
Alexander Hamilton as Economist

A Proper Verdict

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Few scholars doubt that Alexander Hamilton (1757–1804) was a formidable American Founder—Revolutionary War aide to George Washington, prolific pamphleteer, main author of the *Federalist Papers*, champion of the U.S. Constitution, first U.S. Treasury secretary, architect of early U.S. foreign policy. But do scholars consider him a great economist? No—but they *should*.

We have no polls, only impressions, but Hamilton is viewed as unoriginal in economics and, worse, a fan of “big government,” public debt, fiat money, central banking, subsidies, and protectionism. Statists cite him as authoritative and helpful (Lind 2012; Cohen and DeLong 2016), whereas libertarians indict him as authoritarian and harmful (DiLorenzo 2009; White 2016; McClanahan 2017).¹ Edward C. Lunt’s review (1895, 305, 309–10) was mixed: “In one sense of the term—a political economist being the embodiment of politics, law, ethics, and economics—Hamilton has reached the foremost place” because he “brought out more clearly by his elucidation” “certain principles and laws,” by a methodology that was both “deductive and inductive,” and yet “our final judgment must be that however great Hamilton may be as a statesman, his rank as an economist is not high.”

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1. See Salsman (2016a) for a critique of Cohen and DeLong (2016). Knott (2002) provides illuminating history on fluctuations in Hamilton’s posthumous reputation and links them mostly to changes in American ideology and economic development.

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In such hands, Hamilton isn't so much underappreciated as he is misused or abused. Defective analyses of "the Hamiltonian vision" (Nester 2012) seem to stem from ideology (statism versus liberalism) or anachronism: out-of-context claims about Hamilton being responsible for whatever great good or evil has transpired in America since the 1790s. If America became the world's dominant capitalist dynamo, *credit* Hamilton (unless you're an anti-capitalist) because he was (truly) the most pro-capitalist Founder; if instead America became illiberal, politically centralized, bureaucratically bloated, crony-ridden, and financially fragile, unjustified *blame* is heaped upon Hamilton because he established a strong, energetic federal government (true) compared with its predecessor. Let's not just split the difference between false extremes; instead, let's render an objective verdict as free as possible of ideological bias and anachronism.² Properly judged, Hamilton deserves greater appreciation as an economist than he's been given.

Political Economy versus Economics

The term "economist" often denotes someone engaged in formal mathematical modeling detached from economic experience, one doing "positive" economics (purely scientific, logical) while eschewing "normative" (ethical, value-laden) economics. This dichotomy wasn't used in the 1790s. There was *political economy*, albeit an infant industry, which examined the *interplay* of politics and markets. Two Scotsmen led the way: James Steuart, a mercantilist (*Principles of Political Economy*, 1767), and Adam Smith, a liberal (*Wealth of Nations*, 1776). The more systematic Smith was the real founder of the field; he defended free markets (with exceptions) but also refuted mercantilism (the notion that the state should manipulate the economy to maximize its power and revenues) and physiocracy (the notion that agriculture alone creates economic value, which implies that other sectors are parasitic).

Hamilton used Steuart and Smith (Bourne 1894; McNamara 1998; Fleischacker 2002; Federici 2012; Liu 2022) plus David Hume's essays of the 1750s, Adam Anderson's *Origin of Commerce* (1764), Pelatiah Webster's *Political Essays on the Nature and Operation of Money, Public Finances and Other Objects* (1776–91), Wyndham Beawes's *Merchant Law Directory* (1761), William Blackstone's *Commentaries on the Laws of England* (1765–69), the *Memoirs* of Jacques Necker (France's finance minister, 1777–81), and Malachy Postlethway's *Universal Dictionary of Trade and Commerce* (1774).³ Writing as "The Continentalist," Hamilton initially

2. Elsewhere, I've provided a comprehensive account of Hamilton's wide-ranging thought and works (Salsman 2017a), but here I focus only on his economics.

3. Hamilton likely read Hume's essays "Of Commerce," "Of Money," "Of Interest," "Of the Balance of Trade," "Of the Jealousy of Trade," "Of Taxes," and "Of Public Credit" (Hume [1752, 1777] 1985). The best source for all of Hamilton's likely sources in researching and writing his Treasury reports is Harold C. Syrett, who provides comprehensive introductory notes to each report as editor of *The Papers of Alexander Hamilton* (Syrett 1962–87).

sympathized with mercantilism, believing it empowered Britain (Hamilton 1781b).⁴ But his essays mainly bespeak liberalism; the fourth one counsels uniform tax and tariff rates: “the genius of liberty reprobates everything arbitrary or discretionary in taxation,” for everyone, “by a definite and general rule,” should know in advance “what proportion of his property the state demands.” After reading Smith in the early 1780s, Hamilton embraced economic liberalism more consistently.

