The Republic of Virtue and the Empire of Liberty

by

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ABSTRACT

Two quite different, but equally plausible, theories of the "cause" of Union in 1787 have been put forward, first by Charles Beard (1913), and then by William Riker (1964). Beard's thesis was that the preferences underlying the Ratification were generated by economic interests associated with capital -- the differing interests of "merchants, money lenders and financiers" against "farmers and debtors." Riker, in contrast, focused on the clear threat posed by Spain on the Mississippi. The confederation was too weak, politically and militarily, to face this threat. Voting by the States, over Jay's attempt to negotiate with Gardoquin, suggested to Madison that the weak Confederation would fragment as states followed their differing geopolitical interests. To bind them together required a federal apparatus. This apparatus could both deal with the military threat, and, by enforcing a hard money principle, exercise the fiscal discipline required for economic growth. While both Beard and Riker were thus correct, there was one aspect of Union that they did not discuss. Prior to 1787, democracy was feared because of its potential for factionalism. Madison's deep argument in "Federalist X" allayed the fear of factionalism and helped create a winning Federalist coalition. In the 1790's, it became obvious that Hamilton's scheme to construct a powerful fiscal machine based on a "Walpole equilibrium," would benefit capital over land. This led both Jefferson and Madison to the creation of a 'loyal opposition party' in the manner of Bolingbroke. The economic logic underlying the Republican party was, thus, a conflict, again, but this time between the interests of land and capital. This Republican coalition, and later, the Democracy depended on the coincidence of interests between the agrarian concerns of both free labor and slavery. From 1800 to 1860 this coalition dominated U.S. politics.

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The Republic of Virtue and the Empire of Liberty

1. The Empire for Liberty.

In 1781, Edward Gibbon published his third volume of *History of the Decline and Fall of the Roman Empire*. Near the end he comments on the "sad prospect of misery and desolation" in the Italy of the reign of the Barbarian Odoacer (after 476 CE). Then later, surprisingly, he goes on to comment

"Should the victorious Barbarians carry slavery and desolation as far as the Atlantic Ocean,… Europe would revive and flourish in the American world, which is already filled with her colonies, and institutions." (Gibbon, 1994 [1781], 514).

Ever since the end of the Roman empire, the causes of its decline have been debated. Salvian (born 400 CE) had noted that even as the empire died, "the poor [were] dying of the increase in taxes that they already found too great for endurance." [quoted in Grant, 1998: 26]. Of course, as the western Roman empire died, the eastern, based in Constantinople (and founded in 330 by Constantine the Great), flourished. The great church there, Hagia Sophia, was finished in 415 CE. During the reign of the eastern emperor, Justinian (527-565 CE), North Africa, and part of Italy (including Ravenna) were re-conquered by his general, Belisarius. The magnificent church of S. Vitale in Ravenna (rivaling Hagia Sophia) was consecrated in 547 CE. Gibbon's later volumes, describing the transformation of the western Roman empire into its long-lived Byzantine offspring, would not be published until 1788. However, it is not far-fetched to believe that the Founders of the American Republic considered themselves to be creating a new Constantinople, a new "Empire for Liberty" in the West.¹

In his draft of the Declaration of Independence, Thomas Jefferson accused the British King, George III, of

abolishing the free system of English laws in a neighboring province, establishing therein an arbitrary government and enlarging its boundaries, so as to render it at once an example and fit instrument for introducing the same absolute rule into these states (Peterson, 1984: 21).

The action that Jefferson referred to was the passing of the Quebec Act in the British Parliament, in 1774, removing the entire Ohio valley from the grasp of the Colonies and placing it under the jurisdiction of Quebec. Jennings (2000: 169) sees the response of the Colonies to this act of tyranny as the beginning of the creation of an American empire. Indeed, the success of the Colonies in the War of 1776-1783, the Louisiana Purchase in 1803, and the appropriation of the Floridas in the War of 1812-1815 can all be seen as part of a consolidation of a land empire, very different from the commercial or mercantile empire of Britain.

Although Hamilton and Madison were agreed in 1787 in the necessity of constructing a federal Union, their conceptions of how this Union would evolve became very different during the administrations of Washington and John Adams. I contend that these differing conceptions can be identified with an implicit conflict between the imperatives of land and capital. In Britain, this conflict was resolved in a

¹ Jefferson used the expression "Empire for Liberty" in his letter to Madison in 1809 when discussing the threat from France (Smith, 1995: 1586).
particular institutional fashion, by what I shall term the Walpole equilibrium. In a sense this equilibrium set Britain on a path to its commercial empire, allowing it to contend with, and eventually defeat, France. Both Hamilton, and John Adams inferred a certain constitutional logic from Britain's success, and attempted to utilize this in reconstructing the institutions of the new Union.

During the Constitutional Convention and Ratification Debates of 1787, the ideas of Montesquieu (Richter, 1990) on the cause of the decline of Rome, and of the soundness of the British Constitution, played a significant rôle. It was these ideas, together with inferences drawn from the British experience during the premiership of Walpole in the early part of the century, that particularly influenced Hamilton. Walpole's protagonist, Bolingbroke, had, however, argued that the British constitutional equilibrium required the subservience of land to capital. When the nature of Hamilton's fiscal apparatus became apparent to Jefferson and Madison in the 1790's, they took Bolingbroke's arguments, and fashioned them into a new ideology, associated with the idea of the Empire for liberty. In my view, this Empire was characterized by the predominance of land over capital. To sustain the resulting equilibrium it was necessary to create a coalition, firstly of Jeffersonian Republicanism and then of the Democracy, between the Southern slave states and free labor in the West. This coalition was remarkably successful, and only failed to maintain itself in the tumult of 1858-60.

In the sections that follow, I shall first pursue the consolidation of the land empire up to 1815, focusing on the related issues of foreign threat and debt. In Section 3, I shall examine the logic of the Republic, as argued by Madison and Hamilton in the Constitutional Convention and the Federalist. Section 4 gives an outline of the nature of the Walpole equilibrium in Britain, as well as a précis of the reasons for Bolingbroke's opposition. In Section 5, I argue that the logic of Bolingbroke's opposition was invalid for the British situation, but correct for the Americans. Indeed, I contend that Madison's argument in "Federalist X," to the effect that only presidential choice could be fit in the Republic, gave added force to the Madison-Jefferson position in rejecting Hamilton. Hamilton's attempt at recreating the Walpole equilibrium would, by my analysis, have created a commercial economy damaging to agrarian interests. Thus the ideology of Bolingbroke, the theory underlying the Federalist, and the economic agrarian interest coincided, and led to the creation of the Republican coalition. I conclude with some comments on the long term effects of the Jeffersonian coalition.

2. Quandaries of Foreign Threat and Debt.

Many necessary causes of the Declaration of Independence have been proposed. Schofield (2002a) argues that a significant necessary cause arose out of the success of the British in their war with the French in 1756-63. By taking Quebec, and thus the Ohio Valley and the eastern bank of the Mississippi, the British found themselves caught between the desire of the American colonists to settle the interior, and the anger of the Indian tribes at this intrusion. By declaring the Proclamation line of 1773, passing the Quebec Act of 1774, and manning a line of forts (at considerable expense), the British attempted but failed to restrict settlement. This effort at restriction was perceived as British tyranny and hastened the move to independence. However, by themselves the colonies had little hope of success. French aid was promised (in May 1776) by Louis XVI, and his minister Vergennes; this promise was the trigger for the Declaration of Independence on July 4. However, the Spanish had been ceded the west bank of the Mississippi by the French in 1783. Their patrols, departing from St. Louis during the revolutionary war, claimed areas near the Great Lakes in Michigan, etc. After the success of the Americans in 1783, the Spanish suspended the right of deposit (transfer of goods from barge to ship) at New Orleans. John Jay attempted by treaty to deal with the Spanish, accepting this closure in exchange for trade privileges in the Caribbean. Madison, in a letter to Jefferson, in August 1784, vehemently objected (Smith, 1995: 341). More importantly, since seven of the thirteen states approved the treaty, Madison feared the Confederation would collapse. This threat by Spain can be seen as a necessary cause of the Convention meeting in 1787 to create the constitutional framework of Union (Riker, 1964).

