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Book review: Richard Sylla and David J. Cowen, Alexander Hamilton on finance, credit, and debt

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Richard Sylla and David J. Cowen, *Alexander Hamilton on finance, credit, and debt* (New York: Columbia University Press, 2018. Pp. xiv+346. ISBN 9780231184564 Hbk. £24.99/$29.95)

This compilation of Hamilton's writings is aimed at showing how the famous Secretary of the Treasury laid the institutional basis for the modern US economy. For Sylla and Cowen, Hamilton triggered a financial revolution that radically changed the economic landscape of his country in just four years.

The book presents, in a chronological order, writings from when Hamilton was still Washington's lieutenant-colonel in 1779 to just before his death in 1803. These writings can be divided into four categories: state papers (on public credit, the establishment of a mint, and the support to manufactures); essays published in newspapers (The Continentalist); letters to eminent businessmen and politicians (such as Thomas Willing and James Duane); and, finally, articles of association drawn up for different corporations (the National Bank, the Society for Establishment of Useful Manufactures, and the Merchants Bank). The book also contains an incomplete piece that Hamilton wrote after retirement to justify the policies he had implemented in his first years of office. Each of Hamilton's writings forms a chapter. The introductory notes to each chapter briefly contextualize and summarize the text, highlighting its main points. The chapters are preceded by a general introduction and followed by a conclusion restating the main thesis on Hamilton's role in the financial revolution.

The book offers a real immersion into Hamilton's economic thought and dedication to his project. We discover how he conceived a broad-scale business plan for the reorganization of the US economy. His plan to restore public credit would help finance war, but also invigorate private business and manufacturing. To convince the elites and the general public of its soundness, Hamilton appealed both to their passions and to their interest, combining 'scientific' demonstrations based on accounting data with inspired tirades on the common good and the morality of commerce. He also took great pains to report and deconstruct counter-alternative suggestions circulating in the country—some of which were from his most famous 'opponents', Jefferson and Maddison.

The richness of Hamilton's thinking and the strong stance adopted by Sylla and Cowen raise many questions, some of which remain unanswered. In particular, readers may want more contextualization of both Hamilton's thinking and the authors' publishing strategy.

On a formal level, the logic underlying the structure of the book is not made explicit: we do not know the criteria for the selection of some texts and the rejection of others. The authors also do not share the methodology for condensing Hamilton's writings. The reasons for excising some portions are not always apparent, which can be frustrating—especially when the introduction mentions passages that seem important but cannot be found in the following text. The choice of a chronological order is not justified and questionable. Hamilton's thinking shows great coherence through time, yet elements of evolution and fluctuations are also visible—for example, concerning the sources of public credit or the role of foreign businessmen in the local economy. A more problematized gathering of his writings may have made it easier to grasp and understand these evolutions. A thematic approach may also have clarified the links between the various aspects of his economic thought. Of particular interest is the relationship between public and private finance. We are told that part of Hamilton's plan involved energizing the economy by multiplying private credit institutions, yet it is not clear whether private banks existed before the 'Revolution' or whether they emerged afterwards, as expansions of the import–export houses' credit functions or as new, separate institutions. The 'division of labour' as well as possible interactions between the national bank, chartered state banks, and private banks remain in the shadows.

When it comes to Hamilton's approach to economic issues, his various sources of inspiration—be they famous jurists and philosophers or foreign governments—are seldom evoked. Consequently, his contribution to the political economy of his time and the novelty of his views are difficult to evaluate. The focus on finance, to the exclusion of any other dimension of Hamilton's thinking, tends to convey the image of a disembodied financial system. Yet it has often been claimed that Hamilton dedicated his policies to keeping the traditional financial elites in power, while founding institutions now generally associated with political liberalism. Readers would certainly be interested in knowing the authors' views on such complex positioning.

Like any claim insisting on the role of a single factor in bringing about major historical changes, the central thesis of Hamilton as the instigator of the financial revolution exposes itself to criticism. While the notion of financial revolution is clearly defined as the creation of the six key components of the modern financial system in a limited time, this very definition implies a notion of linear financial development that is debatable. The six components referred to are 'effective' institutions of public finance and public debt management; a central bank; a national currency; fostering the growth of a banking system; securities markets; and business corporations. Yet we are not told in what sense these institutions are more 'modern' or 'effective' than those already in existence. In fact, what precedes the conception of Hamilton's financial plan is mostly referred to as scattered fragments of a dysfunctional credit system. This idea of America's sudden fall into economic modernity has been challenged on several fronts. Edwin J. Perkins (*American public finance and financial services, 1700–1815*, 1994) noted that colonial America's credit system functioned 'surprisingly well', which seems to indicate that the reforms set up by Hamilton were intrinsically linked to the new needs of an emerging nation. It also raises the question of the meaning of 'financial revolution' in the context of a newly founded state. Again, some political contextualization would probably have shed more nuanced light on the development of American finance. On the other hand, authors like Michael Merrill ('Putting "capitalism" in its place: a review of recent literature', *William & Mary Quarterly*, 3rd ser., 52 (1995), pp. 316–26) have underlined the continuities of the early 1800s with colonial economic development. According to Robert E. Wright (*Origins of commercial banking in America, 1750–1800*, 2001), Hamilton could not have achieved success, had not significant financial–economic changes occurred in the previous decades. Thomas McCraw himself (*The founders and finance: how Hamilton, Gallatin, and other immigrants forged a new economy*, 2012) suggested that the Founders scarcely comprehended the fast-changing circumstances that compelled them to act and had little sense of where the future was taking them. Unlike Hamilton, Sylla and Cowen do not engage with counter-hypotheses to justify their claims, although a more complete appreciation of the past may have refined the picture of economic transformations under Hamilton. Similarly, more could have been said on Hamilton's 'aftermath'. While the adoption/rejection of specific measures is usually mentioned in the core of the text, one could have expected the conclusion to state whether Hamilton's vision of a fiscal–military state was ever fully realized and, if so, what obstacles had to be overcome.

Overall the author seem to suggest that there is but one, Hamiltonian, economic modernity—rather than different economic systems adapted to their own historical contexts. The worldwide-scale adoption of the western model based on finance seems to support their views. Yet why this system has triumphed remains a mystery.

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