As Treasury secretary (1789–95), Hamilton delivered to Congress (by request) five carefully researched, influential reports on public credit, banking, money, taxes, trade, tariffs, and manufacturing. He proposed mostly liberal policies, reflecting his (and the Federalists’) allegiance to security of private property and sanctity of contract (Grampp 1965). A scholar recounted Hamilton’s liberalism:

The purpose of Hamilton’s political economy was the preservation of private property and the liberty to pursue it. For him the chief functions of government were to protect property, to enforce a legal framework in which it was secured, and to provide a stable environment for economic activity and growth. (Nelson 1979, 972)

Hamilton’s political economy has a complex, little-recognized context. A nation builder and policymaker, he effectuated many difficult transitions. One was a shift from a wartime to a peacetime economy. Another was a removal of hyperinflated monies and defaulted debt, to foster monetary-fiscal rectitude and stability. Still another shift involved replacing an impotent and incompetent confederation of disunited states with a system of federally united states able to exercise sovereign power. A further shift was from an undiversified colonial economy to a freer, more independent, more heterogeneous one. Another move was needed away from physiocracy to the recognition that all sectors can add value. A final, monumental shift might have been toward ending slavery, as Hamilton preferred.⁵ In all of these cases, Hamilton was opposed by anti-Federalists (Salsman 2016b). Political independence was declared (1776) and the war was won (1783), but nothing guaranteed that next would come positive change, national unity, and the Constitution. That was Hamilton’s dream but Thomas Jefferson’s nightmare.

A precursor to the Constitutional Convention (1787) was a gathering the previous year at Annapolis of Hamilton, James Madison, and others seeking freer interstate trade. They also tried to quell debtor revolts and other assaults on property.

4. Hamilton was certainly no “nationalist” in the modern meaning of the term—a statist-imperialist committed to subordinating individuals (and foreigners) to the state. By “national,” Hamilton meant “continental.” He hoped liberty could be enjoyed by all the states together and then extended westward (he endorsed the Louisiana Purchase in 1803). See also Holloway (2015) for a refutation of the (similar) charge that Hamilton was a would-be progressive eager to impose statist measures.

5. Michael Chan (2004, 207) refuted “the prevailing scholarly view that Hamilton, like the Founders generally, lacked a deep concern about slavery.” In truth, “ending slavery was one of his abiding concerns.” “Hamilton’s political principles were not Hobbesian but consistent with the views of more traditional natural law theorists.” He “understood that the natural rights of man imposed a corresponding duty to end slavery.” As for political economy, Hamilton endorsed “compensated emancipation” to preclude ongoing injustice, discord, and violence.

Article 1, Section 8 of the Constitution empowered Congress to “lay and collect taxes, duties, imposts and excises, to pay the debts for the common defense and general welfare of the United States” and “to regulate commerce with foreign nations, and among the several states.” The purpose was *not* to establish today’s ultra-indebted welfare-regulatory-protectionist state but to create a durable, rights-respecting republic. “General welfare” meant no privileging of special interests, and to “regulate” meant not to *restrict* but to *regularize*, to keep economic activity flowing.

Hamilton adopted Smith’s critiques of mercantilism and physiocracy, but he also rejected a few of Smith’s fateful errors: his “labor theory of value” (that economic value reflects quantities of manual labor time); his belief that some labor (the service sector, military, courts) was nonproductive; and his assertion that public debt always diminished prosperity. Hamilton proved more astute than subsequent economists—David Ricardo, John Stuart Mill, Karl Marx—who perpetuated Smith’s myths.

Money, Banking, and Debt

As Treasury secretary (1789–95), Hamilton almost single-handedly fixed America’s shattered financial system; he set a high standard for policymaking and set America on a path to economic prowess. Hamilton implemented sound policy principles amid contentious political wrangling. Eight years prior, he wrote to Robert Morris about how to revive America’s degraded finances (Hamilton 1781a). A wealthy banker and finance chief under the Articles of Confederation, Morris couldn’t raise enough taxes to pay for war; it was funded by cascades of successively depreciated money and debt. Hamilton didn’t *cause* or *perpetuate* the debased money and defaulted debt; he *inherited* them, then *fixed* them.

