VI. ECONOMICS OF THE NEW FRONTIER II: LIBERATOR AND LENDING-LORD

"Thoughts are like arrows; once released, they strike their mark. Guard them well or one day you may be your own victim." Navajo
"I love a people who do not live for the love of money." Duwamish

Platon in his allegory of the cave uses the comparison of shadows thrown at the wall of a cave to describe our limited perceptions and he uses the image of leaving the cave to embark upon broad daylight to describe the discovery of higher realities. Economics up to that point was indeed little more than flickering shadows thrown against a dark rock wall, although with the Physiocrats a glimpse of daylight broke into the darkness of Platon's allegoric cave. With the advent of Paine's *Agrarian Justice*, Franklin's *Way to Wealth* and now Thomas Jefferson's *Declaration of Independence* and his attempts to implement the economic way mapped out by Franklin and Paine we are indeed fully entering the Economics of the New Frontier which appear to what came before as the sunny daylight appeared against uneasy shadows thrown into the darkness by a flickering fire. Much has been written about the *Declaration of Independence*, but all too little about its economic aspects and about Jefferson's vision of Agrarian Economics in general.

It's worth looking at the man and his economic message in more depth and detail.

Thomas Jefferson was born on a Virginia plantation April 13, 1743 and died July 4, 1826 in Montecello. He shares his death date with his former rival and later friend John Adams. Their running against each other in the elections of 1796 and 1800 set the precedent of acerbic criticism against the opposing candidate with often little relation to the actual differences. No amount of mud-slinging may yet doubt the sincere patriotism of either men. It is not only chiseled in stone, it is chiseled in eternity. Eminent enlightenment philosopher that Jefferson first and foremost was he designed his own epitaph which is as revealing through its omissions as it is for its actual text.

"Here was buried THOMAS JEFFERSON Author of the Declaration of American Independence of the Statute of Virginia for Religious Freedom and Father of the University of Virginia."

There is no mention of him having been two-term US President [1801-09] who doubled the US territory through the Louisiana Purchase without a shot being fired, no mention of him having been the first US Secretary of State[1790-93]

under Washington and Vice-President[1797-1801] under John Adams, his having been Governor of Virginia[1779-81] and Ambassador to France[1784-87] following Franklin, or revolutionary Virginia State Legislator [1776-79] who cemented democratic first principles in the State's legal code.

Jefferson was an agrarian reformer and revolutionary who carried principles of the French Physiocrats to their logical conclusion. In his revision of the Virginian legal code 1776 two cornerstones of his land policies were immortalized:

- ξ The repeal of the laws of entail which were designed to keep property in the hands of a proprietor and his offspring for an indefinite period
- ξ The abolition of primogeniture, i.e. the legal tradition of bequeathing an estate only along the lines of the eldest male inheritor

Both were adopted within a decade. Both measures ascertained the breaking-up of large landed estate which would have turned Virginia and the United States into a kind of land-lord-ruled rack-rented nation that Britain was over Centuries and is is too a certain extent to this very day. That the US has not turned into another blunt and overt landlordist society or rather has not done so as fast we owe to nobody more than himself. It is one of the many ironies of history that Jefferson did lead the life of a slave-owning country landlord, an institution that he actually helped to abolish. Under his legislative effort capital punishment was abolished for all offenses other than murder and treason, and while slavery was not abolished during his life-time Jefferson managed to have a law pass 1778 that prohibited at least the importation of slavery. The abolitionist impulse of Jeffersonian legislation was carried further in the Northwest Ordinance of 1787 which stipulated the exclusion of slavery after 1800 in the Western territories Northwest of the Ohio River ceded to the US by Virginia in 1784. We will hear more of the anti-slavery stance and activism of Jefferson shortly.

The epitome of Jefferson's revolutionary agrarianism may be gathered from a letter written to him by his friend Thomas Paine, February 16, 1789, then emissary in London to Jefferson in Paris as he was preparing to return home with his two daughters Martha and Mary and Sally Hemings who was to carry his son Thomas Hemings under her heart.

Paine is predicting correctly that 1789 will be an Anno Mundi or Anno Domini, that is a year always to be remembered globally and then he continues: "To enrich a nation is to enrich the individuals which compose it. To enrich the farmer is to enrich the farm - and consequently the landlord; - for whatever the farmer is, the farm will be. The richer the subject, the richer the revenue, because the

consumption from which taxes are raised are in proportion to the abilities of people to consume; *therefore the most effectual method to raise both the revenue and the rental of a country is to raise the condition of the people*, - or that order known in France by the Tiers Etat [Third State of Society]." Two paragraphs down Paine confirms the free trade doctrine of the Physiocrats: "*I hope then to see the [Dutch river] Scheldt reopened, for it is a sin to refuse the bounties of nature.*" [The Italics are added].

