



The Real Alexander Hamilton
Guest: Thomas DiLorenzo
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WOODS: Today the subject is not Abraham Lincoln but Alexander Hamilton, who nevertheless appears to be, we might say, a distant cousin in certain respects. I want you to start off by giving us the overview of how the establishment portrays Hamilton, because Hamilton is a hero to everybody. He is a hero on the mainstream Left. He is a hero of the mainstream Right. He's a hero to the mainstream middle. He's a hero to everybody. What is it that they see in this guy? What's their best argument for him?

DILorenzo: Well, the arguments they make for him—he was a Revolutionary War hero, which I suppose is true. But when they talk about economics they say that his economic program created good credit for the U.S. government, and some of the authors I've read, said that he actually created capitalism by promoting the sale of government bonds. Somehow the sale of government bonds and government borrowing magically created the stock market so that we could have capitalism. Michael Lind is one person who has said that, and David Brooks of the *New York Times* has said that. And it's complete nonsense of course. The stock market existed long before Hamilton came around and started hawking government bonds for the northeastern monied elites, which is what he was doing. That's the main claim, that he created sort of economic edifice of America that made America great.

WOODS: Let's go back now to the 1790s and look at the sorts of things that he proposed. Now he didn't get everything he wanted—he wanted a much higher tariff, for instance, than they wound up giving him. But he did get his national bank and some other stuff. Let's leave aside the constitutional controversy; we'll get to that later. He gets the national bank in the face of the opposition of Thomas Jefferson. What difference does this make? Isn't the national bank of the 1790s a bit of trivial nothingness compared to the Federal Reserve of today?

DILorenzo: Yeah, I guess it certainly is. But this was where the idea got started. The great debate between Jefferson and Hamilton was for a long time all about the propriety of having a bank run by the politicians of the nation's capital. And Jefferson, of course, thought this was a horrific idea. The basic model of Hamilton and his party, the Federalist Party, was to bring the rotten, corrupt British mercantilist system to America. And the Jeffersonians said, well, wait a minute, we just won a revolution against that rotten, corrupt mercantilist system of the British Empire. The position of Hamilton and his cohorts was always: this is a good system as long as we are in charge and as long as we can profit from it. So they wanted to be on the receiving end of all the pelf and the money that was gathered by the state and its allies from a mercantilist system. And a mercantilist system is basically a system of policy that benefits businesses and produces at the expense of consumers and everybody else. That's why Jefferson saw this is a mortal threat not only to

the American economy but to American freedom because they had just fought a revolution against that type of tyranny. So that's why Hamilton wanted a bank run by politicians of the nation's capital.

WOODS: Can you explain why Hamilton or anybody else would view the national debt as a "national blessing," which I think is where you got the title of your book *Hamilton's Curse* from, that instead of him or the debt being a blessing, it's a curse.

DILORENZO: Right. The idea of the book was it's a sort of counter to a book by John Steele Gordon called *Hamilton's Blessing: A History of the Public Debt*. Hamilton did say once that the public debt could be a national blessing if it's not too excessive. And then, of course, he spent the rest of his life making the government borrowing as excessive as possible in his actions as Treasury Secretary, and in his behavior as a writer and a speaker. And he constantly complained to George Washington and anyone else who would listen that the government did not have enough energy, as he said. He wanted the government to be an imperial power like the British Empire. He wanted it basically to be unlimited by a constitution, which is why he condemned the Constitution as a "frail and worthless fabric," because it did not centralize power in the nation's capital and create more or less unlimited power. And so that's where Hamilton was coming from as far as the debt goes. He understood that the debt that would be owned by the wealthier people of the country. And he very explicitly said in a very Machiavellian way that if the wealthier people of the country owned the debt it would become a political force for bigger government and higher taxes forever because they will want to make sure that there's enough money in the Treasury always to pay off their bonds. And so he was very Machiavellian about that. He didn't say that the public debt, the big public debt, would be good for the country, good for the consumer, good for the taxpayer. He said it would be good for growing the government far beyond what the Constitution would allow it to be.

