

CHAPTER V

PUBLIC FINANCE: A FRAMEWORK FOR PUBLIC CONFIDENCE

Money is, with propriety, considered as the vital principle of the body politic; as that which sustains its life and motion and enables it to perform its most essential functions. A complete power, therefore, to procure a regular and adequate supply of revenue, as far as the resources of the community will permit, may be regarded as an indispensable ingredient in every constitution.

Hamilton, Federalist 30

We can pay off [Hamilton's] debt in 15 years: but we can never get rid of his financial system.

Thomas Jefferson, 1802

The term "public finance" has become a part of common parlance in the theory and practice of public administration. However, as Richard and Peggy Musgrave point out, "It is not a good term, since the basic problems are not financial but deal with the use of resources, the distribution of income, and the level of employment."¹

Public finance is therefore linked to broad policy problems. It is also linked to political theories that determine policy priorities, and to the administrative arrangements for addressing those priorities.

Alexander Hamilton was more aware of this fact than any other American statesman of his time. As the above quote indicates, Jefferson soon became aware of it as well, but only in light of Hamilton's legacy. Hamilton's awareness of the philosophical, political and technical ramifications of public finance led him to seek the position of Secretary of the Treasury in the new government. Few persons wanted the position, or were qualified for it. Several of Hamilton's friends counselled him to seek other more distinguished and less hazardous posts.

During the Revolutionary War, the Continental finances were first handled by a commission. They botched the job so badly that it was decided to go to a single head. Robert Morris was selected for this post. He greatly improved financial matters, but suffered greatly under the overly suspicious state and continental governments. His reputation was marred permanently after his tenure in this position. ² The Confederation returned to a commission form of financial management in distrust of single heads. The

general outlook by statesmen of the time toward financial management was one of disdain or dread. This was caused generally by ignorance and distrust of such complex matters, and by fear for one's reputation. But Hamilton knew that "most of the important measures of every Government are connected with the Treasury." ³ Through the administration of public finance, he could reach every area of policy and every governmental department, and try to shape them in accordance with his national vision. He eagerly took the position, and used it to establish a sophisticated administrative framework for the new government.

Recall that Hamilton sought to increase national honor, strength and prosperity for the United States as a nation among nations. These were the concomitants of providing for the "common defense and general welfare" of the nation. Given these ends, the potential resources of the new nation, and the character of the people, Hamilton believed America could become a great and opulent nation. The primary means to greatness and opulence hinged upon the development of commerce broadly defined. This was to be an "enlightened society devoted to commerce on principle, as distinguished from a society merely containing men who engage in commerce." ⁴ Commerce contributes to national as

well as individual prosperity. Such prosperity provides the resources necessary for the operation of the government and the security of people.

In Hamilton's scheme, government played a central role in promoting and regulating commercial society. It could create conditions favorable to the development of a diversified or mixed, commercial economy. Government should promote and develop manufactures, trade, agriculture, and all the necessary accompaniments such as science, education, invention, regulation, and so on.

Given the depressed and primitive economic conditions, and the political chaos of the time, the government's role was all the more important. It would first have to establish reliable and affordable public credit, increase the circulation of negotiable instruments, provide an ample source of private credit, protect certain markets from international competition, systematize and stabilize the monetary system, learn how to manage public debt, and develop an adequate system of taxation. The sooner the new government could do these things, the sooner it would win the confidence and support of the people. This in turn would enhance the efficacy of the government. These measures would also contribute to the national government's political autonomy and supremacy vis-a-vis the states. The

more the national government could dominate or pre-empt the states in these matters, the greater were its chances of securing the Union through better administration.

The perspective described above provided the basis for Hamilton's efforts as Secretary of the Treasury. His reports on Public Credit, the Bank, the Mint, and on Manufactures contain all the elements of this perspective. His report on Public Credit (January 9, 1790) presented a plan for raising the public credit to sound levels where affordable interest rates and stable values would make borrowing, at home and abroad, more feasible. The national government would assume the debts of the states, and exchange, at face value, the state bills for new national bills. These stabilized debt instruments would be negotiable, thereby providing a stable circulating medium. Finally, the report provided a system for managing and retiring the national debt, and for an excise tax on spiritous liquors.

The report on the United States Bank (December, 13, 1790) proposed a central banking system to give "active and productive quality" to the specie of the nation. In Banks, specie forms the basis for paper circulation, thereby stimulating investment without need of far greater resources. "It is a well established fact that Banks in

good credit can circulate a far greater sum than the actual quantum of their capital in Gold & Silver." The bank is also a much greater source of "pecuniary aids" for the Government, especially in sudden emergencies. Finally, it facilitates payment and collection of taxes because of increased quantity and quickening of circulation.

The Mint, proposed January 28, 1791, would stabilize and systematize the monetary system by providing the nation with its own currency and equalizing its value throughout the nation.

The Report on Manufactures (December 5, 1791) presented a comprehensive industrial policy, with plans for protecting, encouraging and regulating industry and new markets. It also advocated a system of taxation designed to provide revenue for the government without compromising its promotive measures. This report summarized, better than any other document, Hamilton's vision of a complex, interdependent, industrial and administrative state in America.⁵

In sum, these reports provide for a system of political economy wherein the government first establishes conditions for sound credit and confidence in its operations. It then sponsors, protects and maintains

commercial development in pursuit of prosperity and
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security. This reinforces confidence in the efficacy of
the national administration, and attaches the interests of
the people to it. With the national government firmly
established, it continues, primarily through public
finance, to be the spur and rein of the political economy.

The concept of political economy accompanied the rise
of commercial nations in the seventeenth and eighteenth
centuries. It was used to connote the various types of
relationships developing between national governments and
economies. Various European schools of thought developed
around this concept, advocating one approach or another as
being most advantageous to nations. Among these were the
mercantilist, physiocratic, and laissez-faire schools. In
the scholarly circles of the day, the more highly refined
and unified laissez-faire theory became dominant. Adam
Smith's Wealth of Nations became its core text. In
America, the early Jeffersonians advocated a blend of
Laissez-faire and Physiocratic theories. These theories
gave support for the Jeffersonian vision of minimal
government, and a virtuous, agricultural society.

Hamilton, on the other hand, advocated a system based
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generally upon mercantilist thought. In his Report on
Manufactures, Hamilton first presents a comprehensive

critique of physiocratic doctrines that espoused the natural and productive virtues of agriculture, and denigrated manufacturing as being artificial and non-productive. In doing so, he relied heavily upon the insights of Adam Smith, Sir James Steuart, Malachy Postlethwayt, David Hume, Emerich de Vattel, Jean Baptiste Colbert, and Jacques Necker. After establishing manufactures as at least an equally valuable asset to a country, Hamilton then proceeded to advocate the government's role in its development. In doing so, he had to reject the heart of laissez-faire theory, and advocate an approach more closely akin to mercantilism.⁸ First he criticized the notion that free international trade would lead to a mixed and stable economy in the United States.

If the system of perfect liberty to industry and commerce were the prevailing system of nations--the arguments which dissuade a country in the predicament of the United States, from the zealous pursuits of manufactures would doubtless have great force

But the system which has been mentioned, is far from characterising the general policy of Nations. The prevalent one has been regulated by an opposite spirit. The consequence of it is, that the United States are to a certain extent in the situation of country precluded from foreign Commerce The regulations of several countries, with which we have the most extensive intercourse, throw serious obstructions in the way of the principal staples of the United States.

In such a state of things, the United States cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system, which should induce them to confine their views to Agriculture and refrain from Manufactures. A constant and increasing necessity, on their part, for the commodities of Europe, and only a partial and occasional demand for their own, in return, could not but expose them to a state of impoverishment, compared with the opulence to which their political and natural advantages authorise them to aspire. [9]

With this logic, Hamilton justified the use of tariffs and other protectionist measures designed to induce reciprocity abroad, develop home markets, and encourage domestic manufactures.

Next, Hamilton attacked the laissez-faire doctrine that government should leave its hands off the domestic economy.

The remaining objections to a particular encouragement of manufactures in the United States now require to be examined. One of these turns on the proposition, that Industry, if left to itself, will naturally find its way to the most useful and profitable employment: whence it is inferred, that manufactures without the aid of government will grow up as soon and as fast, as the natural state of things and the interest of the community may require.

Against the solidity of this hypothesis, in the full latitude of the terms, very cogent reasons may be offered. These have relation to--the strong influence of habit and the spirit of imitation-- the fear of want of success in untried enterprises--the intrinsic difficulties incident to first essays towards a competition with those who have previously attained to

perfection in the business to be attempted--the bounties, premiums and other artificial encouragements, with which foreign nations second the exertions of their own Citizens in the branches, in which they are to be rivalled.[10]

With these "very cogent reasons," Hamilton is attacking the fundamental presumption of the "invisible hand" theory--rational-economic man. People do not maximize their welfare. They are creatures of habit, more socially than economically oriented.

Experience teaches, that men are often so much governed by what they are accustomed to see and practice, that the simplest and most obvious improvements, in the most ordinary occupations, are adopted with hesitation, reluctance and by slow gradations. The spontaneous transition to new pursuits, in a community long habituated to different ones, may be expected to be attended with proportionably greater difficulty. When former occupations ceased to yield a profit adequate to the subsistence of their followers, or when there was an absolute deficiency of employment in them, owing to the superabundance of hands, changes would ensue; but these changes would be likely to be more tardy than might consist with the interest either of individuals or of the Society. In many cases they would not happen, while a bare support could be ensured by an adherence to ancient courses; though a resort to a more profitable employment might be practicable. To produce the desirable changes, as early as may be expedient, may therefore require the incitement and patronage of government.[11]

Related to man's social nature is his fear of failure in new and unfamiliar enterprises. Government must, wherever possible, reduce uncertainty by "such a degree of

countenance and support . . . as may be capable of overcoming the obstacles, inseparable from first experiments." It must inspire the "confidence of sagacious capitalists both citizens and foreigners." Finally, the government must protect its new industries and markets against those more superior and perfected in other nations, and against the measures used by their governments to protect and enhance them. Given this perspective, it is clear that Hamilton viewed the government as the foundation of the political economy. It must precede and support the political economy, and it must have the means to do so. Money, the "vital principle of the body politic," is an "indispensable ingredient" for those means.

In the Hamiltonian system, the relation between public finance and political economy is not completely understood until one also comprehends the moral ethos that pervades it. This ethos is most easily discerned in Hamilton's approach to credit. He referred to credit as "a new power in the mechanism of national affairs." It, like money, was a vital principle in the body politic of any commercial nation.¹² When money is in short supply, credit is a necessary and expedient alternative. During the seventeenth and eighteenth centuries, the British demonstrated the importance of credit in maintaining its

great and far-flung empire. In the United States, sound public credit was required to establish the government and stabilize the political-economy.

Hamilton viewed credit as a complex "system of anticipation." Credit is made sound and reliable when our anticipation of another person's actions is based upon habitual and unequivocal compliance with predetermined agreements. Credit is therefore based upon confidence that moral obligations will be honored, that debts can and will be paid. The greater the confidence one party has in another, the more credit will be extended; and the better its terms will be. For Hamilton, these principles applied to states as well as to individuals. "States, like individuals, who observe their engagements, are respected and trusted: while the reverse is the fate of those, who pursue an opposite conduct." The government must act in good faith, guarding its reputation and honor jealously lest it compromise justice and lose the confidence of its people.

A Government which does not rest on the basis of justice rests on that of force. There is no middle ground. Establish that a Government may decline a provision for its debts, though able to make it, and you overthrow all public morality, you unhinge all the principles that must preserve the limits of free constitutions--you have anarchy, despotism, or

what you please, but you have no just or regular government. [14]

In his Report on Public Credit, Hamilton identified two basic reasons for the strict observance of good faith. The first is political expediency. Loans would be required in cases of public emergency such as war, insurrection, or depression. They would also be required by nations "possessed of little active wealth" or "monied capital." In these situations, it is crucial that good credit be obtained to avoid the dangers of "borrowing and buying dear." "From this constant necessity of borrowing and buying dear, it is easy to conceive how immensely the expences of a nation, in a course of time, will be augmented by an unsound state of the public credit." Sound public credit justifies and preserves confidence, and encourages respectability. Furthermore, it "answers most of the purposes of money." It could restore land values, stimulate commerce, and attach the interests of the people and the states to the union.

The second reason has to do with the "immutable principles of moral obligation" and the "intimate connection between public virtue and public happiness."

While the observance of good faith, which is the basis of public credit, is recommended by the strongest inducements of political expediency, it

is enforced by considerations of still greater authority. There are arguments for it, which rest on the immutable principles of moral obligation. And in proportion as the mind is disposed to contemplate, in the order of Providence, an intimate connection between public virtue and public happiness, will be its repugnancy to a violation of those principles.

This reflection derives additional strength from the nature of the debt of the United States. It was the price of liberty. The faith of America has been repeatedly pledged for it, and with solemnities, that give peculiar force to the obligation. [15]

In the Hamiltonian system, public virtue was necessary to preserve public confidence and trust. Adherence to immutable moral principles was linked to happiness, and thence to public utility and expedience. Thus, Hamilton's "emphasis is not fiscal or economic in the narrow sense, but is on the morality of respecting and discharging national monetary obligations."

This was the foundation of Hamilton's whole policy in the Treasury. He found no instance in which fidelity to promise did not coincide with financial and political benefits. The whole of his system was bottomed on national honor. No matter how complex the particular operations, all ran back to the wisdom of obedience to commitments. Holding this axiom, he was able--where others were not--to separate the plausible from the true course of conduct. Because of this conviction, buttressed by much knowledge and experience, he displayed a mastery which contrasts with the uninformed confusion, not to say the disingenuous pleas of opponents. [16]

Given the circumstances of the United States during this period, it is easy to see why sound public credit served as the lynchpin of Hamilton's financial system. All other efforts to build the political economy hinged upon its establishment. Thus it was that Hamilton designed financial policies as much for the purpose of building national character and reputation, as for prosperity and security.

To summarize, then, Hamilton related public finance to the Constitutional ends of common defense and general welfare. He based his measures on a social rather than economic model of man. This model implies that government must often support and lead people cautiously through beneficial changes. They would otherwise avoid or fail to see such change because of attachments to local ways and habits, and because of the dread of uncertainty. The resulting measures were calculated to gain the people's confidence and support for the national government by promoting their prosperity and security. To this end, the government was to play the leading role in the development of an enduring political economy. A major prerequisite for this was the establishment of sound public credit based upon the strict observance of good faith in all financial dealings. This brings into relief the political and moral

necessity of establishing and maintaining an honorable, national reputation.

The conclusion of this analysis is that Hamilton viewed public finance in terms of the primacy of moral and political criteria over strictly economic criteria. The economic sphere is very important, but it depends upon the establishment and maintenance of a stable moral and political context. During much of our subsequent financial history we have tended to concentrate upon the economic aspects of finance, and to ignore the political and moral aspects as described above. A perusal of almost any twentieth century finance text reveals that this is still the case.

Consider, for example, the text by Musgrave & Musgrave. This is one of the better and most commonly used finance texts in the field. In it there is the very brief statement that "the contractual arrangements and exchanges needed for the market operation cannot exist without the protection and enforcement of a governmentally provided legal structure."¹⁷ Throughout the rest of the book, the role of government is conceived of primarily as a supplement to the free market system. The government, through allocation, distribution and stabilization, provides those goods the market can't. The legitimacy of

the government's operations are held to the standard of economic and technical efficiency as opposed to constitutional or legal mandate. Finally, the book assumes the rational-economic man model for its analysis, thus emphasizing individual calculation and preference as opposed to social habit, manipulable volition, and uncertainty avoidance. It therefore ignores significant aspects of human nature and political society that government must attend to in the formulation of financial policy.

The study of public finance has become far more complex and descriptive than it was in Hamilton's day. We know much more about the economic and technical aspects of public finance. However, in training our public administrators, there is a notable lack of instruction about the high political and moral context of the field, and the ramifications this context has for financial
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policy.

Further evidence of this problem exists in the continued prevalence of the rational-economic man model in public finance courses. In organizational and administrative theory courses, students of public administration are commonly taught about the inadequacies of this model relative to social models. Beginning with

the Hawthorne experiments, empirical studies have tended to confirm the validity of social models like the one Hamilton assumed in his work. For example, in Hamilton's model we can see realizations confirmed by Edgar Schein's research in organizational psychology, and by James Thompson's in organizational sociology.¹⁹ However, when a student steps from these courses into public finance classes, he or she enters unwittingly into a world devoted almost exclusively to rational-economic man. Economic and technical-financial criteria easily overshadow and constrict political and moral criteria in this context. The irony of this situation is that financial specialists develop the habit of thinking in the rational-economic context, finding it increasingly difficult to accept and apply other models. It becomes increasingly difficult to broaden the scope of their financial analyses as they accept higher levels of policy responsibility.

The History of Hamilton's Financial System

When Jefferson said we could never get rid of Hamilton's financial system, he was only partially right. In various periods of our history, there were intense and temporarily successful efforts to undue much of Hamilton's work. Jefferson himself personally led the first attack on

the system. As is well known, the controversy originated in the states-rights versus national authority issue.

During the Federalist era, Hamilton got most of his system established in law and fact. The Treasury department's accounting and customs operations were organized, the sinking fund was established, and sound public credit restored within the first year of the Washington administration. The United States Bank was operational by 1791, and various taxes were implemented over the next five years. Only some of the measures proposed in the Report on Manufactures had failed in Congress. Hamilton sought to address some of these measures through private associations such as the Society to Promote Useful Manufactures. The Mint, housed inappropriately in the State Department, was very slow in getting started. Only with Hamilton's intervention did it eventually operate as it should.

However, as Hamilton implemented the system, the resistance to his measures increased rapidly under the leadership of Jefferson and Madison. They sought to enlarge state power and keep the national government's power to a minimum. They challenged the constitutionality of the Bank, and vigorously attacked Hamilton's debt management policy as an effort to confuse and control Congress. His

whole financial system was also viewed as a threat to the power of states. Wherever Hamilton sought to expand the national government's powers, the Republicans resisted. Jefferson was also convinced Hamilton was administering the government into a monarchy. Through the use of a partisan press, he conveyed this impression effectively to his many followers and allies.

Regional politics played an especially important role in the resistance to Hamilton's measures. ²¹ Though his measures were calculated to benefit the nation as a whole, their first and most apparent affect was to benefit the northern commercial interests. An uneven distribution of wealth and power among the states was feared as much as a power-aggrandizing national government was. The leaders of the southern and middle agricultural states refused to accept Hamilton's principle of judging public policy ²² according to its more general tendency. Accordingly, the assumption of state debts, the lack of discrimination between first and subsequent holders of Revolutionary War debt, and the United States Bank were viewed as measures supporting northern states and merchants to the detriment ²³ of the southern states.

To this perspective were added the unsubstantiated charges of collusion and corruption between Hamilton and

his merchant/speculator friends. Hamilton's actions as Secretary of the Treasury were thoroughly and repeatedly investigated by Congress. He was completely exonerated each time, but nevertheless suffered grievous harm to his reputation and effectiveness.

The combination of (1) mounting Republican party power, (2) Hamilton's resignation from the Treasury in 1795, and (3) the divisiveness within the subsequent Adams administration,²⁴ led eventually to the rise of the Jeffersonian era.

Jefferson, of course, had every intention of undoing Hamilton's work. He brought Albert Gallatin to the Treasury with the express purpose of undoing Hamilton's debt management policy. The debt was to be retired, and national government spending reduced. The development of the domestic political economy was to be left to the states. However, events quickly forced his hand in the direction of Hamiltonian methods and ends. Leonard D. White said Jefferson "presented at least a dual personality in the realm of administration." Especially during his first term, he worked toward his agrarian, states-rights vision. "In quick succession, the army and navy were reduced, the excise taxes were abolished, and economy introduced wherever possible." The debt was in large part

reduced, and the funding system lay relatively idle. But as his tenure wore on, the environment grew from placid to turbulent. British and French animosity resulted in commercial warfare that directly affected American commerce and shipping. Jefferson retaliated with the Embargo Act. On the domestic scene, he changed his ideas on national government spending for roads and other improvements. He compromised strict construction with the Louisiana Purchase, and "he deserted the doctrine of legislative dominance when he imposed his leadership upon Congress." ²⁵ Hamilton was, therefore, quite correct in his 1801 assessment of Jefferson.

But it is not true as is alleged that he is an enemy to the power of the Executive, or that he is for confounding all the powers in the House of Rs. It is a fact which I have frequently mentioned that while we were in the administration together he was generally for a large construction of the Executive authority, & not backward to act upon it in cases which coincided with his views Nor is it true that Jefferson is zealot enough to do anything in pursuance of his principles which will contravene his popularity, or his interest. He is as likely as any man I know to temporize--to calculate what will be likely to promote his own reputation and advantage; and the probable result of such a temper is the preservation of systems, though originally opposed, which being once established, could not be overturned without danger to the person who did it. [emphasis added] [26]

In times of peace and prosperity, Jefferson found it

expedient to pursue his favorite political agenda. In times of turbulence, he found himself using the administrative system he had opposed so vehemently while Hamilton was establishing it. It is in this light that Leonard White characterized the Jeffersonian era as "a projection of Federalist ideals and practice."

The Jeffersonian era in the field of administration was in many respects a projection of Federalist ideal and practice. The political differences between Jefferson and Hamilton turned out to be much more profound and significant than their differences in the manner and spirit of conducting the public business. Jefferson and Gallatin, moreover, inherited a going concern, and it developed that a brief twelve years had been enough to set patterns that persisted throughout the next thirty. The Federalists disappeared as a political party, but their administrative system was adopted by their political rivals. [27]

Jefferson's experience is representative of the flow of much subsequent American political and administrative history. In the nineteenth century especially, during periods of peace and prosperity, the national administrative system was largely ignored, reduced in scope, and portions of it even abolished. The national policy was, as Herbert Croly described it, one of
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individualism and drift. But during periods of crisis, brought on by war or depression, efforts were made to resurrect the administrative system and provide national

leadership. However, as shall be seen, some of these attempts were often short-lived and only moderately successful because many complicating factors arose from the earlier periods of drift.

This pattern of neglect and then attempted rejuvenation of the national administration can be seen in the life of some components of Hamilton's financial system. Principal among these were his bank, the sinking fund, and his tax policy.

The United States Bank

It was Hamilton who perceived brilliantly the ways in which the welfare of the nation would be served by the development of banking. [29]

To Hamilton, a national bank was an "indispensable engine in the administration of the finances of the country." He also observed that "Most commercial nations have found it necessary to institute banks; and they have proved to be the happiest engines that ever were invented for advancing trade." It would greatly aid fiscal management, strengthen the credit and currency system, and provide for uniformity and coordination of the monetary system. It would increase capital for public and private

investment, thus stimulating commerce. It would provide a centralized fiscal service for the national government's loans, interest payments, and Treasury deposits. It would be an indispensable aid to the government in organizing its finances, in laying and collecting taxes, and for borrowing money. It would also serve as a centralized information system for developing adequate trade regulations.

Beyond this, a national bank would provide an important institutional link in the creation of the
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American state. Hamilton thought the United States Bank would, like the Bank of England, "unite public authority and faith with private credit," thus building confidence and security. In particular, he was concerned with reversing the depreciation of notes and paper money, thereby enhancing circulation. This required more than simply controlling the quantity of notes and money in circulation. It required higher levels of confidence in the value of the bills. And it especially required the confidence of a particular group of people--the wealthy, citizens and foreigners. They were important sources of credit and revenue. Thus it was crucial to connect their interests with the government's policies. "The only plan that can preserve the currency is one that will make it the immediate interest of the moneyed men to cooperate with

government in its support." ³² The wealthy therefore had to have an interest in the new credit system. A quasi-public bank managed by a mostly private board, but chartered to serve the government's fiscal and monetary needs, in addition to private investors, was an important means of eliciting such interest.

The United States Bank was an immediate success. Its stock was over-subscribed within two hours of opening, and it commonly sold at a premium thereafter. "All during its life, the Bank was wisely and conservatively managed, performing its functions well during its twenty years' ³³ existence." It provided the funds necessary for a variety of governmental exigencies, including Indian wars, the Whiskey Rebellion, and Jefferson's Louisiana Purchase. ³⁴ It stimulated investment in all kinds of enterprise. It became an essential aid to the Treasury in regulating the interbank settlements in the growing state bank system, thus anticipating the function of the Federal Reserve banks of twentieth century America. In short, the bank became the first real central bank in America, and all subsequent central banking institutions, ³⁵ functions and regulations were adapted from its plan.

And yet, "the excellent record of the Bank of the United States and the friends it won did it insufficient

good politically." ³⁶ In 1811, the Bank's charter required renewal. The renewal never occurred due to an odd combination of political and economic interests.

The Republican party had, as Jefferson hoped, come to represent all number and kinds of factions. Among these were old Anti-Federalist agrarians and planters, as well as old Federalists and wealthy businessmen. Many agrarians opposed banks in general because they threatened the agrarian vision of society. They especially disliked the United States Bank as a stimulus to and symbol of the commercialism of the northern states. In addition, some old Federalist and new Republican businessmen disliked the Bank's regulatory actions upon the state banks. They viewed its controls as an unnecessary check on commerce. Both groups formally opposed the Bank on grounds of ³⁷ constitutionality.

In support of the Bank were more moderate and conservative spokesmen who knew its value both to government and the private sector. Albert Gallatin, Jefferson's able Secretary of Treasury, was the leading exponent. Jefferson tolerated the United States Bank largely at the urging of Gallatin. He was otherwise completely opposed to it. In the end, however, Gallatin failed to save the Bank. The rechartering process failed in

Congress.

The failure of the Bank resulted in rapid, unregulated growth of state banks. These filled the lending gap, but there was no longer any central regulative machinery for the Treasury Department to make use of. Its hands were tied. The War of 1812 brought with it the need for Federal government borrowing. The war also increased the need for centralized fiscal controls. The absence of the Bank was sorely felt.

Ironically, James Madison, who had opposed the Bank so vigorously in 1791, supported it during his administration. He had come to realize its necessity and convenience. Joining Madison were a group of "new Republicans" who "stood for the broad construction of national power, for an active employment of those powers, for a strong navy, for a well-organized army, for a United States Bank, for a tariff, for internal improvements, and for a foreign policy that looked toward the further acquisition of territory." In short, this group comprised a Hamiltonian wing of the Republican Party, and, after 1817, came to dominate it. Among this group were such luminaries as Henry Clay, young John C. Calhoun, John Quincy Adams, Mathew Carey, Frederick List, William H. Crawford, John Forsyth, John Taylor, S.D. Ingham, William

Lowndes, and William Rush. Rush would become Secretary of the Treasury in the late 1820's, and publicly allude to Hamilton's "comprehensive genius" and farsightedness to support active national government policies.

This group managed to get a second United States Bank established in 1816. The chaotic and depressed financial situation in the United States made a national bank more palatable again. It was restored on the same basic plan of Hamilton's first United States Bank. However, circumstances had changed. The state banks were now numerous and had substantial political and fiscal powers of their own. Furthermore, they were extremely suspicious of the new national Bank. This uneasy relationship compromised somewhat the national Bank's ability to perform central banking functions. The result has been adequately summarized by Hammond.

The performance was disappointing but not a failure. Nor was the central banking function itself at fault. The difficulty was one of having not merely to replace a necessary institution that had been wantonly abandoned but of undoing the unnecessary mischief that arose from its abandonment. America was resourceful and energetic enough to recover from such gross and reckless errors, but they were errors and grossly expensive nevertheless. [39]

The second United States Bank was especially effective

during Nicholas Biddle's reign. He, more than any previous bank president, understood, managed, and advocated the national bank as a central banking mechanism. But under the Jacksonians, the Bank was again threatened, and eventually destroyed. The pattern was again the same. Political opposition combined with a short period of relative peace and prosperity made the national bank's regulatory functions seem unnecessary and bothersome. This was especially true given the rage for laissez-faire and "free banking."

Again, no sooner was it destroyed (1836), than financial panic ensued (1837). State banks and private banks swelled in numbers. They created easy, chaotic and irresponsible credit policies while the national fiscal machinery lay idle. It lay idle until the Civil War began. In the interim, the national government treasury was almost entirely emptied, and its governmental operations failed to keep pace with the growing economy. The

Civil War again brought about the acute necessity of massive Federal spending and fiscal control. The cycle was repeating itself again. President Lincoln, Daniel Webster, Salmon Chase, John Sherman, Samuel Hooper, and others sought and eventually got a national bank system

established in 1864. These banks actually had little time to aid in the prosecution of the war, but they helped re-establish the foundations for a national monetary system and national fiscal controls over the economy in subsequent years.

The Civil War was greatly protracted primarily because of "the rudimentary state into which federal powers had been allowed to lapse for two decades while the economy waxed greater and greater." The federal government was ill-equipped to handle such an emergency. Furthermore, since Jackson's administration, the Treasury was kept "from exercising an essential function--it was forbidden to act normally and to its own advantage as a transactor in the economy." As Bray Hammond indicated:

No meeting ground between a government and its people is of more vital importance than that of monetary payments; yet the federal government was denied the use of the money the people used. Any business corporation or individual could borrow at banks, but the government could not. Even in a time of terrible need, the Treasury was forbidden to touch the common means of payment, either as borrower, as payor, or as payee. It might have been confined, with less serious results, to ox carts for conveyance, to quill pens, and to candle light. [40]

The exigencies of the Civil War ended such limitations, but at great cost. Fiscal and administrative

recovery was slow. For example, it was not until 1869 that the national government regained control of its monetary powers over the states.⁴¹ The economy, on the other hand, was expanding rapidly and chaotically. The pattern of decline from Hamiltonian standards and principles, and then slow, partial recovery of the national fiscal and administrative machinery toward the Hamiltonian model was becoming set as an historical habit. This pattern was to repeat itself in similar form two more times, with Woodrow Wilson and then Franklin Roosevelt fighting populist and laissez-faire doctrines, and leading the effort to restore central fiscal and monetary control to the national government.⁴² What Hammond said of the Federalist era held equally well for the late Jeffersonian era, and for the Civil War, Progressive and New Deal eras.

There was mounting realization that banks performed an organic operation amounting to something more than the sum of its parts, and that the regulatory influence of a central bank upon the system was necessary. [43]

The creation of the Federal Reserve system and the fiscal insurance system in the twentieth century ^{has} have contributed to what is now seemingly a permanent central banking system with adequate national control over credit and money. Hamilton's influence in this evolutionary

development played no small part. He set the basic standards, principles, and framework in 1790. Hammond indicates that he defined banking for the twentieth century as well as the eighteenth. His charters for the New York Bank and the United States Bank served as models for almost all subsequent bank charters in the U.S. and Canada. He developed fractional reserve requirements, and established the rule "that liabilities of specie paying banks could be accepted by the Treasury as equivalent to specie.

This led to the stage reached in the twentieth century where reserves of banks, as required by federal law, comprise no specie or other cash whatever, but exclusively amounts due from the Federal Reserve Banks.⁴⁴ Most importantly, Hamilton saw the political and financial significance of a quasi-public bank to the development of an energetic commercial union. A central bank could aid in tying private interests to an energetic national government, and thence to a prosperous and stable commercial union. This insight was alluded to again during the Civil War when the union's future was once more⁴⁵ seriously in question. But the truth of this insight could not be taken for granted until the question of federal supremacy in fiscal and monetary administration was settled. That remained for twentieth century America

to decide with a finality that Hamilton would approve.

The Sinking Fund

In nothing are appearances of greater moment than whatever regards credit. Opinion is the soul of it; and this is affected by appearances as well as realities.

Alexander Hamilton

Throughout our history the issue of public debt has been perennial and controversial. The Reagan administration came to power on the promise of eliminating it. Upon doing just the opposite, it has incurred the wrath of some of its own supporters. The abhorrence of public debt was as great in Hamilton's day as it is now. The misunderstanding and confusion about the subject was also as great then as now. And yet in Hamilton's administrative decisions and writings we can see a very clear and sensible approach to it. His techniques and strategy in managing public debt have been adhered to out of necessity at various periods throughout our history. And they are especially pertinent to twentieth century financial administration.

Because Hamilton's funding system was designed to enhance public credit, it had to deal not only with

provisions for the creation of debt, but with provisions for debt retirement as well. It was a "fundamental maxim" of his "that the creation of debt should always be accompanied with the means of extinguishment." ⁴⁶ However, this did not mean immediate extinguishment. He intended only that provision be made for its eventual retirement after more important exigencies had been attended to. Reducing the debt was not the most important priority in financial administration. Nevertheless, it was important enough to warrant Hamilton's attention. It was a necessary part of a sound system of public credit.

Thus: observing the immense importance of Credit to the strength and security of nations, he [Secretary of the Treasury] will endeavor to obtain it for his own country in its highest perfection by the most efficient means; yet, not overlooking the abuses to which like all other good things it is liable, he will seek to guard against them, by promoting a spirit of true national economy, by pursuing steadily, especially in a country which has no need of external acquisition, the maxims of justice, moderation and peace, and by endeavoring to establish as far as human inconstancy allows certain fixed principles in the administration of the finances calculated to secure efficaciously the extinguishment of debt as fast at least as the probable exigencies of the nation is likely to occasion the contracting of it.

These, I can truly say, are the principles which have regulated every part of my conduct in my late office. [47]

The principal means of debt extinguishment in

Hamilton's system was through the use of a sinking fund. The sinking fund operated on the assumption funds would be permanently appropriated for the payment of interest on the debt. If interest payments could not be met, the whole system would crash in ruins. Beyond this, a board of commissioners was set up to oversee the discharge of debt, "either by purchases of stock in the market or by payments on the amount yearly redeemable on the principal of the new stock, until the whole debt was discharged." The money appropriated to this fund came from post office revenues, and was not to exceed one million dollars. Hamilton also planned "that the commissioners be authorized to borrow sums not to exceed \$12,000,000, for the purpose either of converting the foreign debt to a lower rate of interest, or of purchasing domestic debt in the market when it was selling below par." ⁴⁸ The transactions of the sinking fund would be conducted "through the medium of a national bank" yet to be proposed.

The sinking fund was established in August 1790. The administrative machinery of the fund was capable of retiring debt fairly quickly given adequate and permanent sources of revenue. However, the fund was rather poorly endowed at that point, with only surplus revenues earmarked for it. In an insightful analysis, Donald F. Swanson

pointed out that this was by design. In 1790, Hamilton was more interested in the sinking fund for its political and psychological value than in its actually paying off the debt. There was pressure from Jeffersonians and businessmen to extinguish the debt as soon as possible. But the nation had little revenue. The tax base was poor, and taxes other than on foreign goods were quite unpopular. It would take time to cultivate habits and wealth amenable to taxation on a broader scale. In the interim, Hamilton saw debt as a necessary source of revenue and circulating medium. Without it, the national political economy would be paralyzed.

