

# 75 — LAUNCHING THE NEW GOVERNMENT, 1789 —

"My station is new; and if I may use the expression, I walk on untrodden ground."—President George Washington

"We are in a wilderness without a single footstep to guide us."—Congressman James Madison

1492

1789

2000

## THE FEDERALISTS IN POWER



On March 4, 1789, the first Congress under the U.S. Constitution met in Federal Hall in New York City, the temporary capital.

Most of the 81 congressmen (22 senators and 59 representatives, elected on Feb. 4) were Federalists; 54 had served at either the Constitutional Convention or a state ratifying convention, and all but 7 had approved ratification of the Constitution. The new government was in friendly hands.

ON APRIL 6 THE SENATE COUNTED BALLOTS CAST EARLIER BY THE PRESIDENTIAL ELECTORS. GEORGE WASHINGTON WAS UNANIMOUSLY ELECTED PRESIDENT. JOHN ADAMS WAS ELECTED VICE-PRESIDENT.

THERE WERE NO POLITICAL PARTIES THEN, AND NO ONE EXPECTED THERE TO BE.

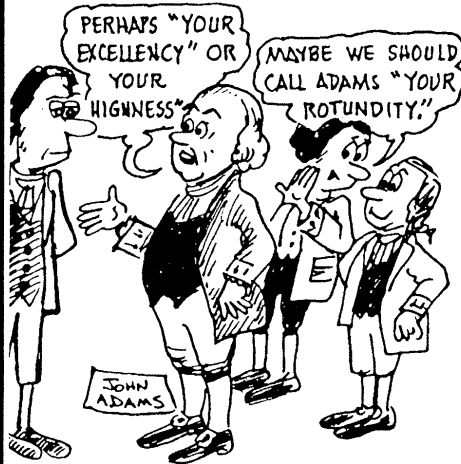


## April 30, 1789—INAUGURATION DAY

I DO SOLEMNLY SWEAR THAT I WILL FAITHFULLY EXECUTE THE OFFICE OF PRESIDENT OF THE UNITED STATES AND WILL, TO THE BEST OF MY ABILITY, PRESERVE, PROTECT, AND DEFEND THE CONSTITUTION OF THE UNITED STATES, SO HELP ME GOD.



TITLES? Accustomed to a monarchy, no one knew exactly how to act in a republic; there were no precedents. What should the president be called?



Madison had the winning idea: just plain "Mr. President."

Congress got down to business, passing

1. The Judiciary Act—which set the number of Supreme Court judges at 6 (changed to 9 in 1869) and established 3 circuit courts and 13 district courts.

(By 1990 there were 13 circuit courts and 90 district courts.)

2. Revenue laws (for a source of income):

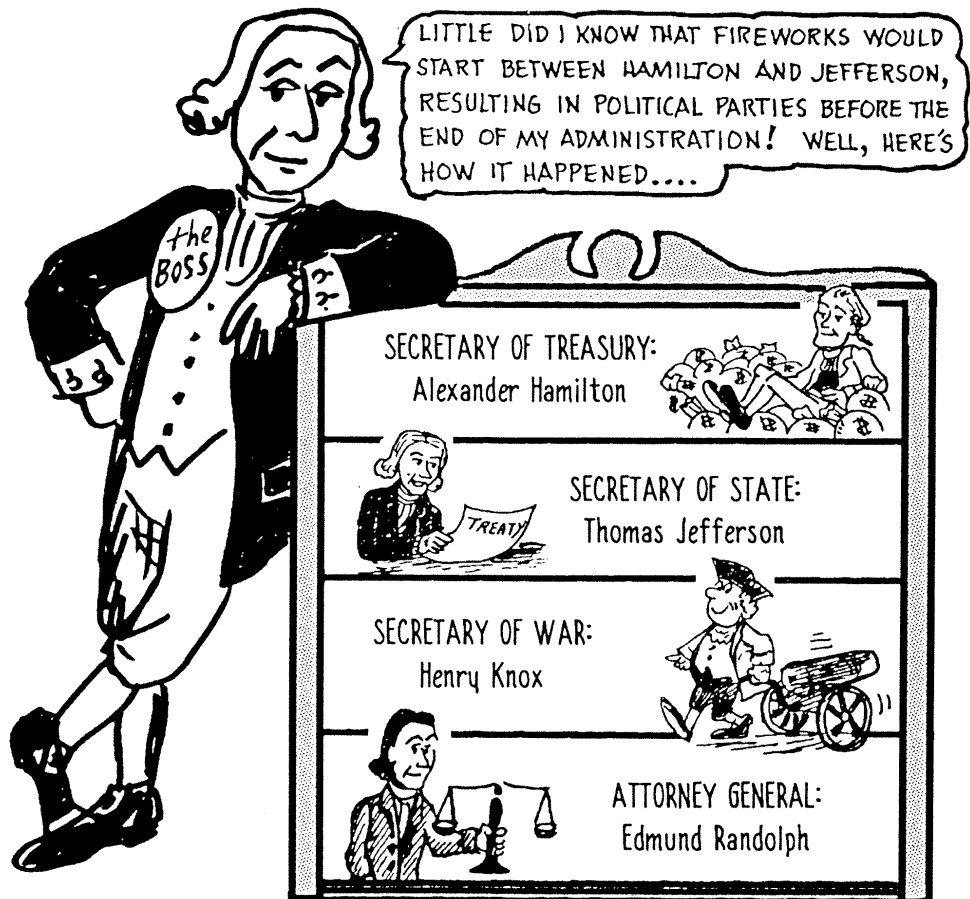
- \$ a tariff on imported goods and
- a tonnage duty on ships entering U.S. ports.

