

The Roots of the Hamiltonian Credit System

Part 2 of 2

by Joanne McAndrews

The Roots of the Hamiltonian Credit System: Part 2: The Need for Independence

As the colonies fought to develop and to uphold the principles of the common good, the British sought to control and crush the colonies in every way possible. From appointing royal governors answerable to England, to the role of the East India Company in establishing a monopoly on trade.

The 1772 India Act in Parliament officially brought the East India Company into the British government for the first time by granting the Company the right to appoint four members to the British Board of Trade, in exchange for the government's right to appoint four members of the company's board of directors. The act also extended the Company's monopoly on the India trade for another 50 years.

Since the 1760s the British had been using the Stamp Act, The Iron Act and others to restrict the development of America and in 1773 they introduced a tax on tea. Already since the 1765 Stamp Act the colonial leadership had been organizing a non-importation movement in the colonies whereby no English-made goods would be bought in trade. Americans would make what they needed, including clothing, tools, iron, paper, and there was an almost universal refusal to drink English tea.

To break the boycott the East India Company, in 1773, tried desperately to land shipments of tea in America. In order to collect the Tea Tax it was essential that they land the tea. British East India Company ships first tried to dock at Philadelphia but the shipment was refused. Next they attempted a landing at New York and again they were refused. Their final stop was Boston, Massachusetts.

There was a major standoff and Bostonians held their ground, refusing to unload the tea. While the captains of the ships were prepared to turn around and leave, their bosses were not. The East India Company sent in warships threatening to fire on their own merchant ships if they attempted to leave the harbor without first being unloaded. Eventually the the Bostonians agreed to unload the tea. They boarded the ships and proceeded to dump every ounce of tea into the harbor!

With these actions, December 16, 1773 marked the point of no return in a battle for independence.

When the British Parliament passed the Intolerable Acts bill in 1774, violating the rights of Massachusetts, the colonies organized a meeting of their representatives, in Philadelphia, to coordinate a response. This became the first meeting of the Continental Congress. On July 4, 1776 that body issued a declaration of independence.

When in the Course of human events, it becomes necessary for one people to dissolve the political bands which have connected them with another, and to assume among the powers of the earth, the separate and equal station to which the Laws of Nature and of Nature's God entitle them, a decent respect to the opinions of mankind requires that they should declare the causes which impel them to the separation.

We hold these truths to be self-evident, that all men are created equal, that they are endowed by their Creator with certain unalienable

Rights, that among these are Life, Liberty and the pursuit of Happiness.--That to secure these rights, Governments are instituted among Men, deriving their just powers from the consent of the governed, --That whenever any Form of Government becomes destructive of these ends, it is the Right of the People to alter or to abolish it, and to institute new Government, laying its foundation on such principles and organizing its powers in such form, as to them shall seem most likely to effect their Safety and Happiness...

...We, therefore, the Representatives of the united States of America, in General Congress, Assembled, appealing to the Supreme Judge of the world for the rectitude of our intentions, do, in the Name, and by Authority of the good People of these Colonies, solemnly publish and declare, That these United Colonies are, and of Right ought to be Free and Independent States; that they are Absolved from all Allegiance to the British Crown, and that all political connection between them and the State of Great Britain, is and ought to be totally dissolved; and that as Free and Independent States, they have full Power to levy War, conclude Peace, contract Alliances, establish Commerce, and to do all other Acts and Things which Independent States may of right do. And for the support of this Declaration, with a firm reliance on the protection of divine Providence, we mutually pledge to each other our Lives, our Fortunes and our sacred Honor.

The thirteen colonies were now free and independent states but united as one under the Continental Congress and the Articles of Confederation. But as the fight to own that independence begins, the challenge of developing the nation, as a nation, rises to the surface. It is here that the genius of Alexander Hamilton comes into play.

SEPARATE STATES OR A NATION?