Accordingly, Hamilton used the sinking fund as a mollifying symbol of debt reduction. At various points in his writings, Hamilton expressed the very advanced insight that at least in financial matters, people "are much led by sounds and appearances." "Appearances" are therefore "as 50 important as realities. Opinion is the soul of credit." If the sinking fund could be administered in such a way as to make it appear that public debt was being reduced quickly, the establishment of public credit and sufficient operational revenue derived therefrom would become less controversial. As credit became more sound, more confidence would be developed in the fiscal capacity of the

government, and commerce would be stimulated. This was the road to real national union and wealth, and it is still an essential concern of today's public administration.

Swanson describes how Hamilton designed and administered the sinking fund to create this favorable appearance.

He proposed that the highest officers in the government, as in England, be denominated as commissioners and be charged with the management of a sinking fund. Hamilton, as one of his contemporaries [Albert Gallatin] pointed out, was interested in forms and apparatus. The existence of the sinking fund machinery gave the appearance that the debt was being paid and that all the ingredients of a well-constructed fiscal system had been furnished.

Hamilton used every possible opportunity to obtain the full psychological and political value out of what little debt redemption the sinking fund accomplished. For instance, in 1792, after the sinking fund had purchased \$1,456,743 of debt with \$941,851 of specie, Hamilton had a circular printed on the sinking fund's activities and sent to all the newspapers. He enclosed a statement requesting that the editors "give the information the general circulation which its importance merits." Except for the readers of anti-Federalist newspapers like the National Gazette, this information no doubt made an impression on the minds of the public. [51]

At times the sinking fund system was also revised to enhance its debt reducing capabilities. In a report suggesting measures for completing the designs of the funding and sinking fund laws of 1790, Hamilton proposed a

"systematic sinking fund" with supplementary and permanent sources of income. The sources were, however, insignificant in relation to the size of the debt. Furthermore, events such as the Whiskey Rebellion and the Indian Wars were causing more debt. In general, however, it appeared that the debt was being reduced.

Hamilton's chief political enemy, Jefferson, believed all along that Hamilton had no intention of reducing the debt. As a member of the board of commissioners he could easily see that. ⁵² But he failed to see Hamilton's intentions very clearly. Rather, he was convinced Hamilton was trying to create a perpetual debt like England's, and to confuse and control Congress while transforming the government into a monarchy.

No man is more ardently intent to see the public debt soon and sacredly paid off than I am. This exactly marks the difference between . . . Hamilton's views and mine, that I would wish the debt paid tomorrow; he wishes it never to be paid, but always to be a thing to corrupt and manage the Legislature. [53]

With his retirement in 1795, Hamilton submitted of his own accord a plan for redemption of the debt in less than thirty years. He proposed a variety of new taxes and substantially strengthened the sinking fund. However, he built some flexibility into the sinking fund in order to

avoid its operating at full capacity during periods of deficit spending caused by war or other emergencies. This is analogous to counter-cyclical fiscal policy in the twentieth century. The sinking fund "was capable of adapting to different budgetary conditions."⁵⁴

The machinery of Hamilton's sinking fund stayed in place until 1834 when it successfully completed redemption of the public debt.⁵⁵ It did not reappear until the start of the Civil War. In 1861, the Lincoln administration (per Secretary Chase) proposed that it be re-established. Some even proposed strict adherence to Hamilton's plan for debt extinguishment in thirty-four years.⁵⁶ However, Hamilton would not have been adamant about such detail. He would have accommodated his system to the circumstances. His standards were contingent, not doctrinal in such matters. In any case, the operation of the fund did not continue for very long. After the war ended, the new Secretary of the Treasury, Hugh McCulloch, refused to use it. Its utility had nevertheless been reaffirmed.

The sinking fund was then re-enforced during the Harrison administration (1889-1893) in an effort to reduce budget surpluses. This was achieved through open market purchases of unredeemable debt. However, this strategy had detrimental effects on the money supply and promoted

speculation. Accordingly, efforts were made to discredit the sinking fund theoretically and practically. Economists in particular attacked the theoretical foundations of the sinking fund.⁵⁷ In doing so, they ascribed its weaknesses to misplaced and mistaken formulation by Hamilton. As Donald Swanson points out, they attacked him for copying the erroneous and inappropriate English sinking fund. This was easily shown to be a dangerous innovation. The English, with Pitt's leadership, had created many problems for themselves by operating the sinking fund inviolably out of general revenues during periods of massive deficit spending.

However, Swanson points out that these critics did not look very closely at how Hamilton designed and ran the American sinking fund. He had designed it for flexibility. More importantly, he was less concerned with retiring the debt than in establishing public credit. To be sure, the sinking fund in its barest manifestations resembled the English version. So did his other fiscal policies. And there is little doubt Hamilton was aware of it. "But their purposes and operation were quite different from their English counterparts and conformed to the demands created by the vastly different American situation." The essential goal in 1790 was to put the

nation on a firm and stimulating financial footing. Retiring the public debt was therefore a secondary and conflicting priority that would have to wait for better times. But in order to do this, Hamilton had at least to appear to adhere to established symbols of orthodoxy which over-valued debt retirement.

The main point is that Hamilton's contribution to American fiscal policy was not in his being either a copyist or an original inventor, although in some respects he was both, but in his knowing how to disguise politically unacceptable policies in the wrappings of orthodoxy to achieve essential ends within a minimum of time. His objective was the establishment of public credit. To achieve this objective, Hamilton employed methods which involved him in what is perhaps the greatest pretense in American fiscal history. He felt the quick achievement of this important goal was worth the risk of exposure and condemnation by Jefferson. [58]

Appearances are as important as realities in establishing confidence. The immediate success of Hamilton's fiscal policies lends credence to the assertion. He knew how to rank priorities according to the situation, to time his fiscal policies with changing circumstances, and to create favorable appearances in pursuit of real gains. He was not doctrinaire about fiscal and economic policy. He used fiscal and economic doctrines flexibly in pursuit of union and prosperity.

The sinking fund machinery set up by Hamilton has not been used in the twentieth century. But Hamilton's administrative strategy around which the fund was built has been used many times. As mentioned earlier, Hamilton designed the sinking fund to operate flexibly as a counter-cyclical fiscal device. He designed it to conduct open market operations comparable to those performed by central banks today. More importantly, his debt management strategy played an important role in legitimating the policies of the New Deal and post-New Deal eras.

In the late 1920's, the orthodoxy of the balanced budget was as strong as ever. "Conventional talk about the need to balance the budget had always emphasized the importance of preserving confidence in the credit of the government and in the currency, and of not absorbing to finance the deficit funds that would otherwise be used to finance private investment." ⁶⁰ In the early years of the depression, Hoover stuck to this policy in word, and he tried to in deed. The dire circumstances, however, made a balanced budget economically unpalatable. Taxes would have to be raised and spending cut. Hoover was painfully aware that an austerity budget could be a cure worse than the affliction. Nevertheless, most of his advisors thought this the necessary course, and he directed his efforts

accordingly. The Hoover administration's concern for balanced budgets blinded it to the possibility that counter-cyclical fiscal policies could be engaged in without sacrificing the popular impression of sound
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finance.

Roosevelt, on the other hand, held a more relaxed view of government debt. As Harold Stein pointed out, Roosevelt believed in a balanced budget.

But Roosevelt's own belief in budget balancing was not to stand in the way of a policy of deficits. The belief was probably real enough, but it was not so high in Roosevelt's scale of values that he was prepared to sacrifice much for it. Also, his conception of what budget balancing meant was elastic enough to accommodate the fiscal policy he wanted.

He was more concerned with the desire of the public for a "sound" financial policy, and with the possible economic and political consequences of the belief that his policy was not sound. But these would be the consequences of the public image of his policy, and could be averted by presenting the proper image, without changing the policy. [62]

Like Hamilton, Roosevelt realized that appearances were as important as realities. Shortly after his inauguration in 1933 he delivered a message to Congress that persuaded many that he was leading the way to sound finance via a balanced budget. In the message he asked for emergency power to cut certain expenditures by amounts he

argued would equalize income and expenditures within a year. As Stein points out, the actual cuts were minor. But their symbolic importance was immense. "A glow of fiscal soundness was cast over the whole New Deal." With this image projected on his administration, he proceeded to carry out his spending program "clothed in the language and trappings of 'sound finance.'" The administration wanted to maintain at least the appearance of orthodoxy in its budget policy.

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In conjunction with this spending policy, the Roosevelt administration also established a special tax levy to begin paying off the resulting debt. In essence this was not unlike Hamilton's sinking fund. It was used to much the same purpose and in the same manner. Its primary function was to contribute to the appearance of sound fiscal management.

The Roosevelt administration's criteria for "sound finance" and adequate fiscal orthodoxy matched Hamilton's exactly.

1. There should be an expectation that when normal business activity was regained the budget would be balanced. Related to this was the idea that even during a depression current revenues should exceed regular expenditures, with the implication that the deficit was entirely due to the depression and would disappear with the

depression.

2. There should be an expectation that the balanced budget would be achieved sometime "soon"--soon enough to seem real but not so soon as to be immediately embarrassing.

3. Expenditures and the deficit should decline as recovery progressed. [64]

As Stein points out, "these three ideas appeared in every budget message of the first Roosevelt term." They are also implicit in every measure Hamilton proposed for establishing sound public credit and for financing national emergencies. These ideas also prepared the way for a much broader and more pervasive role for government, one that Hamilton hoped would be realized much sooner.

Tariff Policy, Taxation, and the "American System"

The flexible, Hamiltonian approach of the Roosevelt administration to debt management also prepared it for a change of emphasis concerning public spending generally. Not only should the government spend beyond its immediate revenue for emergencies, it should at times, as Keynes urged, spend to stimulate and stabilize business, investment and employment. Following the recession of 1937-38, this became the dominant mode of thought in the administration. The government had a stimulative and protective role to play in the economy. This implied a flexible fiscal policy wherein deficit spending might be advisable under certain circumstances, and tax cuts and expenditure reductions advisable under others.⁶⁵ At the time, massive spending seemed the appropriate course. This marks a another return to Hamiltonian ground.

The administration relied in part on Keynesian economic theory and its rejection of "classical" or laissez-faire theory to justify this approach. In doing so it was unconsciously returning to Hamiltonian thought as expressed in the reports on Public Credit and Manufactures. Keynes had rejected classical economic theory for the same

basic reason Hamilton did. It simply did not fit with the real world. There was no such thing as a self-perpetuating, self-adjusting economic system in Hamilton's or Keynes's time. This was the central argument of Keynes' book, The General Theory of Employment, Interest and Money.⁶⁶ Keynes obviously went much further in his theory than Hamilton could possibly go. Classical theory had undergone many refinements Hamilton could not have foreseen, and that Keynes needed to address. However, the broad outlines of Keynesian theory are remarkably similar to Hamilton's ideas. Both rejected exclusive reliance on monetary policy. Establishing and maintaining confidence in credit, in government, and in the economy itself was equally if not more important. If there was little confidence in these things, easy money policy would fail miserably. "Therefore government spending was necessary to restore prosperity and in the process restore confidence,⁶⁷ at which point private enterprise would revive."

Roosevelt expressed the Hamiltonian position in a fireside chat that could just as easily have been an adaptation of the Report on Manufactures.

In the first century of our republic we were short of capital, short of workers and short of industrial production; The Federal Government rightly assumed the duty of promoting

business and relieving depression by giving subsidies of land and other resources.

Thus, from our earliest days we have had a tradition of substantial government help for our system of private enterprise. But today government no longer has vast tracts of rich land to give away and we have discovered that we must spend large sums to conserve our land from further erosion and our forests from further depletion. The situation is also very different from the old days, because now we have plenty of capital, banks and insurance companies loaded with idle money: plenty of industrial productive capacity and several millions of workers looking for jobs. It is following tradition as well as necessity, if Government strives to put idle money and idle men to work, to increase our public wealth and to build up the health and strength of the people--and to help our system of private enterprise to function. [68] [emphasis mine]

The policies and institutions established during this latter New Deal period have done much to shape subsequent American government and history. We can see in it the rapid expansion of the public administration and the justification of a supportive and intervening role in the economy. And Hamiltonian ideas have played a part in bringing this about. These ideas, however, go beyond the basic strategy of Hamilton's sinking fund. They relate much more to his general theory of public finance and political economy as expressed in the report on Manufactures and Public Credit. Furthermore, these ideas have been influential in periods prior to the New Deal. Again, that influence has tended to follow the basic pattern of

emergence, decline and re-emergence.

In the Hamiltonian plan, the national government was to have a financial system capable of generating revenue sufficient to meet every exigency in support of the general welfare and common defense. This included regulation and defense of the American political economy.

[Excepting the three express constitutional limitations] the power to raise money is plenary, and indefinite; and the objects to which it may be appropriated are no less comprehensive than the payment of the public debts and providing for the common defense and "general welfare." The terms "general welfare" were doubtless intended to signify more than was expressed or imported in those which Preceded; otherwise numerous exigencies incident to the affairs of a Nation would have been left without a provision. The phrase is as comprehensive as any that could have been used;

It is therefore of necessity left to the discretion of the national legislature to pronounce, upon the objects, which concern the general welfare, and for which under that description, an appropriation of money is requisite and proper. And there seems to be no room for a doubt that whatever concerns the general Interests of learning, of Agriculture, of Manufactures, and of Commerce are within the sphere of the national councils as far as regards an application of money. [69]

The government thus requires substantial resources. To this end Hamilton advocated a flexible system of taxation and borrowing. The taxation system would include a wide variety of taxes affecting all sectors of the

economy. There should be taxes on luxury items such as liquor and carriages, on imported goods, on bonds and other investment devices, on refinement of sugar, on auction sales, on land, houses, slaves, legal instruments, and so on. Furthermore, these taxes should be structured in ways supportive of the economy. They should also enhance national supremacy, and they should be fair and progressive whenever possible.⁷⁰

Hamilton espoused a contingency approach to taxation. In his Report on Manufactures, he devised taxes according to the circumstances of the young nation. He avoided taxes that retarded the growth of new industries. Taxes requiring discretionary valuations by public officers were to be avoided in this context. These included taxes based upon estimated profits and employed capital.

A business . . . which may rather require aid, from the government, than be in a capacity to be contributory to it, may find itself crushed by the mistaken conjectures of the Assessors of taxes. [71]

Hamilton was thus very protective of new industries. However, when they matured, they would be taxed appropriately. The 1791 tax on whiskey was justified on this basis. Hamilton considered it to be a mature industry relative to others in the United States.

The situation in the young nation also required that direct taxes be avoided "until the people possessed more political discipline, [and] were more loyal to the federal government."⁷² Direct taxes could not be shifted by the payers. They were highly visible and unpopular. The chances of abuse, at the time, were therefore too high to justify their use. However, during emergencies, direct taxes could be resorted to in spite of the lack of good tax paying habits. Loyalty, heightened in times of international crises, would mitigate a lot of the resistance to such taxes. Hence, Hamilton and other Federalists proposed and passed direct tax legislation in 1798, in response to hostilities with France.

There were also taxes Hamilton thought should be used exclusively during emergencies. Poll or capitation taxes were of this type.

I am as much opposed to a capitation as any man: yet who can deny that there may exist certain circumstances which will render this tax necessary. In the course of a war, it may be necessary to lay hold of every resource: and for a certain period, the people may submit to it. But on removal of the danger, or the return of peace, the general sense of the community would abolish it. [73]

According to Hamilton, then, taxation schemes should

fit the nation's changing circumstances. Consequently, the national government must be allowed to use a wide variety of taxes in order to address revenue needs at any given time. For this reason Hamilton wanted the new government to make use of every kind of tax as soon as possible. He wanted to avoid the appearance of a state government monopoly on certain kinds of taxes simply because the national government had never before used them.

Common sources of revenue were certain sooner or later to bring about rivalry for their control. Hamilton clearly foresaw this prospect and took timely steps to ensure sound federal footing in the field of internal revenue. In his defense of the funding system he frankly declared that the solution was "to leave the states under as little necessity as possible of exercising the power of taxation." With reference to the federal excise tax introduced in 1791 he "thought it well to lay hold of so valuable a resource of revenue before it was generally pre-occupied by the state governments"; he feared that failure to exert national authority over internal revenue might "beget an impression that it was never to be exercised, and next, that it ought not to be exercised." Jefferson and his party promptly repealed the excise taxes, but the precedent had been set. [74]

Hamilton's fear of state pre-occupation of some kinds of taxes was not without merit. Internal taxes were seldom used by the national government between 1818 and the the Civil War. Bray Hammond pointed out that this did indeed foster the sense that the national government ought not use

such taxes.

No attempt to raise an internal revenue had been made for years, mainly because duties on imports provided the federal government all the money it needed, but also because abstention from direct taxes had fostered a feeling that the federal government had come under a positive obligation to abstain from them, having surrendered the field to the states.[75]

Fortunately, Hamilton's precedents had justified the use of internal taxes during the War of 1812, and would do so again during the Civil War.

Hamilton's use of the excise tax on whiskey followed more from the desire to assert the national government's right to use this and other internal taxes, than as an immediate and substantial source of revenue. In fact, at the time, it generated only small amounts of revenue. Nevertheless, Hamilton vigorously guarded the national government's right to use it when challenged by western Pennsylvanians in the "Whiskey Rebellion." Again, Hamilton saw the significance of precedence, habit and custom in public finance.

In pursuing the general welfare and common defense, Hamilton would spend taxes to stimulate and protect public, quasi-public and private enterprise. In the Report on Manufactures, he proposed a series of bounties, premiums

and tariffs as incentives to enterprises in new industries. His emphasis upon positive incentives like bounties and premiums has been largely forgotten in light of his more well-known tariff policies.

Contrary to popular belief, while Hamilton approved protective duties; even prohibitive ones in some cases, for the United States, he gave his preference to bounties, premiums and other specific encouragements, though less familiar to our people. [76]

Hamilton's fiscal and promotive policies were therefore much more like those of the New Deal era than is commonly recognised. The government must play an active role through spending to develop and maintain the economy.

He also advocated the development of an industrial infrastructure by the national and state governments. The building and improving of roads and canals, and other supports were to be integrated into a "comprehensive plan" of internal improvements. He also advocated the creation of government agencies that would give grants for stimulating invention, introducing new machines, and for attracting skilled laborers and artisans from other countries.

Hamilton would not have restricted his protections and enhancements to private enterprise alone. He would have

used national resources to help resolve local and regional problems, and to manage certain kinds of enterprise. In at least one instance he brought both fiscal and monetary policy to bear on a local problem. This involved the financial panic in New York City, 1792. Using national resources and Treasury borrowing strategies, he bailed the city out of drastic liquidity and confidence problems brought on by irresponsible speculation.

At the very outset of our history he brought the resources of the national government to the rescue of a locality in distress. This offered a precedent followed afterward on numerous occasions of limited danger, whether the threat was financial or physical.

More than a century later, the Federal Reserve system was authorized to apply its supplements and correctives in local banking situations, still later the Reconstruction Finance Corporation and other federal agencies were similarly empowered, and the Tennessee Valley Authority extended comprehensive help to a depleted region. [77]

He also advocated public ownership and control of military equipment manufactures. Given the problems we face today with the military-industrial complex, his words have some merit.

But it may hereafter deserve legislative consideration, whether manufactories of all the necessary weapons of war ought not to be established, on account of the Government

itself. Such establishments are agreeable to the usual practice of Nations and that practice seems founded on sufficient reason.

There appears to be an improvidence, in leaving these essential instruments of national defense to the casual speculations of individual adventure; a resource which can less be relied upon, in this case than in most others; the articles in question not being objects of ordinary and indispensable private consumption or use. As a general rule, manufactories on the immediate account of Government are to be avoided; but this seems to be one of the few exceptions, which that rule admits, depending on very special reasons. [78]

The determination of public, quasi-public or private ownership depended on the characteristics of the enterprise and the type of public benefit gained from it. A national bank should be quasi-public, a military manufactory should be public, and enterprises producing articles for private use should generally be private. And the commercial relations between enterprises were to be regulated by the government as the need arose. This meant particular attention should be paid to the inspection and regulation of new products. The quality of U.S. products, as much as anything else, would reflect upon the reputation of the country and its continued prosperity.

Hamilton is more well-known for his use of tariffs as part of protectionist policy. Basically, he would use high tariffs to restrict or prohibit foreign finished goods that rivalled domestic goods. Tariffs on raw materials that

could not quickly be produced within the United States were to be lowered. Partially finished foreign goods would have moderate to lower tariffs if they could be finished in the United States. This system was to be used as long as protection was needed from foreign industries that had some kind of unequal advantage.

Tariffs were not as controversial as internal taxes for the simple reason that the burden did not visibly fall on the people or the states. Very few objected to revenue oriented tariffs. The national government needed some revenue, and the states were prohibited from using import duties. But Hamilton's emphasis on tariffs as a protective device for manufactures made tariff policy controversial.

Protective tariffs have the express purpose of restricting or prohibiting trade with the use of high duties. This ran counter to free trade and physiocratic theories. Furthermore, the development of manufactures and commercial enterprise arising from protective tariffs was at first thought to threaten agricultural interests. This fear was increased because of the regional concentration of commerce in the north and agriculture in the south. It was feared that restrictive tariffs promoting domestic manufactures would result in contraction of markets in Europe, and divert southern state resources to northern

commercial interests.

Most people ignored Hamilton's central argument that there was a productive interdependence between agriculture and manufactures. The two would complement one another in a prosperous industrial/agricultural nation. Manufactures provide a "positive augmentation of the Produce and Revenue of the Society." It provides mills for processing agricultural products, provides new tools and inventions for increased agricultural production and efficiency. Furthermore, it creates more demand for agricultural products because more industry requires a larger population.

Hamilton cited several factors that recommended manufactures to the young nation. Among these were (1) the division of labor. "The separation of occupations causes each to be carried to a much greater perfection, than it could possibly acquire if they were blended;" (2) extension of the use of Machinery which brings with it its own occupations as well as increased efficiency; (3) additional employment to classes of the community not ordinarily engaged in business; (4) promoting of emigration from foreign countries; (5) furnishing greater scope for the diversity of talents and dispositions which discriminate men from each other; (6) affording a more ample and various

field of enterprize; and (7) creating in some instances a new, and securing in all, a more certain and steady demand
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for the surplus produce of the soil."

Hamilton looked ahead to social and commercial interdependence as a favorable thing. Many others wished to avoid it. But one way or another it was going to come. He knew it, and tried to prepare the nation for it through prudent financial administration.

Although many of Hamilton's revenue producing recommendations in his Report were passed during the 1790's, he failed to get much of his protective tariff policy enacted during his lifetime. However, he inspired many influential spokesmen of the nineteenth century who eventually convinced America of the need for manufacturing, and to a certain extent of the need for an active national government. Even the southern states, subsequent to reconstruction, would sound the cry for manufactures and general industrial development. Tariff policy played an important role in securing this development, and Hamilton is generally regarded as the father of American tariff policy. As A.D.H. Kaplan said, "Little of the theory of the protective tariff in America has gone very far beyond
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the principles laid down by Hamilton in his Report."

Hamilton's tariff and taxation system was only partially implemented by the time Jefferson took office. And with Jefferson's ascendance, much of Hamilton's system was repealed. All internal taxes were discontinued. The national government relied exclusively on revenue producing import duties for its income. The economy was left free to run its own course. In his Lucius Crassus papers, Hamilton berated Jefferson for this extremely unwise policy. The nation would not even have the resources necessary to face emergencies such as war.

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Hamilton's advice was ignored until the War of 1812 brought about the dilemmas he anticipated. The lack of a national bank, and of any substantial surplus resources led quickly to financial and military crises. As stated earlier, the bank was eventually re-established as a result of the war. Much of his taxation policy was also re-established, including direct taxes, and his protectionist tariff policy gained support. Thus, Hamilton's ideas on political-economy did not just die away during the nineteenth century. Rather, they re-emerged whenever the country or its economy were severely threatened. In the early nineteenth century they were strongly advocated by supporters of what Henry Clay and others called the "American System."

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Hamilton's wish for governmental and public advancement of industry and transportation did not receive impetus until, a dozen years after his death, the "American System" became the cry, when his urgings were returned to in the tariff of 1816, the charter of the second Bank of the United States, and the apostleship of the elder Carey, Niles, and their friends.[83]

The most influential expositor of this system was Mathew Carey, 1760-1839. Carey was a prominent publicist and pamphleteer who, from around 1815 to the late 1830's forcefully advocated Hamilton's theories and supported his institutions. He was so enamored of Hamilton's great reports and of his vision of America as a complex and interdependent industrial state that he pursued the development of a "Hamiltonian school of political
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economy." Because Hamilton's name was not highly regarded in this period the name never caught on. The "American System" was a term used by Clay to characterize his presidential platform. His platform resembled very closely the views held by Carey, List, and other Hamiltonians. The "American System" became the popularly accepted title for this approach to public policy.

In the newly emerging field of political-economy, Carey and other "American System" writers such as his son Henry Carey and Friedrich List comprised the "Historical School" of which Hamilton was considered the father. With

List as an advocate, the Hamiltonian program for state-building became an international phenomenon.

Carey read widely in the field of political economy. He was skeptical of the increasingly popular "free trade" school of Adam Smith. He considered many of its doctrines too abstract, and contrary to experience. He much preferred the protectionist and stimulative policies found in Hamilton's reports. His widely read works were for the most part regurgitations of Hamilton's ideas. He considered Hamilton's Report on Manufactures

one of the most luminous and instructive public documents ever produced in this or perhaps any other country. It is a complete body of political economy on the subject of national industry, and sheds a glare of light on this all-important subject which points out with unerring certainty, the course this nation should pursue. [85]

Carey was not speaking out of ignorance. He knew all the popular theories as well as the older, lesser-known ones. In advocating Hamiltonian political economy, "he contributed an able defense of the system which it involved. . . . [H]e was one of the best informed authors of the time, and in the polemics of the period he proved a thorn in the flesh to writers whose logic overlooked
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annoying facts."

The American System formed the foundation for the policies advocated by the "new Republicans" and later by their intellectual descendants, the Whigs. They were nationalists inspired by the wave of nationalism arising in response to the War of 1812. They espoused the supremacy of the national government over the states. The national government was to protect and support economic development through active tariff and internal taxation policies, most of which were originally advocated by Hamilton. This resulted in some limited success. In 1813 internal taxes were re-established, and in 1816 a "mildly protective" tariff was enacted. However, a popularly supported and fully protective tariff policy was not established until 1820 in response to the economic panic and depression of 1819.

Carey worked with Hezekiah Niles, Abbot Lawrence, Rollin Mallery, Henry Clay, John Quincy Adams, John Bailey, John Tod, Isaac Bates, Daniel Webster, and others during the 1820's to further develop protective tariff policy. However, protective tariff policy came to symbolize the political dominance of the northern and western regional alliance, and the decline of southern culture and power. Tariffs had long been viewed by the southern states as harmful to their overseas markets. Nations affected by our

tariffs would respond with their own tariffs, thereby making United States agricultural products less marketable abroad.

The issues of slavery, nullification, and preservation of southern political power were focused in large part around tariff policy. Tariff policy suffered as the issues heated. The Jackson administration began reducing taxes generally as the national debt was repaid. By 1834-5, protective tariff policy was also being dismantled in an attempt to mollify southern animosity.

In 1837, depression hit and protective tariffs were again pushed by Clay and his American System advocates. This eventually resulted in the highly protective "Black Tarriff" of 1842. However, by 1846, prosperous times had returned and there was pressure to water down the protective nature of the tariff. This general cycle of (1) repeal or modification of protective tariffs during prosperous times, (2) the occurrence of depression or war, and then (3) re-enactment of protective tariffs, repeated itself throughout the nineteenth century and into the twentieth. Protective tariff policy was in effect throughout much of this period, but it was much abused and never consistently applied.

After 1930, the use of protective tariffs was gradually reduced because of reciprocal trade agreements, subsidies for emergent industries, and the availability of other fiscal sources for combating depressions. Furthermore, many of our industries had reached maturity, and could hold their own in competition. However, protective tariffs are still called for at times when specific industries run into trouble. In industries considered vital to our national security and interest, Hamilton would probably still apply some kind of protective policy if needed.

The tariff policies of the early nineteenth century did help spur the development of manufactures and commerce. By the 1850's the nation was well on its way to becoming an interdependent, mixed economy. But the lack of other governmental involvement left this development open to exploitation detrimental to the public interest. Many of the large, rapacious business organizations of the late nineteenth century sprang up during this period. They were left to grow without much interference or control by government. Though Hamilton would have been pleased with the growth of manufactures and commerce, he would have been dismayed with the enforced dormancy of the national administration, while these businesses grew in power and

influence. The government should have grown as these organizations grew in order to control their excesses and channel their energies in ways beneficial to the public.

The civil war temporarily brought the national administration into the forefront again. Internal taxes were re-established. These included an excise on distilled spirits patterned in part after Hamilton's original bill.⁹² An income tax was initiated for the first time, and protective tariffs were re-instituted. These taxes and tariffs were quite high during the war. The government required substantial resources in a short period of time. High taxes remained for a period of years following the war in order to carry on reconstruction of the south and of the economy in general. But laissez-faire doctrine and state's rights politics soon brought the civil war administration to a close. Through retrenchment we returned to the pre-war national policy of drift.

In the civil war era, the Hamiltonian influence showed itself again in the work of American System advocates. Primary among these were Henry C. Carey, Salmon Chase, Daniel Webster, David Wells, Steven Colwell, William Elder, Edward Atkinson, Justin Morrill, and William Fessenden. The American System movement played a significant role during this period for a number of reasons. Many of its advocates

were instrumental in getting the tariff and internal taxation system on a sound footing again. They were resurrecting a vibrant national administration. But most of these gains would be lost shortly after the war. More important was the fact that American System advocates had also become a strong voice for applications of science to governmental problems. In the midst of the spoils system, they advanced the idea that scientific expertise was important for effective administration. This idea played a central role in the reform era of the late nineteenth century.

The primary intellectual force of the American System at this time was Henry C. Carey, Mathew Carey's son. The younger Carey's role during this period is significant because he was able to link Hamiltonian theory with the emergence of modern social science. As such, he provided a new legitimating symbol for Hamilton's theory of public administration.

In his work on the Principles of Social Science, Carey attacked Adam Smith's economic man model in Hamiltonian style. He then proceeded to describe mid-nineteenth century American society as an increasingly complex and interdependent social state requiring improved federal-level coordination and guidance. He did not call

for centralization in the sense that the national government would take over total administration of the society. Rather, he espoused "concentration" which recognizes the appropriateness of different levels of administrative responsibility--national, regional, state and local. However, at the time, the national administration was too poorly developed to perform its stimulative and protective role. Thus followed his support of the national government in developing its fiscal, protective, and regulative powers in Hamiltonian fashion.

Carey's work links Hamilton's vision of a prosperous and interdependent industrial state with the reality of its emergence. He thus combines Hamiltonian vision with the evidence of social-scientific inquiry. Such inquiry was emerging as an important symbol of orthodoxy. Furthermore, according to Thomas L. Haskell, the emergence of professional social science in the latter half of the nineteenth century was tied to the presumption and increasing realization of "social interdependence." This interdependence was defined as

involvement in a network of intense dependencies that is regional or global in scope, and which includes vast numbers of people, most of them strangers who will never encounter each other on a face-to-face basis.

By the term "growing interdependence" I mean . . . that tendency of social integration and consolidation whereby action in one part of society is transmitted in the form of direct or indirect consequences to other parts of society with accelerating rapidity, widening scope, and increasing intensity. [94]

Haskell describes the three major sources of interdependence in this period as market, transportation, and specialization. These were three principal concerns of Hamilton as expressed in the Report on Manufactures. And these factors figured heavily in Carey's analysis of the American political economy. ⁹⁵ Like Hamilton, List, and his father before him, Henry Carey stressed the productive potential of this interdependence. Given the regional political tensions of the period, Carey related this interdependence to the potential "harmony" and prosperity between agricultural, manufacturing and commercial ⁹⁶ interests.

As Haskell points out, the concept of interdependence took on a life of its own in the late nineteenth century. It not only became a central political concern for social scientists, it became a heuristic tool. It literally changed the way they looked at the social world. The realization of interdependence meant that social life could no longer be conceived of within the "intimate confines of family, sect and village." In that older era, "sensitivity

to the interdependence of human relationships in time and social space was not a critical matter. . . . But as society became increasingly interdependent, the conditions of adequate explanation and prediction changed.⁹⁷ This of course led to the hegemony of professional social science, and eventually to a re-vitalized authority for expertise in government.

Haskell gives examples of the influence of the interdependence model that are particularly relevant to this study. He points out how Richard Ely, Woodrow Wilson, John Dewey, Albion Small and others premised their studies and actions on social interdependence. Ely tied it to his and other economists' rejection of laissez-faire doctrine. He and other economists organized the American Economic Association in order to address what Haskell describes appropriately as the increasing "sense of drift and disorder" in society brought about by lack of attention to interdependence.⁹⁸ Herbert Croly pointed to the same danger and openly advocated Hamiltonian means to overcome it. Wilson premised his famous essay on the study of administration on much the same basis.

Carey and his group formed a significant part of what Stephen Skowronek calls an "emergent intelligentsia rooted in a revitalized professional sector and a burgeoning

university sector."

These intellectuals championed a fundamental reconstruction of the mode of governmental operations to be centered in an administrative realm possessing "finish, efficacy, and permanence." If the discipline of courts and parties could be broken and replaced with the discipline of cosmopolitan bureaucratic routines, new capacities for national governmental control could be tapped in the maintenance of social order, and the influence of a new type of professional could be institutionalized in the high affairs of state. [99]

In broad outline, this is the Hamiltonian vision. He would not replace the discipline of courts and parties so much as lead it with executive power and bureaucratic routines. Nevertheless, if E.L. Godkin's values of "finish, efficacy, and permanence" in the administrative realm have an historical analogue, it is Hamilton's concept of executive "energy." Quite clearly, these values have played an important role in twentieth century American public administration.

As the society increased in interdependence, the role and authority of expertise grew. The national government grew with it, and so did its revenue sources. Internal taxes eventually overtook import duties as the leading source of revenue. The government's fiscal role gradually increased, and laissez-faire doctrine eventually faded into

the background. States' rights followed the same course in the face of active national policy. Unbeknownst to many, much of the Hamiltonian vision was being realized.

This historical progression of Hamiltonian ideas from early American System advocates such as the Mathew Carey to the progressive era transcend the history of tariff and taxation administration. But the linkages between tariffs, internal taxation and a prosperous political economy were crucial to this progression. Hamilton framed and implemented these ideas in the context of financial administration.

