

KEY POLICY PAPER UNCOVERED

How Ben Franklin Organized Our Economic Independence

by Anton Chaitkin

There are in every country certain important crises when exertion or neglect must produce consequences of the utmost moment. The [present] period ... [is] clearly of this description.

Our money absorbed by a wanton consumption of imported luxuries, a fluctuating paper medium substituting in its stead, foreign commerce extremely circumscribed and a federal government ineffective [and] disjointed, tell us...plainly that further negligence may ruin us forever.

An extraordinary meeting was held at Benjamin Franklin's home on Friday, May 11, 1787, to hear an outline for the economic policy and national mission that the United States Constitution should be designed to carry out.

The tight-knit grouping of American nationalists who had directed the Revolutionary War would use this policy paper to instruct the delegates to the Constitutional Convention, scheduled to open three days later.

The essay begins with the words quoted above, which speak to us with special urgency in the present world crisis. It has never been published since 1787, and has been retrieved from an archival copy for the present report. It is entitled "An Enquiry into the Principles on which a Commercial System for the United

States Should be Founded, Read before the Society for Political Enquiries, Convened at the House of His Excellency Benjamin Franklin, Esquire, in Philadelphia May 11, 1787."

After Franklin and his colleagues approved it, the then-anonymous author, Philadelphia merchant Tench Coxe, dedicated it thus: "To the Honorable the Members of the Convention, assembled at Philadelphia for federal Purposes, this Essay is most respectfully inscribed by Their obedient and Most humble Servant, The Author, May 12, 1787."

It was printed as a 52-page pamphlet over the weekend and published Monday, May 14, 1787, the day the Constitutional Convention officially opened, and was distributed to each delegate to the Convention.

The pamphlet sets forth a nationalist program guide to survival, contrary to the British doctrine of Free Trade and submission to the empire.

The new U.S. national government should have "prohibitory powers ... enabling Congress to prevent the importation of such foreign commodities, as are made from our own raw materials."

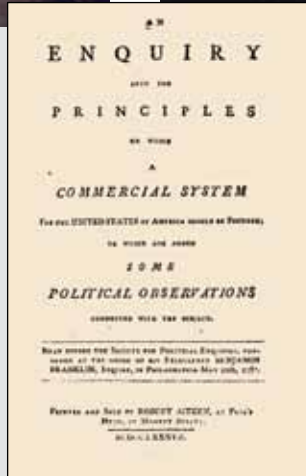
It should promote the creation of machine-powered industries such as "casting and steel furnaces" utilizing water power, and it is "probable also that a frequent use of steam engines will add greatly to this class of factories."

The "great *natural powers* of the country will [oth-

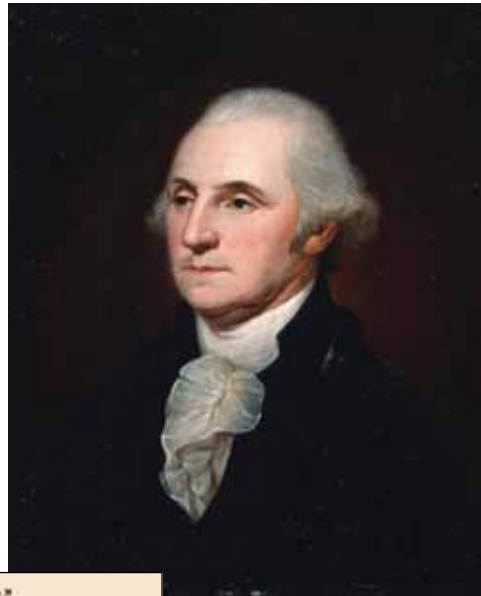


Our money absorbed by a wanton consumption of imported luxuries, a fluctuating paper medium substituting in its stead, foreign commerce extremely circumscribed and a federal government ineffective [and] disjointed, tell us ... plainly that further negligence may ruin us forever.

An Enquiry...



This 1787 pamphlet was distributed at the Constitutional Convention by Benjamin Franklin and his Revolutionary allies. Never published, it was the work of the Society for Political Inquiries, led by Franklin, who, together with George Washington, ran the finance, military policy, and diplomacy of the American Revolution. (Portrait of Franklin by Joseph Siffred Duplessis, 1785; Washington by Rembrandt Peale, 1819.)