After the declaration of independence George Washington was assigned the task of leading the military forces of the thirteen states – however, each separate state had it's own separate militia. Each of the thirteen colonies had been previously acting independently to protect their colony, they had their own form of a governing body and their own militia, but now those colonies had to come together as states of a nation to fight together for their collective independence.

As these difficulties arise to the surface it is Alexander Hamilton, Chief of Staff to General Washington, that voices his concern that the Continental Congress is insufficient to ensure independence because it lacks the powers necessary to pull the states together as a one.

That body is no doubt chargeable with mistakes, but perhaps its greatest has been too much readiness to make concessions of the powers implied in its original trust. This is partly to be attributed to an excessive complaisance to the spirit which has evidently actuated a majority of the States, a desire of monopolizing all power in themselves. Congress has been responsible for the administration of affairs, without



The author Joanne McAndrews delivering presentation.

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the means of fulfilling that responsibility.

We ought, therefore, not only to strain every nerve for complying with the requisitions to render the present campaign as decisive as possible, but we ought without delay to enlarge the powers of Congress. Every plan of which this is not the foundation will be illusory. The separate exertions of the States will never suffice. Nothing but a well-proportioned exertion of the resources of the whole, under the direction of a common council, with power sufficient to give efficacy to their resolutions, can preserve us from being a conquered people now or can make us a happy people hereafter.

In discussing the problems within the military, in a letter to James Duane in September 1780 Hamilton states:

The confederation gives the states individually too much influence in the affairs of the army; they should have nothing to do with it. The entire formation and disposal of our military forces ought to belong to Congress. It is an essential cement of the union; and it ought to be the policy of Congress to destroy all ideas of state attachments in the army and make it look wholly up to them.

It may be apprehended that this may be dangerous to liberty. But nothing appears more evident to me, than that we run a much greater risk of having a weak and disunited federal government, than one which will be able to usurp upon the rights of the people. Already some of the lines of the army would obey their states in opposition to Congress...

The forms of our state constitutions must always give them great weight in our affairs and will make it too difficult to bend them to the pursuit of a common interest, too easy to oppose whatever they do not like and to form partial combination subversive of the general one.

In our case, that of an empire composed of confederated states each with a government completely organized within itself, having all the means to draw its subjects to a close dependence on itself - the danger is.... that the common sovereign will not have the power sufficient to unite the different members together, and direct the common forces to the interest and happiness of the whole.

PUBLIC CREDIT

To unify these states as a single whole Hamilton looks to question of public credit. In a 1781 letter to Robert Morris, who had just been made the Superintendent of Finance, Hamilton says:

I am happy in believing you will not easily be discouraged from undertaking an office, by which you may render America, and the world, no less a service than the establishment of American Independence! 'T is by introducing order into our finances - by restoring public credit - not by gaining battles, that we are finally to gain our object. 'T is by putting ourselves in a position to continue the war - not by temporary violent and unnatural effort to bring it to decisive issue, that we shall, in reality, bring it to a speedy and successful one.

The credit of the states was so poor that the means for carrying on and supporting the revolutionary war were almost non-existent. Wealthy merchants inside the Americas had money, so too did nations like France, but their distrust in the creditworthiness of the American states stopped them from loaning the money. They did not see the states as having the means to pay the loans back.

To surmount these obstacles, and give individuals ability and inclination to lend in any proportion to the wants of government, a plan must be devised which, by incorporating their means together and uniting them with those of the public, will, on the foundation of that incorporation and union, erect a mass of credit that will supply the defect of moneyed capital, and answer all the purposes of cash.... I mean the institution of a national bank!

In this same letter Hamilton proceeds to lay out the articles to establish a bank and several days later the charter for the Bank of North America is signed into law. In January 1782 the bank opened for business.

The Bank of North America had a stock of 3 million pounds - 30,000 shares at \$100 each with each share being exempt from all public taxes as a way of encouraging people to invest their money. The bank was to lend Congress 1,200,000 pounds, to be paid off at 110,400 pounds per year over 20 years. The key to this agreement however, was that the separate states pledged themselves for this sum.

