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Alexander Hamilton's Concept of Federalism in the Process of Federalization of the USA and the EU

Koncepcja federalizmu Alexandra Hamiltona w procesie federalizacji USA i UE

Abstract: This article examines the process of European integration from a historical perspective, employing a legal-comparative approach with the United States. The core objective is to determine whether the introduction of joint debt instruments by the European Union and its 27 member states under the Next Generation mechanism signifies a critical juncture in advancing the federalization of the European Union. The analysis draws on Alexander Hamilton's plan, which consolidated the debts of 13 states under the federal government – a measure widely regarded as pivotal in shaping the United States as a federal state with a robust central government. This article juxtaposes the federalization of the United States, rooted in the socio-political context of the 18th century, with the post-World War II integration processes of European states.

Keywords: federalism, United States, European Union, Next Generation, Alexander Hamilton, European integration, joint debt, taxes

Streszczenie: Artykuł analizuje proces integracji europejskiej z perspektywy historycznej, wykorzystując podejście prawno-porównawcze ze Stanami Zjednoczonymi. Głównym celem jest określenie, czy wprowadzenie wspólnych instrumentów dłużnych przez Unię Europejską i jej 27 państw członkowskich w ramach mechanizmu Next Generation stanowi punkt zwrotny w procesie federalizacji Unii Europejskiej. Analiza opiera się na planie Alexandra Hamiltona, który skonsolidował długi

13 stanów pod rządem federalnym – działaniu powszechnie uznawanym za kluczowe w kształtowaniu Stanów Zjednoczonych jako państwa federalnego z silnym rządem centralnym. Artykuł zestawia federalizację Stanów Zjednoczonych, z procesami integracji europejskich państw po II wojnie światowej.

Słowa kluczowe: federalizm, Stany Zjednoczone, Unia Europejska, Next Generation, Aleksander Hamilton, integracja europejska, wspólny dług, podatki

Introduction

In contemporary discourse, a pressing question among academics and politicians is whether the European Union, in its ongoing integration process and through the adoption of a joint debt mechanism, has reached its "Hamiltonian moment." This inquiry draws on the legacy of Alexander Hamilton, one of the founding fathers of the United States. Hamilton, a New York lawyer and statesman, is widely recognized for laying the material foundation of the federation[1] of the 13 New England states. The Philadelphia Convention[2] and its result – the U.S. Constitution of 1787[3] –provided the formal framework, but Hamilton's pivotal role as the first U.S. Secretary of the Treasury was to federalize all public obligations owed by both the confederation and the individual states to creditors. This consolidation of debt is often regarded as the true inception of the United States as a federal entity.

There is broad scholarly consensus regarding the historical significance of Hamilton's actions. However, a vigorous debate persists concerning whether Europe, more than 200 years after the federation of the original 13 British colonies in North America, is now experiencing a comparable "Hamiltonian moment" prompted by the introduction of a common debt mechanism by the European Union and its 27 member states.

This article is aimed to address the critical question of whether the emergence of shared financial obligations and common taxation signifies an irreversible shift, marking the transformation of the European Union

[1] Suchecki, 1968, pp. 74–96.

[2] Philadelphia Convention – a historical event in the United States aimed at drafting the U.S. Constitution to replace the Articles of Confederation. Held in Philadelphia from May 25 to September 17, 1787.

[3] Data as of November 13, 2024, available at: https://constitution.congress.gov/constitution/.

– a supranational body endowed with legal personality – into a centralized federal state, with its member states becoming its constituent units.

Federalization of the United States

Historical Background

The Philadelphia Convention, a pivotal event in the history of the United States, established two foundational principles for the nation's future development: federalism[4] and republicanism.[5] Under the U.S. Constitution of 1787, the federal government was endowed with executive and judicial instruments of coercive action, marking a significant departure from prior governance structures. This Constitution created a direct legal and political relationship between the Union government and the people. Citizens of the new republic were granted the right to elect their representatives through direct suffrage, in accordance with the principles of the Declaration of Independence.[6] The federal structure also established distinct legislative, executive, and judicial bodies functioning within a republican framework.

