

Outline of Tom's Velk's paper (with Al Riggs) for the International Hume Conference, Helsinki,  
August 7, 2002  
(11,121 words – my apologies)

Hume and Hamilton:  
Practical Americans in their Principles

Hume and Hamilton both admire liberty ordered by contract and believe that a tradition of equal, or at least consistent, access to law causes justice and prosperity to grow out of property.

Hamilton is reported by Yates to have said, in the latter's notes on the constitutional convention; "I believe the British model forms the best government the world has ever produced, and such has been its progress, in the minds of many, that this truth gradually gains ground. The government has for its object public strength and individual security. It is said by us to be unattainable. If it was once formed it would maintain itself. All communities divide themselves into the few and the many. The first are the rich and well-born, the other the mass of the people. The voice of the people has been said to be the voice of God; and however generally the maxim has been quoted and believed, it is not true in fact. The people are turbulent and changing; they seldom judge or determine right. Give therefore to the first class a distinct, permanent share in the government." Hamilton the realist was no egalitarian. Hamilton found the rich to be friends of good government. Hamilton believed public strength – defined to be economic development built on manufactures, finance, urbanization, technical progress and immigration – was the requisite good policy needed to offset the three problems standing in the way of American public strength: "scarcity of hands, dearness of labor and want of capital." (Report on manufactures, Dec. 5<sup>th</sup>, 1791, reported in Hamilton, ed. Milton Cantor, Prentis Hall, pg. 82.)

Hume anticipated Hamilton's thought: "we in this island have ever since (the glorious Revolution) enjoyed, if not the best system of government, at least the most entire system of liberty that ever was known amongst mankind." (History, Vol. VI, chapt. LXXI, pg. 363) "But always to throw, without distinction, the blame for all disorders upon the sovereign, would introduce a fatal error in politics, and serve as a perpetual apology for treason and rebellion: As if the turbulence of the great, and madness of the people, were not, equally with the tyranny of princes, evils incident to human society, and no less carefully to be guarded against in every well regulated constitution." (History, Vol. II, Chapt. XIV, Pg. 174, Liberty Press) Hume wrote that for a real polity like Plato's Republic to exist in the world was as unlikely as would be the discovery of a land where fruits ripened in winter and decayed in summer (Treatise, pg. 450). Hume said that the rich make the world a more pleasurable place for all men, and that the innocent luxury provided by economic development spurs all of us to healthy action, preventing the indolence, malaise and slow decay produced by a uniform and unchanging economic equilibrium.

But if Hamilton was to be successful in building the system of realistic, ordered liberty combined with public strength they both so admired, he had to overcome the ideological resistance offered by those who defended the dream of a yeoman's paradise, where a thousand generations of simple farmers would live unchanging lives (Jefferson's hope for the Louisiana purchase) in relative equality, close to nature and nature's God, in a world simple in material terms, in relative isolation from the infections of cities, money, trade and change. Hume's arguments for the dynamic benefits of wealth, exchange, and public investment – moral as well as practical – form a background against which Hamilton could defend himself against the Jeffersonian desire to establish on American shores a permanent farmer republic.

Beyond the propaganda challenge of Jefferson's vision, Secretary of the Treasury Hamilton faced three practical problems, each of which he addressed as Hume might have done, and in accord with the warnings and guidelines to be found in Hume's economic and political essays. In the short run, there was a public debt. "Either the nation must destroy public credit, or public credit will destroy the nation" (Of Public Credit, Rotwein, pg. 102). Hume's warnings of the dangers it

presented were good reason to find a way to buy time until national finances were adequate to shoulder repayment requirements. In the middle run, the new nation faced what we would now call a recession – economic activity was slower than it needed to be, and tax revenues, the only means by which the debt burden could be lifted, were inadequate to the task. (“... where a nation has mortgaged all its revenues, that it necessarily sinks into a state of languor, inactivity and impotence.” (Of Public Credit, Rotwein, Pg. 100) Hume’s belief, completely in accord with Hamilton’s plans, in distinction with attitudes implicit in Jefferson’s world, and in contrast with much of the economic writing of the day, was that a consuming public that was made aware of the world of economic opportunity awaiting them in an integrated “modern” trading nation, would demand a collection of goods, and a mode of life, far richer than anything available in a self-sufficient farmer republic. (... the town (is) the true scene for a man of letters.” (My Own Life) ) A public enlightened by trade and commerce would seek luxury and refinement. Moreover, a merchant class, seeing the promise of profit, and yet professionally and personally engaged in the challenge of trade and innovation, would not waste their wealth in idle indulgence, as well might have the wealthy aristocrats in a static agricultural state. The new upper classes, enlivened by a “quick march of the spirits,” would be highly productive. They would add to the collection of goods that provided innocent luxury to the masses, increase tax revenues to the state, and supply spiritual satisfaction to themselves. The long run requirement, as both Hume and Hamilton understood it to be for any nation hoping for real economic development and permanent prosperity, was to foster a wide range of production. All kinds of new goods and services needed to be brought to market, so as to stimulate both demand for new and novel products, and to agitate the springs of action of entrepreneurs, investors and other agents of economic supply. Hume points out that a dynamic industrialized trading nation has lower interest rates than does a more pacific, simple country. The serious danger presented by American national indebtedness was never far from Hamilton’s central concern, and surely this dimension of the promise of economic development must have weighed heavily with the Secretary. For Hamilton an important corollary of his long run design for the Republic was the creation of an active central State, with sufficient economic authority to build a new economic order, complete with new citizens, new cities, new industries and an international respectability it did not yet possess.

All three needs, for the short, intermediate and long runs, were met by the plans Hamilton develops, for assumption of the debt at full value, the creation of a National Bank, and the support, by government actions of various kinds, of the creation of a manufacturing sector, peopled with new immigrants, located in new cities, and extending into the hitherto unsettled West. Each of these plans was in some conflict with various interpretations of equality, or (utopian) fairness.

