
The Great Divergence Reconsidered

Hamilton, Madison, and U.S.–British Relations, 1783–89

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In 1834, James Madison learned through his young friend and protégé, Nicholas Trist, that a soon-to-be-published biography of Alexander Hamilton would criticize Madison's conduct during the crucial years of the founding era. According to Trist, the eighty-three-year-old former president "was to be represented as having deserted Colonel Hamilton" in the years immediately following ratification of the Constitution. Though the events in question had taken place nearly a half-century earlier, Madison did not allow the charge to pass unanswered. "Colonel Hamilton deserted me," he told Trist. "In a word, the divergence between us took place—from his wishing to *administration*, or rather to administer the Government into what he thought it ought to be; while, on my part, I endeavored to make it conform to the Constitution as understood by the Convention that produced and recommended it, and particularly by the State conventions that adopted it."¹

Historians have put little stock in Madison's reply to Trist. Most have argued along with his Federalist critics that the so-called "Father of the Constitution" did indeed change course sometime in the early 1790s, transforming almost overnight from a staunch nationalist and champion

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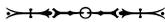
1. Nicholas P. Trist, "Memoranda," Sept. 27, 1834, in *Records of the Federal Convention of 1787*, ed. Max Farrand (New Haven, CT, 1911), 3: 533–34.

of greater central authority into a leading advocate for states' rights and a limited construction of federal power. To Hamilton, his former colleague's apparent reversal was as puzzling as it was abrupt. "This kind of conduct has appeared to me the more extraordinary on the part of Mr. Madison," he told Edward Carrington in 1792, "as I know for a certainty it was a primary article in his creed that the real danger in our system was the subversion of the national authority by the preponderancy of the state governments." Whatever reasons lay behind it, Madison's change of philosophy has appeared to contemporaries and scholars alike too obvious to deny.²

Ironically, while Mr. Madison's War of 1812 hastened the demise of Federalism, the Federalist interpretation of the Great Divergence has endured and, in fact, has *obscured* Madison's own words for nearly two centuries. Because Madison's presumed apostasy has seemed something of a settled fact, few have bothered to consider the possibility that he may have been correct after all, that Colonel Hamilton had indeed deserted him. To assess Madison's claim fairly and properly, we must set aside our conclusions about the Virginian and focus instead on what

2. Alexander Hamilton to Edward Carrington, May 26, 1792, in *The Papers of Alexander Hamilton* (hereafter *PAH*), ed. Harold C. Syrett and Jacob E. Cooke (26 vols., New York, 1961–79), 11: 426–45. The belief that Hamilton remained true to his political philosophies while Madison abandoned or modified his has become so widespread that to cite all of its adherents would result in a list longer than any reasonable person would care to peruse. Hamilton's biographers, of course, are unanimous in their judgments on behalf of the great Secretary of the Treasury. A very small sampling of Hamilton's most important chroniclers includes Henry Cabot Lodge, *Alexander Hamilton* (Boston, MA, 1883), which concludes that Madison, by the early 1790s, "was beginning to break from the party to which he naturally belonged (Federalists), because he felt the drift of Virginian sentiment and was not strong enough to resist the pressure," 119–20; Robert A. Hendrickson, *The Rise and Fall of Alexander Hamilton* (New York, 1981), which claims that Hamilton "never abandoned" his positions in the 1780s, but Madison "would fall under the influence of his rising fellow Virginian, Thomas Jefferson, make an about-face, and march off with those who championed the rights of states and policies designed to un cement the union," 165–66; and Jacob Ernest Cooke, *Alexander Hamilton* (New York, 1982), which accuses Madison of "ideological confusion," 135–36. John C. Miller, *Alexander Hamilton: Portrait in Paradox* (New York, 1959) ranks among the more balanced accounts of Hamilton's life and career, but it, too, perpetuates the Federalist interpretation of the Great Divergence. Finally, Ron Chernow's *Alexander Hamilton* (New York, 2004) ensures that a new generation of readers will learn of the Federalist perspective on the Hamilton–Madison split.

Hamilton thought and wrote in the 1780s. We also must broaden our interpretive spectrum to include more than just the traditional barometers of nationalism and states' rights. If we hope to gauge their ideological consistency and explain why these two brilliant and like-minded statesmen suddenly diverged, we should consider their views on one of the most troubling issues of the 1780s: Anglo–American relations. Throughout this critical decade, both Madison and Hamilton took a keen interest in foreign affairs and worked hard to contain the fallout from America's severed ties with Great Britain. They watched as both sides flaunted the terms of the peace treaty. They looked on helplessly as Britain reasserted control over American commerce, while Congress, denied the power to regulate American trade under the Articles of Confederation, could do nothing about it. Faced with widespread indifference to the plight of an impotent national government, they finally concluded that the endemic parochialism of the state legislatures threatened the Union's very existence, and that the Confederation required a dramatic overhaul. Because Madison and Hamilton led the movement for constitutional reform, and because the sorry state of foreign affairs provided substantial impetus for that movement, it seems reasonable that we should reassess the Great Divergence of the 1790s by examining Madison and Hamilton's approach to Anglo–American relations in the 1780s. On this issue, at least, important evidence suggests that in specific yet fundamental ways it was Hamilton, not Madison, who reversed course.³



3. Joseph Charles did suggest that Hamilton was inconsistent in the ideas he expressed between 1787 and 1789 and in the application of those ideas after the new government took effect. "It seems likely," he said, "that a study of Hamilton which was based directly upon what he did or tried to do would be very different from one based upon his writings or the customary accounts of him." He also criticized Hamilton's biographers, who have neglected to mention these inconsistencies. But Charles focused primarily on Hamilton's overall commitment to republican government, saying nothing about the issues herein discussed. See Joseph Charles, *Origins of the American Party System* (Williamsburg, VA, 1956), 10. For those who wish to learn more about Anglo–American relations in general during the 1780s, Samuel Bemis, *Jay's Treaty: A Study in Commerce and Diplomacy* (New York, 1923) remains the standard. The British perspective, clear and powerfully argued, appears in Charles R. Ritcheson, *Aftermath of Revolution: British Policy toward the United States, 1783–1795* (Dallas, TX, 1969).

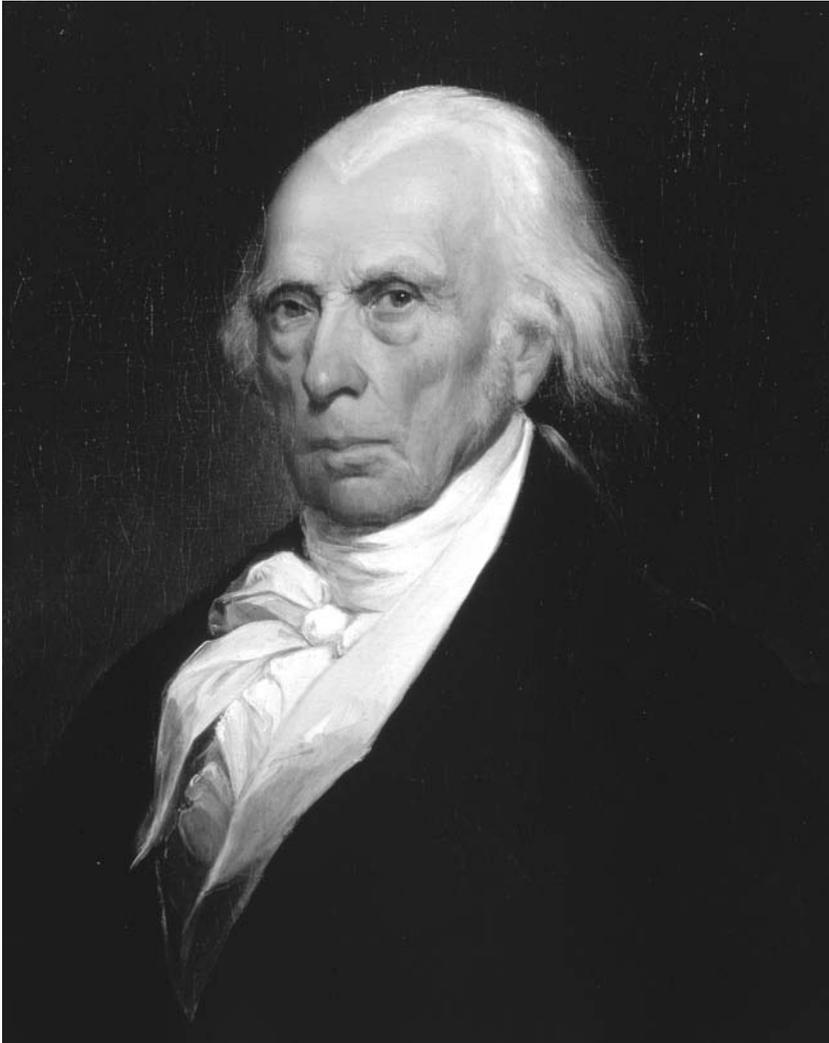


Figure 1: James Madison in retirement, as he might have appeared to his friend Nicholas Trist. Portrait by Asher Durand, 1833. Courtesy of the Collection of the New-York Historical Society.

