily supply human needs, acquisition is necessary, but he also denies that that necessity is overwhelming. Some acquisition combined with a proper restraint on desire will usually be sufficient to make possible the practice of liberality and the other virtues.

Machiavelli, by contrast, denies that rulers can afford to be liberal in Aristotle's sense of the term because political life brings with it additional necessities that will consume any increased resources made possible by civilization. As a prince must have money "to defend himself from whoever makes war on him," and to be able to undertake campaigns, the need to stay ahead of one's rivals makes liberality a foolish luxury. Even if a prince wanted to "maintain a name for liberality among men," he would "consume all his resources in such deeds," and in the end he will be forced to "do all those things that can be done to get money." In other words, one will be forced to acquire as much as possible, and one can either take care of one's necessities or try to be liberal, but not both. Since necessity—let alone liberality—will compel a prince to burden the people with taxes that will excite their hatred, Machiavelli advises that a prince demonstrate his "liberality" by being frugal and not plundering his subjects. Machiavelli does hold out the possibility of being liberal in the sense of giving, but like Aristotle's tyrant, a prince should only lavish on his subjects gifts obtained from "booty, pillage, and ransom."⁴

In reading his contributions as Publius, Hamilton gives the impression that he sides with Machiavelli against Aristotle on the question of liberality. He reproaches those who see nature as providing abundantly for the nation and with such confidence "hope to see realized in America the halcyon scenes of the poetic or fabulous age." Because nature did not bless America with the kind of abundance and isolation from foreign nations for which Aristotle would pray in his best regime, these dreams must remain merely dreams. As any prudent statesman must take into account the need to provide for the nation's defense, liberality appears to become but a secondary concern for Hamilton. Indeed, the

3. Aristotle, *Nicomachean Ethics*, 1.8.1099a31–35: 21, 4.1.1120b15–20: 85.

4. Mansfield, "Machiavelli's Virtue," in *Machiavelli's Virtue*, 11–22; Machiavelli, *The Prince*, chap. 16, 63–64.

necessity of providing for national security seems to overwhelm any possibility of public liberality in his mind. As we have seen, Hamilton argued: "*in the usual progress of things, the necessities of a nation, in every stage of its existence, will be found at least equal to its resources.*" This means that both young and old nations will have to struggle to meet their necessities because as a nation grows, so will its needs. After all, even the apparently prosperous nation of Great Britain was groaning under the weight of a large public debt that it had been forced to incur to maintain its empire.⁵ But before concluding that Hamilton essentially agreed with Machiavelli, one should take note of an important qualification. Hamilton claims that the necessities of a nation will be equal to its resources "*in the usual progress of things.*" What might make America's progress unusual or exceptional in this regard? Following Hamilton's general arguments, a combination of America's relative geographic isolation, continued Union, a strong military, a prudent foreign policy, an active commerce, good fiscal management, and the finger of the Almighty (or the smile of Fortuna) might be sufficient to generate resources greater than the nation's necessities so that it can afford to be liberal.

But even if the government can afford to be liberal, should it be? Following Locke, the answer would be: by and large, no. Liberality is an essentially private virtue (as is almost all of virtue) in a strictly Lockean regime because such a regime is not responsible for promoting virtue directly (or taking care of souls). Even then, Lockean liberality is less liberal than Aristotelean liberality because Locke emphasizes the acquisition or the means of obtaining wealth rather than the proper use or ends of wealth.⁶ If Hamilton followed Locke in this regard, one could see why he is relatively silent on the subject because liberality in the American regime would be reduced to one of the "pallid" versions of ancient virtue left for civil society, not government, to nurture and to practice.

Once again, however, some have been too hasty in concluding that what was true for Locke and Machiavelli was also true for Hamilton. For example, Diamond argued that Publius truncated the meaning of happiness and thus the need for public virtue:

At one place, *The Federalist* indicates that happiness requires that government "provide for the security, advance the prosperity, [and] sup-

5. *The Federalist Papers*, No. 30, 158, 160; Hamilton, "A Full Vindication," *PAH*, 1: 58.

6. Locke, *Some Thoughts Concerning Education*, in *Some Thoughts Concerning Education and Of the Conduct of the Understanding*, par. 110.

port the reputation of the commonwealth". . . . Happiness, "a knowledge of means" to which *The Federalist* openly claims to possess, seems to consist primarily in physical preservation from external and internal danger *and* in the comforts afforded by a commercial society; which comforts are at once the dividends of security and the means to a republican rather than repressive security.

A closer examination of the text reveals, however, that it was not Publius who truncated the meaning of happiness, but Diamond who truncated his quotation of Publius. The first quote Diamond used comes from *Federalist* 30, and Diamond's omission seriously distorts Publius' meaning. The full quote is as follows:

How is it possible that a government half supplied and always necessitous can fulfil the purposes of its institution, can provide for the security, advance the prosperity, or support the reputation of the commonwealth? How can it ever possess either energy or stability, dignity or credit, confidence at home or respectability abroad? How can its administration be anything else than a succession of expedients temporizing, impotent, disgraceful? How will it be able to avoid a frequent sacrifice of its engagements to immediate necessity? How can it undertake or execute any liberal or enlarged plans of public good?

What the full quote reveals are two additional ends of government: keeping engagements (i.e., keeping faith or justice) and undertaking liberal plans for the public good. The ordering is also important, as it indicates an ascent from the low to the high in the purposes of revenue: security, prosperity, reputation of the commonwealth, keeping engagements (faith/justice), liberality. We have seen that in opposition to Machiavelli, who argues that a prince must "often" break faith in the name of present necessities, Hamilton saw a properly funded government as a way "to avoid a frequent sacrifice of its engagements to immediate necessity" or keep faith with its creditors.⁷ For Hamilton, the purpose of revenue, or more broadly, acquisition, extends beyond self-preservation to include justice.

The highest or most choiceworthy end of revenue is to enable the government to undertake "liberal or enlarged plans of the public good." Although Hamilton certainly indulged the people's desire for commodious living, he also sought to ennoble that desire to the extent possible in

7. Diamond, "Democracy and *The Federalist*," in *As Far As Republican Principles Will Admit*, 30; *The Federalist Papers*, No. 30, 159; Machiavelli, *The Prince*, chap. 18, 70.

a liberal republican regime by allowing the government to undertake liberal plans for the public good which he hoped would garner the people's consent. In Aristotelean terms, Hamilton sought to have the government (i.e., the people in their collective capacity) practice magnanimity or liberality on a grand scale, which, in the modern world of large nation-states, requires state action. Admittedly, Hamilton did not go to great lengths to emphasize this aspect of governance, and some have interpreted this as an indication of Hamilton's lack of real concern for cultivating public virtue. I believe, however, there are several more plausible reasons for his relative silence on the subject. First, many Americans recoiled at the idea that the government should undertake liberal plans for the public good. As one Anti-Federalist argued: "As the poverty of individuals prevents luxury, so the poverty of publick bodies, whether sole or aggregate, prevents tyranny."⁸ To have boldly proclaimed such undertakings as a proper end of the national government would have been imprudent since it surely would have stiffened opposition to the Union and the Constitution. Second, Hamilton also faced resistance on the part of the states. It was widely believed that to the extent that enlarged plans of the public should be undertaken, the governments closest to the people should do so. To suggest otherwise—as he did on other matters—would cause Hamilton to be accused of abandoning federalism in favor of "consolidation," which men like Jefferson believed would lead to despotism. Finally, had he dwelled upon his desire for the national government to undertake liberal plans for the public good, Hamilton would have undermined his and the Constitution's republican bona fides because it might imply that the national government and its public officials were the ones most capable of practicing virtue in its highest sense. As the tension between republicanism and virtue goes to the core of Hamilton's rhetorical and political problem here, I wish to elucidate it further.

At first glance, the idea that there might be a tension between republicanism and virtue seems to be at odds with our understanding of virtue. According to Montesquieu, virtue is above all else *political* virtue, or the love of the fatherland that makes one willing to subordinate oneself to the common good of the community. Virtue becomes both political and republican because of the end it seeks to serve, namely, freedom or the desire to rule oneself (rather than be ruled by others). Only in a republic where all participate in rule can it be said that one rules oneself, and only in a republic can one fully identify one's own freedom

8. Quoted in Storing, *What the Anti-Federalists Were FOR*, 30.

with the freedom of all and thus be willing to devote oneself wholeheartedly to the good of the whole. Moreover, political virtue "is a very simple thing" because "it is a *feeling* and not the result of knowledge"; even "the lowest man in the state, like the first, can have this *feeling*."⁹ The nature of political virtue is thus eminently democratic.

Montesquieu's account of virtue, however, is an innovation in the classical understanding of virtue, as he himself admits. The classical understanding as represented by Aristotle judges regimes by the standard of the moral virtue or greatness of soul of the magnanimous man; therefore, it holds aristocracy and monarchy in higher regard. Montesquieu argues that such a man is motivated by the animating principle of monarchies (and pure aristocracies), honor, which demands "preferences and distinctions." In such a world, "one sees and always hears three things: that a certain nobility must be put in the virtues, a certain frankness in the mores, and a certain politeness in the manners." This ambition for honor, however, "is pernicious in a republic" because the virtues associated with it "are not so much what calls us to our fellow citizens as what distinguishes us from them."¹⁰

Hamilton, by way of Hume, seems to have synthesized the active political virtue of the moderns and the magnanimous virtue of the ancients in his concept of "the love of fame," which is the "ruling passion of the noblest minds," and which prompts statesmen "to undertake extensive and arduous enterprises for the public benefit." In his *Enquiry Concerning the Principles of Morals*, Hume explains the idea more fully:

Another spring of our constitution, that brings a great addition of force to moral sentiment, is the love of fame; which rules, with such uncontrolled authority, in all generous minds, and is often the grand object of all their designs and undertakings. By our continual and earnest pursuit of a character, a name, a reputation in the world, we bring our own deportment and conduct frequently in review, and consider how they appear in the eyes of those who approach and regard us. This constant habit of surveying ourselves, as it were, in reflection, keeps alive all the sentiments of right and wrong, and begets, in noble natures, a certain reverence for themselves as well as others, which is the surest guardian of every virtue. The animal conveniences

9. Thomas L. Pangle, *Montesquieu's Philosophy of Liberalism*, 50–69; Montesquieu, *The Spirit of the Laws*, 5.2: 42 (emphasis added).

10. Montesquieu, *The Spirit of the Laws*, 3.7: 27, 4.2: 31. Although Montesquieu speaks of an aristocratic republic, as a regime approaches a pure aristocracy, it becomes "a monarchy with many monarchs" (8.5: 115).

and pleasures sink gradually in their value; while every inward beauty and moral grace is studiously acquired, and the mind is accomplished in every perfection, which can adorn or embellish a rational creature.

Hamilton's mention of courage and magnanimity (perhaps the most aristocratic of the moral virtues), which were to be employed to resist the popular tide, is likewise evocative of this view. Hamilton thus appears to have politicized the higher moral virtues while trying to preserve some of their aristocratic character.¹¹

If Hamilton's concept of virtue was, in fact, an ancient-modern synthesis, this would help to explain his reticence in forthrightly arguing for a government whose rulers would pursue lofty enterprises for the public good. It would also undermine the oversimplified dichotomy that makes Hamilton a defender of "corruption" and his opponents defenders of "virtue." To be sure, Hamilton relied more on channeling the less flattering passions through institutions than on personal virtue in government, but he nevertheless expected that those institutions would have an upward pull on the character and projects of politicians. Hence the real dispute is not simply between virtue and institutions, but also between a more republican (democratic) and a more aristocratic concept of virtue.¹²

Hamilton's fondest hope was that the practice of that more aristocratic virtue would help to transform America into a great empire. Where Diamond saw Hamilton's concern for the nation's reputation as serving the end of national defense and perhaps a bourgeois concern for respectability, Anti-Federalists such as Patrick Henry espied a long-

11. David Hume, *An Enquiry Concerning the Principles of Morals*, in *Enquiries Concerning Human Understanding and Concerning the Principles of Morals*, ed. P.H. Nidditch, sec. 9, part 1, par. 225, p. 276 (see also McDonald, *Alexander Hamilton*, 37–38; Peter McNamara, "Alexander Hamilton, the Love of Fame, and Modern Democratic Statesmanship," in *The Noblest Minds*, ed. Peter McNamara, 141–62, Rahe, *Republics Ancient and Modern*, 565–66, 1046n85); *The Federalist Papers*, No. 71, 400; Harvey C. Mansfield, *Taming the Prince: The Ambivalence of Modern Executive Power*, 225–29.

12. This does not mean that Hamilton favored an aristocratic form of government or a mixed regime of the kind that Aristotle and Polybius favored. Douglas Adair suggests this very idea in "The Intellectual Origins of Jeffersonian Democracy," chaps. 4–5. While critics of Adair are right to argue that Hamilton's belief in the natural political equality of mankind precluded an aristocracy or mixed regime, Adair is correct to argue that Hamilton favored a "High Toned Government." And while J. G. A. Pocock is wrong to argue that Hamilton preferred the amoral *virtu* of Machiavelli's prince to "republican virtue," Pocock is correct to argue that Hamilton was prince-like in his longing to display a kind of virtue more impressive than simple "republican virtue."

ing for aristocratic splendor: "If we admit this Consolidated Government it will be because we like a great splendid one. Some way or other we must be a great and mighty empire; we must have an army, and a navy, and a number of things: When the American spirit was in its youth, the language of America was different: Liberty, Sir, was then the primary object." Hamilton confidently referred to America as "a Hercules in the cradle" and anticipated "that the Country will, ere long, assume an attitude correspondent with its great destinies[—]majestic, efficient, and operative of great things. A noble career lies before it." In his draft of Washington's Farewell Address, Hamilton included the following line: "It will, at least, be worthy of a free, enlightened, and at not distant period, a *great Nation* to give to mankind the *magnanimous* and too novel example of a people invariably guided by an *exalted justice* and *benevolence*." As Karl-Friedrich Walling details, Hamilton sought to symbolize these sentiments in his design for the federal seal: America was to be represented by Pallas Athena with a gleaming gold breastplate, shield in one hand, and a spear in the other. Instead of the usual petrifying Medusa's head, Athena's shield was adorned with the scales of justice, and her helmet was encircled with olive wreaths.¹³ The intent of Hamilton's modifications was to make clear that America preferred peace to war and grounded its government on consent and affection rather than fear. It was also hardly fortuitous that Hamilton picked the patron goddess of Athens to represent America. Just as Athens was the great commercial republic of ancient Greece, so Hamilton hoped America would become the great commercial republic of the New World. The crucial difference between the two was that America's splendor was to be both durable and just.

