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Introduction

By the middle of 1792, just a little more than three years after America's new government under the Constitution had been set in motion, Alexander Hamilton and Thomas Jefferson – President George Washington's two most important cabinet secretaries and two of the most eminent men among the American founders – had become open and bitter political enemies. According to Jefferson, Hamilton was "a man whose history, from the moment at which history can stoop to notice him, is a tissue of machinations against the liberty of the country which has not only received him and given him bread, but heaped its honors on his head."[1] According to Hamilton, Jefferson, who had taken such pains to present himself "as the quiet, modest, retiring philosopher," was in reality an "intriguing incendiary," an "aspiring turbulent competitor," and "a man who is continually machinating against the public happiness."[2]

As these remarks indicate, the dispute was not personal but political. It was, moreover, political not in the ordinary sense but in the highest sense of the word. Hamilton and Jefferson may have felt a personal political rivalry over who would exert the greatest influence over administration policy, but this was neither man's deepest concern. Rather, each believed that the debate between them was over regime principles. Each believed that he was protecting the newly established republic, and that the other was laboring to destroy it.

As secretary of the treasury, Hamilton devised and promoted an ambitious policy agenda that began with a plan to provide not only for the Revolutionary War debt of the national government but also for much of the state debt as well; proceeded to call for the creation of a national bank; and concluded

[1] Thomas Jefferson, *The Papers of Thomas Jefferson*, ed. John Catanzariti, Volume 24 (Princeton, NJ: Princeton University Press, 1961), 357.

[2] Alexander Hamilton, *The Papers of Alexander Hamilton*, ed. Harold C. Syrett, Volume 12 (New York: Columbia University Press, 1967): 504 and 196.

by proposing a system of government support for American manufacturing. Hamilton regarded these policies as essential to completing the American founding by delivering on the Constitution's promise of energetic government, which Hamilton believed was necessary to safeguard the Union.

For his part, Jefferson believed that Hamilton's treasury program was not only ill advised but positively (and, indeed, intentionally) dangerous to the character of the American regime itself. Jefferson contended that Hamilton's system of funding the nation's debt was in fact primarily intended as a tool by which the secretary of the treasury could corrupt the Congress with a view to destroying the Constitution's limits on the powers of the national government and, ultimately, replacing America's new republic with a monarchy modeled on the British Constitution. Where Hamilton thought he was completing the founding, Jefferson thought he was betraying the founding. In addition, Hamilton believed that the constitutional and political principles on which Jefferson opposed him were so dangerously erroneous, and had been pressed with so much fanaticism, that Jefferson and Jeffersonianism were the real threat to the republic.

The appearance in 1793 of grave problems of foreign policy did not ease but instead exacerbated the differences between Washington's two chief ministers. Hamilton believed that Jefferson's partiality to France threatened to drag America into the French revolutionary wars, something that could not be in America's interests and would in fact be very dangerous for the newly established North American republic. For Jefferson, Hamilton's lack of enthusiasm for the French cause was further evidence of his opposition to republican government, and Hamilton's public defense of Washington's neutrality proclamation put forward heretical interpretations of the executive power that threatened further damage to American constitutionalism.

We are compelled to ask how such deep differences about the very meaning of American constitutionalism and American republicanism could emerge so soon after the work of the founding had apparently been crowned by the writing and ratification of the Constitution. What led Hamilton and Jefferson to disagree so profoundly and so vehemently about the nature of the larger project to which both were committed and had dedicated so much thought and effort? How could they believe so much to be at stake in the political and constitutional questions raised by Hamilton's treasury program and by the foreign policy challenges that confronted the young nation? This book seeks to shed light on these questions by examining in detail the great debates between Hamilton and Jefferson while both served in Washington's administration.

These questions have admittedly been asked and answered by other scholars in other books. There are many excellent biographies of Hamilton and Jefferson, many superb studies of their thought, and many admirable accounts of the politics of the 1790s. None of these treatments, however, has offered the intensive examination of the Hamilton-Jefferson debates attempted here. The epic scale of each man's life, the impressive range of each man's thought,

and the variety of issues at play during the first Washington administration prevent more general studies from giving the detailed account of Hamilton and Jefferson's arguments and counterarguments that the present study aims to provide.[3] I hope that by pursuing a more precise understanding of Hamilton and Jefferson's cabinet clashes, this book will enrich our understanding of the American founding, and particularly of the different interpretations these leading founders put forward of common American principles.