2 Jefferson was certainly well versed in the works of Bolingbroke, as well as Montesquieu, and recent histories. For example, in 1771 he had written to Skipwith about a gentleman's library. His list included Montesquieu's Considerations and Spirit of the Laws, the eleven volumes of Bolingbroke's political and philosophical works, a biography of Belasarius, as well as Hume's History of England and Essays [Peterson 1984: 744].
From the perspective of this paper, the purpose of the Federalists, in proposing Union, was to construct an Empire, diverse in population and extent, that would somehow preserve liberty. Although the Union created by the federal ratification of 1788 was limited in population, it was almost unlimited in potential population and extent. Indeed, Madison's famous argument in "Federalist X" (Rakove, 1999; 160) was that diversity itself was crucial for the stability of the republic. For Union to be successful at thwarting foreign threat, it had not only to help maintain cooperation between the various states, but had to involve an efficient fiscal apparatus. It was obvious to the Founders that Britain, perceived as one of the aggressive European powers, was a threat precisely because of its capacity to engage in war. Since war involved debt (as everyone knew from the experience of 1776-1783), fiscal efficiency meant managing debt. Britain had created a fiscal apparatus, involving the Bank of England, the South Sea company and the East Indian company in the early 17th century. However, this apparatus entailed (according to Bolingbroke) a profound corruption. The fiscal quandary was how this corruption could be avoided.

After the Ratification period, France entered into its Revolution, and any threat from France was muted until after 1796. The treaty negotiated by John Jay with Britain in 1794, ratified by Congress and signed by Washington, provided for the British evacuation of the northwest posts, and opened up "full settlement of the Ohio Valley" (Johnson, 1997: 226). However, the treaty also opened up the Mississippi to British traders, and failed to address American grievances against impressment (Ketcham, 1971: 357). In a letter to Monroe (December 20, 1795), Madison spoke of the Federalists as the British party, and considered any support for it to be due to the influence of British capitalists (Rakove, 1999: 555).

During John Adams' administration (1797-1800), France and the U.S. were engaged in what became known as a quasi-war. The Alien and Sedition Acts (1798), passed by the Federalists, were declared to be war measures, and caused Vice President Jefferson to abandon his office. Of equal concern to Madison and Jefferson were the imposition of a war tax on land, and the request to borrow $5 million for the effort against France. The slaves of Sainte Domingue (Haiti) under Toussaint L'Ouverture, influenced by the French Revolution, had revolted against their masters, but had not yet declared independence from France. The embargo that had been imposed against the rebellion was lifted by Adams (much to Jefferson's disgust) and the American fleet, such as it was, sailed to Sainte Domingue to show support for Toussainte (McCullough, 2001: 519).

In September 1798, Jefferson drafted the Kentucky Resolutions. These seemingly denied that the Constitution was a compact among the people.

Whensoever the General government assumes undelegated powers, it's [sic] acts are unauthoritative, void, and of no force: that to this compact each state acceded as a state… each party has an equal right to judge for itself [Smith, 1995: 1080].

The Virginia Resolutions, drafted by Madison, went further.

[I]n case of a deliberate, palpable and dangerous exercise of other powers not granted by the said compact, the states who are parties thereto have the right, and are in duty bound, to interpose for arresting the progress of the evil (Rakove, 1999: 589).

The resolutions were passed in their state legislatures on November 16 and December 24, 1798 (McDonald, 2000: 41).

Meanwhile, Adams resisted Hamilton's pressure for aggression against France, and continued with his cautious negotiations (McCullough, 2001: 531). The death of George Washington on December 14, 1799, and the news somewhat later of the Coup d'Etat of 18 Brumaire (9 November) 1799, making Bonaparte First Consul, seemed to end both the Federalist period and the French Republic. Public perceptions that the Republicans were more likely to bring peace with France probably contributed to the legislative victory over the Federalists in New York in 1800. This victory was to prove the key to Jefferson's presidential victory in November 1800. News did reach the U.S. in mid November that Bonaparte had agreed to a treaty of friendship, but this was too late to affect the election (McCullough, 2001: 552).

In the November election, ten of the sixteen states chose their electoral college representatives by vote of the state legislatures. In the college, Jefferson and Aaron Burr won 73 each to 65 for Adams and 63
for Pinckney. McCullough notes that Adams would have won but for New York. Because of the draw between Jefferson and Burr, the vote went to the House of Representatives, where Federalists preferred Burr to the arch Republican, Jefferson. In the ballots, Vermont and Maryland were equally divided and so were not counted. Eight states stood for Jefferson and six for Burr, so neither had the required majority of nine. After five days, on February 17, 1801, on the basis of hints by Jefferson that he would not dismiss Federalist officials for political reasons, the Federalists in Maryland and Vermont abstained. These states were then counted Republican, giving Jefferson ten states in all. Bayard cast a blank ballot for Delaware, as did the Federalists of South Carolina, so Burr ended with only four states, all in New England (Weisberger, 2000: 275). Jefferson became president and Burr vice-president, by what was, in essence, an 'heresthetic' maneuver (Riker, 1986) by the former.

Relations with France, in the early years of the Jefferson presidencies, were still uncertain. In the beginning of 1801, Jefferson offered support for the French in their attempt to retake Sainte Domingue, by restricting trade with the rebellious Haitians (Langley 1996: 222). However, news came in 1802 of the secret treaty "receding" Louisiana from Spain to France. "Later that year a Spanish imperial official abruptly suspended the American privilege of deposit at New Orleans" (Meinig, 1993: 10). In April 1802, Jefferson had written to his ambassador in Paris, Robert Livingston, remarking that, as a result of the French threat, "We must marry ourselves to the British fleet and nation" (Peterson, 1997: 1105). This comment may have been due to fears that the French intended to take possession of the west bank of the Mississippi after dealing with Sainte Domingue (Adams, 1986: [1889]: 264). However, the French army was devastated in Haiti, and Livingston, to his surprise, was offered Louisiana for $15 million.

In his speech to Congress in October 1803, Jefferson implied that the United States was a new kind of empire, whose citizens had to divest "themselves of those passions and partialities [which would] embarrass and embroil us in the calamitous scenes of Europe" [Peterson, 1984: 516]. It is worth remarking that, in his proclamation of Haitian independence, made on January 1, 1804, the cause of the French defeat in Sainte Domingue, Jean Jacques Dessalines, stated that "it assured forever an empire of liberty in this country of our birth." The Floridas, however, were still in Spanish hands, and Madison, as Secretary of State, tried, without immediate success, to force Spain to relinquish them to the United States.

In response to decrees by Napoleon and the British, essentially abolishing the notion of neutrality in trade, the U. S. Congress passed the Embargo Act of December 1807, limiting all U.S. imports from Britain and France, as well as exports from the U.S. to the imperial colonies of the Caribbean. Madison believed this would force Britain, in particular, to honor neutrality (Ketcham, 1971: 457). The popularity of the embargo may have won Madison the presidency in the 1808 election.

Jefferson saw various possibilities for the expansion of the American empire, arising out of the relationship with France. In his letter to Madison of April 27, 1809, he expressed the opinion that Bonaparate, though crooked,

would give us the Floridas to withhold intercourse with the residue of [the Spanish] colonies… and … will consent to our receiving Cuba into our union to prevent our aid to Mexico and the other provinces….. We should then have only to include the North in our confederacy, which would be of course in the first war, and we should have such an empire for liberty as she has never surveyed since the creation (Smith, 1995: 1585) (my italics).

Presumably by the North, he meant British Canada.

Madison replied on May 1, 1809, that the difficulty in the
relations with France, lies in the effort she may make to render us...subservient to the reduction of Spa[j]n… the school of adversity may have taught [Britain of the advantage of] a conciliating moderation towards the U.S. (Smith, 1995: 1586).

In 1810, settler agitation in the Floridas prompted Madison to request William Claiborne, Governor of the Orleans Territory, to enter West Florida to establish civil government, and, if invasion threatened, to occupy East Florida. In Madison's letter to Jefferson in October 1810 he explained that
although this occupancy would be resented by Spain, by England and by France, the prize made the “quadrangular contest” worthwhile (Smith 1995: 1648).

As both France and Britain grew more aggressive against the U.S., it became clear that war was on the horizon. Albert Gallatin, Madison’s Secretary of the Treasury, an old ally, proposed doubling the tariff, and imposing stamp duties and excise taxes, as well as raising a loan of $10 million. As Madison wrote, however, to Jefferson, on May 25, 1812,

the business is become more than ever puzzling. To go to war with England and not with France arms the Federalists… and divides the Republicans… . To go to war against both, presents a thousand difficulties, above all, that of shutting all the ports of the Continent of Europe against our Cruisers… . The only consideration of weight in favor of this triangular war… is that it might hasten a peace with [Great Britain] or [France] a termination… of the obstinate questions now pending with both. But even this advantage is not certain. For a prolongation of such a war might be viewed by both Belligerents as desirable… as has prevailed in the past conduct of both [Smith, 1995: 1696].