By the time the Wars of the French Revolution broke out in 1792, Hamilton and Madison had developed irreconcilable views of America's proper relationship to Great Britain. As Secretary of the Treasury, Hamilton saw in Britain a model of stability and an invaluable trading partner, whose commerce would provide a major source of revenue to support

his ambitious fiscal plans. Madison, on the other hand, had come to view Britain as an enemy to republican liberty and an implacable foe to American independence, which he feared was threatened by Britain's virtual monopoly over American trade. They had, however, arrived at these differing views from much the same starting point. Throughout the 1780s, Hamilton and Madison shared similar concerns and offered similar solutions to every important problem in Anglo-American relations.⁴

While Americans celebrated the arrival of the preliminary peace treaty in March 1783, Madison and Hamilton could muster little more than cautious optimism. Colleagues for the first time in the Confederation Congress, they had learned through eight years of warfare to expect struggles and disappointments. It was a good treaty on the whole, and yet, as Madison told his friend Edmund Randolph, "notwithstanding the flattering aspect of the preliminary articles," there were "various circumstances which check our confidence in them." By "various circum-

4. In fact, if we are to accept a recent and quite persuasive revisionist view that Madison was never really the same kind of nationalist Hamilton was, then it even becomes possible to suggest that from 1783 to 1789 Hamilton and Madison may have been more alike in their approaches to U.S.-British relations than on any other issue. Lance Banning, *The Sacred Fire of Liberty: James Madison and the Founding of the Federal Republic* (Ithaca, NY, 1995) was the first to contend that scholars have exaggerated Madison's commitment to nationalism in the 1780s. Madison was, according to Banning, a "Virginia continentalist," a "dedicated revolutionary statesman," and a nationalist "mostly in his eloquent conception of the mission in which all Americans were joined," and only then "at certain times, on certain issues, and within the limits of his revolutionary hopes," 42. The work of Banning and others has raised serious doubts about whether we ought to persist in scrutinizing Madison for his supposed inconsistencies. See also Alan Gibson, "The Madisonian Madison and the Question of Consistency: The Significance and Challenge of Recent Research," *Review of Politics* 64 (Spring 2002), 311-38, for a fine recent summary of the growing body of literature that portrays Madison as fundamentally consistent. Gordon S. Wood, "Is There a James Madison Problem?" in *Revolutionary Characters: What Made the Founders Great* (New York, 2006), 143-72, concedes that the Madison of the 1790s was consistent with the Madison of the 1780s, though not in the same way and not for the same reasons Banning and others suggest. While it is beyond the scope of the present essay to compare Madison and Hamilton's views on domestic and foreign affairs and then judge their consistency on each, this powerful and persuasive revisionist view, coupled with my own argument, makes it possible to speculate that such a comparison would reveal fewer differences on foreign than on domestic issues.

stances” Madison meant the possible rift between the U.S. and France over the conduct of America’s negotiators—John Jay, John Adams, and Benjamin Franklin—who, contrary to instructions and promises, had agreed to Lord Shelburne’s (admittedly liberal) terms without first consulting the French. Hamilton, like Madison, saw in these developments much cause for concern. “Our affairs wear a most serious aspect,” he confided to General Washington. While “at first appearance” the preliminary articles seemed to assure peace, there were “strong reasons to doubt the truth of such a conclusion,” not least of which was “the insincerity and duplicity of Lord Shelburne,” who, according to Hamilton, “[may] well be suspected of insidiousness.” If these preliminary articles did not lead to a definitive treaty, then the clandestine conduct of the negotiations would “tend to sow distrusts among the allies” and thereby endanger America further. Some men in Congress and elsewhere had “a hankering after British connection,” while others placed all hopes in France. Hamilton feared that “the intrigues of the former and the incautiousness of the latter” might prove “injurious to the American interests.” In the midst of a congressional debate over the American ministers’ conduct, Hamilton made it clear that he considered the British a far greater threat than the French. Directing his comments to those delegates who, he believed, placed too much trust in America’s recent enemy, Hamilton “admitted it as not improbable” that France had tried “to procrastinate the definite acknowledgment” of American independence “in order to keep us more knit to herself.” But he implored his colleagues to “compare this policy with that of G B, survey the past cruelty & present duplicity of her councils, behold her watching every occasion & trying every project for dissolving the honorable ties which bind the U.S. to their ally, & then say on which side our resentments & jealousies ought to lie.”⁵

5. James Madison to Edmund Randolph, Mar. 18, 1783, in *The Papers of James Madison* (hereafter *PJM*), ed. William T. Hutchinson et al. (Chicago, IL and Charlottesville, VA, 1962–) 6: 355–57; Hamilton to George Washington, Mar. 17, 1783, *PAH*, 3: 290–93; “Remarks on the Provisional Peace Treaty,” Mar. 19, 1783, *PAH*, 3: 294–96. See also Hamilton’s remarks on Mar. 24: “Mr. Hamilton said that whilst he despised the man who would enslave himself to the policy even of our Friends, he could not but lament the overweening readiness which appeared in many, to suspect every thing on that side & to throw themselves into the bosom of our enemies,” *PAH*, 3: 305.

Revolutionaries to the core, Madison and Hamilton had long since concluded that the British government smacked of corruption, and yet, with regard to the treaty, they soon found their own countrymen equally capable of duplicity. To satisfy their part in the agreement, Americans were not to impede the lawful recovery of prewar debts owed to British creditors. Nor were they to permit any further confiscations of Loyalist property, while Congress, though lacking the power of coercion, was to “earnestly recommend” that the states restore property already confiscated. In fact, Congress had little power to compel the states to do much of anything, and few felt the weakness of the central government under the Articles of Confederation as acutely as did Madison and Hamilton. Without a legitimate national authority, Madison told James Monroe in 1784, nothing appeared more difficult “than to impress on the attention of our Legislatures a due sense of those duties which spring from our relation to foreign nations.” Hamilton, too, found his countrymen’s wanton disregard of the peace terms appalling, nowhere more so than in his home state of New York. “I observe with great regret,” he told Governor George Clinton in June 1783, “the intemperate proceedings among the people in different parts of the state in violation of a treaty the faithful observance of which so deeply interests the United States.”⁶

By the fall of 1783, Madison and Hamilton had retired from Congress, leaving behind the maddening impotence of the Confederation government. Alas, new frustrations awaited them.⁷

Madison entered the Virginia state legislature, where, much to his

6. “Report on Measures to be Taken for Carrying into Effect the Provisional Peace Treaty,” May 30, 1783, *PAH*, 3: 366; Madison to James Monroe, Nov. 27, 1784, *PJM*, 8: 156–59; Hamilton to George Clinton, June 1, 1783, *PAH*, 3: 367–72. Madison and Hamilton served together on a congressional committee formed to determine “what further steps” were necessary “for carrying into effect the stipulations contained in the articles between the United States and Great Britain.” Not surprisingly, the committee could do little more than “recommend” that the states carry into effect all of the treaty’s provisions, even though, according to its wording, only the restitution clause was recommendatory.

