



Comments on  
**“Early U.S. Struggles with Fiscal  
Federalism: Lessons for Europe?”**  
by Richard Sylla

Christian Kopf, Spinnaker Capital  
19th Dubrovnik Economic Conference  
June 13, 2013

# From hagiography ...

- “La crise de l’eurozone, les États-Unis et l’introuvable M. Hamilton” by Clément Pimor
- Conference speeches by Richard Cooper, Ron McKinnon, Robert Mundell

# ... to analysis

	<b>Morris (1781-1784)</b>	<b>Hamilton (1789-1795)</b>
Stable public finances	No federal taxation	✓
Stable national currency		✓
Central Bank		✓
Functioning banking system	Weak (BNA)	Strong (BUS)
Liquid securities market		✓
Thriving private corporations		✓

Analytical framework

Comparative study

# “Hamilton’s Paradoxes” (J. Rodden)

- Maria Reynolds
- Aaron Barr
- Edmund Burke

# Was Hamilton a Federalist?

“The fundamental principle on which it rests, that the empire is a community of sovereigns, that the diet is a representation of sovereigns and that the laws are addressed to sovereigns, renders the empire **a nerveless body, incapable of regulating its own members**, insecure against external dangers, and agitated with unceasing fermentations in its own bowels.”

James Madison and Alexander Hamilton, “The Insufficiency of the Present Confederation to Preserve the Union”, *Independent Journal*, December 8, 1787 (The Federalist No. 19)



# Was Hamilton successful?

- Mutualisation of state debt, but inadequate federal institutions
- Charter of First Bank of the United States lapsed in 1811
- State defaults of 1840s
- Lack of burden-sharing mechanism for “legacy losses” (compensation for slave owners) led to civil war

# Implications for Europe

- Problem of debt overhang
- Insurance against sudden stops vs. debt mutualisation
- Short cuts or slow steps to fiscal federalism?