WOODS: Last night, Tom, I had a live video Q&A session on my site [LibertyClassroom.com] and somebody raised the excellent point that there's a lot of confusion about who the supporter of genuine capitalism or laissez-faire was in the 1790s. People portray Jefferson as this sort of backwater, maybe semi-reactionary agrarian, nostalgic for simpler times. Whereas we have Hamilton the full-throated capitalist. But is that true? In what sense could that be true? Doesn't it seem to be that the opposite would be true?

DILORENZO: Yes, the opposite is in fact true. Hamilton was pretty much an economic ignoramus. William Graham Sumner, the great Yale University libertarian sociologist of the late nineteenth century, wrote a biography of Hamilton, and he said Hamilton was befogged in the mysticism of mercantilism. He grew up on the Island of St. Croix, working for British slave-owning molasses traders who benefited from the British mercantilist system. He wanted to be wealthy like them. And how did they get wealthy? They got wealthy through political connections. And Hamilton, Sumner said, probably never read Adam Smith's *Wealth of Nations*. What he did know, say, or write about economics came from propaganda pamphlets from British mercantilists. Sir James Stewart was one of them. These are people who just wrote rationales or excuses for crony capitalism or mercantilism in England. And that's what Hamilton knew.

Jefferson, on the other hand, was very well schooled. He read *The Wealth of Nations*. He translated from French the work of Turgot, the French finance minister who was a member of the so-called physiocrats' school of thought, which was a precursor to the Austrian School of free-market economics. If you walk into Monticello tomorrow and look to your left you will see a big bust of Turgot. Jefferson read Ricardo; he knew all of the economic writings of his day. Hamilton seemed to know nothing of this. So it really is a big fat lie that Jefferson was this sort of backwoods agrarian.

A corollary lie is that Jefferson did not want banks. I read this over and over again. He wasn't opposed to

banks, and he wasn't opposed to industrialization, either, which some of his critics say. What he was opposed to is basically taxing the farmers of the country and using their tax dollars to subsidize politically connected corporations. That's what he was opposed to. He was opposed to mercantilism. He was a capitalist in terms of genuine capitalism.

WOODS: You know, Tom, your description of mercantilism and Hamilton's views and Hamilton's so-called economic education, which consisted of reading pamphlets of no real intellectual significance, puts me in mind of what Rothbard said about mercantilism in his history of economic thought. Now here's Rothbard, who has gone through the whole history of economic thought from ancient Greece all the way up through the nineteenth century, treating everybody with respect, trying to find some nuggets of wisdom where he can, but when he gets to mercantilism he absolutely refuses to consider this a school of economic thought at all. It is no such thing. It is a grandiose rationalization of the enrichment of particular parties, and it is nothing else. It is not a school of thought, so Rothbard was not going to dignify it by treating it that way. I was just blown away to get to that. He will not do it. That's very helpful, I think, when we think about Alexander Hamilton.

On the tax and the tariff issue, it's true that Hamilton doesn't get the high tariffs, the protective tariffs, that he wants right away. But long after Hamilton is dead, after the War of 1812 you have all of these manufacturing interests that have grown up during the war, and now that trade has been resumed with Europe and with the British they are afraid they are not going to be able to compete. So they demand tariffs. The tariff of 1816 is the first protective tariff. It's not as high as some that will come later, but it is the first protective tariff in U.S. history. And a lot of people will say, Tom, that that is what really drove the development of the U.S. economy, that you economists can rant and rave all you want about free trade, but the fact is that the U.S. became a powerhouse behind a protective tariff wall.