7. See Jack Rakove, *The Beginnings of National Politics: An Interpretive History of the Continental Congress* (Baltimore, MD, and London, 1979), 243–359 and passim. Rakove argues, in one of the better books ever written about the Confederation period, that the Continental Congress carried out its wartime functions rather effectively, but that once the war ended the Confederation Congress encountered a good deal more trouble.

chagrin, he found many of his colleagues downright hostile to the terms of the peace. The treaty demanded respect for the rights of British creditors, and yet no state could match Virginia for its intense anti-British animus, linked for decades to the well-chronicled problem of planter insolvency. The cycle of credit, debt, and bankruptcy that had become so familiar in the tobacco-dominated world of the late-eighteenth-century Old Dominion left many in dire straits, particularly those who had hoped the war would absolve them of their obligations. According to Edmund Randolph, too many influential Virginians appeared to have “ill-digested minds” and were “daily belching out crude invectives,” along with exhortations “to oppose the collection of british debts.” Absent a strong central government, there was simply no way to compel payment. Constantly thwarted in his exertions on behalf of the treaty, Madison later confessed “repeated disappointments” on the debt issue, which made him “extremely adverse to take the lead in the business again.”⁸

While Madison urged Virginians not to defraud their British creditors, Hamilton struggled to persuade New Yorkers that they must not disfranchise their fellow citizens or plunder what was left of their estates. It took some convincing. After all, many of the disfranchised victims of plunder were Loyalists, that most repugnant of all species, which no good American patriot could suffer, let alone respect. Few Americans since have

8. Randolph to Madison, May 15, 1783, *PJM*, 7: 44–48; Madison to Thomas Jefferson, Dec. 4, 1786, *PJM*, 9: 189–92. Madison found that republican societies could elect unqualified and parochial representatives as often as talented and virtuous ones. On the proceedings of the late assembly, he reported to James Monroe the following: “If its importance were to be measured by the list of the laws which it has produced, all preceding Legislative merit would be eclipsed, the number in this instance amounting to 114 or 115. If we recur to the proper criterion no Session has perhaps afforded less ground for applause.” Madison to Monroe, Jan. 22, 1786, *PJM*, 8: 482–84. Herbert Sloan, *Principle and Interest: Thomas Jefferson and the Problem of Debt* (Charlottesville, VA and London, 1995), 28–42, provides a brief but very useful summary of the debt issue in Virginia. I happen to agree with Emory Evans’s argument that debts to British creditors, while pressing hard upon thousands of Virginians whose motives and allegiances are lost to history, cannot fully or even primarily explain the widespread enthusiasm for the Revolution in the Old Dominion. See Emory Evans, “Planter Indebtedness and the Coming of the Revolution in Virginia,” *William and Mary Quarterly* 19 (Oct. 1962), 511–33; and Evans, “Private Indebtedness and the Revolution in Virginia, 1776 to 1796,” *William and Mary Quarterly* 28 (July 1971), 349–74.

inspired as much hatred as the Loyalists of the American Revolution. Upon retiring from Congress, Hamilton devoted much of his private law practice to defending Loyalists. Whatever their merits as men, he argued, they remained citizens entitled to protection under the terms of the treaty, which he deemed inviolable. In fact, when free from the business of the courtroom, Hamilton found time to write several essays on behalf of the persecuted Loyalists. Appearing in pamphlet form under the pseudonym “Phocion,” the first essay scolded the people of New York for their intemperate and unjust behavior. Citing “inflammatory and pernicious doctrines, tending to the subversion of all private security and genuine liberty,” Phocion chided his readers for their “most industrious efforts to violate, the constitution of this state, to trample upon the rights of the subject, and to chicanery or infringe the most solemn obligations of treaty.” His principal concern was America’s standing in the world. “Our ministers write that our conduct . . . has done us infinite injury,” Phocion claimed, “and has exhibited us in the light of a people, destitute of government, on whose engagements of course no dependence can be placed.” To a former statesman turned private citizen who continued to view public matters from a continental, if not an international, perspective, America’s reputation across the Atlantic mattered a great deal.⁹

Thus far we find Madison and Hamilton in perfect accord on the important business of placing U.S.–British relations on their proper footing, which in large part meant honoring the peace treaty. But there were other problems with which to contend. As early as March 1783, shortly

9. “A Letter from Phocion to the Considerate Citizens of New York,” Jan. 1–27, 1784, *PAH*, 3: 483–97. The editors of the Hamilton papers note that the Phocion letter was inspired by the British evacuation of New York in November 1783 and the subsequent persecution of Loyalists under the Patriot government. It also bears mentioning that Hamilton likely had in his possession a letter from John Jay in France, dated Sept. 28, 1783, in which Jay advised Hamilton of America’s sinking reputation abroad: “The american news papers for some months past contain advices which do us Harm. Violencies and associations against the Tories pay an ill compliment to Government and impeach our good faith in the opinions of some, and our magnanimity in the opinion of many.” Jay to Hamilton, Sept. 28, 1783, *PAH*, 3: 459–60. For Hamilton’s law practice, see Miller, *Alexander Hamilton: Portrait in Paradox*, 100–110. Gerald Stourzh, *Alexander Hamilton and the Idea of a Republican Government* (Stanford, CA, 1970), 126–70, is especially helpful for anyone looking to understand the ideological underpinnings of Hamilton’s views on foreign policy.

after news of the preliminary articles arrived from Europe, another pressing issue claimed their attention, an issue that went to the very heart of Anglo-American affairs, and that, before long, would contribute in no small measure to the demise of the Confederation government and the creation of the Constitution: commerce.¹⁰

Whether or not American colonists had prospered as part of the British Empire—and few would deny that they had—many expected the Revolution to free them from the constraints of mercantilist legislation, allowing commerce to flow to its “natural” channels and thereby reducing America’s economic dependence on Great Britain. Shortly after the war ended, Congress looked to secure a treaty of commerce that would allow, among other things, direct American trade with the West Indies, as well as the right to carry goods from the West Indies to other parts of the world, privileges Americans had enjoyed before the Revolution, when they still called themselves Britons. But the British were determined to maintain the advantages of their old mercantilist system. On July 2, 1783, an order-in-council barred American ships from entering the West Indies. Influenced in large part by Lord Sheffield’s famous pamphlet, *Observations on the Commerce of the American States*, British officials concluded that they could maintain the lion’s share of America’s trade without yielding much at all. Habituated to British goods, and preferring them above all others, the people of the United States could be counted upon to resume their prewar consumption patterns. The British ministry knew, of course, that Congress would prefer a commercial treaty based on the sacrilegious ideal of reciprocity, but because Congress could not even compel the states to honor the terms of peace, the ministry had no reason to believe that a commercial agreement would meet with a much different fate. More to the point, most Britons liked the current system, so in the absence of outside pressure from America there was simply no reason to change it.¹¹

10. Madison to Jefferson, May 13, 1783, *PJM*, 7: 39–42.

11. John Baker Holroyd, Earl of Sheffield, *Observations of the Commerce of the American States* (London, 1783). For an interesting revisionist interpretation of postwar British commercial policy, see John E. Crowley, “Neomercantilism and *The Wealth of Nations*: British Commercial Policy After the American Revolution,” *The Historical Journal* 33 (June 1990), 339–60. Crowley argues that three of the men most directly responsible for British trade policy in the 1780s—Lord Sheffield, Lord Hawkesbury, and George Chalmers—embraced Adam Smith’s