## THE CABINET

Washington appointed talented men of divergent views to head the executive departments. These officials soon became known as the Cabinet.

Washington, a consensus leader who wanted to hear all points of view, met frequently with them to seek their counsel on vital issues.

He set the precedent for present-day cabinet meetings.



# 76 ⇒ ALEXANDER HAMILTON: "THE LITTLE LION," 1755-1804 ⇒

1492

Hamilton "...had...the breadth of mind to grapple with the machine of government as a whole..."—Henry Adams

1755

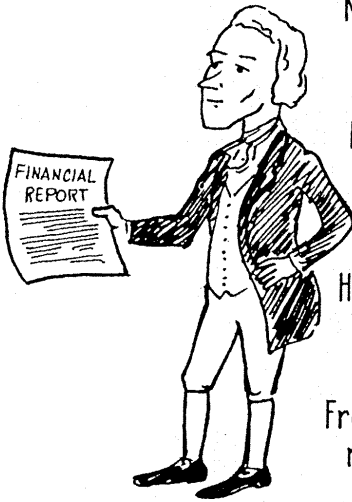
1804

2000

"The Little Lion," they called the aggressive Lieutenant Colonel Hamilton during the Revolutionary War. Now, at age 35, the 5'7" Hamilton was Secretary of the Treasury, and his roar would bring order, efficiency, and financial stability to the new republic. An aristocratic, handsome man, he had a brilliant mind and abrasive ways.

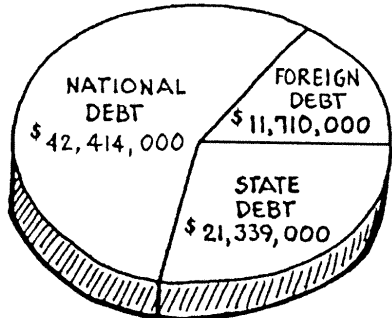
Born in 1755 in the British West Indies—of an English/French mother and Scottish father who never married—Hamilton grew up reading Plutarch's Lives of the ancient Greeks and Romans and idolizing Julius Caesar. At age 16, he arrived in New York to study math and political science at King's College (Columbia). He became a lawyer and married wealthy Elizabeth Schuyler; they had seven children. He served heroically in the Revolutionary War and at age 22 became chief aide to General Washington—who, some said, loved him as a son.

From 1789 to 1795, the Little Lion's financial prowess gave the nearly bankrupt new nation a sound economy, readying it for the industrial growth he envisioned but never witnessed. In 1804 Aaron Burr, a political opponent, killed Hamilton in a duel.



## 1790—The Nation's First Crisis: THE DEFICIT

Congress asked Hamilton to figure out what to do about the staggering Revolutionary War debt it inherited from the Confederation.



## HAMILTON'S FINANCIAL PROGRAM

Hamilton knew that the nation—like a person—had to pay its debts in order to establish credit (the ability to borrow money when needed) and to earn respect from the wealthy class, whose support it needed.

