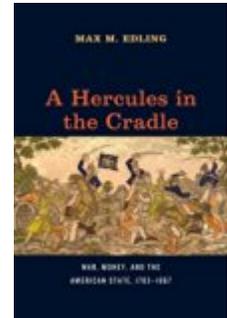




Max M. Edling. *A Hercules in the Cradle: War, Money, and the American state, 1783-1867.* Chicago: University of Chicago Press, 2014. 336 pp. \$45.00, cloth, ISBN 978-0-226-18157-8.



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In this book, following themes laid out in his first monograph, *A Revolution in Favor of Government: Origins of the U.S. Constitution and the Making of the American State* (2003), Max Edling enhances his reputation as one of the leading historians of early US state formation. Historiographically, *A Hercules in the Cradle* engages two fundamental issues: American exceptionalism and the balance between change and continuity. On the first, we see federal policymakers rapidly adopting European fiscal instruments (war loans and debt, and taxation to fund the payment of that debt), and using them for coercion and empire, not unlike the great European powers: “[T]he United States joined the family of great powers in large degree because of its ability to run up a huge debt to pay for an enormous [civil] war” (p. 16). Edling maintains that, as Mexicans, Canadians, and Native Americans observed, “the United States grew to dominate the North American continent not because of its free institutions or its enterprising population but by its liberal use of state-sanctioned and state-directed aggression

and violence” (p. 4). On the second issue, we see continuity as American willingness to borrow, eagerness to pay off debt, and desire to minimize taxes persisted across administrations of every party and ideological stripe. For those (like me) engaged in the study of the Federalist and Jeffersonian eras, Edling concludes that “there was no great break in the nation’s development when Federalists were replaced by Republicans. If anything, the Revolution of 1800 signaled a more aggressive policy against Indian nations, and an even more active policy against European states. These policies forced Republicans to make vigorous use of the governmental institutions created by their predecessors. For all the rhetorical steam, Jefferson’s ‘Empire of Liberty’ was made possible by a Federalist fiscal system and Federalist policies of debt management” (p. 87). I could hardly agree more.

A Hercules in the Cradle is about federal fiscal policy—revenue and spending—for war or in preparation for war. The first half of the book examines national financial policy during the Feder-

alist era, providing evidence confirming that the Federalists set the Revolutionary debt they assumed from the states on a path to payment. Thomas Jefferson and James Madison both supported the law that funded the Revolutionary War debt as a national obligation, and “administered a Federalist repayment plan” while president (p. 107). More important in the big picture, Alexander Hamilton’s plan provided for gradual but steady debt reduction, which Edling sees as a departure from European practice (p. 83), while federal assumption of state debts enabled them to dramatically reduce their taxes, which had spurred Shays’s Rebellion and other unrest during the 1780s. The Whiskey Rebellion notwithstanding, the Federalist revenue regime relied primarily on taxes on imports, and between 1792 and 1795 fiscal stability combined with surging international trade produced federal customs revenues six times greater than those between 1785 and 1788 (p. 77). The result was greater political as well as economic stability, though many historians of the early republic will think Edling somewhat cavalier in dismissing the Whiskey Rebellion and other popular protests.

With growing trade—the result of Federalist conciliation with Britain in the Jay Treaty, and successful resistance to France in the Quasi-War—the nation’s finances continued to improve until the US embargo on participation in international trade in 1808, and Jefferson ultimately spent more on military and naval affairs than Washington (p. 116 and figure C.2). Like most historians during the last several decades, Edling observes that “it was the self-proclaimed enemies of central government ... politicians in the Jeffersonian and Jacksonian ... tradition, who made the most extensive use of the federal government” (p. 14), in policies like the Louisiana Purchase and the dispossession of the Native Americans (aka Jackson’s “Indian removal”). Yet the complete abolition of internal taxes (like that on whiskey) reduced the nation’s financial flexibility, and Congress’s refusal to reauthorize the Bank of the United States

in 1811 eliminated a resource treasury secretary Albert Gallatin was counting on for war funding. (Indeed, Gallatin sought to recharter the Bank at nearly four times the capitalization authorized in 1791.) Even worse, the end of the Bank meant that there were no national banknotes: specie (gold and silver) was the only currency whose value was not routinely subject to negotiation in each new transaction, and there was not enough specie to serve as a reliable medium of exchange. Thinking to restrain future officeholders, the Republicans “created a fiscal system entirely dependent on the actions and goodwill of the great naval powers of Europe,” a system crippled by Jefferson’s Embargo and similar commercial sanctions against Britain enacted under Madison. Thus, as a number of historians have concluded, “the Republicans’ fear of energetic government undermined the nation’s self-determination” (p. 117).