The challenge for Hamilton, then, was to reconcile magnanimity or the longing for splendor among great men with the natural rights of mankind, or consent. No less than his adversaries, Hamilton understood that such longing led all too frequently to brutal wars of conquest, which is among the reasons why he rejected all attempts at a slavish imitation of "the transient and fleeting brilliancy" of "the petty republics of Greece and Italy."¹⁴ As part of the political solution to this problem,

13. Patrick Henry, Virginia State Ratifying Convention, Speech on June 5, 1788, in *The Complete Anti-Federalist*, vol. 5, 219; Hamilton, Letter to Washington, April 14, 1794, *PAH*, 16: 272; Letter to Rufus King, October 2, 1798, *PAH*, 22: 192; Hamilton, Letter to Washington (Draft on the Plan of Incorporating), August 10, 1796, *PAH*, 20: 302 (emphasis added); Walling, *Republican Empire*, 243–44. See also "The Farmer Refuted," *PAH*, 1: 93; "The Continentalist, No. VI," *PAH*, 3: 106; *The Federalist Papers*, No. 17, 86–87.

14. *The Federalist Papers*, No. 9, 40–41.

he endorsed Madison's idea that "ambition should be made to counteract ambition" such that the great are made to serve the people's interests. But he also wanted to provide great men with additional outlets for their talents and ambition, and one of those outlets was connected to commerce. Just as commerce affords the acquisitive the opportunity to build great commercial empires, so Hamilton believed that commerce would allow the politically ambitious to engage in the practice of that virtue most closely related to commerce—liberality.

As I have pointed out, Hamilton's opponents, who would claim to be the true defenders of republican virtue, preferred to keep the federal government poor in order to prevent spendthrift politicians from overburdening the people with high taxes and a large public debt. What these allegedly good republicans seemed to have conveniently overlooked, however, was Montesquieu's observation that private frugality "opened the gate to public expenditures, as happened in Athens and Rome," producing public "magnificence and abundance . . . the laws wanted frugal mores so that one could give to one's homeland." Although Hamilton did not endorse the austere frugality of the ancient republics because he believed that all men are entitled to the fruits of their labors and understood that the creation of wealth requires private saving and investment, he did believe that in time, commerce would make the people rich enough to afford a modicum of public liberality. What would distinguish modern from ancient public liberality is that unlike ancient liberality, which was grounded in slavery and plunder, modern public liberality would be just because it would be grounded in consent, something guaranteed by the Constitution's requirement of popular consent to all taxation (i.e., all revenue bills must originate in the most popular branch, the House of Representatives). Hamilton's great innovation in American republicanism was to understand that consent served not only to limit but also to invigorate the powers of government; that is, consent can provide the grounding for "energy" in government. In his mind, the specific constitutional authorization for undertaking liberal and enlarged plans for the public good flowed from his "liberal construction" of the powers vested in the national government: "the powers contained in a constitution of government, especially those which concern the general administration of the affairs of a country, its finances, trade, defence, etc., ought to be construed liberally, in advancement of the public good." A liberal construction of the Constitution is warranted because the true boundaries of the government's powers are demarcated not so much by specific apportionment as by "the nature and objects of government itself" and because the

means of promoting these objects “are of such infinite variety, extent, and complexity . . . there must, of necessity, be great latitude of discretion in the selection & application of those means.” Since the Constitution declares that promoting the general welfare, along with providing for the common defense and ensuring domestic tranquility, are objects of government, then to the extent that it promotes the general welfare, public liberality is sanctioned by the Constitution: “Congress can be considered as under only one restriction, which does not apply to other governments—They cannot rightfully apply the money they raise to any purpose *merely* or purely local. But with this exception they have as large a discretion in relation to the *application* of money as any legislature whatever.”¹⁵ In short, the power to undertake liberal and enlarged plans for the public good is derived from a liberal construction of the Constitution, which, in turn, is derived from the liberal principle of consent, which permits the people to vest their government with authority over such objects as they decide to entrust to it, subject to the restrictions that they specifically impose (or that are imposed by natural right).

HAMILTON’S LIBERAL AND ENLARGED PLANS FOR THE PUBLIC GOOD

Having justified public liberality, what kinds of “liberal and enlarged plans of public good” did Hamilton expect the federal government to pursue? Unfortunately, Hamilton did not elaborate extensively on the subject, if only because during his lifetime the federal government could ill afford much in the way of magnificent expenditures. Still, his various policies and proposals provide some clues. The most obvious example was his economic program, which culminated with his *Report on Manufactures*. Although he began that report on a note of military necessity, he concluded it on a note of public-spirited liberality: “In countries where there is great private wealth much may be effected by the voluntary contributions of patriotic individuals, but in a community situated like that of the United States, the public purse must supply the deficiency of private resource. In what can it be so useful as in prompting and improving the efforts of industry?” A fully funded debt, a national bank, a rationalized system of tax collection, boards to promote agriculture and the mechanical arts, tariffs on manufactured goods, the

15. Montesquieu, *The Spirit of the Laws*, 5.3: 43; Walling, *Republican Empire*, 99–100; Hamilton, “Opinion on the Constitutionality of a Bank,” *PAH*, 8: 105, 129.

import of foreign artisans and capital, the construction of roads, canals, and public buildings, etc. were all designed to be part of "the superstructure of American greatness." In fact, Hamilton looked to the French monarchy of Louis XIV as a source of inspiration for his own endeavors and made no secret of his admiration for the "abilities and indefatigable endeavours of the great COLBERT. He laid the foundations of French commerce, and taught the way of his successors to enlarge and improve it." Colbert, it will be recalled, undertook a "Projet Vaste de Réforme" to reform all aspects of the French nation; Hamilton's own program bore a striking resemblance to Colbert's.¹⁶

One of Hamilton's further aims in "improving the efforts of industry" was to put the nation in a stronger position to pursue its liberal foreign policy agenda of protecting its international commerce, liberalizing its trade relations with the rest of the world, defending the rights of neutrality, and "vindicating the honor of the human race" by erecting "one great American system superior to the control of all transatlantic force or influence and able to dictate the terms of the connection between the old and the new world." With sufficient economic and military might, the nation would no longer be forced to accept the modest trade concessions contained in the Jay Treaty or suffer the humiliating prospect of British troops freely marching across American soil on their way to attack an enemy, as happened during the Nootka Sound Crisis. The idea of eliminating foreign control of the New World would become known as the Monroe Doctrine, and Hamilton was eager to seize any opportunity to enforce it: during the Quasi-War with France, Hamilton endorsed a plan in which, in the event of a decisive rupture with France, America would join with Britain and South American revolutionaries to drive Spanish forces from South America. Since his goal was not to conquer South America, but to establish "the independence of the separate territory under a moderate government," the project was liberal rather than imperial. There was also a softer side to Hamilton's foreign policy. For instance, beginning in 1791, the French colony of Saint Domingue (Haiti) suffered a series of slave revolts that brought its inhabitants to the brink of starvation. In response, the French representative, Jean-Baptiste de Ternant, petitioned the American government to draw on the debt that America owed to France to aid the island. Despite the strain it would place on the federal government's finances

16. Hamilton, "Report on Manufactures," *PAH*, 10: 340; Hamilton, "Eulogy on Nathanael Greene," July 4, 1789, *PAH*, 5: 359; Hamilton, "The Continentalist, No. V" *PAH*, 3: 77; Caton, *The Politics of Progress*, 94–102.

and the considerable risk that the money might not be credited against America's debt to France (due to the instability of the French regime), he advised President Washington that "succours ought to be granted" as "an act of humanity and friendship" toward the French Empire.¹⁷

Hamilton's domestic projects exhibited a similar magnanimity. Take his plan for the assumption of state debts. Hamilton had originally proposed assumption without a settlement of accounts. The gesture was a perfect example of magnanimity, for as Aristotle remarked in his discussion of this virtue: "exact bookkeeping is niggardly." Much to Hamilton's consternation, persuading the states to adopt this "great and liberal measure" proved impossible because "almost every state flattered itself with being a Creditor." Ultimately, though, his wish was granted because while the net creditor states were reimbursed, the six net debtor states never paid their assessments.¹⁸

Even greater and more liberal were Hamilton's efforts to end slavery and to promote the arts and sciences. As these efforts were particularly illustrative of his notion of public liberality in that they combine his devotion to commerce with his magnanimity, they will receive a more detailed examination.

ENDING SLAVERY

From Hamilton's perspective, it was clear that slavery—whether political or personal—constituted a "great evil" that violated the natural rights of mankind. Since blacks were part of mankind no less than whites—"they [blacks] are men, though degraded to the condition of slavery"—America's peculiar institution would have to be eliminated if the great principle of the Revolution—that all men are created equal—was to be fully redeemed. In fact, during the Revolutionary War, Hamilton had endorsed the plan of his friend John Laurens to raise several battalions of black slaves who would be freed upon faithful completion of service, but as Hamilton predicted, prejudice and self-interest caused the lower southern states to balk at the scheme despite the Continental

17. *The Federalist Papers*, No. 11, 59; Hamilton, Letter to Rufus King, August 22, 1798, *PAH*, 22: 154–56 (see Lycan, *Alexander Hamilton and American Foreign Policy*, 381–84, Walling, *Republican Empire*, 240–42, Harper, *American Machiavelli*, 220–21); Hamilton, Letter to Washington, November 19, 1792, *PAH*, 13: 169–73, Hamilton, "Report on Public Credit," *PAH*, 6: 112.

18. Aristotle, *Nicomachean Ethics*, 4.2.1122b5–10: 90, Hamilton, "Defence of the Funding System," *PAH*, 19: 43–44; Perkins, *American Public Finance*, 191.

Congress's offer of full compensation for the slaves. Disappointed but undaunted by the defeat of Laurens's plan and later by the Constitution's temporary protection of slavery, Hamilton attempted to put slavery on a path to extinction in three main ways.¹⁹ First, there was his conduct of American foreign policy, which evinced a clear sympathy for slaves. Second, there were his efforts to bring about a gradual emancipation through the state abolition societies. Finally, there was his program for commercial development, which would both undermine slavery and provide the best viable economic alternative to it.

SLAVERY, HAITI, AND THE JAY TREATY

Two issues of foreign policy illustrate Hamilton's efforts to ease the plight of slaves. The first concerned America's diplomatic response to the aforementioned slave revolts on the French colony of Haiti. By 1798, Francois Dominique Toussaint, one of the leaders of the revolts, had emerged as the strongest force on the island. After Congress passed a law that authorized opening relations with Toussaint's government in 1799, Hamilton instructed Timothy Pickering, secretary of state under President Adams, to give Toussaint verbal assurances that "upon his declaration of independence a commercial intercourse will be opened, and continue while he maintains it, and gives due protection to our vessels and property." Although Hamilton believed that the United States should not commit itself to Haiti's independence, he was inclined "to think the declaration of independence ought to proceed." Certainly, geopolitical considerations influenced his position, but it does show that Hamilton (unlike Jefferson) was perfectly willing to embrace a nation of free blacks in close proximity to the United States.²⁰

The issue of slavery once again reared its head in the debate over ratification of the Jay Treaty. Following the end of the Revolutionary War,

19. Hamilton, "A Full Vindication," *PAH*, 1: 46; Hamilton, New York Ratifying Convention, Remarks on June 20, 1788, *PAH*, 5: 24; Hamilton, Letter to John Jay, March 14, 1779, *PAH*, 2: 17–19, Library of Congress, *Journals of the Continental Congress, 1774–1789*, January 1–April 22, 1779, vol. 13, 387–88. For my full discussion of Hamilton's views on slavery, see Chan, "Alexander Hamilton on Slavery," 207–31.

20. Paul Finkelman, *Slavery and the Founders*, 121 (see also Hamilton, Letter to Washington, Nov. 19, 1792, *PAH*, 13: 171, Robert A. Hendrickson, *The Rise and Fall of Alexander Hamilton*, 504–5); Hamilton, Letters to Timothy Pickering, February 9 and 21, 1799, *PAH*, 22: 475, 492–93; Finkelman, *Slavery and the Founders*, 121–23. Historians frequently fail to mention that Pickering received his instructions in this matter (as in most matters) from Hamilton.

Britain carried away a number of American slaves and later freed them in apparent violation of the treaty of peace. This infuriated southern slaveholders, especially because many of them were groaning under the weight of debts owed to British citizens (although southerners felt no compunction in seizing and selling Tory estates and slaves).²¹ Many southerners (including Jefferson and Madison) wanted to stipulate in any subsequent treaty with Britain that their slaves be returned. The Jay Treaty, however, remained silent on the issue, which meant that the U.S. was unlikely ever to press any claims on the matter.

In contrast to southerners, Hamilton, while admitting Britain's nefarious tactics, asserted that "Truth and Justice" were on Britain's side because the laws of nations contain a certain hierarchy. Although property captured in war ought to be restored as stipulated in a treaty, slaves were not mere property, but human beings endowed with unalienable rights. Since the rights of humanity are higher than the rights of property, returning the freed slaves would have been wrong: "If once *declared* free, could the grant be recalled? Could the British Government stipulate the surrender of men made free to slavery? Is it natural to put such a construction upon general words if they will bear another? Is not this as it regards the rights of humanity an odious sense?"²² This does not mean, however, that Hamilton believed that freeing slaves without compensating their owners should be a general practice. The issue confronting him was that given that the slaves had already been freed, which would be the greater evil—returning the slaves or failing to compensate their owners? Hamilton believed that returning the slaves was the greater evil and had the courage and magnanimity to defend his position despite the harm it caused to domestic American interests. In other words, Hamilton sanctioned a breach of faith with American slaveholders not in the name of low necessity, but in the name of a higher moral obligation.

THE STATE ABOLITION SOCIETIES

Since the states, unlike the federal government, were free to legislate on slavery as they saw fit, the opponents of slavery decided soon after

21. Samuel F. Bemis, *Jay's Treaty*, 96–102; Mary Stoughton Locke, *Anti-Slavery in America: From the Introduction of African Slaves to the Prohibition of the Slave Trade (1619–1808)*, 84.

