

ALEXANDER AND AMERICAN ECONOMICS



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My Name Is Alexander Hamilton

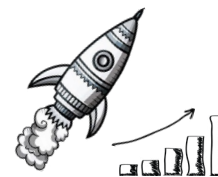
You know who Alexander Hamilton is by now. Between the award-winning and record-breaking play and movie, the countless references to him in popular culture, his role as [Tom Brady's favorite founder](#) and, of course, his role as one of this country's Founding Fathers, he is a well-known figure. Born on the small island of Nevis in the middle of the Caribbean, Hamilton utilized his ability as a writer and intellect to leave the island and attend King's College (now Columbia University) in New York City. He then pursued the heights of glory and importance during the American Revolution, where he served as a field commander during the battles of New York and Yorktown, as well as the personal aide-de-camp to George Washington throughout most of the campaign. But this is a finance newsletter, not a history newsletter. So why are we talking about him? Because Alexander Hamilton is one of the most critical individuals to the development of the American economy and its growth as the center of global commerce.

Treasury Talk

Hamilton served as Treasury Secretary from 1789 to 1795, where he worked to forge the national budget and credit, tax, and banking systems. Interestingly, Hamilton was not the first choice for the job. Robert Morris, the financier of the revolution, was unable to accept due to financial hardships and recommended Hamilton to Washington, who appointed him based on their relationship during the war. Shortly after joining the cabinet as Treasury Secretary, Hamilton was confronted with the task of creating the Treasury Department. This was accomplished in a frantic effort of intellect and planning. He crafted the Department's outlining document in the space of just a few days to such a fine point of detail that this document still serves as much of the basis for the Department today. Furthermore, Hamilton advocated for creating a central bank that would serve to fund the government and stabilize the nation's paper currency against the established European counterparts. This was achieved in 1791, and relative economic stability was established in the following decade. This document and Hamilton's subsequent efforts to establish the organization that would fund the new Federal system made the Treasury Department and central bank crucial to the nation, and particularly resilient to later assaults by political rivals.

Dealing With Debts

One of Hamilton's lasting legacies and most influential creations is a nationalized debt (there are a few songs about this in the play). Following the Revolution and the Articles of Confederation, many states were saddled with debilitating debts due to the lack of Federal borrowing power. Therefore, it was vital for the economic growth of the U.S. (particularly in the northern states) for the Federal government to centralize the debts and distribute payment for this across a national scale. This was controversial, especially in wealthy and low-debt states like Virginia. To accomplish this, Hamilton engaged in some very crafty politicking by using the location of the Capital (which at the time was in Philadelphia) as a bargaining chip. Hamilton persuaded the wealthy landowners of Virginia, chiefly Thomas Jefferson and James Madison, to support his federalized debt plan and relieve northern states of their economic burden, which paved the way for the rapid industrialization that would occur over the next two centuries.



Taking Taxes

Another Hamiltonian innovation was the American tax-collection system, a precursor to everyone's favorite agency, the IRS. Hamilton did this by rapidly hiring staff and collectors, and establishing the bureaucracy necessary to collect and transfer these revenues. Under Hamilton's tutelage, the Treasury Department quickly became the largest portion of the Federal government by number of employees. This was necessary for a nationwide operation in the times of horse and buggy. Hamilton even established the Coast Guard to prevent smuggling and enforce taxation further by buying several ships to patrol commercial harbors. This system, much like today, was not particularly popular primarily as the government focused on consumption taxes on beloved goods like whiskey. It was such an unpopular issue that a full-fledged rebellion in Pennsylvania, called the Whiskey Rebellion, had to be forcefully subdued. These funds provided by the early Treasury were vital to the reparation of American credit and the economic and national security of a fledgling nation. This system has grown into our current system, which collects more revenue than almost any organization on earth. I get it, we all don't like April 15th, but admittedly, I (Adam) am writing this on a C-17 (my side hustle is the USAF) paid for by U.S. tax dollars, so I have to respect Hamilton for that.

Hamilton's Economic Legacy

Hamilton viewed America in a different light than many of the founders. Being a New Yorker and surrounded by industry, he viewed the future of the U.S. as rapid industrialization and trade. Hamilton had the foresight to understand that a slave-based agrarian economy was wholly unsustainable, a central bank was necessary, and a stronger Federal government had many advantages. His innovations and efforts across six years as Treasury Secretary laid the groundwork for a federal system that supported one of the most incredible economic explosions in world history. Specifically, Hamilton's creation of a national debt allowed for intelligent borrowing that forged infrastructure and industry in numerous cities across the U.S. This, coupled with creating a tax system, some light industrial spying (he may have encouraged some people to steal designs from British textiles), and strenuous efforts to create the Treasury Department, laid a path forward for the American economy. To top it all off, Hamilton then faced a sitting Vice President, Aaron Burr, in a duel on the banks of the Hudson River over a verbal disagreement where he was killed after a too-short but immensely influential life. So, as you grill hot dogs and hamburgers this weekend and watch colorful explosions in the sky, be sure to give a silent toast for Alexander Hamilton because if not for him and the system he put in place 230 years ago, the economic dominance which provides us with so much may not exist.

Happy Fourth of July everyone—especially you, Alexander Hamilton.