Madison found these events and the reasoning behind them as disturbing as anything that confronted him during those critical years preceding the Constitutional Convention. “The Conduct of G.B. in the negociation with America has shewn great unsteadiness if not insidiousness on the subject of commerce,” he lamented, and the “proclamation of the 2d. of July is a proof that some experiment is intended on the wisdom, firmness & union of the States, before they will enter into a Treaty in derogation of her Navigation Act.” The states’ only recourse lay in collective action: They must grant Congress the authority to regulate trade for the entire Union. Congress, no doubt, would “recommend some defensive plan to the States,” which, under the Articles of Confederation, enjoyed near-absolute control over their own commercial affairs. The failure of the anticipated recommendation would, according to Madison, “prove such an inefficacy in the Union as will extinguish all respect for it & reliance on it.” As usual, the states hesitated to grant Congress the necessary power. By 1785 Madison had concluded that American trade “was never more completely monopolised by G.B. when it was under the direction of the British Parliament than it is at this moment.” For the sake of commerce, and, more important, for the sake of the Union, something had to be done. If the states could not reach a consensus in their separate capacities, then perhaps a special convention was needed. Hoping to solve the nation’s commercial crisis, and yet faced with the impossible task of achieving unanimity under the Articles of Confederation, nine of the thirteen state legislatures appointed commissioners to meet at Annapolis in September 1786.¹²

Posterity remembers the Annapolis Convention—when bothering to remember it at all—as a minor prelude to the great Constitutional Convention of 1787. Poorly attended, and producing almost nothing, the Annapolis meeting would scarcely merit remembrance had the commissioners not called for a future convention to consider all the needs of the Union, and had the states not heeded that call. Still, the celebrated

free-trade principles but adapted those principles to the demands of a mercantilist state, especially as regards the carrying trade.

12. Madison to Randolph, Sept. 13, 1783, *PJM*, 7: 314–16; Madison to Monroe, June 21, 1785, *PJM*, 8: 306–9. On the commercial autonomy of the states under the Articles, see Merrill Jensen, *The Articles of Confederation: An Interpretation of the Social-Constitutional History of the American Revolution, 1774–1781* (Madison, WI, 1940), 177–78.

“Miracle at Philadelphia” should not obscure entirely its less-triumphant predecessor. The Annapolis Convention did draw a number of distinguished statesmen, including both Madison and Hamilton, who left an important clue as to their shared perspective on the relationship between government and commerce.¹³

Three days after the meeting began, with just five states represented, the commissioners drafted an address to their respective legislatures suggesting that a future convention should not be limited to discussing commerce alone. “The power of regulating trade,” they argued, “is of such a comprehensive extent, and will enter so far into the general System of the federal government, that to give it efficacy, and to obviate questions and doubts concerning its precise nature and limits, may require a correspondent adjustment of other parts of the Federal System.” Years later, Madison would attribute primary authorship of the address to Hamilton, though the other commissioners undoubtedly enjoyed some editorial input. Given what we have assumed about Hamilton, his Annapolis address, at first glance, might appear little more than a clever manipulation designed to use the commercial crisis as a springboard to what he really wanted: a much stronger central government. But a careful reading suggests otherwise. Hamilton’s goal in 1786, at least as far as the evidence shows, was not to create a stronger central government *for its own sake*, but to invest the government with power adequate to meet the crises of the day. Yet the power to regulate commerce was so entwined with the very nature of government that to grant the former was to fundamentally change the latter. It would not have been enough to amend the Articles of Confederation; that document was the product of different circumstances. A new way of thinking was required, one that allowed the central government of the United States to enjoy the same type of regulatory power that the British government had exercised for more than a century. To counter Britain’s hostile and damaging policies, Congress required not only an additional enumerated power but also an entirely new compact with the states and the people. Thus, if the commercial crisis brought these men together, and if together they initiated the meeting that would produce a new and stronger government, then we might con-

13. The phrase, “Miracle at Philadelphia,” of course, comes from Catherine Drinker Bowen, *Miracle at Philadelphia: The Story of the Constitutional Convention, May to September, 1787* (Boston, MA, 1966).

clude that commerce, at least in the minds of the Annapolis men, was the necessity that mothered the great invention.¹⁴

Indeed, the Federal Constitution of 1787 was the greatest of all political inventions. Its legacy defies encapsulation, yet its enduring resonance—its transcendent authority—requires that we learn about it. To divine its “original meaning,” historians and legal scholars have studied the deliberations at Philadelphia, the state ratifying conventions, and the intense public debate that preceded its adoption. There is much to read. The conflicts that developed (or were exacerbated) in 1787–88—large vs. small states, North vs. South, creditor vs. debtor—polarized the nation for months, resulting in an unprecedented outpouring of polemical literature. Never before, and certainly not since, had so many Americans fancied themselves political theorists—some even had good reason. Though its quality varied, the political discourse, by its sheer volume, had an enormous impact on contemporary opinions. Of course, no public figures did more to elevate the discourse than did Madison and Hamilton, who, with minor contributions from John Jay, spent the fall and winter of 1787–88 collaborating on that spectacular set of essays known to history as *The Federalist Papers*.¹⁵



If it is possible to identify a “smoking gun” in Madison’s case against Hamilton—if we can prove, in other words, that when viewed from the important perspective of Anglo–American relations Madison had good reason to conclude that he and Hamilton had once shared similar views—then we must look no further than Hamilton’s eye-opening discussion of commerce and foreign affairs in *Federalist* Number 11. One of Hamilton’s earliest contributions to *The Federalist Papers*, Number 11 ranks among the most overlooked efforts in that brilliant and celebrated set of essays. Indeed, when compared with the voluminous schol-

14. “Address of the Annapolis Convention,” Sept. 14, 1786, *PAH*, 3: 686–89.

15. Jack Rakove, *Original Meanings: Politics and Ideas in the Making of the Constitution* (New York, 1996) is the finest recent study. Banning, *Sacred Fire*, does a remarkable job of showing that Madison, while fundamentally consistent, could modify his opinions when necessary; the Bill of Rights, which Madison at first deemed unnecessary but later wrote, serves as a perfect example. Part of the thesis of this essay, of course, is that Hamilton likewise was capable of changing his mind.

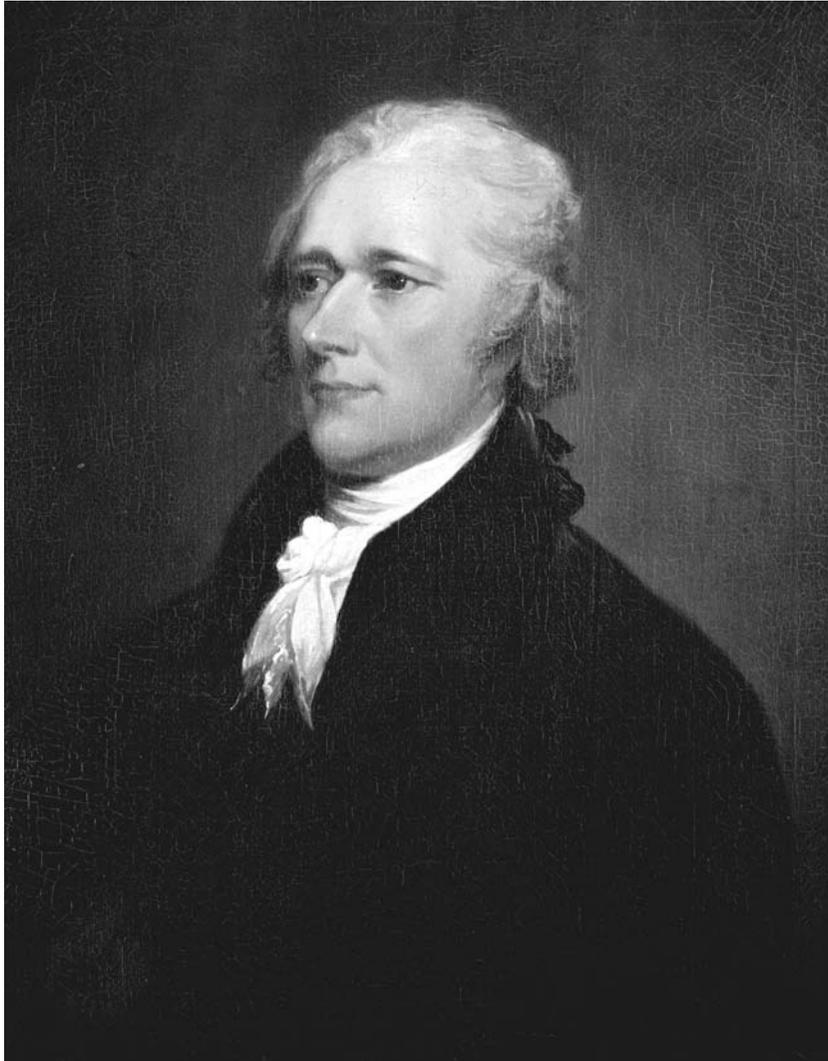


Figure 2: Alexander Hamilton, author of *Federalist 11*, colleague of James Madison, and Secretary of the Treasury under President Washington. Portrait by John Trumbull, after 1804. Courtesy of the Collection of the New-York Historical Society.

