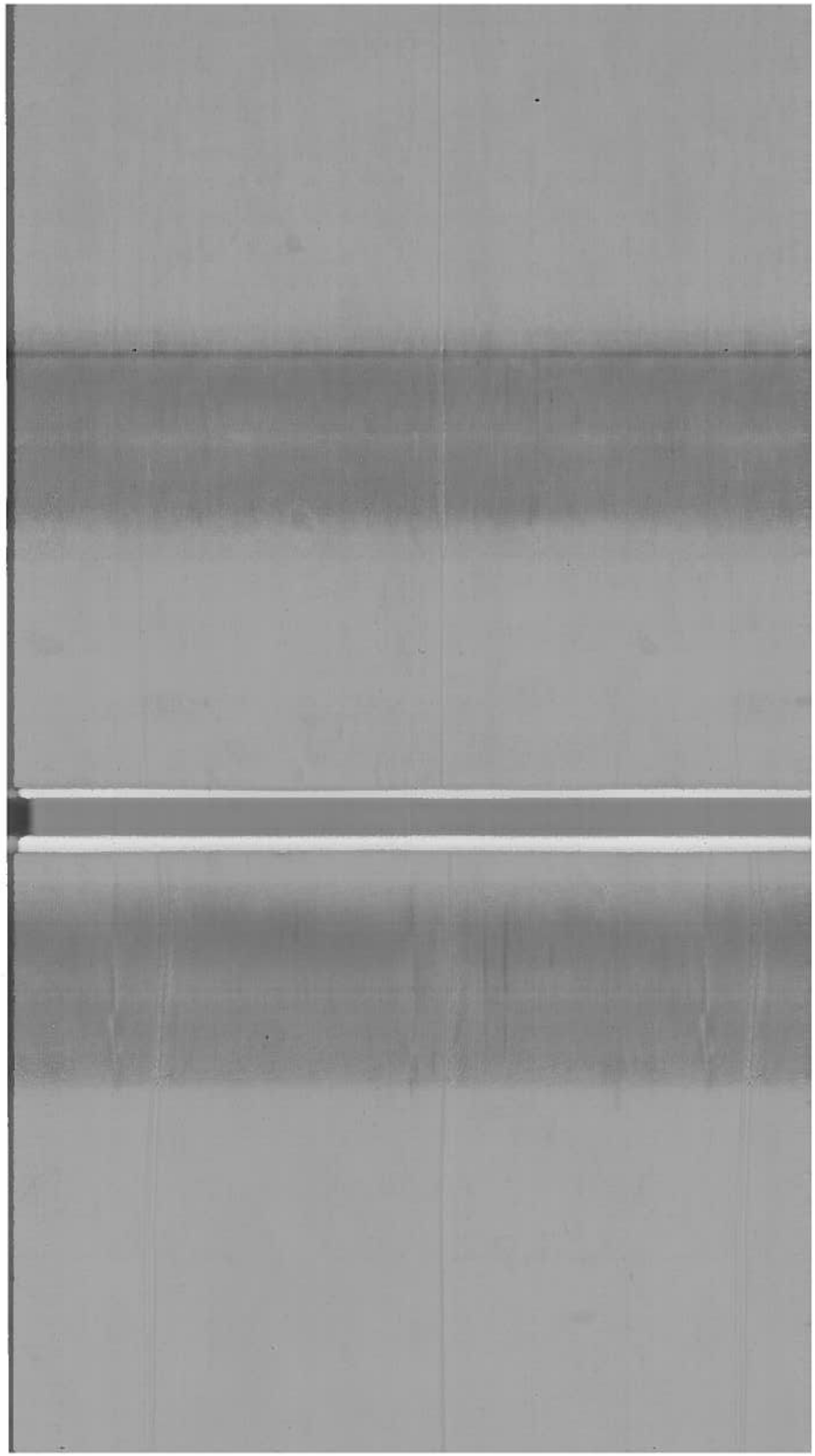
18

An Industrial Vision

Under the new Constitution, Congress had the power to tax, borrow, and regulate trade and money. But the president was also important; he could recommend to Congress "such measures" as he thought "necessary and expedient." While George Washington was president, he established many precedents of economic policy and behavior. Probably the most important recommendations made during his presidency came from Secretary of the Treasury Alexander Hamilton. Hamilton's four reports to Congress on economic and financial policies were crucial in shaping the development of the new nation. In them Hamilton sought to make the Constitution's promise of a "more perfect Union" a reality by recommending governmental policies that fostered private enterprise and economic growth.

Hamilton's first three reports had to do with funding the national debt and creating a national bank. Hamilton wanted the federal government to take over the old Revolutionary debt as well as the debts incurred by the states during the Revolution, convert them into bonds, and pay for the interest on the bonds by levying excise taxes on distilled spirits and by imposing customs duties on such imports as tea, coffee, and wine. Congress adopted his funding proposals; it also accepted his plan for a large national bank that could make loans to businesses and issue currency backed by federal bonds. Hamilton's fourth report, "On Manufactures," urged a system of import taxes ("protective tariffs"), better roads and harbors ("internal improvements"), and subsidies ("bounties") in order to spur manufacturing.

Hamilton's four reports, with their emphasis on national rather than state power, on industry rather than agriculture, and on public spending to promote private enterprise, had a tremendous political impact. First, they triggered the birth of the earliest formal party system: Hamiltonian Federalists urging passage of the program and Democratic Republicans, followers of Secretary of State Thomas Jefferson, trying to modify or block it. Second, the reports helped establish the questions of governmental power and the nature of the economy as basic issues of political debate over the next half-century. Finally, Hamilton's reports