On June 4, 1812, the House voted by a substantial majority for war with Britain.

The quandary of 1812 was ‘resolved’, in a sense, in a similar way to the resolution of the quandary of independence of 1776. On the later occasion, however, no French aid was forthcoming. Despite military setbacks in the West, Madison won the presidential election of 1812, and rejected proposals by the British offering armistice. Just as the war of Independence of 1776-83 was preceded by Pontiac’s Indian rebellion, so was the war of 1812-15 preceded by the resistance of the Shawnee under the influence of the prophet, Tesukwatawa, and his brother Tecumseh, to U.S. expansion in the Old Northwest. Prophet’s Town, the center of the Indian unrest, in present day Indiana, was destroyed by the forces of the governor of the Indiana territory, William Harrison, in November, 1811. Tecumseh himself was killed at Moraviantown, in Upper Canada, in October 1813 [Sugden, 1997: 375].

American unpreparedness for the war was illustrated by the destruction of the capital, Washington, on 24 August 1814. The British force, under Admiral Cochrane, left Bermuda in early August; it comprised 20 men-of-war and 30 transports, with a brigade of 2,500 troops. On the American side were 2000 men under Brigadier General Stansbury, plus 7,000 militia. The British forces broke thorough the disorganized defenses, and finding no one available to ransom the city, burned the Capitol, Senate, Chamber and House of Representatives, Treasury, War Office and “President’s Palace.” The British lost 300 men, in what was termed “a lasting Monument of disgrace to the [American] nation at large.”

This disgrace was, to some degree, mitigated by Andrew Jackson’s victory over the British at New Orleans on 8 January 1815. Before his victory, Jackson had already defeated the Creek Indians at Tohopeka and forced them to cede 23 million acres to the U.S. Just as with the Shawnee in the North, the tribes of the South had previously been forced to give up territory to the government. Choctaws, Chickasaws, and Cherokee had ceded millions of acres at between 2 to 10 cents an acre [Sugden, 1997: 240]. Tecumseh himself had visited the Creek territory in Alabama in October 1811, and the Upper Creeks (or Red Sticks) had responded to his call for rebellion. It was this rebellion that Jackson destroyed at Tohopeka on March 14, 1814, with a force of 3,000 men (Remini, 2001: 67). As a result of the victory, Jackson was promoted to major general and made commander of the Seventh U.S. military district (including Louisiana, Tennessee and the Mississippi Territory) and ordered by Madison to negotiate with the Creek Indians. Given that the British were believed to be massing on the Gulf Coast, Jackson wanted a buffer zone between the Indian territory and the Gulf. To the dismay of the tribes, he demanded a huge swath of territory. The Treaty of Ghent between Britain and the U.S. (24 December 1814) stipulated the return of rights and land of the Indian tribes who had allied with the British. Since this category included the Creeks, the British argued that Jackson’s buffer zone should be returned to the Creek nation. The Americans retorted that the Treaty of Fort Jackson, ceding this land, was signed on 9 August 1814, and preceded Ghent. Thus the Creeks were not belligerents at the signing of the Treaty of Ghent, so the stipulation of the Treaty did not apply (Heidler and Heidler, 192, 1997).

The conclusion of the war of 1812-1814 brought about the creation of a secure boundary for the U.S., since the Floridas and New Orleans were safely enclosed. The war had vastly increased the national
debt, but greater trade and tariff income were expected to restore confidence and specie payments. In his seventh annual address (December 5, 1815), Madison noted that the national debt was $120 million, of which $39 million had been contracted prior to the war, $64 million during the war, and $17 million in Treasury notes. Madison also argued that "It is, however, essential to every modification of the finances that the benefits of a uniform national currency should be restored..." (Rakove, 1989: 714). As Ketcham (1971: 606) observes,

[In April 1816, the President signed bills rechartering the national bank, setting tariffs at mildly protectionist levels, retaining many war taxes and maintaining both the army and navy...]

For the British in late 1814, war with the U.S. no longer appeared necessary. Napoleon had been forced to abdicate on April 12, 1814, and the Bourbon, Louis XVIII, had agreed to the creation of a constitutional monarchy (with limited enfranchisement and Roman Catholicism as the official state religion) on June 4. Of course, Napoleon came back from Elba and was only finally defeated at Waterloo, on June 14, 1815. The latter part of the war cost Britain at least six hundred million pounds sterling (Schom, 1997: 702), while Kennedy (1987: 81) estimates total British government expenditure at over 1.6 billion pounds between 1793 and 1815. British government debt increased by 440 million pounds in this war period. Between 1786 and 1815 British per capita debt rose from approximately 7.5 pounds to at least 40 pounds. In contrast, the U.S. national debt, per capita, was about $24, or 6 pounds. Madison may well have considered that Britain was falling into the imperial trap of war, tax and debt. In fact, the fiscal machinery put in place in Britain after the Glorious Revolution of 1688 allowed Britain to continue to fund its debt, and to create its 19th century empire (Brewer, 1988; North and Weingast, 1989). This empire eventually fell not perhaps through fiscal over-reach (as Kennedy suggests) but in the cataclysms of two world wars. It is not, at present, possible to determine whether the American hegemonic empire faces the same prospect of decline. It is evident, however, that both Jefferson and Madison believed that the imperial trap could be avoided by the constitutional rules instituted and adapted in the period 1787-1815.

It is clear from this narrative that there was a tendency by Federalists such as Jay and Hamilton to favor Britain during the period in question. John Adams seems to have attempted above all to remain neutral. Madison, and particularly Jefferson (as discussed in O'Brien, 1996) favored the French. Such a diplomatic divide is insufficient to account for the intense disagreements between the two sides. In what follows I shall ascribe this divide to two different ideological, constitutional, and economic conceptions of Empire.

3. The Extended Republic

In "Federalist XI," Hamilton expressed his view on the possibility for the future.

Europe, by her arms and by her negotiations, by force and by fraud, has in different degrees extended her dominion over [Africa, Asia, and America]. The superiority [Europe] has long maintained has tempted her to plume herself as the mistress of the world, and to consider the rest of mankind as created for her benefit. Facts have too long supported these arrogant pretensions.... It belongs to us to teach that assuming brother moderation. Union will enable us to do it. Let the thirteen States, bound together in a strict and indissoluble Union, concur in erecting one great American system to control all transatlantic force.... and able to dictate the terms of the connection between the old and the new world! (Rossiter, 1961 [1787], 90).

As I have suggested above, the threat from Spain on the Mississippi provided the motivation to consider Union. For a Union to be successful however, it had to deal both with the problem of fiscal efficiency and with the potentially even greater problem of factionalism. For Hamilton, both problems could be dealt with by what I might term the "Walpole" solution. Madison, in contrast, was more concerned with the problem of factions, and had a solution, which he presented in "Federalist X", and which I shall term the "Condorcet" solution. Adair, of course, in his doctoral thesis of 1943 (Adair, 1943; 2000), pointed out the
differences of focus between Madison and Hamilton. Many historians, developing Adair's insights into the origins of Madison's solution in the ideas of the Scottish enlightenment, have created what has become known as the Republican synthesis (Bailyn, 1967; Wood, 1969; McDonald, 1979). This has led to an interpretation of the conflicts between Federalists and Republicans in the period after 1790 as, in some sense, a replay of the conflicts between Court and Country in Britain in the early part of the eighteenth century. In this conflict in the U.S., Hamilton plays the part of Walpole aspirant, and Jefferson/Madison as the antagonist, Bolingbroke. In Britain, however, Walpole created the institutions of a commercial empire. In the U.S., Jefferson and Madison created a style of empire that was very different from the one envisaged by Hamilton (Elkins and McKittrick, 1993). I shall argue that the Country won in the U.S. in 1800 because of a subtle difference between the contrasting ideologies of Court and Country in Britain and the U.S. and because of the quite different economic structures in the two countries. I shall, somewhat anachronistically, use social choice theory in an attempt to contrast the Walpole, or Hamiltonian, solution with that of Madison's Condorcetian solution, without doing injury, I hope, to their logic. This will allow us to draw out what I believe is a fundamental flaw of the Court/Country analogy, and give us access to the implicit logic of the Republicans.