Hamilton had seen degraded finances undermine America’s war effort, and then, during the “critical period” (1781–89), he saw how they precluded prosperity. His plans for fiscal and monetary reform, once they were enacted by Congress, transformed a bankrupt nation issuing worthless paper money into an honorable debt-payer issuing gold- and silver-based dollars. Hamilton’s reforms surely benefited bondholders and “monied interests,” but all sectors benefited from more rational public governance. He wanted a system of sound and stable money (a gold-silver standard), a vigorous private banking system, public spending restraint, low and uniform tariff rates, minimal regulation, a diminishing public debt, and genuine credit (an adequate capacity to borrow). That we lack many of these features today reflects a multi-decade *rejection* of Hamiltonian principles.

Foes of Hamilton’s cures advised debt defaults, either explicitly or implicitly (by inflation), and even if debt was serviced, they wanted Treasury to discriminate against secondary bondholders (demonized as “speculators”). Hamilton, defending the sanctity of contract, refused. Foes also opposed his “assumption” plan, to have the federal government assume all state debts. Independence had been won nationally, he

argued; states should start fresh fiscally. Detractors claimed the plan would unduly empower federal governance, even though no government benefits by adding liabilities or having to raise taxes. Assumption was approved. Hamilton then helped reduce the national debt burden from 40 percent of gross domestic product (1790) to 20 percent (1795). Yet he worried that unrestrained democracy again would render America overindebted. He warned of “a general propensity in those who administer the affairs of government . . . to shift off the [spending] burden from the present to a future day—a propensity which may be expected to be strong in proportion as the form of the state is popular” (Hamilton 1795, 102–3). He advised further debt reduction through sequential budget surpluses generated by spending restraint.

For Hamilton, “a national debt if it is not excessive will be to us a national blessing; it will be powerful cement of our union” (1781a, 635). Libertarians today love citing the “blessing” part, but Hamilton conceded that debts can be excessive.⁶ Borrowing mustn’t become a major funding source, nor should it ever be repudiated. In 1790, he told Congress that “so far from acceding to the position that ‘public debts are public benefits,’ a position inviting to prodigality, and liable to dangerous abuse,” the body should codify “as a fundamental maxim, in the system of the public credit of the United States, that the creation of debt should always be accompanied with the means of extinguishment.” Hamilton advised steady repayments such that “the whole of the debt shall be discharged” in a decade (Hamilton 1790a, 106–7). He endorsed what became the “golden rule of public finance” (Salsman 2020), which says public borrowing is justified only if promotes the creation (not redistribution) of wealth over the long term; because winning certain wars and building productive infrastructure can benefit future generations, they too should bear the cost. This golden rule has been abandoned, along with Hamiltonian principles.

Hamilton’s reforms fostered nationwide banking and efficient tax collection through the Bank of the United States (BUS), chartered from 1791 to 1811. He made sure it was apolitical. “To attach full confidence to an institution of this nature,” he wrote, “an essential ingredient in its structure” is that it “be under a private not a public direction, under the guidance of individual interest, not of public policy,” never “liable to being too much influenced by public necessity,” because “suspicion of this would most likely be a canker that would continually corrode the vitals of the credit of the Bank.” If “the credit of the Bank be at the disposal of the government,” it would be a “calamitous abuse of it” (Hamilton 1790b, 331). The BUS succeeded because, unlike central banks today (Salsman 1990), its purpose wasn’t to fund fiscal profligacy; privately owned and prudently operated, it issued gold- and silver-convertible money and lent very little to the federal government. The states used corrupt chartering schemes to limit the freedom of banks to branch; state-level BUS foes denounced it

6. For a pro and con debate on Hamilton’s view of public debt, see Gordon (1997), DiLorenzo (2009), and Salsman (2017b).

as a nationwide “monopoly” but didn’t repeal their own anti-banking policies. Thanks to the BUS, the number of private-sector banks grew rapidly after 1791. Central banks today issue fiat token money, monetize public debt, depress interest rates, cause inflation, and bail out bad banks. None of that is Hamiltonian.

Tariffs, Trade, and Foreign Affairs

Influenced most by Steuart (mercantilism) and Smith (liberalism), Hamilton was initially mixed on trade policy, but while contributing to the *Federalist Papers* (1787–88) he was unequivocal in advocating freer trade among the states. He also recognized that the main initial federal funding source would be tariffs; the Constitution excluded powers to tax income, property, or sales. It allowed for excise taxes, but when these were applied initially, in 1792–94 (on whiskey), taxpayers revolted.