The new federalism necessitated a precise division of powers between the federal government and the constituent states. Another critical aspect of American federalism was the relationship between various levels of government. A defining feature of this system was the role of the U.S. Supreme Court as the "court of the federal system." Some theorists argue that the most significant turning point in American federalism was embodied in Alexander Hamilton's vision of federalism.[7] Hamiltonian federalism was neither a political nor constitutional principle but rather a mechanism to safeguard all forms of governance and serve as a tool for governance within the system. Federalism delineates the powers of

[4] This term encompasses both the doctrine and the practice aimed at reconciling conflicting interests between the whole and its parts.

[5] Understood as a current in political philosophy that considers the republic as the ideal of political life, a political community in which citizens of equal rights participate in public life and have equal access to term-limited elective offices. According to this doctrine, citizens collectively form the state, are responsible for its existence, and comply with laws established by the republic.

[6] Data as of November 13, 2024, available at: https://www.uscis.gov/.

[7] Data as of November 13, 2024, available at: https://avalon.law.yale.edu/.

state organs functioning at different levels, ensuring that neither level can encroach upon legally defined and assigned areas of authority. A political community can adopt federalism through two primary pathways: first, by uniting independent states into a single federal entity, and second, by granting greater autonomy and independence to constituent units within a centralized state to promote unity[8].

Federal theory distinguishes between two forms of federalism: dual federalism[9] and cooperative federalism[10]. The U.S. Constitution reflected the principles of dual federalism, which emphasized limited government, while dual federalism emerged later as a contrasting model in 19th-century German political thought. The challenges of state debt management underscored the necessity of a strong central government capable of overseeing the federation's finances and maintaining the consistency of economic policy. Without a central authority, states struggled to coordinate debt management, maintain internal order, and navigate interstate and confederal relations effectively.

Alexander Hamilton

The joint debt of the 13 states from the post-War of Independence era, known as the Revolutionary debt, was a critical factor in the federalization of the United States. The majority of this debt arose from financing the struggle for independence against Great Britain, during which the individual colony-states incurred obligations to maintain an army and wage war. Following the war, the fledgling nation faced the challenge of reorganizing its finances and uniting the states into a cohesive federation. By 1783, when the War of Independence ended, the United States was in a precarious financial situation. States had individually borrowed funds for a collective cause, yet there was no central mechanism to manage this debt. Each state maintained its own financial obligations and operated its finances independently of the others. The shared debt played a central role in the negotiations leading to the creation of the U.S. Constitution in 1787 and the subsequent establishment of federalism. Several key aspects highlight how the debt facilitated the creation of the federation. Alexander Hamilton, the first U.S. Secretary of the Treasury, emerged

[8] Baldi, 1999, pp. 18–19.
[9] Suchecki, 1968, pp. 172–183.
[10] Ibid., pp. 187–198.

as the chief architect of the new government's fiscal policy. In 1790, he proposed a plan for the federal government to assume state debts in order to repay the Revolutionary debt, as well as to be able to take out new loans that would allow the economy to grow. His objective was twofold: to create a stronger federal government and to establish a centralized mechanism for financial management.

Hamilton's plan encountered resistance, particularly from southern states that carried relatively low debt. To secure the adoption of the plan, a compromise was reached, stipulating that the new U.S. capital would be located in the South as compensation for the federal assumption of state debt. The shared debt thus became a vital tool for building a central authority.[11] Recognizing the collective nature of the liability compelled cooperation among the states, ultimately resulting in the formation of a strong federal government. This cooperation proved essential for consolidating the nation and creating a political system in which the federal government held real control over national economics and politics. The shared debt of the 13 states thus played a transformative role in the federalization of the United States, demonstrating how economic challenges can drive political change and the creation of new state structures.