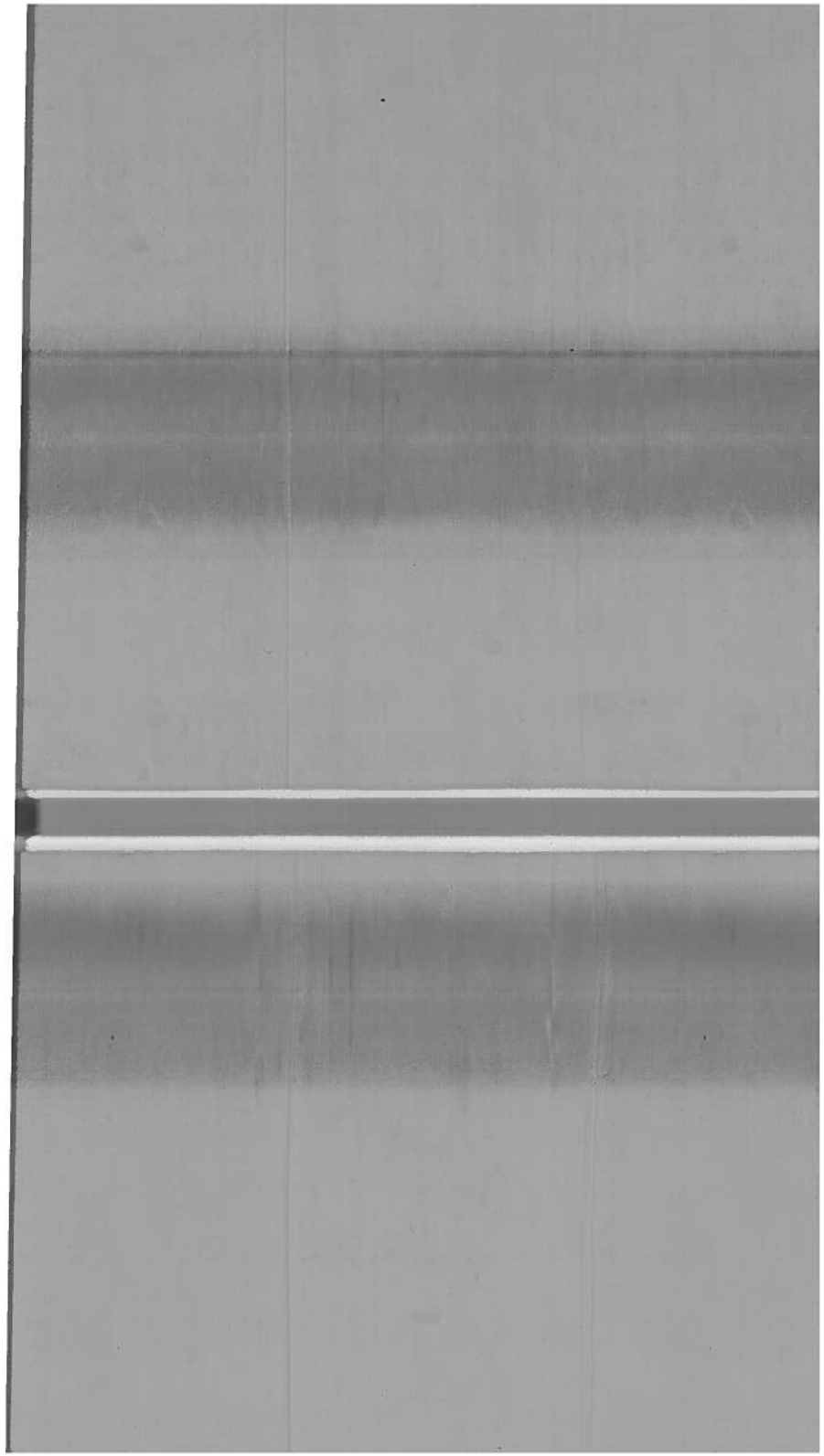


became a veritable fountainhead for Americans concerned with the enhancement of capitalism and national power. Hamiltonian conservatives did not want an uninvolved government; they wanted to forge a partnership between government and business in which federal policies would actively promote business enterprise.

Congress did not immediately adopt Hamilton's recommendations for manufacturing. Protective tariffs, internal improvements, and bounties came much later and were adopted in a piecemeal fashion. Still, "On Manufactures" is important in its preview of the future. Hamilton was perceptive in foreseeing that America's destiny was an industrial one. Long after he had passed from the scene, industrialism did overtake and surpass agriculture (with the encouragement of the states as well as of the federal government) as the driving force of the American economy.

Hamilton himself was concerned more with the political implications of his reports than with their economic effects. His major aim was to strengthen the Union. This strong nationalism probably came from Hamilton's lack of state loyalties. He was born in 1755 in the West Indies (Hamilton claimed 1757). Orphaned at the age of thirteen, he was sent by relatives to the colony of New York in 1772. After preliminary study in New Jersey, he entered King's College (now Columbia University). When war with Britain broke out, he joined the army; in 1777 George Washington made him his aide-de-camp and personal secretary. After the Revolution he studied law, married well, rose rapidly in New York society, and became a dominant force in the Washington administration and the Federalist party. Overbearing and ambitious as well as bright and energetic, he proceeded to alienate important party leaders such as John Adams, and his career declined steadily after Washington left office. In 1804, Vice-President Aaron Burr, a long-time political adversary who had just been defeated in the election for governor of New York, demanded a duel of honor with Hamilton because of some alleged derogatory remarks. On July 11, Burr shot Hamilton at their meeting in a field near Weehawken, New Jersey. He died the following day.

Questions to Consider. Hamilton argued for manufacturing on the grounds that it would attract immigrants and employ women and children. What does this prediction tell us about the availability and condition of labor in early America and about the attitudes of American leaders toward the work force? Hamilton argued not just for the specialization of labor but even more for the easier application of machinery that would result from labor specialization. What two models did he suggest for combining machinery and labor, and what does his simultaneous use of these two very different models indicate about the state of American industry at the time he was writing? Hamilton thought the spirit of capitalist enterprise must be fostered by government. Why, if this spirit was so prevalent, did Hamilton feel the need for special



measures to promote it? How compatible was Hamilton's economic nationalism with Madison's political federalism?