22. Hamilton, "Remarks on the Treaty of Amity between the United States and Great Britain," *PAH*, 18: 417; "The Defence, No. III," *PAH*, 18: 513–23.

the Revolutionary War to form state abolition or manumission societies in order to advance their cause. Hamilton's home state of New York seemed in particular need of such a society, as it possessed more slaves than the combined total of the other states north of the Mason-Dixon Line. Accordingly, the New York Society for Promoting the Manumission of Slaves was organized in 1785 with Hamilton in attendance. John Jay was elected its first president, and Hamilton was appointed chairman of a committee charged with making recommendations for the society's code of conduct. Hamilton's committee proposed that members undertake a gradual emancipation which would free their oldest slaves immediately and their youngest ones by the age of thirty-five. The proposal failed to muster enough support to pass and ultimately died (although in 1809 the society denied membership to anyone owning slaves). As was his wont, Hamilton was pushing too hard too fast. Whether Hamilton himself owned slaves is not entirely clear, but Forrest McDonald makes a solid case that he did not. In any event, his proposal would serve as the basis for the policy of gradual emancipation that the society would urge for the state as a whole. Gradual emancipation would also dramatically cut the costs of emancipation because it entailed freeing not adult slaves, but the children of slaves born after a certain future time. The children, in turn, would be bound to their masters essentially as indentured servants until they reached adulthood (most commonly the age of twenty-one or twenty-eight), which would more than cover the costs of rearing them. And since infants (who had to be reared, and children frequently died before adulthood) were worth less than a tenth of the price of adult slaves (Jefferson valued an infant at \$12.50 compared to the adult price of \$200), the costs of compensating slaveholders would be manageable.²³

Hamilton remained active in the society during his life, becoming its second president and serving on various committees. He also became one of the first counselors-at-law and served in that post from 1798 until his death. The four counselors were responsible for suggesting changes in state laws regarding slavery and suing on behalf of free blacks who

23. Locke, *Anti-Slavery in America*, 82–83; Inter-University Consortium for Political and Social Research, *Study 00003: Historical Demographic, Economic, and Social Data: U.S., 1790–1970*; "Attendance at a Meeting of the Society for Promoting the Manumission of Slaves," February 4, 1785, *PAH*, 3: 597; New-York Historical Society, *New York Manumission Society Records*, vol. 6, 29–31 (hereafter cited as *NYMS Records*, volume: page number); 6: 61; McDonald, *Alexander Hamilton*, 373n12; Robert William Fogel and Stanley L. Engerman, *Time on the Cross*, 35–36; James Curtis Ballagh, *A History of Slavery in Virginia*, 130–31. See also Thomas R. Moseley, "A History of the New-York Manumission Society, 1785–1849."

were illegally kept in bondage or captured and sold.²⁴ In fact, most of the society's routine operation consisted of efforts to ensure that laws regarding the freedom of blacks were vigorously enforced (which of course is the hallmark of Hamiltonian administration).

The society was no less vigorous in pressing the state legislature for a gradual emancipation. Within two months of its founding, the society circulated a petition for that purpose which it then sent on to the legislature. The following year, Hamilton was appointed to a committee which drafted a petition urging an end to the slave trade, "a commerce so repugnant to humanity, and so inconsistent with the liberality and justice which should distinguish a free and enlightened people." Although it proved impossible to extinguish slavery in one stroke, the society was content to pursue a strategy of incremental change that soon began bearing fruit. In 1785, the New York legislature passed a liberal manumission act that allowed slaveholders to free a slave without security before the slave reached the age of fifty. In the same year, the legislature also passed a law which prohibited the sale of slaves brought into the state. In 1788, the legislature passed a law that made it illegal to purchase or to receive slaves with the intent to sell them in another state. The last acts paved the way for gradual emancipation by stanching the flow of slaves into and out of the state. With Jay's election to governor in 1796, the society petitioned the New York legislature once again to pass an emancipation act. Although several bills to that end were narrowly defeated over the thorny issue of compensation, a gradual emancipation act was finally passed in 1799 (followed by a definitive emancipation in 1817). Beginning on July 4, 1799, the act freed all children born to slaves within the state, but they were to work for the master of their household until the age of twenty-eight if male, twenty-five if female. The act omitted any direct compensation to slaveholders, which was in effect an endorsement of Hamilton's position that the "impracticability" of full compensation "ought not to be an obstacle to a clearly essential reform."²⁵

Although securing the freedom of slaves was its most important aim,

24. *NYMS Records*, 6: 124, 142, 9: 4, 7, 30, 53, 75, 95, 113; 6: 121.

25. *Ibid.*, 6: 17, 19; 6: 37, 44 (see also Hamilton, "Memorial to Abolish the Slave Trade," March 13, 1786, *PAH*, 3: 654); Locke, *Anti-Slavery in America*, 121–22; *NYMS Records*, 6: 94–95; 6: 240; Locke, *Anti-Slavery in America*, 123–24, 128; Hamilton, "The Vindication, No. III," *PAH*, 11: 472. Manumission acts did not free slaves, but eased the restrictions and requirements for manumission. The most onerous of these was requiring a slaveholder to post a bond before manumitting a slave in order to prevent the freed slave from becoming a public charge.

the society was equally determined to help prevent free blacks from languishing in a state of ignorance, dissipation, and poverty. To aid in this endeavor, the society opened the doors of the African Free School in New York City in 1787 to educate black children. The school would also allow the society to prove to skeptical whites Hamilton's (and the society's) belief that it was "their [Negroes'] want of cultivation (*for their natural faculties are probably as good as ours*) joined to that habit of subordination which they acquire from servitude" that made Negroes inferior in much the same way that Hamilton hoped the establishment of a good national government would "vindicate the honor of the human race" against the "arrogant pretensions of the European," who likewise claimed a "physical superiority." To this end, the school eventually held annual public exhibitions, and newspaper coverage of them soon followed. And given the initial public prejudice against the school, it probably would not have had much success without the imprimatur of such distinguished figures as Hamilton, Jay, James Duane, Melancton Smith, Robert Troup, and Noah Webster. Their influence also allowed the society to obtain funds for the school from private individuals, the city of New York, and the state legislature.²⁶

It was not long before the society became active in national politics as well. The society's first effort—a memorial to the Constitutional Convention urging a gradual emancipation—was aborted when the society learned that the convention was unlikely to take up the subject. In 1790, the New York Manumission Society suggested that the various state abolition societies meet at annual conventions to coordinate their efforts and unite in an address to Congress after their separate petitions to Congress asking for limits on the slave trade fell on deaf ears. In addition to memorials to Congress and to the state legislatures, the conventions also prepared addresses to the citizens of the U.S. at large. While it is uncertain whether Hamilton had a direct hand in composing these addresses, it is certain that the abolition societies objected to leaving the slavery and antislavery interests to be checked and channeled within the machine of government because slavery was not a matter of mere interest that the people could vote up or down depending on whether they found it profitable. Rather, the slave interest was a "faction" as Publius defined the term—an interest derived from the passion of avarice opposed both to the rights of individuals and to the common good—

26. *NYMS Records*, 6:80–91; Hamilton, Letter to John Jay, March 14, 1779, *PAH*, 2: 18 (emphasis added); *The Federalist Papers*, No. 11, 58–59 (see also *NYMS Records*, 6: 123); Charles C. Andrews, *The History of the New York African Free-Schools*, 34–35, 38–39, 44–49; *NYMS Records*, 6: 8–13; 6: 239, 264, 9: 13, 39, 65, 80–81.

and the slave faction was particularly insidious and virulent such that it could not be contained, much less overcome, solely by the "auxiliary precautions" of the improved science of politics. The slave faction could ultimately only be overcome by direct efforts at molding public opinion, or to use the language of *Federalist* 10, by giving citizens "the same opinions, the same passions, and the same interests" with respect to slavery. Americans would have to be inculcated with the belief "that the benevolent Author of nature has made no effectual distinction in the human race, and that all the individuals of the great family of mankind have a common claim upon the general fund of natural bounties," and furthermore, that it was their duty to "lay the foundation for an eventual extinction of the mighty evil throughout our land."²⁷

SLAVERY AND COMMERCE

While understanding the necessity of inculcating in citizens an opinion that slavery was wrong, Hamilton also understood the necessity of establishing an institutional framework that would both reinforce that opinion and provide a viable economic substitute for slavery. Not surprisingly, he turned to commerce to do just that. Hamilton believed that commerce in general has its own ethos which is essentially incompatible with slavery and as such tends to undermine it, but he also believed that America would have to pursue a thoroughly *industrial* commerce if it was to put an end to slavery once and for all.²⁸

The ethos which Hamilton saw as the main culprit in producing slavery is what Hegel would later call the master or warrior ethic, epitomized in the ancient republics of Sparta and Rome. Sparta, of course, was renowned for its helots and imperialism. The history of Rome likewise "proves that War and Conquest were the great business of that People." In delving into ancient Roman law, Hamilton learned from Cicero that the Romans derived the "right of capturing the property and of making slaves of the persons of enemies" from "the right of killing them, which was regarded as absolute and unqualified extending even to Women and Children." This "horrible" and "detestable" doctrine

27. NYMS Records, 6: 72–74; Locke, *Anti-Slavery in America*, 101; *The Federalist Papers*, No. 51, 290; No. 9, 40; No. 10, 46.

28. There has been a vigorous academic debate over whether commerce by itself would have put an end to slavery. For an excellent bibliographic essay on the subject, see Jeffrey Rogers Hummel, *Emancipating Slaves, Enslaving Free Men: A History of the America Civil War*, 61–75.

also served to justify enslaving all whom the Romans regarded as enemies. As a result, Rome's dependent provinces "were made the continual scene of rapine and cruelty."²⁹

In fact, Hamilton believed the practice of slavery to be nothing more than war carried from the battlefield to the household. The slaveholder "riots in the spoils" of the labor of his slave, and "despises the hand by which he is fed." Slavery inflames the ambition, avarice, and lusts of the master as his every whim is tended to while demeaning and dehumanizing the slave. In short, slavery in a regime is "fatal to religion and morality" and "tends to debase the mind, and corrupt its noblest springs of action."³⁰

In Montesquieu's analysis of the ancient republics, slavery was necessary to provide for men who devoted themselves to military and political glory, and to a lesser extent, leisured pursuits like the liberal arts. As an activity grounded in man's necessities rather than his freedom, toiling for one's bread was regarded with contempt. Therefore "one did not want the citizens to work in commerce, agriculture or the [mechanical] arts." Indeed, the ancient cities so despised labor and commerce that David Hume was unable to find "a passage in any ancient author, where the growth of a city is ascribed to the establishment of a manufacture."³¹

Yet, according to Montesquieu, it was precisely the relative lack of commerce that was largely responsible for the spirit of rapine that pervaded the ancient republics. Montesquieu famously argued that "everywhere there is commerce, there are gentle mores." While admitting that "commerce corrupts pure mores," he noted that it "polishes and softens barbarous mores." Hamilton confirmed Montesquieu's basic analysis in *Federalist* 8: "The industrious habits of the people of the present day, absorbed in the pursuits of gain and devoted to the improvements of agriculture and commerce, are incompatible with the condition of a nation of soldiers, which was the true condition of the people of those [ancient] republics." Hamilton also agreed that commerce has a "softening and humanizing influence" on the mores of men. As we have seen, however, he was far less sanguine than Montesquieu about commerce's ability to tame the warlike spirit of man.³² Hence it is more accurate to

29. Hamilton, "1777 Pay Book," *PAH*, 1: 403; Hamilton, "The Defence, No. XX," *PAH*, 19: 332–33; Hamilton, "A Full Vindication," *PAH*, 1: 53.

30. Hamilton, "A Full Vindication," *PAH*, 1: 53.

31. Montesquieu, *The Spirit of the Laws*, 4.8: 40–41; Hume, "Of the Populousness of Ancient Nations," *EMPL*, 418.

32. Montesquieu, *The Spirit of the Laws*, 20.1: 338; *The Federalist Papers*, No. 8, 37; Hamilton, "The Defence, No. XX," *PAH*, 19: 332; *The Federalist Papers*, No. 6, 21–28.

say that Hamilton believed that commerce had a moderate tendency to restrain the spirit of the master and, thus, the practice of slavery.

In addition to humanizing people's mores, commerce would also humanize people's opinions by virtue of its tendency to promote the cultivation of the arts. Hamilton saw the "improvement of moral science in modern times" as being responsible for rejecting "altogether the right of imposing slavery on captives." Commerce would assist in the diffusion of such improvements in moral knowledge as it eases communication and assimilates manners.³³

As useful as it would be in humanizing people's mores and opinions, commerce would be more useful still in supplying a viable economic alternative to slavery. But not just any form of commerce would do. It would have to be *industrial* commerce because the agrarian commerce that Drew McCoy sees as the heart of the political economy of Jefferson and Madison would only make it that much more difficult to eliminate slavery since the demand for slaves came overwhelmingly from (plantation) farmers. Prolonging the "agricultural stage" in America via westward expansion meant, in effect, prolonging the curse of slavery. By contrast, Hamilton was leery of westward expansion, in part, because it would "retard the progress of general improvement."³⁴ Progress required cities and manufacturers, not more villages and farmers. And the progress of manufactures—which Hamilton endeavored to accelerate by direct government patronage—would aid in ending the curse of slavery by diversifying the economy and promoting technological innovation.

The most obvious effect of diversifying an economy of mere cultivators into an economy of "cultivators, artificers and merchants," would be to reduce the agricultural share of the economy. This, in turn, would decrease the demand for slaves and at the same dilute the influence of the agricultural interest bent on retaining slavery. Admittedly, Hamilton never directly made this claim—he would instead stress the benefits to agriculture from manufacturing—but he was probably aware that his argument for diversifying the economy pointed in this direction, especially when considered in light of *Federalist* 10.³⁵

Yet if all slaves were to be freed, a substitute for them was necessary,

33. Hamilton, "The Defence, No. XX," *PAH*, 19: 333; Montesquieu, *The Spirit of the Laws*, 20.4–5: 357; *The Federalist Papers*, No. 60, 335.

34. McCoy, *The Elusive Republic*, chaps. 5, 8; Roger G. Kennedy, *Mr. Jefferson's Lost Cause: Land, Farmers, Slavery, and the Louisiana Purchase*, 12–16, 78–81; Hamilton, "Defence of the Funding System," *PAH*, 19: 40.