This passage so characteristic of Jefferson's and Paine's Agrarian Philosophy makes abundantly clear how firmly it is grounded upon the tenets of Physiocracy while carrying a step further what is basically still a set of aristocratic doctrines of Quesnay and Turgot to help the monarchy in a more intelligent way than Mercantilism. To increase wealth by raising the condition of the people is in no wise a royalist or aristocratic philosophy, it is in an intense and revolutionary way democratic! It is clearly Anti-Mercantilist in its body, thrust, and intention. It is furthermore a philosophy the liberating and libertarian explosiveness of which the world had never seen up to this point, the full potential of which has been far from exhausted. 1789 and its ideas and events was a "world year" to be remembered, indeed!

From his epithet it can be gathered that Jefferson wished to be remembered not as an even great founding father, political leader, party founder, diplomat or adroit political manipulator but as a groundbreaking revolutionary freethinker and educator. The Virginian Statute of Religious Freedom set the precedent in the New States against an Anglican State Church and for the separation of Church and State set forth by Montesquieu and the founding of the University of Virginia set a standard of popular education and academic excellence that has been emulated ever since. Jefferson saw clearly that education is an indispensable corroborative of democracy and needs to be as widespread as possible and cannot be left in the hands of a small monied and landed or monopolizing class. His ideas of an education for all have yet to be implemented in their full extent 225 years after their conception.

It is, however, in the Declaration of Independence that this eminent man, primus inter pares, even among the great and greatest made his most lasting mark. To borrow an image of the German Romantic poet Heine: The Declaration was "as if written in fire against the skies of night." Now the Declaration of Independence means many things to many people. It has been called "our secular scripture", our "ticket to democracy", the "death knell to despotism" and many other things. We would like to concentrate here only on what it left out, oddly enough an aspect both intensely related to Humanism, Egalitarianism, and Economics which had it

been included it might have avoided or at any rate to a great extent minimized and curtailed the US Civil War. One of the requirements of a true science has to be the ability to make accurate predictions about the future. Jefferson in his later years was called without exaggeration the "Sage of Montecello". Now, one quality of the wisdom of a sage is that it can not only predict but foresee things in other words: a corollary of wisdom is vision or the capacity to behold things to come.

In his *Autobiography* Jefferson not only prints the entire *Declaration of Independence* he also prints those passages that his fellow congressmen through the democratic process forced him to take out. The "he" in the left-out passage cited below refers to the King George III:

"He has waged cruel war against human nature itself, violating it's most sacred rights of life and liberty in the persons of a distant people who never offended him, captivating and carrying them into slavery in another hemisphere, or to incur miserable death in their transportation thither. This piratical warfare, the opprobrium of INFIDEL powers, is the warfare of the CHRISTIAN king of Great Britain. Determined to keep open a market where men should be bought and sold, he has prostituted his negative for suppressing every legislative attempt to prohibit or to restrain this execrable commerce. and that this assemblage of horrors might want no fact of distinguished die, he is now exciting those very people to rise in arms among us, and to purchase that liberty of which he has deprived them, by murdering the people on whom he also obtruded them; thus paying off former crimes committed against the LIBERTIES of one people, with crimes which he urges them to commit against the LIVES of another."[9]

Above we have discussed the humanitarian abomination called slavery and we have discussed its non-sense even in economic terms. Had Jefferson been able to persuade his countrymen to abolish slavery at the outset of the foundation of the New Nation, rather then having these abolitionist passages be deleted in their entirety from the Declaration there is a great likelihood that the Civil War would not have happened, countless lives and countless horrors would have been avoided. We have said that the Declaration meant many things to many people. It is not the place in a history of economic thought to discuss the consort of a president, however great he may be. That much, nevertheless, needs to be said. A United States legally abolitionist from the outset would have had Sally Hemings as de facto 3rd First Lady after Martha Washington and Abigail Adams and the Declaration of Independence with its unexcised passages would need to be read if not as a love declaration confirming legitimate gender relationships between different ethnic groups then at least as a marriage proposal from Thomas Jefferson