The debt was revalued upward when it became apparent that the central government was going to undertake, in a serious way, the responsibility of repaying it. Those persons holding the debt at the time the plan came into being experienced a sudden rise in the market value of their investments. To some critics, this was “unfair” and “inequitable” to previous investors. Discovering just what those other claimants should “justly” be paid, however, was far too impractical for the short-run need, which was to restore confidence in the paper, not so much to explore and evaluate the niceties of the history of that paper’s previous ownership. It was a Humean practicality that dictated the repayment strategy, rather than an idyllic concern for fairness. More than that, it is consistent with a Humean concept of justice through property rights. There is no violence to agreements voluntarily reached among responsible economic actors if respect is paid to the detailed promissory history of contracted-for ownership of the bonds that institutionalized the debt. We believe that Hume’s repeated insistence on the value of public order shows his respect for contract. The past and its traditions inspire a vast number of particular beliefs about future relations among persons and between persons and the State. To the degree that no such secure family of expectations exists, there is disorder in the public and private spheres. The disorder reduces economic income, and creates political injustice. As we see it, the disorder is a result of the failure of the many varieties of unwritten but nonetheless extant contract rights that past practice allows us to expect to continue. This more general idea of the importance of contract, and the need to respect it, we claim, is a key theme in Hume’s History. In

any case, it is a good moral defense for Hamilton's practical decision to manage the debt in the manner he did. The national bank proposed by Hamilton would create, or at least help to sustain, a financier class, whose wealth would come from "manipulation" rather than honest farm work – but they would help build the country, and save it from cheap money and inflationary finance. Both the practical value of the service, and the technical danger of cheap money were described at length by Hume. The manufacturing system, with its corollary of cities, workers, immigrants and owners, would create a world full of new kinds of inequalities and change – but the changes of that kind were said by Hume to be for the good, in that they produced both the demand and the supply for the new products, as well as creating a new kind of moral purpose. It is consistent with Humean morality to provide for the creation and then the satisfaction of a need for innocent luxury. It is also a morally worthy purpose to seek to maintain and encourage a builder class that would use its wealth to create new economic structures and products, rather than wasting its endowments in indolent indulgence. While this new world would not be egalitarian, it would be dynamic, productive, and moral. On the practical side, it would have low interest rates, solid money, a well-financed, responsible and vigorous central government, with more than adequate means of insuring its own, and its citizen's, survival. It would respect Implicit and explicit contract rights – not imaginary "original contracts", but the accidental "artificial" ones found in the history of past practice and explicit agreement. It would therefore be just, and equitable insofar as reasonable individual expectations as to process if not outcome could be formed and would have a high likelihood of being respected.

When he contemplates the desirability of the likely final outcomes of the economic processes he discusses in his highly practical discussions of economic activity, David Hume seems to be balancing a tradeoff between equality and liberty. While he sees virtue in equality, it is the virtue of justice - a justice that is the consequence of equal process and equal access to the protection offered by contract and property rights. In "the imperfect commonwealth" of the real state this equal opportunity may only be available to persons of equal rank: or at least it may only be of use to persons whose rank makes it likely they will have need for such processes and will find such protections useful. Liberty - the absence or at least the minimization of uncontracted-for constraints on behavior - is a goal for the good society which economic relationships bring a little closer, by allowing a great variety of voluntary and mutual agreements for limiting and guiding economic interactions. Hume realized what even that great advocate of the market, Prof. Milton Friedman might have overlooked when composing his famous book title - Free To Choose. Hume's insight, displayed when he discusses the relationship between justice and property, is that in what we today call a market economy, there is a great deal of constraint: choice is more often limited, sometimes quite profoundly, than not. Once an economic relationship in contemplation of trade begins to unfold, a vast number of mutual and voluntary constraints on subsequent behavior begin to take hold. This mutual loss of choice is designed and applied by the individual parties to each and every economic relationship involving the creation, recording, interpretation, adjudication, measurement, transmission, division and preservation of contracts and property rights allowing the current, future or conditional exchange of goods and services. It is commonplace to discover that, after such constraints have been imposed by mutual agreement, one contracting party levies claims of transgression against another. It is crucial for the success of the entire community's economic development that these debates be settled in a manner that examines the claims and counterclaims according to law and not status - this is the kind of equality Hume requires if justice is to be the consequence of contract and property - it would be, if anything, contrary to process equality to have some after-the-fact rule which redistributed the dividends of contract according to an arbitrary egalitarian principle.

Moreover, since not all contracts work out in ways foreseen, and since contracting parties may have different views about the desired timing of costs and benefits consequent to the unfolding of their agreements, the state of affairs brought about by the passing of time and the ripening of a contract, may very well have the effect of changing the distribution of income generated by the contract, awarding "unequal" shares to each party. In the clumsy language of economics, a contract outcome may be "Pareto optimum," where no party has less than before, while some have more. Such an outcome is not egalitarian, but it may nonetheless be desired. Even in

cases where one party is actually worse off than at the time of the contract's writing (worse off than before the poker game begins), the final stage of the contract is still a universally desired state of affairs, since, if poker games allowed losers to recoup losses, no one would play initially.

And so, for example, when Hume writes about an equality of rights to fruits of labor, he should not be taken to be advocating an after-the-fact equality of goods. To redistribute dividends after the fact of their having been earned would be to take away the just fruits of one of the parties to the contract under which the labor of Mr. X was associated with the capital or labor of his economic contracting partner, Mr. Y. Such an action would not only be unjust to the expectations that induced Mr. Y to enter into his partnership with X in the first place. It would have the long run consequence of chilling the degree of economic interrelationship across the entire community, to the cost of all persons. It would give to the adjudicator – likely a government entity – too great a power to rewrite agreements in ways that benefited the state or its friends. It would give such a government an instrument most useful in gaining reelection, an instrument most likely to engender corrupt behavior on the part of citizens and governors alike. It would create an entire parasitic world of manipulators, friends of government whose purpose it would be to change contractual outcomes in their favor. To rewrite contracts -- or the consequences of contract and property -- after there has been an initial, voluntary and informed agreement as to terms and conditions will not distribute the fruits of contracted labor according to the rules of Justice. As Charles the first said in quite another context, we might understand there is a power capable of such an action, but we would look long and hard to find an authority for it

Hume sees the world to be full of many varieties of inequality. Heroes, generals and kings, as well as cowardly foot-soldiers and turbulent, short-sighted subjects, would not exist in a truly egalitarian society. Nor would their associated moral attributes, all of which must be relative to some average; "courage, intrepidity, ambition, love of glory, magnanimity and all the other shining virtues". (Treatise, pg. 650) Nor would the failings of lesser mortals -- cowardice, fear, sloth, indifference to public opinion and selfishness -- be discovered if every single person was perfectly equal to all the others with whom comparison was made. If such relativistic terms as ambition or love of glory have a meaning derived from outside normal human experience because they refer to some a priori standard, or are the product of a mystical revelation, the absolute standard would not be a Humean one. And so Hume, in the passage quoted just above, goes on to remind us that although "men of cool reflection are not so sanguine in their praises of heroism or military glory" (pgs. 650 - 1), he goes on to observe that if and when such an infrequently encountered heroic "person himself" is fixed in our view "there is something so dazzling in his character, the mere contemplation of it so elevates the mind, that we cannot refuse it our admiration. The pain, which we receive from its tendency to the prejudice of society, is overpowered by a stronger and more immediate sympathy." (pg. 651) But for us to be so dazzled, the experience must be rare, and thus the hero is far from being our, or anyone else's, equal.