35. Hamilton, "Report on Manufactures," *PAH*, 10: 256. Caton makes a similar point: "The Report [on Manufactures] had two further political implications that

which Hamilton found in the technology or machines that industrial commerce produces. As Montesquieu observed, "With the convenience of machines invented or applied by art, one can replace the forced labor that elsewhere is done by slaves." Besides having read Montesquieu, Hamilton recorded in his pay book the following passage from Plutarch which suggests a link between slavery and the absence of the mechanical arts (or technology): "The Spartans despised all labour and *mechanic arts*; arms were the only honorable profession." In his *Report on Manufactures*, Hamilton noted "the vast extension given by late improvements to the employment of Machines, which substituting the Agency of fire and water, has prodigiously lessened the necessity for manual labor." Clearly, Hamilton saw the connection between slavery and the mechanical arts, and it could not have escaped his understanding that the promotion of the mechanical arts would be a powerful means by which the necessity for manual labor done by slaves might be eliminated. But how best to promote technological innovation? Certainly not with slavery since it "relaxes the sinews of industry, [and] clips the wings of commerce." After all, if there is any form of labor that lacks "adequate motives to excite a spirit of discovery and contrivance," it is slave labor since slaves would reap little, if any, reward for their discoveries. Among free economic activities, Hamilton understood that manufacturing pursuits "are susceptible, in a greater degree, of the application of machinery, than those of agriculture."³⁶ Hence the greatest hope for producing the kind of technological innovation that would make possible the substitution of machines for slaves did not lie in an agrarian commercial republic but in a fully industrialized nation.

In the end, of course, ridding the nation of the curse of slavery required much sterner measures, but Hamilton was right to think that industrial commerce was the best means for abolishing slavery. Great Britain, the leader in industrial commerce, and France, which followed close behind, were the first major European powers to abolish slavery

Hamilton did not stress . . . Hamilton might reasonably hope that the growth of manufactures would in the long run dilute the influence of the rural interests and the dangerous localisms of husbandmen" (*The Politics of Progress*, 477).

36. Montesquieu, *The Spirit of the Laws*, 13.8: 252; Hamilton, "1777 Pay Book," PAH, 1: 402 (emphasis added); Hamilton, "Report on Manufactures," PAH, 10: 270; Hamilton, "A Full Vindication," PAH, 1: 53; Thomas Digges, Letter to Hamilton, April 6, 1792, PAH, 11: 242; Hamilton, "Second Draft of the Report on Manufactures," PAH, 10: 54 (The passage quoted refers to farmers rather than slaves, but it applies to slaves with even more force. See also Smith, *The Wealth of Nations*, 4.9: 648); Hamilton, "Report on Manufactures," PAH, 10: 251–52.

outright, and without industrialization, it would be difficult to see how slavery might be abolished. Unfortunately for America, industry would produce an innovation that would give a new lease on slavery in the South: the cotton gin. As the production of cotton was particularly suited to the use of slaves, the sharp reduction in the cost of producing cotton made possible by the cotton gin substantially increased the demand for (and ultimately the trade in) slaves. This proved that while industrial commerce was perhaps the necessary condition for putting slavery on the path of ultimate extinction, it was hardly the sufficient condition, something Hamilton himself fully realized, for otherwise there would have been no point to his other efforts on behalf of emancipation.

PROMOTING THE ARTS AND SCIENCES

If Hamilton was eager to harness the nation's commerce and wealth for the moral end of ending slavery, he was no less eager to harness them for the intellectual end of cultivating the arts and sciences. As this member of the American Philosophical Society put it: "Learning is the common concern of mankind." In and of itself, commerce would aid in this endeavor, as commerce creates the wealth which makes possible the leisure that is necessary if people are to devote themselves to the liberal arts and sciences. Moreover, as Hume pointed out, the development of the mechanical arts that commerce fosters also helps to spur refinements in the liberal arts:

The same age, which produces great philosophers and politicians, renowned generals and poets, usually abounds with skilful weavers, and ship-carpenters. We cannot reasonable expect, that a piece of woollen cloth will be wrought to perfection in a nation, which is ignorant of astronomy, or where ethics are neglected. The spirit of the age affects all the arts; and the minds of men, being once roused from their lethargy, and put into a fermentation, turn themselves on all sides, and carry improvements into every art and science.³⁷

Hamilton, though, was not content to leave the cultivation of the arts and sciences to the natural progress of society any more than he was content to leave commercial development solely to the invisible hand of

37. Hamilton, Letter to Marquis De Chastellux, June 14, 1784, *PAH*, 3: 564 (see also Chernow, *Alexander Hamilton*, 337); Hume, "Of Refinement In The Arts," *EMPL*, 270–71.

the marketplace. Indeed, the distinct nature of the arts and sciences—producing benefits for general society but requiring substantial resources that frequently have no obvious or immediate prospects for commercial gain—makes public patronage of them all the more needful. To that end, Hamilton proposed creating a national university. In his draft of President Washington's Eighth Annual Speech to Congress, Hamilton justified establishing such an institution:

But, can it be doubted that the general government would with peculiar propriety occupy itself in affording nutriment to those higher branches of science, which, though not within the reach of general acquisition, are in their consequences and relation, productive of general advantage? Or can it be doubted that this great object would be materially advanced by a University erected on that broad basis to which the national resources are most adequate & so liberally endowed as to command the ablest professors in the several branches of liberal knowledge? It is true and to the honor of our country that it offers many colleges and Academies highly respectable and useful—but the funds upon which they are established are too narrow to permit any of them to be an adequate substitute for such an institution as is contemplated & to which they would be excellent auxiliaries.³⁸

The immediate beneficiaries of a national university would, of course, be those who were able to enroll, but consistent with Enlightenment thinking, Hamilton expected a university to promote a general diffusion of knowledge among the populace that would vivify America's military, economic, technological, and educational progress. Unfortunately, unlike Jefferson, Hamilton did not develop a specific curriculum for such a university, but given his own views and education at Kings College (where Loyalist sentiments predominated), it probably would have tended toward the traditional.

What we do know with certainty is that Hamilton—ever the political animal—intended a national university to advance political as well as intellectual ends, specifically, promoting political assimilation: "Amongst the motives to such an institution the assimilation of the principles, opinions, manners, and habits of our countrymen by drawing from all quarters our youth to participate in a common Education well deserves the attention of Government. To render the people of this Country as homogeneous as possible must [t]end as much as any other circumstance to the permanency of the Union & prosperity." A national uni-

38. Hamilton, Letter to Washington (Draft of Washington's Eighth Annual Address to Congress), November 10, 1796, *PAH*, 20: 384.

versity would promote assimilation at the intellectual level by creating a common curriculum that would ensure to the extent possible agreement on fundamental political principles, and at the political and social level by drawing people from all parts of the country to one place where they would develop ties of loyalty and friendship and shed local prejudices.³⁹ A national university would also promote assimilation if it were not just one among many universities in the nation. Hamilton rather artfully refers to the nation's other colleges as "auxiliaries," which suggests that he hoped that the national university would be so liberally endowed and prestigious that it would become the nation's leading university much in the same way that his bank would become the nation's leading bank. Thus Hamilton modified—one might even say refined and enlarged—the approach taken in *Federalist* 10, where the "protection" of men's diverse faculties is the "first object of government" and where giving people "the same passions, the same opinions, and the same interests" is deemed "impracticable." A national university would serve both the intellectual end of *cultivating* men's diverse faculties and the moral and political end of *assimilating* their principles, opinions, and manners in a *common* education.

A related and even more directly political project was Hamilton's plan to establish a military academy. The project was a natural outgrowth of his concern that absent an immediate threat or prospect for gain (especially after the strengthening of the Union under the new Constitution), the American people would be lulled back into their usual short-sighted complacency and all but disband their military force. This, of course, they did—though Washington tried to resist such foolishness by vetoing a military appropriations bill because it would reduce the size of the army too much. What the nation needed was a permanent institution that would produce an elite corps of officers who would be the repository of the martial spirit and the trainers of a standing army in the event of a major conflict. As we have seen, Hamilton also believed that there had been an entire revolution in the system of war that tilted the balance in favor of art over virtue in waging modern war. Since war "is a science to be acquired and perfected by diligence, by perseverance, by time, and by practice," modern officers would have to immerse themselves in the study of the arts and sciences to a much greater extent than in the past. Yet even in the modern world, art alone does not win wars; virtue, too, is necessary. Given that it would have a much wider latitude in forming its charges than a regular university, a

39. *Ibid.*, 384–85 (see also Washington, Letter to the Commissioners of the District of Columbia, January 18, 1795, *George Washington: A Collection*, ed. W.B. Allen, 605–6).

military academy would make it easier to nurture an ardent devotion to duty, honor, and country—patriotism in its most rigorous sense. Like a national university, a military academy would also serve as a convenient means for cultivating a distinctly national form of patriotism. During the Revolutionary War, Hamilton had argued that the army “is an essential cement of the union; and it ought to be the policy of Congress to destroy all ideas of state attachments in the army and make it look up wholly to them.” In a letter to Hamilton, President Washington would recall the powerful assimilating effect that the war had on his officers: “A century in the ordinary intercourse, would not have accomplished what the Seven years association in Arms did.”⁴⁰ With a military academy, such extraordinary intercourse would be institutionalized rather than dependent on the accident of war. In short, a military academy would serve as the breeding ground for America’s “noble dogs.”

Hamilton’s efforts to found both a military academy and a national university met with mixed success. With the continual harassment of America by Britain and France during the 1790s, President Jefferson and his Democratic-Republicans in 1802 reluctantly acquiesced to the creation of a military academy at West Point that would become the training ground for America’s military establishment. Congress, however, rebuffed President Washington’s several pleas to establish a national university, and the development of political parties ensured that one never would be established. Instead, the states would create their own university systems. Hamilton himself would serve as a regent of the University of the State of New York soon after its organization in 1784. He would also sponsor a private school for white and Native American students, the Hamilton-Oneida Academy, which would eventually become Hamilton College.⁴¹

CONCLUSION

What insights, then, can we glean from these examples about Hamilton’s notion of liberal and enlarged projects for the public good?

40. *The Federalist Papers*, No. 25, 134, Hamilton, Letter to Washington (Draft of Washington’s Eighth Annual Address to Congress), November 10, 1796, *PAH*, 20: 385; Hamilton, Letter to James Duane, September 3, 1780, *PAH*, 2: 402; Washington, Letter to Hamilton, September 1, 1796, *PAH*, 20: 311. For Hamilton’s sketch of a military academy, see Letter to James McHenry, November 23, 1799, *PAH*, 24: 69–75.

41. New York State Education Department Board of Regents, “History of the University of the State of New York and the State Education Department, 1784–1996,” <http://www.regents.nysed.gov/histuniv.html>; “Hamilton-Oneida Academy Mortgage,” *PAH*, 19: 146–47 (see also Chernow, *Alexander Hamilton*, 337–38).

Certainly his economic program dovetailed with Locke's "wise and godlike" prince who secures "protection and incouragement to the honest industry of Mankind against the oppression of power and narrownesse of Party."⁴² Similarly, his foreign policy was broadly liberal even if he saw a much greater need for energetic statesmanship. Going beyond Locke, however, Hamilton expected America's princes to be much more attentive to an important theme in classical politics, namely, harmony. Hamilton's *summum malum* was that sectional strife would end in the violent death of the Union. His plans for greater economic integration, the settlement of accounts, a compensated emancipation, a military academy, and a national university were all designed, in part, to foster assimilation and harmony among the parts of the Union, and they provide further evidence that he denied that the "divide and conquer" strategy of the extended sphere and the separation of powers was sufficient to cement the Union. To be sure, Hamilton did not seek the degree of harmony that the ancient republics sought—modern conditions made that impracticable in any event—but he did believe that cultivating a moderate degree of harmony among the passions, interests, and opinions of citizens was one of those liberal and enlarged plans of the public good that deserved the "fostering care of government."

Promoting justice and virtue (both moral and intellectual) were the main objects of ending slavery and establishing a military academy and a national university. If, as Hamilton remarked, "excess is always error," then these projects can be understood as attempts to curb the excesses of American acquisitiveness. In Hamilton's eyes, slavery in America was a clear case of acquisitiveness run amok that could not be tolerated indefinitely. A fully industrial economy and a gradual emancipation would allow Americans to do their duty without overtaxing their fortunes. A military academy would serve as a palliative for the tendency of Americans to prefer work and family (their own) to the rigors of the battlefield (the public). A national university would help cultivate a more competent and nobler politics as well as a more fruitful intellectual life.

Hamilton's enlarged plans for the public good thus displayed the same themes that characterized his statesmanship in general, a devotion to security, prosperity, harmony, justice, and virtue. And while calling Hamilton the "Rousseau of the Right" goes too far, the appellation does capture the tenor of the higher aspects of his notion of the public good. First, his plans invariably intended to advance what he referred to as "one great common cause" that was more than an aggregation of

42. Locke, *Two Treatises of Government*, II, par. 42.

private interests. As a nationalist par excellence, Hamilton tried to combine a more corporate concept of the public good with an individualistic one, or to use his phrase, to unite "public strength with individual security." Second, his enlarged projects for the public good had a distinctly aristocratic cast: an extensive program to stimulate economic development, a vigorous yet liberal foreign policy, a generous settlement of state accounts, a magnanimous plan for a compensated emancipation, and liberal endowments for a military academy and a national university. These endeavors cannot be regarded as simply "magnifying and multiplying in American life the selfish, the interested, the narrow, the vulgar, and the crassly economic." Still, they might not appear very impressive when viewed from the august heights of Aristotle's best regime (which, like Plato's republic, has existed only in speech). But if Aristotle believed that a statesman should be oriented with a view to the best regime, Aristotle also believed that a prudent statesman must pay close attention to the particular character of his regime, and that in many cases, the best that can be done is to lean against its worst inclinations. That is precisely what Hamilton and his fellow Federalists, however imperfectly, endeavored to do. As Tocqueville put it:

The Federalists struggled against the irresistible inclination of their century and of their country. Whatever their goodness or vice, their theories were wrong in being inapplicable in their entirety to the society they wanted to rule; what happened under Jefferson would therefore have happened sooner or later. But their government at least left the new republic time to settle in and afterwards permitted it to bear without inconvenience the rapid development of the doctrines they had combated. Moreover, a large number of their principles were in the end introduced under the creed of their adversaries; and the federal constitution, which still subsists in our time, is a lasting monument to their patriotism and their wisdom.⁴³

43. Cecilia M. Kenyon, "Alexander Hamilton: Rousseau of the Right," 161–78 (see also Rossiter, *Alexander Hamilton and the Constitution*, 178–79); Hamilton, "Report on Manufactures," *PAH*, 10: 293 (see also "The Continentalist, No. VI," *PAH*, 3: 106); Hamilton, Remarks at the Constitutional Convention, June 18, 1787, *PAH*, 4: 200; Diamond, "Ethics and Politics: the American Way," in *As Far as Republican Principles Will Admit*, 35; Alexis de Tocqueville, *Democracy in America*, vol. 1, part 1, chap. 2, pp. 168–69.