Adair gives a brief outline of the understanding of the monarchy, aristocracy and democracy as set out in Montesquieu. In essence, there is an

inveterate and incorrigible tendency to use the apparatus of government to serve the special interests of the one [in monarchy] or the few [in aristocracy]…. However, the aristocratic form offered…. the best possibility of wisdom…. while monarchy promised the necessary energy, secrecy, and despatch…. A government by the people always possessed fidelity…. However, the vices of democracy were that the people were not wise…. and could be easily duped. [Adair, 1974: 173].

As John Gillies wrote, in dedicating his History of Greece to George III, "History… exposes the dangerous turbulence of Democracy, and arraigns the despotism of Tyrants" (Adair, 2000: 57). Madison used a similar expression in "Federalist X" [Rakove 1999: 160-167].

[A] pure democracy… can admit of no cure for the mischiefs of faction. Hence it is that such democracies have ever been spectacles of turbulence and contention….

The instability, injustice and confusion introduced into the public councils, have in truth been the mortal diseases under which popular governments have everywhere perished….

From the protection of different and unequal faculties of acquiring property, the possession of different degrees and kinds of property immediately results: And from the influence of these on the sentiments…. ensues a division of the society into different interests and parties.

These parties or factions may originate from "religion… as well as of speculation and practise." Adair suggests that Madison's phraseology derives from Hume's "parties from principle, especially abstract speculative principles" [Hume, 1985 [1777]: 57] (Hume continued his discussion on factions by illustrations from the history of Constantinople and Rome.)

It is obvious enough that, with many factions, derived from very many differing kinds of interests, the creation of a stable, possibly tyrannical, majority would be almost impossible. Indeed the more heterogeneous or the more extensive the society, the less likely is it that such a permanent majority can form. Many readings of "Federalist X" focus on this interpretation. However, this interpretation would hold for a Democracy -- the system of direct popular choice. Madison takes pains to argue that Democracy (whether large or small) cannot deal with the problems of faction. It therefore cannot be the tyranny of a majority faction that he fears, but something quite different --- namely turbulence.
What he does present is a "ratio" theorem about republics -- systems, or schemes, of representation. If the proportion of 'fit' characters in the extended republic be at least as large as in the small republic, then the probability of a fit choice in the extended republic will be greater than in the small. The definitions of a 'fit character', and of a 'fit choice', are not clearly set out, however.

Clues about the notion of 'fit' are given in the earlier "Vices of the Political System of the U.S." (April 1787). There Madison observes that a great desideratum is a sufficient neutrality between the different interests and factions. "In absolute Monarchies, the prince is sufficiently neutral….but frequently sacrifices their happiness to his ambition or avarice…. An auxiliary desideratum is a process of elections as will most certainly extract from the mass of Society the purest and noblest characters." [Rakove 1999: 79].

Adair is surely correct in pointing to the influence that Hume's "Idea of a Perfect Commonwealth" [Hume 1985 [1777]: 512-529] had on Madison. But Adair does not point out the essential feature of the Republic on which Madison concentrates: republican elections are for representatives, not outcomes. The term 'fit' refers to a person, not to an alternative.

To see the importance of this distinction, consider political behavior in a House of Representatives. Some of these representatives may well be fit, of pure and noble character. However, as Hume observed, 'love, vanity, ambition, resentment' all beget public decision. Factions must dominate, and therefore so must 'turbulence.' What exactly is this turbulence that follows from faction? I regard it as precisely the same as the social choice notion of "chaos." As Mckelvey (1976) and Schofield (1978) showed, if diversity (or dimensionality) is sufficiently high, then sequences of outcomes (associated with particular winning coalitions) can lead anywhere in the set of possible policies. Clearly a permanent, tyrannical majority cannot be expected, unless some cohesive principle, a "party", is at work. But Madison, in "Federalist X," does not assert that party is a solution to factional turbulence. It follows, therefore, that if the electorate is "numerous extended and diverse in interests" and this diversity is reflected in Congress, "then the development of a majority faction can be limited" (Dahl, 1956: 16). However, this heterogeneity does not imply that "competing interests cancel one another out" (Williams, 1998: 39). The pluralist reading of Madison is only half correct. To limit the effects of turbulence in the House of Representatives requires a different institutional device.

I shall argue below that Hamilton's insights, into how to limit turbulence, were essentially correct. Although Adair understands Hamilton's fiscal ambitions for the U.S., he does not quite realize the significance of the political mechanism proposed by Hamilton. I return to this theme below.

If Madison's theorem does not apply to the House, where is it intended to apply? Rehfeld (2000) argues that it applies to the large district or constituency. For Rehfeld, an electoral district is sufficiently heterogeneous for Madison's argument to be valid: in such a district, the factional interests must put aside their differences and choose a "fit" representative. It is unclear however that this argument works. Modern theories of candidate competition suggest that contenders would swarm into the center of the electoral distribution (Calvert 1985; Banks and Duggan, 1998). Such spatial models tend not to pay close attention to Madison's notion of interest and faction, and there is no evidence at all that Madison thought such maximizing behavior would occur. It is more likely that Madison would consider a single district to be dominated by a particular interest, or small set of interests, who would choose a representative of this interest, 'fit' or otherwise.

I contend that there are two arenas where the theorem is most likely to apply: Presidential elections and Senate elections. The President is, of course, chosen by electors. Each state has electors equal in number to the House representatives plus two (for the two Senators). Since states vary, the electors will be heterogeneous across states. It is not impossible that electors will cluster into factions, but unlike policy making in a House, the factions in the electoral college must coalesce round a small number of presidential candidates. If enough of the electors are fit, it is likely that the presidential choice will also be fit.

Hamilton in "Federalist LXVIII" agreed with Madison on this point. "It will not be too strong to say, that there will be a constant probability of seeing the station [of chief magistrate or President] filled by characters pre- eminent for ability and character" (Bailyn, 1993b: 336).

Senate decisions may come under the same rubric, but the argument is more difficult to sustain. Since a senator, in this early period, was chosen by the State House and Senate, the question of 'fitness'

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3 The idea that factions are particularly dangerous in small democracies can also be associated with Adam Smith. Referring to the American colonies in Wealth of Nations he uses the phrase "rancorous and virulent factions…which are inseparable from small democracies" [Smith 1981 [1776], 945].
turns on heterogeneity within these institutions. Since a State house district is small, no representative in the state house is likely to be fit, but will rather express a local interest. For large states, there may be a degree of heterogeneity in the state house, which by Madison's argument would lead to some probability of a fit choice. In general, though, the probability of a fit choice for Senator will be lower than for a presidential choice.

This discussion, of course, begs the question of what exactly Madison meant by a 'fit choice'. I contend that the idea of "probability of a fit choice," and indeed the 'ratio' argument, derives from the work of Condorcet (1785). As discussed in McLean and Urken (1992) and McLean and Hewitt (1994), Condorcet's work came into Madison's hands in the period 1786-88.

In a letter to Jefferson in Paris (dated September 6, 1787) Madison mentions that he had received a letter and book from Philip Mazzei. As McLean and Urken detail, the book, Mazzei's *Recherches Historiques*, had inserted in them Condorcet's *Lettres d'une bourgeoisie de New Haven*. Condorcet's *Essai sur l'application de l'analyse à la probabilité* (1785) was also passed on by Jefferson, but there is no proof that Madison read the latter. However, Madison did read the *Recherches*, because I know he rejected Condorcet's argument in *Lettres* supporting unicameralism. In the *Lettres*, Condorcet writes that it can be proven rigorously "that increasing the number of legislative bodies could never increase the probability of obtaining true decisions" (McLean and Hewitt, 1994: 325). For Condorcet, a law was a set of true or false propositions, where true meant good, and false meant bad. In his *Essai* Condorcet had proved a "Jury Theorem" about the probability of passing a "true" or "good" law. Each voter is characterized by some intrinsic probability of making a "good" choice: under majority rule in the voting body, the probability of making a "good" choice is higher than the average individual probability. Moreover, as the voting body increases in size, the collective probability approaches certainty.

There is a clear parallel between Madison's "ratio" argument that the probability of a fit choice is greater in the large than the small republic (if I identify size with number) and Condorcet's limit argument. Secondly, the phraseology "probability of a fit choice" used by Madison, and "probability of a true or good choice" are too close to be accidental. However, Madison did not agree with Condorcet that the theorem was relevant to choice in a House of Representatives. As I have asserted, for Madison, his "theorem" was applicable only to the choice of a person, not an outcome. For this reason, Madison rejected Condorcet's "unicameralism".