And so, not only would much of book III (of Morals) in the Treatise be unwritten in a really equal world, but also lost would be powerful factors for moral elevation and contemplation. History and economic activity would be deprived of many critical springs of action. A dull uniformity would prevail, and economists, historians and philosophers would find scant employment.

Hume finds positive merit in inequality – at least in the existence of relative riches. As we admire the rich person and the qualities that helped him gain those riches, we experience pleasure, and, after our admiration is reflected back to our rich neighbor, he experiences yet another level of innocent pleasure, which then adds to our own. "... the minds of men are mirrors to one another, not only because they reflect each others emotions, but also because those rays of passions, sentiments and opinions may be often reverberated, and may decay away by insensible degrees. Thus the pleasure, which a rich man receives from his possessions, being thrown upon the beholder, causes a pleasure and esteem, which sentiments again, being perceiv'd and sympathiz'd with, encrease the pleasure of the possessor; and being once more reflected, become a new foundation for pleasure and esteem in the beholder. There is certainly an original satisfaction in riches derived from that power, which they bestow, of enjoying all the pleasures of

life; and as this is their very nature and essence, it must be the first source of all the passions, which arise from them. One of the most considerable of these passions is that of love and esteem in others, which therefore proceeds from a sympathy with the pleasures of the possessor. But the possessor has also a secondary satisfaction in riches arising from the love and esteem he acquires by them, and this satisfaction is nothing but a second reflexion of that original pleasure, which proceeded from himself. This secondary satisfaction or vanity becomes one of the principal recommendations of riches, and is the chief reason, why we either desire them for ourselves, or esteem them in others. Here then is a third rebound of the original pleasure; after which 'tis difficult to distinguish the images and reflexions, by reason of their faintness and confusion". (Treatise, book II, sect. V, of the Passions, PG 414 in Mossner/Penguin) As when he remarks that Caesar Augustus brought, by violence, an otherwise difficult to obtain order to the empire, Hume implies that liberty lost in the pursuit of good order is a regrettable necessity. The disorder of the succession after Caesar was the real political sin, not the failure to accommodate the impossible demand that the people elect Rome's leaders. So liberty can be well lost when it is traded for another, even more desirable final end. But, even in those passages, Hume is not telling us that an illiberal state of affairs is immediately and directly responsible for a good state of affairs, or at least universally pleasurable outcome. The absence of equality, on the other hand, at least here, in Hume's discussion of riches, can have such a consequence.

If we accept Ernest C. Mossner's view (pg. 19 of his introduction to the Treatise) that "... the crux of the Treatise (is) an attempt to establish a purely naturalistic ethics based on the facts of human nature and divorced from the a priori", then it seems fair to say that the natural element making Humean ethics possible is human inequality. Amongst thoroughly equal humanity, absent an a priori or mystically revealed higher ethics, distinctions such as good, bad, pride, humility, heroism, cowardice, virtue and vice would be impossible to draw, since human behavior would be uniform and likely persistent. Even if the typical strategies of human behavior changed or improved by experience, schooling or scolding, unless some variety were thus introduced, continued universal conformity of every person to the altered average would render ethical discussion moot if not impossible.

The unequal endowments of men, their unequal energy and application to their tasks, the unequal fortunes their efforts encounter combine to render unequal the value of the outcome and reward earned by their actions. But altering these unequal outcomes after the fact would change, most likely for the worse, the incentives and expectations that will motivate future economic actions. "Who sees not, for instance, that whatever is produced or improved by a man's art or industry ought forever be secured him in order to give encouragement to such useful habits and accomplishments? That the property ought also to descent to children and relations, for the same useful purpose? That it may be alienated by consent in order to beget that commerce and intercourse which is so beneficial to human society? And that all contract and promises ought carefully to be fulfilled in order to secure mutual trust and confidence, by which the general interest of banking is so much promoted." ("Of Justice"; Hendel edition; page 25.)

Actual equality in the products of "art and industry", in natural endowments, in social standing, in economic outcomes were thought by Hume to be unlikely, impractical, and even undesirable because such a state is inconsistent with justice. Trust, confidence and justice itself is secured if contracts and promises are fulfilled. Humean justice is a process driven by rules. The rules are artificial, a concatenation of past agreements and the accidents of history. The process, in any particular case, could easily produce an egalitarian or even a morally troubling state of affairs, but yet we might judge the situation to be an equitable one, consistent with the general interest. We will have mutual trust and confidence in one another if, by viewing the past, we can form reasonably secure expectations about future rules to guide interactive behavior. Past history, however, will not tell us either the actual future collection of outcomes, or the best future state of affairs. A distribution of goods that exactly paralleled the relative moral worth of each individual member of a spectrum of wealth holders Hume said to be possible only in "a perfect theocracy, where a being infinitely intelligent governs ... but were mankind to execute such a law, so great is the uncertainty of merit, both from its natural obscurity and from the self-conceit of each

individual, that no determinate rule of conduct would ever result from it; and the total dissolution of society must be the immediate consequence. Fanatics may suppose that dominion is founded on grace, and that saints alone inherit the earth; but the civil magistrate very justly puts these sublime theorists on the same footing with common robbers and teaches them, by the severest discipline, that a rule which in speculation may seem the most advantageous to society may yet be found in practice totally pernicious and destructive.” (ecpm III 24 of justice)

Hume calls the levelers of 1647, who advocated the leveling of all property, social standing and rank “political fanatic(s)” who were worse than the “religious fanatics (of) the Civil Wars.” This is so, he says, because the religious principles of the Puritans “excited such a horror in Mankind, as soon obliged the dangerous enthusiasts to renounce, or at least conceal, their tenets.” But the political fanatics “more openly avowed their pretensions, as carrying a more plausible appearance, of being practicable in themselves as well as useful to society.” (Ecpm III 23-24)

Hume recognizes what economists call the diminishing marginal utility of wealth. Whenever we depart from an imagined situation of nearly perfect equality in goods “we rob the poor of more satisfaction than we add to the rich”. Hume says, “The rule of equality ... would be highly useful ...” He remarks that at least an “imperfect degree” of equality has sometimes actually obtained with “the most beneficial consequences” as in Sparta. (Ibid-p. 25) “But historians, and even common sense, may inform us that, however specious these ideas of perfect equality may seem, they are really at bottom impracticable; and were they not so, would be extremely pernicious to human society. Render possession ever so equal, men’s different degrees of art, care and industry will immediately break that equality. Or if you check these virtues, you reduce society to the most extreme indigence and, instead of preventing want and beggary in a few, render it unavoidable to the whole community. The most rigorous inquisition, too, is requisite to watch every inequality on its first appearance; and the most severe jurisdiction to punish and redress it. But besides that so much authority must soon degenerate into tyranny and be exerted with great partialities: who can possibly be possessed of it in such a situation as is here supposed? Perfect equality of possessions, destroying all subordination, weakens extremely the authority of the magistracy and must reduce all power nearly to a level, as well as property.” (Ibid p 25)

These observations by Hume were repeated, with less generality, in an article in the American Economic Review, where a learned economist pointed out that a tax and subsidy scheme aimed at achieving a “perfect” equality of income among persons would reduce their aggregate income to zero. No one would work to earn any amount above the promised level, since the “excess” would be taxed away, and no one would work to earn the guaranteed income or any less, since a subsidy of that amount was available without effort. Hume’s deeper wisdom was to show how such a system would not only diminish earned income, but would create, first, a tyranny of inquisition, and then generate a world governed by lobbies, special interests and influence, operated in a spirit of favoritism and manipulation, finally degenerating into anarchy and universal poverty. In this, he exceeded the insights of the modern economist.

