



# ALEXANDER HAMILTON

## PATRIOT of incorruptible INTEGRITY SOLDIER of approved VALOR STATESMAN of consummate WISDOM

Founding Father of the United States and first secretary of the Treasury, Alexander Hamilton was instrumental in the establishment of the most successful and powerful financial infrastructure in history. He was the son of a common-law marriage between trader James Hamilton and physician's daughter Rachel Faucett Laven, and his lowly birth would haunt him all his life.

Alexander Hamilton was born in 1755 (or 1757 by Hamilton's account) on the Caribbean island of Nevis. When James Hamilton abandoned them in 1765, Rachel provided for Alexander and his older brother James by running a small shop until her death in 1768. The young Hamilton worked in the shop as a clerk and bookkeeper. He was also provided a basic education and became fluent in French. Later, Hamilton was made an apprentice clerk for the trading firm of Nicholas Cruger and David Beekman. Impressed with a letter he had written about a hurricane that hit St. Croix in 1772 (see September/October 2002 *MarketTips*), Cruger and others raised a fund for his education. Late in 1772, with letters of introduction, Hamilton relocated to New York City, and in 1773 enrolled in King's College (now Columbia University). In 1774 through 1775 he began speaking in the "fields" of New York City (what is

now City Hall Park) about the upcoming revolution and writing widely read anti-British pamphlets. In 1775 Hamilton joined the New York provincial militia, and came under fire that year from a British warship. Yet in May 1777 he wrote to a friend,

*Your sentiments respecting war are perfec[tly] just. I do not wonder at your antipathy to it. Every finer feeling of a delicate mind revolts from the idea of shedding human blood and multiplying the common evils of life by the artificial methods incident to that state. Were it not for the evident necessity and in defence of all that is valuable in society, I could never be reconciled to a mili[tary] character; and shall rejoice when the restoration of pe[ace] on the basis of freedom and independence shall put it [in] my power to renounce it.*

That year, he became a lieutenant colonel in the Colonial Army, accepting a position as secretary and aide-de-camp for General Washington. His numerous duties included serving as Washington's emissary and writing scores of letters on diplomatic, political, and military issues. In 1780 Washington denied his request for a field command. Then, on February 16, 1781, Hamilton was briefly delayed in a conversation with General Lafayette. Washington said to him, "you have kept me waiting at the head of the stairs these ten minutes. I must tell you Sir you treat me with disrespect." Hamilton resigned his position under Washington, although their friendship would survive. In July he was given command of an infantry battalion under Lafayette that fought at the battle of Yorktown, Virginia in October 1781.