It is worth observing, also, that Condorcet's probabilistic analysis of voting derived from Hume's notion of probable belief (as presented in *Hume's Treatise of Human Nature*, Hume 1985 [1752]). In fact, as Condorcet's biographer (Baker, 1975: 13) has noted, there is a line of thought from Hume through Condorcet to Keynes' important (and of course much later) work on decision making under risk (Keynes, 1921). It is possible that Madison heard more about Condorcet's theorem from Franklin, who had been minister in France until July, 1785. As a member of l'Académie Française, Franklin must have heard the talks by Condorcet and his protagonist, Borda, in the Academy, and certainly knew him personally (Brands, 2000: 559). Moreover, Franklin was interested in the problem of decision-making under risk (Brands, 2000: 457). The "Society for Political Enquiry" that Franklin founded (and presided over) in early 1787 discussed the various constitutional issues of the times (van Doren, 1938: 771; Campbell, 1999: 209). It is possible that Madison, after sketching the Humean extended Republic argument in his "Vices" paper of 1787, discussed the more refined Condorcetian logic with Franklin in Philadelphia in mid 1787, and adapted it to his purpose in writing "Federalist X" in late 1787.

If I am correct in my interpretation of "Federalist X," then the extended republic argument was irrelevant to the prevention of turbulent instability in the House. In "Federalist LXIII" Madison discusses the Senate as an "institution that will blend stability with liberty" (Rakove, 1999: 348). When he uses the argument that "[A]mbition must be made to counteract ambition" in "Federalist LI," he does not say that ambition will counteract ambition (Rakove, 1999: 295). Instead he goes on to comment that "[a]n absolute negative, on the legislature, appears at first view to be the natural defense with which the executive magistrate should be armed" [Rakove, 1999: 296].

Jefferson, writing from Paris on December 20, 1787, also seemed to be of two minds about the House. He approved that it be chosen by the people directly, principally because of its legislative power to raise taxes, but he also commented that it "will be illy [sic] qualified to legislate for the Union." On the veto by the president he says "I like the negative given to the Executive with a third of either house, though I should have liked it better had the Judiciary been associated for that purpose, or invested with a similar and separate power" [Smith, 1995: 512].
The above comments strongly indicate that both Madison and Jefferson saw the presidential veto against Congress as an essential tool to limit either turbulence, or tyranny. Since Madison saw majority tyranny as unlikely in the legislature of the extended Republic, the purpose of the veto must have been primarily to limit turbulence.

Madison also saw a further need for the exercise of veto, by the Federal government against the States. In a letter to Jefferson (October 24, 1787) Madison observed that the exercise by Congress of a veto against the laws of the states had been rejected by a bare majority. "Without such a check in the whole over the parts, my system involves the evil of "imperia in imperio." Indeed he saw such a check as necessary "to prevent instability and injustice" [Smith, 1995: 498]. He later comments that "in the extended Republic of the United States, the general Government would hold a pretty even balance between the parties of the particular states" [Smith, 1995: 502].

This observation is consistent with my interpretation. Each State House and Senate, though perhaps not as diverse as the Federal Congress, will nonetheless be turbulent, and this turbulence may induce encroachments on the rights of citizens in the particular state. A veto by the neutral president (or by the Judiciary) is the only likely method of prevention of this encroachment.

Hamilton, in his very long and complex speech to the Constitutional Convention on June 18, 1787 had pressed for a powerful Executive appointed for life, with a "negative" (veto) against all laws about to be passed, and the execution of all laws passed" (Madison, 987 [1840]: 138). Hamilton had also proposed that the Executive be chosen by a system of electoral refinement: voters, in particular local districts, would choose electors, who would again choose electors, who would choose the Executive.

Adair (2000: 114) suggests that, in the Federalist era, Hamilton used his genius in an attempt to recreate the political and economic conditions of the Walpole era in Britain. While creating a "U.S. government with a strong soul," he also showed he did not understand the new Constitutional structure that had been created in 1787.

If Hamilton misunderstood the new Constitution, so did John Adams. Adams, who had been minister in London for many years, completed his Defense of the Constitution of Government of the United States of America in January, 1787. Adams's biographer, David McCullough, quotes from this as follows:

"The people's rights and liberties…can never be preserved without a strong executive…. If the executive power…is left in the hand of an aristocratical or democraical assembly, it will corrupt the legislature…and when the legislature is corrupted, the people are undone."

From Adair's perspective, Hamilton and Adams both looked back to an outdated constitutional idea framed in Britain. As Gordon Wood (1969: 578) has put it:

"Only an independent executive power…the monarchical element of the society, could mediate these clashing passions of the democracy and the aristocracy."

According to Adair, the reason the Hamiltonian-Adams logic was irrelevant was because of their belief that the disequilibrium between democracy and aristocracy was driven by the divergent interests of land and money. However, in his essay "Of Parties in General," Hume (1985 [1777]: 60) had commented that, in England, attempts had been made
to divide the landed and trading part of the nation: but without success.
The interests of these two bodies are not really distinct, and never will be so, till our public debt encrease [sic] to such a degree, as to become altogether oppressive and intolerable.

For Adair, Madison's view of heterogeneous interests in the extensive republic meant that the republic would be stable. My reading of Madison contradicts this argument. Turbulence, for both Madison and Hamilton in 1787, could only be countered by Executive veto. For Hamilton, however, the Executive meant a Walpole executive, able to balance land and monied interests, and create a stable fiscal state.
A student of the Constitution and the Federalist, reading them before 1920, might very well follow Beard (1913) and assume that conflicts over capital (between creditors and debtors) and land would necessarily be the fundamental political cleavages in a society. From this viewpoint, Hamilton would be the only serious theorist worth reading. Beard (1913) resurrected "Federalist X" not to discuss the extended republic argument, but to argue for the primacy of property as a cleavage.

In my view, there are three fundamental sources of conflict in a society; these coincide with the economic factors of capital, labor and land. As I shall describe in the next section, Hamilton intended to create a Walpole equilibrium which would balance land and capital. When Madison and Jefferson eventually realized what this entailed, they jettisoned some of their assumptions about the Republic, and constructed a "Bolingbroke" party representing land. This process has been studied at length by Elkins and McKittrick (1993). What has not been emphasized (except perhaps by Beard, 1915) is that the coalition representing land also depended on slavery. The success of the Jeffersonian Republican coalition in the election of 1800 led to the dominance of a "land" coalition -- later called the Democracy -- that persisted until 1860.

To pursue this argument, I shall in the next section, examine the equilibrium and dynamic properties of Walpole's Whig coalition of 1720-1740, in Britain, and compare it with the Federalist-Republican conflict in the U.S. circa 1790-1800.

4. An Empire of Commerce or of Land

The themes of tyranny and turbulence pervaded British interpretations of history and the constitution throughout the seventeenth and eighteenth centuries. It is impossible to give a full account of the constitutional arguments, and their relationship to political events, but I shall attempt a sketch, using social choice theory, on occasion, to provide, I hope, some formal insight.

It is useful to start with Adair's interpretation of the monarchy that it "promised the necessary energy, secrecy and dispatch." For the British, the monarch, by his nobility, should maintain stability, prevent turbulence within the legislature, and make wise decisions in the defense of the realm. At the same time, however, given this power he must be prevented from exercising tyranny. Because of the monarch's greater power, and his propensity to risk-taking in bringing the nation to war, the result might well be increasing extravagance and debt. The French king, Louis XIV, personified such a danger. Charles I also seemed to personify many of the same tyrannical tendencies. His acts against the Scots in 1625-1637 brought on rebellion; when parliament refused to vote the subsidies for Charles to put down the rebellion, he dissolved the House. When it was recalled, in 1640, Civil War ensued and eventually Charles was beheaded, in January 1649.

