

The Papers of James Madison. Volume XIII: 20 January 1790–31 March 1791. Edited by CHARLES F. HOBSON and ROBERT A. RUTLAND. WILLIAM M. E. RACHAL, Consulting Editor. JEANNE K. SISSON, Editorial Assistant. Charlottesville: University Press of Virginia, 1981. xxviii, 423 pp. \$20.00.

THE latest volume of Madison's papers demonstrates the pivotal role he played in the second and third sessions of the first Congress. From the perspective of contemporaries the second session, which dealt with the principal unsolved problem left over from the Revolution—how to fund the revolutionary debt and establish public credit—seemed as important as the first session, which had concentrated on putting the new government into effect and on drafting a set of amendments for submission to the states that would become the Bill of Rights. By contrast the third session, which picked up the loose ends of Hamilton's basic funding plan by providing a revenue to pay interest on the assumed state debts, and by chartering the Bank of the United States, was an anticlimax. It lasted only half as long as the second session, and as a result two-thirds of the documentation in Volume XIII pertains to the earlier session. Though the focus throughout is on the implementation of Hamilton's fiscal policy, there is some interesting commentary on other matters before Congress, such as the early Quaker petitions against the slave trade, the proposal to prohibit foreign vessels from carrying American produce to any port from which American vessels were excluded, and Knox's plan for a national organization of the militia.

The editors have performed two especially important scholarly services. First, they have gone beyond the accounts of congressional debates given in the *Annals of Congress*, which rely largely on the incomplete coverage of John Fenno's *Gazette of the United States*, to provide a more comprehensive text of Madison's speeches. Unfortunately their procedure still involves a heavy reliance on the newspaper accounts of the time, far from verbatim reporting and probably often inaccurate. Concerning the debates over the bank, Madison complained that the "argts. agst. it are extremely mutilated, and even perverted in the Newspapers" (p. 389). But in spite of this, and though the amplifications supplied here do not pose any serious challenge to existing interpretations, it is good to have something closer to a definitive text than we have yet seen. The other, and to my mind more important service performed here and throughout the entire series so far, in which the late William M. E. Rachal participated, is the presentation of all the correspondence received by Madison, formerly published only in brief excerpts. The letters in this volume illuminate many corners of the new nation's political structure. They offer insight into the political context that surrounded the debate on Hamilton's proposals: for

instance, Madison's correspondents gave him both positive and negative responses to his proposal that the government recognize the equitable claims of the original holders of the liquidated federal debt, but they were unanimously opposed to the assumption of state debts as these stood in 1790. The letters also shed light on some of the difficulties encountered in taking the census of 1790, the problems of administering justice in the new and enlarged federal districts, and the highly expectant attention with which Americans were following developments in Europe, in particular the French Revolution.

A book that supplies so much additional information about a historical period often has the concomitant effect of raising old problems in a new form. The question of how Hamilton persuaded Congress to accept his ambitious funding proposal has long intrigued historians. They have agreed that assumption of the state debts was the sticking point, with the opposition attempting to separate assumption from funding so that they might defeat assumption without jeopardizing the credit of the federal government, while Hamilton's allies, of course, strove to prevent them. Feelings ran so high on the issue that both sides talked of secession if the other did not yield. The Madison papers shed little light on why the Hamiltonians felt that the impost would lose its effectiveness as a means of raising revenue if northern state creditors saw it being used exclusively to service the federal debt. But the new material here does reveal the reason for the hostility to assumption displayed by Madison's Virginia constituents. Since many of them were heavily indebted to British creditors, they balked at having to help other states pay their debts as well as paying Virginia's, particularly when they felt (erroneously, as it turns out) that Virginia had contributed far more to the cause than most other states and therefore could expect to be a creditor in any final settlement of accounts. This volume also makes it clear that the opponents of assumption had time on their side. The arrival of several members of North Carolina's delegation in New York during the early spring enabled them to achieve their aim of separating funding from assumption, and the arrival of the rest soon afterward gave them firm control of the second session. Why, then, did the opposition cave in?

Traditionally, a bargain struck between Hamilton and the opposition over the location of the new national government has been invoked to answer this question. It is alleged that at a meeting in late June Hamilton, Madison, and Jefferson agreed that the opposition would relax its stance on assumption in exchange for the establishment of the capital on the Potomac. The editors raise doubts about the significance of this meeting not only by pointing out that the one account of it which survives was written some time after the fact (pp. 244-245), but also by publishing several new documents which show an awareness that Congress would retain an option to renege on the bargain for ten years to come. At the same time it is clear that concessions on the subject of the capital's location were perceived by the opposition as part of a conciliatory strategy which Hamilton and his supporters had adopted and which also included certain modifications in assumption that would protect Virginia's financial interests as well as conceding the admissibility of southern claims of questioned legitimacy in a final settlement. It is also clear that, although Madison

could not be brought to drop his personal opposition to assumption, he would acquiesce in it at least to the extent of not organizing a more general opposition. And since he continued to regard the large debt that Hamilton proposed to fund as a positive evil, his acquiescence must have proceeded from a belief that it was the lesser of two.

What then was the greater evil? Quite simply, it was the possibility that the second session would fail to arrive at a solution to the problem of the revolutionary debt. The nation's leadership knew that the only way to establish the power of the new government was to demonstrate its ability to solve pressing national problems. Madison and other leading federalists had participated in the elaborate process of drafting, ratifying, and implementing the new central government because they thought that its vastly enlarged powers would permit the resolution of a problem that had hitherto defied solution: that is, the establishment of public credit. Madison feared that if the second session adjourned before it adopted some plan to achieve this end, the authority of the new government would become so hopelessly compromised that the nation's leaders would forever lose the ability to formulate one. He and other federalists recognized that the second session must not be allowed to end in deadlock if the momentum of the previous three years were to be sustained. That is why he eventually chose to acquiesce in Hamilton's program as the only politically feasible way of establishing public credit even though it cost him assumption. That it was he who retreated rather than his opponents perhaps had less to do with the residency issue than with two other factors. First, reports throughout 1790 of a rising demand for American produce in European markets increased Madison's estimate of the amount of debt the nation could hope to fund and retire. Secondly, he became convinced that, given the aversion to direct taxation of the northern states, there was no real alternative to reliance on an impost, and, therefore, none to the assumption of a portion of the state debts, much as he would have preferred direct taxation.

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