Hamilton’s policies were not mercantilist, for that system not only demonized trade deficits and saw money as wealth but also required officials to micromanage prices, wages, rents, and interest rates while maintaining constrictive labor guilds. None of that was Hamiltonian. Mercantilism was part of empire, imperialism, and colonialism—all precapitalist phenomena left unchallenged until the mid-1700s. Since 1620, the American colonies had been part of this system, partially helped but also unnaturally stunted by it. Colonial powers, wanting trade surpluses and net imports of cash (to enrich royals and build war chests), forced colonies to export commodities and import manufactured goods. Hamilton, wanting a durable independence from Britain, sought to *extract* America from the mercantile system, not perpetuate it. To become genuine *states*, colonies had to *unite* into a federalist whole. Hamilton wanted nation-state institutions so America could “grow up” quickly and safely. Foes misrepresented him as lusting after power and intent on perpetuating a new mercantilism, a Federalist American Empire.

Hamilton was no protectionist. He advised low and uniform tariff rates for the legitimate (and constitutionally sanctioned) purpose of raising revenues, not high and variable rates to discriminate against some nations (or goods) or privilege others.⁷ Hamilton also didn’t obsess about America’s large trade deficit. If America’s money and bonds were sound (and he ensured that they were), there’d be no dearth of incoming foreign investment. He knew that a capital surplus (net inflow),

7. Hamilton (1788, 477, 482) made this clear in *Federalist* no. 35: “There is no part of the administration of government that requires extensive information and a thorough knowledge of the principles of political economy so much as the business of taxation. The man who understands those principles best will be least likely to resort to oppressive expedients or sacrifice a particular class of citizens to the procurement of revenue.” “[T]he most productive system of finance will always be the least burthensome.” Tariffs should not reach “an injurious excess” nor entail “exorbitant duties on imported articles,” which “would beget a general spirit of smuggling, which is always prejudicial to the fair trader, and eventually to the revenue itself.”

mirroring a merchandise deficit, was akin to an international vote of confidence in the United States. Funds *did* flow inward because of his reforms. Meanwhile, Jeffersonians sought to use tariffs as weapons to hurt Britain and help France and to artificially boost America's farmers at the expense of the nation's manufacturers. A trade scholar explained:

Seeing imports as the critical tax base on which he planned to finance government expenditures and fund the public debt, Hamilton advocated modest, non-discriminatory import duties to ensure a steady stream of revenue into the Treasury coffers. He also wanted a stable commercial relationship with Britain to avoid any conflict that might disrupt imports and diminish customs revenue. By contrast, Jefferson and Madison saw trade policy as an instrument for achieving reciprocity, a weapon to be wielded against what they perceived to be Britain's grossly unfair discrimination against U.S. commerce. (Irwin 2009, 1–2)

International trade involves foreign–military relations, and Hamilton, preferring prosperity, also wanted more (hence freer) trade. He never sought trade wars that might become militarized; he wanted nondiscriminatory, nonpunitive tariffs to minimize hostilities. He advised U.S. neutrality toward Britain and France, which were warring in the 1790s. In contrast, Jeffersonians wanted policies that punished Britain, favored France, and jeopardized U.S. security and prosperity.⁸ At Hamilton's urging, Washington issued his Proclamation of Neutrality in 1793 to keep the U.S. out of war. In 1796, he asked Hamilton to draft a farewell address; he made clear the links between peace, trade, and prosperity:

The great rule of conduct for us, regarding foreign nations, is in extending our commercial relations to have with them as little political connection as possible. So far as we have already formed engagements let them be fulfilled with perfect good faith. Here let us stop. . . . Taking care always to keep ourselves by suitable establishments on a respectable defensive posture, we may safely trust temporary alliances for extraordinary emergencies. Harmony, liberal intercourse and commerce with all nations are recommended by justice, humanity, and interest. But even our commercial policy should hold an equal hand, neither seeking nor granting exclusive favors or preferences; consulting the natural course of things; diffusing and diversifying by gentle means the streams of commerce but forcing nothing. (Hamilton 1796, 284–85)

8. Indeed, when Jefferson and Madison were U.S. presidents sequentially (1801–17), they imposed trade embargoes and other discriminatory-punitive measures on Britain and helped fund its war foe, Napoleon (by the 1803 Louisiana Purchase); the policies heightened U.S.–British hostilities and led to the War of 1812–14 (which the U.S. nearly lost because the duo previously gutted military spending).