arship devoted to Madison's famous Number 10, the relative obscurity of Number 11 makes one wonder if readers have ever bothered to turn the page. Perhaps the compartmentalization of our historical specialties into domestic and foreign has had something to do with it. Or, it could be that those who have studied the founders, confident that their interpretation of the Great Divergence was the correct one, discovered when they came across Number 11 that they simply did not know what to make of it.¹⁶

By the time Hamilton sat down to write Number 11, his colleague John Jay already had contributed four articles, including three devoted to foreign affairs. While we cannot necessarily infer primacy from the ordering of arguments, Hamilton's choice of Jay—former Secretary of Foreign Affairs in the Confederation Congress—to compose the initial essays tells us at the very least that America's security and reputation in the world concerned them a great deal, and that they believed it ought to have concerned their readers as well. According to Jay and Hamilton, when weighing the virtues and vices of the proposed Constitution Americans needed first to take stock of the potentially hostile forces around them and then ask whether the Confederation Congress possessed power enough to meet the challenges; only localists and knaves (between whom Hamilton seldom distinguished) could have answered in the affirmative. Thus, Hamilton likely began writing Number 11 confident that he had found a winning argument in what was shaping up to be a difficult struggle against the Anti-Federalists—those long-beleaguered naysayers who thought they sniffed the foul stench of aristocracy in the Philadelphia wind and had therefore determined to oppose the Constitution. That he himself would one day depart from the principles of Number 11, Hamilton probably could not have imagined.¹⁷

16. On Number 10, see, for example, Douglass Adair, "The Tenth Federalist Revisited," *William and Mary Quarterly* 8 (Jan. 1951), 48–67; Robert J. Morgan, "Madison's Theory of Representation in the Tenth Federalist," *The Journal of Politics* 36 (Nov. 1974), 852–85; Mark M. Arkin, "'The Intractable Principle': David Hume, James Madison, Religion, and the Tenth Federalist," *The American Journal of Legal History* 39 (Apr. 1995), 148–76; and James Yoho, "Madison on the Beneficial Effects of Interest Groups: What Was Left Unsaid in 'Federalist' 10," *Polity* 27 (Summer 1995), 587–605.

17. On Hamilton and foreign policy, see Gilbert Lycan, *Alexander Hamilton and American Foreign Policy: A Design for Greatness* (Norman, OK, 1970); and

Calling himself “Publius,” as all the *Federalist* writers did, Hamilton opened Number 11 by predicting that the United States one day would emerge as one of the Atlantic world’s true maritime powers, and that European governments, particularly those that laid claim to colonies in the Western Hemisphere, would do whatever they could to frustrate the young republic. European angst, according to Publius, stemmed from an apprehension “of our too great interference in that carrying trade, which is the support of their navigation and the foundation of their naval strength.” The reference to Britain is unmistakable, for history had shown and would continue to show that America’s recent enemy suffered no rivals to its maritime supremacy. Parliament’s Navigation laws protected British shipping interests, that vital “carrying trade,” which, as all good eighteenth-century mercantilists knew, yielded both profit and naval superiority. From the British perspective, the former American colonists, who had declared themselves a free and independent people and who now had some pretensions to greatness, no longer merited the privileges they once enjoyed as part of the Empire, though somehow they had the unmitigated gall to demand them anyway. For Hamilton, the consequences were obvious. The rising power of the United States struck fear in the halls of Paris, Madrid, and especially London, where officials hoped to thwart America’s republican experiment before it showed real prospects for success. “Impressions of this kind,” he continued, “will naturally indicate the policy of fostering divisions among us, and of depriving us, as far as possible, of an ACTIVE COMMERCE in our own bottoms.” Unless something changed, the United States under the Articles of Confederation would suffer daily injustices at the hands of unfriendly Europe.¹⁸

To counter the European threat, Hamilton urged Americans to embrace their potential strength by realizing the coercive power of their own market, just as they had done nearly a generation earlier. On the eve of the Revolution, disgruntled colonists had forged a united resistance to British authority through nonimportation agreements and economic boycotts. But the intercolonial associations of the 1760s and 70s had

more recently John Lamberton Harper, *American Machiavelli: Alexander Hamilton and the Origins of U.S. Foreign Policy* (Cambridge, UK, 2004).

18. *Federalist No. 11*, in Benjamin Fletcher Wright, ed., *The Federalist: The Famous Papers on the Principles of American Government* (New York, 2004), 136–37.

been purely voluntary and therefore had produced mixed results. The new Constitution, on the other hand, could *compel* the states to adopt a uniform trade policy. “By prohibitory regulations, extending, at the same time, throughout the States,” Publius assured his readers, “we may oblige foreign countries to bid against each other, for the privileges of our markets.” It seems not to have occurred to Hamilton or to most Americans that foreign merchants might look elsewhere for markets. Conventional wisdom held that America occupied a unique place in the Atlantic community. By virtue of its immense capacity for growth, the United States offered a prospective market that no nation outside of Asia could match. Furthermore, Americans found themselves happily situated as a nation of small, independent farmers on the periphery of an industrializing world. Hamilton, in a passage that drips with the most conspicuous sort of irony, proclaimed the advantages of “three millions of people—increasing in rapid progression, for the most part exclusively addicted to agriculture, and likely from local circumstances to remain so—to any manufacturing nation.” Thus we see the so-called architect of America’s industrial future celebrating its agrarian virtues. Admittedly, Hamilton stopped short of converting to Jeffersonianism, at least the undiluted brand that Jefferson had announced to the world a few years earlier. But that is beside the point. What matters is Hamilton’s insistence that if America hoped to meet the challenges posed by the aggressive maritime powers of Europe, then a stronger central government invested with the power to regulate commerce was well suited to a nation of consumers and cultivators.¹⁹

Having confined his remarks to general observations, Hamilton finally turned his attention to the former mother country and suggested a specific course of action for the United States. “Suppose, for instance, we had a government in America, capable of excluding Great Britain (with whom we have at present no treaty of commerce) from all our ports,” Publius asked, “which would be the probable operation of this step upon

19. *Ibid.*, 137; Thomas Jefferson, *Notes on the State of Virginia* (1782), in Merrill Petersen, ed., *Thomas Jefferson: Writings* (New York, 1984), 125–325. Drew McCoy, *The Elusive Republic: Political Economy in Jeffersonian America* (Chapel Hill, NC, 1980) discusses at length the founders’ views on commerce and agriculture, elegantly and persuasively situating those views in the context of eighteenth-century concerns over population growth, virtue, luxury, and patterns of social decay.

her politics? Would it not enable us to negotiate, with the fairest prospect of success, for commercial privileges of the most valuable and extensive kind, in the dominions of that kingdom?" In recent years, others had despaired that an American navigation law would not have the desired effect, that British interests in America were simply too powerful, and that Americans had grown too dependent on existing networks of trade. Hamilton agreed that British manufacturers, in theory at least, could gain access to their traditional American markets using vessels other than their own—the Dutch, for example, possessed more than enough vessels to accommodate British shipping needs—but he reminded his readers that the Navigation Acts protected not only British goods but also, and perhaps especially, British shipping, and that Parliament would never relinquish its monopoly of the carrying trade. Thus, "a mature consideration" suggested "that the real disadvantages of Britain from such a state of things . . . would produce a relaxation in her present system, and would let us into the enjoyment of privileges in the markets of those islands and elsewhere, from which our trade would derive the most substantial benefits." In short, the British government was determined to maintain its mercantilist system, but the United States, under the new Constitution, would have the power to retaliate. If Hamilton's defense of the Constitution based in part on America's presumed agrarian destiny strikes us as ironic, then his suggestion that the United States government might successfully combat British trade policies by resorting to something like commercial discrimination ought to astonish us.²⁰