Hamilton's reforms were driven by the socio-economic conditions of the 13 independent states and a broader trend toward centralization under the Continental Congress. The needs were multifaceted: the establishment of customs barriers to protect internal markets, the creation of a navy to safeguard shipping and ports from piracy, the unification of currency systems, the repayment of war debts to foreign creditors, and overdue wages to veterans of the War of Independence. Upon assuming the office of Secretary of the Treasury on September 14, 1789, in the administration of President George Washington, Hamilton used this prominent position to address the economic and political challenges facing the young nation. His immediate priority was to stabilize public finances, with the most pressing task being the satisfaction of foreign creditors –primarily international banks – followed by domestic creditors. Additional challenges were due to the fragmented and unreliable accounting of individual states' debts. Based on available documents, he estimated the total public debt at the time to comprise three components: foreign debt ($11 million), civil debt ($40 million), and state debt ($25 million). The

[11] Katz, 1971, p. 167.

interest rate on foreign debt was 4-5%, and on civil and state debt – 6%. The annual cost of servicing foreign debt was $543,000 and civil and state debts – $4 million.[12] The foreign debt required the most urgent repayment. Hamilton identified customs duties as a primary revenue source while avoiding direct taxation of citizens, which he viewed as politically untenable due to its role in triggering the American Revolution against the British Crown. Hamilton's strategy for consolidating debt involved its assumption by the federal government, a move designed to reduce citizens' financial dependence on state governments. This proposal faced opposition from New York and Virginia, as these states had already repaid their debts.[13] Ultimately, federal revenue was derived primarily from customs duties, with nearly 80% of collections accruing to the federal budget. Major ports such as Philadelphia, New York, Charleston, Norfolk, Boston, and Baltimore were key revenue sources, with goods primarily imported from the United Kingdom, supplemented by trade with the Iberian Peninsula, France, and the West Indies.

In a 1781 letter to Robert Morris, Hamilton famously stated:

> *A national debt if it is not excessive will be to us a national blessing; it will be powerful cement of our union. It will also create a necessity for keeping up taxation to a degree which without being oppressive, will be a spur to industry; (…) it were otherwise to be feared our popular maxims would incline us to too great parsimony and indulgence. We labour less now than any civilized nation of Europe, and a habit of labour in the people is as essential to the health and vigor of their minds and bodies as it is conducive to the welfare of the State*[14].

Hamilton's reorganization of public finances, the establishment of the Bank of the United States (which remained operational until 1836), and the expansion of the navy spurred rapid economic growth. These measures also enhanced the United States' creditworthiness, attracting new loans from international financiers. Increased tariffs further boosted the export of American goods. Meanwhile, political instability in Europe, particularly revolutionary unrest in France, created a favorable environment for American economic expansion. Industrial development

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[12] Rusinowa, 1990, pp. 119–120.

[13] Ibid., p. 120.

[14] Hamilton, A., 1781. *From Alexander Hamilton to Robert Morris, [30 April 1781]*, available at: https://founders.archives.gov/documents/Hamilton/01-02-02-1167.

was a priority for Hamilton, who opposed the prevailing physiocratic economic doctrine.[15] He championed industrial growth by advocating for protective tariffs to shield the nascent American economy. These tariffs, part of a lasting U.S. policy canon, were instrumental in propelling the United States to global industrial prominence. By the early 20th century, U.S. tariffs were as high as 44%, compared to 13% in the German Reich and zero tariffs in Britain. These measures helped the United States achieve industrial supremacy, accounting for 35.8% of global industrial output by 1913, compared to 14% for Britain, 15.7% for Germany, and 6.4% for France. More than 40 years earlier, on the eve of the Franco-Prussian War in 1870, the global distribution of industrial production was as follows: the United States accounted for 23.3%, Great Britain for 31.8%, the German Reich for 13.2%, and France for 10.3%.[16]