[9] . *The Autobiography of Thomas Jefferson* [1743-1790], ed. by Paul L. Ford, Univ. of Penn. Press, 2005, p. 39-40

to Sally Hemings. Much mudslinging has been engaged in the matter even during Jefferson's time. Allegations about Jefferson's "Congo harem" were more than the Lewinsky scandal of the election of 1800. As has now been ascertained beyond any reasonable doubt through DNS analysis and documents that Jefferson and Hemings had an apparently happy and fulfilling relationship spanning 38 years and including 7 children and including significant sacrifices towards the maintaining of this relationship from both sides. In a less bigoted and less racially biased society there would have been no reason whatsoever not to give this relationship a legal and legitimate expression. And America received a practical plea for ethnic equality 80-some years before Lincoln and 180-some years before with JFK a 2nd president was assassinated both for advocating nothing but just that.

The pivotal point around which this fight of the Future against the Past, the New against the Old, the Progressive against the Reactionary, the Breaking-in of the Great Now into the Eternally Obsolete revolves is the election campaign of the year 1800. And of the two great antagonists against the historic protagonists Franklin, Paine, and Jefferson, here regarded as economists of the New Frontier par excellence, John Adams and Alexander Hamilton, the later is the more dangerous and economically and intellectually heavy-weight.

In his book *Adams vs. Jefferson - An Analysis of the Presidential Campaign 1800*, John Ferling[10] prints a telling comparison between the goals of the Federalist Party of Adams and Hamilton against the Democratic-Republican Party of Jefferson, Madison, and Monroe. He adds that the list was drawn up by a Republican writer, which does not diminish either its usefulness or its factuality. We give the enumeration below slightly simplified and abridged:

FEDERALIST	DEMOCRATIC-REPUBLICAN
1. Against the principles of 1776	Pro 1776
2. Monarchist	Anti-Monarchist
3. Bent on war with France	Pro-peace
4. Anti-people	Pro-people by government of reason
5. Anti-immigrant	Pro-immigrant
6. Pro-rich	Pro-social justice
7. Support of State Church	Pro-religious freedom/separation of church & state
8. Increase of public debts & taxes	Pro-reduction of public debts & taxes
9. Foreign affairs prone	Isolationist
10. Use of Sedition Act against free press	Pro-free press/freedom of expression

[10]. Oxford Univ. Press, 2004, p. 148

With only slight alterations like substituting FDR's term "economic royalists" for "monarchist", "nation building" for "foreign affairs" and "domestic" for "isolationist" this juxtaposition of principles can be taken as the party programs of the Republican and the Democratic Party in the 3rd Millennium.

The reason why John Adams does not grace a dollar bill like the other founding fathers including Hamilton is that with the ratification of the Sedition Act he instituted an early form of McCarthy witch-hunt against political opponents, something profoundly anti-democratic which would put the entire freedom and liberty aspect of the Constitution in jeopardy.

Who now was Alexander Hamilton?
Again it is necessary that we first wipe clean the public mind slate of clichés, prejudices, and misconceptions. We have come to regard Hamilton as a kind of hyper-patriot, financial wizard like Turgot, and an economic innovator who brought 20th and 21st Century know-how and finances and asset management to a country, the US, ruled by a bunch of backward country hicks - we are talking about "hicks" as backward and "hicky" as Franklin, Washington and Jefferson - who would otherwise had it not been for the help of this great proto-modern genius never have been able to exit their 18th Century backwardness. As we shall see he certainly was none of that but instead he was a reactionary war-mongering hotspur – a characterization he himself would have taken as a compliment rather than an insult - who was looking for military action and glory rather than immortality as a financial theorist.

Let's look at the facts:

Alexander Hamilton was born January 11, 1757 on the British West Indies, British sources say 1755 and he died in a duel from the hand of Aaron Burr on Weehawken Heights, New Jersey in the early morning hours of July 11, 1804. The period in which both Hamilton and Jefferson lived is called the Romantic or Heroic Age by cultural historians and indeed it is not short of romantic and heroic or pseudo-heroic incidents. The highest office Hamilton held officially was that of First Secretary of Treasury under Washington [1789 – 1795] and has set the tone and style if not the substance of that position for decades and centuries to come. He himself conceived of that office as a kind of Prime Ministership to Washington's in his eyes merely representational office of First President and as a confidante of Washington he continued to meddle in everybody else's affairs

including those of Jefferson as Secretary of State after he had left the Cabinet in January 1795.