To do this, Hamilton proposed and executed a bold 4-point plan—all designed to strengthen the central government. The opposition his plan aroused led to the creation of political parties.

## 1. FUND FULL PAYMENT OF FOREIGN AND NATIONAL DEBT

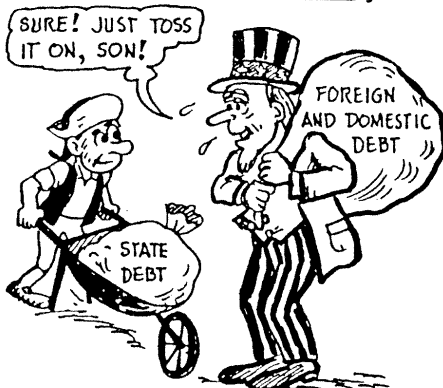
—by selling new U.S. bonds to investors.



Madison and others opposed payment of the national debt at face value because speculators had bought many of the depreciated war bonds at discount prices. But Congress passed the measure.

## 2. ASSUMPTION OF STATE DEBT

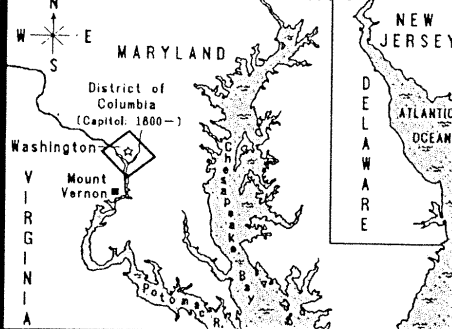
—to bind creditors (lenders) to the national government.



Southern states (except S.C.) objected because they had paid most of their debt and did not want to subsidize that of the North.

## A Capital Compromise

Hamilton worked out a deal with Jefferson and Madison to trade southern votes for assumption—in exchange for northern votes for a southern national capital, located on the Potomac River.



## 3. AN EXCISE TAX ON WHISKEY

—for a source of income to pay the debt.

In 1794 Pennsylvania farmers, who took their corn to market more cheaply by turning it into whiskey, rebelled against the tax.

Washington and Hamilton accompanied a militia of 15,000, led by Gen. Henry Lee, to crush the Whiskey Rebellion and assert the government's power to collect taxes voted on by a representative Congress.



### 4. A FEDERALLY CHARTERED BANK OF THE UNITED STATES

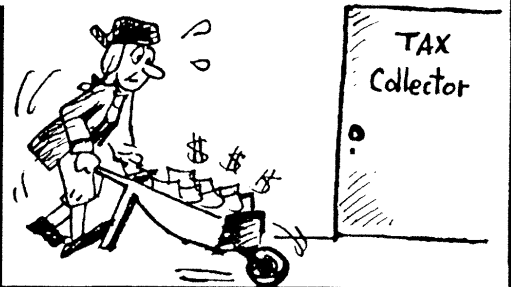
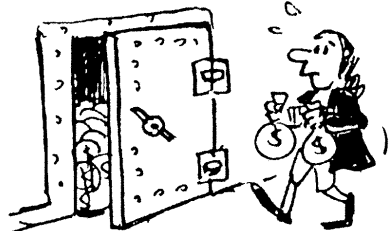
Hamilton displayed his financial genius with a bold proposal for a national bank, jointly owned and directed by the government (20%) and private investors (80%).

Ten million dollars worth of shares would be sold (at \$400 per share) to capitalize the Bank of the U.S. Shareholders would receive dividends from interest on the bank's loans.

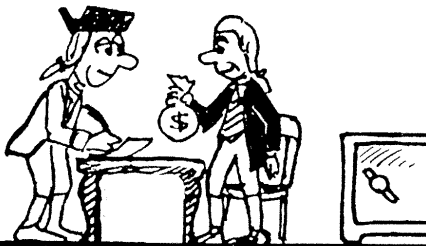
Although modeled on the century-old Bank of England, the proposal seemed hazardous to a nation with few banks of any kind and only three state banks.

### THE BANK OF THE UNITED STATES would :

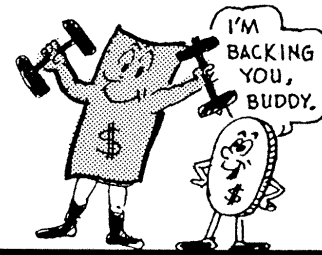
1) be the depository for federal funds, and 2) receive tax funds paid by the people, thus collecting the nation's financial resources into one giant pool, from which it could then:



3) loan money to the government and to businessmen, thus aiding the development of roads, bridges, factories, etc.,



4) issue sound paper money, backed by its hard coin deposits.



