

MU\$EUM OF AMERICAN FINANCE

ALEXANDER HAMILTON

OBJECTIVES

Students will be able to:

- Define “Federalist” and explain why the *Federalist Papers* were important
- Explain why it was important for the government to be able to borrow money after the Revolutionary War, and Hamilton’s solution to that problem
- Describe three of Hamilton’s major accomplishments as Secretary of the Treasury
- Understand why Hamilton is remembered for his duel with Aaron Burr

VOCABULARY

Federalist – A member of the 18th/early 19th century former political party in the United States that favored a strong centralized federal government.

The Federalist Papers – A series of essays written by Alexander Hamilton, John Jay and James Madison in 1787 and 1788, which were pivotal in the writing of the US Constitution.

CURRICULUM UNIT GUIDE: ALEXANDER HAMILTON

Overview

You may have heard of Alexander Hamilton because he died in a duel with Vice President Aaron Burr, or because his face appears on the ten dollar bill or because he is the subject of the most successful musical in Broadway history. Hamilton’s full and varied career was impressive in many areas. He had a vision for America, and he shaped the institutions that would make that vision come to life. The nation’s legal, economic and political systems all bear Hamilton’s mark.

A permanent room at the Museum is dedicated to Hamilton because he is considered to be the father of the US financial system. He was the country’s first Secretary of the Treasury, and in that role he successfully stabilized the new federal government’s shaky finances. Soldier, lawyer, constitutionalist and author, he is credited with writing *The Federalist Papers* that influenced the drafting of the US Constitution. Hamilton founded the nation’s first central bank, the Bank of the United States, and he acted as the first central banker and crisis manager. He is also credited with creating the US Mint, the Customs Department, the tax system and the US Coast Guard.

Personal Life

Hamilton was born on the Caribbean island of Nevis, probably in 1757, and he was raised on St. Croix. His parents were never married, and his illegitimate birth was a source of shame to him, leading to a lifelong concern with honor. The West Indian sugar economy gave him a firsthand view of slavery, a system he later opposed. Orphaned and destitute as a teenager, Hamilton began clerking in a New York-based merchant house in St. Croix, which taught him about international commerce from the ground up.

In 1773, Hamilton was sent to New York for an education. He arrived in New York during a crucial moment in US history. Shortly after he began his studies at King's College (now Columbia University), America went to war with Britain. Hamilton left school to join the Revolutionary War army. His experience in the American Revolution — first as the captain of a New York artillery company, then as an aide de camp to George Washington — taught and positioned him for future leadership.

Hamilton married into a wealthy family; his 1780 marriage to Elizabeth “Eliza” Schuyler, daughter of a general, transformed him from his humble beginnings into a member of one of the richest, most politically powerful families in the state of New York. Together, they raised eight children.

Young Financial Architect

In 1784, Hamilton wrote the “Outline of a Charter for the Bank of New York,” founding America’s second commercial bank. When British troops evacuated the colonies in late 1783, New York was a town broken by years of foreign occupation. With money scarce and interest rates high, however, few could borrow to begin rebuilding. The lack of cash was more than an economic problem, as violence spread throughout the city in the weeks following the British withdrawal. Something had to be done or the accomplishments of the Revolution would unravel. By January 1784, talk of forming a commercial bank circulated in elite circles. However, at first the leaders had trouble agreeing on a plan. Many leaders wanted a bank with assets composed largely of mortgages and real estate, but would not commit their own capital unless the bank was chartered by the New York state legislature, which it refused to do.

Into the controversy stepped young Hamilton, not yet 30 years old. He suggested a bank that could operate without a state charter and that would own mostly gold and silver coin and short-term business loans, instead of hard-to-trade mortgages and land. Persuaded by his plan, investors purchased shares and made deposits in the bank, which in turn made loans to businesses and supplied the community with bank notes. Their trust was well-deserved; the Bank of New York is now well into its third century. The Museum is housed on the original site of the Bank of New York at 48 Wall Street.

Hamilton: Federalist

Working for George Washington had exposed Hamilton to the country’s financial and constitutional problems, and that experience shaped his later accomplishments. During the Revolutionary War, the federal government did not have the power to tax, so funding the war was a constant struggle. At the Constitutional Convention in 1787, Hamilton and the other

framers of the Constitution addressed the general economic and political weaknesses that Hamilton had witnessed during the war. Hamilton and the other Federalists pressed for a stronger, more centralized government.