On Manufactures (1791)

ALEXANDER HAMILTON

It is now proper to proceed a step further, and to enumerate the principal circumstances, from which it may be inferred that manufacturing establishments not only occasion an augmentation of the produce and revenue of the society, but that they contribute essentially to rendering them greater than they could possibly be without such establishments.

Each of these circumstances has a considerable influence upon the total mass of industrious effort in a community; together, they add to it a degree of energy and effect which is not easily conceived. . . .

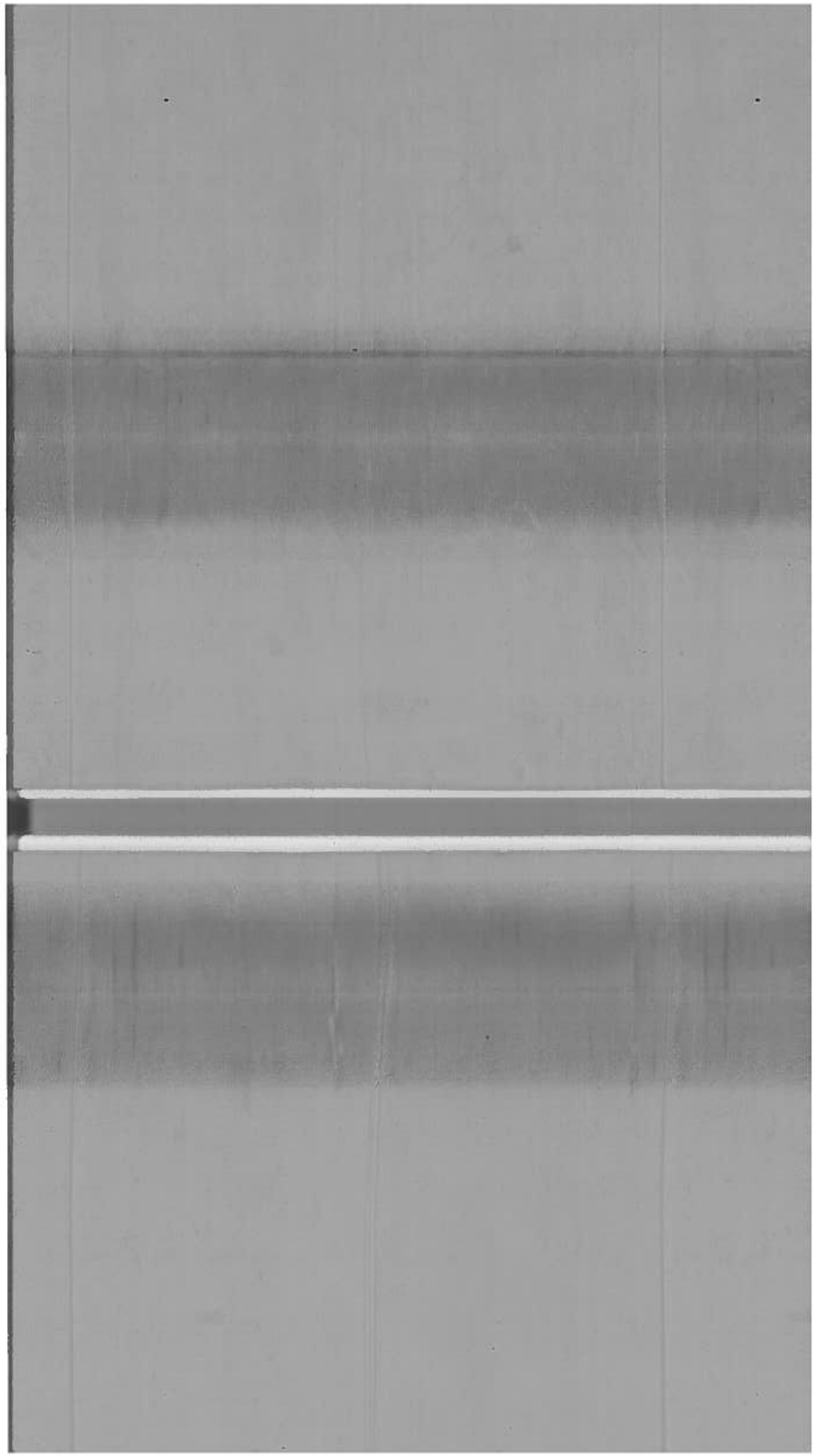
1. As to the Division of Labor

It has justly been observed, that there is scarcely any thing of greater moment in the economy of a nation than the proper division of labor. The separation of occupations causes each to be carried to a much greater perfection than it could possibly acquire if they were blended. This arises principally from three circumstances:

1st. The greater skill and dexterity naturally resulting from a constant and undivided application to a single object. It is evident that these properties must increase in proportion to the separation and simplification of objects, and the steadiness of the attention devoted to each; and must be less in proportion to the complication of objects, and the number among which the attention is distracted.

2nd. The economy of time, by avoiding the loss of it, incident to a frequent transition from one operation to another of a different nature. This depends on various circumstances: the transition itself, the orderly disposition of the implements, machines, and materials employed in the operation to be relinquished, the preparatory steps to the commencement of a new one, the interruption of the impulse which the mind of the workman acquires from being engaged in a particular operation, the distractions, hesitations, and reluctances which attend the passage from one kind of business to another.

Henry Cabot Lodge, ed., *The Works of Alexander Hamilton* (12 v., G. P. Putnam's Sons, New York, 1904), IV: 70–198.