Cromwell gradually took on the rôle of autocrat, putting down the Scottish army in 1649, and invading Ireland. In 1651 the Navigation Act was passed, and in 1654 "came the massive [naval] build-up of the First Dutch War" (Bough, 1994). In 1655 Jamaica was captured, and became the core of the rich commercial-maritime empire that was to be developed in the future. As Bough (1994, 191) notes, "Cromwell demonstrated...how much he was willing to risk to keep [the navy]." The quandary for the British was that the high cost of maintaining both navy and army was too high to be sustainable. An efficient bureaucracy was put in place, however, to maintain the funding of the navy. Fiscal conflicts were part of the reason Cromwell dissolved the House in 1654. After Cromwell died in 1658, it was with great relief that the country realized that his son, Richard, was no autocrat, and Charles II was welcomed back as monarch. It was quite clear at this point that the political game between monarch and Parliament was, in the terminology of game theory, an apex game. The monarch was a crucial member of every coalition in parliament, bar one -- a House unified against a tyrannical move. At the same time, it was understood that the monarch was essential in coordinating the country in time of war, as long as his risk-taking did not plunge the country into debt. After coming to the throne in 1685, James II immediately began to act in what appeared a tyrannical fashion, favoring France, and apparently intending to raise his son a Catholic. Parliament acted almost in unison, offering the joint crown to Mary, James's daughter, and her husband, William of Orange.

The contract between William and Parliament was essentially that the monarch would prosecute war, and Parliament would fund it. Not all the Parliament approved the fiscal device, the Bank of England, that provided the funds; many in the opposition feared it would enhance the autocracy of the Crown.
Although North and Weingast (1989) regard the founding of the Bank in 1694 as a device to ensure ‘fiscal commitment,’ this device depended on a contract, or arrangement within Parliament, that could, in exigency, be broken.

Stasavage (2000) has made this point, and his argument can be adopted to provide a better understanding of the contract. From the beginning of the Nine Years War in 1689 to the end of the War of Spanish Succession in 1713, British government debt rose from a negligible amount to 36 million pounds sterling (Brewer, 1988: 30). Clearly the Bank played a significant role in making this debt feasible. While annual government income rose from about 3.6 million sterling to 5.4 million in this period, the greater share of it, initially, was from land taxes. In fact, at the end of the Nine Years War, land tax comprised over 50% of revenue. To fund the debt, the landed interest had to approve both the debt and the tax.

The commercial, or money, interest, and their representatives in Parliament, would presumably accept the increasing indebtedness, because debt was a necessary consequence of war, and war was necessary to protect the growing empire against France and Spain. Some, among the landed interest, would accept the necessity of war, and thus accept the land tax.

Figure 1 illustrates a plausible positioning of the four resulting factions in Parliament. Stasavage proposes that the bargain between landed pro-war Whigs and monied pro-war Whigs created the equilibrium. I suggest that the game is slightly different, since the sovereign had the remnants of a veto power. In 1710, war weariness brought in a Tory government. Queen Anne herself was opposed to war, as were the Tories under Bolingbroke. It seemed entirely likely that the landed interest would repudiate the Bank of England equilibrium by reducing land taxes. In fact, as Stasavage observed, interest rates on long term government borrowing jumped from about 6% to nearly 10%. The point labeled the Anne-Tory "Core” in Figure 1, represents the resulting political fiscal equilibrium.

On Queen Anne's death in 1714, prominent Tories, including Bolingbroke, met to decide whether to seek aid from Louis XIV and declare James III King. The risk aversion of the Tories resulted in the invitation of George of Hanover to become King George I. Even though Tories held majorities in both Houses, a Whig ministry, supportive of, and supported by, George I, was created. In the first few years of his reign, the Whig majority fractured into a number of factions, partly because of antagonisms between George I and his son. To deal with the problem of debt, then over 50 million sterling, Sunderland, the First Lord of the Treasury, accepted a proposal in January 1720 from the South Sea Company to fund 20 million. The company would pay 7 million for the privilege, take 5% until 1727, and 4% thereafter. The Company also expected to make huge profits under the Asiento agreement to supply slaves to the Spanish colonies. Intense speculation in the South Sea Company shares led to a price bubble (a ten-fold increase) and then collapse. (See Neal, 1990: 62-80.) Bolingbroke, who had been impeached in 1715, used the collapse of the bubble as one of his key arguments against the rise of corruption and commercialism in Britain.

In December, 1720, Walpole restored confidence by a proposal to Parliament that would transfer eighteen million of South Sea stock to the Bank of England and the East India Company. In April, 1721, Walpole became both Chancellor of the Exchequer and First Lord of the Treasury --- as Williams (1960: 179) comments “the first…prime minister in fact if not name.” Walpole devoted himself to controlling the effects of the debt. In 1714 the debt stood at 54 million, and debt payment at over 3.3 million (out of tax revenue of 5.3 million). By 1739, just prior to the War of Austrian Succession, debt was 46 million, and interest 2 million (Williams, 1960: 186). Moreover, from 1710 to 1740, the proportion of government revenue covered by land tax fell from about 35% to 20%. New excise taxes and customs duties raised 80% of the revenue of about 6 million (Brewer, 1988: 31).

In 1739, Walpole, against his wishes, was forced into a war with Spain, principally to protect the growing colonies in the West Indies. By this time imports into Britain from the West Indies totaled approximately 1.3 million sterling, of which sugar (from Jamaica and the Leeward islands) comprised two-thirds (Price, 1998: 101). Walpole resigned in February 1742. The system that Walpole implemented was maintained through the Napoleonic War at the end of the century. Although debt grew to over 240 million by 1784, the proportion funded by the land tax remained roughly constant at 20%. Of course, excise and customs duties are regressive, so the cost of Britain's ability to maintain its fiscal posture, and to wage war, fell on the growing middle class.
The outcome in Figure 1 denoted the "Walpole equilibrium" is intended to illustrate the bargain between landed and monied pro-war Whigs in the period up to 1740. Since I infer that the monarch, and perhaps the people, wanted war in the period after 1740, then I can denote the new equilibrium so induced as the "Hanoverian war outcome." Since the monarch had power to favor certain factions, he could play them off, one against another to maintain the posture of war.

Historians generally recognise that the accession of George III to the throne of Britain in 1760 brought the period of Whig single party dominance to an end (Brewer, 1976). A high degree of factionalism took its place. The kind of dominance exercised by a Walpole executive was no longer possible, essentially because George believed he had a constitutional obligation to direct government. What is ironic about George's belief is that it appears to have been due to the influence of Bolingbroke. Henry St.John, Viscount Bolingbroke, had written at great length against the corruption of British politics due to the implicit veto, exercised by Walpole, through the power of money. (See Kramnick, 1992, for a discussion of Bolingbroke's career and ideas.) Bolingbroke's book, *Idea of a Patriot King* (1749) had greatly influenced Frederick, Prince of Wales, son of George II and father of George III. In turn Bolingbroke's constitutional ideas led George to believe that only he could resist the corruption and perversion of the constitutional ideal of 1688 (Hibbert, 1998). However, George had nothing like the skill or resources of a Walpole, so factionalism in the British legislature became a dominant feature. It is not implausible that a certain degree of irrationality in British policies towards the Colonies was the result of Bolingbroke's ideas having an influence long after their originator was dead.

For Madison, the lessons from the British experience must have been clear. Legislative factionalism was an intrinsic political phenomenon, unless it could be countered by executive power of some kind. The period up to 1714 had been one such period of factionalism and Anne had to some degree countered this by selecting her favorites (like Bolingbroke) for great office. The problem of debt and the related issue of speculation had been dealt with by the Walpole equilibrium, putting in place a particular bargain between land and money, that certainly benefited the money interest. This equilibrium was also associated with a degree of relative disenfranchisement. Brewer notes, for example, that the population increased by 18% between 1715 and 1764, but the electorate only by 8% (Brewer, 1976: 6). After 1760, George's attempts to exercise a "veto" proved to be somewhat ineffectual, and resulted in a high degree of "turbulence." By designating a large domain as the "heart" in Figure 1, I mean to indicate that the political game between George III and the factions could lead to many possible policy outcomes.

The problem in the post Ratification period in the U.S. was to limit factionalism without inducing tyranny.

The situation in the U.S. in 1789 seemed to be very like that of Britain in 1740. Hamilton, as secretary of the Treasury, estimated the debt at $11.7 million foreign, $40.4 million domestic and $25 million state, plus $2 million unliquidated Continental paper (McDonald, 1979: 168). It is not difficult to see why Beard (1913) considered the problem of debt to be paramount, since this figure was about $25 per capita (based only on the free population of 3.2 million). This was close to the per capita British figure, mentioned before, of 7.5 pounds sterling, in 1786, funded by a sophisticated fiscal structure.