Federalization of Europe

European Integration

After the end of World War II, discussions began about the future of Europe, including the prospect of a federalist unification advocated by figures such as Konrad Adenauer, Winston Churchill, Paul-Henri Spaak, Alcide de Gasperi, and Robert Schuman. Western European leaders envisioned a new order based on the shared interests of its citizens and peoples, regulated by mutual agreements that would emphasize the rule of law and equality for all. Simultaneously, they debated two organizational frameworks: a union of states and a federal state. It is important to remember that the idea of European federalism has never been associated with a single concept or political model but rather with various intertwined approaches shaped by the political and economic interests of member states. A significant impetus for the federal unification of Western European countries came from the Marshall Plan, which was accepted by sixteen nations in the region.[17]

15 Bochenek, 2016, pp. 111–130.
16 Kaliński, 2004, pp. 92–95.
17 Sanford, 1987.

Since the beginning of European integration, two fundamental approaches to this process have emerged. The first, championed by Jean Monnet, advocated for incremental steps toward integration. In contrast, Winston Churchill, in his famous Zurich speech,[18] called for a "great leap" by outlining a vision for a United States of Europe. The genesis of the European Communities' federalization process can be traced to the Maastricht Treaty, adopted in 1992 and entering into force on November 1, 1993. This treaty established the European Union, structured around three pillars: the European Communities, the Common Foreign and Security Policy, and Cooperation in Justice and Home Affairs. At the time, two dominant political currents viewed federalization as a means to achieve their respective goals. The Christian-Democratic current, led predominantly by German politicians, aimed to strengthen the Union's institutions and governance mechanisms, anticipating an expansion to include states "from behind the Iron Curtain". For these politicians, the federalization process also reflected Chancellor Otto von Bismarck's 19th-century vision of Mitteleuropa. The leftist current, inspired by the Ventotene Manifesto, sought centralization of power as a tool for revolutionary societal transformation. This vision aimed to dismantle the Europe rooted in the triad of Latin civilization –truth, Roman law, and Christianity – and replace it with a model echoing Trotskyist cultural revolution ideals[19].

The Ventotene Manifesto, authored by Altiero Spinelli, Ernesto Rossi, Eugenio Colorni, Ursula Hirschmann, Luigi Einaudi, and Lionel Robbins on the Italian island of Ventotene, proposed a vision for Europe's future inspired by Alexander Hamilton's federalist ideals. According to the manifesto, the precondition for progress was the radical abolition of Europe's division into sovereign nation-states and their replacement with a stable supranational federal state. This federal state would require a European army instead of national armies and an end to the economic self-sufficiency aspirations of individual nations. Federalization, as conceived in the manifesto, envisioned a supranational structure in which individual parts functioned as objects controlled by a hegemon, with

[18] In his 1946 speech at the University of Zurich, Churchill urged Europeans to look beyond past tragedies and focus on the future. He believed that Europe must heal from the wounds of the past and move forward without hatred or vengeance. For Churchill, the first step towards rebuilding the "European family" on principles of justice, mercy, and freedom was "to build a kind of United States of Europe. In this way only will hundreds of millions of toilers be able to regain the simple joys and hopes which make life worth living."

[19] Górski, 2023, pp. 23–30.

internal differentiation determined entirely by a centralized federal legislator and manager of a unified economy.[20]

Interestingly, Altiero Spinelli, one of the authors of the manifesto, became a prominent figure in advancing federalist ideas. Beginning in 1970 as a European Commission member responsible for industrial policy and later serving as a Member of the European Parliament on the Italian Communist Party list, Spinelli formed the influential cross-party "Crocodile Club." This informal pressure group achieved its greatest success in 1984 when the European Parliament adopted the Treaty establishing the European Union at the Club's urging.[21] While the treaty was not ratified by national parliaments and required further negotiations, it marked the start of a process that led to the Single European Act in 1986[22] and the Maastricht Treaty in 1992,[23] culminating in the creation of the European Union.