A great deal of attention has been paid in this chapter to the influence of Hamilton's ideas on the American System movement, and on the New Deal era. The American System movement is significant because it supported Hamilton's ideas throughout the nineteenth century. In periods of crisis, his ideas proved quite useful and gained in prominence primarily through American System advocacy. Furthermore, advocates of the American System have been linked to the rise of the Progressive era. The increasing awareness of social and economic interdependence during this era brought new attention to Hamiltonian means. The nation could no longer afford to drift. Its government had to act. This realization alone

follows in the spirit of Hamilton's vision. But many measures taken in subsequent years, particularly during the New Deal era, follow his ideas even more closely. Nowhere is this more apparant than in the realm of financial administration and policy formulation. The national government must play a stimulative and protective role in the political economy. Hamilton's ideas, then, played a formative role in the development of modern public administration.

Hamilton's Treasury Organization

In concluding this chapter, a brief note is needed concerning the legacy of Hamilton's Treasury Organization. Though no direct evidence exists on Hamilton's contribution to the form of the Treasury act, most historians and biographers believe it was substantial. Leonard D. White believed "he did in fact largely determine the form of the Treasury Act." White's argument is cogent and worth repeating.

[Hamilton's] son records that after the meeting of the new Congress in 1789, Hamilton's law work was much interrupted by daily conferences with leading members and with the President, who had early announced to Hamilton his intention of appointing him as Secretary of the Treasury. Knowing that he was to administer

the Department, it is inconceivable that Hamilton would sit by idly while its powers and relationships were being debated by his friends (including at that time Madison). Many years later (1819) President James Monroe told his Cabinet that the Treasury Act was drawn by Hamilton. Henry B. Learned . . . discounts this observation as also does Ralph V. Harlow The section concerning the Secretary's relation to Congress in any event is in strict accord with views which Hamilton expressed some years earlier. Hamilton to James Duane, Sept. 3, 1780. . . . [100]

If one accepts this argument, then Hamilton must be credited with another enduring contribution to American financial administration. The Treasury organization's structure remained substantially unchanged into the twentieth century. Andrew Mellon, Secretary of the Treasury under Herbert Hoover, said that "Treasury operations are conducted today on the same structural plan as was utilized by the first Secretary of the Treasury." ¹⁰¹ This applies as well to the lower, technical level details and routines of the Treasury. For example, in 1931 Robert Warshaw found that Hamilton's system for receiving and disbursing public funds "has been used by every succeeding secretary, and in its main particulars is used today in the treasury administration." ¹⁰²

Hamilton presented accounting reports to Congress in the basic line-item form of a budget. He set up controls over other Departments' annual estimates and expenditures,

and over the settling of their accounts. His organization of customs operations also endured late into the nineteenth century. This was perhaps the most crucial administrative operation in nineteenth century America. Hamilton set the standards for limiting and structuring discretion in the custom houses, for catching smugglers and pursuing tax delinquents. He organized the customs patrol system for bays, harbours and open sea. This later became the U.S. Coast Guard. He established a reliable feedback system with customs officers for improving the whole operation. The quality of these operations deteriorated during the nineteenth century, but the organizational structure remained essentially intact.

Hamilton's organizational innovations went far beyond
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his day. This includes not only his innovations in the Treasury Department, but also in the War Department. His capacity for organizational detail and rigorous controls was surpassed by none. More important, however, was his ability to synthesize these details with the more strategic concerns of financial policy. He blended politics and vision into an administrative craft. This skill is what made Hamilton so important to American public administration, then and now. In the next chapter we shall see how that skill carried over into foreign affairs and

military administration.

Notes to Chapter V

1. Richard A. Musgrave, Peggy B. Musgrave, Public Finance in Theory and Practice, 2nd Ed. (New York: McGraw-Hill Book Company, 1976), p. xv.

2. Broadus Mitchell suggested that "this may have influenced President Washington to choose Hamilton rather than Morris to head the national Treasury." Mitchell, Hamilton: The National Adventure, p. 16.

3. Letter to Edward Carrington, May 26, 1792, Hamilton, Papers, Vol. XI, p. 442.

4. Flaumenhaft, "Hamilton and the Foundation of Good Government," The Political Science Reviewer, p. 169. Recall again that, in Hamilton's time, the principle of commerce was viewed as a modern innovation informed by "the tolerant spirit of enlightened interest." Liberal states limited the ends of government to "the basic goods upon which men could more easily agree. The liberal state, indifferent about men's attitudes toward the highest things, seemed to provide the machinery for securing safety and prosperity." (Flaumenhaft, p. 171) Ancient regimes had men who engaged in commerce, but commerce as a principle was looked down upon. It was considered a less honorable, even seamy aspect of the polity.

5. Hamilton's famous reports are found in his Papers at Vol. VI, pp. 51-168 (Public Credit); Vol. VII, pp. 210-342 (Bank), 462-606 (Mint); Vol. X, pp. 1-340 (Manufactures). In addition to these, Hamilton submitted supplemental reports on public credit and on his fiscal measures generally. His valedictory report on Public Credit (January 16, 1795) and Defense of the Funding System (July, 1795) are extremely valuable, though often ignored, analyses of all his measures with prescriptions for America's future. See Papers, Vol. XVIII, pp. 47-148, Vol. XIX, pp. 1-73. The importance of his defense of the Constitutionality of the Bank has already been reviewed in Chapter II.

6. The link between commerce and security is seen in the address of George Washington to the second session of the First Congress. In providing for the common defense, he stated: "A free people ought not only to be armed but disciplined; to which end a uniform and well digested plan is requisite: And their safety and interest require, that

they should promote such manufactories, as tend to render them independent on others for essential, particularly for military supplies." This speech prompted Congress to request of Hamilton a report on how to achieve such independence through manufactures, relating particularly to military supplies. He responded with his Report on Manufactures. John C. Fitzpatrick, ed., The Writings of George Washington (Washington, 1931-1944), Vol. XXX, pp. 305-6.

7. It must be emphasized that there was no single, dominant and unified theory of mercantilism. Rather, it was more like a collection of ideas adhered to by various statesmen more concerned with practical and effective modes of governance. Writers such as Vattel, Steuart, Colbert and Neckar contributed to this body of thought. As will be discussed, Hamilton gave mercantilist thought his own unique formulation adapted to the American scene. This formulation spawned a school of its own (the "Historical school") as expressed in the writings of Mathew Carey, William Barton, Henry Carey, Friedrich List and others. Appropriately, they designated the Hamiltonian formulation as the "American system."

8. In his final draft, Hamilton omitted direct advocacy of mercantilism, and criticism of current French policies, in an effort to avoid arousing the ire of the growing laissez-faire school in America. He also avoided inflammatory but truthful propositions such as those expressed by Hume and Steuart that subsistence farmers were of no use to a state either for revenue or for defense. See Jacob Cooke's introductory note to the Report on Manufactures, Hamilton, Papers, Vol. X, pp. 2-5.

9. Report on Manufactures, Dec. 5, 1791, Hamilton Papers, Vol. X, pp. 262-3.

10. Ibid., p. 266.

11. Ibid., pp. 266-7. The assumption of a rational-economic man is most easily seen in the following passage by Adam Smith:

"As every individual, therefore, endeavors as much as he can both to employ his capital in the support of domestic industry, and so to direct that industry that its produce may be of the greatest value; every individual necessarily labours to render the annual revenue of society

as great as he can By preferring the support of domestic to that of foreign industry he intends only his own security; and by directing that industry in such manner as its produce may be of the greatest value, he intends only his own gain, and he is in this, as in many other cases, led by an invisible hand to promote an end which was no part of his intention."

Adam Smith, An Inquiry into the Nature and Causes of the Wealth of Nations, 2 vols., 4th ed. (Dublin: 1785), Vol. I, p. 447.

12. Defense of the Funding System, July 1795, Hamilton, Papers, Vol. XIX, p. 59. The immense importance of credit that Hamilton attributes to commercial political economies makes it a candidate for the list of criteria constituting an administrative state. Recall that Van Riper included a "money economy and sufficient public funds to support a complex administrative apparatus" in his list. But few, if any; administrative states have had sufficient funds to maintain their operations. Credit has been the common and crucial alternative. John C. Calhoun's description of it reinforces this point. He described it as "that peculiar description of property existing in the shape of credit or stock, public or private, which so strikingly distinguishes modern society from all that has preceded it." Credit financing is one important distinguishing factor in modern administrative states. John C. Calhoun, Works (New York, 1854-1860), Vol. II, p. 349.

13. Report on Public Credit, January 1790, Hamilton Papers, Vol. VI, p. 68.

14. Defense of the Funding System, July 1795, Hamilton Papers, Vol. XIX, p. 59.

15. Hamilton, Papers, Vol. VI, pp. 66-71.

16. Mitchell, Hamilton: The National Adventure, pp. 109-10.

17. Musgrave and Musgrave, Public Finance in Theory and Practice, p. 6.

18. I use the terms "high political . . . context" in order to distinguish the type of political thought described above from the lower or less strategic political thought emphasized in the bureaucratic politics

literature. Lower level political thought must be rationally related to this higher political context if it is to have any moral legitimacy.

19. Edgar Schein's Organizational Psychology, 2nd ed. (Englewood Cliffs, N.J.: Prentice-Hall, Inc., 1970) discusses the development of the field in terms of the application of various models of man, James D. Thompson's Organizations in Action (New York: McGraw-Hill, 1967) applies the dynamics of uncertainty avoidance to organizational life. Herbert Simon has, of course, had a great influence on organization theory. He is largely responsible for incorporating economic frames of reference into decisionmaking theory.

20. See White, The Federalists, pp. 139-43.

21. It is interesting to note that Hamilton feared regional political differences would be a great problem in an extended republic. In his notes of the Constitutional Convention (1787), he criticizes Madison's contending factions theory for not recognizing this problem. He notes in particular the danger of conflict "between commercial and non commercial states." This, of course, translated into regional conflict between the northern and southern states. Hamilton Papers, Vol. IV, pp. 165-66.

22. See Chapter III, p. 164.

23. Hamilton clearly saw that his policies initially favored northern mercantile and financial interests. Indeed, this was part of his general plan. In order for the government to be effective in a short period of time, it had to connect the interests of the monied class with government policy. The monied class in America was small and located mainly in the northern and middle states. Without their support, the government would remain crippled, and the economy stagnant. In Hamilton's view, the union would not last long under such conditions. The wealthy class, then, was most immediately useful to the interests of the Union. Like Hume, Hamilton found no intrinsic merit or goodness associated with wealth. But its instrumental value was incalculable. This is the sentiment expressed in Hamilton's statement before the New York Ratifying Convention that even the vices of the rich "are probably more favorable to the prosperity of the state, than those of the indigent." See First Speech of June 21, 1788, Hamilton, Papers, Vol. V, p. 43.

24. Hamilton played a major role in the divisiveness

of the Adams administration. His meddling with Adams' subordinates, his open criticism of Adams, and his lack of concern for Federalist party unity played well into Jeffersonian/Republican designs. Hamilton's passion for correct national administrative policy often blinded him to the interests of his party. He was a superb administrative politician, but a poor party politician.

25. White, The Jeffersonians, pp. 2-14.

26. Letter to James Bayard, January 16, 1801, Hamilton Papers, Vol. XXV, pp. 319-20.

27. White, The Jeffersonians, p. vii.

28. Herbert Croly, The Promise of American Life (New York: Macmillan Co., 1912), p. 71.

29. Paul B. Trescott, Financing American Enterprise: The Story of Commercial Banking (New York: Harper & Row, 1963), p. 2.

30. Lodge, III, p. 391.

31. Recall that the state is more than just government, but not inclusive of all political society. It is an overarching system of authority and leadership. "The State is only that part of the body politic especially concerned with the maintenance of law, the promotion of the common welfare and public order, and the administration of public affairs. The State is a part which specializes in the interests of the whole." It was essential to Hamilton that the wealthy become interested and involved in this network of authority and leadership, lest the state fail in its responsibilities to the people. For an elaboration of this definition of state, see Jacques Maritain, Man and the State (Chicago: University of Chicago Press, 1951), Chapter I. The definition quoted above is at page 12.

32. Lodge, Works III, p. 332. Also see Donald F. Swanson, The Origins of Hamilton's Fiscal Policies (Gainesville, FL: Un. of Florida Press, 1963), p. 37 for a review of these points in Hamilton's designs.

33. Mildred Otenasek, Alexander Hamilton's Financial Policies (New York: ARNO Press Collection of Dissertations in American Economic History, 1977), p. 67.

34. An observation by Robert A. Love is indicative of the extensive borrowing conducted by Hamilton through the

Treasury-U.S. Bank relationship.

By way of summary, we may point out that the first Bank of the United States was designed with the intention that it should be utilized by the Treasury and, furthermore, that it had numerous opportunities to display its usefulness. In the words of one writer it appeared that "the Bank of the United States accommodated the Government whenever called upon and continued the loans to suit its convenience." The number and magnitude of the loans lead us to believe that during the period in question the government's power to command resources of the bank was of more value to the Treasury than were all the technical financing devices at its disposal.

Robert A. Love, Federal Financing: A Study of the Methods Employed by the Treasury in its Borrowing Operations (New York: Columbia Un. Press, 1931), pp. 33-34.

35. This includes the Canadian banking system which has been described as being even more Hamiltonian than the U.S. system. See Hammond, Banks and Politics, pp. 128-31, 643. Hammond's entire book turns on the insight that Hamilton and subsequent bankers and Treasurers such as Gallatin and Biddle were performing central banking functions even though it was not referred to in such terms until the twentieth century. Hammond was the first to point to these men, with special emphasis on Hamilton, as pioneers in American central banking.

36. Hammond, Banks and Politics, p. 209.

37. For an excellent elaboration of this and subsequent bank controversies, see Hammond, Banks and Politics. This review generally follows Hammond's analysis.

38. White, The Jeffersonians, p. 14. Many in this group later became Whigs when the in-fighting in Republican party ranks became too severe to hold the party together.

39. Hammond, Banks and Politics, p. 250.

40. *Ibid.*, pp. 719-22.

41. See *Veasy Bank v. Fenno*, 8 Wallace 533, wherein

Salmon Chase, then serving as Chief Justice, overturned the Briscoe precedent of the Taney Court. This case relates in more ways than one to Hamiltonian thought. It helped restore a Hamiltonian institution, and it reaffirmed *McCulloch v. Maryland* which followed Hamilton's reasoning exactly. In Hammond's words, "the opinion settled the Court back in the Hamiltonian channel from which the Jacksonians had deflected it." Hammond, Banks and Politics, p. 734.

42. Recall that by the 1890's the national banking system again lacked a central banking mechanism capable of mobilizing reserves and contracting or expanding credit. Many Populists wanted all banks eliminated because they were thought to unnecessarily restrict credit and favor large corporations over individuals, small businesses, and family farms. Hammond points out that some agrarian populists began to hold the more insightful view that the Federal Government could be useful in restraining marauding corporations. One method advocated was to regulate financial affairs via some kind of central banking system. The failures of the banking system were addressed in 1908 with the National Monetary Commission's proposed central banking system. President Wilson, Secretary of State Bryan, and Congressman Carter Glass led the fight for a revised and weakened version of the proposal. The Federal Reserve Banking System was then established in 1913. The resistance of corporate interests and laissez-faire advocates compromised the effectiveness of this system until the great depression forced them to consider the interventions of the New Deal. The Emergency Banking Act of 1933 did a lot to strengthen the system simply by authorizing the Federal Reserve to lend to member banks without limitation on the character of the security accepted. Hamilton had proposed the same basic policy with regard to the United States Bank in relation to state banks.

43. *Ibid.*, p. 196.

44. *Ibid.*, pp. 69 & 138; 142 & 594; 132 & 143; 732.

45. See Senator John Sherman's remarks as summarized by Hammond, *Ibid.*, p. 727. Also see Secretary of the Treasury, Salmon P. Chase's remarks, and Congressman Elbridge G. Spaulding's remarks as quoted by Hammond in Sovereignty and an Empty Purse: Banks and Politics in the Civil War (Princeton: Princeton Un. Press, 1970), pp. 292, 329-30. Spaulding expressly refers to Hamilton and his measures as "the true policy."

46. Hamilton, "Report on Public Credit," Papers, Vol. VI, p. 106.

47. Ibid., "Defense of the Funding System," July 1795, Vol. XIX, p. 60.

48. Swanson, Origins of Hamilton's Fiscal Policies, p. 51. Also see "Report on Public Credit," Hamilton, Papers, Vol. VI, pp. 106-8.

49. Ibid.

50. Lodge, III, 337; Hamilton, Ibid., pp. 97.

51. Swanson, Origins of Hamilton's Fiscal Policies, pp. 60-1.

52. Recall that the Secretary of State was substituted for the Speaker of the House in the sinking fund legislation. The political significance of this change now becomes apparant. House Speaker Muhlenberg was a Federalist, and would have allowed Hamilton much more leeway on the board than Jefferson would. The reasons for the substitution are not discussed in the recorded debates of the first Congress, and I can find no other sources that shed light on it.

53. Jefferson to Washington, Sept. 9, 1792 as quoted in Swanson, Origins of Hamilton's Fiscal Policies, p. 65. Swanson also points out that Jefferson believed it contrary to the laws of nature to extend debts into subsequent generations for payment. Hence, no debt should exist for more than twenty years or so. Implicit in Hamilton's orientation is the view that debt was a way of providing a stable political-economic base for future generations to inherit. It would only be fair that they help pay for what they have inherited.

54. Ibid., pp. 71, 84. Also see "Report on a Plan for the Further Support of Public Credit," January 16, 1795, Hamilton Papers, Vol. XVIII, pp. 89-90, where Hamilton makes explicit provision for relaxed sinking fund operations in time of war.

55. Hamilton's sinking fund is the only one in history to eventually retire a national debt entirely.

56. Herbert R. Ferleger, David A. Wells and the American Revenue System, 1865-1870 (Philadelphia: Porcupine

Press, 1977), p. 7.

57. For example, see Henry C. Adams, Public Debts (New York: D. Appleton and Company, 1887), pp. 274-79; Edward Ross, "Sinking Funds," Publications of the American Economic Association (American Economic Association), 1892), VII, 54, 98. For a defense of Hamilton as a great financier despite his use of English precedents, see C.F. Dunbar, "Some Precedents followed by Alexander Hamilton," Economic Essays, O.M.W. Sprague, ed. (New York: MacMillan Co., 1904); Otenasek, Hamilton's Financial Policies; and Robert James Parks, European Origins of the Economic Ideas of Alexander Hamilton (New York: ARNO Press collection of Dissertations in American Economic History, 1977).

58. Swanson, Origins of Hamilton's Fiscal Policies, p. 77.

59. The useful appearances that Hamilton contrived with this system suggest that effective financial administrators must combine the arts of a magician and the wisdom of a sage with technical knowledge of financial reality. In this light, perhaps E.N. Gladden was wrong when he described public administration as the second oldest profession, and shamanism as the oldest. The shaman was probably a most effective public administrator. See E.N. Gladden, History of Public Administration: From the Earliest Times to the Eleventh Century (London: 1973), pp. 31-32.

60. Herbert Stein, The Fiscal Revolution in America (Chicago: Un. of Chicago Press, 1969), p. 34.

61. Hoover's Secretary of the Treasury, Ogden L. Mills, was a notable exception in this matter. As Swanson points out, Mills argued that the excess of debt retirement of the preceding decade over the statutory requirements had, in effect, created a reserve. In lean years, therefore, debt retirement could be postponed in relation to the size of the reserve accumulated. This proposal was strikingly similar to Hamilton's provision for temporarily suspending the operation of a sinking fund in the event of war with a foreign power." Swanson, Origins of Hamilton's Fiscal Policies, p. 82.

62. Stein, Fiscal Revolution in America, pp. 43-4.

63. Ibid., pp. 47, 68.

64. Ibid., p. 63.

65. As explained by Herbert Stein, the Kennedy tax cut proposal of 1962 was a perfect example of the latter instance. Tax restructuring was also a possibility. This too is implicit in Hamilton's discussion of tax policy in his Report on Manufactures. Ibid., Chapter 16.

66. John Maynard Keynes, The General Theory of Employment Interest and Money (New York: Harcourt, Brace & World, Inc., 1935, 1964). It should be noted that Keynes shared Hamilton's affinity for mercantilist economic thought. See his discussion of mercantilism at Chapter 23, pp. 340-371. Also see Katherine Hamill, "Was Hamilton the First Keynesian?" Fortune, August 1957, pp. 128-146, for a journalistic account of Hamilton as a Keynesian.

67. Stein, Fiscal Revolution in America, p. 152. It is also evident that Keynes' analysis is based on a model of man more like Hamilton's than like Adam Smith's. For example, in The Means to Prosperity (London: MacMillan & Co. Ltd., 1933), pp. 20-21, Keynes refers to the cautiousness of businessmen towards lower interest rates after suffering losses and business declines over a period of years. Habitual modes of thought combined with fear of uncertainty play important roles in conceptualizing economic impacts and appropriate responses.

68. S. I. Rosenman, The Public Papers and Addresses of Franklin D. Roosevelt (New York: Random House, 1938), Vol. 4, p. 476. Roosevelt once publicly admitted that Hamilton was a "hero" to him "because he did the job which then had to be done--to bring stability out of the chaos of currency and banking difficulties." Jackson Day Dinner speech, 1940, Vol. IX, pp. 29-30. Also see Rexford Guy Tugwell and Joseph Dorfman, "Alexander Hamilton: Nation-Maker," Columbia University Quarterly, December 1937, pp. 209-226; and March 1938, pp. 59-72, for another influential New Deal orientation to Hamilton. Tugwell was one of Roosevelt's most trusted advisors. Finally, in his influential work on taxation, Randolph E. Paul corroborated Roosevelt's view of political-economic history.

In 1791 Alexander Hamilton, the first Secretary of the Treasury, called for some "degree of support from the government," some "incitement and patronage" to stimulate capital whenever it threatened to become sluggish. The homestead legislation of the Civil War period, the protective tariffs of the nineteenth and

twentieth centuries, the banking and anti-trust statutes enacted just before the turn of the nineteenth century, and the agricultural, labor, and social security legislation of the recent thirties, were developments in the same national vein.

Randolph E. Paul, Taxation in the United States (Boston: Little, Brown & Co., 1954), p. 451.

69. Report on Manufactures, Hamilton, Papers, Vol. X, p. 303.

70. For evidence of Hamilton's support of progressive taxation, see Speech of June 28, 1788, New York Ratifying Convention, Papers, Vol. V, p. 119, where he speaks of laying the "principal [tax] burthens on the wealthy"; and Report on Manufactures, Ibid., p. 312 where he speaks of the injustice of general fixed rate taxes "to the industrious poor."

71. Ibid., p. 312.

72. Mitchell, Hamilton: The National Adventure, p. 113. Recall that in Hylton v. U.S., 3 Dallas 171 (1796), the Supreme Court adopted Hamilton's very narrow definition of "direct tax," thus giving the national government much greater ease and flexibility in its taxing power. This precedent prevailed until the Pollock cases of 1895-6.

73. New York Ratifying Convention, Hamilton, Papers, Vol. V, p. 119.

74. White, Federalists, p. 404. Also see Dall W. Forsyth, Taxation and Political Change in the Young Nation (New York: Columbia Un. Press, 1977), pp. 32, 38-50.

75. Hammond, Sovereignty and an Empty Purse, p. 25.

76. Mitchell, Hamilton: The National Adventure, p. 148.

77. Ibid., pp. 149 and 618.

78. Ibid., Vol. X, p. 317.

79. "Report on Manufactures," Hamilton, Papers Vol. X, p. 249.

80. A. D. H. Kaplan, "Henry Charles Carey: A Study in

American Economic Thought," Johns Hopkins University Studies in Historical and Political Science (Johns Hopkins Press, 1931), Series XLIX, no. 4, p. 21.

81. See Lucius Crassus, "The Examination," nos. I-V, Hamilton, Papers, Vol. XXV, pp. 444-480. In these papers Hamilton also reiterates his arguments against the Laissez-faire and perfectability of man doctrines adhered to by the Jefferson administration.

82. For specific descriptions of some of these measures, see Forsyth, Taxation and Political Change, pp. 57-61.

83. Mitchell, Hamilton: The National Adventure, p. 198.

84. See Kenneth W. Rowe, Mathew Carey: A Study in American Economic Development (Baltimore: The Johns Hopkins Press, 1933), pp., 29-35, 68, 115.

85. Mathew Carey, Essays on Political Economy (New York: Augustus M. Kelly, Reprint, 1968, [1822]), No. IX, p. 99. This influential work included his earlier book The New Olive Branch (Philadelphia: M. Carey & Sons, 1821), and his well-known addresses before the Philadelphia Society for the Promotion of Useful Manufactures. This society was, by the way, started by Hamilton. Carey was a prolific writer and publisher on other subjects as well.

86. Rowe, Mathew Carey, p. 115.

87. See pp. 264-266 above.

88. Forsyth, Taxation and Political Change, p. 72.

89. F.W. Taussig, The Tariff History of the United States, 8th ed. (New York: Putnam, 1931), p. 68.

90. Daniel Webster initially opposed protective tariffs, supporting the interests of some northern constituents who viewed tariffs protecting manufactures as detrimental to other commercial interests such as importing. When these constituents changed their minds on this in the mid-1820's, Webster changed his stance accordingly and became an ardent supporter of protective tariff policy. See Forsyth, Taxation and Political Change, pp. 78-9; Richard N. Current, Daniel Webster and the Rise of National Conservatism (Boston: Little, Brown, 1955), pp. 35-40; and George Dangerfield, The Awakening of

American Nationalism, 1815-1828 (New York: Harper and Row, 1965), pp. 16, 237.

91. For a brief review of tariff history that makes these cycles quite apparant, see Sidney Ratner, The Tariff in American History (New York: D. Van Nostrand Co., 1972). The longest any one tariff act lasted was 11 years. This was the Dingley Tariff of 1898.

92. Ferleger, David A. Wells and the American Revenue System, 1865-70, pp. 66-71.

93. Henry C. Carey, Principles of Social Science, 3 vols. (New York: Augustus M. Kelley, 1963, originally published 1858-59), Vol. I, pp. 25-35, Vol. III, pp. 209-232.

94. Thomas L. Haskell, The Emergence of Professional Social Science: The American Social Science Association and the Nineteenth-Century Crisis of Authority (Chicago: Un. of Illinois Press, 1977), pp. 28-29.

95. Haskell recognizes Carey as one of the original and influential members of the American Social Science Association, but he does not connect Carey directly with the theme of interdependence. Rather, Haskell argues that, until the 1870's very few if any thinkers realize the presumption of interdependence. Carey is a significant exception to this general observation.

96. See Henry C. Carey, The Harmony of Interests: Agricultural, Manufacturing and Commercial (New York: Augustus M. Kelley, 1967, originally published 1851).

97. Haskell, Emergence of Professional Social Science, p. 15.

98. Ibid., pp. 252-53. Herber Croly, The Promise of American Life (New York: The Macmillan Co., 1912).

99. Skowronek, Building a New American State, p. 42. Skowronek then cites Haskell in the next pages.

100. White, The Federalists, p. 118, fn. 3.

101. Letter from Mellon to Robert Irving Warshow, reprinted in Warshow's biography Alexander Hamilton, First American Business Man (New York: Greenberg, 1931), p. 116.

102. Ibid., p. 115. Subsequent historians and

biographers agree with this assessment. For example, see Mitchell, Hamilton: The National Adventure, pp. 33-5; Otenasek, Alexander Hamilton's Financial Policies, p. 96; and White, The Federalists, p. 323. For a review of specific changes that did occur in the Treasury organization during the nineteenth century, see Leonard D. White's chapters on the Treasury in each of the four periods he addressed.

103. For a more in-depth review of Hamilton's organizational innovations and standards, see White, The Federalists, Chapters X, XII, XVII, XXXIV-XXXVII, and XL; and The Jeffersonians, Chapter X.

CHAPTER VI

FOREIGN AFFAIRS ADMINISTRATION: GUARDING NATIONAL INTEREST

There is something noble and magnificent in the perspective of a great Federal Republic, closely linked in the pursuit of a common interest, tranquil and prosperous at home, respectable abroad;

Hamilton, Continentalist, July 4, 1782

In chapter II, I briefly mentioned the importance to Hamilton of maintaining respectability abroad. The peace and prosperity of the United States rest in great part on its reputation among other nations. Hamilton made this point clear at the constitutional convention.

It has been said that respectability in the eyes of foreign Nations was not the object at which we aimed; that the proper object of republican Government was domestic tranquillity & happiness. This was an ideal distinction. No government could give us tranquillity at home, which did not possess sufficient stability and strength to make us respectable abroad.

Unless your government is respectable, foreigners will invade your rights; and to maintain tranquillity, it must be respectable--even to observe neutrality, you must have a strong government. [1]

Hamilton was well aware of the increasingly intimate connection between foreign affairs, domestic tranquillity and prosperity. The mercantilist societies of Europe provided him with telling examples.

Accordingly, Hamilton was concerned that the United States have a stable and energetic government in order that foreign affairs be administered systematically, flexibly, and with dispatch. He was also concerned that the public administration's conduct of foreign policy adhere to a practical conception of national interest. The energetic administration of a pragmatic foreign policy was the focus of much of Hamilton's attention throughout his career. The principles and practices he espoused in this connection, and their use or lack of use in subsequent history, are the topics of this chapter.

Hamilton's vision of a great American nation was based in large part upon the combination of resources, geographic location, and an efficient and powerful national government. The immense but largely untapped resources of the nation would provide great wealth in the future. It was a duty of government to actively promote the development of these resources in pursuit of prosperity and power. Wealth and power were necessary prerequisites for

achieving the ends of government. As I explained in the last chapter, Hamilton's administrative efforts concerning public credit, the United States Bank, the mint, and manufactures were intended to promote a commercial political economy that could achieve and sustain those ends.

Hamilton's foreign policy was an extension of these domestic concerns. The national government must provide an active foreign policy that buffers the political economy from foreign competition and military aggression. For Hamilton the government's ability to do this depended in large part upon the creation of an effective diplomatic corps backed by strong military capacity. Diplomacy without military power would be weak and ineffective. Military power without diplomacy would be reckless and needlessly destructive.

In Hamilton's constitutional scheme, the President and his subordinates possessed the skills and energy necessary for conducting effective foreign policy. The Senate would provide additional knowledge and wisdom, but the executive branch was the natural "organ of intercourse" in foreign affairs.

It is not surprising that Hamilton employed some of

his sternest rhetoric in support of great executive power for conducting foreign affairs. As explained in Chapter IV, Hamilton argued for broad interpretation of the "vesting" clause of Article II in the context of a crisis in foreign affairs. Most of his arguments for great executive power were framed in this context.⁴ Furthermore, most of these arguments have survived in use to the current day.⁵ The limitations on the executive's authority are interpreted strictly. The President has broad powers over negotiations, agreements, and foreign affairs generally, and the Congress is expected to support measures pertaining to treaties with adequate appropriations.⁶ And, in times of national emergency, the powers of the executive appear to be sufficient to provide for every contingency involving "general defense and security."⁷

Military Power

In Hamilton's approach to foreign affairs, it was important to back diplomatic efforts with a strong military posture. This was essential to providing for the common defense and prosperity of the nation. This approach implies that effective foreign policy relies heavily upon "power politics." A powerful military force will always be respected by other nations. It generally induces other

nations to consider diplomacy before war in pursuing their interests.

Hamilton, therefore, was keenly interested in the military posture of the United States. He knew the United States had the resources and potential for a strong military organization. Politically, however, military organization was unpopular. Many thought the nation needed no navy because of the great distance from Europe. Standing armies were dreaded due to the memory of abuses under British rule, and because of the general fear of a tyrannical national government gaining control through a professional military force.

Hamilton made many efforts to counteract these fears. As Publius he wrote essays twenty-three through twenty-nine in part to dispel the fear of a navy and a standing army in times of peace. These essays provide cogent arguments for substantial governmental powers in creating and managing a strong military force. European nations controlled the seas and the lands bordering the United States. They controlled trade, and secured posts and routes from which they could harass us at will.

If we mean to be a commercial people, or even to be secure on our Atlantic side, we must endeavor, as soon as possible, to have a navy.

To this purpose there must be dockyards and arsenals; and for the defense of these, fortifications, and probably garrisons.

The territories of Britain, Spain, and of the Indian nations in our neighborhood do not border on particular States, but encircle the Union from Maine to Georgia. The danger, though in different degrees, is therefore common. And the means of guarding against it ought in like manner to be the objects of common councils, and of a common treasury. [8]

There was also great danger to the young republic from internal rebellions. States such as Pennsylvania and Massachusetts had to create standing forces to quell such problems.

. . . [C]lases are likely to occur under our government, as well as under those of other nations, which will sometimes render a military force in time of peace essential to the security of the society, and that it is therefore improper in this respect to control the legislative discretion. It [Massachusetts having to create and maintain a corps for quelling domestic insurrections] also teaches us, in its application to the United States, how little the rights of a feeble government are likely to be respected, even by its own constituents. [9]

The interests of the young nation might also require offensive moves that make a well-trained military force necessary. The territories to the west and south were deemed vital to United States interests by most early statesmen, including Jefferson. Hamilton suggested that these areas may have to be invaded at some future point.

"There are, and will be, particular posts, the possession of which will include the command of large districts of territory, and [will] facilitate future invasions of the remainder." ¹¹ Such invasions would be beneficial to United States commercial interests as well as for security.

Hamilton was prudent enough not to push his ideas too far. While arguing for an active national-government role in military matters, he left room for the existence of state militias. He emphasized the security these militias offered against an encroaching national army, and the necessary support they would provide while the nation lacked resources for a large standing force. He also played down the immediate need for a large standing army, arguing instead for a readily expandable force. Nevertheless, Hamilton decidedly preferred the creation of a strong, professional, military force.

Hamilton did more than write about the necessity of creating and maintaining a strong military force. He also involved himself in the administration of the War Department, and in the development of the military establishment as a whole.

War Department Administration

Leonard D. White indicated that Hamilton

went far in managing the War Department, whose nominal head, General Knox, was no match for him. He opposed his views on foreign policy to those of Jefferson, and the State Department had to write its dispatches in the tenor Hamilton dictated.

James McHenry eventually replaced Knox, and was even less competent in the performance of his duties. Hamilton again stepped in in order to improve War Department administration. "Hamilton had great influence with each of these Secretaries"¹²

In 1798 Hamilton was appointed Inspector General of the Provisional Army. The army was finally being established because relations with France had turned sour. War looked imminent. Hamilton was placed second in command only to Washington.¹³ At Hamilton's urging, Adams readily designated Washington as Commanding General.¹⁴ Washington accepted, but refused to become directly involved until hostilities broke out. He also conditioned his acceptance of the post on Hamilton's appointment as second-in-command. In effect this left Hamilton in charge of creating and maintaining the provisional force until hostilities broke out.