On February 2, 1791, Madison spoke in Congress against Hamilton's bank scheme to fund this debt. "The case in America was different from that in England: the interest there was all due at one place, and the genius of the monarchy favored the concentration of wealth and influence at the metropolis." Moreover, "[I]s the power of establishing an incorporated bank among the powers vested by the constitution in the legislature of the United States?" [Rakove, 199: 481-2].

Nonetheless the Bank scheme went ahead, and "when subscriptions were opened on July 4, 1791, they were filled within one hour" [Elkins and McKitrick, 1993: 242]. Hamilton obviously intended to fund the Bank through tariff revenues. Madison and Jefferson, in contrast, must have believed that a tax against the landed interest would be necessary. Moreover, the speculation, and easy riches, that surrounded the fiscal adventure of the Bank seems to have disgusted them.

On September 9, 1792, Jefferson wrote to George Washington

That I have utterly disapproved of the system of the Secretary of the Treasury, I acknowledge [sic] and avow: and this is not merely a

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4 The beauty of the Whig equilibrium in Britain was that the economic structure of the country meant that customs duties essentially benefited the land interest. Thus Walpole could fine-tune costs and benefits. It was for this reason the equilibrium was stable, and maintained the dominance of the Whigs.
speculative difference. His system flowed from principles averse to liberty, [and] was calculated to undermine and demolish the republic, by creating an influence of his department over the members of the legislature.

Obviously, Madison and Jefferson saw Hamilton as he saw himself, as Walpole. For them, the consequence of the success of Hamilton would be a commercial empire that mimicked that of Britain. The cost would be borne by the landed interest. The solution, as they saw it, was to create analogues of Bolingbroke's loyal opposition party, and then to construct a version of the "patriot King".

It seems obvious that Madison and Jefferson disagreed with the Humean thesis, mentioned above, that there was no logical conflict between the interest of land and commerce. Contrary to Adair's perspective, there was nothing about the U.S. Constitution that overrode this implicit contradiction. However, the quandary that Madison and Jefferson had to face was how to create an executive, independent of the speculation and corruption of the Walpole-Hamilton scheme, yet with the power to overcome turbulence in the legislature.

I contend that the Jefferson-Madison solution was to construct a party based on one over-riding interest, namely land.

5. The Republic of Virtue of 1800

The key to understanding the Federalist-Republican conflict after 1790 depends on modern trade theory. Though this analysis may be anachronistic, there is evidence that Jefferson and Madison understood its main elements. Historians, from Beard and Adair on, have seen some elements of the conflict, but have, I believe, not fully addressed the economic component.

As I have described above, the most important element in the creation of Britain's maritime commercial empire was the formation of a fiscal system to permit a growing government debt. In the initial phase the debt was basically covered by a land tax, so it was important to persuade landed pro-war Whigs to commit themselves to the coalition. As the debt grew, it became more important to placate a sufficient proportion of the landed interest. Bolingbroke's rejection, because of the consequences for land, made perfect sense in the early 1720's. However, Walpole's genius was to preserve and extend the contract with land. By decreasing the share that the land tax contributed to government revenue, and increasing customs and excise (to cover 80% by 1740), Walpole indirectly aided land. To see why this was so, it is only necessary to note that British imports were mostly raw materials. According to the Stolper-Samuelson theorem (Rogowski, 1989), a tariff on such "land-intensive" imports protects the relatively scarce domestic factor, land, in the importing country. This raises the price of land. It is not implausible that the economic logic of the Whig equilibrium, benefiting both land and capital, led to the Whig dominance until 1760.

Even after 1760, when factionalism became significant, the Walpole strategy of maintaining a pro-land tariff persisted. Bolingbroke's arguments against Walpole may have had some force prior to 1720, but thereafter the landed interests were protected. Kramnick's (1992) term "The politics of nostalgia" is therefore apposite. Notice also that Hume's assertion that there was no distinction between "the landed and trading part of the nation" [Hume, 1985 [1777]: 60] was only partly correct. There was a conflict between the two factors, but it was superseded by a bargain; this bargain was only made possible because of the fact that Britain already had a sufficiently well-developed manufacturing sector, importing raw materials.

The situation in the U.S. was completely different, though this may not have been perceived by Hamilton. Hamilton clearly wanted to put in place a Walpole apparatus, the Bank, to fund the debt. As in Britain, the commitment mechanism would have to be some combination of land tax and tariff. However, U.S. imports were almost all manufactures, principally from Britain. Relative to the goods produced and exported from the U.S., these goods were capital intensive. Consequently, the tariff would provide protection to capital, increase its relative price and decrease the relative price of land. Contrary to Adair's

5 Indeed J. H. Plumb (1967: 158) has remarked on the hundred years of stable, single party, Whig government in Britain (from October 1715 when Walpole became Chancellor of the Exchequer, to the end of the Napoleonic War in 1815). In fact, the pro-land tariff was in place until the repeal of the Corn Laws in June 1846, enacted under the leadership of Sir Robert Peel. For a "heresthetic" account on the repeal see McLean (2002, Chapter 2). Although Rogowski (1989, Chapter 2) uses the idea of factor coalitions to discuss events after 1840, he does not, surprisingly, comment on the 18th Century.
interpretation of Hume, in the U.S., there was an implicit conflict between land and capital. No possible Walpole bargain could be constructed.

It is plausible that Hamilton intended to put the U.S. on a path, like Britain's, leading to a commercial empire. However, since the commercial interest in the U.S. was a minority of the enfranchised population, Hamilton needed a political device, the power of the president, to be able to put in place the fiscal machine. For Madison and Jefferson, therefore, Hamilton personified tyranny of a commercial minority over a republican landed majority. It is ironic perhaps that Jefferson's reading of Bolingbroke (who was, after all, a Tory aristocrat) allowed him to construct a coherent ideological language with which to attack Hamilton. In a letter to Mazzei on April 24, 1796, Jefferson wrote

In place of that noble love of liberty, and republican government which carried us triumphantly through the war, an Anglican monarchical, and aristocratical party has sprung up, whose avowed object is to draw over us the substance, as they have already done the forms, of the British government (Peterson, 1984: 1036).

While many historians have noted Jefferson's attention to Bolingbroke (Bailyn, 1992; Banning, 1978; Elkins and McKittrick, 1993; McDonald, 1964, 1979; Wood 1969, 1991), I believe no one has remarked that Bolingbroke's analysis was essentially correct when transposed to the U.S. context.

It is clear enough that Madison and Jefferson rejected Hamilton's scheme both for the tyranny that it implied, as well as for its implicit commercialism. An argument can be made that they also understood how agrarian interests were threatened.

To see this, it is worth reconsidering Beard's analysis of the Ratification period and the 1790's. For Beard, the divide between Federalists and anti-Federalists in 1787-8 was simply one between creditors and debtors, and thus solely on the capital axis. Although there may be no necessary general conflict between land and capital, landowners were more likely to be indebted, and therefore to be Anti-Federalists. However, as Riker (1964) argued, even landed interests feared foreign threat, and this fear was sufficient to create a winning coalition for Union (Schofield 2002b). Beard (1915) presented evidence indicating that the Anti-Federalists of 1787-8 became Jeffersonian Republicans in the 1790's. However, this does not explain why a losing coalition in 1787 became a winning coalition for Jefferson in 1800.

Beard does refer however, to the writings of John Taylor, of Caroline County, Virginia. His treatise, *An Enquiry in the Principles and Policy of the Government of the United States* was published in 1814. Beard quotes Taylor on the tariff as follows:

The policy of protecting duties to force manufacturing...will produce the same consequences as that of enriching...a paper interest...and the wealth of the majority will be as certainly diminished. . .

[but] the division of land into innumerable small farmers...makes it more difficult for the landed group to unite in a solid opposition to [capital]. [Beard, 1915: 341-3]

It is unlikely that Taylor's theory on the consequences of the debt, and tariff, were unfamiliar to Jefferson, since the two were friends. Taylor had introduced the Virginian Resolution (written by Madison) on December, 24, 1798. Moreover, Jefferson wrote to Taylor, in various confidential letters. One, in particular, in June 1798, mentioned land-tax, stamp-tax, public debt, and the "reign of witches" (Peterson, 1989: 1050). The tariff "theory" suggests why Jefferson won the 1800 election. Not all agrarian interests were debtors, so those who were relatively neutral, on the capital axis, but who had voted Federalist in 1788, would think again in 1800. If the Bank and the tariff indirectly threatened to both raise the price of capital and drop the price of land, relative to labor, then all landed interests would be directly affected. Thus there was the potential for the creation of a majority Republican coalition based on the landed interests. Jefferson did see the danger of disunion from the creation of such a landed party, since in his

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6 Many years later, in a letter to Francis Eppes (January 19, 1821), Jefferson wrote of Bolingbroke's style as being "lofty, rhythmical...," with the "eloquence of Cicero," and "conceptions...bold and strong" (Peterson, 1984: 1451).
letter (of December 1798) to Taylor, he discussed the possibility that Massachusetts and Connecticut (dominated by the commercial interest) could leave the Union.