DILORRENZO: I've heard that argument many times, but point number one is that in 1816 international trade probably accounted for maybe five or six percent of the whole U.S. economy, so if there was a protectionist tariff it only affected a very tiny part of the U.S. economy. And so to the extent that there was economic development it had to be caused by something else other than any kind of protectionist tariff. Point number two would be that a protectionist tariff always impoverishes a country; it benefits those who are protected from competition but harms others. An example today: when President George W. Bush put a 35 percent tariff on steel it was very harmful to the car manufacturers and any other business that used steel. The same thing was true in 1816: the people who used so-called protective goods, to manufacture other goods with were made worse off, and the people, of course, were made poorer, having been forced to pay higher prices for those things. And so that argument is a classic *post hoc ergo propter hoc* fallacy, after this therefore because of this. If the chicken crows in the morning, the sun comes up therefore the chicken crowing causes the sun to come up. And they say we had a tariff, we had economic growth, therefore the tariff causes economic growth. If you understand elementary economics you know that that is a very foolish and dangerous idea.

WOODS: Now Tom, we can tell from Alexander Hamilton's proposals for the new U.S. government what his sympathies were politically. He favored a president who would serve for life, senators who would serve for life, and governors appointed by the president. He wants political centralization. He wants a robust central authority. That's going to show up, of course, in the way he tries to interpret the Constitution once the suckers have gone ahead and ratified it. Now before that he's all tears and pity about making sure this government will stay limited. And in fact at one point he says, of course agriculture is not part of general welfare; that will be a local concern. Then as soon as it passes he says, of course agriculture falls under the federal government's purview. So he's basically a liar and a manipulator to get what he wants. But starting

with that national bank controversy we see the Hamiltonian version of constitutional interpretation. What is it?

DIORENZO: The Hamiltonian interpretation of constitutionalism is that the Constitution can and should be interpreted by clever lawyers like Hamilton to put a rubber stamp on virtually anything that governments would ever want to do. The Jeffersonian view is that the government should be bound by the chains of the Constitution, as Jefferson himself once said. But Hamilton is the one who invented the idea of implied powers of the Constitution during his debate with Jefferson over the constitutionality of a national bank. And Jefferson's position was essentially, he didn't use this word, but essentially I looked between the lines and there is blank space there, but Hamilton kept making the "you've got to look between the lines" argument. And of course once you go down that road then, government really is unlimited; the only thing that limits it is the imagination of politicians and how to spend the taxpayers' money. And when I first started writing about Hamilton on LewRockwell.com I had an e-mail from a law student at New York University thanking me. He said, "I am sitting here in Nadine Strossen's constitutional law class and for several weeks now we've been learning the Hamiltonian interpretation of the Constitution, which is basically a big, long list of case law that makes arguments for why the Constitution should be neutered or ignored." And he said thanks for being one person who is criticizing this view that I am aware of.

WOODS: Now what about John Marshall, who seems to be, again, a kind of intellectual cousin of Hamilton? Marshall is also universally revered. And of course Rothbard reminds us that you should always be wary of a politician, a government official, who is universally revered. It always means trouble. Well in the case of Marshall, again you have left-liberals who support Marshall, so anytime I talk about nullification, the very same people who say we shouldn't be bound by what dead, white males say reverse themselves and say: as long as that dead, white male's name is John Marshall we're going to quote him until the cows come home. And then the Right thinks he was a man of property and a man of order against the chaotic Jacobins of Jefferson's party. The Right gets played this way all the time. They get played with this sort of propaganda that directs them away from people who should be their natural allies into the hands of people who are just exploiting them. Having said all that, what's the problem fundamentally with John Marshall? He's the chief justice from 1801 to 1835 in case people don't know, and he is considered to be maybe the most important chief justice ever.

