



Second Place Winner

Hamilton's Country: ***Economics & Politics in Jeffersonian America***

Jenna Danielle Stout

“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.”¹ With these words from *The Federalist*, Alexander Hamilton articulated both the political and economic atmosphere of Jeffersonian America, a period of immense economic and political development. In the years following the American Revolution, the newly-formed United States faced numerous decisions concerning its government and economy. These decisions fell at the feet of politicians, including the youngest founding father, Alexander Hamilton. At first glance, it would seem a far stretch that Alexander Hamilton would have ever arrived in America, much less emerged as one of its greatest politicians. Unlike other prominent statesmen of the age, such as Thomas Jefferson, Alexander Hamilton was born illegitimate on January 11, 1757 in the West Indies. After the death of his mother in 1768, eleven-year old Hamilton was apprenticed as a clerk, where he first cultivated the financial genius that would later earn him distinction.² As a teenager, Hamilton came to America and, within the next three decades, changed it forever both economically and politically.³ Although Thomas Jefferson was a key politician during this era, his own political enemy Alexander Hamilton was the one who elevated the new United States’ commercial role in the global economy with his financial and political decisions while also setting into motion the events that led to the country’s divided political system. As columnist George Will once wrote, “We honor Jefferson, but live in Hamilton’s Country.”⁴

From the start, Hamilton, who was George Washington’s closet aide and then Secretary of Treasury, envisioned a modern republic built on three foundations: finance and revenue, interest (self-interest of public officials), and public opinion.⁵ Without the support of bureaucrats, office-holders, financiers, and the public, the new republic was destined to fail. Yet, commercial capitalism was perhaps the most important element of Hamilton’s vision. As the “father of American capitalism” and the “patron saint of Wall Street,” Hamilton’s role in establishing the United States’ financial system paved the way for future economic growth through trade, both domestic and international.⁶ When Hamilton first began his financial endeavors, the United States was overwhelmingly agriculturally-based with rural suspicion towards urban trading practices.⁷ It was up to Hamilton to face the task of alleviating agrarian concerns with his policy and gaining public approval through his reports.

One of the major facets of Hamilton's political economy vision was that the government's main purpose was to protect private property and provide a secure atmosphere for economic development and activity. To ensure that the wealthy possessed an interest in the fledgling national government, Hamilton advocated for the assumption of state debts, much of which was accumulated during the American Revolution and after. In total, there was twenty-five million dollars of old war debt and over fifty million dollars of national debt acquired from when the weak government lacked the ability to tax.⁸ In his 1790 *Report on Public Credit*, Hamilton wrote that "if all the public creditors receive their dues from one source...their interest will be the same...and, having the same interests, they will unite in the support of the fiscal arrangements of the government."⁹ Hamilton's vision of a national debt, set forth in the Assumption Bill, finally became a reality in the aftermath of the famous Dinner-Table Compromise. During the course of an intimate dinner attended by Jefferson, Hamilton, and Madison, it was negotiated that, "To save the Union, Madison would secure votes needed to assure the assumption of state debts. In exchange, Hamilton must help arrange for a permanent location of the government on the Potomac after ten years in Philadelphia."¹⁰ In all, Hamilton's national debt strengthened the American government because it tied the interests of the government and individuals together. Simultaneously, it restored European investing confidence in the fragile American economy as "new money borrowed from Europe would be used to pay off the old bonds that had been issued during the Revolutionary War..."¹¹

Contrary to Thomas Jefferson's belief that an agrarian society was ideal, Hamilton realized that industrialization was key to the nation's emergence in the global economy. In fact, "he argued that manufacturing was both productive in its own right and beneficial to American agriculture."¹² American industrialization would not only create an urban market for agricultural products, but also be attractive to European investors.¹³ Hamilton's *Report on Manufactures*, a "blueprint for a national policy of rapid industrialization," was ultimately defeated in Congress. Nevertheless, elements of Hamilton's plan for industrial progress and commercial expansion were eventually seen in Thomas Jefferson's very own economic policy.¹⁴ In *Notes on Virginia*, Jefferson, like Hamilton before him, "expressed the belief that the nations of the world would spare no effort in bidding for the trade of the United States and in engaging it in a profitable commerce."¹⁵ Recognizing that a strictly agrarian society was outdated, Thomas Jefferson abandoned his advocacy of agricultural self-sufficiency and declared in his 1801 annual Congress address that "agriculture, manufactures, commerce, and navigation" are "the four pillars of our [American] prosperity."¹⁶ Jefferson's persistence in only promoting household manufactures was similarly discarded by the outbreak of the War of 1812 as large scale industry developed in lieu of British imports. This culminated in Jefferson's acceptance of the unavoidability of the factory system.¹⁷ Sufficiently, it can be seen that Hamilton's ideas were emulated to a certain degree in Jefferson's economic policy.

