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Hamilton's Betrayal **by George C. Leef**

[Hamilton's Curse: How Jefferson's Archenemy Betrayed the American Revolution — and What It Means for America Today](#) by Thomas J. DiLorenzo (Crown Forum 2008); 232 pages.

There is a tendency among Americans to think of the nation's Founders as a group of wealthy white men who owned property, didn't like British rule, and all thought pretty much alike. But it's certainly not the case that they all thought alike. Two of the most famous among them, Thomas Jefferson and Alexander Hamilton, held to profoundly different visions of the path the nation should take.

Jefferson believed in individual liberty and very limited government — the sort of tightly bound government that he thought the Constitution had established. He distrusted governmental power, whether in the hands of the British king's minions or fellow Americans. He maintained that people had the right to run their own lives and should not be pawns in grand social or economic schemes of government officials.

Hamilton's philosophy was diametrically opposed to Jefferson's. Hamilton thought that a strong central government was needed to bring about national prosperity and power. He was a mercantilist who rejected Adam Smith's idea that capitalism based on the individual pursuit of self-interest was the most efficient and progressive economic system. Instead, he favored state capitalism with all its concomitants, including government control over money and credit, business subsidies, and protective tariffs. That vision requires a central government that subordinates the liberty and property of the citizens to the supposed national interest.

Although Thomas Jefferson is the better known and more revered of the two, it is Hamilton's philosophy that has prevailed. It didn't happen consciously or all at once, but the last vestiges of Jeffersonianism were eradicated nearly a century ago. Hamilton's anti-capitalist, big-government philosophy reigns supreme in the United States and steadily concentrates more and more power in the halls of government.

Has that been a good thing? Economics professor Thomas DiLorenzo says emphatically that it has been a *bad* thing — in fact, a curse. Hence the title of his latest book, *Hamilton's Curse*. In it, he shows that we have paid a staggering price for having adopted Hamilton's philosophy.

Like so many other politicians who have held sway over the American people, Hamilton was a headstrong authoritarian who could not imagine progress unless it was directed by government officials such as himself. Politicians had to *lead* and the people had to *obey*. Early in the book DiLorenzo illustrates that point by recounting Hamilton's role in the Whiskey Rebellion of 1794. Farmers in western Pennsylvania objected to and refused to pay the excise tax that Hamilton (as George Washington's secretary of the Treasury) had worked to impose on the sale of one of their principal products — whiskey. When many farmers refused to pay the tax, Hamilton persuaded Washington to lead an army of 12,000 soldiers into the region to quell the "uprising." There was no fighting, but a small number of obstinate farmers were arrested, then dragged across the state during winter to stand trial in Philadelphia. Hamilton actually wanted the poor men to be hanged, but Washington disappointed his bloodthirsty young admirer by pardoning them. Hamilton looks pleasant enough in his portrait on our \$10 bill, but he was an arrogant egomaniac.

Hamilton was a determined opponent of Jefferson's laissez-faire philosophy at every turn. When it came to trade, he demanded high protective tariffs because he thought, in the mercantilistic tradition, that if a nation produced "its own" goods rather than purchasing them from "other countries" it would become stronger. Mercantilism was inseparable from economic nationalism — the foolish and destructive idea that political boundaries have great economic significance. (We still suffer grievously from this idiocy, of course.) Individual American consumers would be harmed by artificially high prices for items they might have bought less expensively from producers in other countries, but Hamilton was not concerned about the problems of individuals. His obsession was with "strengthening" the nation.

In the early years of the United States, Hamilton battled against Jefferson's reading of the Constitution as placing severe limits on federal authority. To Hamilton and his Federalist allies, the wording of the Constitution, especially the enumerated powers of Congress, meant nothing more than an intellectual game of trying to invent interpretations that gave the government "inherent" powers that it was not specifically given. Contrary to the sensible, restrictive reading of the Constitution defended by Jefferson, Hamilton insisted that the General Welfare and Commerce Clauses were meant to give the federal government almost limitless powers.

Perhaps the most illustrative battle between Hamilton and Jefferson concerned the creation of a national bank. When Hamilton proposed establishing one, Jefferson argued that not only was there no commercial reason to have such a bank, but that there was no constitutional authority for it. In reply, Hamilton wrote a report, expounding at great length his mistaken economic notions and his view that the Constitution was meant to be read as giving the government power to do anything that politicians might think to be in the national interest. Alas, the bank was created and

did considerable economic damage. DiLorenzo provides an excellent history of the First and Second Bank of the United States, showing how they brought about economic dislocation and America's first national panic — the Panic of 1819.

Hamilton's legacy

Hamilton was killed in a duel with Aaron Burr in 1804, but his big-government philosophy was carried on by his many intellectual brethren. One was John Marshall, the famous chief justice on the Supreme Court who authored many decisions that undermined the authority of state governments to run their own affairs and concentrated power in Washington, D.C. Few lawyers will ever have encountered criticism of such decisions as *Marbury v. Madison*, *Fletcher v. Peck*, or *Gibbons v. Ogden*, since they accord with the prevailing view that it is a good thing to have more authority in the hands of federal judges and politicians. DiLorenzo shows them all to be a part of the Hamiltonian vision of the United States — not free individuals and sovereign states, but rather a nation strongly controlled and directed by the central government.