Hamilton simultaneously ran the War Department around

the bungling McHenry. A review of Hamilton's correspondence with McHenry during the period from 1797-1799 reveals that Hamilton spent a great deal of time helping McHenry with his duties. These letters alone amount to a solid course in public departmental management. For example, Hamilton offered the following advice to McHenry on the proper level of responsibility for a department head.

I observe you plunged in a vast mass of details. I know from experience, that it is impossible for any man, whatever be his talents or diligence, to wade through such a mass, without neglecting the most material things, and attaching to his operations a feebleness and sloth of execution. It is essential to the success of the minister of a great department, that he subdivide the objects of his care, distribute them among competent assistants, and content himself with a general but vigilant superintendence. This course is particularly necessary when an unforeseen emergency has suddenly accumulated a number of new objects to be provided for and executed. [15]

In order that McHenry take full advantage of this delegation, Hamilton later suggested he keep the chiefs of the different military functions "at the seat of government." Furthermore, he urged him to avoid wavering and delaying on decisions. As department head he must "take a decisive course and leave the blame of further delay at some other door."

In succeeding months, Hamilton provided additional

general administrative advice relating to communications, purchasing/procurement, contracting, organizational structure, rulemaking and legal draftmanship, data collection, and personnel matters.

For example, with regard to communications, he advised McHenry to develop a reporting system between his department and the Commander in Chief that would frequently provide information on such things as "the state of public supplies . . . and the measures in execution to procure others." In this connection he also suggested McHenry arrange for the collection and storage of information pertinent "towards plans of general defence." 16

With regard to procurement, Hamilton advised McHenry to centralize the function under one head, and then to divide it from needs assessment and oversight functions to be performed by the Quarter Master General. In this arrangement, Hamilton distinguished between "civil and military functions." It appears that he viewed procurement as a civil function, and needs assessment and oversight as a military function. Previously there had been a "discordant mixture" of these functions. Apparently, the Quarter Master General had been involved in the business of procuring and purveying supplies in addition to assessing supply needs and insuring that they were met.

In conjunction with procurement, Hamilton had some fascinating advice for McHenry on contracting versus purchasing by "agents of the government." He explained the advantages and disadvantages in both modes. Purchases by government agents "is liable to much mismanagement and abuse." It is, therefore, often less economical than contracting, but is still more preferable in regard to the "quality of supplies, satisfaction of the troops, and the certainty of supply." Contracting, on the other hand, is more economical;

but as the calculations of contractors have reference primarily to their own profit, they are apt to endeavor to impose on the troops articles of inferior quality; the troops suspecting this are apt to be dissatisfied even where there is no adequate cause and where defects may admit of reasonable excuse. In the attention to cheapness and other savings of expence, it from time to time happens that the supplies are not laid in as early as the service requires, or not in sufficient quantity, or are not conveyed with due asperity to the points where they are wanted. Circumstances like these tend to embarrass and even to defeat the best concerted military plans; which, in this mood, depend for their execution too much upon the combinations of individual avarice. [17]

The government would be forced into much additional expense "to obviate the mischief and disappointments of those failures." Accordingly, Hamilton proposed that McHenry combine both modes in a manner most advantageous to

the government. He suggested that McHenry let contracts for the laying in of magazines, while providing transportation and issuance of supplies by "military agents," who must likewise be authorized & enabled to provide for the deficiencies of the contractors and for whatever may not be comprehended in the contracts." This scheme would "admit the competition of private interests to furnish supplies at the cheapest rate," while diminishing the potential for abuse by "public agents."

In regard to organizational structure, Hamilton advised McHenry to consider "systematic propriety" and span of control in the arrangement of regiments, battalions, companies, platoons, sections and demi-sections. "System" or uniformity and order should be imposed wherever possible, as long as "important military ends" were not frustrated in the process. Furthermore, "the proportion of officers to men ought not to be greater than is adequate to the due management and command of them." Hamilton suggested appropriate ratios in light of a variety of factors. In general, he suggested a higher proportion of men to officers than before. This was not only more economical, it made the officers' positions "more respectable," thereby enticing more applicants, and stimulating "that justifiable pride which is a necessary

ingredient in the military spirit." The upper limit on these recommended proportions was fixed by tactical considerations such as maneuverability in the field.

In fashioning the War Department's organization structure, Hamilton advised McHenry to keep in mind the overall goal of establishing a well-trained force that could readily be expanded in emergencies. In anticipation of necessary expansions, he exhorted McHenry to "provide an eligible standard for the augmentations to which particular emergencies may compel a resort."¹⁸

Hamilton also gave substantial advice to McHenry on personnel matters relating to appointments, officer grades, quartering, pay, and benefits. For example, he advised that appointments be made with less emphasis on political beliefs and more on military competence, "especially in reference to lower grades." "Military situations, on young minds particularly, are of all others best calculated to inspire zeal for the service" However, due regard would be paid to "appointing friends of the government" to the higher offices. Hamilton also advised McHenry "to adopt as a primary rule the relative representative population of the several States" in the recruitment and selection of commissioned officers. However, "this principle must frequently yield to the most proper solution

of character among those willing as well as qualified to serve."

Officer grades should not be unduly multiplied and confused with half-grade distinctions such as "Lt. Colonel." Too many grades would erode the respect and distinction needed to make each rank desirable. Titles of rank that have a history of respect and honored usage should be preferred over new titles, or titles that have
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become obsolete.

Hamilton gave prudent advice on the quartering of troops, and on provision for their rations. These activities should take place away from the nation's "great cities." "The collection of troops there may lead to disorders and expose more than elsewhere the morals and principles of the soldiery." The War Department should provide all rations as well, rather than furnishing monetary allotments as a substitute. Monetary allotments have several disadvantages. It facilitates "marauding and desertion," and disposes the soldiery "to lay out too much of their money in ardent spirits . . . which besides occasioning them to be ill fed will lead to habits of
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intemperance."

In addition to suggestions on general rates of

military pay and benefits, Hamilton also advised McHenry on "extra allowances" for expenses incurred while travelling on military business, and for other "peculiar duties." Hamilton suggested that McHenry administer this matter through a system of fixed rates rather than leave it unstructured and dependent upon each officer's estimate or report of extra expenses. Fixed rates were less liable to abuse, though also "not easy to regulate so as to unite economy with justice." A special appeal procedure could be instituted to handle extraordinary cases.

Hamilton also advised McHenry to structure his pay policy according to the types of incentives inherent in a given position. For example, the head of the procurement department should have an especially "ample pecuniary compensation" because "military honor can form no part of reward." Such considerations assumed of course the cooperation and assent of Congress.

Hamilton also advised McHenry on rulemaking and legal draftmanship. Rulemaking went hand-in-hand with the efforts to systematize and make accountable the entire military organization. Hamilton wrote many of these rules himself, and coached McHenry whenever possible. He had to educate McHenry on the prudent application of these rules as well. For example, on one occasion he had to advise

McHenry to make rules non-retroactive in their effect.

"The [retroactive] application of a new rule may produce hardship and injustice, when the service may have been performed in the expectation that practice on former occasions would prevail."

In drafting laws for consideration by Congress, Hamilton suggested that McHenry first propose bills that provide for "fundamental arrangements" of military forces. Then subsequent bills for "augmentation need only define the number to be raised and the duration of service, and the mode of raising." This would eliminate the necessity of Congress reviewing administrative arrangements with every new bill, and would therefore lend stability to the existing force structure.

Secondly, Hamilton advised McHenry on the level of administrative detail appropriate for congressional bills. For example, in 1799, Hamilton sent McHenry a draft of a bill for establishing a medical hospital system for the military. In the cover letter he called McHenry's attention to the structure of the bill.

You will see that nothing but an organization with a general outline of duty is provided for. Detail-regulations will properly come from the President and the Departments, and the less these are legislated upon, in such

cases, the better. When fixed by law, they cannot be varied as experience advises. [23]

Hamilton showed clearly his administrative orientation to law. Regulations structure discretion, but are easily changed to suit changing circumstances. Statutes should usually be framed in general language for broad purposes.

Finally, many of the examples described above reveal yet another important insight for a department head. Common to many of these examples was an implicit concern for maintaining symbols, appearances of respectability and legitimacy. Whether procuring supplies, quartering soldiers, designating titles of rank, or restructuring the whole department, a department head must always try to anticipate the affect such changes will have on the reputation of himself, his subordinates, the department, and the government as a whole.

The examples above illustrate Hamilton's administrative acumen. They show why he excelled in the government of his day. Very few people, and McHenry least of all, possessed his taste and talent for administrative affairs.

Developing the Military Establishment

As Inspector General, Hamilton tried to capitalize on the tense situation with France to convince Congress to create a well-rounded military establishment. Working through Oliver Wolcott, Timothy Pickering, and other administration officials, he proposed that the President be empowered to raise ten thousand troops immediately. Furthermore he proposed to prepare for fifty thousand more troops by training professional officers who would comprise a skeletal framework for rapid expansion. He devised plans for the development of military and naval academies, the creation of ships and frigates for the navy, the development of arms manufactures, and the appropriation of secret service funds.

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Though circumstances remained favorable to such development for only a short time, Hamilton did make some lasting progress. Broadus Mitchell indicated that

Hamilton, practically alone, devised the principal features of the [military] establishment--recruiting, discipline, and tactics, mobilization, hospital department, and preliminaries of a military and naval academy. Thus he laid the foundations for the national defense system, save for the militia He planned for expansion and amendment, so that outlines need not require change. The same grasp which he had shown in contriving the fiscal system a decade before was now exhibited again in another area, with the difference that military organization was more limited in scope. In both instances, standing at the beginning of

development, he had to create before he could use or administer. Later secretaries of the Treasury and inspectors general fell heir to, and of course improved as experience taught, what he provided. [25]

Despite this progress, Hamilton experienced a great deal of frustration as Inspector General. His relationship with President Adams was strained at best. And when Adams finally realized how much influence Hamilton had with members of the cabinet, they became totally estranged. Furthermore, the rise of the Republicans under Jefferson gave greater impetus to those opposing a national military force. Conditions with France also improved more quickly than expected. The need for a strong military establishment became less apparent. Accordingly, most of Hamilton's gains in this area were cut far short of what he thought was needed. State militias would remain the dominant power in military affairs from then until the end of the nineteenth century.

Hamilton's Military Ideas in History

Hamilton's arguments for a strong military force re-emerged in the post-Civil War era. The Civil War renewed concern for maintaining domestic tranquillity. The militias had repeatedly shown their inability to act quickly and effectively in quelling internal rebellion.

Their performance during the Civil War confirmed this to an alarming extent, and stimulated efforts to reform the system in Hamiltonian style. William T. Sherman, George McClellan, Emory Upton, and other national military officers of the Civil War period fought retrenchment policies enacted after the war. They advocated the creation of a professional military establishment organized in large part according to Prussian standards.

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The arguments these men offered in support of their reforms followed Hamilton's points closely. First, the national government should be equipped to respond to all kinds and types of rebellions. The industrial strife of the 1870's and 1880's lent additional strength to this point. Second, a strong naval and military force was required to protect the expanding commercial economy. The United States began to reach a point of industrial and commercial maturity in this period. It was essential that it be able to preserve "an outlet in foreign markets for the products of our soil and manufactures." Public awareness and support for an expansionist commercial policy grew rapidly during this period.

Competition for markets had drawn America into "closer relations with other nations." An expanding commercial power, no matter how favored geographically, required an international

military capacity to protect its worldwide economic interests. . . . As the navy assumed a more international role, the army would have to take over the task of coastal defense, and it would have to be prepared to back up the navy with troop support. [27]

Furthermore, there were specific border problems with Mexico to be dealt with, and commercial lanes in territorial waters around Florida to be protected. Like Hamilton, these men argued for administrative modernization and reorganization. Like Hamilton, they wanted a national level, skeletal force capable of rapid expansion. They did not argue for creation of a massive standing force. As in Hamilton's day, that was politically impossible. Advocates of states' rights and state militias were still dominant. In many respects, Hamilton and these men faced identical situations, and they put forward identical proposals. The difference between their situations was more a matter of degree than of kind. The urgency of the post Civil War situation would lead to comprehensive changes in military organization. The military establishment would be expanded and reorganized with the inclusion of a general staff, a strong professional military corps, and a re-vitalized Secretary of War post. These were changes that Hamilton could only dream about.

From the Civil War, it took more than forty years to bring about these comprehensive changes. Sherman,

McClellan and Upton started the process. It culminated in the work of Elihu Root, Theodore Roosevelt, Leonard Wood, Gifford Pinchot, Henry Stimson and Lindley Garrison. Root, Stimson and Roosevelt are among the few in our history who acknowledged Hamilton's influence in their work. Elihu Root, Secretary of War under Roosevelt, described himself as "a convinced and uncompromising nationalist of the school of Alexander Hamilton." Roosevelt, in his private letters, went so far as to deprecate Jefferson in contrast to Hamilton.

I have never hesitated to criticize Jefferson; he was infinitely below Hamilton; I think the worship of Jefferson a discredit to my country; and I have as small use for the ordinary Jeffersonian as for the ordinary defender of the house of Stuart. [28]

It is clear, then, that Hamiltonian ideas played a significant role in the eventual establishment of a strong national military force. During the twentieth century we have witnessed drastic expansion of the military arm of the public administration. It has become a dominant arm in that it makes up over thirty percent of the Federal budget. In many respects we have gone far beyond the basic concerns of Hamilton, particularly with the advent of the nuclear age. But this development points us to the necessity of conducting an effective, diplomatic foreign

policy. In this area Hamilton's ideas must still be reckoned with.

Foreign Policy

Hamilton's foreign policy was based upon the "general principle that the predominant motive of good offices from one nation to another is the interest or advantage of the nation which performs them." ²⁹ The national interest was the basic standard against which the actions of the administration in foreign policy must be evaluated. However, Hamilton was not advocating a policy "absolutely selfish or interested in nations." His conception of national interest was not amoral. He was advocating a policy of pursuing the national interest "as far as justice and good faith permit." ³⁰ This was, in his mind, the most prudent course. It was a moral course cognizant of compelling circumstances.

The officers of the nation may not abrogate justice or good faith with other nations or persons in favor of the national interest. In fact, Hamilton often asserted that the dictates of justice and good faith would coincide with the national interest. Conversely, "violent and unjust measures commonly defeat their own purpose." Nevertheless,

principles such as good faith and justice were also to be conditioned by common sense or "reasonable construction." For example, with regard to good faith, Hamilton stated that

all contracts are to receive a reasonable construction. Self-preservation is the first duty of a nation; and though in the performance of stipulations relating to war, good faith requires that its ordinary hazards should be fairly met, because they are directly contemplated by such stipulations, yet it does not require that extraordinary and extreme hazards should be run [31]

Neither must public officials ignore the national interest because, at the time, there are good or bad feelings, or even a sense of common mission, existing between people from each nation. People have feelings, nations do not and must not. "The government ought to be all intellect while the people ought to be all feeling."³²

Public officials must steer a middle course between the interests and obligations of other nations and their own, being always mindful that their first obligation is to their own people. This obligation arises from the fact that "under every form of government, Rulers are only trustees for the happiness and interest of their nation, and cannot, consistently with their trust, follow the suggestions of kindness or humanity towards others, to the

prejudice of their constituent."³³

This reasoning flowed from Hamilton's knowledge of history and experience. Emotions such as gratitude, and refined moral or "metaphysical niceties about the justice or injustice" of a cause, are not susceptible to clear definition and calculation. It is, therefore, difficult to anticipate the benefit or cost derived from them, or to determine appropriate actions and responses. This is bound to make relations with foreign nations more unstable and unpredictable than necessary, and that is a dangerous state of affairs. Thus, "refinements of this kind are to be indulged with caution in the the affairs of nations." Hamilton no doubt shared Hume's conviction that

while every man consults the good of his own community, we are sensible, that the general interest of mankind is better promoted, than by any loose indeterminate views to the good of the species, whence no beneficial action could ever result, for want of a duly limited object on which they could exert themselves. [34]

Unlike the sentiment of gratitude, obligations of good faith and justice "are definite and positive, their utility unquestionable: they relate to objects, which with probity and sincerity generally admit of being brought within clear
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and intelligible rules."

For Hamilton, good faith, justice, and national interest appear to have coexisted harmoniously when related to his conception of national honor or reputation. It would be damaging to the national reputation to engage in unjust acts or break good faith with other nations. He was serious in his belief that "the interests of the nation, when well understood, will be found to coincide with their moral duties." This view of justice and interest in relation to national reputation follows logically from Hamilton's view of the statesman's regard to reputation and the passion for fame. These were the springs of noble as well as interested actions. Wise statesmen would not only seek honor and fame for themselves, but for the nation as well. It was in the nation's paramount interest to maintain an honorable reputation among the nations.

This is, of course, a rather enlightened view of national interest. It ignores any possible tension with justice and good faith. On this account Hamilton can be criticized for ducking a rather serious issue. And yet, upon closer examination, it can be seen that he wasn't naive or overly idealistic about this harmonious relationship. Rather than focus attention on potential conflicts between national interest and justice, he emphasized the difficulties inherent in achieving anything

other than a rough form of justice between nations. His disdain for "metaphysical niceties about the justice or injustice" of a cause reflected his wariness of overly refined and dogmatic views that ignored the limits of one nation's ability to determine the motives and culpability of another. He was also concerned about the tendency of one nation's judgments on the injustice of another's actions to aggravate and extend armed conflict. After all, "where is the nation which would confess their wantonness or injustice? Or where the tribunal to whose arbitration they would submit their honour?"³⁶ Ironically, a nation that pursued a highly refined standard of justice would often perpetuate and increase injustice by extending the duration of bloody conflict. Questions of international justice should, therefore, be tied to more easily discerned and less inflammatory criteria.

In this context, Hamilton argued that international treaties and agreements must be governed by "plain and obvious rules," based upon "palpable criteria" of action and "reciprocal benefit." A defensive alliance, for example, must be based upon the easily discerned criterion of who commences hostilities. If a nation with whom we have a defensive alliance commences a war, we are not obliged to come to its aid, because this is offensive, not

defensive war. It is generally too difficult, if not impossible, to inquire into the motives and actions preliminary to such commencement for purposes of determining its justice or injustice. It would be imprudent and dangerous to hinge a commitment of American lives and fortunes to anything less than obvious rules and palpable criteria of action. These obvious rules and palpable criteria form the safest and most stable context for moral obligations between nations. Thus, national interests are brought into harmony with a rougher but more calculable form of justice. Hamilton, therefore, juxtaposed an enlightened view of national interest with a lowered standard of justice.

It was necessary, then, that the terms of any international agreement or alliance be determined on the basis of coolly calculated, reciprocal advantage or benefit. Furthermore, such criteria make sentiments like gratitude inappropriate in foreign affairs.

Gratitude is only due to a kindness or service, the predominant object of which is the interest or benefit of the party to whom it is performed. Where the interest or benefit of the party performing is the predominant cause of it, however there may result a debt, in cases in which there is not an immediate adequate and reciprocal advantage, there can be no room for the sentiment of gratitude. Where there is such an advantage, there is then not even a debt. If

the motive to the act, instead of being the benefit of the party to whom it is done, should be a compound of the interest of the party doing it, and of detriment to some other, of whom he is the enemy or the rival, there is still less room for so noble and refined a sentiment. [37]

Hamilton applied this analysis to the situation between the U.S., Spain and France after the Revolutionary War. Some people argued that the U.S. owed a debt of gratitude to both Spain and France for their support during the Revolutionary War. It followed that, upon commencement of a war in Europe, we might be obliged to support one or both of these nations against a country such as England to whom no such debt existed. However, Hamilton pointed out that neither France nor Spain lent us support out of some altruistic interest in our independence or liberty. They supported us to further their own interests. It was to their material advantage to see England's empire severed, and the balance of power in Europe shifted in their favor.

This did not necessarily mean these nations were not entitled to "our esteem and good will." Because of France's help in particular, these dispositions "ought to be cherished and cultivated [with her], but they are very distinct from a spirit of romantic gratitude calling for sacrifices of our substantial interests; preferences inconsistent with sound policy; or complaisances incompatible with our safety."

In general, our relations with other nations should be left flexible enough to accommodate changing circumstances. Such relations should be defined in easily evaluated terms, and based upon reciprocal advantages. For these reasons, Hamilton thought the United States should avoid any long-term commitments, and should hesitate to ally itself too closely with any nation.

An attentive consideration of the vicissitudes which have attended the friendships of nations, except in a very few instances, from very peculiar circumstances, gives little countenance to systems which proceed on the supposition of a permanent interest to prefer a particular connection. The position of the United States, detached as they are from Europe admonishes them to unusual circumspection on that point. . . . Indeed, every system of this kind is liable to objection, that it has a tendency to give a wrong bias to the Councils of a Nation, and sometimes to make its own interest subservient to that of another. [39]

In adhering to national interest as a guide to foreign policy Hamilton also assumed that every other nation's interests were to be respected. The judgments and conduct of other nations, calculated from their interests, were not to be interfered with except as they affected our interests. Hamilton cited Vattel in support of this principle.

Vattel justly observes, as a consequence of the Liberty & Independence of Nations--"That it does not belong to any foreign Power to take cognizance of the administration of the sovereign of another country, to set himself up as a judge of his Conduct or to oblige him to alter it." [40]

Violation of this principle might instill long-lasting animosity, and eventually hurt our own interests should the balance of power shift away from us in the future. Strict observance of this principle avoids the temptation of self-righteousness, and checks the tendency toward ideological evangelism. These were the dangers Hamilton saw in the excesses of the French revolution. France's revolutionary zeal for republican principles eroded its respect for non-republican nations, and led to declarations for their overthrow. Hamilton dreaded this self-righteous moralism, particularly since so many in America were taken in by it. No nation had a monopoly on virtue, and there was no single governing form or principle appropriate for all. France's tendencies were so dangerous that Hamilton spared no effort at distinguishing the United States republic from her.

Whatever partiality may be entertained for the general object of the French Revolution, it is impossible for any well informed or soberminded man not to condemn the proceedings which have been stated; as repugnant to the general rights of Nations, to the true principles of liberty, to the freedom of opinion of mankind; & not to acknowledge as a consequence of this,

that the justice of the war on the part of France, with regard to some of the powers with which she is engaged, is from those causes questionable enough to free the United States from all embarrassment on that score; if it be at all incumbent upon them to go into the inquiry. [41]

Hamilton also justified a policy of containment toward France by offended nations. This was not unlike containment policy of the NATO alliance in the twentieth century. "It is a principle well agreed & founded on the best reasons, that whenever a particular nation adopts maxims of conduct contrary to those generally established among nations calculated to disturb their tranquility & to expose their safety, they may justifiably make a common cause to oppose & control such Nation."⁴²

For Hamilton, the regard for national interests provided a solid basis upon which to conduct foreign relations. His standards reveal his concern for administrative feasibility and responsibility in the conduct of foreign affairs. He wanted to reduce the equivocality of international relationships as much as possible, and thereby simplify and clarify the responsibilities of administrators on all sides. This not only makes their jobs easier, it makes their actions more accountable, and more amenable to evaluation.

Consistent and habitual adherence to these standards

would provide a more stable and calculable ground for reaching mutually beneficial agreements between nations. Other nations would understand the logic of our policies. Our commitments, in the form of debts, treaties, and agreements would be honored in good faith. We would display no pretentious moralism or ideology, but regard the rights of other Nations in relation to the balance of power in the world. War would be engaged in less often and only after cool calculations of interest. Hamilton argued that "wars oftener proceed from angry and perverse passions, than from cool calculations of interest." ⁴³ Hamilton considered this a respectable policy, one that would preserve the nation's honor and reputation among the nations.

National Interest & The Balance of Power

The conduct of foreign affairs on the basis of national interests led Hamilton to assess the powers of each nation relative to the United States. This was an approach Hans J. Morgenthau described as "the older notion that international politics is an unending struggle for power in which the interests of individual nations must necessarily be defined in terms of power." ⁴⁴ A nation's interests are controlled by its power to achieve them.

Hence, the pursuit of power through political, economic and military policy defines the milieu for international relations.

Morgenthau distinguished this "power politics" orientation from legalistic and moralistic politics, where legalized relations and moral abstractions are used as the guides to analysis and action in place of power. Each of these approaches has played a significant role in American foreign policy. However, Morgenthau argued we began with Hamilton's "power politics" approach, and that most subsequent American foreign policy has been affected by
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it.

Hamilton pursued United States interests by trying to make it the predominant power on the American continents. If it could maintain this position, it could exploit its own natural resources and eventually become a major world power. At the time, the only possible threat to our predominance in the Americas came from European nations. Our unique geographic situation minimized this threat as long as no European nation gained so much power "that it could afford to look across the sea for conquest without fear of being menaced at the center of its power, that is,
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in Europe itself." Accordingly, Hamilton supported any measure that helped maintain a balance of power in Europe.

As long as such a balance existed, the United States would be safe from imperial pretensions.

Historically, Great Britain had pursued the balance of power strategy to protect its interests. Hamilton, therefore, had an affinity for British foreign policy and diplomacy. He understood British thinking, and he knew we shared similar interests with them. Thus, he made every effort to improve our relations with Britain after our independence was established. They were a major source of trade. And, as long as they pursued a balance of power strategy, they would not pose a significant threat to our interest in isolation. In fact, in pursuing their own interests, they would augment ours simultaneously.

Hamilton pursued profitable relations with many other European powers as well. His financial policies had quickly established confidence in Europe as well as in the United States. Trading relationships that hindered our own economic development were modified with protective policies. All relationships were linked to calculations of national interest.

When France, in the throes of revolution, commenced war with Britain, Austria, Prussia, Sardinia, and the Netherlands, Hamilton took every possible step to avoid

being brought into the conflict. He wrote the "Pacificus" and "Americanus" essays in an effort to persuade the American people that it was in their interests to stay out of the conflict, and support President Washington's proclamation of neutrality. These essays provide an excellent lesson in the use of national interest as a determinant of foreign policy.

Hamilton's political opponents, represented by Thomas Jefferson and James Madison, argued that on moralistic grounds we should assist France. We had a defensive alliance with her; we owed her gratitude for assistance in our own revolution; and we shared common republican ideals.

Hamilton replied that if we were to consider supporting France against the rest of Europe, we must first determine what risks we would run, what advantages we could expect, and what good we could do for France. He determined that our defensive alliance did not apply to this situation; that neither gratitude nor common political creed formed a proper basis upon which to endanger or sacrifice our interests; that we had nothing to gain from entering the conflict, and everything to gain by cultivating neutrality; and that, even if we wanted to, we were incapable of helping France in any substantial way.

We had no navy, no sizeable national force, and insubstantial resources at hand. The best we could do for France and ourselves was stay out of the conflict.

Maintaining neutrality proved to be a difficult effort in and of itself. In 1793, Great Britain tried to frustrate our neutrality by seizing our trading ships bound for France. With Hamilton's approval, we avoided hostilities and gained satisfaction by resorting to rigorous diplomatic demands backed by a system of progressively severe sanctions. War was only to be the sanction of last resort.

France also harassed our ships and, by 1797, was ignoring the neutrality proclamations of many nations as a matter of deliberate policy. France was successful enough militarily to threaten the balance of power in Europe and raise fears in the United States. She was also exhibiting a moralistic "spirit of universal domination" that, to Hamilton, violated every just principle of foreign relations.

The conduct of France from the commencement of her successes, has by gradual developments betrayed a spirit of universal domination; an opinion that she has a right to be the legislatrix of Nations; that they are all bound to submit to her mandates, to take from her their moral, political and religious creeds; that her

plastic and regenerating hand is to mould them into whatever shape she thinks fit & that her interest is to be the sole measure of the rights of the rest of the world. The specious pretence of enlightening mankind and reforming their civil institutions, is the varnish to the real design of subjugating them. [47]

The number of Americans supporting France dwindled at this point, though some still advocated that we join her in the war. There was also an increasing number of Americans advocating war against her. Hamilton agreed that France was engaging in an "untolerable tyranny [that] wounds the sovereignty of Nations and calls them to resistance by every motive of self preservation and self respect." Nevertheless, he argued that it was still "our true policy to remain at peace." If we were as yet incapable of assisting France in the war effort, we were equally incapable of assisting the nations against her. It was still in our interest to "defer a resort to arms 'till a last effort of negotiation shall have demonstrated that . . . our only option is between infamy or war." We must "do every thing that honor permits to preserve peace."⁴⁸

Hamilton thus sought a middle ground between appeasement and war in our relations with belligerent nations. Diplomacy was to consist of forbearance combined with a system of progressively stern negotiations and sanctions. We would resort to the ultimate sanction of war

only when our honor was at stake.

Hamilton was adamant about protecting the nation's honor.

The honor of a nation is its life. Deliberately to abandon it is to commit an act of political suicide. There is treason in the sentiment avowed in the language of some, and betrayal by the conduct of others, that we ought to bear any thing from France rather than go to war with her. The Nation which can prefer disgrace to danger is prepared for a Master and deserves one. [49]

There is a point, among nations and people, at which forbearance no longer demonstrates good and patient character, but rather indicates humiliation and disgrace. We were not to reach that point. We could overcome significant material deprivation with time.

But the humiliation of the American mind would be a lasting and a mortal disease in our social habit. Mental debasement is the greatest misfortune that can befall a people. The most pernicious of conquests, which a state can experience, is a conquest over that elevated sense of its own rights which inspires a due sensibility to insult and injury; [a conquest] over that virtuous pride of character which prefers any peril or sacrifice to a final submission to oppression, and which regards national ignominy as the greatest of national calamities. [50]

Because France appeared to be pushing us to this

point, Hamilton worked vigorously to prepare the nation for war. The effectiveness of future diplomatic efforts required the support of military force.

Hamiltonian Realism in American Foreign Policy

Hamilton's influence on American foreign policy is inadequately addressed in most history texts. ⁵¹ However, it received great attention in the work of Hans J. Morgenthau. Morgenthau, of course, was a principal advocate of the realist school of foreign policy. This school gained prominence in the post-World War II era and was ably represented by Morgenthau and other men such as George Kennan, Walter Lippmann, Reinhold Niebuhr, and Edward Carr. This school recognizes Hamilton as its first and most enlightened spokesman in America.

This chapter relies heavily on Morgenthau's treatment. However, I want to preface the subsequent analysis by pointing out a significant difference between Hamilton and the twentieth century realist school. Hamilton's realism was not as skeptical and relativistic as Morgenthau's. Hamilton would not have agreed with Morgenthau's argument that "the appeal to moral principles in the international sphere has no concrete universal

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meaning." Recall that Hamilton respected and followed the Law of Nations, and the laws of nature implicit in that corpus. He accepted the idea that moral principles should structure the relations among nations as much as possible. The realist school denied the existence of natural laws that could give international law any "concrete meaning." Instead they would ask, "What are the laws of nature and nations? Where shall we find them?" Hamilton had a ready answer--"from Reason, the opinions of Writers, the practice
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of Nations."

Through studied reflection and knowledge of the historical practice of nations, Hamilton saw the possibility of a concrete, common morality that could inform international affairs. In this he had more affinity with Justinian and the long train of writers culminating in Grotius and Vattel than he did with Morgenthau and his colleagues.

When Morgenthau argued that universal moral principles "are mere means to the ends of national policies, bestowing upon the national interest the false dignity of universal moral principles," he was adopting a less enlightened view of national interest than Hamilton would allow.

Hamilton and the realist school, however, shared the

same aversion to the application of overly or unrealistically refined moral systems. Both emphasized the prudence of considering political interests and power. But Hamilton tried to improve the moral quality of these factors with an enlightened view of national interests. And he did so without obscuring or denying their operation in foreign affairs. Obscuring and denying their operation under cover of moralistic endeavor posed the greatest danger. It is in opposition to this tendency that Hamilton and the realists have the most in common. In light of this, Morgenthau's interpretation of the history of American foreign policy follows Hamilton's orientation more closely than any other writer on the subject. Accordingly his analysis highlights Hamilton's contributions to the field, and is useful for the purposes of this study.

In Morgenthau's historical treatments of American foreign policy, Hamilton played a central role. Morgenthau portrayed Hamilton as a brilliant realist whose foreign policies prevailed over those advocated by the ideological and moralistic statesmen of the period. Subsequent foreign policy history in the United States is then viewed as a continuing struggle between realist, ideological and moralist conceptions.

Hamilton's realist position was dominant in both

thought and action during the Federalist era. The realist, of course, thinks primarily in terms of the balance of power and national interest. Despite lack of subsequent recognition, the policies shaped by Hamilton in this era have, as Morgenthau indicates, "determined the great objectives of American foreign policy to this day."

[T]he United States has consistently--the War of 1812 is the sole major exception--pursued policies aiming at the maintenance of the balance of power in Europe. It has opposed whatever European nation--be it Great Britain, France, Germany or Russia--seemed to be likely to gain that ascendancy over its European competitors which would have jeopardized the hemispheric predominance and eventually the very independence of the United States. Conversely, it has supported whatever European nation seemed most likely to restore the balance of power by offering successful resistance to the would-be conqueror. [55]

Throughout most of the nineteenth century, the ideological position prevailed. This period "witnessed a discrepancy between political thought and political action." The ideological statesmen acted in "power-political terms," but thought in "non-political, moralistic terms." Fortunately for America, their thought and action converged when the national interest was at stake. Thomas Jefferson and John Quincy Adams represent the best of this tradition.

During this period, a combination of three factors peculiar to the United States fostered a tendency to view foreign affairs in moralistic fashion. First, because of our distance from Europe, we did not have to engage in her constant "power-political quarrels" in order to remain a viable nation. Rather, we needed to insulate ourselves from those quarrels and exploit the resources of our own continent. This appeared to require "an act of civilization rather than of conquest." Civilizing a continent was viewed as being "essentially different from, and morally superior to, the imperialistic ventures, wars of conquest, and colonial acquisitions with which the history of other nations was replete." Civilizing a continent could be viewed as a moral duty or calling. In fact, it came to be viewed as our "manifest destiny." The often brutal, expansionist power we used in the civilizing process was easily obscured by this moralistic guise.

Second, our actual geographic isolation allowed us to look askance at the power struggles of Europe. This was reinforced by realization that it was to our advantage to remain isolated. This isolationist/spectator mentality went unchallenged during most of the nineteenth century. Furthermore, it came to be viewed as a permanent condition, "self-chosen as well as naturally ordained," rather than as

a temporary phase of fortuitous circumstances.