Hume well understood that the necessities of governing large bodies of men required them to be unequal and at times allowed their superiors to deny freedom as well. “And did a prince observe that many of his subjects were seized with the frenzy of migrating to foreign countries, he would doubtless, with great reason and justice, restrain them in order to prevent the depopulation of his own kingdom. Would he forfeit the allegiance of all his subject by so wise and reasonable a law? Yet the freedom of their choice is surely, in that case, ravished from them.” (Pg. 51 David Hume’s Political Essays (in Of the Original Contract). Hume regards it as a practical fact, not to be lamented, that not even an equally distributed voice in the selection of one’s political leader is to be expected in the world as it is. “When we assert that all lawful government arises from the consent of the people, we certainly do them a great deal more honor than they deserve or even expect and desire from us. After the Roman dominions became too unwieldy for the Republic to govern them, the people over the whole known world were extremely grateful to Augustus for that authority which, by violence, he had established over them. ... The condition of the people in that mighty monarchy was to be lamented, not because the choice of Emperor was never left to them,

for that was impracticable, but because they never fell under any succession of masters who might regularly follow each other. As to the violence and bloodshed occasioned by every new settlement, they were not blamable because they were inevitable.” (Political essays, original contract, pg. 54)

“(T)hey were not blamable, because they were inevitable”. In this phrase, we find the importance Hume assigns to consistency, the past, tradition, respect for and obligation to the Fathers, out of a concern for the stability of our son’s inheritance. It is a commonplace of political economy to see a trade-off between equality and liberty. What is important to Hume is the medium through which the two are linked: precedent, contract, property and the past. We have already mentioned the ordered and limited range within which members of a trading community possessed of contract and property rights are “free to choose”. In a free society, a great many of our actions are dictated to us by past obligations. We still label such a world “free” because so many of the constraints of contract and property are of our own devising, albeit the necessarily imperfect construction of those limits, perhaps in the distant past, certainly with less than perfect foresight, often ripening into a world full of innovations incapable even of speculative anticipation, may eventually prove to be burdensome, sometimes having failed entirely to serve their intended utilitarian purpose. Typically, property rights do serve their hoped-for ends, and, were the unusual failures interpreted in a way that generally allowed us to contravene contractual obligations, far fewer future contracts of any sort would be contemplated. “It must here be asserted that the commerce and intercourse of mankind, which are of such mighty advantage, can have no security where men pay no regard to their engagements.” (Original contract, pg. 56) A mere self-examination of the reader’s own family of contracts will reveal to him how the various parties to his personal network of ownership, responsibility, control and use of contracted-for property have vastly different interests, costs and benefits in the relationship. They are not equal at all in those respects. Their equality lies in their equal standing and right under established tradition to certain patterns of interpretation and adjudication of those property rights and responsibilities.

This point accepted, it is a small step to understand that the community’s integrated and cross-connected chain of contract, an iron net stretching back to our fathers, cannot be extended to support our sons unless its integrity is preserved from violent innovation, even when change is attempted in the name of improvement, and especially when alterations are far-reaching or all-encompassing. As Hume puts it; “Did one generation of men go off the stage at once and another succeeded, as is the case with silkworms and butterflies, the new race, if they had sense enough to choose their government, which surely is never the case with men, might voluntarily and by general consent establish their own form of civil policy without any regard to the laws or precedents which prevailed among their ancestors. But as human society is in perpetual flux, one man every hour going out of the world, another coming into it, it is necessary in order to preserve stability in government that the new brood should conform themselves to the established constitution and nearly follow the path which their fathers, treading in the footsteps of theirs, had marked out to them. Some innovations must necessarily have place in every human institution, and it is happy where the enlightened genius of the age give these a direction to the side of reason, liberty, and justice. But violent innovations no individual is entitled to make. They are even dangerous to be attempted by the legislature. More ill than good is ever to be expected from them. And if history affords examples to the contrary, they are not to be drawn into precedent and are only to be regarded as proofs that the science of politics affords few rules which will not admit of some exception and which may not sometimes be controlled by fortune and accident.” (Contract, pg. 52-3)

And so the medium within which equality, justice and freedom trade off amongst one another is a political habit of respect for tradition. More precisely, the best medium should be more than a habit, rather a constitutional requirement. Often such a convention will operate at the cost of short-run political and economic failings, but if “our allegiance were to be taken from” even a constitutional society riven by “faction and fanaticism” then “a total anarchy must have place in human society and a final period at once be put to every government” (Contract, pg. 53)

It seems clear by the evidence of the text that Hume did not believe mankind to be in fact composed of equal persons, nor did his reasoning lead him to think that a truly equal humanity would be one in which an a priori theory of human nature would be worthwhile or even a possible endeavor. It seems reasonable to believe that Hume considered Liberty and equality to be linked together in the complex amalgam which is the successful state, the whole so intricately interconnected, and so dependent upon lucky accident and unintended consequences that the constituent parts cannot be examined in isolation from one another. If any one component is more than another for Hume, it seems to be liberty; "It may be justly affirmed, with no danger of exaggeration, that we in this Island have ever since (1688) enjoyed, if not the best system of government, at least the most entire system of liberty that ever was known amongst mankind." (History, vol. VI, LXXI, pg. 363)

The present writers, as a consequence, think it best to investigate Hume's view of equality by asking a general question -- What, for Hume, constitutes Civic Virtue, and especially, how are equality and liberty contributory to a spirit of Civitas? We will address that general question with a specific example of "applied Hume" -- in the person of Alexander Hamilton.