An artisan urges manufactures. Alexander Hamilton drew support for his efforts to promote manufacturing from small operations such as the Boston wallpaper shop of Ebenezer Clough. This is the top of Clough's letterhead, which touts his own wares ("a great variety of Paper Hangings") and calls upon his countrymen to achieve prosperity through manufacturing. As the illustrations in the letterhead show, "manufacturing" meant "made by hand" rather than the giant factory system that characterized U.S. industry from the Civil War era until the late twentieth century. (Courtesy, American Antiquarian Society)

3rd. An extension of the use of machinery. A man occupied on a single object will have it more in his power, and will be more naturally led to exert his imagination, in devising methods to facilitate and abridge labor, than if he were perplexed by a variety of independent and dissimilar operations. Besides this, the fabrication of machines, in numerous instances, becoming itself a distinct trade, the artist who follows it has all the advantages which have been enumerated, for improvement in his particular art; and, in both ways, the invention and application of machinery are extended. . . .

2. As to an Extension of the Use of Machinery, A Point Which, Though Partly Anticipated, Requires to Be Placed in One or Two Additional Lights

The employment of machinery forms an item of great importance in the general mass of national industry. It is an artificial force brought in aid of the natural force of man; and, to all the purposes of labor, is an increase of hands, an accession of strength, unencumbered too by the expense of maintaining the laborer. . . .

The cotton mill, invented in England, within the last twenty years, is a signal illustration of the general proposition which has been just advanced. In consequence of it, all the different processes for spinning cotton are per-

formed by means of machines, which are put in motion by water, and attended chiefly by women and children—and by a smaller number of persons, in the whole, than are requisite in the ordinary mode of spinning. And it is an advantage of great moment, that the operations of this mill continue with convenience during the night as well as through the day. The prodigious effect of such a machine is easily conceived. To this invention is to be attributed, essentially, the immense progress, which has been so suddenly made in Great Britain, in the various fabrics of cotton.

