

Name: _____
Social Studies 7

Date: _____
A New Nation



A NEW NATION



On April 30, 1789 the first president of the United states was _____ (admitted) into office. _____ and his Vice President, _____, were unanimously elected. They were about to take on many firsts during their terms in office. On the steps of City Hall in New York City, the temporary capital of the nation, Washington was sworn in by taking the oath of office.

Everything Washington did was carefully looked at. No one had ever been the president before him, so all of Washington's actions became _____ for future leaders- examples set for others to follow. He said, "The first of everything in our situation will serve to establish a precedent." Some examples that Washington set included:

1. _____
2. _____

The Constitution had actually done very little in the way of establishing the departments and positions needed to run a country. Washington and the first Congress had to figure it out on their own. They created several executive departments to help the president run the country. These departments became known as the president's _____ (advisors). They were:

Department	Job	First Secretary (head)
State Department		
Treasury Department		
	Represent the U.S. in legal matters	
		Henry Knox

They also created the _____, which organized how the Supreme Court would be run. It would have:

- 1 Chief Justice (the very first was _____)
- 5 Associate Justices (today there are _____)
- a system of district and circuit courts across the nation

One of Washington's biggest problems as president was how to deal with the **national debt**. The country owed France and other countries about \$11 million from the Revolutionary War. American citizens had also helped to fund the war by buying more than \$40 million worth of war bonds. Bonds we, essentially, certificates that people purchased so that their money could be used by the government. This came with the understanding that they would get their money back, with interest, after the war.

Hamilton's Plan

Alexander Hamilton, the Secretary of the Treasury, felt that the U.S. would never be able to borrow money again if no one trusted the country to repay its loans. Americans were worried that they'd never get their money from the war bonds back, so they began to sell them for much less than their value to **speculators**-people who would purchase up the bonds from others, taking a gamble that the value of the bond would eventually increase and give the bond some worth. To be able to borrow money in the future, the country needed to prove that it could pay back the money it already owed. So, Hamilton proposed a plan with two parts:



1. The nation must repay the war bonds to Americans in full. In order to do this, the government would need to issue new war bonds, at a much higher interest rate. The country would use the money from the sale of the new bonds to pay back the old ones. Then, in a few years when the economy was stronger, the country could pay back these newer bonds.
2. Many states had their own large war debts, as well. Hamilton wanted the federal government to take over the states' debts. Hamilton's argument was that it would build national credit and make it easier for the nation to borrow money in the future. It would also encourage the states to have a strong interest in the success of the nation.

Think about it: Why did Hamilton propose that the federal government pay off the states' wartime debts?

What are speculators? How will they benefit from Hamilton's plan?

OPPOSITION TO THE PLAN

Thomas Jefferson strongly opposed Hamilton's plan- he felt it would reward the speculators, who he believed took advantage of poor farmers by purchasing their war bonds for very little money when the farmers were broke and desperate. Those people would then be able to cash in the bonds and make a profit from the farmers, and the national government. Madison also opposed the idea of the states helping to pay off each other's debt- many Southern states, who didn't have as much of a war debt as Northern states, had already paid off their own debts and felt they should not have to pay more.

The country was already in the midst of its first conflict- how do we fix the national debt?

Hamilton offered a compromise to Madison and the other Southerners who did not support his plan. If citizens agreed to vote for his plan, he would support moving the national capital to the South- something the Southerners had wanted for many years. His idea worked- soon people supported his policy for fixing the national debt, and plans for a new capital in Washington, D.C.- a neutral area not a part of any state- were underway.

- Explain the opposition to Hamilton's plan- why didn't men like Jefferson and Madison like it?

- What compromise was reached? *Why* do you think that this compromise was important to the Southern states?

The Fight for a National Bank

Part of Hamilton's bold plan for the economy was to establish a National Bank- a Bank of the United States. The purpose would be to hold the nation's funds and make debt payments. It would also issue a single form of money to use in all states. Having a national currency would make trade- and all other financial actions- much easier.

However, Madison and Jefferson opposed a national bank, believing it would only help the wealthy. They did not believe that the Constitution gave Congress the authority to establish one, either. On the other hand, Hamilton argued that the Constitution *did* do so, indirectly- Congress had the power to collect taxes and borrow money, and a national bank would enable the nation to do that.

- Think back to the Constitution: what type of power is Hamilton describing when he said that the Constitution *indirectly* gives Congress the authority to establish a national bank?

Tariffs and Taxes

In the late 1700s, American industries lacked experience. As a result, it often cost American manufacturers more to make a product than it cost foreign manufacturers. Hamilton believed that the United States needed more manufacturing, and believed that the government should protect American manufacturers from foreign competitors. He proposed high **protective tariffs**, or taxes placed on imported goods. The tariffs would do two things: first, they would raise money for the nation, but more importantly, it would encourage Americans to buy goods from American manufacturers. He also called for a national tax to help the government pay off the debts.

Many Southern states were opposed to this idea because they did not have much industry- they relied heavily on imports, and would be hit hard with the high tariffs. In an effort to keep everyone happy, Congress passed only low tariffs and some taxes, including one on American-made whiskey. Hamilton's ideas created conflict. Jefferson and Madison believed that he was building a dangerously powerful government run by the wealthy. They began to organize opposition to Hamilton and his policies.

- What is a tariff? Why did Hamilton propose one?

How a Protective Tariff Works



- In your own words, using the chart above to help you, explain how a protective tariff works.