Had Burr's bullet not found him we would doubtlessly have seen him in the gallery of first presidents and we would have had with equal doubtlessness further wars with Spain and France in that period. He was not a traitor and as out of his mind as Burr but he might well with his excess of aggression on the international stage have managed to break apart the Union before it was even fully established.

Forrest McDonald in his *Hamilton* biography[11] writes in a telling chapter *The Duel with Jefferson [sic!] 1793*:

"In 1790 Britain and Spain had almost gone to war over their American possessions, and a question involving the United States arose. *If the war materialized Britain might decide to send troops overland from Canada to attack the Spanish at New Orleans, which would involve the passage of British troops through the uninhabited interior of the United States.* Washington requested written opinions from his department heads as to whether right of passage should be allowed if Britain should request it. Jefferson's response was prompt and brief. He said that British seizure of Spanish Louisiana and Florida would be such a calamity that the United States should go to war if necessary to prevent it. ... Hamilton was slower, more thorough, and more cautious in formulating his reply ... He dismissed the idea that the United States should side with Spain and its prospective ally France out of gratitude for services those countries had rendered during the American Revolution. He agreed that British control of the Mississippi would pose a danger to the United States ..."

Hamilton's recommendation to Washington then boils down to a policy of strict neutrality, i.e. letting the British in through the back door and continuing to let them do as they please. Had Washington heeded his "prime minister's" advice the US of A might have come to an end right then and there.

Hamilton was the founder of the first political party in the US, the Federalists with John Jay. Never has there been a greater twisting of meaning, a greater misnomer in a field that is full of specious labels for programs to disguise their true intent. The Federalists were not in favor of federalism as opposed to centralism of government, state rights and governments over federal rights and the federal government:

[11] . Norton and Co., NY 1979, p. 266-267

- ξ they were actually in favor of a strong central government and against power of the states
- ξ They were in favor of Big Government and Big Intervention to form a strong industrial-commercial and financial system
- ξ They wanted to transform America from an agrarian-based into a manufacturing-based economy

For Jefferson it had indeed been the opposite: The manufacturing sector was the "handmaid" to the powers and resources of the land. In his advocacy of "protective tariffs" and in his following slavishly British overall trade policies Hamilton is clearly Mercantilist, in his following Smith on the points strengthening manufacture and the upcoming Industrial Age he is partly classicist:

- ξ Increased productivity through the division of labor
- ξ Enhancement of industry through extended use of machinery
- ξ Creating employment through that extended us
- ξ Expansion of domestic markets

Hamilton's strongest point was the advocacy of the assuming of all outstanding state debts by the federal government. This would set a precedent of legal surety and create a capital fund to promote commerce, manufacture, and agriculture. His second strongest point was the advocacy of a Central Bank which would later become the Federal Reserve Bank. Among his many weak points is his armed suppression of the Whiskey rebellion which was directed against the excise tax in Western Pennsylvania. Had he lived longer he would have come down to us not as the archetypical Secretary of Treasury - Albert Gallatin, Jefferson's Treasurer did as competent a job more in sync with a peaceful foreign policy and the prudent management of natural resources - he would have come down to us as a kind of second Custer or TR gung-ho and hell-bound for all and every occasion to enhance his personal glory through shedding lives of his subjects and "economic royalist" may well have been a term explicitly coined for him.

Platon describes the prerequisites of the true philosopher-king in his Republic. Today his recommendations hold as true for any philosopher-president. Among them is an unusually long apprenticeship and education before gaining public office which may well extend into the forth and fifth decade of human live. He also stipulates a mandatory precondition: genuine disinterestedness and lack of personal interest in the public office. On the score of educational preparedness Jefferson and Woodrow Wilson would have faired obviously highest. On the score of disinterestedness Washington and Jefferson would have led, both of them ever and genuinely ready to return to their farms and their land. On the last score

Hamilton would have received an F, in fact his very undisintestedness and ambition it was what led to his untimely and premature death.

As deplorable as this tragedy is on a personal level the United States may have been spared greater and more extended tragedy on a national and historic level. Those who raise the sword shall perish by the sword, says the Scripture and a hotspur like our frustrated general may well have been the original addressee its authors had in mind. The reason why Hamilton does not take part in the gallery of US Presidents is that there may well have not been any United States left at the end of his term. And that might have been as well and a continuous Little Big Horn on an extended national scale is not anything that any one needs including the much harassed and maligned American people.