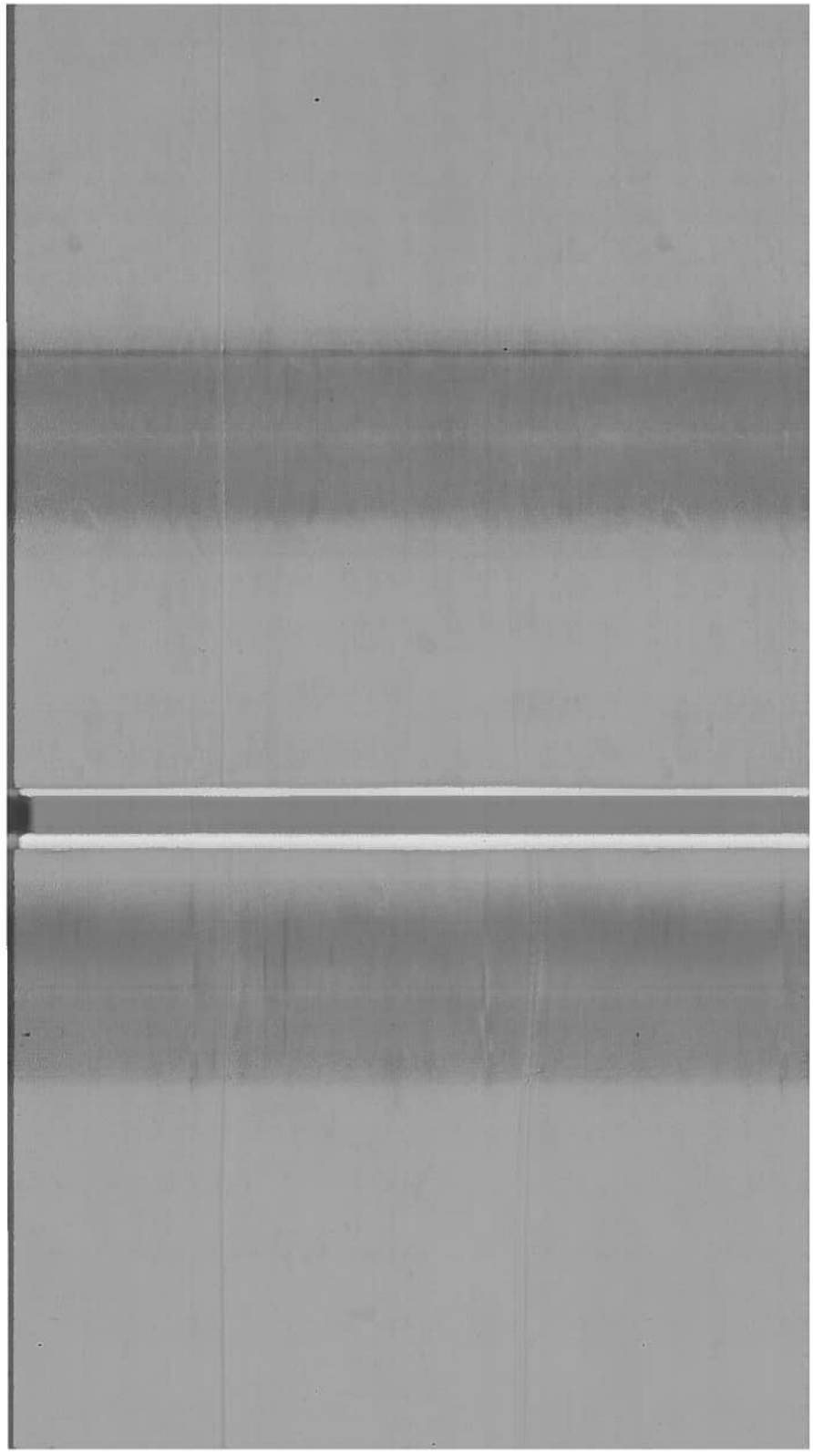
3. As to the Additional Employment of Classes of the Community Not Originally Engaged in the Particular Business

This is not among the least valuable of the means by which manufacturing institutions contribute to augment the general stock of industry and production. In places where those institutions prevail, besides the persons regularly engaged in them, they afford occasional and extra employment to industrious individuals and families, who are willing to devote the leisure resulting from the intermissions of their ordinary pursuits to collateral labours, as a resource for multiplying their acquisitions or their enjoyments. The husbandman himself experiences a new source of profit and support from the increased industry of his wife and daughters, invited and stimulated by the demands of the neighboring manufactories.