Commercial discrimination ranked high on Madison's list of priorities when he entered the First Federal Congress in March 1789. Characteristically, he could not separate his commercial plan from his understanding of the First Congress's larger goals. Arriving at New York to take his seat in the House of Representatives, Madison entertained high hopes for the new government, but he also believed that the Anti-Federalists had raised sound objections to the Constitution. Even before the first session began, Madison anticipated "some conciliatory sacrifices" from Congress, which might "extinguish opposition to the system." Above all, though, he tried to make the new government conformable with the expectations of those

20. *Federalist* Number 11, 137.

who had approved it. Given the course of events that had led to Annapolis and then to Philadelphia, as well as the substance of Federalist support for the new government, it was not at all unreasonable for Madison to conclude that a majority of Americans wanted and expected a system of commercial discrimination.²¹

A loaded word in our day, *discrimination* in an eighteenth-century commercial context described a trade policy that granted privileges to those nations that had entered into treaties with the United States, while penalizing others—i.e., Great Britain—by taxing their goods and ships at a higher rate. Thus, through economic coercion, the United States could entice all nations into commercial agreements based on the ideal of reciprocity. As Hamilton had argued in *Federalist* Number 11, the attraction of the American market, coupled with the power of the new government to deny hostile nations access to it, promised a relaxation of British mercantilist restrictions, which the United States deemed so obnoxious. Recalling the beggarly plight of the old Confederation Congress, and hoping to secure tariff revenue from the impending round of spring importations, Madison moved quickly to implement his plan for commercial discrimination.²²

Much to his surprise and chagrin, however, Madison was forced to defend his plan from those who thought it unwise to risk a trade war with Britain. Ever the devoted republican, his first instinct was to look to the will of the people. Citing the actions of the state legislatures, many of which had imposed larger tonnage duties on British ships than on French or Dutch, Madison claimed “substantial proof, that the public sentiment does favor the discrimination.” More important, the Constitution enabled Congress to divine the public will without looking to the states for guidance. The “great political revolution,” underway at least since 1786, began with the belief that the central government needed the

21. Madison to Jefferson, Mar. 29, 1789, *PJM*, 12: 37–40. For example, Anti-Federalists had decried, among other things, the absence of explicit protection for individual liberties—a bill of rights—which many Federalists had dismissed as unnecessary; Madison, in a spirit of conciliation, proceeded to write the first ten amendments to the Constitution, thereby rendering the document more palatable to those who had expressed concerns.

22. Drew R. McCoy, “Republicanism and American Foreign Policy: James Madison and the Political Economy of Commercial Discrimination, 1789 to 1794,” *William and Mary Quarterly* 31 (Oct. 1974), 633–46.

power to regulate commerce for the entire nation. Outraged by Britain's "nefarious schemes," and "finding their separate exertions ineffectual," the states "called for a new arrangement . . . so as to obtain that reciprocity which justice demands." By approving the Constitution, the people of the United States had opted for a federal system and had entrusted to the national government all of the enumerated powers the framers had recommended, including the power to regulate commerce, which they had consciously removed from the state legislatures. They would not have done this if they had not expected Congress to use those powers.²³

Finding his opponents unmoved by appeals to the popular will, Madison turned his attention to Great Britain itself, posing a series of rhetorical questions to which all knew the unhappy answers.

Has she ever shown any disposition to enter into reciprocal regulations? Has she not by a temporizing policy plainly declared, that until we are able and willing to do justice to ourselves, she will shut us out from her ports and make us tributary to her? Have we not seen her taking one legislative step after another, to destroy our commerce? Has not her legislature given discretionary powers to the executive, that so she might ever be on the watch, and ready to seize every advantage the weakness of our situation might expose? Have we not reason to believe she will continue a policy void of regard to us, whilst she can continue to gather into her lap the benefits we feebly endeavour to withhold, and for which she ought rather to court us by an open and liberal participation of the commerce we desire? Will she not, if she finds us indecisive in counteracting her machinations, continue to consult her own interest as heretofore?

Aided by those who recognized the force of arguments that sprang from this logic, Madison successfully negotiated his plan through the House of Representatives.²⁴

Unfortunately, neither appeals to the popular will nor a carefully reasoned harangue against Great Britain stood much chance of winning over the Senate, where future Federalists prevailed, and where Madison's plan for commercial discrimination went down to defeat. Perhaps this is not

23. For the debate over commercial discrimination, I have relied on the editorial note, "Madison at the First Session of the Federal Congress," *PJM*, 12: 52–64, as well as selected notes of debates in the First Federal Congress, 64–130, *passim*. Quotations appear on pages 101 and 110.

24. *Ibid.*, 111–12.

surprising. After all, upper houses of bicameral legislatures historically have shunned innovation of any kind. Furthermore, when viewed in retrospect, the Senate's rejection of Madison's plan presaged the Virginian's struggle with Hamilton and the Federalists in the early 1790s. Indeed, Hamilton may well have helped persuade like-minded senators to vote against a policy that, if approved, would have worked to the detriment of his future fiscal plans.

One of Hamilton's greatest biographers has claimed that the brilliant New Yorker was "thunderstruck" when he learned of Madison's plan for commercial discrimination, and yet the evidence does not support so strong a conclusion. The House of Representatives debated the plan in April and May 1789, passed it in amended form, and forwarded it to the Senate, which then removed Madison's discriminatory measures and approved the final version in July. If Hamilton was indeed "thunderstruck" by these debates and by Madison's leading role in them, either he left no written record of it, or that record has not survived. In fact, during the spring and summer of 1789, Hamilton found time to resume his law practice, eulogize the late General Nathaniel Greene, and correspond with President Washington on the subject of executive protocol, but his published papers for those months do not even mention Madison or the debates in Congress. Furthermore, if he was so thoroughly flabbergasted by Madison's zeal for commercial discrimination, his astonishment did not prevent him from corresponding with Madison as late as October and seeking the Virginian's advice on important matters of state. In short, while we certainly cannot conclude that Hamilton *approved* of Madison's plan, neither can we determine with confidence that he altogether *disapproved* of it in the spring of 1789.²⁵

Of course, all historians who study the foreign policy of the founding period have read the one piece of evidence that reveals unequivocally Hamilton's opposition to Madison's commercial plan: the celebrated "interview" with George Beckwith. One of the more controversial figures in the history of U.S.-British relations, Beckwith has been described as everything from an unofficial minister to an outright spy. In fact, he probably was a combination of the two. In the mid-1780s, the Confederation Congress had named John Adams minister to the Court of St.

25. Miller, *Alexander Hamilton: Portrait in Paradox*, 223; Hamilton to Madison, Oct. 12, 1789, *PAH*, 5: 439.

James, but the British government had opted not to make a reciprocal appointment, in part because Congress appeared so weak and ineffectual under the Articles of Confederation that to do so would have seemed pointless, and in part because the British preferred the status quo to anything that might have suited the Americans. So while Adams languished in London, a victim of ministerial indifference, the British government operated through more clandestine channels, such as George Beckwith. As a former aide to Sir Guy Carleton, Beckwith had an intimate knowledge of American affairs, having stayed on after the war to observe and report on anything the British government might deem interesting and relevant to Anglo-American relations. When news of the debate over commercial discrimination reached Britain in the summer of 1789, Beckwith, who had returned to London, was sent back to America to sound out highly placed members of the federal government and determine the tone of the new administration. In addition to gathering valuable information, Beckwith was instructed to inform his American contacts that the ministry did not look favorably upon recent attempts to restrain British commerce. Arriving in New York in late September 1789, Beckwith met in secret with six influential Americans who preferred a pro-British commercial policy. Alexander Hamilton was the seventh.²⁶

Hamilton's views on U.S.-British relations, as reported by Beckwith, represent his first serious departure from the principles he appeared to have shared with Madison. On every relevant point in his discussion with Beckwith, Hamilton abandoned the spirit of his own *Federalist* Number 11 and adopted the pro-British stance with which we now associate him.