With the creation of the bank came the creation of a national debt that the states were obliged to pay back, binding the states together as a single whole and creating the funding necessary to purchase the materials to win the war.

Interestingly, 63% of the shares were actually purchased by the government itself. France agreed to make a loan to the Continental Congress and Robert Morris used that money to purchase shares in the bank. Morris deposited gold, silver and bills of exchange from loans from the Netherlands and France into the bank and then issued a new paper currency backed by these deposits. The bank was authorized to take deposits and make loans directly to the public.

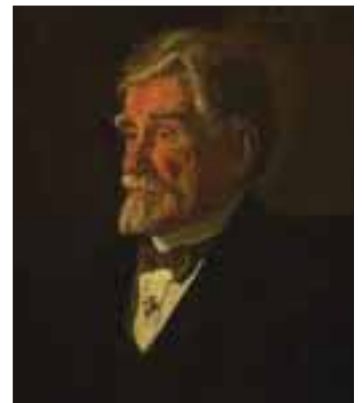
Congress must deal plainly with their constituents. They must tell them that power without revenue is a bubble; that unless they give them substantial resources of the latter, they will not have enough of the former either to prosecute the war or to maintain the Union in peace: that, in short, they must, in justice to the public and their own honor, renounce the vain attempt of carrying on the war without either, a perseverance in which, can only deceive the people and betray their safety.

The states did not want to give up their control so it was through the Bank of North America and the creation of a national debt that the states were unified. This is a private bank and that private bank lent money to the government so that the war of independence could be funded and the individual States went guarantor on that new national debt.

Hamilton further states:

A national debt, if it is not excessive, will be to us a national blessing. It will be a powerful cement of our Union. It will also create a necessity for keeping up taxation to a degree which, without being oppressive, will be a spur to industry, remote as we are from Europe, and shall be from danger. It were otherwise to be feared our popular maxims would incline us to too great parsimony and indulgence. We labor less now than any civilized nation of Europe: and a habit of labor in the people is as essential to the health and vigor of their minds and bodies, as it is conducive to the welfare of the state.