Besides this advantage of occasional employment to classes having different occupations, there is another, of a nature allied to it, and of a similar tendency. This is the employment of persons who would otherwise be idle, and in many cases a burthen on the community, either from the bias of temper, habit, infirmity of body, or some other cause, indisposing or disqualifying them for the toils of the country. It is worthy of particular remark that, in general, women and children are rendered more useful, and the latter more early useful by manufacturing establishments, than they would otherwise be. Of the number of persons employed in the cotton manufactories of Great Britain, it is computed that four sevenths nearly are women and children, of whom the greatest proportion are children, and many of them of a very tender age. . . .

4. As to the Promoting of Emigration from Foreign Countries

Men reluctantly quit one course of occupation and livelihood for another, unless invited to it by very apparent and proximate advantages. Many who would go from one country to another, if they had a prospect of continuing with more benefit the callings to which they have been educated, will often not be tempted to change their situation by the hope of doing better in some other way. Manufacturers who, listening to the powerful invitations of a better price for their fabrics, or their labor, of greater cheapness of provisions and raw materials, of an exemption from the chief part of the taxes, burthens and restraints, which they endure in the Old World, of greater personal



independence and consequence, under the operation of a more equal government, and of what is far more precious than mere religious toleration, a perfect equality of religious privileges, would probably flock from Europe to the United States to pursue their own trades or professions, if they were once made sensible of the advantages they would enjoy, and were inspired with an assurance of encouragement and employment, will with difficulty, be induced to transplant themselves, with a view to becoming cultivators of Land.

If it be true, then, that it is in the interest of the United States to open every possible avenue to immigration from abroad, it affords a weighty argument for the encouragement of manufactures; which, for the reasons just assigned, will have the strongest tendency to multiply the inducements to it. . . .

5. As to the Furnishing Greater Scope for the Diversity of Talents and Dispositions, Which Discriminate Men from Each Other

This is a much more powerful means of augmenting the fund of national industry, than may at first sight appear. It is a just observation, that minds of the strongest and most active powers for their proper objects, fall below mediocrity, and labor without effect, if confined to uncongenial pursuits. And it is thence to be inferred, that the results of human exertion may be immensely increased by diversifying its objects. When all the different kinds of industry obtain in a community, each individual can find his proper element, and can call into activity the whole vigor of his nature. And the community is benefited by the services of its respective members, in the manner in which each can serve it with most effect.

If there be any thing in a remark often to be met with, namely, that there is, in the genius of the people of this country, a peculiar aptitude for mechanic improvements, it would operate as a forcible reason for giving opportunities to the exercise of that species of talent, by the propagation of manufactures.

6. As to the Affording a More Ample and Various Field for Enterprise

. . . To cherish and stimulate the activity of the human mind, by multiplying the objects of enterprise, is not among the least considerable of the expedients by which the wealth of a nation may be promoted. Even things in themselves not positively advantageous sometimes become so, by their tendency to provoke exertion. Every new scene which is opened to the busy nature of man to rouse and exert itself, is the addition of a new energy to the general stock of effort.

The spirit of enterprise, useful and prolific as it is, must necessarily be contracted or expanded, in proportion to the simplicity or variety of the occupations and productions which are to be found in a society. It must be less in a nation of mere cultivators, than in a nation of cultivators and merchants; less in a nation of cultivators and merchants, than in a nation of cultivators, artificers and merchants.