The pamphlet concludes by stressing that the national government must have taxation power and regulatory powers to carry out “the restoration of public credit.”

The Society for Political Inquiries which published the Coxe paper had been organized by Benjamin Franklin late in 1786, following the call for a Constitutional Convention issued at the prior Annapolis Conference. Franklin, then the governor of Pennsylvania, had employed Tench Coxe as a delegate of the state to the Annapolis Conference.

The Society for Political Inquiries was an arm of the central group of nationalists, led by Franklin and George Washington, who had together run the finance, military policy, and diplomacy of the American Revolution.

erwise] remain inactive and useless. Our numerous mill seats ... [for making] flour, oil, paper, snuff, gunpowder, ironwork, woolen cloth, boards and [ships] ... would be given by providence in vain” (emphasis in original).

Promoting and protecting “a manufacture of *our own produce*,” and our fisheries, and our coastal merchant shipping, “ought not by any means be sacrificed to the interests of foreign trade, or subjected to injury by the wild speculations of ignorant adventurers.”

The Federal government must be able to veto state laws that interfere with this forceful national development policy. And rather than letting the South remain a de facto colonial sector of the British, the government should see to it that “the produce of the southern states should be exchanged for such manufactures as can be made by the northern.”

The Leadership that Met that Day

This close-knit group of leaders had taken charge of the Revolution, beginning in June of 1775, two months after the patriots’ first battles with British forces in Massachusetts.

Meeting in Philadelphia, the Continental Congress officially created the Continental Army on June 14, 1775, and appointed Washington its commander the next day.

On June 30, the Pennsylvania Provincial Assembly, also meeting in Philadelphia, created a provisional military government, taking power away from the last sitting colonial Governor, John Penn.

Benjamin Franklin was appointed president of this military government, the Committee of Safety, and Robert Morris was named vice president. Morris pre-



Franklin and Robert Morris (right) led the Secret Committees on Trade and Correspondence. Morris's two closest associates, who would write much of the Constitution, were Gouverneur Morris (above, left), spokesman for the Continental Army in Congress; and James Wilson (above right), later a founding Justice of the Supreme Court. (Portrait of Robert Morris by Robert Edge Pine, 1785.)



[I] proposed that the Secretary of Foreign Affairs, the Commander-in-Chief, the Secretary of Congress, and my assistant Mr. G. Morris ... should meet every Monday evening for the purpose of communicating to each other whatever may be necessary and for consulting and consorting measures to promote the service and public good....

*Robert Morris,
diary entry, Dec. 3, 1781.*

support. For the next decade of war and its aftermath, Franklin and Morris would remain in constant trans-Atlantic correspondence, sometimes more than daily.

In December 1776, Congress fled to Baltimore ahead of British forces advancing on Philadelphia. It left Morris in charge of the Union's executive government, and responsible for supplying the Army.

Within days, General Washington asked Morris for funds for an intelligence service, and to pay his destitute soldiers. On the next morning, Morris supplied the cash raised from private sources. Later, Franklin negotiated the 1778 treaty of alliance with France, and arms and money began flowing to the American war effort through official channels.

Franklin and Washington, along with a few other brilliant and fiercely patriotic men, who assisted and coordinated affairs with

sided over an array of private merchant operations in America and abroad, built up since the 1750s in coordination with Franklin's networks for political intelligence and commerce. Franklin and Morris, delegates to the Continental Congress, led the Secret Committee of Trade (arms procurement) and the Secret Committee of Correspondence (seeking foreign backing for the conflict with Britain). Military supplies for Washington's army would be acquired through the combined authority of Congress and the Morris-Franklin channels.

After declaring American Independence, the Congress sent Franklin to Paris to secure European military

them, became the core of the nationalists who led the country through the Revolution into the successful formation of the United States Government.

General Washington's confidential secretary and intelligence aide Alexander Hamilton, then in the field with the Continental Army, would become famous as President Washington's Treasury Secretary.

Robert Morris's two closest associates and advisors, who would write most of the Constitution, were Gouverneur Morris (no relation), spokesman for the Continental Army in Congress, and later the American ambassador to France; and James Wilson, later a founding justice of the Supreme Court.