Such an undertaking promises not only to help us understand the founding better but also to understand ourselves – or our own political situation – better. This is the case because so many of the issues that Americans debate today are the same as, or at least very similar to, the ones that divided Hamilton and Jefferson as the American regime was just setting sail. Then as now, the country carried a large public debt, the payment of which raised serious questions of prudence and respect for public faith. Jefferson regarded Hamilton's plan to assume the war debts of the states as unjust because it benefited states that had not paid their debts at the expense of those who had – an argument that prefigures contemporary complaints about federal "bailouts" of improvident institutions. Similarly, present-day charges that government financial policy is made primarily in the interest of the wealthy echo Jefferson's criticisms of Hamilton's funding system, the bank, and his proposal to subsidize American manufacturing. Above all, Hamilton and Jefferson's disagreements about the meaning of the Constitution – about the scope of the power of the national government in relation to domestic affairs and the scope of the executive power in relation to foreign affairs – are reenacted almost daily in contemporary American politics.

Moreover, by helping us understand the founding better, and by helping us understand our own disputes better, such a study can also help us understand better our own relationship to the founding. Americans of all political persuasions desire – although in different ways and in relation to different issues – to live in some kind of continuity with the founding and indeed to turn to the founders for answers to the questions that divide us now. This impulse is strongest and most understandable in relation to questions that touch on the correct approach to the Constitution, which the founders after all wrote and ratified, and on the basic character of the regime, which after all the founders established. This examination of Hamilton and Jefferson's disputes certainly does not discredit such an impulse, but it does challenge it because in turning to the founders for answers to the questions we dispute, we find that in some important cases the founders have no unequivocal answer because they were just as divided as we are. This does not mean that we cannot live in continuity

[3] This is true even of John Ferling's comparative biography, *Jefferson and Hamilton: The Rivalry that Forged a Nation* (New York: Bloomsbury Press, 2013), which, because it covers the entirety of each man's life, cannot focus the same amount of attention on the Washington administration as I give in the subsequent chapters of this book.

with the founding or be guided by its principles in confronting our own problems, but it does mean that this guidance cannot always take the form of a simple appeal to what the founders would have said about this or that contemporary political question. We must instead immerse ourselves in their arguments and try to learn from their seriousness about the need for political reasoning to be informed not only by expediency but also by constitutional and moral principle.

In what follows, I have tried to give as full an account as I could of Hamilton and Jefferson's arguments that touched on such principles during their time together in Washington's cabinet. I have not attempted a comprehensive evaluation of the merits of each man's arguments, but I have tried to clarify them where I thought I could, and I have pointed out their strengths and weaknesses where I thought I perceived them. The reader may sense that I am generally more inclined to Hamilton's positions than to Jefferson's. This is true. Candor requires that I confess I began this project expecting that I would find Hamilton more persuasive, and that this expectation was fulfilled. Nevertheless, I have tried to be fair to Jefferson and to present his arguments as completely and as accurately as possible, so that the reader will have sufficient information to draw different conclusions from my own.

The book is divided into three parts. Part I covers the disagreements between Hamilton and Jefferson early in Washington's presidency over the first steps of Hamilton's treasury program. Chapter 2 examines the argument of Hamilton's *Report on Public Credit*, emphasizing his belief in the centrality of sound public credit to energetic government, as well as his understanding of the principles of justice that informed his plan for a provision for the public debt. Chapter 3 considers Jefferson's reservations about, but also the grounds of his ultimate decision to support, Hamilton's plan to assume some of the state Revolutionary War debt. It also presents the first direct clash between Hamilton and Jefferson over a matter of policy: their opposed advice to Washington over resolutions passed by Congress to protect the back pay of some American soldiers. Hamilton's *Report on a National Bank* is the subject of Chapter 4, which seeks to explain his argument that a public bank is necessary to realize the Constitution's promise of energetic government, as well as his understanding of the principles by which such a bank should be organized. Chapters 5 and 6 then turn to Hamilton and Jefferson's most famous constitutional debate, contained in their opposed opinions for Washington on the constitutionality of the national bank. Chapter 5 presents Jefferson's argument that the bank is unconstitutional and his claim that the constitutional interpretation on which it rested would destroy the Constitution as a charter of limited government. Chapter 6 presents Hamilton's defense of the constitutionality of the bank and his counterargument that Jefferson's approach to the national powers would effectively render the government unworkable.