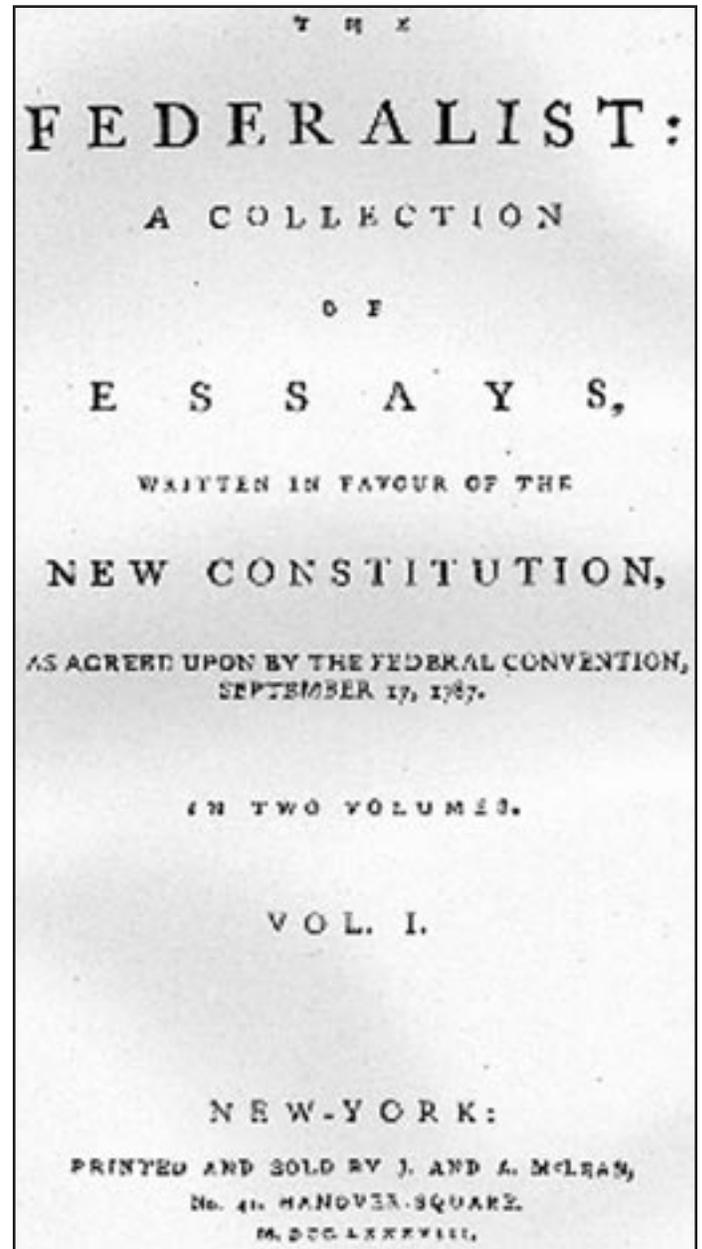
After the war's end Hamilton settled in New York where in 1780 he wed Elizabeth Schuyler, daughter of a wealthy



and politically powerful New York family, with whom he had eight children. Hamilton at this time embarked on a distinguished legal career near 57 Wall Street. That led to his inclusion as a key member of the Annapolis Convention in 1786 where he highlighted the shortcomings of the weak government under the newly established Articles of Confederation. In addition, Hamilton suggested the Constitutional Convention be held in Philadelphia. On June 18, 1787 he spoke at the Convention of his desire for a strong government with a president elected for life. His role in promoting debate on the Constitution and in seeing it ratified were greatly assisted by writings he published in *The Federalist Papers*, which he wrote with James Madison and John Jay. On September 17, 1787, he became a signer of the Constitution.

On September 11, 1789, the Senate approved Hamilton as the first Secretary of the Treasury under President Washington. Later that year Congress asked him to draw up a plan for the “adequate support of the public credit.” Hamilton’s legal work in commercial law helped him in creating his first two reports to Congress. In these studies, called *Reports on the Public Credit* which he submitted in 1790, he called for the funding of the entire national debt, asked for the Federal government to assume all state debt accumulated under the Continental Congress, and put forth a taxation system to pay for the assumed debts. The two reports, which were greatly influenced by 18th century economist David Hume’s study of a credit-based economy, provided a plan for eliminating the \$80 million in national debt (40% of gross national product at the time) that had accumulated in the Revolutionary War. Hamilton proposed the sale of bonds to stabilize the nation's finances. Critics did not approve of the Federal government assuming state debt because some states, such as Virginia, had already paid off much of its debt, and assumption of debt by the Federal government was believed to restrict the power of states. When the assumption of state debt by the Federal government was voted on, Congress defeated the bill 31 to 29. But at an informal dinner arranged by Hamilton and Madison, Jefferson struck a deal with Hamilton in which the nation’s capital was moved from Philadelphia to its current location on the Potomac, so Jefferson, Secretary of State at the time, could build on his Southern power base. The bill then passed, and Hamilton’s bonds went on to sell very well because of the high level of confidence in the United States.