The "big economic idea" of the utopians, dreamers and fanatics whose arguments Hume opposed was that property served the public interest best when it was equally distributed, and such a distribution was to be sought after or imposed some way. This utopian egalitarianism was said to be legitimized by natural rights, often found in an imagined original contract. Hume's big idea, in contrast, was that property, and goods not so abundant as to be free in nature, were to be distributed by rules, perhaps those found in specific contracts, actually agreed to by parties to a particular action. Another species of contract, equally to be respected, consists in the habits, traditions and practices of the past, which allow us to form strong expectations about the rules by which we interact among ourselves, individually and corporately. If the rule-driven process of this kind of contractual exchange is orderly, predictable, uniform across persons, independent of superstition and resistant to fraud, it will exhibit Humean Justice. The final result may easily be an unequal distribution of wealth. Nonetheless, the riches and stability so engendered make for a better world. For Hume, the just rights of property were an (necessary) invention of mankind, artificial in that God took no hand in their design, nor was there to be found in real history any original contract to the contrary. Hamilton was a man in full agreement with Hume.

Hamilton was in some respects a radical: he wished to create an America far different from the one in which he lived. He wanted big cities, active government, sophisticated financial markets, international trade and industry. Such dreams, in stark contrast with 18<sup>th</sup> century reality, were distinctly non-Humean. It is, we think, Hume's promise of the benefits of material prosperity, and Hume's defeat of the argument that riches are best distributed when they are equally distributed that allowed Hamilton to advocate an urbanized, industrialized new order, inevitably containing a few persons of great wealth, those highly specialized persons being supported by their earnings in trade, finance and manufacturing. Hamilton needed to defend his vision against those who deplored the supposed immorality of great wealth, of earnings from "mere" trade, who questioned the morality of usury and finance, and who imagined there was special virtue in the simple economy of the farm and village. Hume offers a powerful counter-argument to the Jeffersonian claim that the rough egalitarianism of the yeomanry was the best guarantor of good government.

Are a people free because they are rich, or does liberty produce riches? Is the state greater than the sum of individuals that make it up -- or their servant? Is good government threatened by material wealth, or does success, even self-indulgence prove a fertile field for civic virtue? Is it wise state policy to confine the political effort to establish equality to an assurance that individual citizens have equal access to law, or should property ownership be altered and equalized by Government after the fact of its market distribution? These questions stimulated a great debate in the United States for a good part of the 20th century (statism vs. individualism), but in the 18th century they were also key components of David Hume's pragmatic, empirical analysis of the problems of governing real people.



We claim that Hume's understanding of economics blueprinted America's early development after Alexander Hamilton took over the United States Treasury Department in 1789. While preparing various reports to Congress, Hamilton leaned heavily upon Adam Smith's *Wealth of Nations*, but he grounded his policy on Hume's core argument: that civic virtue is not only consistent with prosperity, but also an integral component of it. We take the view that this necessary prosperity need not take the form -- indeed, does not take the form -- of an egalitarian distribution of material wealth, or political influence. We believe that a Humean economic freedom to enjoy the fruits of one's labor without the necessity of state approval, censorship or monitoring is a vital "spring of action", that helps to maintain a vigorous and prosperous community, peopled by a contented and virtuous citizenry. Hamilton does have a place for an active state: indeed, his plans for America's financial and economic future are, for his time, radically to the point of being visionary. But his planned policy would operate at the highest and most aggregative levels of the 18th Century American economy, setting the stage for individual economic action, widening the field of entrepreneurial endeavor and even taking advantage of investor credulity and naiveté, but not redistributing final outcomes between citizens. We think this kind of active, foresightful state action is consistent with the plans and policies of the vigorous magistrate Hamilton and Hume both so often admired, although the scope of some of Hamilton's plans might have been found excessive by the ever-moderate skeptic.

What did civic virtue have to do with American independence doctrine? For many years now a hot argument has raged among historians of the revolutionary and early national eras over two conflicting paradigms that contain, implicitly, this question. One, the so-called classical republican archetype (sometimes termed the Bailyn-Pocock thesis) finds the genesis of American radicalism in the civic-humanist values of England's Country Party. (See Bernard Bailyn, *Ideological Origins of the American Revolution* (Cambridge, Mass.: Harvard Press, 1967), and [G.A. Pocock, *The Machiavellian Moment: Florentine Political Thought and the Atlantic Republican Tradition* (Princeton: Princeton University Press, 1975). For recent criticism or approval -- among a flood of books and articles -- see Joyce Appleby, "Republicanism in Old and New Contexts," *William and Mary Quarterly*, 3rd ser., 43(1986); Donald Winch, "Economic Liberalism as Ideology: The Appleby Version," *Economic History Review* 2nd ser., 37(1985); Isaac Kramnik, "Republic Revisionism Revisited," *American Historical Review* 87 (1982); and Lance Banning, "Jeffersonian Ideology Revisited: Liberal and Classical Ideas in the New American Republic," *William and Mary Quarterly*, 3rd ser, 43 (1986).) It approved of the Glorious Revolution of 1689 and generally stood in opposition to Court Party monarchical regimes of the 18th century, which it deemed corrupt. The other paradigm explains events in America from roughly 1775 to the 1790s as dependent upon liberal thought, which emphasized natural rights and liberty as the supreme virtues and took John Locke as its mentor. (Ibid.)

The details of this historiographical controversy need not concern us here. Our inquiry is whether or how Americans accommodated themselves to the liberal political economy urged upon them by the free market doctrines of David Hume and Adam Smith. Was *laissez-faire* the friend or enemy of morality and virtue? Was free trade -- the denial of over a century of rigid British mercantilism -- a goal of American revolutionaries? Some who argue the classical republican interpretation have discovered abundant evidence to show that its adherents believed that the development of commerce in the free market arena would result in a dangerous erosion of civic virtue. Americans most closely identified with Lockean liberal political attitudes during the Confederation Era (1781-1789), such as Thomas Jefferson and James Madison, were the ones most hostile to untrammelled market activity. (When practicality demanded it, Madison, at least, bent this principle, as for example in his acquiescence to the Constitution's requirement that trade between the states be free from tariffs or other limits.)

In his book, *The Privileges of Independence* (Baltimore, 1993), John Crowley has argued that when considering the political economy, the American Revolution may not fit comfortably within either of the two historical paradigms. America's struggle for independence, he says, was not about free trade. (John Crowley, *The Privileges of Independence: Neomercantilism and the*

American Revolution (Baltimore: The Johns Hopkins Press, 1993), p. xi.) "The privileges of independence," eliminating exclusive trade barriers and special advantages under the system of mercantilism, were in fact accepted after the peace of 1783 by Great Britain (in a modified form which he calls neo-mercantilism) but stubbornly resisted by the new United States, at least until Alexander Hamilton took over the direction of the economy in the 1790s.