Congress approved the Bank bill, despite fierce opposition led by Madison and Jefferson. The two men then prepared their case for urging Washington to veto the Bank bill.

THE BANK FAVORS THE RICH MAN, ABLE TO SPEND \$400 A SHARE. THE RICH THEN GET RICHER ON DIVIDENDS FROM TAXPAYERS' DEPOSITS!

HAMILTON FAVORS GOVERNMENT BY THE "RICH AND WELL-BORN."

BESIDES IT'S UNCONSTITUTIONAL!



Washington, concerned about the constitutionality of the bank, asked Jefferson and Hamilton each to give their opinions on the issue.

#### JEFFERSON

presented a strict, narrow construction of the Constitution.

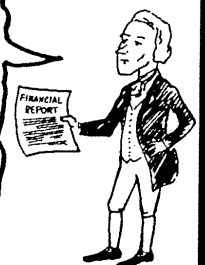
THE CONSTITUTION SAYS WHAT IT MEANS AND MEANS WHAT IT SAYS. NOWHERE DOES IT MENTION CREATING A BANK. IF WE START READING BETWEEN THE LINES, THE FEDERAL GOVERNMENT WILL USURP MORE AND MORE POWER.



#### HAMILTON

presented a loose, broad construction of the Constitution.

ARTICLE 1, SECTION 8 OF THE CONSTITUTION ALLOWS CONGRESS TO "MAKE ALL LAWS WHICH SHALL BE NECESSARY AND PROPER FOR CARRYING INTO EXECUTION" ITS STATED POWERS AND TO "PROVIDE FOR... THE GENERAL WELFARE." NOW, THE POWER TO TAX IMPLIES THE POWER TO CREATE A BANK TO HOLD THE TAX FUNDS — CLEARLY A "NECESSARY AND PROPER" ACT.



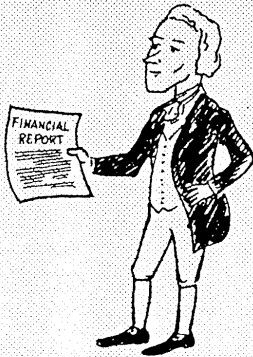
Hamilton won the day: Washington signed the Bank bill. Political parties began to form around Jefferson's and Hamilton's views of the Constitution.

# 77 = FEDERALISTS VS. REPUBLICANS: THE FIRST POLITICAL PARTIES, 1792

"Jefferson said, 'the many!' Hamilton said, 'the few!' Like opposite sides of a penny were those exalted two. If Jefferson said, 'It's black, sir!' Hamilton cried, 'it's white!' But, 'twixt the two, our Constitution started working right."  
 —Stephan Vincent Benet"

## FEDERALIST PARTY

B  
A  
S  
E  
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ALEXANDER HAMILTON'S VIEWS

By the election year of 1792, Hamilton and Jefferson headed rival political parties to enact their views.

Both parties had the same goal, a free republic, but differed in means to attain it.

The political party system (continuing since 1792 to the present), at first feared divisive, has proved vital for democracy.



Why?

Parties provide for dissent and choice, the lifeblood of freedom.

## REPUBLICAN PARTY\*

(not the same as today's Republican party)  
 \*also called Democratic-Republican

B  
A  
S  
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THOMAS JEFFERSON'S VIEWS

## SOCIAL

### PESSIMISTIC VIEW OF HUMAN NATURE

Hamilton believed people are basically selfish—thus need the restraint of strong government.

### OPTIMISTIC VIEW OF HUMAN NATURE

Jefferson believed people are basically good—thus capable of self-government.

## POLITICAL: Who Should Govern?

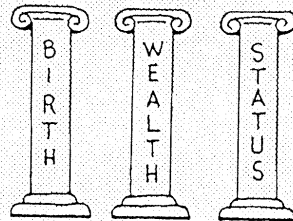
Both Hamilton and Jefferson believed that an aristocracy should rule—but differed as to what kind:

### Hamilton favored:

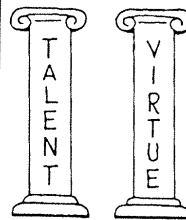
a rich and well-born aristocracy, based upon birth, wealth, and status.