The New Yorker Hamilton was “adopted” by Franklin’s nationalist Philadelphians. At the outset of the Revolution he had begun calling for securing American independence by national control of credit and action to establish manufactures.

Despite their diligence, despite French aid, the credit of the Union had collapsed by 1781, the states were staggering under impossible debts, and international trade was frozen by a British naval blockade. There was at that time no real executive branch of government.

Hamilton proposed that Congress appoint Robert Morris the Financier (or Superintendent of Finance) of the United States, and that it also create the offices of Secretary of War and Secretary of Foreign Affairs. Congress voted unanimously in February 1781, to appoint Morris the Financier, and also head of the office of Marine, running the Navy.

That Summer and Fall, Morris strategized with the French Navy. With huge sums on his own credit, Morris organized supplies for Washington’s army all along the line of their march to Yorktown, Virginia, where they and the French were to deliver a knockout blow.

The British army of Lord Cornwallis surrendered at Yorktown in October 1781. But the British blockade continued, the American economy was devastated, the army was exhausted and near mutiny.

In this weak and increasingly dangerous situation, the nationalist leaders put together the nucleus of a functioning national executive. Congress appointed Washington’s aide-de-camp Gen. Benjamin Lincoln as Secretary of War, and Morris’s close associate Robert Livingston of New York as Secretary of Foreign Affairs.

Morris noted in his diary (Dec. 3, 1781) that he had organized the first session of a de facto U.S. executive branch, which was to meet weekly in his office:

“[I] held a conference with the Secretary of War, the Secretary of Foreign Affairs, the Commander-in-Chief [Washington], the Secretary of Congress, and my assistant Mr. G. Morris, wherein [I] proposed that the same persons should meet every Monday evening for the purpose of communicating to each other whatever may be necessary and for consulting and consorting measures to promote the service and public good. I communicated to them Dr. Franklin’s letters etc. We had a gen-

eral conversation as introductory to the business.”¹

Morris’s assistant James Wilson took part in this small governing group, as did Hamilton, who had resigned his military commission after his heroism at the battle of Yorktown. Hamilton was hired as an official receiver of taxes in New York state under the authority of Robert Morris.

The Bank of North America

In his first official act as Financier, Morris proposed to Congress a plan for a national bank, which he, Hamilton, and Wilson had worked out together in the preceding months.

The Bank of North America would help organize the desperate national finances by taking deposits, issuing bank notes that would not depreciate, and lending funds to the government. In his explanatory letter, Morris proposed “That it be recommended to the several States ... to provide that *no other bank or bankers* shall be established or permitted within the said States, respectively, during the war.”²

The Continental Congress chartered the Bank of North America, based in Philadelphia, to begin operations Jan. 7, 1782. Morris’s main business partner Thomas Willing (Tench Coxe’s brother-in-law) was president; James Wilson was a board member and the attorney for the Bank, as well as for the French military in America. Through Franklin, the French government shipped across \$400,000 in silver to start up the Bank.

The treaty with Britain formally ending the American Revolutionary War was signed Sept. 3, 1783. But the nominally independent U.S.A. was threatened with catastrophe. To prevent American creation of independent industry, the British immediately began dumping cheap manufactures in U.S. markets, selling goods at lower prices than they charged inside England, despite the costs of ocean transport.

Morris and Hamilton proposed a 5% national tariff

1. *Diary of Robert Morris* (University of Pittsburgh Press online edition). An excellent resource for this period is Charles Rappleye, *Robert Morris, Financier of the American Revolution* (New York: Simon and Schuster, 2010).

2. “Proceedings on the Incorporation of the Bank of North America: Letter from Robert Morris with the Plan of the Bank, May 26, 1781”; in *Legislative and Documentary History of the Bank of the United States, Including the Original Bank of North America* (Washington: Gales and Seaton, 1832), p. 11.

on imports to finance the otherwise destitute government and to begin to protect American manufacturing. But various anti-national state leaders opposed giving Congress the power to tax.