Before the Constitution, Crowley notes, James Madison of Virginia was an important policy maker who wrongly interpreted British neo-mercantilism as part of a political struggle for trade advantage with sinister motives, which included breaking up the Confederation. A "principled mercantilist," Madison endorsed "the prevailing desire to restore pre-Revolutionary patterns." (Ibid pp. 95,96-104,126.) Believing that the growth of one country's trade comes at the cost of another's, he crusaded to entice the government to discriminate against British commerce, and like his mentor, Thomas Jefferson, he identified navigation with commercial policy. (Ibid p. 145.)

Jefferson, Secretary of State during George Washington's first administration, admired Adam Smith, but he had no kind words for the economist's free trade friend and mentor, David Hume. Hume called himself "an American in my principles" and he supported independence for the colonies. (David Wootton, "David Hume, the historian," in David Fate Norton, ed., *The Cambridge Companion to Hume* (Cambridge: The Cambridge University Press, 1993), p. 297.) But protestations of support were not sufficient to bring Jefferson around. Hume had criticized John Locke's concepts of natural rights and the role of the "original contract" in determining either the normative or the positive nature of the state. In his *History of England* he had, at times, supported Stuart monarchs of the 17th century in their struggle with Parliament. For that, Jefferson called Hume "the great Apostle of Toryism," one "who undermined the free principles of the English government." (Thomas Jefferson to John Cartwright, June 5, 1824, in Merrill D. Peterson, ed., *The Portable Thomas Jefferson* (New York: The Viking Press, 1975), P. 578; Jefferson to William Duane, August 12, 1810, in Thomas Jefferson. *Writings*. Merrill Peterson, ed. (New York The Viking Press, 1984), pp. 1228-29.) The Secretary of State was wrong about Hume, and he backed Madison in his efforts to thwart British efforts to free up international trade. (Although Madison may have nodded instead of paying proper attention while reading Hume on trade, as Adair has famously observed, and Wills has elaborated, Jefferson's pupil depended to an embarrassing degree upon Hume's logic for *Federalist* Ten and more, making the practical philosopher the true source of some of the most important "Madisonian" arguments in defense of the new constitution.)

Early in the 1790s, however, a great break with the past occurred when Alexander Hamilton, a star pupil of David Hume began to issue his famous reports to Congress on the political economy. It is significant that John Locke's name appears only once in the voluminous writings of Hamilton, (Gerald Stourzh, *Alexander Hamilton and the Idea of Republican Government* (Stanford, Calif.: Stanford University Press, 1970), p. 216, fn. 43.) but the New Yorker's admiration for "the profound and ingenious Hume" seemed boundless. In 1775 he quoted the "celebrated author," in April 1781 he requested the philosopher's works from his friend Timothy Pickering, in 1782 he called him "a very ingenious and sensible writer," and at the Constitutional Convention of 1787 he praised him as "one of the ablest politicians." (Harold C Syrett and Jacob E. Cooke, eds., *The Papers of Alexander Hamilton* (New York: Columbia University Press, 1961-79), I. 95; II, 595-96; Henry Cabot Lodge, ed., *Hamilton's Works* (New York: G. Putnam, 1904), 409.) Hume rejected the classical republican idea of disinterested virtue as a motivating force in those who presumed to govern. Passions, he said, induce people to action, and a wise government would avail itself of those primary motivators so that they could be harnessed for the public good. (Terence Penelhum, "Hume's Moral Philosophy," in Norton, ed., pp. 125-29. Hamilton referred to Hume's theory at the New York Ratifying Convention, 1787. See Jacob Cooke, *Alexander Hamilton* (New York: Charles Scribner's Sons, 1982), p. 78.) For people such as Jefferson this utilitarian idea, whether advanced by a Hume or a Hamilton, was tantamount to an endorsement of corruption in government.

"Substantial and genuine virtue," Jefferson wrote, lies in a nation's farmers, and "corruption of

morals in the mass of cultivators is a phenomena of which no age nor nation has furnished an example...While we have land to labor then, let us never wish to see our citizens occupied at a work-bench, or twirling a distaff...let our workshops remain in Europe." (Thomas Jefferson, "Notes on the State of Virginia," in Merrill D. Peterson, ed., *The Portable Jefferson* p. 217.) Jefferson addressed these remarks to "the political economists of Europe," but they were plainly directed to David Hume's essay "of Refinement of the Arts," where the Scottish philosopher argued that progress in the arts, mechanical and liberal, is favorable to liberty and helps to preserve free government. "Can we expect," Hume wrote, "that a government will be well modeled by a people, who know not how to make a spinning-wheel, or employ a loom to advantage?" (David Hume, "Of Refinement in the Arts," in Eugene Rotwein, ed., *David Hume: Writings on Economics* (Madison: The University of Wisconsin Press, 1970), p. 24.) Hamilton's policy for addressing the economic needs of the new nation made use of Smith's and Hume's ideas, and stands in contrast to Jefferson's critique: He says America might address the problem of a scarcity of hands by the improved "... use which can be made of women and children", this technique made possible by work processes now made lighter by technical progress in machinery, which has "prodigiously lessened the necessity of manual labor ... thereby increasing the general stock of labor." Hamilton also hopes to attract "foreign emigrants ... ingenious and valuable workmen, ... who, by expiating from Europe, have improved their own condition, and added to the industry and wealth of the United States." (Hamilton, ed. By Cantor, pg. 83, report on Manufactures, 1791) These new workers were to locate in cities, and would help to people the West. Then there follows a Hamiltonian passage, which reflects, in economic terms, the Humean arguments in "Perfect Commonwealth", arguments used by Madison in Federalist Ten, there in the original political sense. Hamilton argues that a complex economy, full of many different kinds of products, workers, skills and markets, will be more peaceable, stable, and wealthy, than will a state having but one kind of economic livelihood. "A contrariety of interests ... (and) diversity of (economic) circumstances" create interdependencies and "mutual wants" which will then give rise to "one of the strongest links of political connection, and the extent of these (interdependencies) bears a natural proportion to the diversity in means of mutual supply." (Ibid., pg. 83.) Hamilton goes on to say this economic mutuality of interest, giving rise to vigorous interstate trade, would go far to ameliorate the tensions between North and South. (Ibid)

Hamilton's enthusiastic approval of David Hume's core argument concerning a diversified economy and its alleged contributions to freedom and civic virtue was as profound as Jefferson's denial. Given the important degree to which his proposals for reform, made during his time in highly responsible office, parallel Hume's analysis, it appears the skeptical philosopher's arguments on political economy were never far from the mind of the Secretary of the Treasury. Much of Hume's economics appeared in eight essays published in London in 1752, and a ninth, "Of the Jealousy of Trade," in 1758. In "Of Money," he criticized those who thought that an injection of money into the economy would work long-term wonders, and in "Of Interest," he took issue with those who claimed that abundance of money leads to low interest rates. "Of Taxes" pleaded for moderation and rejection the French physiocratic single tax on land, and "Of Public Credit" (warning that the public debt is no blessing) deplored the practice of drawing bills on posterity and imprudently using public credit to create paper riches. "Of the Populousness of Ancient Nations" countered the doomsday notion that economic development is accompanied by a decline in population, and "Of Commerce" rejected the idea that a nation can achieve greatness as an agricultural entity alone. "Of the Balance of Trade" and "Of the Jealousy of Trade," two of Hume's most important treatises, were directed against the protectionist policies of the reigning mercantilists, and in "Of Refinement of the Arts" he took issue with those who denoted luxury as evil.