Loath to raise internal taxes (though Gallatin sought their reintroduction just before the War of 1812) and unwilling to issue fiat currency like the “Continental” that had depreciated so dramatically during the Revolution, the Madison administration had to finance the second conflict with Britain primarily through the sale of long-term securities (bonds), adopting a common European practice that the United States has relied on ever since. Bonds made up half of American financing for the War of 1812, Treasury notes (redeemable with interest after a year) a quarter, and taxes a quarter (pp. 127, 136). Direct loans from banks played virtually no role. Indeed, by mid-1813 federal bond issues were oversubscribed (more were purchased than had been expected), and Congress authorized an array of direct internal taxes. Though strained, American war financing did not collapse until well into 1814. Here, however, Edling’s emphasis on innovation and success lets the reader down, for he does little to explain the crippling of government finances, and the crisis in economic liquidity more generally, that autumn. Some historians have attributed the crisis to Federalist machinations (New England banks refus-

ing to accept Treasury notes, and suspending specie payments), others (more persuasively), to the growing impact of the British blockade. Edling cites the burning of Washington and implies a collapse of public confidence and moves on, though Washington was quickly followed by American defensive victories at Fort McHenry and Plattsburgh.

Ironically (given their rhetoric), the Republicans proposed an income tax—and passed a tax on household furniture—in January 1815, after imposing a whiskey tax the month before. The War of 1812 demonstrated the sometimes foolish optimism of Republican leaders: even the worldly, experienced Gallatin imagined the war might cost \$10 million over four years, whereas 1813 and 1814 alone cost five times that (p. 136), while the United States was unable to conquer or even secure a foothold in Canada. Nevertheless, gaining \$100 million in short- (Treasury note) and long-term loans was a remarkable accomplishment for a nation that entered the war with only \$4 million in cash reserves. As Edling points out—again setting aside the crisis averted by the Peace of Ghent—“the financing of the War of 1812 was far more orderly” (p. 141) than that of the Revolutionary War: the nation had proven “equal to the severest trials,” per his chapter title. There was no popular unrest or rebellion over taxation or the debt, during or after the war; war taxes were swiftly abolished; specie payments were soon resumed; and the John Quincy Adams administration (not that of Andrew Jackson) paid off most of the War of 1812 debt: only \$500,000 remained by 1831 (figure 4.1). Edling persuasively maintains that “the War of 1812 demonstrated the basic soundness of Hamilton’s system of finance,” and that the government would apply similar methods, with lessons learned, to finance the war with Mexico (p. 15).

With a far larger economy, that conflict proved much easier for the United States to finance, requiring two-thirds the bonds, which

were easily raised, about the same amount of Treasury notes, and no internal taxes (p. 165). The value of Edling’s chapter on the war with Mexico lies mostly in the contrast between the United States and Mexico, where a “destructive pattern of public finance” rooted in social conflict (p. 169) led to reliance on coercion for mobilization, rather than the voluntarism characteristic (apart from the role of slave laborers) of the United States.

Complexity returned with the American Civil War. An order of magnitude greater than the War of 1812 and the war with Mexico combined, the Civil War demanded innovations in currency, bond sales, and taxation. But congressional and private business leaders came to the fore in lieu of executive branch officials, as Treasury secretary Salmon Chase proved more interested in establishing the “National Banking System” (an enhanced, public-private partnership version of the Bank of the United States, which Andrew Jackson had destroyed in the 1830s) than in war finance per se. By 1862 Congress had created the greenback system, a national legal tender currency, in response to the private banks’ suspension of specie payments, as well as a federal income tax and direct taxes administered through quotas for each state. Greenbacks, which were redeemable in bonds, bore the burden of war finance that year. Though they soon began to depreciate in value, the Treasury was able to turn to private enterprise in the person of financier Jay Cooke, who created an innovative public campaign to sell bonds on a scale never seen before, in Europe or America. These bonds, ancestors of the famous war bonds of World Wars One and Two, were sold to ordinary workingmen as well as the middle class and the wealthy, through a network of agents as widespread as any in American history to that date. They dominated Civil War finance during 1863 and 1864.