He agreed with John Jay that, "Those who own the country ought to govern it,"

They had more at stake, so they would be more responsible.



THE 5 PILLARS OF  
 (as described by



ARISTOCRACY  
 John Adams)

### Jefferson favored:

a natural aristocracy, based on merit and virtue.

He advocated rule by educated men of property, but he promoted widespread access to both education and property.

WELL, MY DEAR — AS ONE OF THE ELITE, I MUST GO HELP RUN THE GOVERNMENT. "DUTY CALLS."



A LIKELY STORY...



BUT GREENE IS JUST AN ORDINARY FELLOW...

TRUE, BUT HE'S A MAN OF PROVEN ABILITY.

# FEDERALISTS VS. REPUBLICANS

## FEDERALIST PARTY

based on HAMILTON'S VIEWS

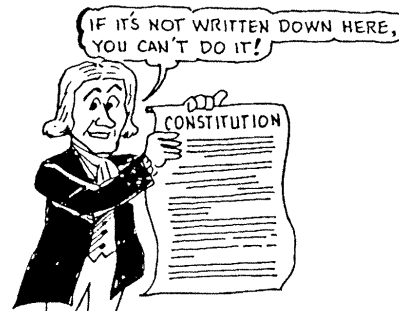
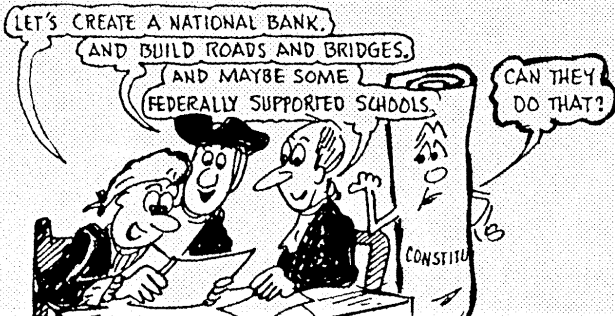
## REPUBLICAN PARTY

based on JEFFERSON'S VIEWS

1. Nationalist: strong central government
2. Loose interpretation of the Constitution

### GOVERNMENT POWER

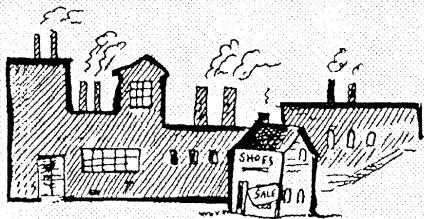
1. Localist, states' rights: limited central government
2. Strict interpretation of the Constitution



1. Industrial economy; manufacturing
2. Urban centered

### ECONOMIC: How shall we eat?

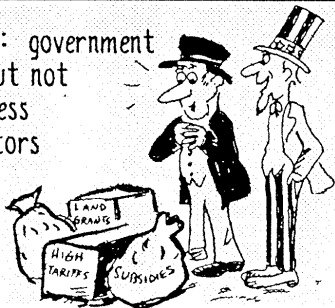
1. Agrarian economy; farming
2. Rural centered



1. Modified capitalism: government aid to business—but not regulation of business
2. Responsive to creditors

### CAPITALISTIC SYSTEM

1. Laissez-faire (hands-off) capitalism: government neither aiding nor regulating business
2. Responsive to debtors



### PRO-BRITISH

### FOREIGN AFFAIRS

### PRO-FRENCH

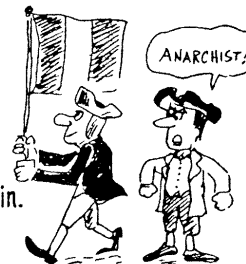


Americans cheered when the French Revolution of 1789 overthrew the French monarchy and replaced it in 1792 with the French Republic—based on liberty, equality, and fraternity. But the cheering stopped in 1793 when the French republicans beheaded King Louis VI and Queen Marie Antoinette, started a reign of terror against the nobles, and declared war on Britain.

Warring France and Britain violated America's neutrality by interfering with her shipping.

Federalists, fearing French mobocracy, favored Britain.

Republicans, fearing monarchists, favored France.



Federalist

Republican

Republican

Federalist



President George Washington  
(tried to remain neutral but leaned toward the Federalists)



Vice President John Adams  
(Committed Federalist leader; Federalist president, 1797-1801.)