Hamilton used Hume's essays liberally in four major reports to Congress on the American economy between January 1790 and December 1791. They included the "Report Relative to a Provision for the Support of Public Credit" (which provided for assumption and funding of the public debt); the "Second Report on the Further Provisions Necessary for Establishing Public Credit" (providing for a national bank); a "Report on the Establishment of a Mint; and "The Report

on the Subject of Manufactures." (They are compiled in *The Reports of Alexander Hamilton*, Jacob E. Cooke, ed, (New York: Harper and Row, 1964).)

The four reports and the policy they outlined and evoked set a course for economic development that enlisted the state in order to achieve a balanced economy. Most inclusive was "The Report on the Subject of Manufactures," which, according to one of Hamilton's biographers, contained "the grand design by which the United States became the greatest industrial power in the world." (John C. Miller, *Alexander Hamilton and the Growth of the New Nation* (New York: Harper Torchbooks, 1964) p. 289.) Ultimately rejected by Congress but two years in the making, it was widely studied and admired and is now generally considered Hamilton's most important state paper.

The Secretary began his paper, really a treatise on the political economy, with various arguments for and against manufactures or leaving industry to develop by itself. (Four drafts of the report and a final version may be found in Syrett and Cooke, eds., *Hamilton Papers*, Vol. 10, pp. 23-340.) This section included a lengthy discussion of whether agriculture or manufacturing, or a combination of the two, would be more desirable and productive. After considering opportunities for employment in manufacturing, and how the arts could help make agriculture more rewarding, Hamilton stressed how a combination would render the United States less dependent on foreign markets and more free from restrictions other nations placed on imports and exports. He then turned to objections to his plan, including mankind's hesitation to enter new pursuits and take risks. This discussion included the need to thwart countries that granted bounties and other aids to encourage industry, the scarcity of labor in the United States and how it might be overcome through increased productivity, the attraction of foreign capital and emigrants and the marginal utility of the funded debt.

Hamilton then proceeded to a discourse on manufactures already thriving in the United States and the argument that domestic industry would increase prices and enrich the business class at the expense of the community. We have seen how he argued that this class, in government, could be a force for stability. Following that he stressed the need for diversification and a favorable balance of trade. This diversity, we have shown, promotes good and stable government, by producing wealth, building industry and supplying needed populations of skilled immigrants. He also commented on the development of shipping for purposes of defense and the alleged conflict of interest between the North and the South. As mentioned, he claimed that the mutual dependencies arising from North-South trade would diminish geographic tensions.

The preliminaries over, Hamilton could now turn to his scheme for encouraging industry and the constitutional authority to impose it. He discussed the efficacy of tariffs, prohibition of imports and exports, bounties, premiums, drawbacks, the necessity of providing internal improvements for transportation of commodities and a prudent tax policy. In the last portion of the paper, Hamilton considered various industries that could profit from government direction and aid, including metals and fuels and agricultural products - flax, cotton and wool. He concluded by recommending a fund for promoting arts, agriculture, manufacturing and commerce, and justified its introduction with the argument that "in a community situated like that of the United States, the public purse must supply the deficiency of private resource." (Ibid, *Papers* p 340)

The "Report on Manufactures" often quoted or paraphrased Adam Smith in his *Wealth of Nations*, (1776), using the classical economist's words to refute physiocratic notions concerning agriculture as the sole source of national wealth. But Hamilton did not wholly endorse the concept of laissez-faire. He seemed to mention Smith's arguments mainly in order to disagree, especially with those that advocated free and unfettered commerce. (Cooke, ed., *The Reports of Alexander Hamilton*, pp. 150,157,179-80.) Strongly influencing this report instead was the skeptical thinking of David Hume, who always believed the carrot to be better than the stick, but who assumed as inevitable -- although in some ways undesirable -- the existence of energetic government to guide and direct economic activity. Indeed, Hamilton's success with the assumption and funding of the revolutionary war debt was not just the act of a very vigorous

executive, it was cynical or at least cunning enough for Hume the historian, had he lived to see it, to admire as the action of imagination and daring sometimes needed from the highest type of national leader. Whatever Hamilton may have said about it, he was too good a banker not to know that debts cannot be paid with paper or promises, even new paper and new promises. The only chance his scheme really had was for it to create a delay in the moment when America's creditors would call for settlement – a delay long enough for Hamilton's other ideas – for trade and general economic development – to take effect. It did work out that way, and Hamilton's paper magic is sometimes credited for it, when a proper attribution should go to economic fundamentals, especially immigration, urbanization, and the gradual appearance of a manufacturing, trading economy. In other words, as Mr. Jefferson's yeoman republic began to fade, Mr. Hamilton's funded debt could be repaid with the share government took from the nation's growing wealth.

Hamilton in the "Report on Manufactures" also felt compelled to respond to those who believed that manufacturing was less efficient or less moral than agriculture. He emphasized value-added as the true and only measure of economic enterprise, a utilitarian, and Humean view that neither made concessions to farmers as "the chosen people of God," nor allowances for what items were to be produced. "It is very conceivable," the Secretary wrote, "that the labor of man alone, laid out upon a work requiring great skill and art to bring it to perfection, may be more productive, in value, than the labor of nature and man combined." (Ibid p. 121.) Alluding to the potential relative national gain from the expansion of manufacturing versus agriculture, a discussion that may also be found in Hume's essay "Of Commerce," Hamilton exhibited a sophisticated understanding of the theory of value-added. He claimed categorically that manufactured products, often associated with frivolous luxury and national dissipation in contemporary thinking, were really beneficial to the state. (Ibid pp. 115-16.) Hume had spent an entire essay, "Of Refinement in the Arts," on a consideration of this subject. He contended, as Hamilton did, that a state abounding in luxury, even of the venal kind, would be better off than one mired in sloth and ignorance. Both argued that a state enjoying luxury would be more happy, free and even virtuous than one dependent on simple agriculture. Luxury items, said Hamilton, signal surplus production alienable by the state in times of emergency, a Humean idea also to be found in the essay "Of Commerce." (Ibid, Hume, "Of Commerce," Rotwein, ed., pp. 11-12.)

