Issue 2.3- “Was Alexander Hamilton an Economic Genius?”

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The issue I will discuss is titled “Was Alexander Hamilton an Economic Genius?”. For the yes side, the authors Donald F. Swanson and Andrew P. Trout wrote an article called “Alexander Hamilton’s Economic Policies After Two Centuries.” For the no side, Edward Peter Stringham wrote an article called “Hamilton’s Legacy and the Great Man Theory of Financial History.” This issue is all about if Alexander Hamilton was just an economic genius or if he was something more or less than that. This is looked at through the great man of history theory that Thomas Carlyle created. This theory states that great leaders are born with certain characteristics that allow them to rise and lead and that they arise when the need for them is immense. Swanson, Trout, and Stringham debate this based upon the traits that make a genius not held together by just an economic vision but a more complex nationalist ideal that saw building up the new United States as a product of unified financial policies and a national economic system. Swanson and Trout argue that Alexander Hamilton was “not simply an economic genius but also a visionary, who can be credited for leading the new American nation to eventual global dominance”(213). Stringham argues that Hamilton was one of many people that helped make the new nation’s economic system that would eventually make the United States thrive. He did not deserve all the attention that is given to him now, just some of it.

On the yes side, Donald F. Swanson and Andrew P. Trout characterize Alexander Hamilton as more than just an economic genius. They tell us to remember “he was pursuing a policy whose purposes were fiscal as well as political”(217). At first, they talk about how Hamilton was a Federalist, so he preferred national government authority over state government authority. The best way to show this would be with his financial program that assumed both national and state debts. Swanson and Trout do recognize that Hamilton’s famous Report on Manufactures proposed few government initiatives though. States were the ones creating the ambitious initiatives when Hamilton first came into office as Secretary of the Treasury. Hamilton did not even propose a protective tariff because it “would have interfered with his overall fiscal policy, which implied a brisk trade with England”(217). The new government had to deal with the debts they had acquired to establish the public credit they wanted. Hamilton established the public credit in about two years, all while avoiding immediate reduction of the debt. He did this through funded debt, which is where specific tax money was set aside to annually pay interest.

Also, Hamilton proposed that there should be no discrimination between those that purchased their securities first and those who got them later. He figured that some of each type of person would eventually benefit from his plan. Hamilton even proposed to “convert annuities not to the current market rate but an anticipated lower market rate of around 4 percent”(218). He was gambling if his plan would work and benefit the people, he promised it would. Hamilton persuaded creditors by saying the interest rate would happen and that only a small amount of principal taken would affect the person each year. In order for his plan to be enacted, he had to persuade Virginians through bribery and saying that the capital city would be placed along the Potomac River. Hamilton’s financial plan was passed on August 4,1790. The plan made it so the United States went from a nation that had no source of credit to one that was equal to the European capitals at that time with strong credit. Hamilton had achieved the public credit he wanted, so he did not care how his plan affected other areas of economic activity like deficit spending.

Alexander Hamilton’s plan got rid of most of the debt that the United States had in just 24 years. Hamilton himself “strongly preferred to have all spending covered by tax revenues”(220). He saw his system as one that once in place, had to cover government spending including interest on debt, or else it would not be good. His policy made it so “the economy would grow into debt reduction as tax revenues based on existing rates expanded”(220). Alexander Hamilton’s financial plan laid down what should happen when there is a problem of too much debt. It cemented Hamilton as someone with a big idea that helped shape this time in history, seemingly without help from anyone else.

On the other hand, Edward P. Stringham tells us that “we must be careful not to ascribe too much importance to him or to any other one person for founding America or American financial markets specifically”(223). The person Stringham is referring to is Alexander Hamilton. Stringham acknowledges the great man of history theory. Stringham wants us to realize that everyone makes their own choices and influences the world around them. He even uses lyrics from *Hamilton: An American Musical* to help his points. Stringham gives a little background about the assumed debt from bonds people sold to show the state of the economy in the late 1700s. He talks about how Hamilton thought this would help the federal government borrow more money in the future, and how it was based on a system in England. The musical incorporates Hamilton’s financial plan through songs like “What’d I Miss?” and “Cabinet Battle #1”. These songs set up arguments against central government and one that could be against banking overall. In the songs, Jefferson mentions how “assuming state debts would mean that the federal government would need to start collecting taxes from all”(224). The question would be why help everyone else when the state you live in has their debt paid off?

There are some parts from songs like “Washington on Your Side” and “Schuyler Defeated” that highlight hatred for Hamilton and his relationship with Wall Street. At this point Stringham acknowledges that when others help a company out, it benefits the company and the consumers. This is what Hamilton was trying to do. Hamilton was for economic progress in America.

After this thought, Stringham switches to talking about how markets are made by many people, not just one person. He talks about how markets come from the choices of many and keep evolving even when governments do not want them to. The first example he mentions is the London Stock Exchange having been created at some point by many who were just trying to make money. Another example Stringham mentions is the stock market in Amsterdam that came about in the 1600s. It quickly went unregulated because the government in Amsterdam made it illegal, but did not really enforce the laws they set for the market. These unregulated markets were run by brokers who “relied on market mechanisms, including the discipline of continuous dealings to induce contractual performance”(226). People had to move their way up to the top. This made the Dutch market very successful. The English stock market was not really supported much either by their government. In fact there were acts like the Bubble Act of 1720 which “outlawed the formation of new joint stock companies”(227). Even with these troubles, the stock markets and brokers kept going. Brokers eventually got to a point where they would be able to exclude the unreliable people and make the market more dependable.

American financial markets also have no one person creating them. For instance, “ the precursor to the New York Stock and Exchange Board and later the New York Stock Exchange was the Tontine Tavern and Coffee House, created by merchants in 1792”(227). Hamilton did not involve himself with this, he only really helped the government debt problem. The credit for American financial markets needs to go to all the people that have been forgotten and worked behind the scenes to create the modern financial market. These markets place the money they get where it benefits all people the most. The ones who should be recognized are those people working in finance today and in the past centuries who make everything possible.

Finally, I believe that Alexander Hamilton was an economic genius, but I also see where Stringham is coming from. For the yes side, Swanson and Trout state that Alexander Hamilton did more than just help the economy out of the mess it was in in this new country. For the no side, Stringham contends that Alexander Hamilton was not the sole person who created the financial market that formed in United States. Hamilton was one of many people who made the market prosper. Alexander Hamilton wrote reports that brought up many of the ideas he had for what to do in his financial plan. These reports were the Report on Public Credit in 1790 and the Report on Manufacture in 1791. He saw what needed to be done to establish good public credit and proposed it to the government. Hamilton knew that his plan “was offering creditors less than they wanted, to be sure, but it was more than they were likely to recoup if his plan misfired”(218). It was better for these people to take risks and accept Hamilton’s gamble, so that public credit could be good. Hamilton saw the profits from holders of bonds as “unavoidable results of stabilizing the market for U.S. securities, which for him was a precondition to establishing public credit”(219). This focus led him to be successful with the plan he had to reverse the debt and it allows for us to still model after it if necessary, today. In this way, Hamilton was an economic genius.

I do see Stringham’s point though of financial markets including the U.S. market being a creation of many minds. But this was not the focus of Swanson and Trout. The yes and no sides talk about two completely different things relating to Alexander Hamilton. These two extremes make it hard to completely agree with one side over the other. There should be another point that shows how Hamilton was a genius relating to his financial plan, but that it was him and many others that created the financial market system in the United States. Alexander Hamilton was too complex of a person who had many different good ideas enacted or that he helped with to just keep it at the two extremes presented.