Perhaps the greatest influence Alexander Hamilton and his economic plan had on Jeffersonian politics was the emergence of two distinct political parties, the Federalists and the Republicans. Initially, the Constitutional Congress demonstrated a split between those who favored a strong federal government, such as Alexander Hamilton, and those who favored state rights, particularly Thomas Jefferson.¹⁸ Yet, "almost every issue that was consequential in the development of the first parties in the 1790s had been hotly contested, often in strikingly form, in the Continental Congress."¹⁹ When the First Congress met, Alexander Hamilton's fiscal plan, which included national debt and a national bank, was definitely a hotly contested issue between federalists and antifederalists. Viewing Hamilton's proposal as a threat because it strengthened the national government's power, antifederalists' opposition over aspects of

Hamilton's plan usually exceeded sixty percent.²⁰ Despite this opposition by the minority of antifederalists and antiadministration federalists, Hamilton's plan eventually passed in Congress. This marked the beginning of the Jeffersonian Republican party's organization by Jefferson and Madison, who both felt republican principles were being undermined by the national government. Antifederalist thinking was then incorporated into Republican ideas.²¹

As for the political landscape of Jeffersonian America, Hamilton's fiscal plan and subsequent contention over it clearly exposed the North-South split. The national bank provision ignited a legal debate over its constitutionality in the House. Hamilton cited Article 1, Section 8 of the United States which gave Congress the authority to pass legislation that it deemed 'necessary and proper' in order to exercise its powers.²² The House vote on the national bank was thirty-nine to twenty, a victory for Hamilton. It was also the worst division ever in the nation's history, with most northern congressmen supporting Hamilton and most southerners against him. Regionally, proadministration federalists (federalists) came primarily from either New England or the Middle States and antiadministration federalists (antifederalists) primarily were from the South.²³ This regional split, "as Chief Justice John Marshall later wrote, 'led to the complete organization of those distinct and visible parties which have...shaken the United States to their center.'"²⁴ However, the split was a foregone conclusion considering that southern farmers, typically antifederalists, tended to be skeptical of banks and believed that the national bank, in the words of Patrick Henry, was "the subserviency of southern to northern interests."²⁵

In an age of agrarianism, Alexander Hamilton grasped the knowledge that the United States needed to consolidate its economic and political power through industrialization if the nation hoped to maintain its infantile independence. Without the efforts of America's Financier Alexander Hamilton, the United States would have been unable to finance or pursue its economic endeavors. In the opinion of French diplomat the Marquis de Talleyrand-Perigord, Napoleon, Pitt, and Hamilton were the three greatest politicians of their age, and if forced to pick amongst the three, Hamilton would be the greatest without a doubt.²⁶ As the architect of the nation, Hamilton's overarching goal was to create "a secure nation with a diversified economy in which ever more individuals could improve their station through effort and talent."²⁷ With the creation of this economy, the nation's political landscape was clearly divided along a North-South line, and political parties developed from this regional division. The United States' political composition continued to be dictated by location in the ensuing decades, long after Hamilton perished in an ill-fated duel. Hamilton may have died prematurely and never received adequate appreciation for his accomplishments, but his legacy survived in Jeffersonian America and beyond.

¹ Alexander Hamilton, James Madison, and John Jay, *The Federalist Papers*, (New York, NY: Bantam Books, 1982), p. 55.

² Darren Staloff, *Hamilton, Adams, Jefferson: The Politics of Enlightenment and the American Founding*, (New York, NY: Hill and Wang, 2005), pp. 51-53.

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- ³ Noble E. Cunningham, Jr., *Jefferson vs. Hamilton: Confrontations that Shaped a Nation*, (Boston, MA: Bedford/St. Martin's, 2000), p. 6.
- ⁴ Jay Tolson, "Hamilton's Moment," *U.S. News & World Report* 137, no. 9 (2004): 66.
- ⁵ Staloff pp. 76-77.
- ⁶ Cynthia Crossen, "We Worship Jefferson, but We Have Become Hamilton's America," *Wall Street Journal – Eastern Edition* 243, no. 24 (Feb. 2004): 1.
- ⁷ Staloff p. 79.
- ⁸ Charles A. Cerami, *Dinner at Mr. Jefferson's*, (Hoboken, New Jersey: John Wiley & Sons, Inc., 2008), p. 18.
- ⁹ John R. Nelson, Jr., "Alexander Hamilton and American Manufacturing: A Reexamination," *The Journal of American History* 65, no. 4 (March 1979): 972.
- ¹⁰ Cerami p. 135.
- ¹¹ Cerami p. 20.
- ¹² Staloff p. 99.
- ¹³ Staloff pp. 99-101.
- ¹⁴ William D. Grampp, "A Re-Examination of Jeffersonian Economics," *Southern Economic Journal* 12, no. 3 (Jan. 1946): 281.
- ¹⁵ Grampp p. 268.
- ¹⁶ Grampp p. 277.
- ¹⁷ Grampp p. 279.

