

## The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy

**Review Number:**

1378

**Publish date:**

Tuesday, 14 February, 2012

**Author:**

Thomas K. McCraw

**ISBN:**

9780674066922

**Date of Publication:**

2012

**Price:**

£25.95

**Pages:**

390pp.

**Publisher:**

Belknap Press

**Publisher url:**

**Place of Publication:**

Cambridge, MA

**Reviewer:**

Daniel Clinkman

In 1985, the late Thomas K. McCraw won the Pulitzer Prize in History for his joint profile of pioneers of American economic regulation in *Prophets of Regulation: Charles Francis Adams, Louis D. Brandeis, James M. Landis, Alfred E. Kahn*.<sup>(1)</sup> Before passing away last year, McCraw completed a similarly structured study of the earliest American Secretaries of the Treasury in *The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy*. As with his earlier book, McCraw attempts to personify periods of American history with leading figures from the time. Unfortunately, the thesis of the book, that Alexander Hamilton's and Albert Gallatin's status as immigrants suited them to the tasks of national finance, is never proven. The book does have great merits as a survey, however, and may best be utilized in the undergraduate classroom.

McCraw's book is divided into three sections: two very long ones focusing on Alexander Hamilton and Albert Gallatin corresponding roughly to the years 1776–1800 and 1800–15, and a very short one offering brief analysis and observations on the book's subjects as well as the state of the field. The thesis is straightforward. Between 1789 and 1820, four out of six of the Treasury Secretaries were foreign-born, accounting for 78 per cent of the time in office. In comparison, only once was another Cabinet position during this time occupied by a foreigner (pp. 2-4). McCraw's argument is that the clustering of immigrants at Treasury is significant and that they must have brought valuable expertise in financial management from overseas.

Over 14 chapters McCraw tracks Hamilton's life story from his humble beginnings as a Caribbean merchant's clerk to his death in a duel with Aaron Burr. The focus is on the 1780s and 1790s, when Hamilton was involved in management of the Confederation Congress's finances, and subsequently his tenure as Treasury Secretary from 1789–95. Hamilton's reports to Congress, in which he laid out his fiscal and economic policies, are the centerpieces of these chapters. Along the way, McCraw also explains the Constitutional Convention and the formation of the First Party System in the United States.

The Gallatin chapters slightly overlap with Hamilton's, detailing Gallatin's arrival in the United States, his election to office, and his leadership of the Congressional committee that oversaw the Treasury. Initially a foil for Hamilton, Gallatin is depicted as coming into his own once the Jeffersonian Republicans won power in the 1800 general election. Jefferson promoted Gallatin to be his new Treasury Secretary, at which point Gallatin began to adapt the financial architecture set up by Hamilton to serve Republican priorities. McCraw depicts Gallatin as the mind behind the throne, arranging for crucial infusions of money to support Jefferson's initiatives such as the Louisiana Purchase, while also cautioning Jefferson and James Madison from over-reaching in their confrontations with Great Britain. McCraw is of the decided, and frequently repeated, opinion that the fiascoes of Jefferson's embargo against the European powers in 1807, and Madison's choice of war in 1812, could have been avoided if those presidents had listened to Gallatin more attentively.

This singular focus on two figures is one of the hazards of adopting a biographical approach, and somewhat undermines McCraw's claim of a larger group of influential immigrants by focusing on the two most salient members of that group. Rarely do other immigrants actually appear in the biographical narratives, and when they do, as in the case of James McHenry, it is in a personal capacity as a member of Hamilton's wedding party; the only other to receive substantive treatment for his work on finance is Robert Morris, but he is treated more as a place-setter for Hamilton than as a financial engineer in his own right. Other hazards of biography apply as well. Passages of moralizing and hagiography are strewn throughout the book, punctuated as well by airing of dirty laundry. For example, Hamilton's affair with Maria Reynolds is of little demonstrated relevance to proving the importance of his immigrant status to his financial policies, yet it garners repeated attention (pp. 120–1, 155–63).

The constant asides into Hamilton's and Gallatin's personal lives, without demonstrating the relevance of those anecdotes to the book's thesis, serve to underline rather than distract from McCraw's avoidance of the immigrant issue. For example, a contrast between the 'town' background of Hamilton and the 'country' background of Madison raises an opportunity for McCraw to discuss wider issues of town-country division in the early republic, and specifically the consequences of the concentration of immigrants within cities (pp. 102–4). Yet, having raised the issue, McCraw elides it, immediately claiming that, in fact, opposition to the Hamiltonian financial program came from all quarters. It is a perplexing missed opportunity for greater analysis, and characteristic of the book as a whole.