Conclusion

ARISTOTLE AND HAMILTON

The major aim of this study has been to contest the notion that commerce poses a mortal threat to virtue in a regime by showing that the economic approaches of Hamilton and classical political philosophy as represented by Aristotle are not as far apart as they may first appear. This is not to say, of course, that there are no significant differences between their approaches. There are. In order to furnish some insight into the true extent of their agreement, I proceed with a brief comparison of their positions on several of the more important issues of political economy.

As is true of ancient and modern thinkers generally, Aristotle and Hamilton were closest in their views on the alpha of politics: security. Both recognized that money and technology constitute vital parts of the sinews of war, and because few, if any, cities exist in isolation, the development of the acquisitive arts in any given regime is largely dictated by those regimes that pursue them most avidly. Aristotle himself witnessed the rise of Macedon, which employed the military innovations of a proto-standing army and the catapult to overcome the Greek hoplite militias, and took these innovations into account even in his sketch of the best regime. That is to say, Aristotle understood that the arts can, in fact, produce an entire revolution in the system of war that necessitates fundamental changes in a city's regime and the practice of virtue. By the time of Hamilton, the arts were on course to alter the cycle of regimes such that what Aristotle posited as the primary aim of a regime—domestic self-sufficiency—had to be reinterpreted in light of

this development. Indeed, this is one of the reasons for Aristotle's mercurial claim that all natural right is changeable.¹ Admittedly, Hamilton viewed military and industrial innovation more favorably than did Aristotle, but Hamilton also recognized that the good rarely comes unmixed, which at least invites statesmen to think critically about such innovation.

The generally mixed nature of the good is perhaps no more evident than in the case of slavery. As we have seen, Aristotle acknowledged that most actual slavery was unnatural or conventional—even the slavery in his best regime. While Aristotle did not explicitly endorse commerce and technology as means to solve the problem, his praise of commercial Carthage—which was not plagued by the constant threat of slave revolts as in Sparta—suggests that commerce may be viewed as a means of alleviating the injustice of unnatural slavery. Hamilton fervently opposed slavery, and part of his justification for commercial development can be attributed to his earnest desire to eliminate the remaining vestiges of feudal slavery. The corollary to his opposition to slavery was an affirmation of the liberal (and Christian) view that prized labor over leisure. This carries with it the risk that the regime will become crass (i.e., allowing “free” citizens to enslave themselves to their material desires), but such trade-offs are inescapable facts of political life. And although it might appear that the South's slave-based plantation aristocracy was more consistent with Aristotle's economic views, the South's eager employment of the cotton gin demonstrated that it regarded industrial development not as an alternative, but as a complement, to slavery. This meant that the South was willing, in effect (and later in principle with the claim—contra Aristotle—that slavery is a “positive good”), to abandon *all* natural limits on human acquisitiveness, which arguably made the South worse from an Aristotelean perspective than the commercial North.

This brings us to the related but narrower issue of the relative merits of farmers versus merchants and artisans as citizens. It should be remembered that foremost among Aristotle's reasons for disparaging merchants and artisans was his claim that they are unfit to rule. Yet it should also be remembered that in his best regime, Aristotle excludes common farmers from any share in rule because they lack the necessary

1. Cf. Leo Strauss, *Thoughts on Machiavelli*, 298–99; See Carnes Lord's introduction to his translation of the *Politics*, 2–8, Rahe, *Republics Ancient and Modern*, 8; Mansfield, “Machiavelli's Political Science,” in *Machiavelli's Virtue*, 273–78; Aristotle, *Nicomachean Ethics*, 5.7.1134b27–30: 131 (see also Leo Strauss, *Natural Right and History*, 159–63).

leisure (and ability in many cases) to become fully developed rational political animals; hence, they are relegated to the status of slaves or barbarian subjects. That Aristotle had no illusions about the deficiencies of common farmers in ruling is illustrated by his recommendation (to improve a democracy) that they be encouraged to spend more time working on their farms and less time actively participating in politics. Indeed, he suggests that their participation in rule should be confined to electing and auditing public officials. Similarly, the poor performance of the states (modern middle-class agrarian republics) prompted the framers of the Constitution to institute a representative republic in which the people do not rule directly, but are guided to fill public offices with "characters pre-eminent for ability and virtue." In essence, the framers tried to dilute the influence of the people—whether farmer or artisan—much as Aristotle recommended. Hamilton also expected the nation's representatives to "consist almost entirely of proprietors of land, of merchants, and of members of the learned professions." Such a mix compares favorably to the sort of people Aristotle expected to rule in a polity, especially when one considers that Hamilton's "merchants" were not mere shopkeepers, but men of "influence and weight and superior acquirements" (e.g., Robert Morris).²

What clearly did distinguish Hamilton (and the founders generally) from Aristotle was his belief in human equality. If the prevailing passion of most individuals, particularly most Americans, is the desire for commodious living, then the loosening of the feudal political and religious restraints on human acquisitiveness was an almost inevitable consequence of the doctrine of human equality. In response, Hamilton relied less on educating and more on channeling this strong human passion through various economic and political institutions so as to make it serve the good of both the individual and the public. In this respect, Hamilton was more like "Solon, who seems to have indulged a more temporizing policy, [and] confessed that he had not given his countrymen the government best suited to their happiness, but most tolerable to their prejudices." Aristotle, by contrast, made a much smaller concession to human equality because he took his bearings from the highest (and hence the rarest) of human types: noble gentlemen (and philosophers). His toleration of human acquisitiveness was therefore more

2. Aristotle, *Politics*, 7.9.1328b40–1329a2: 210–11, 7.10.1330a25–30: 213; 6.5.1320a35–1320b1: 190; 6.4.1318b10–25: 186 (see also Catherine H. Zuckert, "Aristotle on the Limits and Satisfaction of Political Life," 185–206; Cf. Wood, *The Creation of the American Republic*, 471–518; *The Federalist Papers*, No. 36, 185; No. 35, 182; Aristotle, *Politics*, 4.8.1294a15–25: 130–31.

limited because he insisted on viewing it as the means to supplying the best men with the equipment of virtue. This is why I say that Aristotle gave commerce only two cheers of praise. Of course, as we saw in the previous chapter, Hamilton wished to carve out a sphere in which a few choice spirits like himself could take full advantage of virtue's equipment to pursue magnanimous enterprises for the public good, but America's devotion to equality guarantees that such choice spirits have to swim against the tide of American politics.³

For those swimming with that tide, Hamilton designed his economic program to inculcate at least the commercial virtues as well as the more classical virtue of liberality. Although such virtues do not reach as high as the "stern virtue" of the ancients, Hamilton believed that the diligent practice of commercial virtue would constitute a significant improvement in the American character. Moreover, it was not just America's devotion to liberty and equality that constrained Hamilton's efforts at soul-craft, but also the distinctly modern theological-political problem posed by Christianity, namely, the "pious cruelty" and "weakness" associated with Medieval Christianity's attempts to save people's souls. And even as Christianity was made more reasonable, it was too little, too late because a radical sect of the Enlightenment had essentially appropriated and secularized Medieval Christian doctrine. As Hamilton was quick to discern, the French Revolution was animated by precisely the same kind of "frantic creed" in its attempt to bring about man's "progress to the perfection for which he was destined."⁴ After this sect began unleashing its tyrannical fury on the world, Hamilton became ever more leery of any political project that went too far against the selfish grain of human nature. Whether Aristotle would have endorsed Hamilton's particular solution to the problem of virtue in the modern world is debatable, but it is clear that Aristotle would have had to modify his teaching in response to these great historical developments.

3. Harry V. Jaffa, "Agrarian Virtue and Republican Freedom," in *Equality and Liberty: Theory and Practice in American Politics*, 54–55; *The Federalist Papers*, No. 38, 201; Hamilton, Remarks on June 22, *The Records of the Federal Convention*, vol. 1, 381. There is a tendency to make too much of Hamilton's "institutional" approach. As Christopher Nadon points out, Aristotle's polity is likewise "an institutional structure designed to maintain stability and avoid the ever-present threat of either democratic or oligarchic domination" (Nadon, "Aristotle and the Republican Paradigm: A Reconsideration of Pocock's *Machiavellian Moment*," 690–96).

4. Machiavelli, *The Prince*, chap. 21, 88; *Discourses on Livy*, preface, 6; Hamilton, "Views of the French Revolution," *PAH*, 17: 586–88.

HAMILTON'S POLITICAL ECONOMY: LEGACY AND PROSPECTS

Hamilton's commercialism would, of course, prevail over the agrarianism of Jefferson and Madison. As George Will put it, "if you seek Hamilton's monument, look around. You are living in it. We honor Jefferson, but live in Hamilton's country, a mighty industrial nation with a strong central government."⁵ Hamilton no doubt would have been deeply gratified to see America grow from a "Hercules in the cradle" into a mature Hercules whose strength is so great that America is no longer called merely a superpower, but a "hyperpower."

Yet Jefferson managed to win an important battle in the political and social sphere with his less diluted (and hence more popular) brand of egalitarianism that would spell the end of Hamilton's Federalist party. And as America has become ever more egalitarian (partly as a result of the end of slavery), its economic policy has become more oriented toward satisfying the lower (bodily) ends of security and prosperity. Even the federal government's liberal and enlarged plans for the public good have been directed mainly toward these ends (e.g., the war on poverty in its various forms). Tocqueville would warn us about the danger of becoming too focused on acquiring the goods of the body and advise statesmen to set distant goals for human endeavor to combat this tendency. Indeed, the September 11 terrorist attacks on America should serve to remind us of his warning that not everyone will be satisfied with mere commodious living, and (to borrow a line from Nietzsche) some would rather will nothingness than will nothing at all.

Time will tell whether Americans are enlightened enough to use America's overwhelming military and economic strength to pursue a more noble course or whether they will allow themselves to sink into "luxury, extravagance, dissipation, and effeminacy." But if we wish to set a nobler course, it behooves us to seek guidance from Alexander Hamilton, for he was arguably the best of the founders in endeavoring to combine American acquisitiveness with virtue, justice, and the love of fame to achieve immortal glory and happiness. It is to that end that I have written this work.

5. George Will, *Restoration*, 167.

Selected Bibliography

- Act of Incorporation, and Constitution of the New York Society, for Promoting the Manumission of Slaves, and Protecting Such of Them as Have Been, or May be Liberated.* Adopted January 31, 1809. New York: Samuel Wood, 1810. Text-fiche.
- Adair, Douglass Greybill. *Fame and the Founding Fathers: Essays by Douglass Adair.* Edited by Trevor Colbourn. New York: W. W. Norton, 1974.
- . "James Madison's Autobiography." *William and Mary Quarterly* 3rd series 2 (April 1945): 191–209.
- . "The Intellectual Origins of Jeffersonian Democracy: Republicanism, the Class Struggle, and the Virtuous Farmer." Ph.D. diss., Yale University, 1943.
- Address of the American Convention for Promoting the Abolition of Slavery, &c. to the People of the United States.* Philadelphia: Solomon W. Conrad, 1804. Text-fiche.
- Allen, William B., ed. *George Washington: A Collection.* Indianapolis: LibertyClassics, 1988.
- Ambler, Wayne H. "Aristotle on Acquisition." *Canadian Journal of Political Science* 17 (September 1984): 487–502.
- . "Aristotle on Nature and Politics: The Case of Slavery." *Political Theory* 15 (August 1987): 390–410.
- . "Aristotle's Understanding of the Naturalness of the City." *Review of Politics* 47 (April 1985): 163–85.
- Andrews, Charles C. *The History of the New York African Free-Schools.* 1830. Reprint, New York: Negro Universities Press, 1969.
- Appleby, Joyce Oldham. *Capitalism and a New Social Order: The*

- Republican Vision of the 1790s*. New York: New York University Press, 1984.
- . *Economic Thought and Ideology in Seventeenth-Century England*. Princeton: Princeton University Press, 1978.
- . *Liberalism and Republicanism in the Historical Imagination*. Cambridge: Harvard University Press, 1992.
- Arendt, Hannah. *The Human Condition*. Chicago: University of Chicago Press, 1958.
- Aristotle. *The Complete Works of Aristotle: The Revised Oxford Translation*. Edited by Jonathan Barnes. 2 vols. Bollingen Series. Princeton: Princeton University Press, 1984.
- Aristotle. *Nicomachean Ethics*. Translated by Martin Ostwald. New York: Macmillan/Library of Liberal Arts, 1962.
- Aristotle. *Politics*. Translated by Carnes Lord. Chicago: University of Chicago Press, 1984.
- Ashworth, John. "The Jeffersonians: Classical Republicans or Liberal Capitalists?" *Journal of American Studies* 18 (December 1984): 425–35.
- Bacon, Francis. *Novum Organum with Other Parts of The Great Instauration*. Translated and edited by Peter Urbach and John Gibson. Chicago: Open Court, 1994.
- . *The Works of Francis Bacon*. Edited by James Spedding, Robert Ellis, and Douglas Heath. Vol. VI. London: Longsman et al., 1890.
- Bailyn, Bernard. *The Ideological Origins of the American Revolution*. Expanded. Cambridge: Belknap Press, 1992.
- Ball, Terence, and J. G. A. Pocock. *Conceptual Change and the Constitution*. Lawrence: University Press of Kansas, 1988.
- Ballagh, James Curtis. *A History of Slavery in Virginia*. Baltimore: Johns Hopkins University Press, 1902.
- Banning, Lance. "The Hamiltonian Madison: A Reconsideration." *Virginia Magazine of History and Biography* 92 (January 1984): 3–28.
- . "James Madison and the Nationalists, 1780–1783." *William and Mary Quarterly* 3rd series 40 (April 1983): 227–55.
- . "Jeffersonian Ideology Revisited: Liberal and Classical Ideas in the New American Republic." *William and Mary Quarterly* 3rd series 43 (January 1986): 3–19.
- . *The Jeffersonian Persuasion: Evolution of a Party Ideology*. Ithaca: Cornell University Press, 1978.
- . *The Sacred Fire of Liberty: James Madison and the Founding of the Federal Republic*. Ithaca: Cornell University Press, 1995.