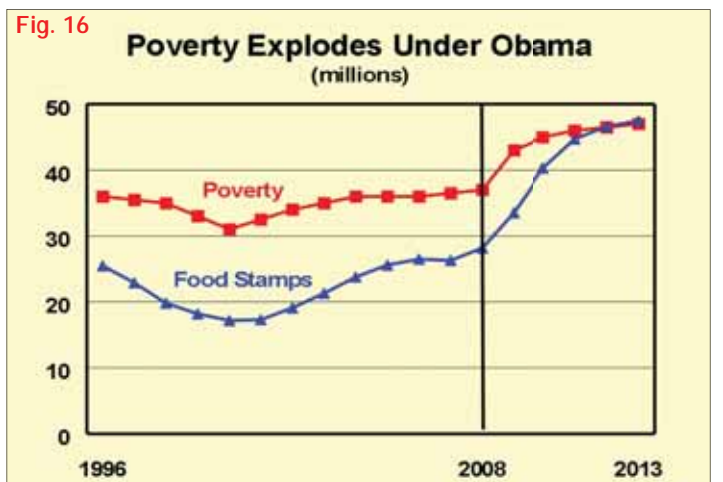
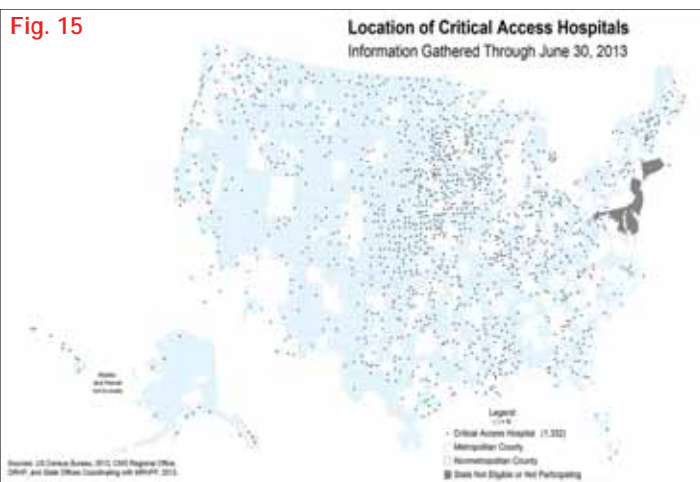
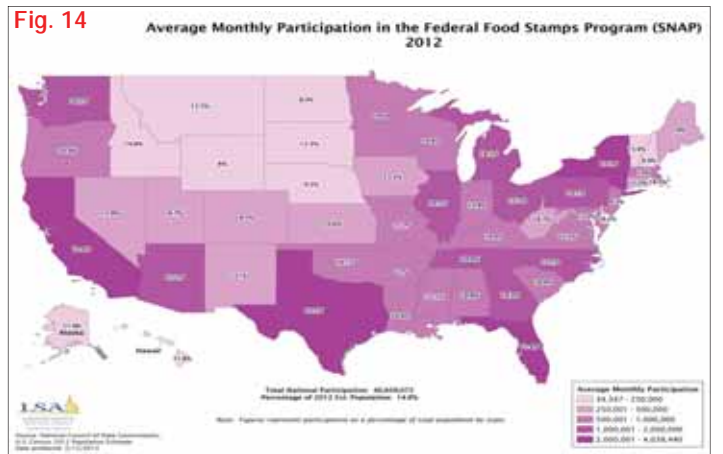
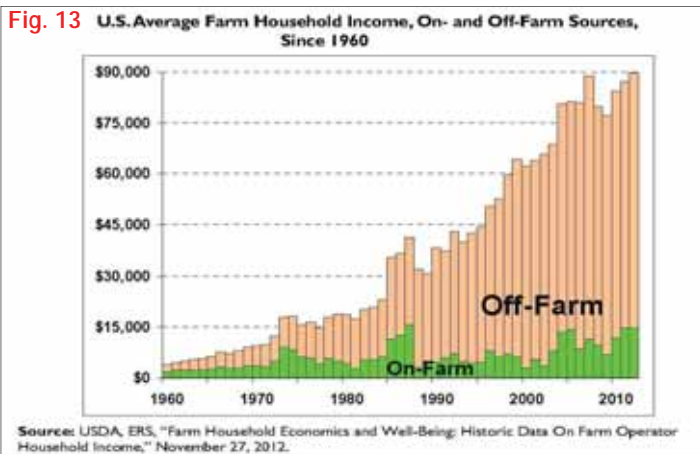
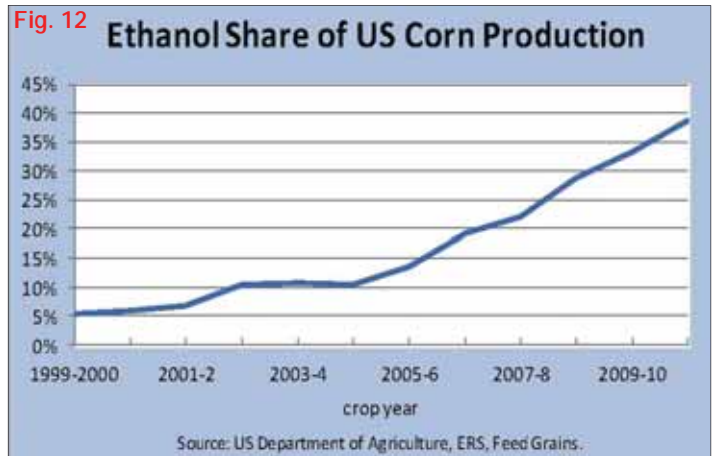
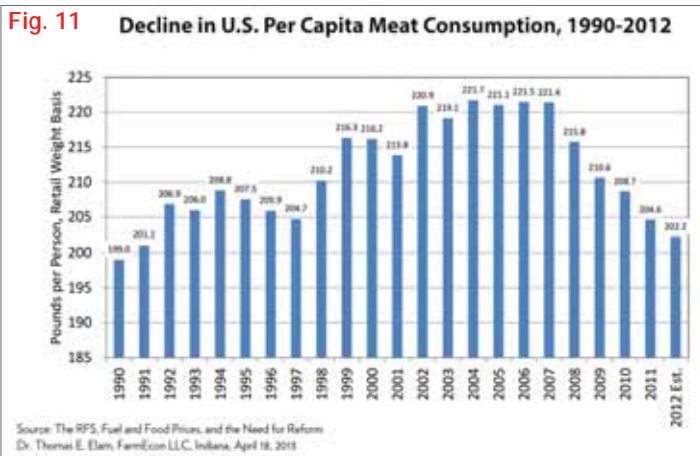
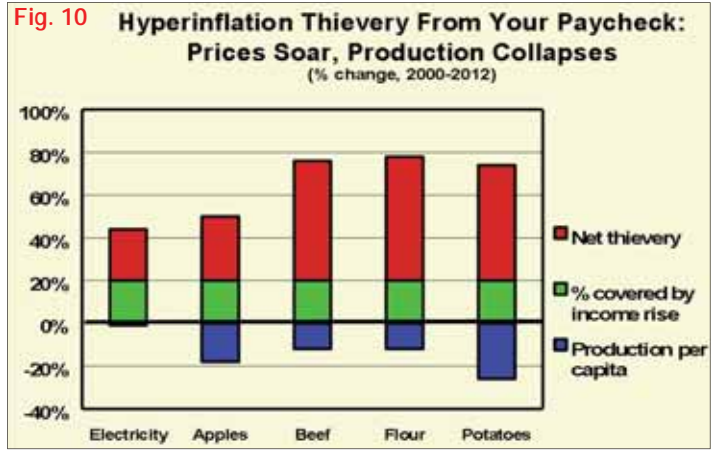
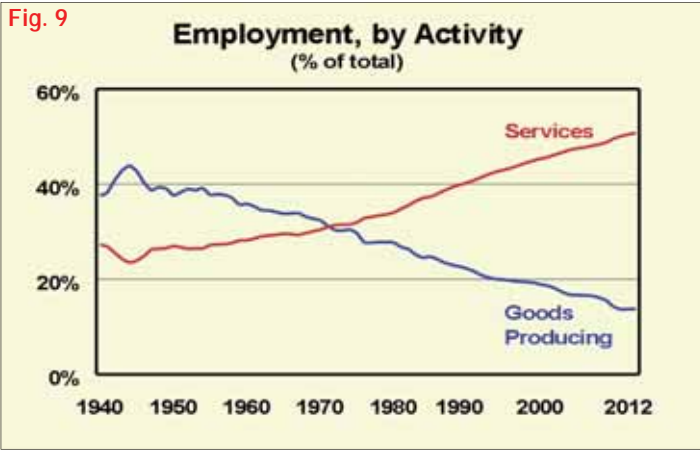
Through the creation of a public debt the newly independent states were unified as a one and given the necessary means to fight and defeat the British Empire. As freedom was won and new nation began to grow, these same means of unification, through the creation of a public debt for the means of building the future, were to be again utilized by Hamilton.



Left, Alexander Hamilton. Right, Austrian Hamilton: King O'Malley.

The Physical Economy is Collapsing

From Page IV



Without a Hamiltonian Credit System, the Physical Economy is Collapsing

The following graphics were produced to illustrate the 15 November 2013 LaRouchePac webcast, on the physical economic collapse in the United States and Europe. See p. 7 for a summary of the presentation.