Franklin responded angrily to reports of the “anti-tax” arguments raised against the right of the people to a national self-government. He wrote:

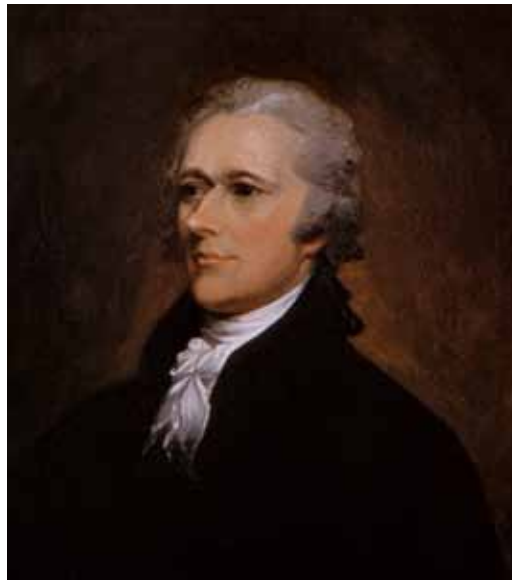
“All Property, indeed, except the Savage’s temporary Cabin, his Bow, his Matchcoat, and other little Acquisitions, absolutely necessary for his Subsistence, seems to me to be the Creature of public Convention. Hence the Public has the Right of Regulating Descents, and all other Conveyances of Property, and even of limiting the Quantity and the Uses of it. All the Property that is necessary to a Man, for the Conservation of the Individual and the Propagation of the Species, is his natural Right, which none can justly deprive him of: But all Property superfluous to such purposes is the Property of the Publick, who, by their Laws, have created it, and who may therefore by other Laws dispose of it, whenever the Welfare of the Publick shall demand such Disposition. He that does not like civil Society on these Terms, let him retire and live among Savages. He can have no right to the benefits of Society, who will not pay his Club towards the Support of it.”³

Without governmental power to tax, America was collapsing.

On news of the Paris peace treaty, the American army disbanded, starving and in rags.

Independence Hall, the home of Congress, was mobbed by soldiers demanding payment, who held the Congressmen hostage. Hamilton, then in Congress, negotiated with the soldiers and with the Pennsylvania state government. But he could not get protection for the U.S. government, and the Congress fled to Princeton, New Jersey.

The shock from this half-decade crisis of weakness and bankruptcy would give fire to the nationalist leadership, to fashion a powerful government for a Continental republic.



In the battle to create a strong central government, New York delegate Alexander Hamilton, a core member of the Franklin-Washington circle, wrote the report of the Annapolis Meeting of Commissioners to Remedy Defects of the Federal Government. (Portrait of Hamilton by John Trumbull, 1806.)

“Commissioners [are] to meet at Philadelphia on the second Monday in May next, to take into consideration the situation of the United States, to devise such further provisions as shall appear to them necessary to render the constitution of the Federal Government adequate to the exigencies of the Union.”

Alexander Hamilton

The Constitution

“To free ourselves from foreign power.”

Franklin returned to the United States in 1785, acclaimed for having steered the French alliance that secured American independence. He was chosen President of The Supreme Executive Council of Pennsylvania, i.e., governor of the state, an office which he held through 1788.

The nationalists were now in motion.

Washington became president of the Potomac Company, which aimed to connect the Potomac and Ohio Rivers, and open up the West to settlement. The General got Maryland and Virginia to incorporate the Company, and commissioners from the two states met in 1785 at his home, Mount Vernon, to negotiate jurisdiction over the canal route.

On the public rationale that wider representation was needed to deal with larger issues involved in the projected canal, James Madison—then a staunch nationalist—and other Virginians called a convention for Annapolis, Maryland for September 1786.

Governor Franklin appointed Robert Morris, Tench Coxe, and three other Pennsylvania delegates to this

3. Benjamin Franklin to Robert Morris, Dec. 25, 1783 (<http://press-pubs.uchicago.edu/founders/documents/v1ch16s12.html>).

Annapolis Meeting of Commissioners to Remedy Defects of the Federal Government. Only Coxe actually attended the conference from Pennsylvania.

New York delegate Alexander Hamilton wrote the Annapolis meeting's report, calling on all the states to appoint "Commissioners, to meet at Philadelphia on the second Monday in May next, to take into consideration the situation of the United States, to devise such further provisions as shall appear to them necessary to render the constitution of the Federal Government adequate to the exigencies of the Union."