Federalization through Integration

The creation of the Eurozone in 1999 introduced common mechanisms for fiscal rules. Member states were required to comply with the Stability and Growth Pact, which imposed limits on budget deficits (no more than 3% of GDP) and public debt (no more than 60% of GDP). However, differences in the economies and fiscal policies of member states, combined with the global financial crisis of 2008, created a situation where some countries exceeded these limits, leading to high levels of debt. The Eurozone sovereign debt crisis revealed that the lack of shared debt responsibility within the EU could threaten the stability of the entire monetary union. When Greece, and later other countries, approached insolvency, serious discussions began about potential ways to support these countries. Although the European Union has not yet introduced a full fiscal union –where common debts would be shared in solidarity by all member states – the crisis underscored the importance of tools for managing such debt. Mechanisms such as the Stability and Growth

20 Bartyzel, 2019, pp. 27–33.
21 Data as of November 17, 2024, available at: https://european-union.europa.eu/.
22 Single European Act of February 17, 1986 (Official Journal C 7/105).
23 Treaty of Maastricht, July 29, 1992 (Official Journal C 191).

Pact[24] are in place to prevent debt crises, but after the 2009 crisis, there was a strong push for reforms aimed at enabling a more coherent fiscal policy within the Eurozone.

In response to the debt crisis, Eurozone member states signed the Fiscal Pact[25] in 2012, introducing stricter rules on budget deficits and public debt. The pact strengthened the Union's role in monitoring member states' fiscal policies. However, it stopped short of establishing joint responsibility for debts, which remains one of the most significant constraints on the EU's progress toward federalization.

The first concerted effort to advance federalization – the Treaty establishing a Constitution for Europe[26] – ended in failure. The rejection of this treaty necessitated revisions to existing agreements, including the Treaty establishing the European Community and the Treaty on the Functioning of the European Union. The Lisbon Treaty,[27] amending the Treaty on the European Union and the Treaty establishing the European Community, achieved changes that had been blocked by the societies of nation-states. These revisions strengthened the roles of the European Parliament and the European Commission at the expense of the Council and national parliaments. An ideological convergence between the Christian Democrats and the Socialists – largely driven by shared interests, particularly among German politicians – furthered this trend, while a party that nominally referred to Christian values abandoned them in substance.

Despite these developments, the goal of federalizing Europe has not been realized, even though one of the greatest opponent of further integration toward federalization – the United Kingdom – departed from the Union.

[24] Initially, the pact consisted of a European Council resolution (adopted in 1997) and two Council regulations dated July 7, 1997, establishing technical arrangements (one on the supervision of budgetary positions and the coordination of economic policies, and the other on the excessive deficit procedure).

[25] Treaty on Stability, Coordination, and Governance in the Economic and Monetary Union, data as of November 15, 2024, available at: https://eur-lex.europa.eu/.

[26] An international agreement signed by EU member states on October 29, 2004, in Rome. The Constitution for Europe was intended to replace existing primary EU laws, repealing the Treaty of Rome (TFEU) and the Maastricht Treaty, along with their amendments and supplements. The EU was to gain legal personality, and powers were clearly divided between the Union, member states, and shared competences. The ratification process was halted after rejection in referenda in France (May 29, 2005) and the Netherlands (June 1, 2005).

[27] Treaty on the Functioning of the European Union (Official Journal C 202, June 7, 2016).

The Dispute Over the Principles of a Federal Europe

The briefly aforementioned manifesto of the Italian communist Trotskyists imprisoned on the island of Ventotene, who envisioned a new European order post-World War II, could have been regarded as just another of the many ideological declarations by anti-fascist resistance groups in Italy or anti-Nazi activists in Germany. However, its significance has been elevated to that of a peculiar foundational act for the European Union, as underscored by its inclusion in the preamble to the European Parliament's Resolution of November 22, 2023, outlining proposals to amend the Treaties.[28] These proposed changes aim explicitly at creating a centralized European federation, building on the current Union as a transitional stage toward that objective.