A Freer and More Diverse Economy

The mercantilist system under which American colonies labored lasted more than a century, until the revolts of the 1760s. It weakened as a result of war and liberal ideas. Hamilton knew that if an independent America was to flourish, it must shift from a subservient, agrarian economy to a freer, more diversified one. His foes, clinging to physiocracy, insisted that agriculture alone was noble and productive and thus that commerce, manufacturing, finance, and cities were inherently corrupt and parasitic.

Hamilton rejected physiocratic premises more consistently than did Smith; he rejected the latter's claim that some sectors used nonproductive labor. Hamilton was original in his embrace of the modern view that *all* sectors of an economy can be productive and mutually reinforcing, that a harmony of intersectoral interests is possible, preferable, and achievable. Belief in *intersectoral* antagonism (physiocracy) was as foolish as the later belief in *interclass* conflict (Marxism). Hamilton also had the radical view that *finance* is productive (Wright 2002); that view isn't widely accepted even today. Hamilton also believed (contra Smith) that *political actors* could be productive if engaged in legitimate state functions (law and order, justice, defense). In *Federalist* no. 12, Hamilton explained:

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 the 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. The often-agitated question, between agriculture and commerce, has from indubitable experience received a decision, which has silenced the rivalships, that once subsisted between them, and has proved, to the satisfaction of their friends, that their interests are intimately blended and interwoven. It has been found, in various countries, that in proportion as commerce has flourished, land has risen in value. And how could it have happened otherwise? Could that which procures a freer vent for the products of the earth—which furnishes new incitements to the cultivation of land—which is the most powerful instrument in increasing the quantity of money in a state—could that, in fine, which is the faithful handmaid of labor and industry in every shape, fail to augment that article, which is the prolific parent of far the greatest part of the objects upon which they are exerted? It is astonishing that so simple a truth should ever have had an adversary; and it is one among a

multitude of proofs, how apt a spirit of ill-informed jealousy, or of too great abstraction and refinement is to lead men astray from the plainest truths of reason and conviction. (Hamilton 1787, 347)

Hamilton's distinctive political economy is best expressed in his Report on Manufactures, delivered in December 1791 (Hamilton 1791b). Congress had requested it in early 1790, but Hamilton uncharacteristically deferred delivery, seeing money, banking, and debt as policy priorities. Those fundamentals had to be fixed first, for they were akin to the body politic's central nervous system, vital organs that were a precondition for broader economic success. His reports on debt, banking, and money were delivered in a flurry, over the course of a year, through January 1791 (Hamilton 1790a, 1790b, 1791a).

One of Hamilton's great insights pertained to the power of specialization; it would enormously enhance human creativity, achievement, and enjoyment, he said, and contribute to a more diversified, sounder economy. Smith too had hailed the productivity gains possible from specialized labor, but he worried it would make workers stupid and torpid. Marx later used this notion (and Smith's labor theory of value) to condemn capitalism (especially finance) for its "alienation," "exploitation," and "expropriation." Hamilton committed no similar error; he appreciated the benefits of a fully free, diverse economy:

As to the furnishing greater scope for the diversity of talents and dispositions, which discriminate men from each other, this is a much more powerful means of augmenting the fund of national industry than may at first sight appear. It is a just observation, that the minds of the strongest and most active powers for their proper objects fall below mediocrity and labor without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely 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 vigor of his nature. . . . To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous, sometimes become so, by their tendency to provoke exertion. Every new scene, which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort. The spirit of enterprise, useful and prolific as it is, 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. It must be less in a nation of mere cultivators, than in a nation of cultivators and merchants, and less in a nation of cultivators and merchants than in a nation of cultivators, artificers, and merchants. (Hamilton 1791b, 254–56)

Hamilton's report on manufactures also included some innocuous proposals for modest public subsidies ("bounties"), to foster "infant industries" that might be necessary for national defense. The report was no material departure from liberal principles; it sought to offset the artificial imbalances resulting from colonialism. Moreover, the proposals were temporary, like the twenty-year BUS charter.

For decades, statisticians have tried to use Hamilton to justify massive government subsidies, with politicians "picking winners and losers" through "industrial policy." They hope to enlist at least one Founding Father. But they fail, for Hamilton was no more a proto-Keynesian (on money and debt) than he was a proto-Stalinist (on manufacturing and military might). His desire to *encourage* American manufacturing didn't make him a central planner seeking a "comprehensive socialization of investment" (per Keynes); he sought to counteract prior policies that *discouraged* manufacturing. Nor did Hamilton believe the state could discern or should decree some "optimal" sectoral mix; that must reflect each nation's natural economic advantages, a prescription that mercantilism flatly rejected.