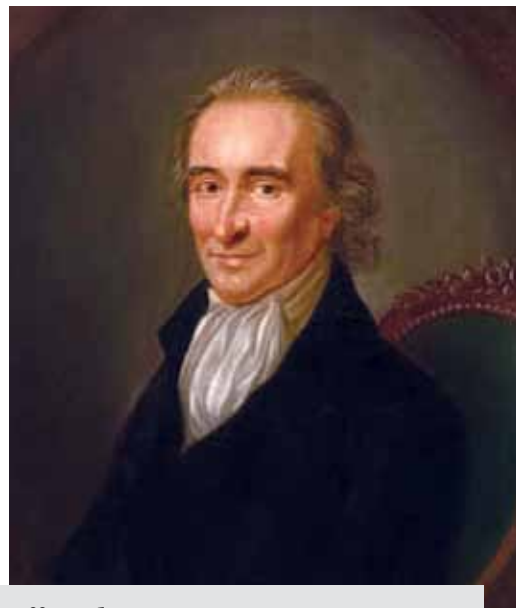
Washington and his friends chose the date for the proposed Convention to coincide with the scheduled Philadelphia meeting of the Society of the Cincinnati, the group for the officers of the American-French alliance against Britain, in which Hamilton was a leader.

The nationalist Society for Political Inquiries first met at the City Tavern on Feb. 9, 1787. The 42 original members included Robert Morris, Gouverneur Morris, James Wilson, Franklin's son-in-law Richard Bache, scientist David Rittenhouse, physician Benjamin Rush, and other allies of Franklin, Washington, and Robert Morris.

The essay setting forth the rules for the Society, written by "Common Sense" Revolutionary author Thomas Paine, specified that the Society was to meet every two weeks at Franklin's home. The rules-essay included the following nationalist manifesto of the need to go beyond nominal independence, and to break from mental and political chains to the British Empire:

"Accustomed to look up to those nations, from whom we have derived our origin, for our laws, our opinions, and our manners, we have retained with undistinguishing reverence their errors with their improvements; have blended with our public institutions the policy of dissimilar countries; and have grafted on an infant commonwealth the manners of ancient and corrupted monarchies. In having effected a separate government, we have as yet effected but a partial independence. The revolution can only be said to be complete, when we shall have freed ourselves, no less from the influence of foreign prejudices than from the fetters of foreign power. When breaking through the bounds, in which a dependent people have been accustomed to think and act, we shall probably comprehend

The essay setting forth the rules for the Society of Political Inquiries was written by "Common Sense" author Thomas Paine. It included a nationalist manifesto on the need to break from the mental and political chains to the British Empire.



In having effected a separate government, we have as yet effected but a partial independence. The revolution can only be said to be complete, when we shall have freed ourselves, no less from the influence of foreign prejudices than from the fetters of foreign power.

Thomas Paine

the character we have assumed and adopt those maxims of policy, which are suited to our new situation."⁴

The Revolutionary officers grouped as the Society of the Cincinnati opened their national meeting on May 7, 1787. Running simultaneously with the Constitutional Convention, their proceedings would add to the nationalists' message that true independence from Britain, a strong Union, and a vigorous national government must emerge from the Convention. Washington chaired both meetings, while staying in the home of Robert Morris.

Hamilton nominated Maj. William Jackson as Secretary of the Convention. Jackson had been Washington's military aide, and the agent of Robert Morris in England; he had also participated in the Society for Political Inquiries May 9, 1787 meeting, planning for the Constitutional Convention.⁵

4. *Life and Works of Thomas Paine*, Vol. 4 (New Rochelle, N.Y.: Thomas Paine National Historical Association, 1925), pp. 311-312.

5. *Book of Minutes of the Society for Political Inquiries*, held by the Historical Society of Pennsylvania.

As the Constitutional Convention progressed, the pro-nationalist delegates steering the meeting caucused at the Indian Queen tavern, located next door to Franklin's home and printshop, and they picnicked under the trees at Franklin's home.

