

Hamilton's Report on Manufactures - submitted to Congress December 5, 1791

During the summer and fall of 1791, while Madison and Jefferson were building up the Republican resistance, Hamilton was hard at work in Philadelphia on a number of projects, the most absorbing of which was his Report on Manufactures. Considered his most innovative report, it provides detailed insight into Hamilton's vision for the United States and its future.

Hamilton's Report on Manufactures went further than any other report in projecting the future of the United States and its place in the world economy. Hamilton urged congress to promote manufacturing so that the United States could be "independent on foreign nations for military and other essential supplies." In addition to national independence, manufacturing would provide a path to equality in the global market. Currently, Hamilton observed, the United States was pretty much precluded from "foreign Commerce." The country "cannot exchange with Europe on equal terms; and the want of reciprocity would render them the victim of a system which should induce them to confine their views to Agriculture and refrain from Manufactures." Government subsidies to manufacturing in Europe rendered it difficult for American manufacturers to compete in the market. The situation could be remedied if the United States government followed the European lead.

Hamilton's special interest in promoting manufacturing has been held up as evidence that he disregarded the importance of agriculture, however, nothing could have been further from his intentions. His report is more concerned with the interdependence of the two economic systems than the ascendancy of one over the other. He agreed that agriculture "has intrinsically a strong claim to pre-eminence over every other kind of industry. But that is has a title to any thing like an exclusive predilection . . . ought to be admitted with great caution." Hamilton foresaw mass immigration into the United States and a domestic population explosion, and understood that the diverse population of the future had the best chance of widespread prosperity through a diversification of labor.

The growth of manufacturing in the United States, in Hamilton's view, would parallel the growth of great population centers, thus creating more of a market for the produce of farms. Again, Hamilton sees things not in simple terms of evils and goods, but in terms of relationships and dynamics. He did not advocate one economic system, but saw an opportunity for greater benefits through providing a variety of options. By dismissing manufacturing, the nation was limiting its potential, and neglecting to tap into its most valuable, yet dormant, resources.

He recommended specific policies to encourage manufactures; among them protective duties and prohibitions on rival imports, exemption of domestic manufactures from duties, and encouragement of "new inventions . . . particularly those, which relate to machinery."

To Hamilton the absence of substantial manufacturing in the United States was a gaping hole of opportunity that desperately needed to be filled. Congress was not as enthusiastic. The report was never put up to a vote.

As a sort of supplement to his plan for manufactures, Hamilton and his former Treasury Department assistant, William Duer, founded the "Society for the Establishment of Useful Manufactures." Supported by private investors, it was an eighteenth century industrial park to be built in Passaic, New Jersey, complete with a snappy acronym: S.U.M. Through the S.U.M., Hamilton hoped to demonstrate the ability of the United States to be successful in manufacturing, and make proper use of its plentiful raw materials and its people's special aptitude for technological pursuits. It would be a microcosm of the industrial America of the future.