Third, the ideological orientation of Americans has focused upon the promotion of domestic liberty. It has been decidedly anti-militaristic, anti-imperialist, and libertarian in emphasis. We adopted democracy as our creed as well as our governing form. Our long period of isolation from international struggle reinforced the belief that democracy was the government of peace and prosperity. Morgenthau argued that this melded well with "the general philosophy which during the better part of the nineteenth century dominated the Western world."

This philosophy contains two propositions: that the struggle for power on the international scene is a mere accident of history, naturally associated with non-democratic government and, hence, destined to disappear with the triumph of democracy throughout the world; and that, in consequence, conflicts between democratic and non-democratic nations must be conceived not as struggles for mutual advantage in terms of power but primarily as a contest between good and evil, which can only end with the complete triumph of good and with evil being wiped off the face of the earth. [57]

This illusionary and moralistic philosophy took shape in America during the Jeffersonian period and continued to the close of the nineteenth century. Jefferson gave it great impetus with his concept of the "empire of liberty." Expressing his optimism to Andrew Jackson after the

Louisiana Purchase, he stated that we would no longer suffer the "intrigues of foreign nations." "They can no longer produce disturbance between the Indians and us." Furthermore, "the world will here see such an extent of country under a free and moderate government as it has never yet seen." ⁵⁸ From there it was easy for Jefferson to conclude that republican values and isolation would yield a higher form of civilization than ever before experienced.

I have much confidence that we shall proceed successfully for ages to come, and that, contrary to the principle of Montesquieu, it will be seen that the larger the extent of country, the more firm its republican structure, if founded, not on conquest, but in principles of compact and equality. My hope of its duration is built much on the enlargement of the resources of life going hand in hand with the enlargement of territory, and the belief that men are disposed to live honestly, if the means of doing so are open to them." [59]

This orientation enjoyed continued success because its tenets happened to coincide at crucial times with the real interests of the United States. Isolation and continental expansion augmented our political power as well as fed our moralistic leanings. We framed our internal struggles in legalistic and moralistic terms rather than as struggles for political power. The balance of power in Europe and Asia insulated us from external oppressors and allowed us to think of democracy as the harbinger of peace in the

world.

John Quincy Adams' administration provides the best, and probably most influential, example of this confluence of moralism and realist objectives in our foreign policy. As Morgenthau indicates:

We are here in the presence of a statesman who had been reared in the realist tradition of the first period of American foreign policy, who had done the better part of his work of statecraft in an atmosphere saturated with Jeffersonian principles, and who had achieved the merger of these two elements of his experience into an harmonious whole. Between John Quincy Adams' moral principles and the traditional interest of the United States there was hardly ever a conflict. The moral principles were nothing but the political interests formulated in moral terms, and vice versa. They fit the interests as a glove fits the hand. Adam's great contributions to the tradition of American foreign policy, freedom of the seas, the Monroe Doctrine, and Manifest Destiny, are witness to this achievement. [60]

The Monroe Doctrine espoused the principle that the United States can allow no intervention in the American continent by a foreign power, and would not itself intervene in disputes in Europe. This doctrine, more than any other, wedded Hamiltonian foreign policy to Jeffersonian moralism, and has remained a significant part of American foreign policy ever since.

Toward the end of the nineteenth century we entered a

new phase in which foreign policy was "guided by moral principles which are completely divorced from the national interest." This was the period of American expansionism after the Spanish-American War, and its principle spokesman was Woodrow Wilson. It is best expressed in Wilson's statement that "National purposes have fallen more and more into the background and the common purpose of enlightened mankind has taken their place." This view transformed American democratic isolationism into democratic evangelism. Furthermore, it deprecated the manners, customs, and concerns of diplomacy. This is evident in some of Wilson's addresses.

The counsels of plain men have become on all hands more simple and straightforward and more unified than the counsels of sophisticated men of affairs, who still retain the impression that they are playing a game of power and playing for high stakes. That is why I have said that this is a peoples' war, not a statesmen's. Statesmen must follow the clarified common thought or be broken. [61]

Wilson framed his foreign policy in the language of democratic friendship and freedom for all people. These were moral concerns that transcended national diplomacy.

Do not think, therefore, gentlemen, that the questions of the day are mere questions of policy and diplomacy. They are shot through with the principles of life. We dare not turn from the

principle that morality and not expediency is the thing that must guide us and that we will never condone iniquity because it is most convenient to do so. [62]

The enthusiasm of this approach was spawned by the moral fervor of our thus-far-successful experiment in democratic government, combined with the assumption that increased knowledge would make the world more virtuous. This Platonic assumption glorified the rise of positivist science, and lent credence to the idea of emergent or progressive evolution and the perfectability of man. This orientation can be seen in the language of a typical Wilson address:

It seems to me that this is a day of infinite hope, of confidence in a future greater than the past has been, for I am fain to believe that in spite of all the things that we wish to correct, the nineteenth century that now lies behind us has brought us a long stage toward the time when, slowly ascending the tedious climb that leads to the final uplands, we shall get our ultimate view of the duties of mankind. We have breasted a considerable part of that climb and shall presently--it may be in a generation or two--come out upon those great heights where there shines unobstructed the light of the justice of God. [63]

Until the end of World War II, the United States exhibited this kind of moralism in its foreign policy. We responded to our national interest haphazardly and often by brute instinct. When the balance of power in Europe and

Asia began to change dramatically and threaten our interests, we responded with moral fervor against the non-democratic aggressors. In joining the First and Second World wars, our interests again coincided with our moralism, but more by instinct than reflection. What Morgenthau said of Wilson applies to the greater part of our foreign policy during the first half of the twentieth century: "Wilson pursued the right policy, but he pursued⁶⁴ it for the wrong reasons."

The worst failures of our moralism in foreign policy resulted from our approach to ending these wars. Beginning with Wilson in World War I, we sought to eliminate oppression altogether by transforming the beaten aggressors into democratic republics. We exercised hegemony rather than diplomacy.

Furthermore, we assumed that allies made during the war would continue to be allies in the moral cause after the war. For this reason we tended to look at each conflict as the "war to end all wars." Consequently, we ignored the necessity of reshaping a new balance of power in the world. We ignored the waking of a giant in Asia--China. In many respects, our policies toward Germany, at the end of World War I, contributed to the rise of Hitler and the axis powers of World War II. Our policies at

the end of World War II failed to comprehend the significance of Russia's dominance in eastern Europe, and the rise of Mao Tse Tung in China. We retired from the international scene when we should have been acting in a manner suited to a new world power--ensuring that a stable balance of power was established.

The failures of this period stimulated the rise of many critics. Among these were the new school of foreign policy realists. Edward H. Carr, Reinhold Niebuhr, Walter Lippmann, George Kennan, Hans Morgenthau and others contributed in-depth, Hamiltonian-styled critiques of the period. ⁶⁵ Kennan's contribution is of particular importance because he played a formal role in the reformulation of American foreign policy after World War II. As a young foreign service officer stationed in Russia, he became familiar with Russian national interests and character. His memoranda on this subject helped re-focus our analysis on national interests. He also set up the Policy Planning Staff, which was in his words, "the first regular office of the Department of State to be charged in our time with looking at problems from the standpoint of the totality of American national interest." One is reminded of Hamilton's call in 1784 for the creation of a "diplomatic and consular service" that would have performed exactly the same

function.

Conclusion

In summation, Hamilton's approach to foreign policy dominated early American foreign policy. It was blended with an ideological orientation during most of the nineteenth century, and was largely neglected during the moralistic period of the early twentieth century. However, due to the press of concrete, international events we have since been forced into reappraisals that call attention to his insights. The emergence of realists in the postwar era boosted his ideas into our consciousness, and provided us with the tools for re-framing our foreign policy more in line with his tenets.

In spite of this, however, we have not yet overcome our infatuation with moralistic causes. Much of our politics with other nations is still tinged with a moralistic fervor that blinds us to the most compelling force in international behavior--national interests and the balance of power.

In part, this moralistic tendency is due to our failure to see that a moral cause may involve calculations of expediency and interest. It need not be altruistic. In

fact it cannot be altruistic if any real progress is to be made. The failure to realize this is expressed in Wilson's conviction that "We dare not turn from the principle that morality and not expediency is the thing that must guide us" The prudent course is to join principle with practice, morality with expedience, wherever possible. This was the insight Hamilton had about fame in relation to human nature and moral causes. One must engage passionate and enduring interests in the pursuit of justice and common good, and guard carefully against contrary tendencies. This applies to relations between nations as well as between people. A nation's interests must be carefully linked to international agreements if they are to be fruitful and enduring. Other nations' interests and powers must be respected, regardless of ideological differences or similarities, and regardless of differences or similarities in their forms of government. If we go beyond the context of national interests and power, we venture into utopian speculation. In the words of Paul Appleby, we then risk "losing the better in striving for the unattainable best."⁶⁶

Finally, it must be said that twentieth century realists have contributed in a way to the unhealthy moralism. Their coldly skeptical and anti-legal

perspective polarized the debate along extreme moralist/amoralist lines. This aggravates our tendency to frame moral dilemmas in black and white terms. We often force ourselves to choose between unnecessary extremes. Hamilton's "pragmatic idealism" offers hope for the restoration of a middle ground.

In concluding this chapter, I wish to call attention to the parallels between Wilson's approach to foreign policy and the development of public administration as a whole. Wilson's moralistic approach is representative of the direction the entire public administration took during the progressive era. In effect, we re-conceptualized the public administration as a scientific or knowledge-producing endeavor that would bring about the moralistic vision described above. Scientific management would ultimately supersede power politics. In effect, technical administrative knowledge, serving democratic moralism, would supersede the need for governance as well as diplomacy. Wilson's assertion that "Freemen need no guardians" supports this view. This was the view Morgenthau harshly criticized in Scientific Man vs. Power Politics in 1946. Contemporary public administration theorists such as Waldo, Gaus, Appleby, and Leiserson articulated the same criticism in their writings.

Wilson's approach sought to transcend politics with scientific endeavor and moralistic fervor. In doing so he ignored the wisdom of Hamilton. He ignored the necessity of governance over competing interests. He ignored legitimate concerns for national interests. These are concerns that public administrators have an obligation to consider. He ignored the possibility that an enlightened view of national interest could be joined with a cruder but more realizable standard of justice and good faith. And he ignored the necessity of power in foreign policy. Indeed, as we have seen, he diminished the importance of power and diplomacy in foreign policy altogether.

Wilson's deprecation of power and diplomacy suggests another parallel in the development of public administration. The field of public administration has paid little attention to administrative practice in foreign affairs. It is a curious fact that most schools of public administration still do not provide courses in the administration of foreign policy. ⁶⁸ Few of them give attention to military administration and its relation to foreign policy. Nor do they address the dynamic relationship between domestic and foreign policy, and the effect this has on administration. This is as tragic as it is ironic. The State Department, Department of Defense,

and all other diplomatic and security organizations make up the largest organizational network of the national government. They consume almost half of the government's resources. Many, if not most, of our technical-administrative innovations originated in military organizations, especially during wars. Joseph Rosenfarb appropriately described war as "the laboratory of ⁶⁹ administration."

The field of public administration has suffered for lack of significant attention to these important subjects. Any efforts to fill this void will be greatly enhanced by historical study. In studying the history of American foreign policy, one must begin with Hamilton.

NOTES TO CHAPTER VI

1. June 29, 1787, Hamilton, Papers, Vol. IV, pp. 221-222. The first paragraph is from Madison's account. The second paragraph is from Yate's account.

2. Leonard D. White said of Hamilton:

His interest in foreign policy was as keen as in domestic affairs; indeed the two were inseparable in Hamilton's all-inclusive grasp of what he hoped would be the national destiny.

White, The Federalists, p. 126.

3. Hamilton proposed the creation of a formal diplomatic corps and consular service as early as 1783. Notes from his pay book show that, as early as 1777, he was concerned about the United States having detailed knowledge of the strengths, interests, views and resources of foreign nations. See Mitchell, Hamilton: Youth to Maturity, p. 102.

4. See pp. 143-147 above for Hamilton's views on executive power in foreign and military affairs. Hamilton's Pacificus essays, Camillus essays, Metellus essays, Americanus essays, Lucius Crassus essays 1-5, Federalist essays 23-29, and his many letters to President Washington on executive powers involve foreign affairs and military preparedness. Even his opinion on the constitutionality of the United States Bank makes use of foreign affairs contexts and war powers to justify implied and resulting powers for the national government.

5. See Chapter IV above. Also see Robert Scigliano's essay on "The War Powers Resolution and the War Powers," in Bessette and Tulis, The Presidency in the Constitutional Order, pp. 115-153. Scigliano centers his analysis around the conflicting constitutional arguments of Hamilton and Madison relative to war powers. The cogency and eventual pre-eminence of Hamilton's view are clearly demonstrated in this essay. It should also be noted that Hamilton and Jefferson generally agreed on the President's powers in this area. For an influential nineteenth century work on war powers and foreign affairs that acknowledges Hamilton's influence, see William Whiting, War Power under the Constitution of the United States, 10th ed. (Boston:

Little, Brown & Co., 1864).

6. In this connection, see Letter to George Washington, march 29, 1796, Papers, Vol. XX, pp. 86-103, and Justice Gibson's opinion in Eakin v. Raub, 12 Sergeant and Rawle (Pa. Supreme Ct) 330 (1825). Gibson affirmed that Hamilton's argument was universally held concerning Congress' obligation to support treaties with requisite funds.

7. In fact, in the twentieth century, executive power in emergencies may have been allowed to go too far. Our Japanese internment policy during World War II represented a flagrant violation of fundamental, individual rights without due process of law. And yet, in *Korematsu v. U.S.*, 323 U.S. 214 (1944), the Supreme Court sanctioned this practice. This practice went much further than Lincoln's legally questionable suspension of habeas corpus during the Civil War. Japanese citizens were deprived of their liberty, and in many cases permanently deprived of their property, not because each was suspected of espionage, but because some of them might be spies or saboteurs.

8. Rossiter, Federalist 24 & 25, pp.162-63.

9. *Ibid.*, no. 25, pp.166-67.

10. Gilbert Lycan points out that, in 1802, Jefferson sounded more like Hamilton when he (Jefferson) wrote that New Orleans was the "one single spot, the possessor of which is our natural and habitual enemy." Gilbert L. Lycan, Alexander Hamilton & American Foreign Policy: A Design for Greatness (Norman, OK: Un. of Oklahoma Press, 1970), p. 415.

11. Rossiter, Federalist 24, p.162.

12. White, The Federalists, pp. 147-55. White further explained that Hamilton ran the War Department on his own in 1794 during Knox's absence. Hamilton also brought control over military procurement, accounting, and equipment issue into the Treasury because chaotic management of these things resulted in some public scandals and congressional investigations that were extremely embarrassing and hurtful to the government's reputation. Bolstering the military force of the nation was made much more difficult because of these scandals.

13. Hamilton's appointment was somewhat controversial

because he was elevated to this post above more senior officers--Generals Knox and Pinckney. Pinckney graciously acceded to Hamilton's appointment, acknowledging Hamilton's superior talents for such a post. Knox was offended and refused to serve behind Hamilton. Their friendship became strained and distant because of this episode.

14. The appointment of Washington as Commanding General of all military forces created a precedent that lasted throughout the nineteenth century. Commanding Generals were appointed to handle any immediate and urgent military matters. Even though their office was considered temporary, they became a natural rival to the Secretary of War. This started with Washington's command. Hamilton, with Washington's support, literally ran the War Department from 1798 through 1799.

15. Hamilton, Papers, Vol. XXII, pp. 41-42.

16. *Ibid.*, pp. 163, 202, 377.

17. *Ibid.*, pp. 555, 350-1.

18. *Ibid.*, pp. 204, 356-7.

19. *Ibid.*, pp. 357-8, 342-343.

20. *Ibid.*, pp. 349-50.

21. *Ibid.*, pp. 268, 350-1.

22. *Ibid.*, pp. 269, 421, 431.

23. *Ibid.*, pp. 421, 431.

24. For a brief outline of some of his proposals, see letter to Oliver Wolcott, June 5, 1798, Papers, Vol. XXI, pp. 485-88. Also see letters to James McHenry, Vol. XXII, pp. 341-66, 421; XXIV, pp. 69-75, 306-311. Also see "An Act giving eventual authority to the President of the United States to augment the Army" (I Stat. 725-27) March 2, 1799; and "An Act authorizing the President to raise a Provisional Army" (I Stat. 558-61) May 28, 1798. These letters and statutes show the great detail and attention to administrative capability that Hamilton concerned himself with. He literally designed the entire military force, from broad designs for military schools (West Point especially), training curricula and military posts to specific appointments of officers, artillery specifications, design of uniforms, and so on. It should

be noted that Hamilton was not the first to call for the creation of military schools. However, as with so many other things, he gave more attention than anyone else to the administrative development and detail of such schools.

25. Mitchell, Hamilton: The National Adventure, pp. 438-39. Also see pp. 449-451.

26. Emory Upton provided the scholarly impetus for this movement with his comparative military studies. His Armies of Asia and Europe (1878) and Military Policy of the United States (1881, unfinished) were influential works that advocated a variety of centralizing reforms. It is an interesting coincidence that both Hamilton and Upton were enamored with Prussian military standards and organization. Hamilton played a major role in bringing a Prussian military officer (Baron von Steuben) into the Continental Army as a training officer. Steuben's rigorous training and discipline greatly improved the effectiveness of the infantry. Hamilton learned much from him about military organization generally. For an in-depth discussion of military reforms subsequent to the Civil War, see Skowronek, Building a New American State, chapters 4 & 7.

27. *Ibid.*, p. 88. Quotes were by General George McClellan.

28. See Elihu Root, Addresses on Government and Citizenship (New York: 1916), p. 251; and E. E. Morison, ed., The Letters of Theodore Roosevelt (Cambridge, 1954), I, 490; V, 351-2, 368, 407, 469; VI, 1527; VII, 48, 121, 175, 229; VIII, 1415.

29. "Pacificus No. IV," Hamilton, Papers, Vol. XV, p. 85.

30. *Ibid.*, p. 86.

31. Pacificus No. III, *Ibid.*, Vol. XV, p. 66.

32. *Ibid.*, Vol. XXI, p. 33.

33. *Ibid.*, Vol. XV, p. 85.

34. Hume, "An Enquiry concerning the Principles of Morals," in Selby-Bigge and Nidditch, eds., Enquiries concerning Human Understanding and concerning the Principles of Morals, p. 225.

35. Pacificus No. IV, July 1793, Hamilton, Papers, Vol. XV, p. 84.

36. Rutgers v. Waddington (1784), as reported in Goebel, Law Practice of Alexander Hamilton, pp. 364, 408. This quote is taken from Mayor James Duane's ruling opinion. He was paraphrasing Hamilton's arguments before the bench. In this case, Hamilton links his arguments to the insights of Grotius and Vattel on the law of nations. This case presented a collage of fascinating issues. In his notes and briefs, Hamilton addressed such topics as federalism, judicial review, natural law and the law of nations, international justice, national supremacy, and the nature of the American union.

37. Letter to George Washington, Sept. 15, 1790, Ibid., Vol. VII, p. 43. This remarkable letter provides a detailed summary of Hamilton's principles of foreign policy. The letter was written to address the issue of whether the U.S. should allow British troops to travel through some of its western frontier in order to attack some Spanish posts.

38. Ibid., p. 44.

39. Ibid., pp. 52-3.

40. Pacificus No. II, July 1793, Ibid., Vol. XV, p. 60.

41. Ibid., p. 62.

42. Letter to George Washington, April 19, 1794, Ibid., Vol. XVI, p. 267.

43. Ibid.

44. Hans J. Morgenthau, "The Mainsprings of American Foreign Policy: The National Interest vs. Moral Abstractions," The American Political Science Review, Vol. XLIV, No. 4 (December, 1950), p. 840.

45. Ibid.

46. Ibid., p. 835.

47. "The Warning No. I," January 27, 1797, Hamilton, Papers, Vol. XX, p. 494.

48. "The Warning No. II, February 7, 1797, Ibid., p.

510.

49. "The Warning No. III, February 21, 1797, Ibid., p. 520.

50. Ibid.

51. Most current texts on American foreign policy acknowledge that Hamilton had a significant influence on foreign affairs during the Federalist era. But they explain very little of his orientation in relation to subsequent history. See Rossiter, Hamilton and the Constitution, pp. 7-9, 62, for a similar impression of this literature. The most comprehensive treatment of Hamilton's foreign policy is Gilbert Lycan's Alexander Hamilton and American Foreign Policy: A Design for Greatness (Norman, OK: Un. of Oklahoma Press, 1970). Unfortunately, Lycan gives very little attention to Hamilton's ideas in subsequent history.

52. Hans J. Morgenthau, In Defense of the National Interest: A Critical Examination of American Foreign Policy (New York: Alfred A. Knopf, Inc., 1951), p. 35.

53. Hamilton addressed this question directly in his notes and briefs on Rutgers v. Waddington. See Goebel, The Law Practice of Alexander Hamilton, p. 363. For an excellent review and critique of the realist school's views on international law, see Francis A. Boyle, World Politics and International Law (Durham: Duke Un. Press, 1985), Chapters 1 & 2.

54. See Morgenthau, "Mainsprings of American Foreign Policy" APSR, and In Defense of the National Interest.

55. Morgenthau, "Mainsprings," p. 835.

56. Ibid., pp. 836-37: Morgenthau pointed out that "the utter political, military, and numerical inferiority of the Indian opponent tended to obscure the element of power, which was less obtrusive in, but no more absent from, the continental expansion of the U.S. than the expansionist movements of other nations."

57. Ibid., p. 839.

58. Adrienne Koch, Jefferson and Madison: The Great Collaboration (New York: 1950), p. 244.

59. Adrienne Koch & W. Peden, eds., The Life and

Selected Writings of Thomas Jefferson (New York: Modern Library, 1944), p. 682.

60. Morgenthau, "Mainsprings," p. 846.

61. Address of September 27, 1918, *Ibid.*, p. 848.

62. Address Delivered before the Southern Commercial Congress at Mobile, Alabama, October 27, 1913, The Public Papers of Woodrow Wilson, Vol. II, p. 69.

63. *Ibid.*

64. Morgenthau, In Defense of the National Interest, p. 26.

65. For a sampling of these works, see Edward Hallett Carr, The Twenty Years' Crisis, 1919-1939 (London: MacMillan & Co., 1962); and George F. Kennan, American Diplomacy, 1900-1950 (Chicago: Un. of Chicago, 1951). For an excellent analysis of our foreign policy in the post World War II era, see John Lewis Gaddis, Strategies of Containment: A Critical Appraisal of Postwar American National Security Policy (New York: Oxford Un. Press, 1982).

66. Paul Appleby, Morality and Administration in Democratic Government (Baton Rouge: Louisiana State Un., 1952), p. 179.

67. See Wilson, Public Papers, Vol. II, pp. 7-20. In this article Wilson attacks Hamilton directly as the symbol of governance by guardians.

68. The nation's war colleges and military schools, and the foreign service school at Georgetown University are important exceptions. Yet they are specialized. Mainline schools of public administration don't usually address foreign policy per se. The American Society for Public Administration has only recently expressed some interest in defense and foreign policy with the creation of its National Security section.

69. Rosenfarb, Freedom and the Administrative State, p. 81.

CHAPTER VII

PUBLIC OFFICE: PURSUING ADMINISTRATIVE RESPONSIBILITY

The ingredients which constitute safety in the republican sense are a due dependence on the people, and a due responsibility.

"The Federalist," No. 70.

Alexander Hamilton remains the nation's foremost advocate of "responsible" administration."

Lynton Caldwell

In this chapter, I elaborate and discuss Hamilton's ideas concerning the public service. In his many writings he touched on points relative to appointment, tenure, compensation, promotion, discretion, leadership, responsibility, coordination and control. Today these subjects are generally treated under the rubric of public personnel administration. However, the word "personnel" was not in use during Hamilton's time. The language in use at that time referred generally to "public office" and to the "public administration." Moreover, as I proceed, it will become evident that Hamilton's concept of

administrative public office differed somewhat from our current, generic concept of "personnel."

Executive Energy and the Public Service

The previous chapters indicate that Alexander Hamilton thought public administrators would have high political responsibilities. They would have a central role in the formation as well as implementation of policy. Furthermore, his policies and the policies of other administrators would require extensive supervision and complex administrative processes. His proposals for industry regulation and promotion, financial management, a diplomatic corps, and strong naval and military organization are indicative of a large and complex government. The public administration would therefore require a vast array of offices, and the maintenance of a career service--military and civil. Lynton Caldwell indicated that Hamilton's industrial policy alone would require the formation of a career civil service.

Obviously, Hamilton's regulations for commerce and industry required continuing administrative supervision and implied a hierarchy of civil officials in whom supervisory tasks would be vested. The complexity of the undertaking and the need for predictability in business enterprise required competence and

long-term tenure in the civil personnel charged with the regulatory function. Thus Hamilton's system foreshadowed the rise of government career service as well as the demands which a developing industrial order would make upon public administration. [1]

The arrangement and responsibilities of this career service were of major concern to Hamilton. As expected, the elements of executive energy played a central role in this matter. The idea of unity extended to single department heads as well as to the chief magistrate. This would promote responsibility by combining the passion for fame and reputation with the duties of office. The ambitious administrator should have the opportunity to see his plans implemented under his own direction.

Unity, and therefore centralization, would be the general organizing principle in Hamilton's view of public administration. However, Hamilton was also very willing to admit of exceptions to general rules. There were circumstances, such as with the sinking fund, that made administrative boards desirable as well. In the case of the sinking fund, a board of highly placed and highly respected government officials was necessary for establishing public confidence in the wise management of public debt. These would be "men of the first pretensions" who already have the "opportunity of distinguishing themselves" in other offices. Thus, the combination of

personal interest in distinction, the nature of the policy, and the conditions that policy addressed, contributed to the determination of the appropriate structure of administrative offices.²

A much more significant qualification to the general principle of unity lay in the uncertain relations between the separate branches. As Secretary of the Treasury, Hamilton had two masters, not one. He recognized and accepted this as a natural part of responsible government. But he also resisted efforts by Congressmen to meddle excessively in the efficient operation of his department. Congress should review and deliberate upon the operations of the Treasury primarily through the lines of communication and accountability formally established by law. The principle of unity was to be observed as much as possible. The executive impulse should affect the Treasury's operations more than congressional review.³

In order to avoid excessive congressional interference, Hamilton tried to foster trust and mutual responsibility by openly structuring his own discretion, and by structuring relations between the branches generally. This was especially important in any area where the boundaries of executive and legislative power were uncertain.⁴ The Treasury was, of course, subject to more

uncertainty in this area than any other department.

Within the Treasury Department, authority was to be centralized and discretion coordinated and controlled from the top. He structured the discretion of subordinates through a system of Treasury circulars which explained detailed and precise standard operating procedures. The lower level officers of the department should have as little discretionary power, and be subject to as much oversight, as possible. On the other hand, he accommodated to the needs and uncertainties of subordinates' responsibilities. For example, he continually encouraged collectors of the customs to give him feedback for improving and structuring their operations.

Duration in office should apply to subordinate posts as well. "Hamilton clearly favored lengthy tenure of public office, consonant always with good performance and responsibility." Frequent changes of officers would "occasion a disgraceful and ruinous mutability in the administration of the government." Duration, like unity, should be a general principle subject to specific exceptions. Rotation in office was occasionally justified where, as in the case of quasi-public agencies such as the United States Bank, "private opportunities and public responsibility were too closely interwoven to make the

permanent tenure of directorships by the same individuals acceptable to the public or desirable to the government." ⁹

Hamilton's concern for duration in office is evident in his argument in Federalist 77 that removal of office-holders required the concurrence of the Senate. Though he might have changed his mind about this specific power in light of the "decision of 1789" in which Congress accorded the President sole power of removal, he did not waver in his belief that subordinate officers all the way up to cabinet-level posts should hold their offices beyond the tenure of the president who appointed them. Thus, he envisioned a type of career service for even the highest level administrators. This is not to say, however, that he would have cabinet level officers picked only from the lower ranks of public officials. It may be necessary and valuable to select high executive officers from other sectors of the society. But once appointed, they ought to have the opportunity to serve a long tenure. ¹⁰

Hamilton also advocated adequate provision for the support of career officials. "[I]t is in itself just and proper, that all who are in the public service, should receive adequate rewards for their time, attention and trouble." He continually lamented Congress' tendency to skimp on the rewards for office. In 1797 he felt compelled

to write that "public office in this country has few attractions."

The pecuniary emolument is so inconsiderable as to amount to a sacrifice to any man who can employ his time with advantage in any liberal profession. The opportunity of doing good, from the jealousy of power and the spirit of faction, is too small in any station to warrant a long continuation of private sacrifices. The enterprises of party had so far succeeded as materially to weaken the necessary influence and energy of the executive authority, to take away the motives which a virtuous man might have for making sacrifices. The prospect was even bad for gratifying in future the love of fame, if that passion was to be the spring of action. [11]

For Hamilton, high pay for public officials was a small cost compared to the cost of incompetency and irresponsibility that low pay would foster. "[E]xperience will teach us that no government costs so much as a bad one." This lesson has yet to be learned. Even today, Congress frets over voting itself a pay increase, and violates the logic and intent of the Civil Service Reform Act by establishing pay caps for the Senior Executive Service. And Federal judges have been in need of pay increases for years.

Hamilton's view of pecuniary and other benefits of public office was closely linked to what he considered the most important motivations of high office. The salaries of

public officials should be high enough to allow them to live in a manner appropriate to their interests and station. This is especially true if one's interests are to coincide with one's duties.¹² A person must see that the many challenges of public office are worth accepting. This view presumes that the duties of public office are honorable and difficult. As Lynton Caldwell observed, Hamilton "did not believe the duties of office so simple that any person of ordinary ability could fulfill them."¹³

Adequate salaries would also reduce the temptation to abuse of office for pecuniary reasons. This was an important consideration, especially for lower Treasury officials such as revenue collectors and customs inspectors.

The Security of the revenue, in every branch, turns (it will not be too strong to say) principally upon the officers of the lowest grade. Hence it is a policy, no less mistaken than common, to leave those officers without such compensations as will admit of a proper selection of character, and prevent the temptation, from indigence, to abuse the trust." It is certain, that in many places, the present allowance to inspectors, on the most liberal application of it, is inadequate to those important ends.[14]

Hamilton's interest in securing important symbolic rewards for public officials was exemplified by his attention to military dress. In 1799, as Inspector

General, he noticed that some military hats for new recruits were made of poor quality, inappropriate style, and came without accessories such as buttons, loops, and bands. He objected strongly to this, saying "Nothing is more necessary than to stimulate the vanity of soldiers. To this end a good dress is essential or the soldier is exposed to ridicule and humiliation." The hat "ought to be delivered with its furniture complete," for the men could not and should not be expected to procure the accessories for themselves.

Opportunity for promotion was also an essential reward and stimulus for public officials.

The expectation of promotion in civil as in military life is a great stimulus to virtuous exertion, while examples of unrewarded exertion, supported by talent and qualification, are proportionate discouragements. Where they do not produce resignations they leave men dissatisfied, and a dissatisfied man seldom does his duty well.

In a government like ours, where pecuniary compensations are moderate, the principle of gradual advancement as a reward for good conduct is perhaps more necessary to be attended to than in others where offices are more lucrative. By due attention to it it will operate as a means to secure respectable men for offices of inferior emolument and consequence. [16]

Furthermore, where "pecuniary compensations are moderate" it was also essential to provide "special

compensations to officers for special or extra service,"
 and to provide "indemnifications for extra expenses of an
 17
 Officer in peculiar situations."

Lynton Caldwell insightfully points out that
 Hamilton's views on compensation assumed a "public service
 open to all able men of moderate means."

This meant that compensation must be
 attached to public office sufficient to allow
 such men to serve without fear of insolvency.
 The importance of this . . . viewpoint to a
 democratic administrative system is apparent, for
 without it the human resources for the top
 executive responsibilities would be limited to
 the few possessed of the wealth, leisure, and
 inclination to hold public office. Inadequacy of
 compensation meant plutocracy on the top and
 mediocrity at the bottom of the administrative
 structure. [18]

Hamilton was himself an able man of moderate means.
 His life as well as his policies, exemplified a republican
 19
 orientation to merit and office-holding.

I have already discussed the importance of adequate
 20
 powers for public officials in Chapter II. Given the
 checks and balances provided by constitutional form,
 competent powers must be conferred and the nobler passions
 excited. Without adequate powers, the delicate connection
 of interest with the duties of office is broken. The
 passion for fame and the regard to reputation are

frustrated, and the government is crippled.

Administrative Responsibility

The elements of energy described above, contribute to Hamilton's concern for administrative responsibility. He viewed public administrators as employees of the nation. In one manner or another, they were to be accountable to the people and to the constitutionally designated branches of power. They were sworn to uphold the Constitution and, therefore, to uphold the viability and effectiveness of the three branches.

Hamilton believed carrying out one's responsibilities effectively was the most important kind of accountability. Thus, a "high-toned," powerful government was essential. A high-toned government must ultimately focus its powers on stable execution. The executive branch was the most naturally competent in this area, but also was the most difficult to justify to a hesitant and distrustful public. Therefore, he and other framers sought to develop legitimating institutional moorings with the other branches. The details of these ties have already been
21
discussed. Hamilton then concentrated his effort on organizing the administration in order to quickly

demonstrate the value of energetic administration to the people. The development of productive superior/subordinate relationships was central to this effort. Thus, his ideas concerning administrative responsibility involved two dimensions--lateral responsibility between the branches, and hierarchical responsibility within the executive branch. This chapter emphasizes his ideas on hierarchical responsibility.

Superior/Subordinate Relations

Within the realm of executive administration, Hamilton provided some useful standards pertaining to superior/subordinate relations. These have to do with the character or tone of relations between superiors and subordinates, and with the use of discretion in the context of those relations.

Hamilton's view of the proper character of relations between superiors and subordinates is discovered in his Treasury circulars and letters to subordinates, and in a most revealing statement about his relationship with President Washington. In his Treasury circulars and letters, Hamilton expressly emphasized harmony and cordiality.

It is my earnest wish that the public business committed to my superintendence may proceed with harmony and cordiality between myself & those united with me in the execution of it. [22]

These circulars and letters appear to have been written in just such a tone. They are polite, respectful, direct, and authoritative. Furthermore, they display an openness with regard to his reasoning on the subjects addressed. When instructions were given, so were the reasons, accompanied by a sincere invitation to return comment. When he was uncertain about the practical impact of his instructions, he admitted it, and further encouraged reaction in order to improve the situation. He often freely admitted that much of the Treasury operation was innovative and experimental, and that he was open to suggestions for improvement. He was also hesitant to reproach. Most often he communicated his impressions of improper or irregular action directly to the employee(s) concerned, and always left open the possibility of misunderstanding. When he did reproach someone, it was direct and unequivocal, and then settled. He appears to have been neither vindictive nor condescending to his subordinates. In general, he seemed to accord them a high level of respect. Correspondingly, he expected a high level of maturity and a grave sense of responsibility in

23

all concerned.