Another Hamiltonian was Henry Clay, who is usually regarded as a “great statesman” by historians. DiLorenzo's portrait is far less flattering. Clay was constantly angling for tariffs and subsidies that would benefit him personally; in short, he was just another conniving politician. Clay adopted Hamilton's belief in the supposed need for a powerful national government and sought federal funding for “internal improvements” — that is, government-financed canals, railroads, and other “infrastructure investments.” Clay's theory was that the free market would not make such investments but that government could and would do so “in the public interest.” DiLorenzo shows that thinking doubly wrong. The government projects were invariably costly failures that merely lined the pockets of a few, while consuming huge amounts of public funds; and entrepreneurs working in the free market did build roads, railroads, and other projects where it was profitable to do so.

Abraham Lincoln was another politician who accepted the Hamiltonian philosophy. He eagerly said he was a follower of Clay on the need for government-financed “internal improvements,” especially railroad subsidies. He was a protectionist and believer in federal control of money and banking. With Congress nearly empty of Jeffersonians after the southern states left in 1861, the Republicans handed Lincoln all the power he wanted. Hamilton's big-government mania came to full flower under him. DiLorenzo mentions the shameful treatment of the Ohio Democratic congressman Clement Vallandigham, who was arrested and deported to Canada for having given speeches opposing the war and the Lincoln administration's authoritarian policies.

The country got a respite from the Hamiltonian policies of the postwar Republicans (most notably protective tariffs and subsidies for favored businesses) during the two, nonconsecutive terms of Grover Cleveland, a free-trade, hard-money, limited-government Democrat.

Unfortunately, Hamiltonian thinking came thundering back under Teddy Roosevelt, who thought that the nation would be much better off if the president had almost unlimited power. During the constitutional convention, Alexander Hamilton had proposed a virtual monarchy for the country; with Teddy Roosevelt in the White House, the United States came close.

1913: A fateful year for liberty

And yet, things soon got immeasurably worse! DiLorenzo points to three events in the disastrous year 1913 that radically transformed the United States, driving the last nails into the coffin of Jeffersonian liberty. First, there was the adoption of the Seventeenth Amendment, which requires that U.S. senators be elected by popular vote. Previously, they had been appointed by state legislatures, a constitutional provision meant to help protect state sovereignty. State appointment also helped to keep senators from catering to special-interest groups nationwide. Hamilton's Federalists had been trying to institute direct popular election of senators since 1826 and in 1913 they got their wish.

Second, in 1913 the country was shackled to the federal income tax. During the Civil War, the government had imposed an income tax, but it had been repealed in 1872. Special-interest groups eager to see growth in federal spending lusted after the resurrection of the income tax and briefly had one in 1894 when one was enacted into law. But it was declared unconstitutional in 1895 by the Supreme Court, so latter-day Hamiltonians set about procuring a constitutional amendment.

In that terrible year, 1913, a deal was struck in Congress, whereby representatives from the farm states would support the income-tax amendment in exchange for a reduction in tariff rates. DiLorenzo comments on this Faustian bargain:

American farmers would soon regret their support for the government's income tax; by 1930, tariff rates had risen to their highest rates ever — an average of 59.1 percent. Federal politicians realized that with all that tax revenue coming in, they could afford to enact prohibitive tariffs as a way to buy political support from various manufacturing industries.

The income tax gave the federal politicians a new stream of revenues that they could easily increase to meet the "needs" of the government. At first the rates were low and applied only to a few Americans. Opponents contended that the tax was dangerous — what would prevent politicians from increasing the rates to frightfully high levels, say 10 percent? Tax advocates scoffed and said those concerns were just scare tactics. And within 30 years, the highest income-tax rate reached 90 percent.

The third horrible decision in 1913 was to create the Federal Reserve System. For decades after the Civil War, a cabal of bankers, industrialists, and statist politicians had schemed to put the United States under the thumb of a central bank. The Panic of 1907 gave them the opening they needed. Under the leadership of Sen. Nelson Aldrich, a group of bankers and politicians hammered out the details of the central-banking system at a private meeting on Jekyll Island, Georgia, in 1910. President Woodrow Wilson was happy to sign the legislation in 1913 (Wilson was the first anti-Jeffersonian Democrat to occupy the White House) and “The Fed” set up shop the following year. DiLorenzo writes, “Washington, D.C., finally had a legal counterfeiting monopoly that could be hidden behind the guise of ‘monetary policy’ by clever academics and political activists.” Few understood it at the time, but the people had been hoodwinked into an arrangement that enabled the government to manipulate the supply of money and credit, vastly expanding federal power to control the economy.

Hamilton’s foolish ideas about economics and government power reign supreme in the United States today. What is left of the freedom Jefferson envisioned shrinks further every year as Congress passes more and more laws not permitted under any sensible reading of the Constitution, the president issues more and more executive orders never contemplated under the Constitution, and scores of regulatory agencies issue volumes of new *diktats* that trample on the Constitution.

Hamilton’s curse costs us dearly. American lives are lost in wars the country would never get involved in if it weren’t for its imperial presidency. The economy is far less prosperous than it would be if it weren’t for the tremendous diversion of resources into political boondoggles instead of productive enterprises. Liberties would be much greater if it weren’t for all the Hamiltonian laws and regulations telling Americans that they must do X and must not do Y.

How much different would America be if she had stayed with Jefferson’s philosophy of government and given Hamilton’s the cold shoulder? No one knows exactly, but I think that comparing the United States as it now is with a hypothetical, Jeffersonian United States would be like comparing life in the United States as it is with life in a country that has never known much liberty at all — Cuba for example. Just as most Cubans have no idea how much better off they would be if it weren’t for Castro, most Americans have no idea how much better off they would be if it weren’t for Hamilton.

Almost all American historical writing is done from the Hamiltonian perspective of government adulation. Tom DiLorenzo is to be congratulated for showing how wrong it is. Read this eye-opening book and get a copy for idealistic friends and relatives. They will thank you.

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