Ultra-Republicans such as John Randolph of Virginia:
Aimed to claw back the entire Hamiltonian financial machinery

Seen as unsympathetic to merchants, bankers, manufacturers, cities, factory workers

Suspicion of “the Merchant Class”

Jefferson’s critics, such as Hamilton, were not persuaded that he understood what a bank was, what a bank did
Rescinds Excise Taxes
1801

Under Jefferson, all federal revenues would come from a single external source:
Duties on imports (!)

Albert Gallatin
Treasury Secretary
1801-1814

The Founders and Finance
Thomas K. McCraw
How Hamilton, Jefferson, and Other Innovators Forged a New Economy
Albert Gallatin & the “Jeffersonian Triumvirate”

Jefferson’s “Hamilton”: Albert Gallatin in Hamilton’s Shadow

“Factors of Production”
Land: From Indians
Labor: Slavery
Capital: Slaves!

1808: International Slave Trade Ended

Ending the overseas slave trade did NOT put slavery on the road to extinction

The Domestic Slave Trade
### Respective Economies:

<table>
<thead>
<tr>
<th>Country</th>
<th>Population</th>
<th>GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>France</td>
<td>27 million</td>
<td>$32 billion</td>
</tr>
<tr>
<td>Britain</td>
<td>16 million</td>
<td>$30 billion</td>
</tr>
<tr>
<td>US</td>
<td>6 million</td>
<td>$10 billion</td>
</tr>
</tbody>
</table>

The embargo crippled American trade.

For an economy increasingly dependent on trade, the embargo was catastrophic.

Exports collapsed: $108 million to $22 million!
Economic activity in and around America’s trading communities evaporated

Communities reliant upon trade were devastated

The Supplemental Enforcement Act of January 1808

The embargo confirmed the worst suspicions of his critics
In desperation, many Americans resorted to smuggling

Give it “fifteen or twenty years”

Criticizing the Embargo: Jefferson robbed by George III & Napoleon
Jefferson’s defenders are more likely to rationalize the embargo than Jefferson himself ever was.
Unintended Consequences of the Embargo:

I. *Slashed tariff revenues* (ending debt retirement)

II. *Enlarged manufacturing*

Jefferson himself nevertheless later rationalized that the embargo expedited US industrialization!

Albert Gallatin: Warned Both Jefferson & Madison Against Letting the Bank Lapse

Madison & the Bank: Charter Lapses in 1811
A furious Gallatin wrote to Madison: “your administration is defective, and the effects become every day more extensive & fatal.”

$7 million was paid to foreign shareholders: a substantial loss of liquidity at a very perilous moment.

The bank’s eight branches were purchased by local investors in the cities where they operated.

“Stephen Girard’s Bank”
The number of state chartered banks exploded: from 88 (1811) to 208 (1815) to 246 (1816)

Most banks issued their own currency, subject to no regulation

Wide variance of value of notes from different banks (more than 800 by 1840!)
Gallatin Called for ANY Source of Revenue

Gallatin exasperated: End the bank, 1811. Scant tariff revenues.

Gallatin urgently called for “Internal Revenues” to compensate for the paucity of external revenues
Dire economic & military challenges:
- No Bank of the US.
- Army of only 7,000.

Naval Weakness
(16 vs. 600)
Monroe & the Bank: Agrarian Accommodation of Hamiltonianism

A staunch Jeffersonian, Monroe opposed Federal support for internal improvements

Southern Fear of Internal Improvements Slavery? Indians?

THE PANIC OF 1819
THE FIRST GREAT DEPRESSION
Development of the national infrastructure did not keep pace with economic growth and thus inhibited it.

Given opposition to internal improvements, America remained a largely agricultural economy, vulnerable to commodity prices.

Questions?

The Market Revolution
Rapid Economic Development: Particularly in the North

The Market Revolution
Bitterly Polarized
U.S. Politics
Absence of Federal Action: States Took Action (pictured: New York Governor DeWitt Clinton)

Robust government policies of “internal improvements”

Canals, harbors, roads, etc. would drive regional economic development

“Magnus Apollo”
The Erie Canal
363 miles
Jefferson vs. Clinton

![Statue of Thomas Jefferson](image1)

![Erie Canal inauguration](image2)

**Chart:**

Bushels of Wheat Transferred on the Erie Canal

- **Bushels of Wheat**
- **Years:** 1829, 1837, 1841

![Graph showing the increase in bushels of wheat transported](image3)

The “Burned Over District”