¹⁸John H. Aldrich and Ruth W. Grant, "The Antifederalists, the First Congress, and the First Parties," *The Journal of Politics* 55, no. 2 (May 1993): 297-298.

¹⁹ Aldrich and Grant p. 300.

²⁰ Aldrich and Grant p. 315.

²¹ Aldrich and Grant p. 318.

²² Cerami p. 161.

²³ Aldrich and Grant p. 314.

²⁴ Cerami p. 164.

²⁵ Cerami p. 160.

²⁶ Staloff p. 44.

²⁷ Tolson p. 66.



About the Contest

Philip L. Carret, a long-time New York investor, visited Elon in October, 1996 at the invitation of Mark Albertson, University Registrar. We celebrated with Mr. Carret his upcoming 100th birthday.

In 1997 Mr. Carret endowed an annual essay competition designed to have students reflect on the ideals and principles embodied in Thomas Jefferson's life and career. "Thomas Jefferson, with the possible exception of Abraham Lincoln, is the greatest statesman this country has ever produced," Carret said as he established the contest.

For 2008-2009, the competition's thirteenth year, students submitted essays on the topic:

In a March 1784 letter to George Washington, Thomas Jefferson lamented, "All the world is becoming commercial. Was it practicable to keep our new empire separated from them we might indulge ourselves in speculating whether commerce contributes to the happiness of mankind. But we cannot separate ourselves from them."

Men and women living in the new United States, in other words, bought and sold goods in a global economy, and they realized that their economic decision had important domestic and international political significance. Indeed, in Jeffersonian America, statesmen, essayists, merchants, farmers, and other routinely politicized Americans' economic decisions and assigned partisan attributes to their choices. During the Revolution, for example, Patriot leaders mobilized sentiment against Britain through a series of economic boycotts, and New England Federalists were so frustrated with Jeffersonian restrictions on international trade from 1807-1815 that they contemplated secession. Meanwhile, rising economic rivalries between the nation's sections generated increasing political tensions. Clearly, Americans' political ideas about economic development were increasingly shaped by global concerns that reverberated in every town and state.

In a well organized essay, address the relationship between economic development and politics in Jefferson's America (roughly 1770-1826). You might consider how and with what consequences a political leader or party addressed Americans' economic anxieties and hopes at the domestic or international level. Or you might assess how the nation's economic development shaped the country's political landscape. Please note that you do not have to cover the entire date range—nor should you limit your treatment to the ideas and actions of Thomas Jefferson himself.

In this booklet we present the essays of the first and second place winners, each of whom received a cash prize from the endowment.

Mr. Carret started the Pioneer Mutual Fund in 1924 and served as its leader for 55 years. He also founded Carret and Company, a money management firm in 1964. We regret the passing of Mr. Carret on May 28, 1998 in his 101st year and remember his generosity in establishing the competition. We are grateful for his wisdom in shaping it so that each new generation of Elon students will be invited to consider the values of a central founder of our nation.



About the Winners

First Place

Olivia Maria Hubert-Allen

Senior
Elon, North Carolina

Olivia is a Communications Fellow, Presidential Scholar, and on the President's and Dean's Lists. She is earning a Bachelor of Arts Degree in both Journalism and Political Science. Her parents are T. Scott Allen and Deven Ann Hubert.

As the first place winner, Olivia received a cash award of \$1000.

Second Place

Jenna Danielle Stout

Sophomore
Siler City, North Carolina

Jenna is a Presidential Scholar, Watson Scholar, and on the President's and Dean's Lists. She is earning a Bachelor of Arts Degree in History. Her parents are Roy and Deborah Stout.

As the second place winner, Jenna received a cash award of \$600.



The Carret Essay Committee for this year's competition included:

Dr. Kirstin Ringelberg, Associate Professor of Art
Dr. Nancy S. Midgette, Associate Provost and Professor of History
Rev. Richard W. McBride, University Chaplain
Dr. Charles F. Irons, Assistant Professor of History
Dr. R. Clyde Ellis, Professor of History
Dr. David A. Copeland, Professor of Communications
Dr. Michael Carignan, Assistant Professor of History
Mr. Mark R. Albertson, University Registrar and Assistant to the Provost