On June 1, 2021, the European Council adopted new rules concerning the Union's primary income. These rules introduced two landmark changes: first, enabling the Union to provide financial assistance to individual member states, and second, allowing it to borrow on global financial markets for the first time in its history. Repayment of these credit and loan obligations is now a collective responsibility of the Union as a whole – i.e. of its 27 member states. Previously, the EU's budget relied on "own resources," including contributions based on gross national income, customs duties, a share of VAT, and fees linked to non-recycled plastic waste. Other sources include fines, surpluses, and contributions from non-EU countries to specific programs. New sources of income, potentially tied to greenhouse gas emissions or corporate profits, are under discussion to diversify the EU's budget.

The EU budget operates under the principle of balancing expenditures with revenues. The European Commission, under the Treaties, is authorized to borrow funds on international capital markets. Since 2021, this borrowing has funded the COVID-19 recovery plan – Next Generation EU, with loans repayable by 2058. These mechanisms position the EU to act as a quasi-federal entity, akin to an independent fiscal actor. Such moves evoke comparisons to Alexander Hamilton's financial reforms in the late 18th century, which established the United States as a global financial power.

[28] European Parliament Resolution of November 22, 2023, data as of November 8, 2024, available at: https://www.europarl.europa.eu/.

For 2021–2027, the EU's medium-term budget totals €2.018 trillion,[29] split between the standard budget (€1.211 trillion) and the Next Generation EU recovery plan (€806.9 billion). The latter includes €500 billion in grants and €416.9 billion in loans. According to Prof. P. Pysz, the purchasing power of this recovery plan surpasses the Marshall Plan nearly fourfold.[30]

An essential aspect of the 2021–2027 budgetary framework is the connection between the allocation of budgetary resources and adherence to European regulations, including the effective enforcement of anti-corruption measures, commonly referred to as the "rule of law mechanism." This mechanism faced vehement opposition from the Polish and Hungarian governments, and after its adoption, a complaint against it was submitted to the Court of Justice of the European Union, where the complaint was ultimately deemed unfounded. It is worth pausing to reflect on this fact. As evidenced by the actions of the European Commission, this mechanism operates as a purely political tool, aimed at interfering in the internal politics of member states. Moreover, it functions as a means to compel the electorate of a member state to choose a parliamentary majority that will ensure the appointment of a government aligned with the preferences of the European mainstream. Such was the case in Poland, against which the rule of law mechanism was used, and funds from the European Recovery Plan were withheld from the Polish National Recovery Plan. The allegations included a lack of adherence to the rule of law, attacks on judicial independence, and violations of European standards in the practices of the Supreme Court and the National Council of the Judiciary.

These criticisms, in the author's view, are valid, as Zbigniew Ziobro, during his tenure as Minister of Justice, was the most detrimental and longest-serving minister in this role since Poland regained sovereignty in 1989. His tenure will be forever inscribed in academic textbooks as a cautionary tale – for students, but also for professors to disqualify certain students from receiving their degrees, for the sake of both themselves and Poland. One could elaborate extensively on the records of barbarism, nepotism, cronyism, manual control of courts and prosecutors, and the reintroduction of Stalinist models of criminal procedure that

[29] Data as of November 14, 2024, available at: https://www.eca.europa.eu/.

[30] Pysz, 2022, p. 102.

characterized Minister Ziobro's decade-long rule. This legal framework in Poland has not shifted even slightly under Donald Tusk's government, which came to power in December 2023. Despite this, the European Commission immediately declared that rule of law was restored and funds for the Polish National Recovery Plan would be available under the EU Next Generation mechanism. However, it is critical to emphasize that not a single law or provision addressing the often-valid allegations – detrimental to Polish citizens and their interests – had been amended. This is the essence of the rule of law mechanism, colloquially referred to as a tool for disciplining member states.