By avoiding engaging with opportunities to prove the thesis, McCraw is forced to fall back on generalizations and unfounded assertions, such as the claim that Gallatin was 'a sophisticated immigrant from Europe unfazed by dealing in ... gigantic sums', or that both men 'were shaped by their own experience of mobility and migration' (pp. 242, 214). But Gallatin never worked in finance before emigrating to America, and the second statement is so vague as to be meaningless. Yes, being an immigrant was undoubtedly important – but how and why? That answer is never really provided.

The only times when McCraw provides specific evidence of the importance of immigrant status is when demonstrating nativist prejudice against immigrants, in the form of John Adams' 'bastard Brat of a Scots pedlar' remark against Hamilton, the successful effort to oust Gallatin from the Senate on the grounds of his being an immigrant who had not been naturalized for the required length of time before taking up his seat, and the xenophobic opposition to his nomination as Secretary of State (pp. 31, 201, 285). These are all good examples, but as evidence of the prejudices of others they still do not answer the question of what about being an immigrant influenced the minds and policies of Hamilton and Gallatin themselves.

While the vast majority of the book is taken up with biographical narrative, McCraw does devote about 40 pages at the end to analysis. Unfortunately, this opportunity to really drive home the book's argument is not taken advantage of and, in fact, makes things even murkier. To begin, McCraw clarifies his immigrant thesis, explaining that immigrants had exceptional expertise in liquid capital management, while native-borns had expertise in land management (pp. 329, 335). This is reasonable, but is not followed up with evidence. Instead, McCraw asserts that it 'would be impossible to construct a roster of native-born Americans of that time who could match these eight immigrants in their expertise at large scale finance' (p. 338).

The assertion that Hamilton, who spent a few childhood years as a merchant clerk, and Gallatin, who only got his experience once he was in Congress, were uniquely qualified over all the other clerks and Congressmen in the 13 states, is mind-bogglingly broad and obviously untrue when the six other, less notable immigrants are taken into account. It is further undermined when McCraw goes on to state that the immigrants' advantage was in the ability to utilize credit, whereas the native-born could only utilize ready capital (p. 351). This contradicts his previous statement on land and capital. That it is actually the most plausible explanation yet does not change that it is an assertion only, not backed up with any evidence.

It is also worth pointing out that McCraw devotes nine of the 40 pages to a very uncharitable, and unfair, criticism of historians whose work he admonishes for not taking adequate account of contingency in historical developments. At no point does McCraw provide names of the historians he is criticizing or give examples of the kinds of defects he complains of. This obvious straw man argument is out of place in an academic publication.

These are all major flaws, but it is worth saying that the book does have merit if approached from a generalist's, rather than an academic's, point of view. McCraw's prose is highly readable and, to his credit, he makes complicated financial programs comprehensible to a non-specialist. This does not compensate for the unproven immigrant thesis, but it does suggest that the book may have its uses as an introduction to public finance for the general public. In these times in which interpretations of the American founding, and of public finance such as the national debt, are in the public mind, McCraw's book may meet with a receptive general audience.

So what should the final judgement on this book be? Reading it as an academic specialist, the book is disappointing in that its weak thesis on the correlation of immigrants to the office of Treasury Secretary is not fully explored, nor evidence for causative influence on public policy demonstrated. On the other hand, the book has much to offer the general reader, with its clear explanation of financial instruments and its lively prose. If the book were issued by a trade press, it would be a clear success and stand above many other works of popular literature on the American founding and early republic. As it is, its publication by an academic press raises questions as to its intended audience and what statement it is actually trying to make.

## Notes

1. Thomas K. McCraw, *Prophets of Regulation: Charles Francis Adams, Louis D. Brandeis, James M. Landis, Alfred E. Kahn* (Cambridge, MS, 1984). [Back to \(1\)](#)

**Other reviews:**

New York Journal of Books

<http://www.nyjournalofbooks.com/review/founders-and-finance-how-hamilton-gallatin-and-other-immigrants-forged-new-economy> [2]

Harvard Business School Working Knowledge

<http://hbswk.hbs.edu/item/7103.html> [3]

American Conservative

<http://www.theamericanconservative.com/articles/founding-financiers-2/> [4]

New Republic

<http://www.newrepublic.com/article/books-and-arts/magazine/110824/the-birth-american-finance> [5]

---

**Source URL:** <http://www.history.ac.uk/reviews/review/1378>

### **Links**

[1] <http://www.history.ac.uk/reviews/item/49793>

[2] <http://www.nyjournalofbooks.com/review/founders-and-finance-how-hamilton-gallatin-and-other-immigrants-forged-new-economy>

[3] <http://hbswk.hbs.edu/item/7103.html>

[4] <http://www.theamericanconservative.com/articles/founding-financiers-2/>

[5] <http://www.newrepublic.com/article/books-and-arts/magazine/110824/the-birth-american-finance#>