- Barnouw, Jeffrey. "The Pursuit of Happiness in Jefferson and Its Background in Bacon and Hobbes." *Interpretation* 11 (May 1983): 225–48.
- Beard, Charles A. *An Economic Interpretation of the Constitution of the United States*. 1913. Reprint, New York: Free Press, 1986.
- . *Economic Origins of Jeffersonian Democracy*. New York: Macmillan Company, 1915.
- Beeman, Richard, Stephen Botein, and Edward C. Carter II, eds. *Beyond Confederation: Origins of the Constitution and American National Identity*. Chapel Hill: University of North Carolina Press, 1987.
- Bemis, Samuel F. *Jay's Treaty*. New York: Macmillan, 1923.
- Ben-Atar, Doron, and Barbara B. Oberg, eds. *Federalists Reconsidered*. Charlottesville: University Press of Virginia, 1998.
- Blackstone. *Commentaries on the Laws of England*. Edited by Joseph Chitty. 4 vols. London: W. Walker, 1826.
- Bloom, Allan, ed. *Confronting the Constitution: The Challenge to Locke, Montesquieu, Jefferson, and the Federalists from Utilitarianism, Historicism, Marxism, Freudianism, Pragmatism, Existentialism . . .* Washington, DC: American Enterprise Institute Press, 1990.
- Booth, William James. *Households: On the Moral Architecture of the Economy*. Ithaca: Cornell University Press, 1993.
- Bourne, Edward G. "Alexander Hamilton and Adam Smith." *Quarterly Journal of Economics* 18 (April 1894): 328–44.
- Branson, Roy. "James Madison and the Scottish Enlightenment." *Journal of the History of Ideas* 40 (April-June 1979): 235–50.
- Brant, Irving. *James Madison*. 6 vols. Indianapolis: Bobbs-Merrill, 1941–61.
- Brookhiser, Richard. *Alexander Hamilton: American*. New York: Simon & Schuster, 1999.
- Brown, Warren R. "Aristotle's Art of Acquisition and the Conquest of Nature." *Interpretation* 10 (May/September 1982): 159–95.
- Bury, J. B. *The Idea of Progress: An Inquiry into Its Origin and Growth*. New York: Dover, 1987.
- Bushman, Richard L., Neil Harris, David Rothman, Barbara Miller Solomon, and Stephan Thernstrom, eds. *Uprooted Americans: Essays to Honor Oscar Handlin*. Boston: Little, Brown & Co., 1979.
- Caton, Hiram. *The Politics of Progress: The Origins and Development of the Commercial Republic, 1600–1835*. Gainesville: University of Florida Press, 1988.
- Chan, Michael D. "Alexander Hamilton on Slavery." *Review of Politics* 66 (Spring 2004): 207–31.
- Charles, Joseph. "Hamilton and Washington: The Origins of the American

- Party System." *William and Mary Quarterly* 3rd series 12 (April 1955): 217–67.
- Charles-Picard, Gilbert and Colette. *Daily Life in Carthage at the Time of Hannibal*. Translated by A.E. Foster. London: George Allen and Unwin, 1961.
- Chernow, Ron. *Alexander Hamilton*. New York: Penguin Press, 2004.
- Combs, Jerald A. *The Jay Treaty*. Los Angeles: University of California Press, 1970.
- Cooke, Jacob E. *Alexander Hamilton*. New York: Charles Scribner's Sons, 1982.
- . "Tench Coxe, Alexander Hamilton, and the Encouragement of American Manufactures." *William and Mary Quarterly* 3rd series (July 1975): 369–92.
- Cox, Richard H. *Locke on War and Peace*. Oxford: Clarendon Press, 1960.
- Cropsey, Joseph. *Political Philosophy and the Issues of Politics*. Chicago: University of Chicago Press, 1977.
- . *Polity and Economy: An Interpretation of the Principles of Adam Smith*. The Hague: Martinus Nijhoff, 1957.
- Diamond, Martin. *As Far as Republican Principles Will Admit: Essays by Martin Diamond*. Edited by William A. Schambra. Washington, D.C.: American Enterprise Institute Press, 1992.
- Diggins, John Patrick. "Comrades and Citizens: New Mythologies in American Historiography." *American Historical Review* 90 (June 1985): 614–38.
- . *The Lost Soul of American Politics: Virtue, Self-Interest, and the Foundations of Liberalism*. New York: Basic Books, 1984.
- Dunn, John. *The Political Thought of John Locke: An Historical Account of the Argument of the "Two Treatises of Government"*. New York: Cambridge University Press, 1969.
- Dworetz, Steven M. *The Unvarnished Doctrine: Locke, Liberalism, and the American Revolution*. Durham: Duke University Press, 1990.
- Elkins, Stanley, and Eric McKittrick. *The Age of Federalism*. New York: Oxford University Press, 1993.
- Engeman, Thomas S., Edward J. Erler, and Thomas B. Hofeller, eds. *The Federalist Concordance*. Chicago: University of Chicago Press, 1988.
- Epstein, David F. *The Political Theory of The Federalist*. Chicago: University of Chicago Press, 1984.
- Farrand, Max, ed. *The Records of the Federal Convention of 1787*. 4 vols. New Haven: Yale University Press, 1966.
- Faulkner, Robert K. *Francis Bacon and the Project of Progress*. Lanham: Rowman & Littlefield, 1993.

- Ferguson, Elmer James. *The Power of the Purse*. Chapel Hill: University of North Carolina Press, 1961.
- Finley, Moses I. *The Ancient Economy*. London: Chatto and Windus, 1973.
- Finkelman, Paul. *Slavery and the Founders*. 2nd ed. Armonk: M.E. Sharpe, 2001.
- Flaumenhaft, Harvey, Jr.. "Alexander Hamilton on the Foundation of Good Government." *Political Science Reviewer* 6 (Fall 1976): 143–214.
- Fogel, Robert William, and Stanley L. Engerman, *Time on the Cross*. Boston: Little, Brown & Co., 1974.
- Frank, Jill. "Citizens, Slaves, and Foreigners: Aristotle on Human Nature." *American Political Science Review* 98 (February 2004): 91–104.
- Frisch, Morton J. *Alexander Hamilton and the Political Order*. Lanham: University Press of America, 1991.
- Frisch, Morton J., and Richard G. Stevens. *American Political Thought: The Philosophic Dimensions of American Statesmanship*. New York: Charles Scribner's Sons, 1971.
- Gibson, Alan. "Ancients, Moderns and Americans: The Republicanism-Liberalism Debate Revisited." *History of Political Thought* 21 (Summer 2000): 261–307.
- Goldwin, Robert A., and William A. Schambra, eds. *How Capitalistic Is the Constitution?* Washington, DC: American Enterprise Institute, 1982.
- Govan Thomas P. "Alexander Hamilton and Julius Caesar: A Note on the Use of Historical Evidence." *William and Mary Quarterly* 3rd series 32 (July 1975): 475–80.
- Hamilton, Alexander. *The Papers of Alexander Hamilton*. Edited by Harold C. Syrett. 27 vols. New York: Columbia University Press, 1961–1979.
- Hamilton, Alexander, John Jay, and James Madison. *The Federalist Papers*. Edited by Clinton L. Rossiter. Introduction by Charles R. Kesler. New York: New American Library, 1999.
- Harper, John Lamberton. *American Machiavelli: Alexander Hamilton and the Origins of U.S. Foreign Policy*. Cambridge: Cambridge University Press, 2004.
- Harpham, Edward J., ed. *John Locke's Two Treatises of Government: New Interpretations*. Lawrence: University Press of Kansas, 1992.
- Harrington, James. *The Commonwealth of Oceana and a System of Politics*. Edited by J. G. A. Pocock. Cambridge: Cambridge University Press, 1992.

- Hartz, Louis. *The Liberal Tradition in America*. New York: Harcourt, Brace and Co., 1955.
- Heeren, A.H.L. *Historical Researches into the Politics, Intercourse, and Trade of the Carthaginians, Ethiopians, and Egyptians*. Oxford: D.A. Talboys, 1838.
- Hendrickson, Robert A. *The Rise and Fall of Alexander Hamilton*. New York: Van Nostrand Reinhold, 1981.
- Hobbes, Thomas. *Leviathan*. Edited by Michael Oakeshott. New York: Collier Books, 1962.
- Hont, Istvan, and Michael Ignatieff, eds. *Wealth and Virtue: The Shaping of Political Economy in the Scottish Enlightenment*. Cambridge: Cambridge University Press, 1983.
- Horwitz, Robert H. "John Locke and the Preservation of Liberty: A Perennial Problem of Civic Education." *Political Science Reviewer* 6 (Fall 1976): 325–53.
- , ed. *The Moral Foundations of the American Republic*. Charlottesville: University Press of Virginia, 1977.
- Hume, David. *Enquiries Concerning Human Understanding and Concerning the Principles of Morals*. Edited by P.H. Nidditch. Oxford: Clarendon Press, 1975.
- . *Essays Moral, Political, and Literary*. Edited by Eugene F. Miller. Indianapolis: LibertyClassics, 1987.
- . *A Treatise of Human Nature*. Edited by P.H. Nidditch. Oxford: Clarendon Press, 1978.
- Hummel, Jeffrey Rogers Hummel. *Emancipating Slaves, Enslaving Free Men: A History of the America Civil War*. Chicago: Open Court, 1996.
- Inter-University Consortium for Political and Social Research. *Study 00003: Historical Demographic, Economic, and Social Data: U.S., 1790–1970* (Ann Arbor: ICPSR). <http://fisher.lib.virginia.edu/cgi-local/censusbin/census/cen.pl>.
- Jaffa, Harry V. *The Conditions of Freedom: Essays in Political Philosophy*. Baltimore: Johns Hopkins University Press, 1975.
- . *Crisis of the House Divided: An Interpretation of the Issues in the Lincoln-Douglas Debates*. Chicago: University of Chicago Press, 1959.
- . *Equality and Liberty: Theory and Practice in American Politics*. Oxford: Oxford University Press, 1965.
- . *How to Think about the American Revolution*. Durham: Carolina Academic Press, 1978.
- . "Humanizing Certitudes and Impoverishing Doubts: A Cri-

- tique of *The Closing of the American Mind*." *Interpretation* 16 (Fall 1988): 111–138.
- Jefferson, Thomas. *The Writings of Thomas Jefferson*. Edited by Andrew A. Lipscomb and Albert E. Bergh. 20 vols. Washington, D.C.: Thomas Jefferson Memorial Association, 1904.
- Johnson, Edgar Augustus Jerome. *The Foundations of American Economic Freedom: Government and Enterprise in the Age of Washington*. Minneapolis: University of Minnesota Press, 1973.
- Johnstone, Paul H. "In Praise of Husbandry." *Agricultural History* 11 (April 1937): 80–95.
- Kennedy, Roger G. *Mr. Jefferson's Lost Cause: Land, Farmers, Slavery, and the Louisiana Purchase*. New York: Oxford University Press, 2003.
- Kenyon, Cecelia M. "Alexander Hamilton: Rousseau of the Right." *Political Science Quarterly* 73 (June 1958): 161–78.
- Kesler, Charles R. "The Founders and the Classics." In *The Revival of Constitutionalism*. Edited by James W. Muller. Lincoln: University of Nebraska Press, 1988.
- , ed. *Saving the Revolution*. New York: Free Press, 1987.
- Ketcham, Ralph. *James Madison: A Biography*. 1971. Reprint, Charlottesville: University Press of Virginia, 1990.
- Klein, Milton M., Richard D. Brown, and John B. Hench, eds. *The Republican Synthesis Revisited: Essays in Honor of George Athan Billias*. Worcester: American Antiquarian Society, 1992.
- Kloppenber, James T. "The Virtues of Liberalism: Christianity, Republicanism, and Ethics in Early American Political Discourse." *Journal of American History* 74 (June 1987): 9–33.
- Knott, Stephen F. *Alexander Hamilton & the Persistence of Myth*. Lawrence: University Press of Kansas, 2002.
- Koch, Adrienne. *Jefferson and Madison: The Great Collaboration*. New York: Alfred A. Knopf, 1950.
- Kramnick, Issac. "Republican Revisionism Revisited." *American Historical Review* 87 (June 1982): 629–64.
- . *Republicanism and Bourgeois Radicalism: Political Ideology in Late Eighteenth-Century England and America*. Ithaca: Cornell University Press, 1990.
- Kurtz, Stephen G., and James H. Hutson, eds. *Essays on the American Revolution*. Chapel Hill: University of North Carolina Press and New York: W. W. Norton, 1973.
- Landi, Alexander. "Madison's Political Theory." *Political Science Reviewer* 6 (Fall 1976): 73–111.
- Lerner, Ralph. "Commerce and Character: The Anglo-American as

- New-Model Man." *William and Mary Quarterly* 3rd series 36 (January 1979): 3–26.
- Library of Congress. *Journals of the Continental Congress, 1774–1789*. Vol. XIII (1779), 1 January–22 April. Washington: Government Printing Office, 1909.
- Locke, John. *An Essay Concerning Human Understanding*. Edited by Peter H. Nidditch. Oxford: Clarendon Press, 1975.
- . *A Letter Concerning Toleration*. Edited by James H. Tully. Indianapolis: Hackett, 1983.
- . *Locke on Money*. Edited by Patrick Hyde Kelly. 2 vols. Oxford: Clarendon Press, 1991.
- . *Political Essays*. Edited by Mark Goldie. Cambridge: Cambridge University Press, 1997.
- . *Some Thoughts Concerning Education and of the Conduct of the Understanding*. Edited by Ruth W. Grant and Nathan Tarcov. Indianapolis: Hackett, 1996.
- . *Two Treatises of Government*. Edited by Peter Laslett. Cambridge: Cambridge University Press, 1988.
- Locke, Mary Stoughton. *Anti-Slavery in America: From the Introduction of African Slaves to the Prohibition of the Slave Trade (1619–1808)*. Boston: Ginn, 1901.
- Lord, Carnes, and David K. O'Connor, eds. *Essays on the Foundations of Aristotelian Political Science*. Berkeley and Los Angeles: University of California Press, 1991.
- Lowenthal, David. "Montesquieu and the Classics." In *Ancients and Moderns: Essays on the Tradition of Political Philosophy in Honor of Leo Strauss*. Edited by Joseph Cropsey, 258–87. New York: Basic Books, 1964.
- Lycan, Gilbert L. *Alexander Hamilton and Foreign Policy*. Norman: University of Oklahoma Press, 1970.
- Machiavelli, Niccolo. *The Prince*. Translated by Harvey C. Mansfield. Chicago: University of Chicago Press, 1985.
- . *Discourses on Livy*. Translated by Harvey C. Mansfield and Nathan Tarcov. Chicago: University of Chicago Press, 1996.
- Macpherson, C. B. *The Political Theory of Possessive Individualism: Hobbes to Locke*. Oxford: Oxford University Press, 1962.
- Madison, James. *The Papers of James Madison*. Edited by William T. Hutchinson. 17 vols. Chicago: University of Chicago Press, 1962–.
- . *The Writings of James Madison*. Edited by Gaillard Hunt. 9 vols. New York: G.P. Putnam's Sons, 1900–1910.
- Mandeville, Bernard. *The Fable of the Bees: or, Private Vices, Public Benefits*. Edited by F.B. Kaye. 2 vols. Indianapolis: LibertyClassics, 1988.