While fundamentally a free trader, Hume had noted in "Of the Balance of Trade" that "all taxes... upon foreign commodities, are not to be regarded as prejudicial or useless." (Hume, "Of the Balance of Trade," Rotwein, ed., p. 76.) Hamilton seized upon this idea to argue that the state should provide a helping hand to infant industries. His plans for tariffs, bounties and subsidies were also based upon the need to combat regular practices of competing nations, who granted export subsidies, protection of technological expertise, bounties, premiums and other aids including the creation of public monopolies and private cartels. Mankind's natural hesitation to take risks and enter into new pursuits could be overcome by government encouragement, Hamilton claimed. (Hamilton, "Report on Manufactures," pp. 141-43.)

Would bounties and protective tariffs for new industry have the effect of creating permanent domestic monopolies, which might impose prices well in excess of those charged in international markets? Hamilton admitted that monopoly, and its attendant high prices, might be a transitory effect of creating a protected domestic market. But he argued, as Hume had in "Of the Balance of Trade," that costs of production fall as domestic industry begins to operate with efficiency. (Ibid p.158.) Furthermore, he tells us that the monopoly status enjoyed by the first few entrants into the protected domestic market would not last beyond the time when others joined in, the whole process having the eventual effect of helping to create a competitive, world-class domestic industry in the United States. (Ibid pp. 158-62.)

A competitive, world-class industrial nation remained the main goal of Hamilton's economic system. As Jacob E. Cooke, editor of Hamilton's Reports has noted, "The deepest purpose of his whole financial program was to strengthen the new government." (Cooke, ed., Hamilton Reports,

p. xiii.) The Secretary of the Treasury never lost sight of Hume's contention that commerce, in promoting human happiness, simultaneously promotes the power of the state. Development is good. It leads to less rebelliousness among a people, fewer factions, better government and even more liberty, because the middle class, traditional defenders of human rights, is augmented by heightened economic activity. (Hume, "Of Refinement in the Arts," Rotwein, ed., pp. 25,28-29.)

Even the cynical element in Hamilton's reforms may have a source in Hume. The assumption of the debt consisted of an undertaking of the obligation by the national government to pay interest and principal on the circulating bonds issued a number of years past, during the revolution, by diverse borrowers, some official and some less so. In the intervening time, those bonds had fallen in value to pennies on the promised dollar, since the promised repayments were in many cases, not being made. With a great flourish of language and political wizardry, Hamilton said the Federal Government would make the paper whole again by resuming payment on it. But, to a degree, his promise was empty. It assumed the existence of an economic and therefore a political recovery and ongoing strength that was far from certain. (That everything worked out in the end had to do with Hamilton's other reforms, including and perhaps especially the founding of the Bank.) Lacking such underlying growth and development, the government's tax base was inadequate to the task assigned. Hamilton concealed that truth from the populace, and even from the legislators to whom he addressed his paper. (At least, he did not discuss it in the official transmittal to congress.) But as Hume said in his remarks on the execution of Charles the first, it is at times quite necessary to conceal a political truth from the people, especially if the knowledge is of a kind likely to doubt the powers or authority of their government, even when the claimed power (as it was in the case of assumption) is really beyond the short run capacity of the state. Because legitimacy is only a matter of opinion, once the people begin to entertain such doubts, even elementary civility may disappear and the "madness of the people" may ultimately be set loose. (History V, LIX, 546) "It is seldom, that the people gain any thing by revolutions in government; because the new settlement, jealous and insecure, must commonly be supported with more expense and severity than the old ... If ever, on any occasion, it were laudable to conceal truth from the populace, it must be confessed that the doctrine of resistance affords such an example, ... it is dangerous to weaken, by these speculations, the reverence, which the multitude owe to authority, or to instruct them beforehand that the case can ever happen when they may be freed from their duty of allegiance. ... obedience alone ought to be inculcated, and the exceptions, which are rare, ought seldom or never to be mentioned in popular reasonings and discourses." (History, Vol. V, chapt. LIX, pgs 520 and 544, liberty press) Is it too extravagant to think Hamilton feared a rebellion would ensue if the debt was not paid? Perhaps. But unless the debt could be rendered secure, few if any of the new Nation's promises would be respected at home or abroad, and, lacking such economic and moral standing, the government itself would be exposed to failure if not rebellion. Hamilton could easily have reasoned such way, and so defended himself from his own reproaches at the artful way in which he argued for the power of his new form of government promise.

Hume's essays in his Political Discourses are not the only source for Hamilton's economic system, but we contend that they are the major one. To understand the progression of Hume's ideas to Hamilton, wrote Clinton Rossiter in 1964, "One has only to lay his speculative musings as Publius [in the Federalist] side by side with Hume's essays of a political nature." (Clinton Rossiter, Alexander Hamilton and the Constitution (New York: Harcourt Brace and World, 1964), p. 120.) Even more revealing as an exercise, because the Treasury Secretary was now in a position to put ideas into practice, is to lay Hamilton's Reports to Congress side by side with David Hume's essays on economics.

Garry Wills, who reminds us in the introduction to his book that Douglas Adair saw it first, shows how Hamilton, Madison and even Jay used Hume to explain the Constitution to a people who needed to be convinced the new American Government was "not itself a theoretical statement, but a practical instrument of rule." (Garry Wills, Explaining America, Penguin Books, 1981, pg. ix) We think Hamilton continued to rely upon Hume's discussions of morals, economics and politics

when time came for that new, practical government to show the world that it could indeed function as a sensible, prosperous, promise-keeping and fully integrated member of the community of modern trading nations. We do not say that Hamilton followed all of Hume's economic warnings and political admonitions. In particular, Hamilton seemed to be little moved by Hume's repeated caveat that unexpected consequences even complete reversals away from expected outcomes, are to be expected when projectors undertake great schemes of reform. ("... we have with regard to taxes, an instance of what frequently happens in political institutions, that the consequences of things are diametrically opposite to what we should expect on the first appearance.", *Of Taxes*, Rotwein, pg. 88) The Hamilton who schemed to gain military postings close enough to General Washington so as to be noticed, who became a prominent politician, who maintained an illicit and scandalous relationship with a woman, who fought a deadly duel to defend his honor, who converted to the Church on his deathbed, who died surrounded by his seven children and grieving wife did not live his personal life according to Hume's model. But those domestic details matter little two hundred years after his death. In the economic monuments marking Hamilton one of the builders of the America we see today, Hume's is the guiding spirit. The historic consequences of Hamilton's spirit of "action and virtue", "meaningful striving" and "mixture of application and attention", the "business and action" of his public life, not only "filled up the great vacancies" of his own existence, but, in a kind of mirrored reflexion that Hume might discuss in the manner of the *Treatise*, they fill up our public life as well. (*Phil. Wks.*, vol. III, pgs. 197 & 220, in Rotwein, pg. xcv)