One feature of the difference between the political economy of Britain in 1720-1740 and of the United States in 1790-1800 should be mentioned. The Walpole equilibrium, in theory at least, would have an effect on the real wage rate of labor. To maintain the equilibrium meant constraining the growth of the enfranchised population. Perhaps this is why the British adopted the constitutional idea of "virtual representation" (Beer, 1993) that so enflamed the American colonies in 1774-6. Enfranchisement was much more extensive in the U.S. in 1800, than in Britain in 1740. Consequently, wage labor, owning neither land nor capital, but affected directly by the tariff, would tend to see their interests better preserved by the Republicans, and would aid the formation of the coalition.

Section 2, in discussing the political history of 1788--1815, emphasized the disjunction between Hamilton's preference for Britain, and the partiality of Madison and Jefferson for France. Obviously enough, the tariff of the Walpole equilibrium affected U.S. exports of raw materials. Moreover, Jefferson clearly saw that Britain's commercial empire delegated the U.S. to a position subservient to the "metropole."

My interpretation of Madison's argument in "Federalist X" is, I believe, relevant to understanding the significance of Jefferson's victory in the presidential election of 1800. According to my "Condorcetian" reading of Madison's ratio theorem, the choice of Jefferson as president would imply, to both Madison and Jefferson, that Jefferson was 'fit'. Given that Jefferson believed that the commercial policy of Hamilton was wrong, then the Republican victory also implied that the 'agrarian' policy was correct. While it is true that the coalition that elected Jefferson was founded on an 'interest', the election was, nonetheless, a choice between two fundamentally different paths -- one leading to an agrarian empire and one leading, potentially, to a commercial empire. It must be admitted that Jefferson's victory in 1800 depended on a successful heresthetic maneuver to defeat his opponents. His later victory in 1804, as well as Madison's elections in 1808 and 1812, would, however, justify this agrarian choice as fit or "virtuous".

However, the election of 1800 did create two quandaries for Jefferson, and his Secretary of State, Madison. To maintain the land coalition, it was necessary to press for the geographical extension of the U.S. To do so, against the opposing empires of Britain, France and Spain, could require the principal instrument of state, namely war. However, war meant debt, and debt had to be funded, by the tariff. To avoid this meant avoiding war, if possible. Jefferson and Madison, therefore, had to devise an instrument of state other than war. The success of the complex negotiations with France leading to the Louisiana purchase seemed to indicate that agile diplomacy could suffice. As Tucker and Hendrick (1990: 159) suggest, Jefferson's appetite for expansion only grew after the Louisiana Purchase. What I have referred to as the "Empire of Liberty" seemingly had to grow constantly to maintain the equilibrium of its dominant landed coalition. Indeed, the opponents of the Louisiana Purchase were mostly Federalists, who saw that the land expansion of the U.S. in 1803-04 could be against the commercial interests of the northeast. Jefferson's comments, quoted in Section 2 above, suggest that they saw the Floridas, Cuba and Canada as national extensions of the U.S.

The inference from my interpretation of these events is that Jefferson and Madison put in place an analogue (or inverse) of the Walpole equilibrium, designed to enhance the interest of land by coopting the interests of capital when this was required. Thus, when war was necessary to extend the empire, (as it was in 1812-1815, over the control of West Florida), debt could be increased and a moderate tariff imposed, even though capital was advantaged.

The second, more long-term, quandary concerned slavery and its potential to induce instability. Since the coalition of land comprised two factions, free labor and slave-owners, it was imperative for the stability of the coalition that the issue of slavery be suppressed. Even a dominant coalition, such as the Whigs in Britain after 1760, could fragment into factions. In 1824, for example, the presidential race was between John Quincy Adams (son of the Federalist, John Adams, and Secretary of State under Monroe), Andrew Jackson (of Tennessee), William Crawford (with support in Virginia and Georgia) and Henry Clay (supported by Ohio, Missouri and Kentucky). Thus, even when the Republicans were dominant, factional conflicts between the Northeast (with just less than 50% of the population in 1824), the West (with 20%), and the south (with just over 30%) could break up the coalition.

In 1828, the issue of the tariff, and slavery, seriously weakened the bonds of the Union, when Vice President Calhoun, of South Carolina, argued that the tariff was unconstitutional, since it encouraged "particular sectors of the economy at the expense of others" (McCoy, 1989: 131). In a long letter to Joseph Cabell (September 18, 1828), Madison argued vigorously that the "Constitution vests in Congress expressly
'the power to lay and collect taxes duties imposts and excises' and 'the power to regulate trade’” (Rakove, 1999: 814).  (Indeed in the letter he discussed the British exercise of the tariff to control trade, as well as that of France during the ministry of Necker forty years before.)  The theme that re-occurs in Madison's letters of this time is the fear of the factional turbulence that could result from the implementation of Calhoun’s doctrine of states’ rights in support of the slave interest (McCoy, 1989).  

The path of economic development, generated by the dominant agrarian coalition, meant that the factors of land, capital and slave labor were turned to the export, overwhelmingly, of cotton and tobacco (North, 1961: 283).  Necessarily this concentration had consequences for free labor in the West and the commercial interests in the North.  It was the spark of the Dred Scott decision of 1857, and Lincoln's interpretation of the threat this posed to the North, that finally broke apart the Democracy (Schofield, 2002b).

It is perhaps pointless to speculate on the opinions Madison and Jefferson had about slavery.  (McCoy, 1989: 320) has suggested that Madison, at the end of his life, intended to free the slaves he owned, but worried about meeting the financial needs of his wife, Dolly.  Attempts to understand Jefferson's beliefs have generated greater, unending, controversy (Gordon-Reed, 1997, for example).

It does, however, seem to be irrefutable that the election of 1800, and the following administration of Jefferson and Madison, put in place an agrarian coalition, founded perhaps on the Republican notion of virtue, but directed to the development of a continental Empire.

Just as a schism on religious issues divided Rome and Constantinople, so was the commercial empire of Britain separated from the agrarian empire of the U.S. by the profound moral issue of slavery.

6. Conclusion: Imperator in imperio agrario

In the narrative and analysis presented above, both politics and economics are inextricably linked.  Later in life (in 1825) Madison wrote that he considered the Declaration of Independence and the Federalist as the founding documents of the Union (Rakove, 1999: 809).  From this we may infer that he regarded "Federalist X" as a valid view of the Republic.  Clearly he also felt that both Jefferson and Madison, himself, were 'fit' presidential choices.  Since truth is a component of 'fit', it follows that the view of Hamilton that Jefferson and Madison shared was correct (at least, relative to the information they had available).  The Walpole equilibrium in Britain was possible precisely because of the way debt was covered.  As I have indicated, customs on land intensive imports benefited the landed interest, and this allowed Britain to build its maritime-commercial empire on a coalition of land and commerce.  A similar coalition in the U.S., based on the same mechanism could not be stable, for the reasons given above.  It was very useful to both Jefferson and Madison that the ideological language of Bolingbroke was available by which to attack Hamilton's Walpolean scheme.

Moreover, the constitutional view of the president, articulated in the Convention and "Federalist X," also gave Jefferson and Madison the power to implement policies consistent with the political economic theory that they constructed in the 1790’s.  From the historical narrative presented in Section 2, it should be evident that this theory provided a remarkably efficient means to maintain the coalition and extend the empire.  As the War of 1812 suggests, Madison, for example, could estimate what diplomatic risks to take over the extension of empire, accept an increase in debt, and bear the cost through a moderate increase of the tariff.  Thus, it was a conjunction of the set of constitutional beliefs associated with liberty and virtue, together with the pattern of economic interests in the Union, that allowed the formation and maintenance of the Republican coalition.

As far as I know, analysis of the inter-relationships between political coalition, land, capital, debt and the tariff, for the period 1800-1860, has never been undertaken.  This very preliminary outline of the political economic relationships in 1787-1800 is clearly no more than an indication of how to proceed with this research program.
References