Hamilton produced his third report, *Report on a National Bank*, submitted on December 14, 1790, calling for the creation of the Bank of the United States to “control...monetary policy.” (The idea of the Bank of the United States lives on today as the Federal Reserve System.) The bank, which was to be modeled after the Bank of England, was signed into law by President Washington and led to the U.S. having the highest credit rating in the world five years after its creation. The fourth, and most complex report by Hamilton was the *Report on Manufactures*



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submitted December 5, 1791 in which he proposed that a tariff on imported goods and taxes be used to raise revenue. The main goal of this report was to protect the nation's infant industries from Europe. *The Report on Manufactures* was largely inspired by Adam Smith's *Wealth of Nations* (1776), although Hamilton disagreed with Smith's laissez-faire idea that the state should, for the most part, keep its hands off economic processes. Hamilton believed the Federal government was very much responsible for directing the economy and aiding manufacturers through protective laws. *The Report on Manufactures* had great appeal for posterity and was the most farsighted and influential of his reports. Although at first Congress did not approve of his plan, in 1792 most of the tariffs he called for were enacted. Business writer John Steele Gordon writes that the Federal government tariffs "would be the most important tax...until the First World War, providing the majority of the government's revenue for the time, except during the Civil War."

Hamilton's financial plans were a key factor in sustaining the American state during its confrontation with Britain in the War of 1812 and facilitated Jefferson's making the Louisiana Purchase from Napoleon in April 1803 for \$15 million. It was also in part the debate over Hamilton's financial plans (Thomas Jefferson and James Madison believed they lacked concern for the common man) that helped spur the creation of the U.S. party system. It should be noted, however, that Hamilton, like Washington, saw political parties as causing disorder and did not welcome the creation of his Federalist Party against Jefferson and Madison's Democratic-Republican Party, which became the basis of the modern Democratic Party.

The first Secretary of Treasury had considerable influence over policy and was able to convince Washington to adopt a policy of neutrality toward wars in Europe. In 1793 Jefferson resigned as Secretary of State. Two years later, on January 31, 1795, Hamilton resigned from the Treasury Department. Returning to his home, The Grange, in rural northern Manhattan, he resumed his law practice. This was not before he issued his final treatise, *Report on a Plan for the Further Support of Public Credit*, in which he defends his financial program and warns against the overuse of credit that caused a market crash in February 1792 from stock prices that skyrocketed because of bank loans given to "stock-jobbers" (stockbrokers making speculative purchases). Hamilton's only other public office would be Inspector-General of the Army under President John Adams in the undeclared war with France (1798-1800).

In 1800, Hamilton threw his support to his old opponent Jefferson during a presidential election in which Jefferson and Aaron Burr tied in electoral votes. Eventually, it led to Jefferson's election. Hamilton once again thwarted Burr in 1804 when Burr ran for the governorship of New York. Burr later

took exception to remarks attributed to Hamilton, including one that Burr was "a dangerous man." Burr ultimately challenged him to a duel. Hamilton accepted. Since dueling was illegal in New York City, it took place across the river in Weehawken, New Jersey on the same field where his son Philip had been killed in a duel with a Jefferson supporter in 1801. On July 11, 1804, Hamilton was mortally wounded. He died the following day and was buried in Trinity Churchyard in lower Manhattan. His gravestone reads:



The corporation of TRINITY CHURCH Has erected this  
In Testimony of their Respect

FOR

The PATRIOT of incorruptible INTEGRITY

The SOLDIER of approved VALOR

The STATESMAN of consummate WISDOM

Whose TALENTS and VIRTUES will be admired

Long after this MARBLE shall have mouldered into

DUST

He died July 12th 1804 Aged 47

The importance of Alexander Hamilton cannot be underestimated. The strong financial system of which he was the architect and which allowed this nation to flourish continues today. Historian Leonard D. White called Hamilton "the greatest administrative genius of his generation in America, and one of the greatest administrators of all time."

#### Sources:

Fleming, Thomas. *Duel: Alexander Hamilton, Aaron Burr, and the Future of America*. New York: Basic Books, 2000.

Hamilton, Alexander. *Writings*. New York: The Library of America, 2001.

These books, as well as others on Alexander Hamilton, are available from book vendors on GSA Schedule 76, Publication Media.

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