In the year following the debate over the bank, the disagreements between Hamilton and Jefferson gave way to a complete political break between the two

men, with each believing that the other posed a dire threat to the Constitution and the republic. Part II traces the arguments involved in this rupture. Chapter 7 gives an account of Hamilton's *Report on Manufactures*, the political and constitutional principles that informed its argument, and Hamilton's belief that national support for manufacturing was necessary to fostering the kind of energetic government that could successfully defend America. Chapter 8 examines some minor but nevertheless instructive exchanges between Hamilton and Jefferson over how to understand the American Revolution, the power of the national government to alienate territory, and the apportionment bill of 1792. Then Chapters 9 and 10 turn to Hamilton and Jefferson's comprehensive and damning mutual critiques. Chapter 9 covers Jefferson's argument that Hamilton's policies aimed to corrupt Congress and that his approach to the Constitution aimed to destroy its limits on the national power, all with a view ultimately to overthrowing the republic and establishing in its place a monarchy on the British model. Chapter 10 presents Hamilton's response to Jefferson's charges, as well as his counter-critique that Jeffersonianism, by weakening the government and undermining public faith, threatened to create the kind of chaos that would give a popular demagogue the chance to make himself king.

Part III examines the debates of 1793, Hamilton and Jefferson's final year in the cabinet together, when issues of foreign policy took center stage. Because those issues arose primarily from the French Revolution and its international consequences, Chapter 11 presents the differing views of that revolution that Hamilton and Jefferson expressed while serving under Washington. Chapters 12 and 13 examine the conflicting lines of advice that Jefferson and Hamilton gave President Washington on the status of America's treaties with France in the wake of the French Revolution and the war arising out of it. In a meeting of the cabinet to discuss America's posture toward France and its enemies, Hamilton suggested that America might be able to hold its French treaties to be temporarily suspended or even permanently discontinued. Chapter 12 offers an account of Jefferson's written rejection of Hamilton's suggestion, and Chapter 13 examines Hamilton's written opinion in support of it. While Washington did not take Hamilton's advice and declare the treaties suspended, he did, on the advice of the whole cabinet, issue a proclamation of American neutrality. The final chapters of this section follow the arguments over the character of foreign policy and the scope of the executive power that arose as a result of the proclamation. Chapter 14 recounts Hamilton's arguments in his *Pacificus* series, focusing on his claims about the constitutional role of the executive in foreign policy, the proper understanding of the French treaties, and the role of gratitude in foreign policy. Chapter 15 takes up James Madison's rejoinder to Hamilton in his *Helvidius* articles, which were written at Jefferson's urging. Finally, a brief concluding chapter offers some reflections on what lessons we might draw for ourselves from the Hamilton-Jefferson debates.

Some readers may wish to consult for themselves the Hamiltonian and Jeffersonian writings to which I refer throughout the book. Many of the more

famous ones are conveniently available in the Library of America collections of Hamilton's and Jefferson's writings, edited by Joanne B. Freeman and Merrill D. Peterson, respectively. Everything else can be found in the massive compilations of Hamilton's papers, edited by Harold C. Syrett and published by Columbia University Press, and Jefferson's papers, edited by Julian P. Boyd, Charles T. Cullen, John Catanzariti, and Barbara B. Oberg and published by Princeton University Press. The hard-copy editions of these multivolume works are not so readily available, at least not to those who do not have easy access to a university library. Their contents, however, have been made available online by the National Archives. Interested readers can browse and search their contents by volume number at the following websites:

- http://founders.archives.gov/content/volumes#Hamilton
- http://founders.archives.gov/content/volumes#Jefferson

In the chapters that follow, when quoting from Hamilton and Jefferson (and other founders), I have modernized their spelling, capitalization, and punctuation but have kept their use of italics.

