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Thomas K. McCraw. The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy

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Thomas K. McCraw. *The Founders and Finance: How Hamilton, Gallatin, and Other Immigrants Forged a New Economy* (Cambridge, Mass.: Harvard University Press, 2012). Cloth \$35.00.

In 1789, thirteen independent states became a nation, but one lacking any sense of national purpose. The economy of the former colonies remained overwhelmingly agricultural and, despite their having ratified a federal constitution, the first loyalties of most individuals were to their states. Many also feared that an empowered central authority would lead to a return of monarchy and a class-based society.

In *The Founders and Finance*, Thomas McCraw explores how America found its common purpose through the establishment of a diversified economy. The author introduces an intriguing thesis that it was a handful of foreign born and educated Americans whose knowledge of the intricacies of credit-based finance provided the premise upon which the many became one. Using a biographical format, the author assesses in depth the contributions of the two men he credits with being the architects of what was to become the most prosperous free market economy the world has ever known: Alexander Hamilton and Albert Gallatin.

Hamilton, though orphaned in the Caribbean at age nine and largely self-taught, was so brilliant that by fourteen he held a responsible position with an export company. He learned not only the fundamentals of international business, but also self-reliance. His keen insight led not only to a thorough understanding of the British colonial system, but how much more prosperous the islands would have been had they united. As America's first Secretary of the Treasury, Hamilton's goal was to create the common interest necessary to unite the states into one nation. By nature he was bold, assertive and proud, traits that did not combine well with an equally quick temper, but they were just the qualities needed to convince an inexperienced legislature to adopt his visionary plan. The system he created was the foundation of "credit-based capitalism," which McCraw describes as "the most productive economic system ever devised..."

Born in Geneva but orphaned early in life, Albert Gallatin too learned the lessons of self-reliance. Raised by a wealthy spinster, he combined a brilliant intellect with an iron work-ethic to get the most out of his education. When he immigrated to America at age nineteen, his understanding of European finance was at least as sophisticated as

that of Hamilton. His fundamental nature, however, was very different. Though confident and assertive, he was tactful, and where Hamilton was inclined toward vanity, Gallatin was modest, even self-effacing. His talents were so evident that despite living on the western frontier of Pennsylvania, Gallatin was consistently elected to positions of local leadership and finally to the U.S. Congress, where he became a leader of the opposition against Hamilton's bold plans even earning fame for being one of the few capable of understanding them. Although Gallatin feared Hamilton's aggressiveness in expanding the power of the federal government and military, he agreed with the objective of a diversified economy. With Thomas Jefferson's election in 1800, Albert Gallatin became the third and, to date, longest-serving Secretary of the Treasury. His skills of tactful persuasion were so formidable that he was able to obtain the support of his agrarian President for initiatives that built upon Hamilton's vision of a diversified economy. His intellect, modesty and tact combined to make him indispensable as a diplomat. Nothing demonstrated that more dramatically than his leadership of the American delegation that settled the War of 1812 on terms that anticipated America's growth in wealth and power.

McCraw concludes that both Hamilton and Gallatin were visionaries. However, Hamilton's dream centered on America taking its place in the nexus of Europe and England, while Gallatin viewed America's expansion westward as the key to its future prosperity.

The author's use of biography is an effective vehicle for maintaining a clear line of focus for a highly complex subject matter, which might have been lost in a topical-analytical approach. This combined with a surprisingly clear writing style make this work readily accessible to a wide audience. Documentation is meticulous and incorporates characteristics of a bibliographic essay. Sources are well-balanced between primary and secondary, leaving one with the impression that very few stones were left unturned.

In distinguishing between the parochial bias of the native-born and the nationalist vision of foreign-born architects of our national economy, Thomas McCraw has made a significant contribution to understanding the origins of the American economy and adds an important if not critical chapter to the historiography of the early national period.

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