The tone Hamilton strove to set for the superior/subordinate relationship in administration becomes even more apparent and significant by examining his approach as a subordinate of President Washington. This approach is described succinctly by James Thomas Flexner in his comprehensive biography of George Washington. Describing the relationship that existed between Hamilton and Washington, Flexner used Hamilton's own revealing words:

Hamilton asserted that he had consistently repelled manifestations of friendship on Washington's part, preferring "to stand rather on a footing of military confidence than of private attachment." [24]

Hamilton strove to foster a professional relationship based upon reliability and firmness, combined with expertize and experience. He consciously avoided working relationships based upon personal loyalty or attachment. The analogy of military confidence was quite fitting for Hamilton given his long service to Washington as aide-de-camp. It is also suggestive of the proper working relationship in a constitutional republic among officials who swear an oath to uphold the constitution. There should be some independence of judgement and insight. Devotion to

public interest and the Constitution should exceed devotion to a specific president or other superior. Obedience should be construed in the context of constitutional propriety, not personal loyalty. The superior should put his confidence in the ability of the subordinate to help him or her carry out constitutional and statutory responsibilities. In short, the emphasis in the superior/subordinate relationship should be on merit, rather than personal affinity or devotion.

In Chapter III, I described Hamilton's disdain for appointments of "persons whose chief merit is their implicit devotion to their superior's will and to the support of a despicable and dangerous system of personal influence" This disdain strengthened his attachment to the standard of military confidence, and provides a standard against which we can contrast twentieth century administrations. Though many changes have occurred in the structure of executive administration, the question of which standard shall govern superior/subordinate relations is still relevant, especially with regard to the president, his staff, and the Senior Executive Service. The standard of personal loyalty may provide increased responsiveness, but it also leads to the mutability and factional rivalry that Hamilton worried so much about. The standard of

military confidence encourages stability and consistency because loyalty is linked more to institutions than to people. Given our current emphasis upon personal loyalty in the higher reaches of executive administration, Hamilton's standard provides telling criticism and an alternative worth pondering.

Hamilton's thinking on this matter stands in sharp contrast to current theory and practice of the presidency and the administration. For example, Richard Nathan, a prominent scholar on the presidency, describes and endorses the "administrative presidency" in which the president penetrates and controls the administration by exerting immense pressure for political, ideological, and personal loyalty. The president's staff and executive subordinates are transformed into a coterie of friends and followers who evangelize and police the lower ranks of the administration for loyal compliance.

In practice, the tendency of presidents to rule in this manner has increased greatly, and some dangerous extremes have been reached during this century. This has happened largely for two related reasons. First, the necessity and desire for a strong president and administration increased dramatically. Secondly, the rise of management and organizational science gave prominence to

the idea of a passively neutral administration. The bureaucracy was envisioned as a flexible tool in the hands of an increasingly powerful president.

The fallacy of the politics/administration dichotomy is now well-exposed in the theory books. But in practice it is still useful to both politicians and practitioners. The politicians use it to guarantee "responsiveness" in the administration. Bureaucrats hide behind it as a received doctrine of justification for their existence. In this context, it is easily understandable how the public administration can become, as Hamilton described, "the mere creature of the Executive."

Obedience and Independent Discretion

In Chapter III, I also discussed Hamilton's emphasis upon public officials as "Officers of the United States." He thought the oath of office excluded "the dangerous pretension that [an officer] is the mere creature of the Executive." ²⁷ This did not deny the much desired goal of "a working unanimity among the members of the administrative family," yet it affirmed "a firm and virtuous independence" that preserved one's conscience and judgement concerning the public good. There is, then, a middle course to

pursue, and it admits of some tension between obedience and independent discretion.

A middle course is easily advocated, but often difficult in practice to follow. Hamilton was not one to offer glib generalizations or advice. He had some specific ideas on the relation of obedience and discretion, and he applied them rigorously while running the Treasury. In a remarkable Treasury Circular, he summarized his view of the relation between obedience and independent discretion as it pertained to the superior/subordinate relationship in administration.

In 1792, a situation arose in which some customs officers asserted independent discretion concerning the interpretation of law.

A reference has been made to the Oath of Office, prescribed by the first Collection law for the Officers of the Customs. They are by that law severally required to swear or affirm, that they will execute and perform all the duties of their respective offices according to law; whence it seems to have been inferred, that they are bound each to pursue his own opinion of the meaning of the law. [28]

Hamilton responded, making a distinction between superintending the execution of law and the actual execution of the duties of office.

The power of superintending the Collection of the Revenue, as incident to the duty of doing it, comprises, in my opinion . . . the right of settling, for the Government of the Officers employed in the collection of the several branches of the Revenue, the construction of the laws relating to the Revenue, in all cases of doubt.

This right is fairly implied in the force of the terms, "to superintend," and is essential to uniformity and system in the execution of the laws. [29]

To Hamilton, the power to superintend necessarily implied "a right to judge and direct," and an "obligation to observe" the implementation of such directions. An officer cannot superintend the execution of law unless "he has a right to judge of its meaning." Subordinate officers were obligated to acknowledge the judgments and follow the directions of the superintending officer. Their responsibilities were therefore ministerial in the legal sense.

In this case, the Secretary of the Treasury was empowered by law "to superintend the Collection of Revenue." Customs officers faithfully execute their duty when they conform their conduct to the construction given to the law by the Secretary. "[T]he responsibility for a wrong construction rests with the head of the department, when it proceeds from him."

Hamilton also made a distinction between general superintendents and "those who are merely superintendents within particular spheres."

[I]t is an universal principle of jurisprudence, and a clear dictate of reason, that authorities within particular spheres, are subordinate to a general authority relating to the same subject, and pervading the whole of them. [31]

The general rule, then, was ministerial obedience to the directions of superintending officer(s) pursuant to law. However, as with most general rules, Hamilton recognized reasonable limitations and exceptions in extraordinary cases.

I am aware of the reasonable limitations to which the general principle is subject; as restrictions, in the nature of things, upon abuses of authority, applying as well to the operation of laws as of instructions relating to their execution. But the admission of exceptions in extraordinary cases, does not militate against the general rule. [32]

Officers without general powers of superintendence were not to blindly obey their superiors, and thereby ignore possible abuses of authority. In general they were to thoughtfully obey their superiors, and to seek clarification in doubtful cases. In the same circular, Hamilton encouraged "freedom of observation on any

instruction" or interpretation.

I shall constantly think myself indebted to any Officer who shall give me an opportunity of revising my opinion, with the aid of his remarks, which may appear to him not consonant with law, with his own rights, or with the good of the service. To every communication of this sort I have always paid, and shall always pay careful attention. And as often as I can be convinced of an error, I shall with cheerfulness, acknowledge and retract it. [33]

The principle elaborated here applies generally to the relation between superintending and ministerial offices within specific departments. Genuine adherence to this principle has been lacking in many of our political executives.

In Hamilton's first years of administration, most general superintendence was vested in department heads. With the growth of the public service in subsequent years, general powers of superintendence were delegated by law to departmental subordinates such as bureau chiefs and agency heads. In Hamilton's view, as long as there was some legal power of general superintendence vested in specific offices, administrators in those offices were obliged to interpret the law for subordinates. This would insure a general tendency toward consistency and harmony in the public administration.

The relationship between superintending administrators and their superior--the president in this example--was likewise to reflect harmony and cordiality. The degree or latitude of independence was to be much greater for senior executives than for ministerial employees because of the former's broad discretionary powers. They would have substantial input in the formation of executive policy. Nevertheless, the president's senior subordinates were to strive for harmony within the bounds of their convictions and duties concerning the public good. Within those bounds they were to exercise a competence flexible enough to accommodate the president's views. Without this flexible competence, the public administration would routinely be embarrassed and compromised by factious disputes.

In the twentieth century we have mistakenly substituted political neutrality for flexible competence in administration. Hamilton's senior administrators were high politicians with enough prudence to recognize that there was more than one way to achieve objectives related to the public good. Within the realm of partisan politics, there will probably be valuable insights and policies offered by each party that contribute to the public welfare. There may also be policies that an administrator views as less than ideal, but that are sufficiently workable. Though

crude, they may be better than no policy at all. On the other hand, modern public administrators must pretend to be neutral and blindly instrumental. Political patronage is introduced wherever the lie becomes too obvious. This is completely at odds with Hamilton's theory of responsible administration.

Hamilton advocated resignation if a senior executive came to view an administration's policies as generally contrary to his or her view of the public good. This would avoid the "collision of opposite duties" as well as embarrassing intrigues. Such a person is better fitted to serve the people outside the administration.

If he cannot coalesce with those with whom he is associated, as far as the rules of official decorum, propriety, and obligation may require, without abandoning what he conceives to be the true interest of the community, let him place himself in a situation in which he will experience no collision of opposite duties. Let him not cling to the honor or emolument of an office, whichever it may be that attracts him, and content himself with defending the injured rights of the people by obscure and indirect means. Let him renounce a situation which is a clog upon his patriotism; tell the people that he could no longer continue in it without forfeiting his duty to them, and that he had quitted it to be more at liberty to afford them his best services. [34]

Finally, in Hamilton's scheme, the president's and his high-level subordinates' independence allows them to

"analyze and estimate the peculiar qualities adapted to
particular offices" ³⁵ They are encouraged to
"select persons whose character and conduct would lend
credit to the administration. They have, in other words, a
vested interest in the reputation of the administrative
service." ³⁶ This implies that the political executive
should be concerned with appointing subordinates with
professional competence, courage, and public spiritedness
or magnanimity. These are qualities conducive to the
exercise of prudent independence as well as flexible
competence. They beget a spirit of responsibility, and
encourage a proper balance between independence and
obedience.

The situation of the executive, then, was intended to
encourage the development of a public service based upon
the combination of good character and professional merit.
Good character reflected good judgement, firmness,
reliability, noble passions, and a regard for one's
reputation. Professional merit reflected ambition, vigor,
substantive expertise, and experience. The combination of
these elements was central to the connection of interest
with the duties of office that Hamilton viewed as crucial
to good administration. Appointments were made on the
basis of these criteria, and, of course, on the basis of

political compatibility broadly defined.³⁷ Administrative responsibility emphasized accountability to institutions established by the Constitution and laws. Through these institutions, public servants were accountable to the people.

Hamilton's concern for good character and professional merit in the administration suggests a theory of public service quite different from the more rationalistic and contractual personnel theories of this century. Hamilton's theory envisioned a developing and on-going moral relationship between the interests of an official with the duties of his or her office. Administrators would gradually shape their offices to fit their personalities, while their personalities increasingly embraced the responsibilities of the office. Matthew Crenson describes this "Hamiltonian model" as the "tradition of personal organization."

It was a tradition that owed little to administrative abstraction. Administrative organizations reflected the qualities of character and temperament of their members. Those few abstract principles which did govern the handling of public business tended to accentuate this humane aspect of the federal establishment. The Hamiltonian emphasis upon unity of command and individual responsibility contributed to that personal attachment which the head of an office or a bureau felt for his agency and its affairs. [38]

This contrasts dramatically with our current emphasis on impersonality, rationalized hierarchies and matrixes, and management generalists who can be flexibly plugged into various offices like transistors on a circuit board. The metaphors of "human resources management" and "personnel management" provoke images of engineers impersonally manipulating the social landscape of the bureaucracy for improved effectiveness. They also connote management by scientifically verified technique rather than by prudent moral judgement and personal stake in official responsibility. Today we tend to design positions in government by strict functional rationality. Then we attempt to train public administrators to fit themselves impersonally into those positions. And then we try to make them feel good about it through organizational development techniques that have little if any bearing on the moral connection of a person's interests with the substantive duties of his or her office.

This modern orientation is exemplified in the design of the Senior Executive Service of the Federal Government. The Civil Service Reform Act intended in part to provide the Executive with high-level management generalists. These generalists would be responsive in a passive and neutral sense to Executive policy, and capable of

exercising their managerial skills in any context in which they might find themselves. This suggests the image of plastic-like people capable of being molded and re-molded to fit various schematic-like policies orchestrated from above. One's function as a generalist is simply to manipulate the plastic-like people below you in ways consistent with policy directives. Rewards are based upon a generic concept of "performance" which does not distinguish, for example, between effective management of toy production in a manufacturing firm and effective management of foreign policy in the State Department.

Hamilton's theory of public office and "personal organization" is much more attuned to the moral relation of human passion and interest to the character and responsibilities of office. It assumes a much more humane and dignified context. It is a refreshing alternative to the sterile concepts supplied in twentieth century personnel texts.

Responsible Leadership in the Administrative Republic

The criteria Hamilton applied to appointments reveal his concern for the character of the administration as a whole. He was concerned about "the reflection of the

federal personnel upon the character of the administration" because the affections and confidence of the people hung in the balance. ³⁹ Good administration would win their confidence and affection, and instill just and orderly habits. Bad administration would probably spell the end of the republican experiment, and encourage habits ungovernable by anyone except ruthless tyrants. Hamilton therefore ultimately conceived of political responsibility in terms of maintaining the administrative effectiveness of the constitutional regime for as long as possible. This required a theory of responsible leadership compatible with republican institutions and public trust.

Recall that, as Publius, Hamilton joined with Jay and Madison in an attack on "leaders." ⁴⁰ However, this was not an attack on leadership broadly defined. They were concerned about a specific kind of leader--the demagogue. Demagogues play on the momentary passions of the people for their own benefit. They seek popularity rather than fame. In short, they either ignore, or are blind to the enduring constitutional interests of the people. In either case, they are dangerous to the constitutional order because they have no "sacred reverence" for it. Publius especially feared the possibility of a demagogue becoming president. Accordingly, he advocated elaborate measures for

presidential election.

The fear of demagogues, however, did not deter Hamilton from advocating another kind of leadership--administrative leadership. This was leadership that would uphold the Constitution. It would give life to it, and protect it. To protect it, administrative leaders may, under rare and extreme circumstances, even have to travel outside Constitutional boundaries. This dangerous notion was implicit in Publius' statement that "the idea of governing at all times by the simple force of law has no place but in the reveries of those political doctors whose sagacity disdains the admonitions of experimental⁴¹ instruction." However, Hamilton emphasized, to a much greater extent, the provision of broad and general constitutional powers that would make such illegal actions⁴² highly unlikely. Wise political societies frame general laws that enable government to handle most problems within legal bounds.

Hamilton also thought more was required than general laws. There must be a "sacred reverence" for the law as well. Otherwise, even the most general law is easily broken. Ultimately a government of laws is maintained by the devotion and reverence of its officers and its people for the law. In Hamilton's view, public officials are the

principal guardians of the law. They must lead the nation in the ways of the law. Therefore, their devotion and reverence to the law must be exemplary.

In Chapter II, I explained that Hamilton's concept of leadership is best understood in the context of public accountability. Accountability meant subjecting one's ideas and beliefs to the light of reason, open debate, and established processes of legitimation. Furthermore, it presupposed a "faith in the soundness of the people's ultimate judgement."⁴³ This kind of accountability was central to Hamilton's concept of "free government." Free government was commonly conceived of as a government of law rather than of force. It presupposed institutions designed to protect reasoned discussion of public measures. It sought to avoid arbitrary rule. Responsible leadership, then, had to do with preserving constitutional values through free government.

Hamilton would have leaders of the administrative republic support and guard the institutions set up under the Constitution and laws because these institutions represent republican values and encourage reason in governance. Guardianship and support imply the need for control. It suggests that free, democratic government is problematic. Accordingly, "inventions of prudence" and of

discipline are required. Government must be structured to check dangerous tendencies within itself and within the people. Human nature must be controlled. More specifically, the fluctuating passions of people must be controlled or channelled if their true interests are to prevail. It is the responsibility of republican leaders to see that this happens among themselves and among the people.

When occasions present themselves in which the interests of the people are at variance with their inclinations, it is the duty of the persons whom they have appointed to be the guardians of those interests to withstand the temporary delusion in order to give them time and opportunity for more cool and sedate reflection. [44]

Meeting this responsibility requires independent judgement, discernment, firmness, courage, vigor, and devotion to republican values. These are the very qualities Hamilton sought to instill in the public administration through the appointment process. They are a necessary complement to an administrative structure designed for both safety and energy.

This concept of responsible leadership differs substantially from what is now the more common view which equates responsibility with responsiveness to the people's

demands. As David Marion describes:

This construction takes its bearings from the literal understanding of what it means to be a "public servant." The emphasis is on the obligation to heed the wishes and pleas of those persons to whom one ministers and at whose "pleasure" one serves. Thus, a relationship of strict dependence is construed to exist between government personnel and the public at large. This perspective corresponds to conventional democratic opinion which places a premium on responsiveness to popular demands. [45]

Hamilton viewed this approach as dangerous. It encourages demagogues who can flatter and manipulate popular prejudices, thereby obscuring constitutional interests. It inhibits mature reflection, and derides the use of restraint. It avoids the problematic nature of democratic governance, and forgets that regimes often deteriorate from an excess of their own principle.

The popularity of the "responsive" approach to democratic leadership has led to our recent emphasis on "public mandates" as the guide for executive action. And yet the "publicness" of such mandates is no more easily determined or verified than is the "public interest." What is the source of a public mandate? Were "opinion leaders" involved, or was it truly a "grass-roots" phenomenon? Was the content of the mandate created and manipulated by special or general interests?

One may reply that the "public interest" is subject to the same criticism, and therefore no better as a prop for leadership. However, in the Hamiltonian scheme, considerations of public interest are not couched as demands by the people for immediate action in the sense that mandates are. Concern for the public interest leads one to regard less the loudest voices in favor of the deeper and more abiding yearnings of the people. Such yearnings are more often discovered upon mature reflection. They are more often attended to with "plans which require time and diligence to bring to maturity." Considerations of public interest therefore lead to greater regard for established processes, history, habits and longterm trends than mandates do. This encourages careful attention to the maintenance of governing institutions and the values implicit in their design. It also gives true meaning to constitutional propriety and fidelity in administration, and encourages at least as much devotion to republican values as responsive leadership does.

The Hamiltonian concept of responsible leadership challenges the notions of responsive leadership and public
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mandate at their core. The Hamiltonian idea that we should "canalize the existing conflict of passions into generally acceptable policy" is contrary to the current

view of responsiveness. Given the close affinity of Hamilton's theory to our constitutional structure and tradition, it behooves us to reconsider its merits.

This is especially true for our schools of public administration where far more attention is paid to empirical characteristics of leadership than to normative models. I do not wish to demean the empirical literature on leadership. It provides us with many insights. I want only to point out that in teaching public administrators we have offered little help in understanding what kinds of leadership are most appropriate in a normative sense to governance.

It does little good to teach students of public administration about leadership styles and contingency theories of leadership effectiveness, while ignoring all thought about the nature of their substantive responsibilities in a constitutional republic with specialized functions and shared powers. How is a participative as opposed to an authoritative leadership style appropriate to the moral obligations of leaders? Can a transformational leader be a responsible leader in the Hamiltonian sense? Are certain leadership styles more conducive to public responsibility? More importantly, what normative model of leadership is most appropriate to the

public administration? Are some types and styles of leadership more appropriate to certain cultures and forms of government than others? Can more than one normative model be reconciled with democratic values? Do moral obligations dictate certain styles and approaches to leadership? And once we've identified an appropriate type of leadership, how do we train our students in its ways?

We have much to improve in our educational curricula and training programs for public managers. We would do well to look to our past as a starting place. Hamilton is only one bright light from which much insight can be gained.

Finally, it should again be emphasized that Hamilton's theory of leadership was administrative in its orientation. By this I mean leadership that preserves an effective public administration. It promotes accountability through the structuring of discretion. Leaders of this sort strive to maintain the viability of the superintending branches. They learn from the constitutional tradition. They continually relate means to enduring constitutional ends such as protection of individual rights, the enforcement of justice, and pursuit of the general welfare. They encourage devotion to those ends.

Historical Contributions to the Public Service

The legacy of Hamilton's ideas on public office is blended with the general precedents set by Washington and espoused by Federalists and Anti-federalists alike. These precedents have largely to do with merit and good character as the principal criteria for public employment. As both Leonard D. White and Lynton Caldwell described, this was a generation of "gentlemen" with well-conceived and long established notions of competence and good character. Hamilton's general emphasis on responsibility, competence and leadership was well received for the most part. However, in moving to particulars, there was more disagreement. Hamilton was unique and controversial in his advocacy of executive responsibility linked to passion and broad powers. He was unique for his emphasis on positive accountability vis-a-vis vigorous administration and voluntarily structured discretion. He was the champion of energetic public administration in a period when executive power was severely distrusted. In these details, Hamilton left a distinctive mark upon the Washington administration. The mark lasted until the rise of Jacksonian spoils. But even then the "Hamiltonian model" served initially as a guide to reform.

According to Matthew Crenson, the Jacksonians "conceived of their initial reforms as attempts to restore an old order, not to create a new one."

The first reorganization plans that Jackson presented to Congress were fashioned after the old Hamiltonian model. [Jackson's] proposals for renovating the Navy Department and the attorney general's office reflected a new emphasis on unity of command and a renewed reliance on the agency chief's good character and "regard for reputation." [47]

By Jackson's presidency, Hamiltonian principles had become stale in Republican administrations. Nepotism and corruption was on the increase, and the performance of some long-tenured employees was declining. Regard for reputation and good character became peripheral rather than central concerns of many public officials. The principles needed rejuvenation. However, many other social and political forces compromised this effort. ⁴⁸ The principle of rotation in office took root and eventually exceeded the bounds of judicious application Jackson intended for it.

Rotation in office also provided the foundation for impersonality and machine rationality in organization design. "The Jacksonians replaced the informal processes of institutional regulation with a formal administrative system." It depended for its effectiveness "not on the

character of its administrators, but on the accuracy of its bookkeeping." ⁴⁹ Public officials could neither invest as many of their interests nor infuse their characters in the duties of office. Rather, they had to fit themselves into offices designed generically for rotation in office. Furthermore, Jackson's philosophy of leadership emphasized personal loyalty and public responsiveness in the modern sense. The personal attachment of public officers to their agencies and to the duties of their offices began to deteriorate. The basis for trustworthy relations between offices shifted from regard for reputation to presidential and party loyalty. Standards of accountability shifted from informal positive to formal negative criteria.

Crenson described this shift as a "mirror image" of Hamilton's "regard to reputation." ". . . [I]nstead of emphasizing the rewards of individual entrepreneurship, partisan and presidential loyalty call attention to the undivided punishments that may fall upon the shoulders of an erring administrator." The result is a cabinet and bureaucracy of "faceless functionaries" intended to reflect Jackson's will. These functionaries "were prototypes of ⁵⁰ the twentieth century's organization men" We then entered a period of unleashed partisan governance. These and other tendencies countered and smothered the

Hamiltonian model.

The Hamiltonian model held little sway during most of this period. It is interesting and ironic, however, that its principles were being reconstituted to fit reforms in the British administrative system. S.E. Finer indicated that English reformers such as Bentham, Cobbett, Sydney and Smith were captivated by the efficiency and effectiveness of the Federalist administration. The Federalist administration was, for awhile, the "ideal model for administrative reformers throughout the world." British reformers used it to help carve away layers of useless and encrusted Gothic administrative practice. They achieved sweeping reforms that dispensed with centuries-old administrative practices that had lost their meaning and effectiveness.

Indications of Hamiltonian influence on British reform lay in the general preoccupation of reformers such as Jeremy Bentham with the energetic executive. In particular, Bentham was intrigued with what he called the "single-seatedness" of the American executive. This is a direct paraphrase of Hamilton's concept of unity (single heads as opposed to boards and commissions) in the executive. Due largely to Bentham's influence, the British secretariate was reorganized, with many departments moving

to the "single-seated" principle. Finer stated that by 1828 the "British Cabinet was fast becoming an American presidency put 'into commission;' or if one prefers it, to become a collective presidency and the head of the executive branch." ⁵¹ In short, Bentham and his colleagues borrowed heavily from Hamilton's theory of the energetic executive to build their model of parliamentary government.

By the mid-nineteenth century, British reform had succeeded to such an extent that it surpassed the effectiveness of the Federalist model which was rapidly declining in American administration. Finer pointed out that the new English parliamentary structure allowed the cabinet to exert much more control over its legislative body than the American president could over congress. British administrative innovations needn't contend with separate powers. Furthermore, British administration emphasized a non-partisan character. Non-partisan administration soon came to be called "non-political" administration. These features were quite attractive to later American reformers laboring under separation of powers and party spoils. British administration had superseded American administration as the "ideal model for administrative reformers throughout the world." ⁵²

For American administration there is a special relevance to the old saying that "what goes around, comes around." It is well-known that American progressives borrowed heavily from mid-nineteenth century British reforms. It is less well-known that the Federalist/Hamiltonian model spurred many of these innovations. Paul Van Riper acknowledges this in his History of the United States Civil Service.

Our historic relationship with the British over the civil service forms a curious pattern. Though few Americans are aware of it, some of the inspiration for the British civil service reforms of 1850 and after came from our Federalist bureaucratic tradition. We then turned around and reimported a version of the British reforms in 1883, modifying the basic concept for American consumption. [53]

Hamilton therefore had, indirectly, a greater hand in Progressive-era reform than one might suspect. To be sure, British innovations had acquired much additional baggage inappropriate to Hamilton's ideas. But their emphasis on merit and an energetic administration guiding a complex commercial society conformed generally with the Hamiltonian vision.

There are, of course, more direct lines of Hamiltonian influence worth noting. There was a general resurgence of interest in Hamilton toward the end of the nineteenth

century. Historians and biographers began to write about him in a favorable light. Henry Cabot Lodge collected and published some of his papers. Herbert Croly called attention to Hamilton's exemplary leadership and energetic administration. ⁵⁴ There was much about Hamilton that progressive reformers could like. They shared his interest in merit, active administration, industrial policy and so forth.

Most notable, from the standpoint of public personnel administration, is Hamilton's influence upon Theodore Roosevelt. Roosevelt was an admirer of Hamilton, and he found Hamiltonian ideas useful. His close friend Henry Cabot Lodge probably reinforced this interest.

Roosevelt reasserted the energy of the American presidency in an era of congressionally dominated government. In Hamiltonian fashion he remolded the presidency and the public administration around it. Paul Van Riper summarized his contributions.

Through his backing of Elihu Root and the revolutionary concept of the general staff, the development of an organization to complete the colossal task of the Panama Canal, the reform of the consular service, his work with Taft in the development of civil government in the Philippines, his constant support of the Civil Service Commission, the reorganization of the Forest Service, the creation of the meat

inspection service, his reorientation of the Navy toward modern warfare, his Keep Committee's concern with departmental methods and procedures, and the establishment of the Department of Commerce and Labor with cabinet status, T.R. did much to reorganize the executive branch and prepare it for a new role in both foreign and domestic affairs. By his concern for lines of authority, his awareness of the need for delegation of power, his clear and steady support of his subordinate staff, his emphasis on research and committee work as a basis for modern decision-making, his evident attempt to attract the intelligence and energy of youth into the public service, and, above all, by his own example, he provided that great energizing force without which mere reorganization is no more than an arid sort of reshuffling. [55]

This could easily be a description of Hamilton.

However, Roosevelt also combined zeal for administration with a greater "sensitivity to the realities of political power" than Hamilton ever had. In some respects this made Roosevelt a more effective administrator than Hamilton. It certainly made Roosevelt a more appropriate candidate for the presidency. This ability also enabled Roosevelt to associate the concept of civil service reform "with the movement for more effective political machinery and organization as well as with the pressure for moral political men." ⁵⁶ The new public service should be used to provide good government and lead national development. Hamilton would have agreed wholeheartedly.

Roosevelt reasserted many Hamiltonian standards concerning the public service. He emphasized fitness and

removal only for good cause. He was adamant about honesty and unrepachable character. He took the lead role in the relationship with the Senate on appointments. He sought to admit blacks to the public service. He recognized the need to provide "ambitious, well-educated young men" with opportunities to distinguish themselves. He recognized, as Hamilton did, that people could be motivated by more noble passions. This also led Roosevelt to advocate expansion of the civil service to higher offices.

Finally, Roosevelt advocated the "stewardship" theory of leadership. The theory asserted roughly the same kind of administrative leadership Hamilton advocated, but in sharper language. Roosevelt boldly stated that it was the president's "duty to do anything that the needs of the Nation demanded unless such action was forbidden by the Constitution or by the laws." Like Hamilton, he viewed the Constitution and laws as a foundation or point of departure for energetic administration.

However, Roosevelt probably advocated this role more exclusively for the office of President than Hamilton did. In Hamilton's view, all officers of government shared stewardship responsibilities, though not equally throughout the administrative hierarchy. Certainly, in Hamilton's view, the other branches shared significant if not equal

stewardship responsibility. This insured constitutional integrity as well as high-toned government. Whether Roosevelt fully agreed with this or not is uncertain. In word, he expressed deference to formal Constitutional boundaries, even while shifting the balance of power toward the presidency. But a jealous response was to be expected from Congress in light of its long-established hegemony. The resulting conflict appears to have led Roosevelt to assert more exclusive power over the public administration than he had a right to. Nevertheless, he restored the executive to an energetic role in the superintendence of the public administration and of the nation. In doing so, he brought back more of the Hamiltonian tradition than any other person of his time.

Roosevelt's challenge to congressional hegemony was compromised in the ensuing political strife. He was unable to fully institutionalize the changing administrative relationships in his favor. Furthermore, Taft and then Wilson came to the presidency with different views of a proper constitutional balance. Stephen Skowronek appropriately characterized Roosevelt's approach as neo-Hamiltonian, Taft's as neo-Madisonian, and Wilson's as neo-Jeffersonian. Roosevelt, like Hamilton, would make the executive the leader among equals in the balance. Taft

would follow Madison in trying to establish a more refined balance with no leader among equals, and Wilson would follow Jefferson in making Congress the leader.

Taft rejected Roosevelt's stewardship theory, but neither did he want to return to congressional hegemony. He sought a separate and strictly equal balance of power among the three branches. This defused some of the conflict, but it also placed the executive on the defensive against congressional initiative. This resulted in a confused and vacillating administration much like that which occurred during the Madisonian presidency. Personnel reform was seriously compromised in favor of more congressional control than the Madisonian model would approve. From the Hamiltonian point of view, Madisonian constitutional theory suffered in application because its view of balance was too refined to accommodate the tugs and pulls of political reality. There had to be a leader among equals, and, for Hamilton, the executive was the wisest choice.

Woodrow Wilson pursued his reforms in "old Jeffersonian style." "Inverting the Roosevelt formula, Wilson traded administrative leadership for congressional leadership." ⁶⁰ However, Wilson went much further than Jefferson, or any other founder for that matter. In

Wilson's view, Congress was supreme. It was more than a leader among equals. It was to be the source of legitimacy and power. It was to be the sole political arm of the government.

Wilson sought to trim American constitutional government to fit British parliamentary/cabinet structure. This would provide constitutional justification for a strong and efficient executive by unifying it with Congress. Wilson wanted the president's cabinet to be made up of members of the majority party in Congress. This would eliminate separation of powers, bringing the subordinate administration under the direct control of Congress. Congress could then change its decentralized committee structure to a more unified congressional body, expressing its will through the cabinet. More harmony would result from the control of the majority party over both the legislative and executive power. The subordinate administration could then be separated from politics, and allowed to serve in its instrumental capacity. In this way, Wilson's reforms emulated British administrative practices, and presumed British constitutional structure. 61

Despite his constitutional orientation, Wilson shared a view of administrative responsibility similar to Hamilton's. Public administrators were to be high-profile

guardians who would curb the excesses of democracy. They would seek honor and fame through public-spirited leadership. Nevertheless, from the standpoint of American constitutional government, and of Hamiltonian political theory, Wilson's efforts were ill-conceived and illegitimate.⁶² He sought to isolate and centralize the public administration by rejecting separation of powers. He "hoped that enlightened administration would replace separation of powers in the noble task of saving democracy from its own excesses."⁶³ This implied a faith in the perfectability of man through science that Hamilton flatly rejected a century earlier. Because Wilson's views coincided with other more influential scholars such as Frank Goodnow, this orientation greatly influenced public administration thought and action.

During the New Deal era, administrative-management theorists such as Luther Gulick, Lyndall Urwick, and Charles Merriam popularized principles of administration derived from the assumptions and perspective provided by Goodnow and many other progressives. President Roosevelt capitalized on their ideas, as expressed in the famous Brownlow Report, in an effort to justify vastly increased executive power over the administration.

In many respects, Franklin Roosevelt's achievements

for the public administration would have pleased Hamilton. Hamilton's implied powers doctrine and his interpretation of the general welfare clause enjoyed another rebirth. This enabled the national government to intervene and re-order the collapsed economy. The national government thereby also re-established its supremacy in the federal relationship. Finally, the New Dealers re-asserted a broad conception of administration in line with Hamilton's definition in Federalist 72. This in turn led to a re-assertion of executive energy and control over "the details" of administration. However, the New Dealers also differed from the Hamiltonian model in significant ways.

First, via the work of Brownlow Committee, the New Dealers derived from the Progressive era the notion of a politics/administration dichotomy. Relying on principles of scientific management and a mistaken view of separation of powers, they sharpened the dichotomy. They asserted that the president alone held the whole executive power. He would then have exclusive control over the administrative realm of government which was neatly separated from the general policy-making body--Congress. The administrative realm would apply scientific management principles to the details of general policy.

Because of the New Dealers' broad view of

administration, the actual policy-making power of Congress was diminished substantially. The president, relying on scientific analysis, would determine the organizational structure of the administration, and determine what activities were appropriate in the various departments. The Congress and courts would have little or nothing to do with these matters. In effect, they would have little to do at all. The Brownlow Committee would create a presidential vortex by "transform[ing] the president from chief executive officer into sole executive officer." 64

Furthermore, as sole executive officer, accountability to the other branches degenerates into platitudes without sanction. The only real check is the people through election. That is an insufficient check in Hamilton's model because it entices demagogues and leaders who would rest their authority in popular mandates rather than in the Constitution. The logic of the Brownlow committee's report contributes to this tendency. 65

Roosevelt and many subsequent presidents would succumb to the temptations of popular mandates. Nixon would show us the nasty extremes to which a president could go with such a view.