PART I

A DEBATE BETWEEN CABINET COLLEAGUES

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Establishing the Public Faith

Hamilton's Report on Public Credit

According to one account, George Washington, having been elected America's first president, and pondering the challenges his administration would confront, asked revolutionary financier Robert Morris what the new government should do about the nation's considerable debts. Said Morris: "There is but one man in the United States who can tell you; that is, Alexander Hamilton."[1]

If Morris exaggerated, it was not by much. And if the story is apocryphal – in relating it, Hamilton biographer Forrest McDonald admits that it is based on "secondhand recollections" – it still points to an important truth: Hamilton was probably as uniquely prepared to be the nation's first secretary of the treasury as Washington was to be its first president.[2] Hamilton certainly knew more about finance than any of the leading founders, and it is probably not an overstatement to say that among that crowd of very able men he was singularly qualified to confront the infant republic's daunting financial difficulties. He had taken special pains to acquire the knowledge he would need for such a task. While serving as Washington's aide de camp during the Revolution, Hamilton had used his spare moments to study texts such as Malachy Postlewayt's *Universal Dictionary of Trade and Commerce* and Richard Price's *Schemes for Raising Money by Public Loans*. Later, he read the three-volume memoirs of French finance minister Jacques Necker, which provided him, in McDonald's words, with a "veritable encyclopedia of practical information on fiscal management."[3]

The new secretary of the treasury would need all of his considerable financial acumen to address the country's fiscal challenges. As historian Darren Staloff

[1] Quoted in Forrest McDonald, *Alexander Hamilton: A Biography* (New York: W.W. Norton and Company, 1979), 128.
[2] McDonald, *Alexander Hamilton*, 128.
[3] McDonald, *Alexander Hamilton*, 35 and 84.

observes, the government Hamilton was to serve "had inherited a staggering burden of debt" as the cost of the Revolution.[4] The United States owed about $13 million to foreign lenders and about $40 million to domestic creditors. On top of this, the state governments had on their own account borrowed a total of $25 million to pay for their contributions to the war effort. The annual interest on these debts far outstripped the government's expected annual revenues.[5] Indeed, in terms of the debt-to-revenue ratio, American indebtedness was huge by the standards of the day. Numerically, Britain's debt was much larger than America's, but then Britain also commanded a much larger revenue. In terms of its ability to pay, then, America's debt was twice as big as Britain's.[6] America was, Thomas Jefferson worried, not only "the youngest nation in the world" but also "the most indebted."[7] Shortly after Hamilton took office, the House of Representatives passed a resolution placing on his shoulders the task of finding a way to provide for the nation's debts and restore the public credit.[8]

Statesmanship, Finance, and Fame

Hamilton submitted his response to the House's resolution on January 9, 1790. He understood his *Report on Public Credit* as an act of high statesmanship, one that he hoped would win him renown as a great public servant. He thought the policies he proposed were not only necessary to setting the nation's financial house in order but were also essential to completing the work of the American founding. In contrast, Thomas Jefferson came to believe that the policies adopted pursuant to the *Report* had corrupted Congress and were the first step in a Hamiltonian plan to betray the founding and overturn America's republican Constitution. Accordingly, a full account of the clashes between Hamilton and Jefferson in the Washington administration must start from an examination of Hamilton's *Report on Public Credit*.

The contemporary reader might well recoil from such a prospect. A state paper on public credit sounds dull. Moreover, Hamilton's *Report* admittedly occupies an unenviable position in the history of the American founding: after

[4] Darren Staloff, *Hamilton, Adams, Jefferson: The Politics of Enlightenment and the American Founding* (New York: Hill and Wang, 2005), 91.
[5] Staloff, *Hamilton, Adams, Jefferson*, 92.
[6] Max M. Edling, "'So Immense a Power in the Affairs of War': Alexander Hamilton and the Restoration of Public Credit," *William and Mary Quarterly* 64 (2007): 308.
[7] Quoted in Edling, "'So Immense a Power in the Affairs of War,'" 308.
[8] Hamilton's subsequent *Report* was submitted in "obedience" to the House's resolution. Alexander Hamilton, *Writings*, ed. Joanne B. Freeman (New York: Library of America, 2001), 531. As Forrest McDonald notes, out of fear of the potential power of the treasury, "most members of the House of Representatives were anxious to retain a general managerial control over" its "operations." Accordingly, the secretary of the treasury "was required by law to report directly to the House as well as to the president." *The American Presidency: An Intellectual History* (Lawrence: University Press of Kansas, 1994), 225–26.