Looking to the future, Hamilton first modified his earlier position on America's economic prospects. In Number 11, he had argued that the United States enjoyed unique advantages from its relatively insular condition, separated from the industrializing world, and that it was likely to remain an agricultural nation for years to come. To Beckwith, he repeated his prediction that Americans would remain "rather an Agricultural, than a manufacturing people," but he added to this prediction a

26. Frank T. Reuter, "'Petty Spy' or Effective Diplomat: The Role of George Beckwith," *Journal of the Early Republic* 10 (Winter 1990), 471-92; Julian P. Boyd, *Number 7: Alexander Hamilton's Secret Attempts to Control American Foreign Policy* (Princeton, NJ, 1964); "Conversation With George Beckwith" and brief editorial note, *PAH*, Oct. 1789, 5: 482-90.

qualifier that did not appear in Number 11. “Our policy,” he claimed, nonetheless “has had a tendency to suggest the Necessity of introducing manufactures,” which already had proved successful in places such as Connecticut and Pennsylvania. After all, the United States was “a young and growing Empire,” with a vigorous new government to support it. That “Necessity,” as Hamilton understood it, of promoting domestic manufactures, dictated a much closer economic connection with Great Britain than the proposed plan of commercial discrimination would have allowed. After all, domestic manufacturing would have required (or at least benefited from) subsidies, and a government with no money cannot subsidize much of anything, so the tariff revenue from a robust Anglo-American trade was essential.²⁷

Turning to the issue of navigation, Hamilton performed an even more dramatic reversal from his earlier position. To persuade his fellow New Yorkers to support the Constitution, he had assured them that the rising greatness of the United States caused trepidation in Europe, where hostile nations were determined to prevent America from securing an active commerce in her own vessels, and that the new government, once approved, could combat Europe’s dangerous policies. According to Beckwith, however, Hamilton now seemed content with “admission” into the West Indies “under certain limitations of size of vessels.” Those vessels, Hamilton conceded, should carry only American produce “under such restrictions” as would foreclose “the possibility of our interfering with Your Carrying trade in Europe.” *Federalist* Number 11 had placed a high premium on American navigation rights, in part because the carrying trade provided that all-important “nursery of seamen” essential to any eighteenth-century navy. Less than two years later, though,

27. *Ibid.*, 483. Ron Chernow has observed that Hamilton’s conversation with Beckwith did include a few veiled threats to British industrial supremacy, warning that if the British government persisted in its policy of exclusion, then America one day would surpass the former mother country and become the Atlantic world’s preeminent manufacturing nation. Chernow concludes, “Far from being a pro-British lackey, much less a high-level spy, Hamilton stubbornly defended U.S. interests at every turn. He was bargaining with Beckwith, not groveling” (Chernow, *Alexander Hamilton*, 294–95). I certainly agree that Hamilton was no British lackey, though I would also point out that Beckwith never would have returned to America were it not for the Madison-led movement in support of commercial discrimination.

Hamilton seems to have concluded that the kind of navigation rights Americans expected, the kind they had been led to believe their new government would work to secure, had to be sacrificed in the interest of closer relations with Britain.²⁸

Naturally, Beckwith did not wait long to inquire about the dreaded prospect of commercial discrimination, and Hamilton once again gave him a satisfactory answer, even if that answer lacked credibility. Concerned as he ought to have been about the recent tenor of debates in the House of Representatives, Beckwith warned Hamilton that discrimination, if adopted, would produce *retaliation* rather than relaxation of British mercantilist policies. Hamilton, though he had suggested in Number 11 that new and aggressive commercial policies might indeed force the ministry to relax its commercial restrictions, took great pains to assure Beckwith that the opinions he had expressed in favor of a closer connection with Britain were also “the sentiments of the most Enlightened men” in America, including “General Washington” and “a great majority in the Senate.” While we may excuse Hamilton for applying his own definition of “enlightened” to the small group of merchants, speculators, and other interested men who happened to share his views, and while his report of the Senate’s general disposition rings accurate, his claim on the president’s mind does not square with the evidence. In fact, by 1789, Washington had drifted further toward Madison’s position than Hamilton’s, which helps explain why Hamilton concealed from the president the full substance of his discussions with Beckwith. Clearly, Hamilton knew he had overstated his case, and yet he was determined to forge closer ties with Britain.²⁹

Finally, Hamilton suggested that commercial discrimination might lead to something even worse. If the United States and Great Britain chose to engage in a foolish trade war, he could not discount the possibility of a “much stronger measure” springing from the minds of those legislators who lately had revealed themselves as “advocates for discrimination.” Though Hamilton did not indicate what form that stronger mea-

28. *Ibid.*, 484.

29. *Ibid.*, 486. There is some scholarly disagreement over Hamilton’s motives. Julian Boyd’s *Number 7* paints Hamilton as a dastardly meddler in affairs not rightly belonging to his department, whereas Charles Ritcheson’s *Aftermath of Revolution* blames Jeffersonians in general, and Jefferson in particular, for not seeing the wisdom of Hamilton’s policies toward Great Britain.

sure might take, Beckwith “understood it to mean the idea of shutting their ports” against British shipping. In Number 11, Hamilton had raised this very possibility. If the United States had a government capable of excluding British ships from its ports, he had argued in 1787, it could negotiate with the Ministry for a relaxation of commercial restrictions. Once again, though, in his discussions with Beckwith he opted for a much different approach.³⁰

Understandably, scholars have criticized Hamilton for his cozy dealings with a British agent, particularly when he knew that President Washington had already nominated Thomas Jefferson for the office of Secretary of State. In fairness to Hamilton, Cabinet-level protocols were by no means established, and in the coming years both he and Jefferson would engage in a good deal of interdepartmental meddling. More important for present purposes is the question of why Hamilton appeared to reverse course so suddenly.

One possible explanation is that Hamilton never really meant what he wrote in *Federalist* 11. We must remember that Hamilton, Madison, and Jay did not set out to craft the timeless and authoritative treatise on the principles of American government (though it is nothing short of remarkable that they managed to do so anyway). In fact, their sole objective was to win support for the Constitution in Hamilton’s adopted home state of New York, one of the key “battleground” states in the ratification contest. Between the fall of 1787 and the spring of 1788 the *Federalist* authors churned out articles at breakneck speed, with Hamilton and Madison performing the bulk of the labor: a combined eighty of the eighty-five essays between the two of them. Under such conditions it is highly unlikely that either man would have thought himself bound in perpetuity to the arguments of *The Federalist*, for events did not afford them the luxury of approaching their subjects with cool detachment. Nonetheless, we must also remember that for more than two centuries those who have accused Madison of abandoning Hamilton have repeatedly pointed to Madison’s *Federalist* essays. When, for example, Madison clashed with Hamilton in 1791 over the constitutionality of chartering a national bank, Congressman Elias Boudinot, a Hamilton supporter, cited Madison’s own *Federalist* Number 44, which argued for a more elastic reading of the “necessary and proper” clause. Ron Chernow, Hamilton’s

30. *Ibid.*, 489.

most recent biographer, has observed that Madison's attempt in 1795 to kill the wildly unpopular Jay Treaty by vesting the power to review such treaties in the House of Representatives contradicted what he had written in *The Federalist*, wherein he supported the Senate's *exclusive* right to approve or reject treaties. In short, since we cannot know for certain which parts of *The Federalist* may have been exaggerated or amplified for effect, we are left to gauge the authors' words against their subsequent actions. Furthermore, since so much of the evidence that points to Madison's inconsistency comes from his own *Federalist* essays, Hamilton's articles should bear the same scrutiny.³¹