The Roosevelt administration did emulate Hamilton in

its policies on unity, merit, pay, promotion, and tenure. It employed many of Hamilton's own terms in the process. The administration sought to establish single heads in place of commissions. It advocated expansion of the civil service into the higher administrative offices. This encouraged ambitious officers seeking recognition, prestige and honor to aspire to higher offices. To this end, the Brownlow committee advocated higher salaries "as a foundation and tangible mark of public respect." ⁶⁶ They also advocated salaries adequate enough to satisfy those "who have no opportunities to enjoy the honor and prestige" of higher posts. Among the New Dealers, at least the Brownlow Committee understood the importance of recruiting personnel who would pursue honor, recognition and prestige. However, there is also an ironic twist to the Brownlow Committee's understanding of this insight.

The committee's reliance on scientific principles of management also emphasized the rationalization and impersonalization of offices. They were pursuing a vision of administration more in line with Weber's bureaucracy and Taylor's technical rationality, than with Hamilton's model of "personal organization." Accordingly, they were undermining the intimate connection they sought to establish between ambitious personnel and their offices.

Their general attachment to the "business model" as a guiding metaphor for reform indicates that their intellectual roots were buried more in the scientific soil of the Progressive era than in the prudential soil of the framers. Their model of government suffered accordingly, and we've been struggling with it ever since.

Notes to Chapter VII

1. Caldwell, Administrative Theories of Hamilton and Jefferson, pp. 67-8.

2. Quotes taken from Letter to James Duane, Sept. 3, 1780, Hamilton, Papers, Vol. II, p. 405. This combination of factors also indicates that Hamilton viewed administrative process and substantive policy as inseparable in practice. That which is distinguished by analysis must be reunited in practice. For a twentieth century reaffirmation of this point, see Paul Appleby, Policy and Administration (University of Alabama Press, 1949).

3. See Caldwell, Administrative Theories of Hamilton & Jefferson, pp. 98-100, for further discussion of Hamilton's views on the relation of the Treasury to Congress and the Executive.

4. Hamilton structured his discretion in a way that anticipated Kenneth Culp Davis' call for structured discretion. in this century. Like Davis, Hamilton fully realized that informal procedures were the "lifeblood" of administration. See, Kenneth C. Davis, Discretionary Justice: A Preliminary Inquiry (Baton Rouge: Louisiana State Un. Press, 1969). Hamilton believed the President should structure his discretion in the area of foreign and military affairs as well. Particularly in matters that might involve war, the President should

bring the subject under the review of Congress by a communication of his opinion of his own powers--having no desire to exceed constitutional limits. This course will remove all clouds as to what the President will do--will gain him credit for frankness and an unwillingness to chicane the Constitution--and will return upon Congress the question in a shape which cannot be eluded.

Letter to James McHenry, May 17, 1798, Hamilton, Papers, Vol. XXI, p. 462.

5. Even customs officers who worked far away from the Treasury's central offices and required substantial discretionary powers were closely watched by Hamilton. One

customs officer, William Heth, on the James River, testified that Hamilton's close supervision was more than he could stand: "The incessant application I was obliged to pay to the duties of my office for the past two and one-half years injured me more than all the fatigue . . . which I experienced thro' the late war." Hendrickson, Hamilton II, p. 15.

6. For an elaboration of Hamilton's efforts at coordination and control in the Treasury, see Caldwell, Administrative Theories of Hamilton and Jefferson, pp. 91-5.

7. Ibid., p. 90.

8. Rossiter, Federalist, no. 72.

9. Caldwell, Administrative Theories of Hamilton and Jefferson, pp. 90-1.

10. See Caldwell's discussion of this matter, Ibid., pp. 86-87.

11. Letter to William Hamilton, Hamilton Papers, Vol. XXI, p. 78.

12. In this connection, see the fascinating analysis by Hamilton of the effects of a conflict-of-interest law that forbade "all officers of the United States concerned in the collection or disbursement of the revenues thereof from dealing in the funds or debts of the United States or of any state." He viewed the clause as unnecessary and inconvenient for those lower officials who had "no official influence upon" financial management policy. Allowing these officers to deal in public funds or debts would "increase their personal interest in the exact collection of the revenue." "Report on the Improvement and Better Management of the Revenue of the United States," January 31, 1795, Hamilton, Papers, Vol. XVIII, pp. 223-24.

13. Caldwell, Administrative Theories of Hamilton & Jefferson, p. 87. This view, of course, runs counter to the Jacksonian view of public office.

14. Hamilton, Papers, Vol. XVIII, pp. 218-19.

15. Quoted from Mitchell, Hamilton: The National Adventure, p. 441.

16. Letter to George Washington, April 17, 1791,

Hamilton, Papers, Vol. VIII, p. 292.

17. Letter to James McHenry, March 21, 1800, Ibid., Vol. XXIV, pp. 349-50. This letter has further significance because, in it, Hamilton disputed a doctrine advanced by an accounting officer "that no authority short of Congress can make allowances to an Officer beyond the emoluments fixed to his Office by law." Hamilton saw this as a dangerous limitation on Executive discretion.

It is certain that in the discharge of its trusts, there will occur numerous instances in which the public service must stagnate, or the Executive must employ and compensate agents not contemplated by special laws. It follows in my opinion that he must have an inherent right to do it--under these restrictions that it ought to be relative to some object confided to his Agency by the constitution or by the laws, and that no money ought actually to be paid for which there is not an appropriation by statute either with particular reference to the purpose or under the general denomination of contingencies. This is in my opinion a right necessarily implied--nor do I see why the Executive may not claim the exercise of implied powers as well as the Legislative. In a word there is no public function which does not include the exercise of implied as well as express authority.

18. Caldwell, Administrative Theories of Hamilton & Jefferson, p. 87.

19. Hamilton's republican orientation to merit and office-holding contradicts the general impression that he desired a government run by a wealthy aristocratic class. He refuted this notion directly in a speech before the New York Ratifying convention.

Why then are we told so often of an aristocracy? For my part, I hardly know the meaning of this word as it is applied. . . . Where do we find men elevated to a perpetual rank above their fellow citizens; and possessing powers entirely independent of them? The arguments of the gentlemen only go to prove that there are men who are rich, men who are poor, some who are wise, and others who are not--That

indeed every distinguished man is an aristocrat. . . . Does the new government render a rich man more eligible than a poor one? No. It requires no such qualification. It is bottomed on the broad and equal principle of your state constitution.

June 21, 1788, Hamilton, Papers, Vol. V, pp. 41-2.

20. See the section entitled "Passion and Power in Public Administration," pp. 108-120.

21. See chapters II-IV.

22. To Otho H. Williams, Treasury Dept., July 19, 1792, Hamilton, Papers, Vol. XII, p. 46.

23. Hamilton may have erred in relying too much upon this expectation with regard to some of his employees. He certainly failed to see the lack of maturity and a sense of responsibility in his colleague and friend William Duer.

24. James Thomas Flexner, George Washington: Anguish & Farewell, 1793-1799 (Boston: Little, Brown & Co. 1969), p. 476.

25. The abuses of the Nixon administration point quite clearly to the dangers inherent in a superior/subordinate system based upon personal loyalty.

26. Richard Nathan, The Administrative Presidency (New York: Wiley, 1983).

27. See p. 147-148.

28. Treasury Dept. Circular to the Collectors of the Customs, July 20, 1792, Hamilton, Papers, Vol. XII, p. 59.

29. Ibid., p. 58.

30. Ibid., pp. 59-60.

31. Ibid. p. 60.

32. Ibid.

33. Ibid., p. 62.

34. "Metellus," October 24, 1792, Ibid., p. 616. Resignation in this fashion has not been used much in this

century. It is certainly an option many governing elites should consider as a substitute for all the "news leaks," and internal sniping that goes on at the higher levels of administration. It should be noted, however, that Hamilton's use of resignation for such purposes applies only to high level administrative elites. It is unrealistic to expect such action on the part of lower level bureaucrats.

35. Rossiter, Federalist 76, p. 456.

36. David Marion, Towards a Political Theory of the Public Administration: The Place and Role of Federal Public Service Personnel in the American Democratic Republic, Doctoral Dissertation (Northern Illinois University, 1978), pp. 276-77.

37. This is confirmed by Leonard D. White, The Federalists, pp. 253-66; and by Caldwell, Administrative Theories of Hamilton & Jefferson, pp. 80-83. White and Caldwell emphasized Hamilton's express avoidance of an overly partisan approach to appointments. Furthermore, he was concerned about proportional, regional and state representation in the federal bureaucracy, though not so much as to "prevent the appointment of able men to office wherever they might be found." Caldwell, *Ibid.*, p. 82.

38. Matthew A. Crenson, The Federal Machine: Beginnings of Bureaucracy in Jacksonian America (Baltimore: Johns Hopkins Un. Press, 1975), p. 162.

39. Caldwell, Administrative Theories of Hamilton & Jefferson, p. 80.

40. For example, see Federalist essays 1, 10, 51, 58, and 71.

41. Rossiter, Federalist 28, p. 178.

42. For example, see Federalist essays 23, 25, and 31.

43. See p. 137-139 above.

44. Rossiter, Federalist 70, p. 432.

45. Marion, Towards a Political Theory of Public Administration, p. 269.

46. In this connection, his approach to leadership challenges the "public choice" orientation. Vincent

Ostrom's interpretation of Hamilton's thought, in support of this "public choice" orientation, is mistaken because he ignores Hamilton's emphasis on guardianship. Hamilton would downplay responsiveness as conceived by public choice theorists, in favor of public policies that canalize and re-direct the passions and preferences of individuals toward public ends. Vincent Ostrom, The Intellectual Crisis in American Public Administration, Revised Edition, (University, Alabama: University of Alabama Press, 1974). For further criticism of Ostrom's interpretation of Hamilton, see David Marion, "Alexander Hamilton and Woodrow Wilson on the Spirit and Form of a Responsible Republican Government," The Review of Politics, Vol. 42, No. 3, (July 1980):309-328.

47. Crenson, The Federal Machine, pp. 160-1.

48. A significant element in this change was the beginning decline of the legal profession's educational standards and authority. The era of statesmen-lawyers was coming to a close. Also, a new breed of businessmen was on the rise. They had far less attachment to public morality. Their sense of private-public relations was greatly diminished. These changes were exacerbated by the more well-known trends toward democratization, states' rights, laissez-faire economics, abolition, nullification, and so on. As the older social and political institutions declined or changed, so did their informal power to sanction and control members. See Crenson, *Ibid.*, pp. 162-3.

49. *Ibid.*, p. 169. I should emphasize here that most of the abuses brought on by rotation in office occurred subsequent to Jackson's administration. Leonard D. White pointed out that the entire era exhibited a persistent adherence to the Federalist and Republican tradition of tenure in office in various sectors of the administration. See White, The Jacksonians, pp. 347-62.

50. Crenson, *Ibid.*, pp. 52 and 57.

51. S.E. Finer, "Patronage and the Public Service: Jeffersonian Bureaucracy and the British Tradition," Public Administration, XXX (Winter, 1952), pp. 329-358. Relevant portions of the article are at pp. 329, 347-9, and 353.

52. *Ibid.*

53. Paul P. Van Riper, History of the United States Civil Service (Westport, Conn.: Greenwood Press, 1958), p.

555.

54. Lodge, Works, 1902; Croly, Promise of American Life, 1912.

55. Van Riper, History of the United States Civil Service, pp. 179-80.

56. Ibid.

57. Hamilton had advocated recruiting blacks into the military and appeared to have no reservations about employing them otherwise.

58. See Skowronek Building a New American State, pp. 178-204, for an elaborate description of this constitutional struggle.

59. Ibid., p. 176.

60. Ibid., p. 175.

61. For an extended discussion of Wilson's approach to constitutional reform, see Rohr, To Run a Constitution, Chapter 5.

62. Ibid. Also see David Marion, "Alexander Hamilton and Woodrow Wilson on the Spirit and Form of a Responsible Republican Government," Review of Politics, Vol. 42, No. 3 (July 1980): 309-328.

63. Ibid., p. 74.

64. Rohr, To Run a Constitution, p. 139. For a more elaborate description of the effects of the Brownlow Committee's report, see Rohr, Ibid., Part 3.

65. Ibid., See chapter 9.

66. "Report of the President's Committee on Administrative Management," 74th Cong., 2nd sess. (Washington, D.C.: Government Printing Office, 1937), p. 13.

CHAPTER VIII

CONCLUSION

The rain descended,
and the floods came,
and the winds blew,
and beat upon that house;
and it fell not:
for it was founded upon a rock.
[Mathew 7:25]

The previous chapters covered Hamilton's contributions to public administration. This chapter summarizes the major points of those chapters, and then concludes with an analysis of Hamilton's role as founder of American public administration in relation to Woodrow Wilson. For purposes of brevity, footnotes and references to quotes are kept to a minimum in the summary. Each quote and major point has already been reference^d and fully developed in earlier chapters.

Hamilton's Constitutional Administration

Alexander Hamilton formulated the first administratively oriented approach to American constitutional government. He urged that the government be made powerful. It must be capable of achieving the ends entrusted to it. A good form of government not only guards against abuse, it supports and encourages energetic administration. He believed the confidence of the people in their government would ultimately be won through effective administration. He emphasized energetic administration while most others remained preoccupied with safety.

Hamilton's conception of public administration presumes differing levels and foci of action. In its broadest sense, it is the operation of the whole government. Public administration is governance in general. It includes all branches of government. In a narrower and more precise sense, it has to do with the details of execution. It "falls peculiarly [or especially] within the province of the executive department." By this, however, Hamilton did not mean public administration falls exclusively within the executive branch.

Hamilton strongly supported the idea of separation of powers. It not only protects against abuse, it lends strength and stability. It can give "high tone" to the

administration. In republics, the natural tendency is to give the legislative body too much power. It often swallows up all powers in its vortex. For Hamilton, a "limited" republican constitution was one that constrained the powers of the legislative body. Separation of powers served this vital function. In dividing powers, the other branches are strengthened.

Because Hamilton emphasized implementation, he wanted to structure and control the power of the legislative branch in order to enhance the executive branch. A bi-cameral legislature, an independent judiciary, an energetic executive, and the idea of "partial agency" made a balance between power and safety possible. Bi-cameralism provides an internal check on the legislative body. An independent judiciary serves as a further check against unjust legislation. "Energy" was provided by making the executive a single head with adequate duration, stable support, and competent powers.

Through partial agency, each branch shares enough of the power of other branches to ward off encroachments. This ensures independence of the branches from one another, and thus allows their specialized competence to be used effectively. Furthermore, partial agency allows the coordination and integration of all three powers in

administration. Powers are shared in such a manner that they strengthen the ability of the government to administer wisely and energetically. For example, the Senate was designed to check the intemperateness of the House while simultaneously augmenting the executive with advice and consent on treaties and appointments. The executive would exercise some control over the legislative process through the veto. At the same time it would play the leading role in policy formulation and implementation.

Hamilton demonstrated the importance of sharing powers in administration with the creation of the sinking fund. He proposed that this early debt-management agency be headed by a commission made up of the Chief Justice of the United States Supreme Court, the Speaker of the House, the Vice President, and the Secretary of the Treasury. This agency's mission was important enough to warrant participation of leading members of all three branches.

Hamilton wanted the integration of all three powers for other purposes as well. Some public agencies should have legislative, judicial, and executive powers blended for very specific purposes. Safety is not compromised as long as discretionary power is focused on a narrow range of policy concerns, and is reviewable by superiors in the various branches. Hamilton and a few of his subordinates

wielded quasi-judicial and quasi-legislative powers in certain areas of the Treasury administration.

For Hamilton these constitutional arrangements provided the superstructure of the public administration. All three powers, with their attendant specializations, would interact in administration. He was satisfied that this structure had the "aptitude and tendency to produce a good administration." But aptitude and tendency need fulfillment in practice. They do not, of themselves, guarantee good administration. Hamilton believed that was still a matter of motive and will in its human members. He therefore prudently accommodated his assumptions about human nature to his theory of administration. These assumptions are particularly relevant to his design of the executive branch.

Human Nature and Administrative Structure

Hamilton thought it necessary to try to structure the government in such a manner that persons with a "particular taste or disposition" to govern a nation "with justice and ability" would seek high office. In this matter, the executive and its subordinate offices were of primary concern. Persons who seek office, and "love the fame of

laudable actions," could be entrusted with great powers for long periods of time. Their most passionate interests connect with their virtue, and more easily coincide with the duties of office. Thus, the executive could be made powerful and yet safe. In fact, it would be necessary to give the executive branch significant powers in order to interest the passion for fame. Insufficient power would only frustrate this passion, and encourage the prevalence of less noble motives.

The elements of Hamilton's concept of energy were intended to tease the passion for fame. Unity in the executive means consolidation of power in single heads. It provides high visibility and encourages acceptance of responsibility. Duration in office gives sufficient time to employ one's power in pursuit of well-formed policies. Adequate support protects and enhances executive power.

These ideas presuppose a broader view of human nature than is generally attributed to Hamilton. In designing government he emphasized human self-interestedness. But self-interestedness need not imply the total venality of those interests. "The institution of delegated power implies that there is a portion of virtue and honor among mankind, which may be a reasonable foundation of confidence." In these matters, Hamilton followed the

advice of David Hume. Hume recognized a moral hierarchy of passions in which the love of fame was among the most noble. The passion of fame is often indistinguishable from a love of virtue or excellence.

Fame was not equated with popularity. Catering to popularity was the device of demagogues. Demagogues have "ambition unchecked by principle." They "flatter the momentary passions of the people" without regard to the people's interests. Fame, on the other hand, encourages a regard for posterity. It involves a desire to be regarded by future generations as having done something wise and good.

The passion for fame would invigorate the executive, and encourage fidelity to constitutional values. Fame encourages prospective policymaking that may have to ignore currently popular biases and attachments. In a republican context, it encourages guardianship over individual rights and interests, even when such protections are not popular. Most of the founders were driven by the passion for fame. Ironically, many of them did not see the necessary connection that Hamilton saw between fame and power for ensuring effective public administration.

The elements of energy would invigorate not only the

chief executive, but many subordinate offices as well. High administrative officials such as department, bureau, and agency heads would have substantial opportunities for fame through broad discretionary powers. They too would make systematic plans and policies of national scope and great significance. With regard to unity, he argued that "a single man [head] in each department of the administration . . . would give us a chance of more knowledge, more activity, more responsibility, and of course, more zeal and attention."

In this connection, Hamilton also saw the necessity of establishing independent and quasi-public organizations such as the United States Bank, regulatory agencies, a national university, military academies, and public manufactories to perform special functions. Energetic administration would occasionally require independence from even the formally designated executive. In some subordinate offices, the passion for fame and the pursuit of responsibility might suffer unnecessary frustration from a meddling chief executive.

Theory and Practice in Administration

Hamilton was unique among the founders for his

emphasis on the details of administration. He was also unique for his ability to relate abstract constitutional ends to the details of administration. Other founders limited themselves mainly to developing the superstructure and general powers of the new government. Accordingly, they knew less about the feasibility of their subsequent policies than Hamilton did. Because of this, he thought they often sacrificed the utility of some measures to the demands of overly refined principles. To Hamilton, consideration of how objectives could be achieved by government was almost as important as what objectives were to be achieved. It was as morally reprehensible to ignore administrative feasibility as it was to ignore moral principles or regime values.

For Hamilton, a fundamental test for any form of government was the degree to which it fostered the integration of political principles with administrative practice. Without this integration, the utility of the particular form was compromised. Thus, Hamilton was not dogmatic about governmental form. He was "affectionately attached to the Republican theory," but he would judge it only in terms of its usefulness to a specific people and nation. In short, he would judge it by its "aptitude and tendency to produce good administration." And a good

administration, "must be fitted to a nation, as much as a coat to the individual; and consequently, that what may be good at Philadelphia may be bad at Paris, and ridiculous at Petersburg³." To Hamilton there could be no such thing as generic, universal principles of administrative form.

Hamilton's praxiological emphasis made him critical of the tendency to advocate overly refined theories and principles. The policies of a national government operate on a broad and grand scale. Accordingly, the goodness or badness of a policy must be judged by its more general tendencies. For example, a policy may be beneficial to the whole nation, and yet not entirely equal in its impact on all sectors or groups at a given time. To Hamilton, this may still be good policy. But the common tendency had been to "magnify the minutest disadvantages, and to reject measures of evident utility, even of necessity, to avoid trivial and sometimes imaginary evils." This was a direct result of holding overly refined theories and principles.

In relating theory to practice, Hamilton viewed science as an indispensable aid. However, his notion of science was broadly defined. It included studies in philosophy, ethics, and history, as well as in more technical fields. There was as yet no refined model of science such as that offered by nineteenth and twentieth

century positivists. He did not for example, distinguish between fact and value. Science and philosophy were unified. He was as concerned about the wisdom or goodness of ideas, intentions, and behavior as he was about understanding and explaining them. Furthermore, his first concern was for the prudent application of this knowledge to the problems of governance, rather than simply to improve our understanding. In modern terms he was a scholarly or "reflective" practitioner rather than a scientist. He was more concerned about cultivating "knowledgeable action" than "intellectualized understanding."

Praxis and Administrative Policy

Hamilton applied his studies to all levels of administration. At higher levels he formulated and applied principles for policy making. At lower levels he conducted systematic studies for improving technical efficiency and effectiveness. For example, at the lower, technical level, he had time and motion studies conducted to improve the military march step for infantrymen. He thus anticipated Frederick Taylor's "scientific management" by more than a century.

At a much higher level, he defined a basic principle for policymaking in American government. This principle contains three basic elements. First, there was a normative element which prescribed ends to be striven for. Constitutional values are prime examples.

Second, there was a set of ontological assumptions about human nature that guided his application of the normative element. As a matter of prudence, Hamilton adopted a more negative view of human nature for purposes of designing government. He modified this assumption in accordance with empirical evidence for purposes of running government. That is, governmental structure should reflect a distrust of human nature in order to prepare for the worst. But government policy should reflect a more balanced view of human nature.

Third, there was an intuitive/empirical element which informed and reinforced his assumptions about human nature. This led him to research and development of substantive policy areas that contribute to the realization of regime values--the normative element.

Hamilton weaved these elements into a general principle for policy making. Briefly, this principle asserts that wise statesmen should view human nature as its

is found, "a compound of good and ill qualities, of good and ill tendencies" They should "lead man to the development of his energies according to the scope of his passions." Wise statesmen should

make men happy according to their natural bent, which multiply the sources of individual enjoyment and increase those of national resource and strength--taking care to infuse in each case all the ingredients which can be devised as preventives or correctives of the evil which is the eternal concomitant of temporal blessing.[4]

This principle justifies an administrative system of detailed promotional and regulatory policies designed to enhance the material prosperity of, and the security of rights for, the nation and people. Prosperity and security are good things. But every good "is alloyed with ills." "Every source of bliss [is also] a source of affliction." Therefore, whatever is promoted must eventually be regulated. Hamilton framed his legal, financial, foreign, and personnel policies accordingly. For him, the role of government in society would be extensive. It would be the principal leader in the nation's development and maintenance.

Praxis and Public Law: Jurisprudential Administration

For Hamilton, the relationship between theory and practice in public administration was grounded in law. The legal process constituted a legitimating focal point for moral and political philosophy, empirical inquiry, and reasoned persuasion in governance. It encouraged the relation of means to lawful ends. Law provided the milieu for public praxis.

In order for law to function effectively over time as the milieu for public praxis, it must include more than checks and balances. It must be constructed in general terms and construed "liberally in advancement of the public good." Hamilton enunciated the basic principle of liberal construction in his opinion on the constitutionality of the United States Bank. The government must have the

right to employ all the means requisite, and fairly applicable to the attainment of the ends of such power; and which are not precluded by restrictions and exceptions specified in the constitution; or not immoral, or not contrary to the essential ends of political society. [The only question must be] whether the mean to be employed, . . . has a natural relation to any of the acknowledged objects or lawful ends of the government. [5]

Liberal construction is an administratively oriented approach to law that promotes stability in league with change. It enables the government to act according to the

nation's needs. It affords government a wide range of activity and response to changing conditions. And it subjects such activity to the calming and civilizing powers of reason. Revolutions and other radical changes that require extra-legal action would be embarked upon only in the direst circumstances. To Hamilton, philosophical and political controversies should, as much as possible, be framed as legal controversies. Fifty years later, Alexis de Tocqueville would comment on the ability of Americans to do just that.

Hamilton's principle of liberal construction, and many of his other legal doctrines, survive in use today. They have had great impact on the development of the administrative state, particularly in the twentieth century. However, his jurisprudential orientation to public administration has been largely ignored since the mid to late nineteenth century.

By the twentieth century, law and public management were separated as fields of study. Leonard D. White confirmed this in his early textbook on public administration. The field of public administration has been searching for a new legitimating milieu. We have tried repeatedly to ground the field in positivist science. But this effort continually fails because

positivism lacks philosophical and historical depth as well as constitutional propriety.

The legal field suffers in similar form with the vestiges of legal positivism. It has rejected its own philosophical and historical roots in favor of analytic clarity and cynicism. By the late 19th century, law had come to be viewed as a rather sterile and technical body of commands subject to political manipulation, and incapable of articulating moral premises or structuring moral thought. Law "as an expression of will backed by force" replaced law as a praxiological tool that brought philosophy, religion, and science to bear upon administration. This undercut the foundational nature of law as a process of moral reasoning. This destroyed law's centrality to the concept of "free government" as understood by the founders. Positivism, willingly or not, accomodated law to arbitrary rule and manipulation.

As mentioned above, many of Hamilton's legal doctrines remain in use today. They continue to justify great powers for public administration, though without the moorings of his jurisprudence. His liberal construction of the supremacy clause, the necessary and proper clause, the general welfare clause, the commerce clause, the war powers clauses, and the taxing and spending clause have become

institutionalized as precedent and rejuvenated as administrative needs arose. His constitutional arguments for broad executive and emergency powers form much of the basis for our strengthened presidency and vast administrative apparatus.

Historically, the lines of Hamiltonian influence on law converged on the great lawyer/statesmen of the early nineteenth century. They institutionalized Hamilton's administrative view of law. John Marshall, Joseph Story, James Kent, David Hoffman, Daniel Webster, and many others used Hamilton as their intellectual and legal guide. Though few constitutional histories acknowledge the fact, most of John Marshall's significant opinions bear the distinctive logic and phrasing of Hamilton's legal opinions.

Hamilton inspired the legal and judicial community as it emerged in the early nineteenth century. For example, James Kent, Joseph Story and David Hoffman relied extensively upon Hamilton in writing their highly influential legal commentaries. They made their works "a repository of Hamiltonian principles of order and justice, and generations of lawyers who barely knew Hamilton's name were led subtly into the paths he trod."⁶

The importance of this legal community to the American state of the nineteenth century has been ably described by Stephen Skowronek. He found that the "American courts provided the essential counterpoise to the all-consuming electoral machines of America's party state." The "early American State," was comprised chiefly of courts and parties. The parties gave expression to disparate political ideologies with the general effect of strengthening state governments and dissipating the national government. The courts eventually came to reflect this bias, but not before instilling such principles as national supremacy, liberal construction, economic nationalism, and energetic administration in the legal structure of the country. This counterpoised structure had a great impact upon late nineteenth century reform. Thus, the legal community served as a vital intellectual link between Hamiltonian administration and later reforms that would greatly expand the nation's administrative apparatus.

Policy and Administrative Development:

Hamiltonian Contributions

Hamilton applied his talents to a wide range of public policies and administrative development. His contributions

to public finance, foreign policy, and personnel are of particular interest. Some of his innovations and strategies in these areas had a substantial impact on public administration well beyond his time.

Public Finance

Hamilton related public finance to the Constitutional ends of common defense and general welfare. Keeping the nation on a sound financial footing, and promoting the prosperity of the citizenry through commercial development was central to these ends. A stable and prosperous political economy would contribute to individual and national wealth. This would provide a tax base that would enable the national government to continue providing for common defense and general welfare. Thus, Hamilton linked public finance to political economy in pursuit of constitutional ends.

Hamilton's financial measures involved two basic steps. First the financial system needed to be stabilized through the establishment of sound public credit. Then he formulated and sought authorization for a comprehensive industrial policy that would diversify and stabilize the economy.

Hamilton emphasized sound public credit as a precondition for all subsequent financial endeavors. He believed credit was based upon confidence that obligations would be honored, that debts could and would be paid. The greater the confidence one party has in another, the more credit will be extended, and the better its terms will be. This makes borrowing in times of emergency and shortage easier and less costly. These ideas applied to nations as well as to individuals. The government must act in good faith, guarding its reputation and honor jealously lest it compromise justice and lose the confidence of its people and other nations.

Hamilton knew that sound public credit could "answer most of the purposes of money" when money was in short supply. It could be used to stimulate commerce, stabilize business cycles, facilitate transactions, maintain monetary value, and so on. These were necessary conditions for building a stable and wealthy economy. They were also necessary for fostering the interest of the people in maintaining the union. Hamilton therefore tied financial policy to high moral and political purposes. Today, the study of public finance has become far more complex and descriptive than it was in Hamilton's day. We know much more about the economic and technical aspects of public

finance. However, in training our public administrators, there is a notable lack of instruction about the high political and moral context of the field that Hamilton saw so clearly and pursued so avidly.

Hamilton succeeded in establishing many of his financial policies during his years as Secretary of the Treasury, 1789-1795. He proposed them in his reports on public credit, the United States Bank, the United States Mint, and on manufactures. However, resistance to his measures increased rapidly under the leadership of Thomas Jefferson. Jefferson advocated laissez-faire and physiocratic policies that would keep government out of the economy, and minimize its financial responsibilities. The Jeffersonian vision of a confederation of virtuous agrarian states stood in opposition to Hamilton's vision of a diversified, interdependent, commercial union. Subsequent American administrative history reflects in large part the periodic rise and fall of Hamiltonian policy on political economy in competition with Jefferson's. Hamiltonian policy tended to prevail during financial crises, depressions, and wars. Jeffersonian policy tended to prevail during times of prosperity and good feeling.

Ironically, Jefferson set this alternating pattern in motion. In his first administration, he sought to undo

Hamilton's policies. When financial and political crises developed during his second term, however, he reversed course and pursued Hamiltonian policy. As Leonard D. White indicated, "the Jeffersonian era in the field of administration was in many respects a projection of Federalist ideals and practice." ⁸ This pattern of retrenchment and then rejuvenation of Hamiltonian policy can be seen in the life of some components of his financial system, most notably the United States Bank, the sinking fund, and his fiscal policy.

Hamilton set the basic standards for a central banking system with adequate national controls over credit and money. This system was indispensable to the public administration of monetary and fiscal affairs. Bray Hammond indicated that Hamilton defined central banking for ⁹ the twentieth century as well as the 18th. But the banking system Hamilton desired was only fully institutionalized in the twentieth century. Throughout the nineteenth century, central banking occurred only periodically as financial crises and wars occurred. And after each crisis, the banking system was dismantled in favor of unregulated, "free" banking among the states. Furthermore, each time central banking was re-established, it faced even greater problems posed by its earlier abandonment. As the nation

became more economically interdependent, its financial crises increased dramatically, until, in the twentieth century, a permanent Federal Reserve system was finally established to try to stabilize business and financial cycles.

Hamilton also designed and implemented a sinking fund for management of the public debt. He intended it to be used as a flexible, counter-cyclical fiscal device that would simultaneously convey the appearance of sound financial management. His rule-of-thumb was "that the creation of debt should always be accompanied with the means of extinguishment." ¹⁰ But he did not mean immediate extinguishment. Reducing debt was not the most important priority in financial administration. The establishment of public confidence in public credit, and the subsequent stimulation of commerce were more important. The sinking fund served as a valuable symbol of debt reduction and financial soundness, while Hamilton used public credit to stimulate the lethargic commercial economy. As Hamilton often said, "appearances are as important as realities" in such matters.

The use of the sinking fund and analogous devices in our history followed the same cyclical pattern as central banking. It stayed in place until 1834, and completely

retired the national debt at that time. It was not rejuvenated until the Civil War, after which it again fell into disuse. It was revived in the late nineteenth century and mis-applied to budget surpluses. In the twentieth century, Franklin Delano Roosevelt used analogous devices and strategies to achieve the same image of sound finance while creating huge spending programs to relieve distress and revive the economy. The financial strategies of the New Deal followed completely the logic set out by Hamilton at the founding.

Hamilton's comprehensive system of taxation, tariffs and spending experienced the same pattern in our administrative history. His system was intended to protect and stimulate our nascent economy while providing increasing sources of revenue for more ambitious, government-sponsored development of our economic infrastructure. Instead, during most of the nineteenth century, the taxation system lay dormant except during depressions and wars, and was utilized only when absolutely necessary to the survival of the nation. However, as the nation grew increasingly interdependent through market, communication, and transportation breakthroughs, the need for a comprehensive financial and industrial policy became more apparent. In conjunction with this, the need for a

strong national administration staffed by experts was also recognized. The Progressive reform movement adopted a neo-Hamiltonian emphasis upon energetic and professional public administration. A direct line of Hamiltonian influence on this era is detected in the efforts of "American System" advocates such as Mathew and Henry Carey. They carried Hamilton's vision of a complex, interdependent, political economy into the Progressive Era. This prepared us for the stimulative spending policies of the New Deal Era. Those policies matched closely the strategies employed by Hamilton one-hundred fifty years earlier.

Military and Foreign Affairs

Hamilton's foreign policy was largely an extension of his financial and industrial policies. The national government should provide an active foreign policy that buffers the political economy from foreign competition and military aggression. The public administration had a moral obligation to protect the rights and interests of its citizens within the bounds of justice and good faith. For Hamilton, the government's ability to do this depended in large part upon the creation of an effective diplomatic corps backed by strong military capacity. Diplomacy

without military power would be weak and ineffective. Military power without diplomacy would be reckless and needlessly destructive.

Accordingly, Hamilton directed his attention to the development of military and foreign affairs administration. Broadus Mitchell nicely summarized Hamilton's contributions to our military establishment.

Hamilton, practically alone, devised the principal features of the [military] establishment--recruiting, discipline, tactics, mobilization, hospital department, and preliminaries of a military and naval academy. Thus he laid the foundations for the national defense system, save for the militia He planned for expansion and amendment, so that outlines need not require change. The same grasp which he had shown in contriving the fiscal system a decade before was now exhibited again in another area, with the difference that military organization was more limited in scope. In both instances, standing at the beginning of development, he had to create before he could use or administer. Later secretaries of the Treasury and inspectors general fell heir to, and of course improved as experience taught, what he provided. [11]

In conjunction with these developments, Hamilton also left us with a wealth of insight on appropriate management responsibilities at the department-head level. His correspondence with Secretary of War McHenry, from 1797 to 1799, constitutes an instructive guide to high-level public management.