Two months into the Convention (on July 26, 1787), Franklin's allies met to form the Pennsylvania Society for the Encouragement of Manufactures and the Useful Arts. The new group was led by Society for Political Inquiries members Coxe, George Clymer, and Thomas Fitzsimmons; and by Mathew Carey, whose *American Museum* magazine published the essays of Franklin, Coxe, the Inquiry Society, and the Manufacturing Society.

Members of both groups assembled for meeting of "friends of domestic manufactures" Aug. 12 at the University of Pennsylvania, to hear a report on the progress of the Convention, and an address by Coxe stressing the need for the nation to promote "machines ingeniously contrived."⁶

Here was the Philadelphia-based political movement for industrial development and American national survival, begun by Franklin, and continuing through several generations, until after the 1879 death of Mathew Carey's son, economist Henry C. Carey.

The Authors

"Who wrote the Constitution?" is a question not often seriously asked.

In later times, when the point of view of America's Founding nationalists was obscured, Anglophile, Southern Confederate, and Wall Street apologists asserted, as supposed fact, that James Madison was the main author, the "Father of the Constitution."

During and just after the Revolution, Madison was an indispensable, forceful Virginian ally of the central



During and just after the Revolution, Madison (left) was an indispensable ally of the central Washington-Franklin nationalist group, and often, a political partner of Hamilton. But, not long after the Convention, his commitments shifted, in accord with the Southern plantation set to which he and Thomas Jefferson had adapted their views. (Portrait of Madison by Gilbert Stuart, 1804; Jefferson by Charles Wilson Peale, 1791.)

Washington-Franklin nationalist group, and a friend and often political partner of Hamilton. But the notion of Madison's authorship of the Constitution was later useful to the anti-nationalists. Not long after the Convention, his beliefs and commitments shifted, in accord with the Southern plantation set to which he and Thomas Jefferson had adapted their views.

It was very useful for Southern acceptance of the Constitution that the so-called "Virginia Plan" was the first outline for a central government brought into the Convention, as a point of departure for the deliberations. According to Madison, it had been worked out in preliminary discussion among Washington, Madison, and the other five Virginia delegates. The national structure called for in this plan was in many ways analogous to most of the state constitutions already adopted: a two-house legislature, with separate executive and judiciary departments.

The New Jersey delegation countered with a call for a weaker central government. Hamilton came back with a proposal to virtually eliminate state governments, which effectively corralled the delegates toward the "more moderate" nationalist agenda.

The Constitution as agreed to differed from the Virginia plan in several important features. Several crucial

6. Jacob Cooke, *Tench Coxe and the Early Republic* (Chapel Hill, N.C.: University of North Carolina Press, 1978), p. 103.

points in our present scheme of government were chiefly the work of James Wilson. (Franklin, then 81 years old, gave his own speeches to “my learned colleague” James Wilson to read, adding authority to Wilson’s role as a Convention spokesman for the governmental philosophy of the nationalists.)

Madison’s plan suggested two branches of legislature, the second branch (later called the Senate) to be appointed by the first (House of Representatives). In the ensuing debate, it was proposed by anti-democratic “states rights” advocates, that the House and Senate be appointed by the state legislatures; the Senate was to resemble somewhat the British House of Lords. Wilson and Madison together led the successful fight for a popularly elected House, and Wilson defeated the proposal for property ownership as a requirement to qualify voters in Congressional elections.

As to the Senate, Wilson disagreed that the British government could serve as any model for the U.S.A. “Our manners, our laws, the abolition of entails and primogeniture, the whole genius of the people are opposed to it.” But his argument for a Senate directly elected by the people was defeated; the legislatures would appoint Senators until Wilson’s proposal became law in 1913, in the 17th Amendment to the Constitution.

The preliminary Virginia Plan would have left the country with a fatally weak Federal Government, without a truly independent executive or judiciary.

The Virginia Plan called for an undefined “national executive” to be chosen by the Senate. Wilson proposed that the executive branch be headed by a single person, with strong and clearly defined powers. As a member of the Committee of Detail, Wilson was the principal author of the first (Aug. 6) draft of the Constitution, in which this executive chief was styled “the President of the United States.”

The first draft was turned over to a Committee of Style and Arrangement, consisting of Hamilton, his close ally Rufus King, Gouverneur Morris, Madison,

and Connecticut delegate William Johnson, an advocate for small states happy to compromise with the nationalists.