In his report on manufactures, Hamilton also welcomed immigrants, stating that many sought a more prosperous life, an "exemption from the chief part of the taxes, burthens and restraints which they endure in the old world." They sought "greater personal independence" under "a more equal government." It was in "the interest of the United States to open every possible avenue to emigration from abroad" (Hamilton 1791b, 254). Unlike today's American nationalists, Hamilton was a pro-immigration individualist.

Hamilton also extolled the "system of perfect liberty to industry and commerce" in his manufacturing report; indeed, "the option ought, perhaps, always to be in favor of leaving industry to its own discretion." Yet he did *not* imply that government should (or could) keep its "hands off" the economy, as libertarians portray laissez-faire doctrine. Hamilton denied that a complete separation of state and economy was possible. A proper government, by protecting property rights and contracts, necessarily helps producers and harms robbers. For Hamilton, these were official, indispensable acts of justice, not privileges; moreover, legitimate functions (police, courts, military) require revenues, *unavoidably* from producers. Hamilton rejected laissez-faire not as liberalism's foe but as realism's fan.

Hamilton's Methods

Hamilton's methodology was scientific, deploying both induction and deduction. He also saw no necessary dichotomy between "positive" and "normative" economics: what *is* (facts) must inform what *should be* (policy). This is absent from contemporary economics. Hamilton remarked that "men give me credit for some genius," but "all the genius I have lies in this: when I have a subject in hand, I study it profoundly. Day and night it is before me. I explore it in all its bearings. My mind becomes pervaded by it. Then the effort which I have made is what people are pleased to

call the fruit of genius. It is the fruit of labor and thought” (Wilser 2016, 21). Harvard professor Frank Taussig described Hamilton’s analytic prowess while assessing his report on manufactures:

Considering the conditions under which he wrote, and the stage which economic theory had reached in his time, the report is a great intellectual feat. The marshaling of the opposing arguments, the tireless examination of every aspect of the question, the careful investigation of the facts of industry and trade, the specific recommendations, and conclusions at the close, all bear the stamp of Hamilton’s peculiar and powerful intellect. (Taussig 1892, iv)

Hamilton’s economic principles were derived from personal experience (business, law, policy positions) and from close study of primary sources and treatises. His specialty might be called *applied* economics, but his principles were also tested in the real world, in real time; they succeeded. Their validity could also be confirmed after his death (1804) as U.S. prosperity tended to wax or wane as his principles were adopted or jettisoned. Hamilton’s principles weren’t merely *applied* but *verified*.

A Fair Verdict

Hamilton’s political economy is misappreciated—either *overappreciated* by statist (hoping to recruit a formidable ally) or *depreciated* by libertarians (seeking a scapegoat to blame for today’s statism). Because he helped *create* a great nation-state, its *current state* must be his doing. That’s a non sequitur. In truth, his economics isn’t mixed, statist, mercantilist, or corporatist. It is, simply, capitalist.⁹ For critics, capitalism can’t possibly be a morally legitimate social system entailing all social sciences; it’s necessarily a corrupt system that favors a subgroup of “crony” capitalists. That was no more Hamilton’s view than was that of Ayn Rand (1967), who in our time has expounded the broader view. Hamilton was no mere economist; he was a *political economist* and, rarer still, *pro-capitalist*. Although not an original economic theorist, nonetheless he was an astute *synthesizer* of principles and policies—and *correct* ones. His unique combination of talents marks him as an original practitioner of wise economic-financial policymaking. The ills felt so acutely in today’s world are attributable not to a foolhardy embrace but instead to a tragic ignorance—and abandonment—of Hamiltonian principles.

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9. Ron Chernow’s biography of Hamilton rightly includes an index subentry that is phrased “as capitalist prophet” (Chernow 2004, 801) and cites twenty-five pages.

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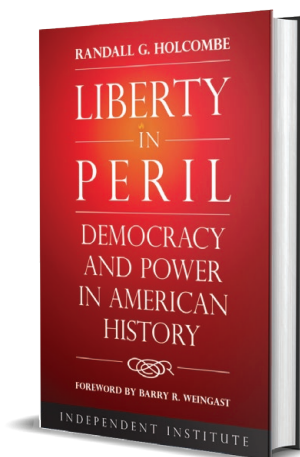
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