### LEADERS



Congressman James Madison  
(Co-leader of Republicans; Republican president, 1809-17)



Senator James Monroe  
(friend to Madison, Jefferson; Republican president, 1817-25)

1. Northeast merchants, manufacturers, financiers
2. Creditors

### VOTERS

1. Southern agrarians; northeastern workers; western pioneers
2. Debtors



Great Britain and France waged war from 1793 to 1802 and again from 1803 to 1815. The United States, dependent on trade with each, tried valiantly to maintain neutrality. After veering toward war with Britain in 1794 and with France in 1798, the new nation fought Britain in the War of 1812 and—in what might be called a second war of independence—finally gained freedom from Europe's entangling alliances.

1st Adm. of George Washington

1789: FRENCH REVOLUTION BEGINS: AN INSIDE VIEW

1792: FRENCH REPUBLIC



(This is an imaginary letter based on facts, as are the next two letters.)

President Washington, my cherished friend: Paris, France

This same year that you have assumed the presidency, the French Revolution has erupted. On July 14 Frenchmen stormed the Bastille [prison] to free political prisoners—and our country—from the despotic rule of King Louis VI. Long live the Revolution—in France as in America!

Please accept this key to the Bastille as a symbol of America's inspiration to us in our fight for liberty against tyrannical rulers.

I think often of the privilege of serving with you as a volunteer general in the American Revolutionary Army—and with Hamilton, my battle comrade at Yorktown. My dear friend Jefferson serves you well here as the American minister. We've sought his unofficial counsel on our revolution.

My best to Martha and your grandson Fayette. Adieu, Marquis de Lafayette



My Dear Lafayette:

The Bastille key now hangs at Mount Vernon, a tribute to your new Republic of France formed this year. May the spirit of liberty guide you.

Warm regards from Martha and me.

George Washington

2nd Adm. of George Washington

1793: FRANCE DECLARES WAR ON BRITAIN, SPAIN

1794: JAY'S TREATY WITH ENGLAND

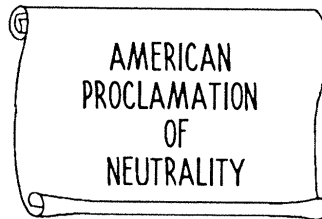


Dear Washington:

A terrible thing! Extreme radicals called Jacobins have taken over the revolution and beheaded the king and queen! They're murdering opposing factions. I am now in prison.

And now France and Britain are at war. What will America do? Adieu, Lafayette

Washington's response:



Britain completely ignored our neutrality by raiding our ships and impressing our sailors into her service.

JOHN JAY NEGOTIATED A TREATY THAT GOT ENGLAND TO PAY SOME SHIP DAMAGES AND TO WITHDRAW FROM NORTHWEST POSTS SHE HAD REFUSED TO VACATE AFTER THE REVOLUTIONARY WAR. BUT JAY FAILED IN THE MOST IMPORTANT THING: CESSATION OF BRITISH IMPRESSMENT OF AMERICAN SAILORS! WASHINGTON DREW CRITICISM FOR THIS.

John Adams

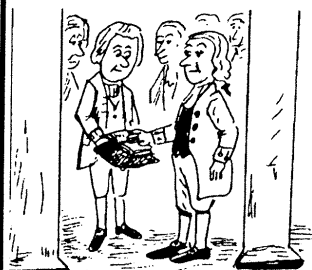
1797: ADAMS' INAUG.

1797: XYZ AFFAIR

1798-1800: ALIEN AND SEDITION ACTS



Federalist John Adams barely won the presidency over Republican Thomas Jefferson (71 to 68), who then became Vice President.



In an undeclared naval war, France now bullied the U.S. on the high seas. U.S. agents sent to negotiate a treaty with France were asked for a \$250,000 bribe to do so by three French agents, whom the Americans called "X, Y, and Z." Hamilton and other anti-French Federalists demanded war at this insult.

Scrappy John Adams held Hamilton—and France—at bay. Refusing to go to war unnecessarily, he built defenses and negotiated a peace convention by 1800, ending the undeclared naval war of 2 years.

Repressive Alien and Sedition Acts limiting the rights of aliens and prohibiting the right to criticize the government (sedition) soured people on the Federalists. Even so, the Kentucky and Virginia Resolutions, written anonymously by Madison and Jefferson, were unsuccessful in urging these states to rule the acts unconstitutional.