The plan was shifted to make the Federal government less like the British system, in which a parliament, controlled by an oligarchy, may make and break governments at will. The President would be elected by the people through the Electoral College, not appointed by Congress, and the Supreme Court judges would be appointed by the President with Senate consent.

That agreed to, this committee asked Gouverneur Morris to write the finished text. Morris himself composed the Preamble, in which the people of the whole nation, rather than the separate states, here state the purpose of their new government:

“We the People of the United States, in order to form a more perfect Union, establish Justice,

insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.”

The Revolutionary War for Ratification

The drive to win the votes of the states for this Constitution was coordinated nationally by Hamilton, assisted by Robert Morris, Gouverneur Morris, and Madison. Hamilton recruited Madison and New Yorker John Jay to help him write the influential pro-Constitution newspaper essays which became known as the “Federalist Papers.”

The ratification fights in Pennsylvania and Virginia point up the strategic war between the nationalists, whose Constitution completed the Revolution, as against the agents of the British imperial system who, first, fought to block the Constitution, and, later, would claim that nationalist measures were unconstitutional.

In the Virginia ratifying convention, Revolutionary orator Patrick Henry led the opposition. Henry warned the delegates that, under the strong central government

We the People of the United States, in order to form a more perfect Union, establish Justice, insure domestic Tranquility, provide for the common defence, promote the general Welfare, and secure the Blessings of Liberty to ourselves and our Posterity, do ordain and establish this Constitution for the United States of America.

*Preamble to the Constitution,
composed by Gouverneur Morris*

of the proposed Constitution, “They’ll free your niggers!”⁷

Slave-owner George Mason, who argued that the Constitution wasn’t sufficiently abolitionist, nonetheless complained that the Constitution would make it legal to tax slavery out of existence.

But the ardent nationalist law teacher George Wythe, who chaired the Committee of the Whole at the Virginia ratifying Convention, opposed Patrick Henry and his followers. Earlier, Wythe had written the rules for the Constitutional Convention in Philadelphia, working with Hamilton and another delegate. Wythe was an experimental science colleague of Franklin’s, a professor of Greek who taught Aeschylus, and Plato, and the mentor to Kentucky’s great nationalist leader Henry Clay. Wythe later declared, as Virginia’s chief judge, that the Constitution and the Bill of Rights had made slavery illegal; he was soon thereafter assassinated.

Under Wythe’s strong chairmanship, Madison supervised the nationalist effort at the Virginia ratification convention, and coordinated efforts with Hamilton, sending messages back and forth by pony express, to New York’s ratifying convention. Hamilton had the same close coordination with John Sullivan and John Langdon in New Hampshire, and with Rufus King in Massachusetts. Robert Morris and Gouverneur Morris travelled to Virginia to personally assist at the convention.

The ratification fight within Pennsylvania was the first American theater of political operations for immigrant Geneva aristocrat Albert Gallatin. His family had helped arrange for the sale of Hessian mercenaries to King George III for the war against America. Now operating in backwoods Western Pennsylvania, Gallatin ran the opposition to that state’s ratification of the plan for an American national government.

Henry Adams wrote in his admiring biography, “Mr. Gallatin never changed his opinion that the President was too powerful; even in his most mature age he would probably have preferred a system more nearly resembling some of the present colonial governments of Great Britain.”⁸

The Pennsylvania legislature attempted to call a state ratification convention, but it was stalled by the

Gallatin clique, which staged a walkout, preventing a quorum. Pro-Constitution laborers and tradesmen went to the houses of two of these anti-federalists, broke in, and dragged them to the State House, delivering them into the assembly room for the vote.

At the ensuing convention, Gallatin and his floor captain John Smilie battled Franklin’s Philadelphians, and lost two to one.

Gallatin promulgated the British-originated “Free Trade” economic doctrines that would be used against the Administration of President George Washington. As U.S. Treasury Secretary from 1801 to 1813, in a Federal government whose establishment he had opposed, Gallatin would respond to British naval assaults and terrorism by systematically dissolving the U.S. armed forces.