Elected as a member of the Continental Congress representing New York in 1782, Hamilton became a leading advocate for a stronger national government than was provided for in the the Articles of Confederation. *The Federalist Papers*, a series of essays advocating a stronger union, a national taxing power and a strong federal government executive and judicial branch, were published in New York newspapers between October 1787 and May 1788. Hamilton conceived of the *Federalist* project and wrote 51 of the 85 essays; John Jay and James Madison wrote the rest. *The Federalist Papers* were pivotal to the interpretation and passage of the US Constitution in 1788.

Architect of Finance

In 1789, Washington became the nation's first President and chose Hamilton, his former aide, as Secretary of the Treasury. America emerged from the Revolution deeply in debt to foreign investors and its own citizens. Many feared that the fragile new nation, with limited tax and land revenues, would not be able to pay its debt. In his role as Secretary of the Treasury, Hamilton argued that in order for the nation to grow and prosper, its credit needed to be sound. He, therefore, proposed to pay the new nation's war debts in full and to assume the unpaid debts of the various states. He also proposed that a national bank be established to help the federal government manage the nation's trade and finance.

Hamilton's plans were so comprehensive that they aroused the opposition of Madison, Jefferson and others, who believed they would undermine states' rights and agriculture, and subvert the Republican ideals of the American Revolution. Finally, in 1790, Hamilton struck a deal with Madison and Jefferson to get the states to agree that the federal government would assume all of the debts that the states had incurred during the Revolutionary War. In return, Hamilton and his supporters agreed to move the nation's capital south from New York to Washington, DC. It is not too strong a statement to say that Hamilton kept the weak new nation from bankruptcy; if he had failed, the United States would have failed also.

Hamilton is called the "Father of the US financial system" because of his accomplishments as the first Treasury Secretary. He implemented the tax system, managed the nation's debt and founded the US Mint, the Bank of the United States and the US Coast Guard.

The Duel

The famous duel between Hamilton and Vice President Aaron Burr had its origins in the late 1790s, when Hamilton advocated for the Federalist Party and against the rise of Jefferson's Republicans. When the deadlocked presidential election of 1800 was thrown to the House of Representatives to break a tie vote, Hamilton got the Federalist Party to back Thomas Jefferson over Aaron Burr, because he did not think Burr was fit for the job. Burr resented this and many other slights that had occurred over many years.

Hoping to regain political power, Burr ran for the governorship of New York in 1804, but he lost the election in a landslide. He got word that Hamilton had strongly opposed his candidacy, and he decided to avenge what he viewed as years of slander. The two men corresponded and

agreed to do what gentlemen did in that era when honor was at stake. Burr challenged Hamilton to a secret duel, and the two men met at dawn on July 11, 1804, at Weehawken, New Jersey, with pistols in hand. Hamilton's bullet hit the branch of a cedar tree. Burr's pierced Hamilton's abdomen, and he died the following day. He was less than 50 years old.

Despite Hamilton's exceptional public career, he left his wife and children in severe debt when he died. To support the family, a group of Hamilton's friends organized a fund, which collected more than \$80,000 from more than 100 donors. Hamilton is buried at Trinity Church, two blocks from the Museum. An obelisk, a simple tribute to his lifetime achievements, adorns his gravesite.

DISCUSSION QUESTIONS

1. Do you think someone today could rise from humble beginnings like Hamilton to become the US Treasury Secretary, without marrying into a wealthy family?
2. Why would the new nation of the United States have likely been bankrupt without Hamilton's contributions as Treasury Secretary?
3. How did being a Federalist shape Hamilton's proposed solution to erasing the debt of the states after the Revolutionary War?
4. Name four financial or government institutions whose founding is credited to Hamilton.
5. Instead of a duel, how might Aaron Burr and Alexander Hamilton resolve their differences today?

CLASSROOM ACTIVITY

Pretend you are Alexander Hamilton in 1782, after the Revolutionary War, and write a stirring speech to the Continental Congress about why the federal government should pay the debts of the individual states.