- Mansfield, Harvey C. *America's Constitutional Soul*. Baltimore: Johns Hopkins University Press, 1991.
- . *Machiavelli's Virtue*. Chicago: University of Chicago Press, 1996.
- . "Returning to the Founders: the Debate on the Constitution." *New Criterion* (Sept. 1993): 48–54.
- . *Taming the Prince*. Baltimore: Johns Hopkins University Press, 1993.
- Matthews, Richard K. *If Men Were Angels: James Madison and the Heartless Empire of Reason*. Lawrence: University Press of Kansas, 1995.
- McCoy, Drew R. *The Elusive Republic: Political Economy in Jeffersonian America*. Chapel Hill: University of North Carolina Press, 1980.
- . "Jefferson and Madison on Malthus: Population Growth in Jeffersonian Political Economy." *Virginia Magazine of History and Biography* 88 (July 1980): 259–76.
- . *The Last of the Founders: James Madison and the Republican Legacy*. Cambridge: Cambridge University Press, 1989.
- . "Republicanism and American Foreign Policy: James Madison and the Political Economy of Commercial Discrimination, 1789–1794." *William and Mary Quarterly* 3rd series 31 (October 1974): 633–46.
- . "The Virginia Port Bill of 1784." *Virginia Magazine of History and Biography* 83 (July 1975): 288–303.
- McDonald, Forrest. *Alexander Hamilton: A Biography*. New York: W. W. Norton, 1979.
- . *Novus Ordo Seclorum: The Intellectual Origins of the Constitution*. Lawrence: University Press of Kansas, 1985.
- McNamara, Peter. "Alexander Hamilton, the Love of Fame, and Modern Democratic Statesmanship." In *The Noblest Minds: Fame, Honor and the American Founding*, ed. Peter McNamara, 141–62. Lanham: Rowman & Littlefield, 1999.
- . *Political Economy and Statesmanship: Smith, Hamilton, and the Foundation of the Commercial Republic*. DeKalb: Northern Illinois University Press, 1998.
- Melzer, Arthur M., Jerry Weinberger, and M. Richard Zinman, eds. *Technology in the Western Political Tradition*. Ithaca: Cornell University Press, 1993.
- Meyer, Freeman W. "A Note on the Origins of the 'Hamiltonian-System.'" *William and Mary Quarterly* 3rd series 21 (October 1964): 579–88.
- Minutes of the Proceedings of the Seventh Convention of Delegates from the Abolition Societies*. Philadelphia, January 3, 1801. Philadelphia: Zachariah Poulson, 1801. Text-fiche.

- Minutes of the Proceedings of the Eighth Convention of Delegates from the Abolition Societies*. Philadelphia, January 10, 1803. Philadelphia: Zachariah Poulson, 1803. Text-fiche.
- Mitchell, Broadus. *Alexander Hamilton: The National Adventure, 1788–1804*. New York: Macmillan, 1962.
- Montesquieu. *The Spirit of the Laws*. Translated and edited by Anne M. Cohler, Basia Carolyn Miller, and Harold Samuel Stone. Cambridge: Cambridge University Press, 1989.
- Moseley, Thomas R. "A History of the New-York Manumission Society, 1785–1849." Ph.D. diss., New York University, 1963.
- Nadon, Christopher. "Aristotle and the Republican Paradigm: A Reconsideration of Pocock's *Machiavellian Moment*." *Review of Politics* (Fall 1996): 677–98.
- Nelson Jr., John R. *Liberty and Property: Political Economy and Policy-making in the New Nation, 1789–1812*. Baltimore: Johns Hopkins University Press, 1987.
- Nettels, Curtis P. *The Emergence of a National Economy, 1775–1815*. White Plains: M. E. Sharpe, 1962.
- New-York Historical Society. *New York Manumission Society Records*. New York: New York Historical Society. Microfilm. 2 reels.
- Nichols, James J., Jr., and Colin Wright, eds. *From Political Economy to Economics: And Back?* San Francisco: Institute for Contemporary Studies, 1990.
- Nichols, Mary P. *Citizens and Statesmen: A Study of Aristotle's Politics*. Savage: Roman & Littlefield, 1992.
- . "The Good Life, Slavery, and Acquisition: Aristotle's Introduction to Politics." *Interpretation* 11 (May 1983): 171–83.
- Owens, Mackubin Thomas, Jr. "Alexander Hamilton on Natural Rights and Prudence." *Interpretation* 14 (May & September 1986): 331–51.
- Pangle, Thomas L. *The Ennobling of Democracy: The Challenge of the Post-modern Age*. Baltimore: Johns Hopkins University Press, 1992.
- . *Montesquieu's Philosophy of Liberalism*. Chicago: University of Chicago Press, 1973.
- . *The Spirit of Modern Republicanism*. Chicago: University of Chicago Press, 1988.
- Perkins, Edwin J. *American Public Finance and Financial Services 1700–1815*. Columbus: Ohio State University Press, 1994.
- Peterson, Merrill D. "Thomas Jefferson and Commercial Policy, 1783–1793." *William and Mary Quarterly* 3rd series 22 (October 1965): 584–610.
- Plato. *Laws*. Translated by Thomas L. Pangle. Chicago: University of Chicago Press, 1980.

- Plato. *Republic*. Translated by Allan Bloom. New York: Basic Books, 1968.
- Plutarch. *The Lives of the Noble Grecians and Romans*. Dryden translation. Edited by Arthur Hugh Clough. New York: Modern Library, 1992.
- Pocock, J. G. A. "Between Gog and Magog: The Republican Thesis and the *Ideologia Americana*." *Journal of the History of Ideas* 48 (Apr-Jun 1987): 325–46.
- . *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition*. Princeton: Princeton University Press, 1975.
- . *Politics, Language and Time: Essays on Political Thought and History*. New York: Atheneum, 1971.
- , ed. *Three British Revolutions: 1641, 1688, 1776*. Princeton: Princeton University Press, 1980.
- . "Virtue and Commerce in the Eighteenth Century." *Journal of Interdisciplinary History* 3 (Summer 1972): 119–34.
- . *Virtue, Commerce, and History: Essays on Political Thought and History, Chiefly in the Eighteenth Century*. Cambridge: Cambridge University Press, 1985.
- Post, David M. "Jeffersonian Revisions of Locke: Education, Property-Rights, and Liberty." *Journal of the History of Ideas* 47 (January-March 1986): 147–57.
- Pufendorf, Samuel. *On the Duty of Man and Citizen According to Natural Law*. Edited by James Tully. Translated by Michael Silverthorne. Cambridge: Cambridge University Press, 1991.
- Rahe, Paul A. *Republics Ancient and Modern: Classical Republicanism and the American Revolution*. Chapel Hill: University of North Carolina Press, 1992.
- . "Thomas Jefferson's Machiavellian Political Science." *Review of Politics* 57 (Summer 1995): 449–81.
- Randall, William Sterne. *Alexander Hamilton: A Life*. New York: Harper-Collins, 2003.
- Robbins, Caroline. *The Eighteenth-Century Commonwealthmen: Studies in the Transmission, Development, and Circumstance of English Liberal Thought from the Restoration of Charles II until the War with the Thirteen Colonies*. Cambridge: Harvard University Press, 1959.
- Rogers, Daniel T. "Republicanism: the Career of a Concept." *Journal of American History* 79 (June 1992): 11–38.
- Rosano, Michael J. "Liberty, Nobility, Philanthropy, and Power in Alexander Hamilton's Conception of Human Nature." *American Journal of Political Science* 47 (January 2003): 61–74.

- Rossiter, Clinton L. *Alexander Hamilton and the Constitution*. New York: Harcourt, Brace & World, 1964.
- Scanlan, James P. "The Federalist and Human Nature." *Review of Politics* 21 (October 1959): 657–77.
- Shalhope, Robert E. "Republicanism and Early American Historiography." *William and Mary Quarterly* 3rd series 39 (April 1982): 334–56.
- . "Republicanism, Liberalism, and Democracy: Political Culture in the Early Republic." In *The Republican Synthesis Revisited: Essays in Honor of George Athan Billias*, Edited by Milton M. Klein, Richard D. Brown, and John B. Hench, 37–90. Worcester: American Antiquarian Society, 1992.
- . "Toward a Republican Synthesis: The Emergence of an Understanding of Republicanism in American Historiography." *William and Mary Quarterly* 3rd series 29 (January 1972): 49–80.
- Sheehan, Colleen A. "Madison v. Hamilton: The Battle over Republicanism and the Role of Public Opinion," *American Political Science Review* 98 (August 2004): 401–24.
- . "Madison's Party Press Essays." *Interpretation* 17 (Spring 1990): 355–77.
- . "The Politics of Public Opinion: James Madison's 'Notes on Government.'" *William and Mary Quarterly* 3rd series 49 (October 1992): 609–27.
- Sheridan, Eugene R. "Thomas Jefferson and the Giles Resolutions." *William and Mary Quarterly* 3rd series 49 (October 1992): 589–610.
- Shulsky, Abram N. "The 'Infrastructure' of Aristotle's *Politics*: Aristotle on Economics and Politics." In *Essays on the Foundations of Aristotelian Political Science*, eds. Carnes Lord and David K. O'Connor, 74–111. Berkeley and Los Angeles: University of California Press, 1991.
- Silver, Thomas B., and Peter W. Schramm, eds. *Natural Right and Political Right*. Durham: Carolina Academic Press, 1984.
- Smith, Adam. *An Inquiry into the Nature and Causes of the Wealth of Nations*. Edited by Edwin Cannan. New York: Modern Library, 1937.
- . *Lectures on Jurisprudence*. Edited by R. L. Meek, D.D. Raphael, and G. Stein. Indianapolis: Liberty Fund, 1982.
- Smith, R. Bosworth. *Carthage and the Carthaginians*. London: Longmans, Green & Co., 1878.
- Spengler, Joseph J. "The Political Economy of Jefferson, Madison, and Adams." In *American Studies in Honor of William Kenneth Boyd*.

- Edited by David Kelly Jackson. Durham: Duke University Press, 1940.
- Stabile, Donald R. *The Origins of American Public Finance*. Westport: Greenwood Press, 1998.
- Storing, Herbert J., ed. *The Complete Anti-Federalist*. 7 vols. Chicago: University of Chicago Press, 1981.
- . *What the Anti-Federalists Were FOR*. Chicago: University of Chicago Press, 1981.
- Stourzh, Gerald. *Alexander Hamilton and the Idea of Republican Government*. Stanford: Stanford University Press, 1970.
- Strauss, Leo. *The City and Man*. Chicago: University of Chicago Press, 1964.
- . *Liberalism Ancient and Modern*. Ithaca: Cornell University Press, 1968.
- . *Natural Right and History*. Chicago: University of Chicago Press, 1950.
- . *Thoughts on Machiavelli*. Chicago: University of Chicago Press, 1958.
- . *What Is Political Philosophy?* 1959. Reprint, Chicago: University of Chicago Press, 1988.
- Strauss, Leo, and Joseph Cropsey, eds. *History of Political Philosophy*. 3rd edition. Chicago: University of Chicago Press, 1987.
- Swanson, Donald F. *The Origins of Hamilton's Fiscal Policies*. Gainesville: University of Florida Press, 1963.
- Swanson, Judith A. *The Public and the Private in Aristotle's Political Philosophy*. Ithaca: Cornell University Press, 1992.
- Tarcov, Nathan. *Locke's Education for Liberty*. Chicago: University of Chicago Press, 1984.
- Trenchard, John, and Thomas Gordon. *Cato's Letters, or Essays on Liberty, Civil and Religious, and Other Important Subjects*. Edited by Ronald Hamowy. 2 vols. Indianapolis: Liberty Fund, 1995.
- Tugwell, Rexford Guy, and Joseph Dorfman. "Alexander Hamilton: Nation-Maker." *Columbia University Quarterly* 29 (December 1937): 209–226 and 30 (March 1938): 59–72.
- Walling, Karl-Friedrich. *Republican Empire: Alexander Hamilton on War and Free Government*. Lawrence: University Press of Kansas, 1999.
- Warmington, B.H. *Carthage*. London: Robert Hale, 1960.
- West, Thomas G. *Vindicating the Founders: Race, Sex, Class, and Justice in the Origins of America*. New York: Rowman and Littlefield, 1997.
- Whitfield, Theodore M. *Slavery Agitation in Virginia, 1829–1832*. Baltimore: Johns Hopkins Press, 1930.
- Wood, Gordon S. *The Creation of the American Republic, 1776–1787*. New York: W. W. Norton, 1969.

- . "Ideology and the Origins of Liberal America." *William and Mary Quarterly* 3rd series 44 (July 1987): 628–40.
- . *The Radicalism of the American Revolution*. 1992. Reprint, New York: Vintage Books, 1993.
- Zuckert, Catherine H. "Aristotle on the Limits and Satisfaction of Political Life." *Interpretation* 11 (May 1983): 185–206.
- Zuckert, Michael P. *Launching Liberalism: On Lockean Political Philosophy*. Lawrence: University Press of Kansas, 2002.
- . *Natural Rights and the New Republicanism*. Princeton: Princeton University Press, 1994.
- Zvesper, John. "The American Founders and Classical Political Thought." *History of Political Thought* 10 (Winter 1989): 701–18.