Hamilton developed foreign policy based upon considerations of national interest. As he put it, "The predominant motive of good offices from one nation to another is the interest or advantage of the nation which performs them." However, he was not advocating a policy "absolutely selfish or interested in nations." The national interest should be pursued only "as far as justice and good faith permit. Violent and unjust measures commonly defeat their own purpose."

For Hamilton, good faith, justice, and national interest appear to have coexisted harmoniously when related to his conception of national honor or reputation. The reputation of the nation required that national interests coincide with moral duties. He therefore held an enlightened view of national interest. On the other hand, his standards of justice and good faith were not overly lofty or refined. Rather, he emphasized the difficulties inherent in achieving anything other than a rough form of justice between nations.

In most situations, one nation's ability to determine the motives and culpability of another was severely limited. International relations should therefore be shaped with regard to easily discerned, mutually determined

criteria. And international agreements should account for the compelling interests of all parties. The obligation to regard national interests arises from the belief that "rulers are only trustees for the happiness and interest of their nation, and cannot, consistently with their trust, follow the suggestions of kindness or humanity towards others, to the prejudice of their constituent."¹²

In pursuing national interests, the government should emphasize cool calculation over impassioned response. Hamilton argued that "wars oftener proceed from angry and perverse passions, than from cool calculations of interest." The government should strive for international relationships based upon "plain and obvious rules" tied to "palpable criteria" of action and "reciprocal benefit." For example, a defensive alliance must be based upon calculations of reciprocal benefit, and triggered by the easily discerned criterion of who commences hostilities. If a defensive ally commences a war, we are not obliged to come to its aid because this is offensive, not defensive war.

It is generally too difficult, if not impossible, to inquire into the motives and actions preliminary to such commencement for purposes of determining its justice or injustice. It would be imprudent and dangerous to hinge a

commitment of American lives and fortunes to anything less than such obvious rules, palpable criteria of action, and consideration of reciprocal benefit. For the same reasons, long-term commitments should also be avoided. Circumstances change, and relationships require re-evaluation.

Hamilton also asserted that other nations' interests were to be respected. Their judgements and conduct, calculated from their interests, were not to be interfered with except as they affected our interests. We were not to set ourselves up "as a judge of [their] conduct or to oblige [them] to alter it." Strict observance of this rule avoids the temptation of self-righteousness, and checks the tendency toward ideological evangelism. No nation has a monopoly on virtue, and there is no single governing form or principle appropriate for all. Nations that violated this rule could justifiably be opposed and controlled by the concerted action of offended nations.

These standards reveal Hamilton's concern for administrative feasibility and responsibility in the conduct of foreign affairs. He wanted to reduce the equivocality of international relationships as much as possible, and thereby simplify and clarify the responsibilities of administrators on all sides. This not

only makes their jobs easier, it makes their actions more accountable, and more amenable to evaluation. Consistent and habitual adherence to these standards would provide a more stable and calculable ground for reaching mutually beneficial agreements between nations.

Hamilton applied these standards in formulating American foreign policy during the Federalist era. Calculations of national interests led him to assess the powers of each nation relative to the United States. A nation's interests are controlled by its power to achieve them. Hence, the pursuit of power through political, economic and military policy defines the milieu for international relations. Given our situation, Hamilton thought our advantage lay in supporting a balance of power between the great European nations. As long as a balance of power existed there, American interests in continental expansion and commercial development were secure. This thinking dominated foreign affairs administration during the Federalist era.

Hamilton's approach later came to be associated with the realist school of foreign policy. In the twentieth century, men such as Hans Morgenthau, George Kennan, Walter Lippmann, and Reinhold Niebuhr have been its principal advocates. Although their realism is more relativistic and

skeptical than Hamilton's, they openly recognize him as their first and most enlightened American spokesman. Morgenthau argued that, throughout its history, the United States has generally pursued Hamilton's formulation of the balance of power standard.

[T]he United States has consistently--the War of 1812 is the sole major exception--pursued policies aiming at the maintenance of the balance of power in Europe. It has opposed whatever European nation . . . seemed to be likely to gain ascendancy over its European competitors which would have jeopardized the hemispheric predominance and eventually the very independence of the United States. Conversely, it has supported whatever European nation seemed most likely to restore the balance of power by offering successful resistance to the would-be conqueror. [13]

Personnel

In the area of public personnel administration, Hamilton touched on points relative to appointment, tenure, compensation, promotion, discretion, leadership, responsibility, coordination and control. He linked these aspects of public life to the elements of executive energy. The idea of unity extended to lower offices as well as to the Presidency. He would combine the passion for fame and reputation with the duties of many offices.

Unity, and therefore centralization, was a general organizing principle in Hamilton's view of public administration. However, he allowed exceptions to general rules in special circumstances. In the case of the sinking fund, a board of highly placed and highly respected government officials was necessary for establishing public confidence in the wise management of public debt. These would be "men of the first pretensions" who already have the "opportunity of distinguishing themselves" in other offices. Thus, the combination of personal interest in distinction, the nature of the policy, and the conditions that the policy addressed, contributed to the determination of the appropriate structure of administrative offices.

Within the Treasury Department, authority was to be centralized and discretion coordinated and controlled from the top. He structured the discretion of subordinates through a system of Treasury circulars which explained detailed and precise standard operating procedures. Lower level officers should have as little discretionary power, and be subject to as much oversight as possible. On the other hand, he accommodated the needs and uncertainties of subordinates' responsibilities. For example, he continually encouraged collectors of the customs to give him suggestions for improving and structuring their

operations.

Duration in office applied to subordinate offices as well. "Hamilton clearly favored lengthy tenure of public office, consonant always with good performance and responsibility." ¹⁴ Frequent changes of officers would "occasion a disgraceful and ruinous mutability in the administration of the government." ¹⁵ Hamilton's concern for duration is evident in his argument in Federalist 77 that removal of office-holders required the concurrence of the Senate. The "decision of 1789," giving sole power of removal to the President did not deter him from emphasizing long tenure. Even department heads should remain in office well beyond the tenure of the appointing president. This contrasts sharply with modern practice. Department heads and other political appointees seldom stay in office more than two to three years, and the number with any substantial governmental experience is rapidly declining.

Hamilton also advocated adequate provision for the support of career officials. "[I]t is in itself just and proper, that all who are in the public service, should receive adequate rewards for their time, attention and trouble." High pay for public officials was a small cost compared to the cost of incompetency and irresponsibility

that low pay would foster. "Experience will teach us that no government costs so much as a bad one."

Hamilton linked pecuniary and other benefits of public office to the most important motivations of public office. Salaries and benefits should be high enough to allow officials to live in a manner appropriate to their interests and station. Furthermore, any symbols of office that stimulate the vanity and esteem of public officials should be provided as an integral part of the position. This is especially true if one's interests are to coincide with one's duties. This view presumes that the duties of public office are both honorable and difficult.

Extra compensation for special or extra service should also be provided. And opportunity for promotion was essential, particularly where pecuniary rewards are considered low. "By due attention to it, [duration] will operate as a means to secure respectable men for offices of inferior emolument and consequence."

Hamilton also addressed the nature of superior/subordinate relations appropriate to public office. He strove to foster professional relationships based upon reliability and firmness, combined with expertize and experience. He consciously avoided working

relationships based upon personal loyalty or attachment. In his own words, he preferred "to stand rather on a footing of military confidence than of private attachment." This is suggestive of the proper working relationship in a constitutional republic among officials who swear an oath to uphold the Constitution. There should be some independence of judgement and insight. Devotion to public interest and the Constitution should exceed devotion to a specific president or other superior. Obedience should be construed in the context of constitutional propriety, not personal loyalty. Hamilton expressed disdain for appointments of "persons whose chief merit is their implicit devotion to their superior's will and to the support of a despicable and dangerous system of personal influence" Given our current emphasis upon personal loyalty in the higher reaches of executive administration, Hamilton's standard provides relevant criticism and an alternative worth pondering.

Hamilton's writings offer many additional insights on the public service that would require the space of several articles to adequately explore. His many circulars and letters offer insights on the proper role and responsibilities of department heads, on responsible leadership in a constitutional republic, on the nature and

role of public opinion in administration, and so on. Many of his ideas offer critical insight for twentieth century administrative practice.

Hamiltonian ideas have also been present in the historical development of the public service. The influence of his ideas has taken some interesting historical turns. American reformers such as Dorman B. Eaton, Richard Ely and Woodrow Wilson borrowed heavily from mid-nineteenth century British reforms. Those British reforms took much of their inspiration from earlier Federalist/Hamiltonian innovations. For example, Jeremy Bentham was intrigued with what he called the "single-seatedness" of American executive administration. This is a para-phrase of Hamilton's concept of unity. Bentham pushed "single-seatedness" successfully in many subsequent reforms.

The progressive reformers also imported British innovations that were inappropriate to Hamilton's ideas. But their emphasis on merit and an energetic administration guiding a complex commercial society conformed generally with the Hamiltonian vision. The revived interest in Hamilton's writings during this period is a further indication of similar outlooks. Reformers and writers such as Herbert Croly, Henry Cabot Lodge, Theodore Roosevelt,

and Elihu Root were strong supporters of Hamiltonian ideas.

Hamiltonian ideas also carried over into the New Deal era. The Roosevelt administration shared Hamilton's emphasis on unity, merit, pay, promotion, and tenure. It employed many of Hamilton's own terms in the process of reorganizing the executive branch. For example, the Brownlow Committee's report advocates many Hamiltonian-styled reforms, and even shares some of Hamilton's insight on the importance of recruiting ambitious people who would seek honor, prestige, and recognition in public office. The vastly increased role of the public service during this period followed generally in the Hamiltonian tradition.

A Brief Synopsis

Hamilton's administrative theory is multi-faceted and complex. It is, therefore, not amenable to a brief review. Nevertheless, for the sake of the reader, it will be helpful to sketch the main elements of his theory. To do this, one must begin with Hamilton's vision of the noble American republic.

Hamilton envisioned America becoming a great and

highly respected nation in the world. Greatness hinged on the opulence of wealth and prosperity for the American people. Respect depended upon our regard for national reputation and character. In Hamilton's mind, these were the desired products of individual rights and public interest.

The combination of vast territory, exploitable resources, geographic location, and an insatiable commercial spirit made greatness, in a modern sense, possible. It was the role of government to promote, channel, and control the development of these elements in a manner that would command respect and ensure greatness. Government must pursue a stable, honorable, commercial political economy. The public administration must play an active, leading role in society.

The respect of other nations was viewed as an essential support to the nation and its citizens. Like people, the nation has a reputation to protect. This requires a sense of honor, and a regard for moral responsibilities. The need for respect calls attention to the political and economic interdependence among nations. The United States would not be ignored, and it could ill afford to ignore other nations. Nations are political beings much like individuals. The public administration

must play a central role in maintaining the nation's reputation abroad through the operations of military and foreign policy.

Hamilton also realized that the commercial spirit of Americans was wedded to the republican principle. They would tolerate no other form of government. America would be an administrative republic, or die in the experiment. He therefore joined other nationalist founders in the effort to construct a safe yet powerful republican government. Individual rights must be protected, and the public interest pursued. A government of laws that provided for loose separation of powers was designed for these purposes. Law was to provide a structured milieu that encouraged responsible, reflective actions by rulers. As a central part of that structured milieu, separation of powers would simultaneously check abuse and provide energy. Public officers would be held accountable to other public officers, but each would have sufficient power and independence to form and implement wise and systematic policies.

This design retained the republican principle, but protected against republican excesses that might compromise stability and energy in administration. Stability and energy were necessary to lasting protection of rights and

steadfast pursuit of the public interest. Executive energy, characterized by single heads, substantial duration, adequate support, and competent powers, would make detailed, long-range, and systematic plans for national development possible. Well-formed, systematic plans backed by a powerful administration were required to maintain respectability and greatness.

This brief depiction of Hamilton's vision captures the broad outline of his theory of public administration. Its basic elements are greatness, respect, national honor and reputation, individual rights, public interest, the republican principle, responsibility and accountability, law, separation of powers, energy, stability, system, commercial spirit, political economy, foreign affairs, and public office.

This depiction also provides the rationale from which the details of Hamilton's administrative theory flow. This rationale led his attention to the effects of human nature, feasibility and expedience upon public policy. It led him to structure discretion, to interpret laws broadly, to frame promotional and regulatory laws, and to create administrative practices and plans that would instill public confidence. His efforts in the areas of financial administration, foreign affairs administration, and

personnel administration cannot be understood apart from this framework. A national bank, monetary policy, sound public credit, debt management, and fiscal stabilization were necessary for building public confidence and loyalty, as well as for developing our political economy. Easily determined criteria of action in foreign affairs were necessary to form calculable and profitable relations between nations.

Hamilton's orientation to public office can only be made sense of in light of his broad vision and rationale. The stability and success of the government depended on the type of loyalty and competencies engendered in administrative officers. For example, Hamilton despised administrative relationships based primarily upon personal loyalty because they led to mutability and instability. They also tended to erode the influence of law and the structuring of discretion in favor of blind obedience. Furthermore, he thought administrative officials should be paid well in order to attract competence and long-term commitments. Good pay and other benefits would also enhance prestige and entice nobler passions in pursuit of official responsibilities. This was particularly important in the design of executive offices where great powers would be concentrated. Great power was absolutely necessary in

the executive, and that power could only be made safe if the passions or interests of executive officers could be linked to their duties. The greatness and respect of the administrative republic lay in the capabilities and interests of its public officers.

Finally, Hamilton's rationale aids us in understanding his definition of public administration as comprehending the operations of the whole government on the one hand, and involving what are primarily executive details on the other. The separate branches would participate in the broader concerns of public administration. However, as these broad administrative concerns were translated into specific day-to-day operations, the executive branch would assume the principal responsibility for carrying them out, regardless of their legislative, judicial, and/or executive character.

Hamilton attached great importance to these "details" of administration because they would reflect most directly upon the reputation of the government. The administration of these details could instill confidence and loyalty in the people and other nations, or they could degrade the government and ruin the nation. This explains why Hamilton could devote time and attention to seemingly minor things such as the design of military hats, the improvement of

military march steps, the arrangement of financial accounts and reports, and the daily actions of customs officers, as well as attend to the much broader concerns of public credit, political economy, foreign affairs, and legal interpretation. They all related in important ways to the public image and success of the public administration.

Hamilton as Founder of American Public Administration

Contributions to a New Foundation

Alexander Hamilton provided this nation with a very sophisticated, prudent, and coherent theory of public administration. Additionally, he implemented and institutionalized a great part of that theory. He was, without question, our first and foremost administrative architect. Nevertheless, the man, his ideas, and his innovations have remained rather obscure. They remain largely unacknowledged in the many volumes of twentieth century administrative thought. As stated in the first chapter, this is due in part to the fact that he was very unpopular throughout much of the nineteenth century. The Jeffersonian vision of minimal government and democratic zeal obscured the importance of Hamiltonian ideas to our

progress as a nation. However, he also remains unacknowledged because of our infatuation with science, business, and reform. In the twentieth century, these factors were embraced with democratic zeal to form a new rationale for big government. Today the conventional wisdom about administration consists largely of concepts related to business-like efficiency, democratic reform, and management science.

Much of this conventional wisdom is now being challenged because it ignores constitutional legitimacy and political reality. But new foundations for a theory of public administration are only very slowly being articulated to supplant this conventional wisdom. Hamilton's theory of public administration can be enlisted in these efforts. It can be used to challenge the conventional wisdom, and can contribute to a new foundation.

Throughout this study I have indicated points of contrast between Hamilton's approach and subsequent approaches to public administration. These points of contrast need to be summarized and others suggested in order to show how we might begin reconceptualizing the field.

First, Hamilton's theory challenges the notion of a

politics/administration dichotomy in any absolute sense. Public administration is an integral part of high politics. It shapes grand political purposes, and prepares detailed, systematic policies and procedures in pursuit of those purposes. Hamilton's theory, therefore, also challenges our crudely instrumental view of expertise and obedience. He would make administrators wise and independent-thinking statesmen rather than acutely responsive and blindly obedient tools of policymakers. It follows that administrators are legitimate participants in governance rather than mere functionaries of a scientifically neutral administrative management. Thus, in Hamilton's scheme, the career service is much more than a mere technocracy.

The second point of contrast flows logically from the first. Hamilton made no distinction between policy and administration. The two were inseparable in any practical sense. Principles of policymaking, and the substance of the policies, determined in large part the administrative arrangements adopted by the government. Conversely, administrative feasibility often shaped the content of public policy. Thus, in order to understand U.S. foreign affairs administration, one must understand the nature and substance of foreign policy in the American situation.

Administrators must be and are, therefore, important policy makers. Hamilton's theory of public administration is also a theory of public policy.

Third, Hamilton's theory challenges the conventional wisdom's ignorance of constitutionalism, and its divorce from law as a foundation. Law is not a thing to be manipulated as policymakers and administrators see fit. It is supposed to structure administrative behavior, to define responsibility and subject it to accountability. This points to the glaring contrast between Hamilton's notion of the administrator who conceives of his responsibilities in terms of constitutional and legal propriety, and our modern view of administrators seeking accountability through personal loyalty to a president. Law should also encourage the integration of historical, religious, and philosophical reflection with administrative practice. The discretionary responsibilities and dilemmas of administrative office demand much more of this kind of thought than the kind offered by scientific speculation and description.

Fourth, Hamilton's constitutionalism also suggests that the public administration is a vast inter-organizational field, made up of complex policy subsystems wherein the three powers cooperate and compete to determine public policy and re-work administrative

arrangements. This contrasts with our current view of administration as a fourth (and therefore illegitimate) branch of government. Hamilton conceptualized separation of powers in manner conducive to cooperation and coordination of the three branches in administration. Each branch must respect the powers of the other branches or be continually smitten by their jealous interference. Good government would proceed through stable, moral understandings about the role of each branch at various levels of administration. This stands in sharp contrast to our current situation of various branches seeking the bogus justification of public mandates to run roughshod over each other. This kind of behavior degrades all politicians and administrators in the eyes of the public, and leads eventually to the demise of constitutional government.

Fifth, Hamilton's emphasis on political economy and foreign/military affairs in administrative theory also contrasts with our shortsightedness in these matters. Our financial policy is now largely disengaged from any overall concept or plan of national development. Indeed, we have no real plan or vision of national development. Our military and foreign policy is also devoid of any real strategy and vision. Rather it intermittently follows ardent anti-communist sentiment uninformed by anything but

democratic religion. The rest of the time it follows the warp and woof of pluralist, organizational politics and bureaucratic games.

Sixth, Hamilton's theory of public administration presumes a sophisticated view of human nature that leads to some further contrasts with our conventional wisdom. For Hamilton, administrative office was a public trust, best served by a close connection between individual passions and official duties. Today, we hold many administrators up to an altruistic standard and deny to them any real expression of their passionate interests in office. We deny them power and prestige, and hold them accountable to ever-changing popular opinion. This leads either to demagoguery and blind personal loyalty, or to a crass and cynical contractualism that makes adversaries out of employees and employers. Hamilton would give higher-level administrators great power and prestige to entice those nobler passions that seek favor in the enduring opinions of posterity. He would provide good pay and other benefits that would make lower offices desirable and respectable in society.

Finally, Hamilton emphasized that theories of administration must be tied to cultural context. The administrative practices and principles devised for

American government were not necessarily applicable to other countries. The United States required an administrative republic. Others might require an administrative dictatorship or ruling oligarchy. In each case, administrative arrangements would differ substantially. Conventional wisdom in this century says administrative arrangements and principles are generic, common to all governments. We have generally ignored cultural contexts, and have tried to export our brand of administration internationally. The failure of these attempts indicates that we are mistaken and that we need to rethink our assumptions.

These contrasts buttress much of our current criticism of the conventional wisdom of administration. They also give us an alternative orientation to seriously ponder. Furthermore, the significance of Hamilton's insight should direct us to reconsider the intellectual foundations of the field. The conventional wisdom on administration emerged primarily from the intellectual cross currents of the progressive era. We have challenged the validity of much of this thought in retrospect. Nonetheless, we feel compelled to find the origins of our field there. The thought and practice of administration, as we know it today, seems tied to that period. And Woodrow Wilson

stands in our midst as a founding symbol of that period.

Challenging Conventional Administrative Wisdom

This study demonstrates that our origins, intellectual and applied, can also be traced to Hamilton and the founding period. Much of our current criticism of conventional administrative wisdom and practice stems from the very real constitutional disputes of this century. The logic and dynamics of those disputes were set forth in the founding period. The progressive era aggravated those disputes, but did not change their fundamental nature. Furthermore, Hamilton's administrative orientation shaped our early administration, and had substantial influence on subsequent developments, including those in the progressive era. American administrative thought and practice received its first real impetus from Hamilton. This stands in contrast to the very tentative and insignificant impetus given by Woodrow Wilson.

If we want to create a new conventional wisdom for public administration, a first big step is to find a founder whose lasting influence we can revere, and whose administrative ideals we can look to for critical and constructive insight. We have looked to Wilson and had

little success. The following analysis shows that he gave us very little to work with. We need to look elsewhere. Once we have found an adequate founder, we might then be able to shift our attention to more adequate foundations on which to improve our government.

Accordingly, I want to challenge the acceptance of Woodrow Wilson as principal founder of the field. I concur with Paul Van Riper's statement that "if anyone deserves a title as the founder of the American administrative state, in terms of both theory and practice, it is not Wilson, Eaton, or Ely but Alexander Hamilton." Hamilton should be designated the principal founder of both the field and the practice of American public administration.

Since the early 1950s, students of American public administration have generally traced the origins of the field to Woodrow Wilson and his essay, "The Study of Administration." More recently, however, the essay has been the subject of controversy over its actual impact on the field. Paul P. Van Riper argues that Wilson's essay had little if any influence on the subsequent development of the discipline. The essay really only came into prominence during the 1950s with the Wilson centennial. Some authors of public administration textbooks share this view. For example, Jay Shafritz and Albert Hyde state that the essay

"attracted slight notice at the time," but that it is "customary to trace the origins of the academic discipline of public administration to it." ²⁰ Many other authors simply allude to the essay as the first real call for the study of public administration, and say nothing of its general impact.

In a recent article in Administration & Society, Van Riper and Kent Kirwan debate the extent of Wilson's impact on the field. ²¹ Some interesting conclusions result from the discussion. First, both Kirwan and Van Riper agree that Wilson was not the sole founder of the field. Kirwan emphasizes Frank Goodnow's contribution, and downplays Eaton and Ely as minor contributors by comparison. Van Riper points to the fact that Wilson's interest in public administration had some significant roots, i.e. that there was a significant amount of general interest in such a field before Wilson's time.

Secondly, both Kirwan and Van Riper agree that Wilson's essay was "essentially lost from view," at least in academic circles, until the 1930s or sometime thereafter. At that point Kirwan and Van Riper disagree over the extent of Wilson's influence on the field. Van Riper, recalling his own memories of the period, downplays Wilson's significance. Kirwan attaches more significance

to a comment by Louis Brownlow on Wilson than Van Riper's recollection of the circumstances will allow. Van Riper appears to win the upper hand by arguing that there were still very few citations of the work. There may have been some interest in Wilson in the 1930s and 1940s, but none worth citing in the academic literature. His influence on the field, to that point, could not have been very significant.

The discussion then moves to Wilson as founder of the politics/administration dichotomy. Kirwan attempts to demonstrate Wilson's influence here by showing how his ideas were present in the major works of the period--namely Leonard D. White's first text in the field. But here Kirwan trips over his own analysis. He demonstrates with exceptional clarity that Wilson held as many as three politics/administration distinctions, some of which are mutually contradictory. In short, Wilson was ambiguous about what shape the dichotomy should take. He pursued several views and hedged at every point. We can see elements of Leonard D. White's early perspective in Wilson's essay, but we can also see elements of Alexander Hamilton's perspective. As was shown in Chapter IV, Hamilton's perspective differs substantially from White's early perspective. Kirwan also points this out, but fails

to admit the obvious conclusion that almost any view of administration can be made compatible with Wilson's essay.

In this light it is reasonable to doubt that White and other classical theorists took their far less equivocal perspective on administration from Wilson. Van Riper is probably right in parcelling out the cause of the politics/administration dichotomy to a variety of sources that were prominent at the time.

Finally, the debate between Van Riper and Kirwan is significant for what it left out. Neither of them indicates that Wilson's subsequent presidency had any substantial effect on his prominence in the academic field. In other words, Wilson as President--as practitioner--did little if anything for Wilson as the intellectual founder of the field of public administration. His essay and lectures on public administration remained obscure until much later. Had they been very influential, they would have become famous early on, rather than laying dormant for decades. This is not to say that Wilson's presidency had no influence on the practice of public administration. Reforms such as those contained in the Budget and Accounting Act of 1921 were products largely of his administration. However, by the time he reached the presidency, supporters of scientific

management and a strict politics-administration dichotomy had already crystallized a far less equivocal theory of public administration than he had offered years earlier.

It is apparent, then, that decades later we established Wilson retroactively as a symbolic founder for the field of public administration. Certainly there is nothing wrong with designating a founder retroactively. In fact, it is a matter of great symbolic value to the field. Foundings and founders are an important source of
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legitimacy. However, the wisdom of the choice may be challenged if there are other more significant founders to consider. And since foundings and founders are important to us, it follows that we should exercise careful deliberation in the choosing.

At this point Kent Kirwan might accuse me, as he accused Van Riper, of setting up a straw man by regarding Wilson as the "sole founder of the modern study of public administration." But Wilson is not merely a straw man in this matter. Even if we link Frank Goodnow with him as a co-founder, Wilson remains as the principal founding symbol--more significant than Goodnow. Why? Because Wilson called for the study of public administration before Goodnow. Founders are usually associated with "firsts." This explains why we have what Kirwan calls "loose

statements" about Wilson as founder in the current literature. We don't hear or see such statements about other theorists in our field.

I challenge the wisdom of accepting Wilson as principal founder of the field, even if it is only a "loose" acceptance. As this study indicates, there is a significantly better alternative to consider--Alexander Hamilton. This point is supported by both Van Riper's and Kirwan's analysis. In their debate over Wilson, they both refer to the wisdom of Alexander Hamilton's definition of public administration. They describe Hamilton's view as involving a "prudential distinction" between politics and administration," or "between broader and narrower political operations, between two levels of politics" ²⁴ They both approve of Hamilton's view of administration as a type of politics, rather than as a neutral endeavor.

Furthermore, as this and other research demonstrates, Hamilton was the first to call for the study of public ²⁵ administration, not Wilson. And Hamilton's orientation to public administration is more fully developed and more appropriate to American constitutional government than Wilson's. Wilson sought to change our constitutional structure to fit the needs of his theory of public administration. He rejected separation of powers, opting

instead for the legislative supremacy emanating from
Britain's organic constitution.²⁶ Hamilton, on the other
hand, stayed within our constitutional structure,
exploiting its potential for effective public
administration.

Despite these differences, there are some important
similarities between Hamilton and Wilson that deserve
note. Wilson's general concern for improving executive
administration and restricting a meddlesome populace
reflects the Hamiltonian orientation completely. Wilson
spoke of unity in the executive and the dangers of divided
responsibility in Hamiltonian language and style.²⁷
Furthermore, they both believed that, in order for
Democracy to thrive, it must be protected from its own
excesses. Wilson also shared Hamilton's concern that the
government be made capable of addressing the significant
problems arising in society. The government must be
"adequate to the exigencies of the union." Their emphasis
on power and merit in the administration flowed from this
general concern. Both of them wanted a "high-toned"
administration that would guide the nation's development.
Finally, they shared the same concern for linking the
interests of administrators with the duties of their
offices. Noble passions must be enticed by the power to

perform meritoriously.

Nevertheless, the differences between Hamilton and Wilson overshadow these similarities. Wilson's preoccupation with British parliamentary administration was mis-placed when applied to our constitutional structure and tradition. Consequently, his efforts as theorist and practitioner, in conjunction with the efforts of many of his contemporaries (including Frank Goodnow), resulted in inappropriate and potentially dangerous reforms. These reforms ignored separation of powers, and contributed to the identification of all administrative functions with executive power. This begat a tendency in the executive to aggrandize power at the expense of congressional and judicial participation. The norms of positivist science, as applied by management science, and later the administrative management movement, exacerbated the tendency. This led to some very real abuses of constitutional power in subsequent years. And this, in turn, has contributed to the disenchantment of the people with their government.

In a narrow sense, Wilson and other thinkers of his era succumbed to the lure of Pope's famous maxim: "For forms of government let fools contest--That which is best administered is best." Wilson did care greatly about

democratic government broadly defined. He would not have accepted a monarchy or an aristocracy. To that extent he was concerned about form. However, within the bounds of democratic government, he let concerns for administrative efficiency dictate specific institutional arrangements. He rejected separation of powers. He sought to change our constitutional structure to fit the needs of his theory of public administration. As we have seen, Hamilton prudently refused to "acquiesce in [Pope's] political heresy." Rather, he thought form was essential as long as it had an "aptitude and tendency to produce a good administration." He fervently believed that, if construed liberally, our constitutional form possessed that aptitude and tendency. As a practitioner he supplied proof for the contention.

In conclusion, Alexander Hamilton's contributions to the theory and practice of public administration make him more worthy than Wilson of consideration as the principal founder of the field. Hamilton called for the study of public administration before Wilson did. Wilson's confusing and rather tentative theoretical contribution is meagre in comparison to Hamilton's extensive and insightful instruction. Wilson's contributions as a practitioner are significant mainly for their inappropriateness to our constitutional context. Hamilton's service left us with

enduring administrative institutions and practices that are cognizant of constitutional propriety. For purposes of posterity it is wiser to choose a founder whose ideas and innovations fit our constitutional tradition. Hamilton's significance increases in this respect because he was a founder of our constitutional tradition as well as of our public administrative thought.

In this context it is worth noting that there are other founding fathers whose thought may also prove more valuable to American public administration than Wilson's. In his excellent casebook, Richard Stillman describes the models of public administration implicit in James Madison's²⁸ and Thomas Jefferson's thought. He shows, in very brief and general terms, how these perspectives, and Hamilton's, have influenced our approach to public administration at various periods in American history. Significantly, however, Stillman describes Jefferson's and Madison's orientations to public administration as implicit rather than explicit. That is, we have to derive or deduce a theory of public administration from their broader constitutional theories. Hamilton, on the other hand, offered an explicit theory of public administration. He distinguished himself among the founders for his attention to the details of administration in a constitutional

republic. Therefore, among the nation's founders, Hamilton is the pre-eminent candidate for founder of public administration.

Finally, this study shows that Hamilton's ideas and innovations periodically had significant influence during the nineteenth century. They also played heavily in the resurgence of the administrative state during the Progressive and New Deal eras of the twentieth century. Wilson's influence was, at best, a modest force for progressive reform. By all accounts, friendly and unfriendly, Hamilton was a major force unto himself. His great political enemy, Thomas Jefferson, described him better than anyone since: "Without numbers, he is an host
29
within himself."

Notes to Chapter VIII

1. Alexander Hamilton, John Jay, James Madison, The Federalist Papers, no. 72, Clinton Rossiter, ed. (New York: New American Library, 1961), pp. 435-36.
2. Rossiter, Federalist No. 76, p. 458.
3. Hamilton, Papers Vol. XXII, p. 404.
4. Hamilton, Ibid., Vol. XIX, pp. 59-60.
5. February 1791, Ibid., Vol. VIII, pp. 104-5.
6. Rossiter, Hamilton and the Constitution, pp. 243-4.
7. Skowronek, Building the New American State, pp. 27-8.
8. Leonard D. White, The Jeffersonians, 1801-1829, p. vii.
9. Hammond, Banks and Politics in America, p. 196.
10. Hamilton, "Report on the Public Credit," Papers, Vol. VI, p. 106.
11. Mitchell, Alexander Hamilton: The National Adventure, pp. 449-451.
12. "Pacificus No. IV," Hamilton, Papers, Vol. XV, p. 85.
13. Hans J. Morgenthau, "The Mainsprings of American Foreign Policy: the National Interest vs. Moral Abstractions," The American Political Science Review, Vol. XLIV, No. 4 (December, 1950), p. 835.
14. Caldwell, The Administrative Theories of Hamilton and Jefferson, p. 90.
15. Rossiter, Federalist, no. 72.
16. See Nicholas Henry, Public Administration and Public Affairs, 3rd ed. (Englewood Cliffs, NJ: Prentice-Hall, 1986), pp. 193-94.

17. Hamilton, Papers, Vol. XXIV, pp. 349-50.
18. Van Riper, "The American Administrative State," PAR, p. 480.
19. Ibid., pp. 478-479. Also see Paul P. Van Riper, "The Politics-Administration Dichotomy: Concept or Reality?", in Politics and Administration: Woodrow Wilson and American Public Administration, Jack Rabin and James S. Bowman, eds., (New York: Marcel Dekker, Inc., 1984), pp. 203-218.
20. Jay M. Shafritz & Albert C. Hyde, Classics of Public Administration, 2nd edition (Chicago: Dorsey Press, 1987), p. 1.
21. Kent A. Kirwan, "Woodrow Wilson and the Study of Public Administration: Response to Van Riper," and Paul P. Van Riper, "On Woodrow Wilson: Van Riper Replies," Administration & Society, Vol. 18, No. 4, February 1987, pp. 389-410.
22. See pp. 192-94. Also see Herbert J. Storing, "Leonard D. White and the Study of Public Administration," Public Administration Review, Vol. XXV, no. 1, March 1965, pp. 38-51. Storing provided an insightful analysis of the dilemmas White faced in his early assumptions about public administration. In later years, with the light of experience and the knowledge of history, White appears to have softened his adherence to these assumptions.
23. See Hanna Arendt, Between Past and Future: Six Exercises in Political Thought (New York: Viking Press, 1961), Chapter 3, pp. 91-142.
24. Kirwan, "Response to Van Riper," PAR, pp. 398 and 405.
25. See Chapter I, pp. 9, 48, fn. 11.
26. See Rohr, To Run a Constitution, chapters 5 and 6, for an in-depth discussion of both Wilson's and Goodnow's rejection of separation of powers in favor of an organic, parliamentary-styled structure.
27. Woodrow Wilson, "The Study of Administration," 2 Political Science Quarterly (June 1887) p. 215. In Shafritz & Hyde, Classics of Public Administration, 2nd ed., see p. 20.

28. Richard J. Stillman II, Public Administration: Concepts and Cases, 3rd ed. (Boston: Houghton Mifflin Co., 1983), Chapter 1.

29. Letter to James Madison, Sept. 21, 1795, The Writings of Thomas Jefferson, Monticello ed., A.A. Lipscomb, ed., (Washington, 1903), Vol. IX, pp. 309-10.

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