The Sovereign Nation

The new United States Federal Government first convened, temporarily, in New York City, where Washington was inaugurated President.

The first substantive legislation of the Federal Congress, the Duty Act, begins, “Whereas, it is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid on goods, wares and merchandises imported.” The Act had been introduced by Madison as a revenue measure with low tariff rates and no real thought to protection of manufactures. But Philadelphia Congressman Thomas Fitzsimmons offered an amendment, designed by his advisor Tench Coxe, that gave the legislation the protective spirit enunciated in the introductory clause.

Passed by the founding U.S. Congress and signed by President Washington on July 4, 1789, to associate nationalist economics with Independence Day, the Act imposed tariffs on imported steel (\$10 per ton), nails (\$20 per ton), cast iron, coaches, boots, shoes, hats, clothing, cables, cords, fish, liquors, and luxuries. It discriminated in favor of American shipping.⁹

Two months later, President Washington appointed Alexander Hamilton as the first U.S. Treasury Secretary, and asked him for a program for the transformation of America by modern industry, to reorient the country away from the de facto colonial system of plantations.

7. George Morgan, *The True Patrick Henry* (Philadelphia: Lippincott, 1907), p. 353, citing Hugh Blair Grigsby.

8. *The Life of Albert Gallatin* (Philadelphia: Lippincott, 1879).

9. See the Duty Act at Annals of Congress; Statutes At Large; 1st Congress, Session I, Chapter 3, 1789, pp. 24-27.

Coxe, author of the nationalist instructions to the Constitutional Convention, was appointed Assistant Treasury Secretary, and did the detail work for Hamilton's famous "Report on Manufactures." But it was Hamilton, a man of passion and true genius, who gave to this "Report" and his other state papers the distinct *American economic theory*, in opposition to Adam Smith and British imperial dogma.

Smith's 1776 *Wealth of Nations* had warned Americans not to try, by government action, to escape from their destined role as a plantation economy and supplier of raw materials to Mother Britain, the seller of manufactures to America.

Hamilton replied that America would not accept this as her destiny, that manufacturing skill would elevate American culture and national power, and keep it independent of the empire.

As contention arose between the nationalists and those identified with the plantation system, a *Great Compromise* was reached in 1790, arranged by Hamilton, Jefferson, Madison, and Robert Morris.

Of the three compromise points hammered out, the first two are well known: 1) The permanent capital of the United States would be located within slave territory, on the banks of the Potomac River between Maryland and Virginia. 2) In exchange, the slave-owners would not oppose the assumption by the Federal Government of the Revolutionary War debts of the individual states; this gave the national government real power over the credit of the country, holding out the promise that an industrial economy would one day overwhelm and eliminate slavery.

Point three of the 1790 Compromise stipulated that for the Republic's first decade, from 1790 until 1800, while the City of Washington was being built, Philadelphia, the power center of Franklin's nationalists, would be the national capital.

Thus it was that George Washington, as the U.S. President, resided in a Philadelphia house belonging to Robert Morris; that the world-renowned Bank of the United States, modeled on the Revolutionary War's Bank of North America, was established in Philadelphia; and that the ideas and culture of revolutionary na-



The first substantive legislation of the Federal Congress was the Duty Act. An amendment designed by Tench Coxe—author of the nationalist pamphlet to the Convention—was adopted, giving the legislation its protective spirit. It was signed into law by President Washington on July 4, 1789. (Portrait of Coxe by Jeremiah Paul.)

Whereas, it is necessary for the support of government, for the discharge of the debts of the United States, and the encouragement and protection of manufactures, that duties be laid on goods, wares and merchandises imported.

From the Duty Act, designed by Tench Coxe

tionism were infused into the founding Administration of the republic.

Today we are confronted with an economic nightmare in the collapse of the predatory, "globalist" financial system that has come to replace the *Constitutional* system founded with the United States. That original system was established in a war against the empire. The economy, and that Constitution, can only be restored together.

Recommended Further Reading

Nancy Spannaus, "Alexander Hamilton's Economics Created Our Constitution," *EIR*, Dec. 10, 2010.

H. Graham Lowry, *How the Nation Was Won, America's Untold Story*, Vol. 1, 1630-1754, Executive Intelligence Review, 1988.