Index

- Adams, John, 123, 198
Agriculture, 2, 4, 11, 33, 48, 68, 71, 75, 81, 86, 99, 100, 102, 115, 117, 128, 162, 170, 174, 195, 204–7 *passim*, 214–15; domestic merits compared to manufacturing, 141–54; and national self-sufficiency, 103–5; productivity of, 105–7; rivalry with manufacturing, 124–26
Anti-Federalists, 7, 68, 70–78, 109, 146, 182, 190, 192
Aristocracy, 36, 47, 48, 49–54, 75, 77, 133, 191–93 *passim*, 212, 214
Aristotle, 6, 7, 8–9, 55, 56, 57, 66, 75, 77, 157, 188, 190, 191, 213–16;
—and rhetoric, 34–36
—views on: business expertise, 29–34; Carthage, 43, 46–52, 53–54; economics and war, 41–42, 43–46, 53, 213–14; household management, 13–14, 25, 28, 29, 31, 32; liberality, 38, 53, 186–87, 197, 212; limitations of economic thinking, 39–42; money, 30–32; natural versus unnatural modes of acquisition, 25–34; nature’s beneficence, 21–36 *passim*; political economy, 53–54; property, 14–15, 37–39; self-sufficiency, 28, 29–30, 32, 37–39, 42, 53, 213; slavery, 21–25, 214; Sparta, 43–46, 52; technology (arts), 15–21, 54
Articles of Confederation, 91–92, 100, 116, 137, 179
Assumption, 94, 123, 130–38, 139, 197
Athens, 43, 49, 88, 111, 113, 121, 193, 194
Bacon, Francis, 3, 11, 17, 19–20, 57, 81, 82
Baileyn, Bernard, 5
Banks and banking, 6, 62, 91, 166, 169, 175
Banning, Lance, 5, 6, 7
Beard, Charles, 2, 3
Becker, Carl, 2
Bonaparte, Napoleon, 114
Burr, Aaron, 62
Caesar, Julius, 87, 114
Carthage, 8, 34, 37, 46–52, 53–54, 111, 113, 214
Cato (Trenchard and Gordon’s), 69, 94
Caton, Hiram, 20, 148, 150*n*16, 151, 205–6*n*35
Christian Constitutional Society, 182
Cicero, 6, 7, 43, 203
Classical republicanism, 5–8, 43, 59, 62, 68, 69, 71, 190–91, 194
Colbert, Jean Baptiste, 108, 140, 196
Commercial discrimination, 115–21
Commercial republics: nature of, 109–15
Common good, 5, 6, 9, 34, 36, 51, 56, 58, 66–67, 73–75, 138, 189–212 *passim*
Connecticut, 131, 133
Constitution (U.S.), 3, 6, 57, 61, 62, 74,

- 76, 88, 90, 93–94, 106, 109, 114, 120–40
passim, 160, 170–83 *passim*, 190,
 194–95, 198, 202, 209, 212, 215
 Crete, 37, 43, 50
 Cycle of regimes, 80–83, 141–42
- Dayton, Jonathan, 162, 163
 Democracy, 1, 40, 41, 50, 52, 75, 168, 191,
 192, 215
 Democratic-Republicans, 6, 7, 78, 89,
 168, 210
 Demosthenes, 88
 Diamond, Martin, 2–5, 58–59, 185,
 188–89, 192
 Division of labor, 4, 6, 52; Adam Smith
 on, 87, 142–43; Hamilton on, 107, 147,
 149–50; Jefferson and Madison on,
 143–45
 Douglas, Stephen, 115
 Duane, James, 22
- Elkins, Stanley, and Eric McKittrick,
 108*n*35, 175
 Euboulus, 42
- Farewell Address (Washington's), 123,
 193
 Federalists, 6, 7, 148, 160, 212, 217
 Ferguson, E. James, 137, 170
 Foreign capital, 158, 161–64
 France, 85, 88, 92, 96, 97, 98, 100, 104,
 108, 115–20 *passim*, 157, 165, 196, 206,
 210
 Frank, Jill, 24*n*21
 Franklin, Benjamin, 70, 77, 101*n*26, 123,
 151
 Free trade, 104, 113, 115, 145
 French Revolution, 57, 98, 119–20, 216
 Frugality, 5, 68, 69–72, 73, 194
 Fukuyama, Francis, 1
- Gallatin, Albert, 167
 Gates, General Horatio, 84
 Georgia, 131
 Gibson, Alan, 6
 Great Britain, 6, 80, 83, 85, 88, 89, 90, 96,
 97, 99, 105, 108, 113, 115–20, 127, 138,
 141, 162, 188, 196, 199, 206, 210
 Greece, 11, 45, 68, 71, 74, 193
 Greenstone, J. David, 7
 Grotius, Hugo, 182
- Haiti (Saint Domingue), 196–97, 198–99
 Hamilton, Alexander, 21, 54;
 —and prudence, 9, 55–63
 —scholarly views of, 6, 8–9
 —views on: agriculture, 146–49; assimila-
 tion of mores, 129–30; assumption,
 130–38, 197; banks and virtue,
 166–67; citizen militias versus a
 standing army, 83–88; commercial
 discrimination, 115–20; contract law,
 176–77; cycle of regimes, 82–83; dis-
 crimination (public debt), 172–77;
 foreign capital, 161–64; laissez-faire
 economics, 154–58; liberality, 187–90;
 limits to growth, 128–29; love of
 fame, 191–92; luxury, 68–78; manu-
 facturing, 100–103, 149–54; military
 academy, 209–10, 211, 212; mint
 (U.S.), 158–61; national bank, 164–68;
 national self-sufficiency, 103–5; na-
 tional university, 207–9, 211, 212; na-
 ture of commercial republics, 109–15;
 navy, 88–89; paper money, 165–68;
 productivity of manufacturing,
 105–7; public credit, 90–100, 168–77;
 public opinion, 58–62; rivalry
 between agriculture and manufactur-
 ing, 124–26; rule of law, 181–83; slav-
 ery, 85, 197–207, 211, 212, 214;
 speculators, 169, 170, 175–76; technol-
 ogy 105–8, 112, 206, 214
 Harrington, James, 6
 Hartz, Louis, 2
 Henry, Patrick, 85, 192–93
 Hippodamus, 16, 37, 57
 Hobbes, Thomas, 3, 55, 56, 66, 90, 111,
 113, 115, 127, 182
 Holland, 88, 92, 112, 128, 157, 165
 Hume, David, 3, 20, 36, 55, 58, 66,
 68–69, 107, 152, 157, 191–92, 204, 207
- Jay, John, 150, 200, 201, 202
 Jay Treaty, 114, 116, 162, 163, 196,
 198–99
 Jefferson, Thomas, 6, 7, 8, 70*n*10, 97, 99,
 123, 127, 130, 134, 138, 149, 158, 159,
 175, 190, 208, 210, 212;
 —views on: agrarianism, 141–46,
 147–48, 166, 184, 217; citizen militias,
 81, 85; commercial discrimination,
 109, 115–16, 120–21; cycle of regimes,

- 80–82; free trade, 104; manufacturing, 105–6, 143–45; public debt, 95; slavery, 198, 199, 200, 205
- Kesler, Charles, 7
- Kramnick, Isaac, 6
- Laurens, John, 197–98
- Lincoln, Abraham, 182
- Locke, John, 3, 5, 7, 20, 28, 35–36, 38, 55, 66, 70, 81, 89, 93, 152, 182, 188, 211
- Louisiana Territory, 97, 145–46
- Luxury, 6, 40, 44, 66–78, 80, 81, 142, 153, 177, 178, 190, 217
- Machiavelli, Niccolò, 3, 6, 28, 36, 55, 63, 66, 79, 91, 107, 171, 182, 186, 187–89
- Madison, James, 4, 6, 8, 57, 59, 70*n*10, 74, 85, 95, 99, 123, 126, 128, 130, 134, 149, 158, 175, 194;
—views on: agrarianism, 141–46, 147–48, 184, 217; assumption, 135, 137; citizen militias, 81, 85; commercial discrimination, 109, 115–17, 118, 119, 120–21; limits to growth, 126–28; manufacturing, 101, 126–27, 143–45; public debt, 170, 172–73; slavery, 199, 205
- Maintenon, Madame de, 114, 120
- Malthus, Robert, 127
- Mandeville, Bernard, 36, 66–67, 73
- Manufacturing, 48, 65, 99, 112, 117–19, 121, 128, 130, 159, 195, 204–6 *passim*; and the cycle of regimes, 80–82; domestic merits compared to agriculture, 141–54; and military supplies, 100–102, 108; and national self-sufficiency, 103–5; productivity of, 105–7; rivalry with agriculture, 124–26
- Massachusetts, 131, 133, 134
- McCoy, Drew, 5, 81, 141–42, 205
- McDonald, Forrest, 140, 148, 170, 176, 181, 200
- McNamara, Peter, 171
- Mercantilism, 8, 48, 68, 113, 145, 157, 161, 164, 178
- Military academy, 88, 209–10, 211, 212
- Militias, citizen, 72, 80, 81, 83–90, 182, 213
- Mint (U.S.), 158, 159–61
- Monarchy, 13, 14, 47, 75, 80, 109, 112, 113, 137, 144, 191, 196
- Money, 30–32, 90, 91, 92, 98, 147
- Monopolies, 6, 34, 48, 70, 167
- Montesquieu, Charles Secondat, 3, 6, 11, 20, 30, 36, 53–54, 55, 58, 66, 68, 109–10, 114, 119, 123–24, 129–30, 152, 185, 190–91, 194, 204, 206
- Morris, Gouverneur, 159
- Morris, Robert, 215
- Moses, 141
- Murrin, John, 5
- Nadon, Christopher, 216*n*3
- National Bank, 62, 80, 94, 95, 158, 164–68, 175, 195, 209
- National University, 207–9, 210, 211, 212
- Necker, Jacques, 140
- New York, 75, 108, 123, 133, 150, 178, 200–202 *passim*, 210
- New York Manumission Society, 200–203
- North Carolina, 84, 148
- Oligarchy, 34, 41, 45, 49–51, 75, 77, 78, 141
- Pericles, 114
- Perkins, Edwin, 177–78
- Phaleas, 37, 39–42
- Physiocrats, 105, 145, 147, 154
- Pickering, Timothy, 198
- Plato, 31, 53*n*38, 212
- Plutarch, 55, 56, 206
- Pocock, J. G. A., 5, 6, 12, 43, 69*n*7, 84*n*6, 192*n*12
- Polybius, 6
- Prudence, 5, 9, 12, 17, 55–63, 79, 85
- Public credit, 80, 83, 90–100, 168–72
- Public debt, 6, 60, 62, 80, 82, 94, 102, 113, 119, 130, 181, 183, 188, 194, 195; and discrimination, 172–77; funding of, 94, 168–72; monetization of, 99, 169–70; sequestration of, 162–63
- Public virtue, 3, 5–6, 8, 68, 70, 73–74, 76, 86, 180, 185–86, 188, 190, 210
- Pufendorf, Samuel, 182
- Quasi-War, 85, 88, 89, 163–64*n*36, 196
- Rahe, Paul, 12, 43, 71–72, 114
- Revolutionary War, 5, 6, 56, 61, 69–73 *passim*, 80–101 *passim*, 105, 108, 113,

- 116, 120, 130, 135, 141, 162–68 *passim*,
178, 182, 197, 198, 200
Rhode Island, 78, 92, 131
Rossiter, Clinton, 122, 123
Rousseau, Jean-Jacques, 11, 17–19, 32,
53–54, 81, 82, 211
Rome, 48, 68, 71, 72, 74, 112, 121, 194,
203–4
Rule of law, 75, 182–83
Rutgers v. Waddington, 162

Sedgwick, Theodore, 136–37
Self-sufficiency, 28, 29–30, 32, 37–39, 42,
53, 103–4, 146, 213
Shays's Rebellion, 73, 114, 132, 134
Sheehan, Colleen, 59
Shulsky, Abram, 13, 36
Slavery, 28, 48, 53, 187, 196; Aristotle on,
13–15, 21–25, 27, 44, 48, 49, 52, 53,
186, 214, 215; Hamilton on, 85, 129,
130, 148, 194, 196–207, 211, 212, 214,
215, 217
Smith, Adam, 20, 30, 36, 66, 82, 86–87,
94–95, 102, 105, 127, 128, 142–43, 145,
147, 150, 154–55, 157, 168
Smith, Melancton, 75, 78
Smith, Rogers, 6
Society for the Establishment of Useful
Manufactures, 102, 152
Socrates, 13, 14, 37–39, 45, 50, 68
Solon, 215
South Carolina, 131, 134, 148
Spain, 45, 96, 97, 196
Sparta, 8, 11, 19, 32, 37, 42, 43–46, 47–50
passim, 52, 54, 68, 70, 71, 72, 81, 85,
112, 203, 206, 214
Standing army, 6, 72–73, 80, 81, 83–90,
100, 209, 213

Sybaris, 66, 81
Sydney, Algernon, 6

Tarcov, Nathan, 7
Taxes and taxation, 46, 57, 61, 91–92,
94–95, 99, 119, 132–38, 148, 166, 168,
171, 177–83, 187, 194, 195
Taylor, John, 85
Technology, 14–21, 28, 53, 90, 106, 108,
112, 128, 206; and cycle of regimes,
80–83
Ternant, Jean-Baptiste, 196
Thales, 33–34
Tocqueville, Alexis de, 2, 212, 217
Toussaint, Francois Dominique, 198
Trenchard, John, and Thomas Gordon,
6, 69
Troup, Robert, 202

Virginia, 84, 85, 99, 135, 141, 148

Walling, Karl-Friedrich, 6, 60, 100, 114,
193
Walpole, Sir Robert, 6, 140
War of 1812, 120
Washington, George, 71, 84, 88, 93, 123,
178, 181, 182, 183, 193, 197, 208, 209,
210
Webster, Noah, 202
Westward expansion, 81–82, 105, 115,
130, 134, 145–46, 205
Whiskey Rebellion, 138, 148, 181
Will, George, 183, 217
Wood, Gordon, 5, 7, 69, 77*n*18, 178–79

Zuckert, Michael, 7