DIORENZO: Yes, he probably is. One indication is that there is an excellent book by Ivan Eland called *Recarving Rushmore*, in which the author judges all the presidents and ranks them according to how good of a job they did in protecting the life, liberty, and property of American citizens. And he gives John Adams a very, very low ranking. The main reason for this is that Adams appointed John Marshall to the Supreme Court as chief justice. And yet Marshall was a slavish devotee of Alexander Hamilton's political philosophy and legal philosophy. And so he believed in the Hamiltonian notion that the Constitution can be a rubber stamp in almost anything the government wants to do. That's how he magically discovered that a national bank was constitutional after all even though, as the Jeffersonians pointed out, the issue was discussed at the constitutional convention—that is, the propriety of a national bank—and it was rejected. It was clearly rejected, but he made that up. Then, of course, it was John Marshall who declared that judicial review is the purview of the U.S. Supreme Court, which really meant him, and that he would be the final arbiter of all things constitutional. American politicians and the public didn't really accept that until it was forced onto them after the Civil War and during the Civil War. Prior to the so-called Civil War a lot of American politicians thought that we had three branches of government. The President and the Congress also had a say on constitutional matters, as did the people of the states. Andrew Jackson responded to Marshall's opinion on the bank by simply saying in effect, thanks for your opinion but my opinion is different, and my opinion is just as important as your opinion. And so the Jeffersonians had long been warning that if the day

ever came that the federal government became the sole arbiter of the limits of its own powers by interpreting the Constitution then Americans would live under a tyranny. And John Marshall did more than anyone to bring about that view through so-called judicial review.

He also did what Hamilton did in some of his opinions and started rewriting American history by claiming that the states were never sovereign. By claiming that the Constitution somehow never came about through state political conventions, but came about somehow by some sort of plebiscite by the whole people, and he repeated this language of the whole people to justify a national government. He also twisted the meaning of the supremacy clause of the Constitution, which gives the federal government supremacy only in those things in Article I, Section 8, the things that are the legitimate constitutional functions of the government, not everything under the sun. And so this idea that the federal government is always everywhere and supreme over everyone and everything, that got started with John Marshall. You can begin to see why Ivan Eland dislikes John Adams so much for having appointed him. And you mentioned the word cousin by the way, Tom, and he was I think a second cousin of Jefferson ironically.

WOODS: Ah, of Jefferson indeed. Let me add one other thing about Hamilton. In *McCulloch vs. Maryland* in 1819, which is a decision by the way that when he heard about it James Madison said: if the people had known that the Constitution would be interpreted this way, they would never have ratified it. In that decision, among other things Marshall made quite a lot out of the fact that the Tenth Amendment did not have the word *expressly* in it, as in *expressly delegated*, which had been present in the Articles of Confederation. He tried to make something out of this, knowing full well that at the Virginia ratifying convention, of which he was a participant, the people were told that even before there was a Tenth Amendment the Constitution as written already meant that the federal government had only the powers expressly delegated. And that's what matters: the meaning that was put on the Constitution at the ratifying conventions. He knew that, and he's still peddling the opposite. We're supposed to respect this guy and not dare to contradict him. I think you'd be a fool *not* to contradict him.

Tom, the subtitle of your book *Hamilton's Curse is How Thomas Jefferson's Archenemy Betrayed the American Revolution and What it Means for America Today*. What does it mean for America today?

DILORRENZO: Well, Hamilton was the founding father of unlimited government, and he was the founding father of crony capitalism in America. And that is exactly the system that we all suffer under today. It was the cause of the great recession in 2008. It's the cause of runaway Fed arrogance. Printing money, wildly creating never-ending boom and bust cycles. It's the cause of why we have a dictatorial president who thinks he can write any law he wants and send drones to murder American citizens anywhere on the planet on a whim without any interference from Congress or anyone else. That's the Hamiltonian curse. And of course Hamilton's defenders would say, well, if he were alive today he wouldn't want them to go that far. But that's really a naïve view. Hamilton understood how politics works and he understood how power works. And he had to have known himself if you really did have unlimited government restrained only by the good will of politicians, what a ludicrous joke that is, that it would become tyrannical. And I think he was always extremely shortsighted and wanted nothing but power for himself and his friends. Further evidence of this is that as soon as his friends did get power, when the Federalists got John Adams, their man, as president, what did they do? One of the first things they did was to abolish free political speech in America with the Sedition Act. And that's the kind of people Hamilton's party was. He was the intellectual leader of that party.