Meanwhile, a “fundamental shift in the structure of American taxation” was occurring, with

“virtually no opposition” (in contrast to that to conscription) (pp. 210-11). Although the new internal taxes focused on manufacturers rather than farmers (an important explanation for the lack of opposition), by 1865 taxes made up more than a quarter of the nation’s immense revenues, and internal taxes supplied more than double the revenue of tariffs. Congress reduced these taxes after the war, but did not abolish them, as it had done after the War of 1812 and the Quasi-War with France.

There are some limitations to *A Hercules in the Cradle*. Edling’s discussions of the balance of power between Britain and the United States do not cite Joseph Sweninger’s 1998 Ohio State dissertation on American planning for war along the Canadian border, or Howard Fuller’s masterful *Clad in Iron: The American Civil War and the Challenge of British Naval Power* (2008). Edling cites Mark Smith’s dissertation on coastal defense, rather than his book, which was published in 2009. In other words, Edling is a bit less attuned to the historiography of nineteenth-century American military history than military historians would like, while historians of the early republic may well question his disregard for the Whiskey Rebellion, Fries Rebellion (in Pennsylvania, against internal taxes in 1799), and the economic crisis of 1814. Yet Edling can respond that he is tracking the big picture, a trajectory toward American fiscal strength and national power, a reasonable perspective that many social and cultural historians, eager to assert contingency and agency, to identify division and crisis, are prone to reject.

On the whole *A Hercules in the Cradle* strikes another blow against ideas of American exceptionalism, general and military, but some important, perhaps crucial, distinctions remain between fiscal practice and effect in nineteenth-century Europe and the United States. On the side of American congruity with great-power practice, Edling shows that “the threat of international war

and the need to be able to mobilize and employ coercive power to defend national independence and [national] interests served both as the primary rationale behind the creation of a national government ... and the primary force driving its development and expansion in the nineteenth century.... In this respect the origins and development of central state power in the United States are no different from the origins and development of state power in other parts of the world” (p. 223). Between 1789 and 1860 annual federal spending increased nineteen-fold, and in every administration except Jefferson’s first (during the Louisiana Purchase) military and naval expenditures made up the majority, and commonly 80 percent, of the spending (pp. 232 and 13). Indeed, the United States spent about twice as much of its budget on security as Britain—but the British budget was six to seven times the proportion of GDP, so that US security costs were about a third (as a proportion of GDP) those of the Pax Britannia (p. 223).

On the other hand, per capita federal spending changed little, indicating that US territorial expansion did not proceed out of balance with (very rapid) population growth (figure C.3). After each major war the United States paid down its debt (within a single generation after the Revolution, the War of 1812, and the war with Mexico), and the decisive shift to an effectively permanent debt did not occur until the New Deal responding to the Great Depression in the 1930s. (Surprisingly, Edling does not point out that even then, such was the orthodox desire for debt reduction, among leaders in both parties, that it was truly the Second World War and the Cold War that cemented a permanent debt.) Nor did a permanent income tax prove necessary until the First World War. In sum, “the early federal government was designed for war, not peace” (p. 237), but the United States was able to maintain a fiscal balance than helped encourage economic growth, an effective balance between public and private investment (so to speak) that was distinctly American among the major powers. Thus, the United States pursued

traditional great-power objectives—resources and power, through territorial expansion and control—with some means common among contemporary European powers, but was able to do so without unduly constraining its free institutions or its enterprising population. Focused on similarities between European and American experience, Edling does not attempt to weigh the benefits of relative insulation from the close and constant international security competition of Europe, nor does he address the role of federal spending as a stimulus to private enterprise. But *A Hercules in the Cradle* makes a convincing argument for the success of government finance as a crucial source of US expansion and power.

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