

Financial Founding Fathers: The Men Who Made America Rich. By Robert E. Wright and David J. Cowen. Chicago: University of Chicago Press, 2006. 240 pp. Illustrations, bibliography, index. Cloth, \$25.00. ISBN: 0-226-91068-7.

Reviewed by Andrew Shankman

Financial Founding Fathers offers a breezy glimpse of the early republic's key financiers and pivotal financial episodes. Alexander Hamilton, who is lionized as "the creator" and accorded almost godlike status by the authors, Robert Wright and David Cowen, initially conceived a flawless plan to enrich the nation. From the mid-1790s to circa 1840, other financial progenitors, including Tench Coxe, Thomas Willing, Robert Morris, Albert Gallatin, Stephen Girard, and Nicholas Biddle, heroically managed to preserve the creator's legacy. The nation was the better for it, and even seeming dissenters, such as Andrew Jackson, shared their ideals. Schemers like William Duer were exceptions to an uncomplicated story of the pursuit of wealth and national glory, goals that formed the basis of a broad consensus that has continued from ratification down to the present day.

Wright and Cowen have written a curious book. It is a popularizing effort, lacking footnotes and adding nothing that will surprise scholars of the period. The likely audience will comprise those associated with our stock and financial markets, who will enjoy hearing that the founders were folks like themselves. Writing the story this way is the authors' right. But in the space available, I will provide an alternative framework for understanding the early national period.

The authors acknowledge, and then dismiss, the fact that the Federalists and the Republicans disagreed about almost everything. The Federalists, they state, were pro-British, favored large-scale manufactures, and preferred a vertical social order. Republicans embraced the French Revolution, opposed the uses to which the public debt was being put, and disagreed with the manufacturing policies favored by the Federalists. They sought a horizontal social order ("vertical" and "horizontal" are the authors' terms). Yet, they point out, "underneath these differences there lay a good degree of common ground, the desire for economic prosperity, and, eventually, a general consensus that financial developments were the means to that end" (p. 6).

Prosperity, however, is a slippery word, big enough to contain mutually exclusive world views. Most early statesmen thought in terms of political economy, and we must recover why and how they perceived connections between social, cultural, political, economic, and financial forces, ideas, and aspirations. Those who disagreed about the French Revolution, Hamilton's use of the debt, and whether the social order should be vertical or horizontal also differed about the role of debt, banks, commerce, markets, and manufacturing. Merely to note, for example, as the authors do here, that Hamilton and Gallatin differed about issues of debt and the role of banks in the political economy constitutes superficial coverage.

Briefly, let us examine how the debt was handled during Hamilton's term as secretary of the treasury. Funding and assumption, Hamilton's plan to consolidate and service all the varieties of public debts, concentrated a debt of about \$80 million in the hands of those citizens whom he trusted to rule a vertical social order. Duer certainly betrayed Hamilton's trust when he diverted public and quasi-public funds for his private speculations. But the fact that men like Duer held power was organic to Hamilton's political economy—which was as much cultural, social, and political as it was economic and financial. The debt became the primary instrument of economic development. Seventy-five percent of the Bank of the United States (BUS) stock available to private subscribers was purchasable with public debt. One hundred percent of the stock of the Society for Establishing Useful Manufactures (SEUM), Hamilton's only serious foray into manufacturing, could be purchased with public debt. Use of the debt in this way reinforced the vertical social order.

SEUM is a fine example of the integration of the political, social, cultural, and economic. Hamilton opposed protective tariffs at the level craftsmen desired, because, among other reasons, revenue tariffs funded the debt. Those tariffs would have subsidized SEUM at the rate of approximately \$40,000 per year had the entire stock sold. Thus, the same policy that injured smaller, independent (and deeply politicized and proud) artisans helped the larger-scale manufacturers who were controlled by public creditors. Hamilton's political economy drove most artisans into opposition. Radicalized artisans formed Democratic Republican organizations and celebrated the French Revolution. Artisans who engaged in radical democratic political activity also demanded

protective tariffs. Joining a Democratic Republican society and wearing the blue, white, and red cockade, instead of the Federalists' black one, were of a piece with demanding protective tariffs. Wright and Cowen are correct in pointing out that all sides in this conflict celebrated manufacturing and believed financial policy crucial. Yet this insight explains little.

Banks formed a centerpiece of Hamilton's political economy and of the authors' argument. They contend that the recharter of a BUS by Republicans in 1816 proves their thesis of broad-based consensus. The second BUS was capitalized at \$35 million, and so "Hamilton's creation had been renewed, three and a half times larger! . . . [M]ost Republicans loved banks so long as they were under their control" (p. 160). Thus, according to Wright and Cowen, ideology, ideas, and conflict can be ignored. Republicans merely wanted what Federalists had.

Yet Federalists had different goals than Republicans, who chartered banks later. Comparing the two national banks does not signify. In 1791 Hamilton's bank dwarfed the other banks in existence and was intended to dominate the nation's credit structures. There were fewer than five banks at the time, and Fisher Ames, whom the authors correctly identify as one of Hamilton's closest allies, was consulted about how to limit local banks. A financial structure dominated by a national bank, which in turn was dominated by public creditors, would restrict credit to "safer people." Hamilton's bank was intended to connect elite public creditors to the new national state and bolster the vertical social order.

By 1816 there were almost four hundred state and local banks. Between 1814 and 1816, Pennsylvania and Kentucky chartered eighty-eight. By then, it was literally inconceivable that a bank would be established to function as the first BUS was intended to. Republicans at the state level had democratized the nation's credit structures, just as, with the passage of a protective tariff, Republicans had democratized manufacturing policy. This process produced unexpected, yet pervasive, inequality, as self-made men created new forms of social differentiation from the bottom up. Though the outcome was not intentional, Republicans democratized both opportunity and inequality. This democratization of the political economy destroyed the dream of an organic, prescribed vertical social order consciously planned through policy, and replaced it with a society

that prized equality of opportunity and assumed it would produce a rough equality of condition. Republicans were very much mistaken, but that is another story.

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