The diagnosis made in the 2004 special report produced by a team led by former Dutch Prime Minister Wim Kok[31] and the subsequent plan for its implementation quickly collided with reality. As noted by former European Commission President Romano Prodi, the report's conclusions were pessimistic: since the Lisbon summit, the European Union had fallen further behind the United States. The Kok report identified several key reasons for this failure: "an overloaded agenda, poor coordination and conflicting priorities," as well as a lack of political determination among EU member states. By 2022, the European Union had fallen behind not only the United States but also the People's Republic of China in the number of patent proceedings filed. Other countries, such as Japan and South Korea, also outpaced the 27 EU countries in this area.[32]

Mario Draghi highlights how Europe largely missed out the digital revolution spurred by the internet and the productivity gains brought by digitization.[33] For this reason, the European Union is now weak in the very technologies that are driving and will continue to drive future growth. As Draghi notices, only four of the world's top 50 technology companies are European. This disparity can be explained by investment trends: EU companies specializing in cutting-edge technologies invest €270 billion less in research and innovation than their U.S. counterparts. The report offers a striking example: for the past two decades, the three largest investors in research and innovation in Europe have been automotive companies. The situation was identical in the U.S. in the early

[31] High Level Group, 2004. *Facing the Challenge: The Lisbon Strategy for Growth and Employment*. Report chaired by Wim Kok. Luxembourg: Office for Official Publications of the European Communities.

[32] Data as of November 21, 2024, available at: https://uprp.gov.pl/.

[33] European Commission, 2024. *The Future of European Competitiveness: Part A | A Competitiveness Strategy for Europe*, available at https://commission.europa.eu/document/download/97e481fd-2dc3-412d-be4c-f152a8232961_en.

21st century, when automotive and pharmaceutical companies led in research spending. However, the current U.S. landscape is dominated by tech companies, which now make the largest investments in research and innovation. Draghi highlights the need to increase productivity and growth in the European Union. He notes that the era of growth through international trade is over, as is the geopolitical order that collapsed following Russia's invasion of Ukraine. "Europe does not coordinate where it matters," Draghi laments. One glaring example is the EU's fragmented arms market: the EU produces twelve different types of tanks, while the U.S. manufactures only one. Compounding the issue, between mid-2022 and mid-2023, 63% of EU military spending went to the U.S. Addressing these challenges, Draghi emphasizes the need for joint EU investment in technology and industries where it can compete globally. Achieving this vision will require joint funding – and, critically, the political will for shared financing, which means joint borrowing.

Summary

Alexander Hamilton's reform was preceded by a lengthy historical process, fundamentally different from the process of European Union integration. The genesis of this process was the establishment of the 13 British colonies in North America, whose inhabitants were subjects of the British Crown. These settlers, predominantly coming from the British Isles, were united by a shared language, religion, culture, heritage, and the legacy of Anglo-Saxon law. Additionally, they were bound together by their fear of the colonial powers of the time – Dutch, Spanish, and French – who competed with the English for control of the Atlantic coast of North America. Furthermore, they shared a common fear of the Native Americans, whom they continuously dispossessed of land and rights, engaging in constant conflict.

The pivotal moment in this historical trajectory, which in no way severed the colonists – primarily farmers and landowners – from the cultural heritage of the British Empire, was the struggle for independence. The Declaration of Independence by the 13 colonies in North America resulted from a confluence of resistance to fiscal exploitation and the Enlightenment ideals of human rights and self-determination. Like many modern nations, the American nation was forged in the crucible of a bloody war for independence. However, the foundations of this nation – its religion, language, legal culture, and territory – were firmly rooted in the British Empire. Indeed, nearly all U.S. citizens at the time of the Constitution's ratification were either born as British subjects or were children of such subjects. The young republic, comprising 13 independent states, operated on principles of democratic governance, with federal power vested in elected bodies: Congress, the Senate, and the President. Therefore, by the time Alexander Hamilton initiated his reforms of public finances, a functioning institutional federal system was already in place.

The realization of the concept of U.S. federalism within the EU is best illustrated by comparing the roles of the U.S. Supreme Court and the Court of Justice of the European Union. However, there is a significant disparity in the roles of their respective parliaments. Unlike the U.S. Congress, which functions as the full legislative body of the U.S. federation, the European Parliament lacks the right of legislative initiative – a political and legal anomaly. Instead, the European Commission holds the exclusive right of legislative initiative, a structure that undermines the principle of separation of powers and the rule of law, which is a cornerstone of the European Union. From its inception, the federal vision for the EU was predicated on the idea of a central authority with control over a limited number of areas, pre-negotiated with member states. These areas were delegated to central EU institutions, primarily the European Commission and the European Council. Federalists argue that the European Commission should serve as the Union's primary executive body and as the driving force behind European integration.