A more plausible explanation for Hamilton's apparent reversal on commercial discrimination and U.S.–British relations is that his priorities had simply changed, and that the views he shared with Beckwith were the product of circumstances altogether different from those that had inspired *The Federalist Papers*. Almost from the moment he learned of his appointment as Secretary of the Treasury, Hamilton began devising a plan to solve the nation's persistent credit crisis, which threatened to undermine both the government and the Union itself. On September 21, 1789, less than ten days after Hamilton was nominated by President Washington (and confirmed by the Senate) to lead the Treasury Department, the House of Representatives asked the new Secretary to prepare a report on the state of public debts. Between September 1789 and January 1790 Hamilton set to work compiling figures, soliciting opinions, and crafting a plan for dealing with the debts. The result was Hamilton's magnum opus, what became known simply as *The Report on Public Credit*, wherein he unveiled a plan for putting the nation's credit on sound footing. In a dazzling display of both financial and political acumen, Hamilton proposed that the federal government not only fund its existing debt but also assume the debts of the individual states, thereby doing justice to creditors, making government securities all the more attractive, and, most important, rallying all public securities holders to the support of a fragile and untested national government. Of course, Hamilton's funding and assumption plan required a steady stream of money, and in an age when resentment ran high against all forms of taxation, governments had few sources of revenue on which they could depend. Hamilton knew that the government in general—and his credit

31. Chernow, *Alexander Hamilton*, 350, 497.

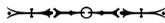
plan in particular—would rely to a large degree upon customs taxes. Since the vast majority of imports came to America from Great Britain, Madison’s plan to discriminate against British shipping jeopardized Hamilton’s entire system. After all, if the British retaliated in kind, commercial activity slowed, and customs revenue dried up, where was Hamilton to find the money to support his credit plan? Thus we find the author of *Federalist* Number 11 no longer compelled to speculate upon the workings of a proposed government and thoroughly absorbed by the very real problems of an actual one. That he might adjust his views accordingly should not surprise us.³²

Furthermore, in 1789 Hamilton was by no means the only public figure to oppose commercial discrimination. A number of congressmen thought it little short of insane to wage what would have amounted to commercial warfare against Great Britain. Representative Fisher Ames of Massachusetts rejoiced when the Senate, “as if designed by Providence to keep rash and frolicsome brats out of the fire,” rejected what he termed “the absurd, impolitic, mad discrimination” against British trade. Representative William Smith of South Carolina identified several prominent men known to oppose discrimination, including Hamilton, William Duer (future Assistant Secretary of the Treasury), Representative John Laurence of New York, and Senator Ralph Izard of South Carolina. Even Smith himself, initially a supporter of discrimination, admitted that he “was convinced by the arguments urged against it on the part of the Senate,” and before long “became a Convert among many others.” Nor was Hamilton the only government official to engage in discussions with George Beckwith regarding discrimination. Senator William Samuel Johnson of Connecticut assured Beckwith that the “moderate and thinking party wish greatly for a Commercial Treaty with Great Britain,” and that Johnson himself personally regretted “the dismemberment of a great Empire.” Senator Philip Schuyler of New York, Hamilton’s father-in-law, declared “that a firm connexion” with Great Britain was “to be preferred to that of all the powers of Europe besides” and even went so far as to suggest that both President Washington and Vice President

32. For Hamilton’s celebrated *Report on the Public Credit* (1790) and supporting documents, see *PAH*, Jan. 1790, 6: 51–168. For a scintillating analysis of the relationship between taxation, public credit, and the strength of government, see John Brewer, *The Sinews of Power: War, Money and the English State, 1688–1783* (Cambridge, MA, 1988).

Adams shared his view. While Schuyler grossly misrepresented the administration's actual position on U.S.–British relations, he both embodied and conveyed the mood of the Senate, the overwhelming majority of whose members stood with Hamilton and others in opposition to commercial discrimination. When viewed in this light, Hamilton certainly appears less the rogue and much more the budding party leader whose approach to Anglo–American relations had evolved as circumstances changed.³³

Finally, we must concede that Hamilton never actually suggested that the new government *should* adopt a policy of commercial discrimination. He merely predicted the advantages that might accrue to the American people if the government were *capable of* implementing such a policy. The difference is more than semantics. The power to carry out a certain function does not necessarily imply the imperative to do so, as any good Jeffersonian would have admitted. Perhaps it is fitting then, that the story concludes with one last bit of irony: With regard to Anglo–American relations, and on the issue of commercial discrimination, it was Madison, not Hamilton, who demanded bold federal action.



The purpose here, of course, has been neither to applaud nor to condemn Hamilton, but to show that Madison had good reason to believe that Hamilton had deserted him. As he told his friend Trist in 1834, the Great Divergence took place from Hamilton's "wishing to *administration*, [i.e., administer] the government into what he thought it ought to be," while Madison "endeavored to make it conform to the Constitution as understood by the Convention that produced and recommended it, and particularly by the State conventions that adopted it." Those who comprised the federal and state ratifying conventions, according to Madison, expected Congress to employ its regulatory powers on behalf of American trade. Given the sad state of affairs that prevailed in the 1780s,

33. Fisher Ames to George R. Minot, May 27, 1789; William Smith to Edward Rutledge, June 6, 1789; Smith to Rutledge, July 5, 1789; "George Beckwith: Conversations with Different Persons," in *Documentary History of the First Federal Congress of the United States of America, March 4, 1789–March 3, 1791*, ed. Charlene Bangs Bickford et al. (17 vols. to date; Baltimore, MD, 1972–), 15: 636–38; 16: 710–11, 959–62; 17: 1723–28.

this could only have meant commercial discrimination. But Hamilton chose to ignore the will of the people and pursue a pro-British policy for the sake of advancing his fiscal agenda. When Madison learned the full scope of that agenda, it was he who was “thunderstruck.”

If, by 1789, Hamilton had every reason to believe that Madison shared his concerns about the “preponderancy of the state governments,” then Madison certainly had as much reason to believe that Hamilton shared his views on Anglo–American relations, commerce, and the need to strengthen the central government in order to deal effectively with both. As colleagues in the Confederation Congress, Madison and Hamilton had greeted news of the peace treaty with cautious optimism, warned of potential British duplicity in the negotiations, and denounced their own countrymen for violating the articles on debts and Loyalists. Faced with renewed British hostility on the commercial front, they had urged the state legislatures to grant Congress regulatory powers over trade, attended the Annapolis Convention to deliberate on the most effectual means of securing those powers, and used that gathering as a platform from which to recommend a future Convention with powers to address all of the Confederation’s defects. During the struggle over ratification of the Constitution, they had collaborated on the greatest political treatise ever written in America, and it was Hamilton, not Madison, who therein outlined the importance of the proposed government to America’s future commercial prosperity.

In sum, Hamilton had argued in *Federalist* Number 11 that the United States was destined for greatness; that Europe feared America’s boundless potential and would do whatever it could to check it; that hostile European nations, especially Britain, imposed mercantilist restrictions upon American vessels in large part because they cherished their monopoly on the carrying trade; that Americans must recognize the significance of their market as an economic weapon; that America likely would remain a nation of consumers and cultivators happily situated on the fringe of the industrializing world and well positioned to take advantage of economic developments in Europe; and that the proposed government could serve the best interests of the United States by imposing the kind of commercial restrictions Britain favored for her own Empire. He even raised the possibility of shutting off American ports altogether. So when Madison led the fight for commercial discrimination in the First Federal Congress, he might reasonably have expected the support of his old colleague. Owing to a variety of changed circumstances, however—not

least of which was his appointment as Secretary of the Treasury—Hamilton had modified his stance on the wisdom of commercial discrimination, as well as the proper approach to Anglo–American affairs. Contrary to the spirit of the Constitution, at least as Madison understood it, Hamilton now hoped to promote even closer ties with the former mother country. It is no wonder, then, that the two men parted ways.