In analyzing European federalism relative to its American counterpart, a critical consideration is the dynamic created by federated entities representing distinct nationalities. Such entities inherently view themselves as sovereign and self-determining, with their leaders often leveraging central institutions to expand their power while simultaneously weakening the state. Paradoxically, this suggests that federalism functions effectively only in homogeneous societies, where its necessity might be questioned altogether. Bearing in mind that a federal unit never corresponds to just one nationality group, another conclusion could be that a possible EU federation could foster the emergence of new identity groups within new federated units. This could initiate a continuous cycle of fragmentation at the Union level.

Shared debt is a cornerstone of federalization processes, evident in both the United States and the European Union. In the U.S., shared debt was instrumental in consolidating a federal state, with all states assuming collective responsibility for national debts. By contrast, in the EU, debt is not yet fully shared, with individual member states retaining responsibility for their national debts. However, financial crises such as the Eurozone debt crisis and the COVID-19 pandemic have highlighted the potential importance of integrating fiscal policies and managing joint debt as critical components of the EU's ongoing federalization process.

The enormous EU budget, exceeding €2 trillion, serves as a tool of influence over member states while simultaneously enhancing the authority of the European Commission, which controls the allocation of funds. Although the mechanism of conditioning funds on specific criteria could theoretically function as an instrument of federalization akin to the Hamiltonian model, in practice, it does not. Instead, it operates as a form of coercion, granting the European Commission a quasi-judicial role in disputes with member states and elevating it as the arbiter and gatekeeper of compliance. This approach effectively divides the Union into two blocs, with the European Commission acting as the arbiter between them. The defining factor separating these blocs is unconditional cooperation with the Commission and adherence to the prevailing "wisdom of the stage." Federalization, as understood in this context, is not an end goal but a flawed means to achieve another priority: the creation of a centralized state composed of a single, multinational European society.

Europe's greatest asset lies in its multiculturalism and the boundless richness of its diverse cultures, such as French, Polish, Italian, German, and Spanish, although smaller nations have no reason to feel overshadowed. The six founding members of the European Coal and Steel Community embodied this diversity: six languages, six deeply rich cultures and histories, six distinct legal systems, and a wealth of political traditions. Additionally, they represented religious diversity within Christianity, varying sensitivities within and across regions, and different political structures – three federal and three unitary states. Among them were colonial powers with overseas territories and states without colonies. This diversity was further underscored by their shared yet contrasting recent history: just six years earlier, these nations had been on opposing sides of the most devastating war in human history, with two as aggressors and four as occupied nations for nearly five years.

The foundation of the American nation – the War of Independence – stands in stark contrast to the European context. The nations of Europe emerged from World War II divided across three fronts: the Allies, the Axis, and the Soviets. Post-war Europe was devastated, with redrawn borders and a mix of fully sovereign states, those occupied by the Allies, and others under Soviet control. The looming threat of renewed conflict in Europe, exacerbated by the specter of an unyielding Soviet totalitarianism and the plight of nations placed under Soviet domination by the Allies, became the strongest catalyst for integrating free and aspiring sovereign states. In the genesis of the United States and the European Communities, only the people is a common denominator – part of Latin civilization.

The victors of World War II were non-European powers – the United States and the Soviet Union. Although France regained full sovereignty after German occupation and Great Britain emerged as a nation that had fought and won, the war marked a turning point for Britain. Entering the conflict as a superpower, it emerged diminished, losing its global dominance to the United States. From the outset, the process of European integration followed the approach of small, cautious steps, adhering to the principle of trial and error, as articulated by Jean Monnet. This incremental strategy was designed to minimize the risk of major mistakes and to temper the lingering negative emotions among the former adversaries of World War II.

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